

22 May 2008

LONDON STOCK EXCHANGE GROUP PLC

ANNOUNCEMENT OF PRELIMINARY RESULTS OF LONDON STOCK EXCHANGE GROUP PLC FOR THE YEAR ENDED 31 MARCH 2008

In summary, the enlarged Group has delivered an excellent overall performance, reflecting strong organic growth and the merger with Borsa Italiana:

Financial highlights:

- Revenue up 56 per cent to £546.4 million; and adjusted operating profit (before exceptional items and amortisation of purchased intangibles) up 56 per cent to £289.0 million
- Operating profit including exceptional items and amortisation up 52 per cent to £265.2 million and basic earnings per share up 45 per cent to 73.1 pence
- Adjusted basic earnings per share up 30 per cent to 73.1 pence
- Cash generated from ongoing operating activities, and inclusion of Borsa Italiana for 6 months, up 42 per cent to £282.7 million
- Total dividend for the year up 33 per cent to 24.0 pence per share
- £139 million returned to shareholders through share buyback programmes

Financial highlights - Pro forma:

(As if Borsa Italiana had been acquired on 1 April 2006, with translation of prior year using the same average exchange rate as the year ended 31 March 2008)

- Revenue increased 15 per cent to £666.8 million; pro forma adjusted operating profit up 27 per cent to £343.0 million
- Adjusted basic earnings per share up 29 per cent to 72.9 pence

Commenting on the results, Chris Gibson-Smith, Chairman of the London Stock Exchange, said:

"This has been another year of considerable achievement from both a financial and strategic perspective. In financial terms, the Exchange performed strongly with adjusted basic earnings per share 30 per cent higher at 73.1 pence per share. In strategic terms the company has continued to invest in long term growth as well as successfully completing the merger with Borsa Italiana. In light of these excellent financial results and our confidence in the future, the Board intends to pay a total dividend for the year of 24 pence per share, an increase of 33 per cent."

Clara Furse, Chief Executive of the Exchange, said:

"The Exchange has delivered excellent results, with each division recording strong growth, despite more testing conditions towards the end of the year. In particular, Trading Services delivered an exceptional performance, following the successful launch of TradElect, the Exchange's new trading platform, as trading volumes increased by more than eighty per cent during the year.

"The merger with Borsa Italiana diversifies our business, with a number of new assets and products that will accelerate our international development. Our integration is on track and we expect to deliver at least the synergies as announced last year.

"In a dynamic market environment, we are confident of achieving further growth this year."

Operational highlights of the year (pro forma data):

- Completion of merger with Borsa Italiana to create Europe's leading diversified exchange Group – good progress made on integration and expect to deliver approximately half of the £40 million synergies in the current financial year, with full run rate cost synergies by the start of next year
- Successful launch of our new high capacity and low latency trading system, TradElect, helped to deliver an 82 per cent increase in average daily SETS bargains to 642,000 - with record levels of trading in the final quarter of the financial year – and a 39 per cent increase in average daily SETS value traded to £9.1bn
- Cash equities trading in Italy up 20 per cent to an average 290,000 trades per day over the year, and migration to new TradElect platform planned for end of calendar 2008
- Commenced development of exchange traded CFDs on a combined order book offering single point of access for both cash equities and CFDs; and further upgrades to trading system planned during coming year to enhance functionality and speed
- Good overall primary market activity with a total of 411 new issues in London and Milan, and underlining London's pre-eminent position with 128 international companies joining our markets, with more international IPOs than the other major European and US exchanges combined
- Number of new initiatives to develop international business, including announcement with Tokyo Stock Exchange of intention to create new market for growth companies; and opening of representative office in Beijing to extend international reach in this important region;

- Total terminals taking LSE data up 22,000 to record 138,000, of which terminals attributable to professional users up 16,000 to 112,000; Professional users of Italian data up 13,000 to 160,000
- Plans announced for post-trade router to reduce cost of clearing services and enable settlement netting, based on X-TRM router used in Borsa Italiana

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FINANCIAL RESULTS

London Stock Exchange Group plc (“the Exchange”) today issued its Preliminary Results for the year ended 31 March 2008. The results reflect inclusion of Borsa Italiana S.p.A. from 1 October 2007, with comparative information for the prior year reflecting the Exchange only. In addition, to assist investors in understanding the performance of the enlarged Group, pro forma figures are presented for the full year and the prior comparative year as if Borsa Italiana had been acquired on 1 April 2006, with translation of prior year using the same average exchange rate as the year ended 31 March 2008 (“pro forma basis”). Details relating to the pro forma calculations are set out with tables at the end of this statement. All data relating to key drivers is provided on a pro forma basis for the full financial year and equivalent prior period unless otherwise stated.

Summary Results

The enlarged Group has produced an excellent financial performance, driven in particular by continued very strong growth in Trading Services but also reflecting strong contributions from all main business areas.

Revenue for the year ended 31 March 2008 increased to £546.4 million, up 56 per cent over the previous year (2007: £349.6 million) and up 15 per cent on a pro forma basis to £666.8 million (2007: pro forma £578.4 million).

Administrative expenses, excluding exceptional items and amortisation of purchased intangibles, were £257.4 million (2007: £164.0 million), and on a pro forma basis were £323.8 million (2007: pro forma £307.3 million). Exceptional costs of £2.3 million were incurred, related to integration activities associated with the merger with Borsa Italiana. In addition, amortisation of purchased intangibles, relating to the Italian business, amounted to £21.5 million for the six months from completion on 1 October 2007.

Adjusted operating profit (excluding exceptional items and amortisation of purchased intangibles) increased 56 per cent to £289.0 million (2007: £185.6 million) and on a pro forma basis up 27 per cent to £343.0 million (2007: pro forma £271.1 million). Including exceptional items and amortisation, operating profit increased 52 per cent to £265.2 million (2007: £174.2 million).

Net finance costs for the year were £32.7 million (2007: £14.6 million), reflecting an increase in borrowings following the merger with Borsa Italiana and continuation of a return of capital to shareholders through an ongoing share buyback programme.

Profit before taxation was £234.7 million (2007: £161.5 million). After tax and minority interests, profit attributable to equity holders for the year was £173.8 million (2007: £109.6 million).

The taxation charge of £56.2 million included an exceptional credit of £19.7 million reflecting the impact of the reduction in Italian tax rate on 1 January 2008 on deferred tax liabilities. Adjusting for exceptional items and amortisation of purchased intangibles, the tax rate of 31 per cent reflects an effective tax rate of 28 per cent for UK earnings and 39 per cent on Italian earnings, including the reduction in Italian tax on 1 January 2008. On a pro forma basis the tax rate is 35 per cent.

Adjusted basic earnings per share, before exceptional items and amortisation of purchased intangibles, rose 30 per cent to 73.1 pence per share (2007: 56.2 pence per share), and on a pro forma basis was up 29 per cent to 72.9 pence per share (2007: pro forma 56.6 pence). Basic earnings per share increased 45 per cent to 73.1 pence per share (2007: 50.5 pence per share).

The enlarged Group delivered good operating cash flows from ongoing operating activities, increasing 42 per cent to £282.7 million (2007: £198.6 million) reflecting strong operating performance and the inclusion of Borsa Italiana cash flows in the second half of the year.

For the six month period from 1 October 2007 to 31 March 2008, the acquired Borsa Italiana business contributed revenues of £133.2 million and operating profit of £57.5 million (excluding exceptional items and amortisation of purchased intangibles).

Dividend

Reflecting the enlarged Group's excellent performance, the Board proposes a final dividend of 16.0 pence per share, to be paid to those shareholders on the register on 18 July 2008, for payment on 11 August 2008. Together with the interim dividend of 8.0 pence per share paid in January 2008, the total dividend for the year rises to 24.0 pence per share, an increase of one-third over the previous year (2007: 18.0 pence per share).

Capital return - share buyback programme

The Exchange returned £139 million to shareholders through on-market share repurchases. In the first half of the year, the Exchange completed share buybacks amounting to £94 million, completing £154 million of the £250 million share buyback programme current at that time. Following the merger with Borsa Italiana on 1 October 2007, the remaining £96 million of the £250 million programme was rolled into a £500 million share buyback programme. By the end of March 2008 the Exchange had re-purchased 2.9 million shares for a total £45 million, and between then and 21 May 2008 has bought back an additional 1.2 million shares for £13 million.

REVENUE

The Group reports its revenues by business segments, these being Issuer Services, Trading Services, Information Services and Post Trade Services.

Issuer Services

The Issuer Services' division comprises the primary market operations of London Stock Exchange and Borsa Italiana. Revenue for the combined Issuer Services' businesses increased 30 per cent to £82.4 million (2007: £63.2 million) and on a pro forma basis increased 6 per cent to £97.1 million (2007: £91.5 million).

Activity on the Exchange's primary markets reflected the uncertainty created by liquidity events in global credit markets. While the number of new issues remained strong during the first part of the year, activity levels reduced later, particularly in the final quarter.

In London there were a total of 378 new issues in the year (2007: 503), including 110 new issues on the Main Market, slightly up on the previous year (2007: 106). On AIM, the world's most successful market for smaller growth companies, new issues remained good at 262, though below the level in the prior year (2007: 395). In addition, there were a total of 3,824 further issues (2007: 3,817), including 494 on the Main Market (2007: 622), and 3,330 on AIM, an increase on last year (2007: 3,195). Total money raised on the London markets reached £38.1 billion (2007: £53.7 billion).

The Exchange enjoyed another strong year in terms of attracting international listings, with the total number of overseas companies joining the Main Market growing to 39 (2007: 35), and with 83 international companies joining AIM (2007:102). In addition, 6 overseas companies joined PSM, our market for debt, convertibles and depositary receipts for professional investors (2007: 2). Momentum has continued into the new year, in less than two months adding eight overseas companies on the Main Market, including first ever listings from Mexico and Czech Republic, and raising over USD4 billion. Two of the companies are primary listings and possible entrants in to the FTSE 100 Index.

Once again, the Exchange attracted a higher number of international IPOs than any other major global exchange, with 84 in London during the year - more than the other major European and US exchanges combined. In total, the number of companies on the UK markets at 31 March 2008 was 3,273 (2007: 3,245). Of these, 1,681 companies were quoted on AIM (2007: 1,637).

In Italy, new issue activity was good, with an increase in number of new equity issues in the year to 33 (2007: 25), together with significant growth in issues of ETFs at 134 and ETCs at 47 (2007: 62 ETFs and 0 ETCs). Across both London and Milan markets there are now 641 ETFs and ETCs. Bonds decreased slightly with 142 issued in the year (2007:145). The number of new securitised derivatives listed in the year remained strong overall, totalling 7,269, though reduced on the previous year (2007: 8,713). As at 31 March there were a total of 306 companies on Borsa Italiana's markets (2007: 288).

Including further issues and debt, pro forma total admission fee income for the enlarged Group increased to £34.3 million representing 35 per cent of Issuer Services' revenue (2007: pro forma £34.1 million; 37 per cent). Annual fee income, the revenue the Exchange receives from companies on its markets, rose 9 per cent on a pro forma basis to £40.7 million, contributing 42 per cent of Issuer Services' revenue (2007: pro forma £37.4 million; 41 per cent).

A number of new initiatives were announced during the year to further extend our international reach. In partnership with Tokyo Stock Exchange, the Exchange announced its intention to create in Japan a new market for growth companies. In China, the opening of a representative office in Beijing along with the Chief Executive's participation in the Shanghai International Financial Advisory Council, which first met on 8 May 2008, increases the Exchange's presence in this important region. During the year the Exchange also signed a cooperation agreement with Bahrain Stock Exchange and a Memorandum of Understanding with Ho Chi Minh Stock Exchange.

RNS, the Exchange's financial communications service performed well, with a 20 per cent increase in the number of company announcements during the year. Servizio Titoli, which provides company secretarial services to listed companies in Italy, also made good progress. These businesses, together with other training and consultancy services, contributed a pro forma £22.0 million to Issuer Services revenue (2007: pro forma £19.9 million).

Trading Services

The Trading Services division consists of the cash equities, derivatives and fixed income trading activities of the enlarged Group. This division delivered an excellent result with overall revenue increasing 53 per cent to £264.7 million (2007: £173.1 million), and on a pro forma basis increased 18 per cent to £310.0 million (2007: pro forma £261.9 million). This performance was principally driven by the very strong growth in trading on SETS, the Exchange's electronic equities order book.

The total number of SETS bargains increased 81 per cent to 161.0 million (2007: 89.0 million), with an 82 per cent increase in average daily bargains to 642,000 (2007: 353,000). Total value traded on SETS was up 39 per cent to £2,273 billion (2007: £1,638 billion), representing a daily average of £9.1 billion (2007: £6.5 billion). Trading was strong throughout the year, with notably high levels of activity during the summer due to market volatility at that time, and trading in the final quarter reached record levels with an average of 812,000 bargains per day, an increase of 84 per cent over the same quarter last year.

Very high volume growth during the year was facilitated by the introduction of TradElect, the Exchange's new trading platform, successfully launched in June 2007. This new system provides significantly increased capacity and improved latency, which enables customers to trade at much higher frequency and with greater certainty of execution. An upgrade took place in October to further improve performance and add new functionality, and other enhancements are planned over the next 12 months. The investment we have made in this new generation technology, together with the investment taking place by customers in new trading technologies and programmes continues to create a shift in the nature of order flow as new, higher velocity algorithmic/black box trading by hedge funds, intermediaries and specialist technical trading firms continue to grow strongly. SETS is also continuing to benefit from growth in derivatives-linked business, as trading on SETS provides a more immediate and efficient hedging mechanism for exposures originating in the UK over the counter market equity markets than alternative markets.

The average value of a SETS bargain reduced during the year to £14,000 (2007: £18,000) with an expected reduction in average yield per SETS bargain to £0.88 (2007: £1.32). Also contributing to the reduction in trading costs during the year was an increase in the level of volume discounts achieved by customers as their trading volumes have risen. Over 70 per cent of trades in the year qualified for discounts, with customers benefiting from new tariffs introduced during the period, including a SETS internaliser offering that significantly reduced costs for firms that match their own orders on the SETS order book.

Cash equities trading in Italy increased 19 per cent in the year, with 72.6 million trades in the period (2007: 61.2 million), and average daily trades rose 20 per cent to 290,000 (2007: 241,000). Value traded increased 23 per cent to €1,518 billion (2007: €1,235 billion), and on an average daily basis was up 25 per cent to €6.1 billion (2007: €4.9 billion). Trading in Italy also benefited from significant volatility associated with credit market events and heightened activity in financial markets at a number of points during the year, particularly in the summer. Growth in trading tailed off in the final two months, principally due to falls in the value of the MIB Index and lower levels of volatility. During the course of the new financial year we will migrate cash equities trading in Italy to TradElect, thereby increasing its potential to attract institutional and new, latency sensitive trading flows.

Other major projects are also in the pipeline. Over recent months we have been consulting with the market on establishing exchange traded CFDs. This is to be delivered in a combined order book, offering single point of access for both cash equities and CFDs. The service will bring many of the key attributes that the Exchange has delivered to the cash equities market, including straight through processing, netting and cross margining as well as greater transparency, removal of counterparty risks, improved market efficiencies, lower cost of trading and a deeper liquidity pool. The service is expected to go live in the first quarter of 2009.

Overall, equities order book trading, including order charges, contributed 67 per cent of Trading Services revenue on a pro forma basis (2007: pro forma 61 per cent).

The Exchange's Derivatives operations also performed well, with good growth on both the Italian and the EDX London derivatives businesses. Trading on the Italian derivatives market IDEM grew 12 per cent to 37.2 million contracts (2007: 33.2 million), and contracts traded on EDX London increased 55 per cent to 48.6 million (2007: 31.4 million), driven in part by the success of Russian derivatives, introduced at the end of 2006. On a pro forma basis, total income from Derivatives trading made up 8 per cent of the division's revenue (2007: pro forma 8 per cent).

On the fixed income markets, trading conditions were more challenging as a consequence of credit market liquidity events, particularly in the money markets since the summer. On MTS, the leading market in Europe for electronic trading of bonds, nominal value traded was broadly flat year on year at €20.3tn (2007: €20.2tn). MTS repo trading remained unchanged with nominal value traded of €17.4tn. On MOT, Borsa Italiana's Electronic Bond and Government Securities Market, value traded increased 21 per cent to €152 billion (2007: €126 billion). In total, pro forma revenue from fixed income represented 10 per cent of Trading Services turnover (2007: pro forma 13 per cent)

Information Services

Information Services consists of the information products businesses in London and Milan. The division produced a very strong performance, with a 36 per cent increase in total revenue to £143.6 million (2007: £105.9 million), and on a pro forma basis increased 16 per cent to £161.9 million (2007: pro forma £139.8 million). Underpinning this growth was a rise in the number of users taking the Exchange's and Borsa Italiana's real-time market data, with very good increases in both professional and private terminals.

Total terminals taking London Stock Exchange data rose strongly to 138,000 (2007: 116,000), including 112,000 terminals attributable to professional users, up 16,000 on the previous year (2007: 96,000) and 5,000 since 31 December 2007 (107,000). Fuelling this increase was the growth in international terminals, with the number of users outside the UK increasing to 71,000 (2007: 60,000). Private terminal numbers also increased, to 26,000, a rise of 6,000 (2007: 20,000).

In Italy there was good growth in the number of professional users of the DDM service (which provides real time Italian market data) to 160,000 (2007: 147,000). Private individuals registering for information also increased, up 43,000 to 784,000 (2007: 741,000).

Proquote, the Exchange's provider of financial market software and data, continued to make good progress. The number of installed screens at year end increased to 4,200 (2007: 3,700), with a near doubling of higher value Proquote International screens. In Italy, the number of users of Market Connect (to whom real time information on non Italian markets is supplied) increased 67 per cent to 20,000 (2007: 12,000).

SEDOL, the securities numbering service that provides unique identification for securities on a global basis, produced a good performance with an increase in number of securities covered to more than 2.4 million (2007: 1.8 million).

Post Trade Services

Post Trade Services comprises the Italian-based clearing, settlement and custody businesses. Revenues for the six months since acquisition were £42.8 million, and on a pro forma basis for the full year were £82.0 million, an increase of 13 per cent (2007: pro forma £72.4 million).

The CC&G clearing business delivered a very strong performance with revenues of £20.1 million for the six months, and on a pro forma basis for the year were up 41 per cent to £37.4 million (2007: pro forma £26.6 million).

Clearing transaction volumes increased strongly as a result of increased trading volumes during the year, with the number of equity contracts up 19 per cent to 73.8 million (2007: 62.2 million) and derivative contracts up 12 per cent to 37.2 million (2007: 33.2 million). Open interest at the end of March 2008 was flat at 3.5 million contracts (2007: 3.5 million). The Clearing business also benefited from an increase in cash deposit handling fees resulting from higher levels of deposits and more favourable treasury conditions.

Settlement revenues for the Monte Titoli settlement business were £8.0 million for the six months, and on a pro forma basis for the year were down 11 per cent to £15.1 million (2007: pro forma £17.1 million). The number of settlement instructions during the year decreased five per cent to 52.7 million (2007: 55.5 million) due to increased settlement netting and consolidation among bank customers, with a new flat fee pricing structure introduced at the start of the year.

Monte Titoli custody revenues for the six months were £14.6m, with a three per cent rise in revenues on a pro forma basis to £29.5 million (2007: 28.7 million). The average value of assets under custody increased 4 per cent to €2.8 trillion (2007: €2.7 trillion).

In January, the Exchange announced plans for a post-trade router, based on the X-TRM router used in Borsa Italiana, to reduce cost of clearing services and enable settlement netting. The Exchange continues to assess developments in the post trading landscape in determining further steps for our post trade services.

Integration with Borsa Italiana

Good progress has been made with integration of the two exchanges since the merger with Borsa Italiana was completed on 1 October 2007. A new management structure has been put in place and various integration workstreams are underway in the UK and Italy to deliver the synergy benefits.

The Exchange expects to deliver the targeted financial benefits set out when the merger was proposed. We expect cost synergies amounting to at least £20 million per annum by FY 2010, with over £10 million to be achieved in the current financial year; and revenue synergies totalling £20 million per annum are expected by FY 2011, with approaching half to be delivered this year. Total costs for achieving these synergies will be no more than £40 million, of which c£6 million was incurred in FY 2008 and the majority of the remaining £34 million is expected in the current financial year, including an estimated £20 million to be taken as capitalised expense and the remainder as an exceptional item.

Board Appointment

In January 2008 we announced that Doug Webb, currently Chief Financial Officer at QinetiQ Group plc, has agreed to join the Exchange as its new Chief Financial Officer. He will commence this role and join the Group Board as an Executive Director on 2 June 2008. Doug will stand for election at the Group's forthcoming AGM on 9 July 2008.

Current trading and prospects

Although market conditions remain testing in certain areas, the Exchange has nevertheless made an encouraging start to the new financial year. Trading volumes continue to grow in the UK and the introduction of TradElect in Italy later this year should encourage a structural shift in trading in this market. Primary markets activity is still relatively subdued but there remains a flow of new and further issues, including good levels of international business in the first weeks of the year. Demand for real time data remains resilient.

A number of new entrants have announced that they will establish pan-European trading operations in the coming year. Through our continuous investment in technology, development of a range of new market services and a tariff schedule structured to incentivise growth, we believe the Exchange is well positioned. Together with the benefits from integration with Borsa Italiana, the Exchange is confident of delivering further growth in the year ahead.

Further information

The Group will host a presentation of its Preliminary Results for analysts and institutional shareholders today at 09:30am at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live web cast, which can be viewed at www.londonstockexchange-ir.com. For further information, please call the Group's Investor Relations team on 020 7797 3322.

The Group will also hold a presentation of its Preliminary Results for members of the press today at 11:30am at 10 Paternoster Square, London EC4M 7LS. For further information, please call the Exchange's London Press Office on 020 7797 1222 or Milan office on +39 02 72 426 212

Pro forma disclosures (Unaudited)

Year ended 31 March 2008

	2008 £m	2007 £m
Issuer ¹	97.1	91.5
Trading ¹	310.0	261.9
Information ¹	161.9	139.8
Post Trade ¹	82.0	72.4
Other income ¹	15.8	12.8
Total Revenue¹	666.8	578.4
Operating expenses ^{1,2}	323.8	307.3
Adjusted operating profit^{1,2}	343.0	271.1
Adjusted basic earnings per share^{1,2,3}	72.9p	56.6p
Weighted average number of shares	277.5	296.6

¹ Information for Blt for both of the years ended 31 March 2008 and 2007 has been translated using the same average exchange rate for the year ended 31 March 2008 of €1.4196: £1 in order to illustrate growth on a constant currency basis.

² Excluding exceptional items and amortisation of purchased intangible assets

³ Key assumptions comprise the following:

- o Blt's acquisition of 90 per cent stake of Servizio Titoli (€29.3 million), Blt's acquisition of the remaining 51 per cent stake of MBE Holding S.p.A. and MTS S.p.A.'s acquisition of the remaining 33 per cent stake of MTSNext (together for €100 million) are assumed to have taken place on 1 April 2006 and funded by debt bearing an interest rate of 4%
- o Taxation has been calculated using rates prevalent to each period
- o Pro forma weighted average number of shares has been calculated as if shares issued to Blt's former shareholders on 1 October 2007 (of 79.4 million) had been issued on 1 April 2006

The unaudited proforma information has been prepared by the directors to illustrate the acquisition of Blt as if it had taken place on 1 April 2006 (the first day of the comparative period). In addition, the illustrative information includes the revenues and profits of MBE Holding S.p.A (the holding company for MTS), of which the remaining 51% was acquired 14 September 2007 and Servizio Titoli S.p.A (acquired 5 April 2007) had they been acquired on 1 April 2006 by Blt.

The information has not been designed to and does not give a presentation of the consolidated revenue, adjusted operating profit or adjusted basic earnings per share of LSEG that would have been reported had the business combination actually occurred on 1 April 2006 (for example, it does not include the impact of potential synergies). Further, the information has been prepared without making any adjustments to reflect the impact of acquisition accounting in accordance with IFRS 3. It has been prepared for illustrative purposes only through the aggregation of existing LSEG Group, existing Blt Group, MBE Holding S.p.A. (including MTS) and Servizio Titoli. Therefore, undue reliance should not be placed on this information.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement
Year ended 31 March 2008

	Notes	2008			2007		
		Before amortisation and exceptional items	Amortisation and exceptional items	Total	Before amortisation and exceptional items	Amortisation and exceptional items	Total
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2	546.4	-	546.4	349.6	-	349.6
Expenses							
Operating expenses	3	(257.4)	(23.8)	(281.2)	(164.0)	(11.4)	(175.4)
Operating profit		289.0	(23.8)	265.2	185.6	(11.4)	174.2
Finance income		18.8	-	18.8	16.9	-	16.9
Finance costs		(51.5)	-	(51.5)	(31.5)	-	(31.5)
Net finance costs	4	(32.7)	-	(32.7)	(14.6)	-	(14.6)
Share of profit after tax of joint venture/associates		2.2	-	2.2	1.9	-	1.9
Profit before taxation		258.5	(23.8)	234.7	172.9	(11.4)	161.5
Taxation	3, 5	(80.3)	24.1	(56.2)	(50.3)	(0.6)	(50.9)
Profit for the financial year		178.2	0.3	178.5	122.6	(12.0)	110.6
Profit attributable to minority interests		4.4	0.3	4.7	0.5	0.5	1.0
Profit attributable to equity holders		173.8	-	173.8	122.1	(12.5)	109.6
		178.2	0.3	178.5	122.6	(12.0)	110.6
Basic earnings per share	6			73.1p			50.5p
Diluted earnings per share	6			71.9p			49.4p
Dividend per share in respect of financial year	7						
Dividend per share paid during the year				20.0p			14.0p
Dividend per share declared for the year				24.0p			18.0p

Statement of recognised income and expense
Year ended 31 March 2008

	Notes	Group	
		2008 £m	2007 £m
Profit for the financial year		178.5	110.6
Defined benefit pension scheme actuarial gain	10	21.2	0.3
Tax related to items not recognised in income statement		(3.9)	4.8
Cash flow hedge		(7.9)	-
Net investment hedge		(6.8)	-

Exchange gains on translation of foreign operation	212.7	-
	215.3	5.1
Total recognised income for the financial year	393.8	115.7
Attributable to minority interests	15.9	1.0
Attributable to equity holders	377.9	114.7
	393.8	115.7

Balance sheet
31 March 2008

	Notes	Group	
		2008 £m	2007 £m
Assets			
Non-current assets			
Property, plant and equipment	8	72.8	58.8
Intangible assets	9	1,821.9	55.8
Investment in joint venture		1.9	1.9
Investment in associates		2.3	-
Deferred tax assets		10.0	15.9
Available for sale investments		0.4	0.4
Retirement benefit	10	11.8	-
Other non-current assets		0.4	-
		1,921.5	132.8
Current assets			
Trade and other receivables	11	121.1	61.4
CCP financial assets		15,649.2	-
CCP cash and cash equivalents (restricted)		1,654.1	-
CCP clearing business assets	12	17,303.3	-
Current tax		3.9	-
Assets held at fair value		13.8	-
Cash and cash equivalents		200.6	72.9
		17,642.7	134.3
Total assets		19,564.2	267.1
Liabilities			
Current liabilities			
Trade and other payables	13	146.2	129.4
Derivative financial instruments		7.9	-
CCP clearing business liabilities	12	17,307.7	-
Current tax		16.1	20.6
Borrowings	14	436.0	171.4
Provisions	15	5.2	8.0
Other current liabilities		1.8	-
		17,920.9	329.4
Non-current liabilities			
Borrowings	14	248.4	248.7
Deferred tax liabilities		95.7	-
Retirement benefit	10	7.6	15.0
Provisions	15	23.2	23.9
		374.9	287.6
Total liabilities		18,295.8	617.0
Net assets/(liabilities)		1,268.4	(349.9)

Equity

Capital and reserves attributable to the Company's equity holders

Share capital	16	19.1	253.0
Retained / loss	16	(325.6)	(351.7)
Other reserves	16	1,479.7	(253.8)
		1,173.2	(352.5)
Minority interests in equity	16	95.2	2.6
Total equity		1,268.4	(349.9)

Cash flow statement
Year ended 31 March 2008

	Notes	Group	
		2008	2007
		£m	£m
Cash flow from operating activities			
Cash generated from operations	17	280.2	180.4
Interest received		5.8	6.1
Interest paid		(39.4)	(14.8)
Corporation tax paid		(68.7)	(33.5)
Net cash inflow from operating activities		177.9	138.2
Cash flow from investing activities			
Net cash inflow from merger		82.3	-
Purchase of property, plant and equipment		(10.3)	(6.0)
Purchase of intangible assets		(21.9)	(13.9)
Dividends received		2.4	2.0
Acquisition of minority interest in Borsa Italiana		(0.5)	-
Net cash inflow/(outflow) from investing activities		52.0	(17.9)
Cash flow from financing activities			
Dividends paid to shareholders		(46.0)	(33.2)
Cash impact of capital return including redemption of B shares		(8.1)	(497.9)
Share buyback		(143.8)	(105.3)
Purchase of own shares by ESOP trust		(36.7)	(47.8)
Proceeds from own shares on exercise of employee share options		5.9	5.4
Proceeds from bond issue - July 2006		-	249.2
Proceeds from borrowings		613.0	228.0
Repayment of borrowings		(497.5)	(72.6)
Share issue costs		(2.9)	-
Net cash outflow from financing activities		(116.1)	(274.2)
Increase/(decrease) in cash and cash equivalents		113.8	(153.9)
Cash and cash equivalents at beginning of year		72.9	226.8
Exchange gains on cash and cash equivalents		13.9	-
Cash and cash equivalents at end of year		200.6	72.9

Group cash flow does not include cash and cash equivalents held by CC&G on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default fund amounts held for counterparties for short periods in connection with this operation.

Notes to the Financial Statements

1. Basis of preparation and accounting policies

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value, including those of the central counterparty ("CCP") clearing business of the Company's majority-owned subsidiary Cassa di Compensazione e Garanzia S.p.A. ("CC&G"), and on the basis of the principal accounting policies set out below. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, all having co-terminous accounting periods, with all inter-company balances and transactions eliminated.

The financial statements include the effects of the merger with Borsa Italiana S.p.A. which has been consolidated from the date of merger. This transaction has been accounted for as an acquisition under IFRS 3 "Business Combinations" and the results of Borsa Italiana S.p.A. and its subsidiary and associate undertakings have been included in the results of the Group from 1 October 2007. As a result it has been necessary for the Group to adopt a number of new accounting policies including those for the consolidation of associates, for calculating the carrying value of purchased intangible assets and for certain hedging instruments. Also the Group has redefined its segmentation to show trading services and post trade services rather than broker services and derivatives services. Trading services consists of broker services, derivatives services and fixed income services, while post trade services is a new segment, which includes settlement, custodian and clearing services. The new segmentation has been adopted as management believes it better reflects the different risk profiles of the Group's businesses.

The Group has adopted a columnar format for the presentation of its consolidated income statement. This enables the Group to aid an understanding of its results by presenting profit for the year before amortisation of purchased intangible assets arising on consolidation and exceptional items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying cash earnings. Profit before amortisation and exceptional items is reconciled to profit before taxation on the face of the income statement.

Accounting policies

Consolidation

The consolidated financial statements include the results of the Company and its subsidiaries together with the Group's attributable share of the results of associates and joint ventures. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes.

Investments in joint ventures and associates are accounted for under the equity method. The Group's investment in joint ventures is initially recognised at cost, and its share of profits or losses after tax from joint ventures is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. Investments in associates are also accounted for under the equity method of accounting. The financial statements of associates are used by the Group to apply the equity method, under which the Group's income statement reflects the Group's share of the results of operations of the associates. A company is considered an associate where the Group has a substantial stake but not outright control, which is considered to be more than a 50% shareholding.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination, such as professional fees paid to accountants and legal advisers and other consultants to effect the combination. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Purchases from minority interests result in goodwill being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

Revenue

Revenue represents the total amount receivable for the provision of goods and services, excluding value added tax.

Revenue is recognised in the period when the service or supply is provided:

- a) annual fees are recognised over the 12 month period to which the fee relates;
- b) admission fees are recognised at the time of admission to trading;
- c) data, transaction and exchange charges are recognised in the month in which the data is provided or the transaction is effected. In interim reports, Borsa Italiana Group defers some of the income received from cash trading and S&P Futures trading and clearing. This regressive pricing recognises revenues at the average price of transactions forecast for the full year, as pricing levels reduce during the year when incremental volume targets are achieved
- d) royalties are recognised in the 12 month period to which the royalties relate;
- e) custody fees are recognised in the month in which the service is provided;
- f) settlement fees are recognised in the month in which the transaction is effected. For cash trading settlement and S&P Futures trading settlement, regressive pricing policies as in (c) above apply;
- g) clearing fees and other clearing related revenues are recognised in the month in which the transaction is effected. For cash and S&P Futures clearing, regressive pricing policies as in (c) above apply;

Exceptional items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as exceptional items on the face of the income statement within their relevant category. The separate reporting of these items helps give an indication of the Group's underlying performance.

Foreign currencies

The consolidated financial statements are presented in Sterling, which is the Company's presentation and functional currency.

Foreign currency transactions are converted into Sterling using the rate ruling at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities or bonds held at fair value through profit or loss, are reported as part of their fair value gain or loss. Exceptions to this are where the monetary items form part of the net investment in a foreign operation or are designated as hedges of a net investment, or as cash flow hedges. Such exchange differences are initially recognised in equity.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are converted into the presentation currency as follows:

- a) Assets and liabilities for each balance sheet presented are converted at the closing rate at the date of that balance sheet;
- b) Goodwill, purchased intangible assets and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the closing rate;
- c) Income and expenses are translated and recorded in the income statement at the average monthly rates prevailing; and
- d) All resulting exchange differences are recognised as a separate component of equity;

Intangible assets

- a) Goodwill arising on the acquisition of subsidiaries represents the excess of consideration paid plus transaction costs over the fair value of the Group's share of net identifiable assets purchased. It is not amortised but is tested annually for impairment and when there are indications that the carrying value may not be recoverable, and is carried at cost less accumulated impairment losses;
- b) On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. These may include brand names, customer relationships, licences and software development costs, all of which are recorded as intangible assets and held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives, which do not normally exceed 25 years or the term of the licence. The amortisation period and method are reviewed and adjusted, as appropriate, at each balance sheet date; and
- c) Third party software costs for the development and implementation of systems which enhance the services provided by the Group are capitalised and amortised over their estimated useful economic lives, averaging three years.

Property, plant and equipment

- a) Freehold properties, including related fixed plant, are included in the financial statements at cost less accumulated depreciation and any provision for impairment. Freehold buildings and related fixed plant are depreciated to

residual value, based on cost at the beginning of the year plus subsequent additions, over their estimated economic lives. The estimated useful lives of properties range between 33 and 50 years, and the estimated useful economic lives of fixed plant range from five to 20 years;

- b) Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the useful economic life of the asset; and
- c) Plant and equipment is stated at cost and is depreciated to residual value on a straight line basis over the estimated useful economic lives of the assets, which mainly range from three to five years.

The Group selects its depreciation rates based on expected economic lives, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances.

Classification of financial assets and liabilities

(i) Financial assets (excluding clearing business)

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for liquidity purposes and are initially recognised at fair value and any subsequent changes in fair value are recognised directly in the income statement. These assets are financial instruments not designated as hedges.

b) Available-for-sale financial assets

Investments (other than term deposits and interests in joint ventures/associates and subsidiaries) are designated as available for sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long term equity investments that do not qualify as associates or joint ventures are usually classified as available for sale.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

(ii) Financial assets and liabilities of the Central Counterparty (CCP) clearing business

Assets and liabilities of the CCP clearing service relate to CC&G, the subsidiary that performs the CCP clearing business. CC&G clears financial derivatives, equities and bond transactions on Italian regulated markets, guaranteeing the successful receipt or delivery of securities for the transactions to be settled on both the bid and offer side of transactions with the respective counterparties. It enters into a contractual arrangement in respect of each side of the transaction, bears the counterparty risk associated with honouring the counterparty obligations and, in the event of a failure to deliver by any counterparty, is required itself to complete delivery of the appropriate securities. Accordingly, CC&G must record an asset and a liability on its balance sheet in respect of each of the bid and offer sides of each transaction in accordance with IAS 39, paragraph 14. However, except in respect of failed transactions CC&G as a CCP clearer does not bear any price risk as the value of the bid and offer side of each transaction are the same; consequently, the principal CCP asset and liability amounts largely match each other.

Accounting treatments of financial assets and liabilities include the following:

a) Derivatives, trading assets and liabilities

These transactions are initially recorded at fair value, which coincides with the market value of the open positions on the IDEM derivatives market in which CC&G operates as CCP, and are subsequently remeasured on the basis of the market price of each derivative instrument at the period end. Since the asset and liability positions of the CCP clearer are matched, the same amount is recorded for both the assets and liabilities and no fair value gains or losses are recognised in the income statement.

b) Receivables for and liabilities under repurchase transactions

These represent repurchase transactions ("repos") by clearing members in the bond market using CC&G's clearing and guarantee service. They represent the value of transactions already settled spot and not yet settled at term, usually within 2 days. These transactions are initially recognised at fair value and are subsequently measured at amortised cost, by allocating the yield on the repo pro-rated over the duration of the contract (the coupon accrued in the period and the difference between the spot and forward prices). Since the asset and liability positions for repos are matched, the same amount is recorded for both assets and liabilities and no gain or loss is recorded in the income statement.

c) Other receivables from and payables to clearing members

These comprise accounts receivable and payable deriving from the activities of clearing members in derivatives, equities and bond transactions. They mainly represent amounts to be received or paid for initial and variation margins, option premiums and default fund contributions and are initially recorded at fair value. They are generally settled on the next day and, accordingly, are not discounted back to current value.

d) Financial assets and liabilities at fair value

These represent quoted equity and bond securities which CC&G acquires usually as a result of failure by a counterparty to deliver its side of a transaction and are recognised initially at fair value and subsequently remeasured at fair value, based on the market price of each security. The difference between the settlement price of each security at trade date and the market price of that security at the period end is recognised as a fair value gain or loss in the income statement.

e) Cash and cash equivalents

These amounts include amounts received from clearing members to cover initial and variation margins and default fund contributions as collateral against default or insolvency and are deposited with banks. Such amounts are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method, if the time value of money is significant.

Cash and cash equivalents

Cash and cash equivalents of the Group comprise cash at bank and term deposits that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument.

The Group designates certain derivatives as either:

- a) foreign currency derivatives as cash flow hedges;
- b) hedges of interest rate movements associated with highly probable forecast transactions as cash flow hedges.

The Group also hedges a proportion of its net investment in Borsa Italiana S.p.A. by designating Euro borrowings as a net investment hedge.

In order to qualify for hedge accounting, a transaction must meet strict criteria as regards documentation, effectiveness, probability of occurrence and reliability of measurement. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Effectiveness testing is conducted at each reporting date and at the commencement and conclusion of any hedge in order to verify that the hedge continues to satisfy all the criteria for hedge accounting to be maintained. Subject to the hedge being deemed effective, the proportion of the gain or loss on the hedging instrument is recognised directly in equity. The ineffective portion is recognised in the income statement within finance costs.

Movements on the hedging reserve in shareholders' equity are shown in note 16. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives not designated as a hedge are classified as a current asset or liability.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Foreign currency borrowings and/or derivatives are used as hedges for net investments in foreign operations. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast transaction that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Trade receivables

Trade receivables are non-interest bearing and are stated at their fair value which is usually the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion not deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

Borrowings

Bank borrowings are initially recorded at the fair value of amounts received, net of direct issue costs and transaction costs (including upfront facility fees). Subsequently, these liabilities are carried at amortised cost, and interest is charged to the income statement over the period of the borrowings using the effective interest method. Similarly direct issue costs and transaction costs (including upfront facility fees) are charged to the income statement over the period of the borrowings using the effective interest rate method.

Redeemable Class B shares issued in connection with the May 2006 capital return are carried at amortised cost, and presented as a financial liability, in line with IAS 32, "Financial Instruments: Disclosure and Presentation". The dividend accrued in respect of the Class B shares has been classified within finance costs in the income statement.

Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is made in the accounts for the lower of the cost of fulfilling lease commitments for property space surplus to business requirements after taking into account income from sub-letting, and any compensation or penalties arising from failure to fulfil the lease commitments. Such provisions are discounted where the time value of money is considered material.

Share Capital

- a) The Company's own shares held by the ESOP trust are deducted from equity until they vest unconditionally in employees and are held at cost. Consideration paid in respect of Treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.
- b) Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Operating leases

Rental costs for operating leases are charged to the income statement on a straight-line basis. Lease incentives are spread over the term of the lease.

Pension costs

The Group operates defined benefit and defined contribution pension schemes. For the defined benefit scheme the service cost, representing benefits accruing to employees, is included as an operating expense and the expected return on scheme assets and interest cost from unwinding of the discount on scheme obligations are included as finance income and finance costs respectively. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of recognised

income and expense. The net asset or liability recognised on the balance sheet comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the expense is charged to the income statement as incurred.

Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income.

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is determined using tax rates that are substantially enacted at the balance sheet date and are expected to apply when the asset is realised or liability settled.

Deferred tax assets are recognised to the extent it is probable that they will be recoverable against future taxable profits.

Share based compensation

The Group operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period. The transactions are equity-settled in accordance with the provisions of IFRIC 11 "IFRS 2, Group and Treasury Share Transactions".

2. Segment information

Segmental disclosures for the year ended 31 March 2008 are shown below. Following the merger with Borsa Italiana, the Group's regional profile has changed, and geographical segments are given below also. As explained in note 1, the Group's segmentation has redefined trading services and created a new segment, post trade services. The comparative figures for the year ended 31 March 2007 have been restated in accordance with the new segmentation.

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m	Group £m
Revenue							
Ongoing revenue	82.5	265.1	143.8	46.0	20.5	-	557.9
Inter-segmental revenue	(0.1)	(0.4)	(0.2)	(3.2)	(7.6)	-	(11.5)
Total revenue	82.4	264.7	143.6	42.8	12.9	-	546.4
Expenses							
Depreciation and amortisation	(5.0)	(19.8)	(18.1)	(4.1)	(0.8)	(0.6)	(48.4)
Exceptional integration costs (see note 3)	(0.2)	(0.3)	(0.3)	-	-	(1.5)	(2.3)
Other expenses	(41.6)	(87.5)	(58.4)	(15.3)	(11.4)	(16.3)	(230.5)
Total expenses	(46.8)	(107.6)	(76.8)	(19.4)	(12.2)	(18.4)	(281.2)
Operating profit (segment result)	35.6	157.1	66.8	23.4	0.7	(18.4)	265.2
Share of profit after tax of joint venture / associates	-	0.1	2.1	-	-	-	2.2
Assets	232.3	801.1	319.5	18,015.8	42.4	148.9	19,560.0
Investment in joint venture / associates	-	2.0	2.2	-	-	-	4.2
Total assets	232.3	803.1	321.7	18,015.8	42.4	148.9	19,564.2

Liabilities	(32.2)	(71.8)	(47.4)	(17,368.0)	(23.6)	(752.5)	(18,295.8)
Capital expenditure	4.8	15.4	6.4	0.1	1.5	0.1	28.3

Comparative segmental disclosures for the year ended 31 March 2007 are as follows:

	Issuer £m	Trading £m	Information £m	Post Trade £m	Other £m	Corporate £m	Group £m
Revenue							
Ongoing revenue	63.2	173.1	105.9	-	7.4	-	349.6
Total revenue	63.2	173.1	105.9	-	7.4	-	349.6
Expenses							
Depreciation and amortisation	(2.9)	(11.0)	(9.6)	-	-	(0.6)	(24.1)
Exceptional costs (see note 3)	-	3.1	-	-	-	(14.5)	(11.4)
Other expenses	(32.5)	(47.0)	(43.8)	-	(6.5)	(10.1)	(139.9)
Total expenses	(35.4)	(54.9)	(53.4)	-	(6.5)	(25.2)	(175.4)
Operating profit (segment result)	27.8	118.2	52.5	-	0.9	(25.2)	174.2
Share of profit after tax of joint venture	-	-	1.9	-	-	-	1.9
Assets	19.7	79.8	49.7	-	22.2	93.8	265.2
Investment in joint venture	-	-	1.9	-	-	-	1.9
Total assets	19.7	79.8	51.6	-	22.2	93.8	267.1
Liabilities	(24.2)	(27.6)	(32.7)	-	(18.0)	(514.5)	(617.0)
Capital expenditure	3.3	16.8	3.1	-	0.2	0.1	23.5

The Other segment represents property sub-letting and activities not directly related to the four main business segments and do not individually constitute separately reportable segments. Corporate expenses are for corporate services which cannot reasonably be allocated to business segments. Costs are allocated according to appropriate metrics, e.g. headcount or floor space.

Geographical disclosure

The Group's six business segments operate in three main geographical areas.

The Group's revenue is generated mainly within the UK and Italy.

	2008 £m	2007 £m
Revenue		
UK	379.7	299.7
Italy	79.1	0.6

Other	87.6	49.3
Total	546.4	349.6

Revenue is allocated based on the country in which the customer is located.

	2008	2007
	£m	£m
Total assets		
UK	320.1	265.2
Italy	19,239.9	-
	19,560.0	265.2
Joint ventures - UK	1.9	1.9
Associates - Italy	2.3	-
Total	19,564.2	267.1

	2008	2007
	£m	£m
Capital expenditure		
UK	26.3	23.5
Italy	2.0	-
Total	28.3	23.5

Capital expenditure is allocated based on where the assets are located.

3. Amortisation of purchased intangible assets and exceptional items

	2008	2007
	£m	£m
Amortisation of purchased intangible assets (note 9)	(21.5)	-
Fees in respect of offers for the Company	-	(13.5)
Release of provision in respect of EDX London Ltd	-	3.1
Restructuring costs ¹	-	(1.0)
Integration costs ²	(2.3)	-
Total affecting profit before tax	(23.8)	(11.4)
Tax effect on items affecting profit before tax	0.7	(0.6)
Deferred tax liability amortisation	3.7	-
Credit to taxation in respect of change of Italian tax rate ³ (note 5)	19.7	-
	24.1	(0.6)
Total credit/(charge) to income statement	0.3	(12.0)

¹ Restructuring costs are one-off implementation costs arising from the cost savings programme announced in February 2006.

² Integration costs relate to the integration of the businesses of the London Stock Exchange and Borsa Italiana.

³ The change of Italian tax rate on 1 January 2008 affected the value of deferred tax liabilities acquired, resulting in a credit to the taxation account.

4. Net finance costs

	2008 £m	2007 £m
Finance income		
Bank deposit and other interest	6.3	4.7
Expected return on defined benefit pension scheme assets (see note 10)	12.3	11.9
Investment income	0.2	0.3
	18.8	16.9
Finance costs		
Interest payable on bank and other borrowings	(34.5)	(17.8)
Other finance costs	(3.1)	(0.5)
Interest on discounted provision for leasehold properties (see note 15)	(1.3)	(1.4)
Defined benefit pension scheme interest cost (see note 10)	(12.6)	(11.8)
	(51.5)	(31.5)
Net finance costs	(32.7)	(14.6)

5. Taxation

	2008 £m	2007 £m
Taxation charged to the income statement		
Current tax:		
UK corporation tax for the year at 30% (last year 30%)	58.0	49.6
Overseas tax for the year	22.7	-
Adjustments in respect of previous years	(1.7)	(5.1)
	79.0	44.5
Deferred tax:		
Deferred tax for the current year	2.3	1.3
Adjustments in respect of previous years	0.5	5.1
Exceptional credit to deferred tax in respect of Italian tax rate change	(19.7)	-
Deferred tax liability amortisation	(3.7)	-
Foreign exchange differences	(2.2)	-
	56.2	50.9

The adjustments in respect of previous years' corporation tax are mainly in respect of tax returns agreed with relevant tax authorities.

	2008 £m	2007 £m
Taxation on items (credited)/charged to equity		
Current tax (credit):		
Tax allowance on share options/awards in excess of expense recognised	(5.7)	(2.3)
Deferred tax charge/(credit):		
Defined benefit pension scheme actuarial gains	6.3	0.1

Tax allowance on share options/awards in excess of expense recognised	3.1	(2.6)
Change in UK tax rate	0.2	-

Factors affecting the tax charge for the year

The reconciling items between profits multiplied by the UK rate of corporation tax of 30% (2007: 30%) and the income statement tax charge for the year are explained below:

	2008 £m	2007 £m
Profit before taxation	234.7	161.5
Profits multiplied by UK rate of corporation tax at 30% (2007: 30%)	70.4	48.5
Expenses not deductible	8.9	3.0
Share of joint venture and associates consolidated at profit after tax	(1.0)	(0.6)
Exceptional credit to deferred tax in respect of Italian tax rate change	(19.7)	-
Overseas earnings taxed at higher rate	3.5	-
Adjustments in respect of previous years	(1.2)	-
Other	(4.7)	-
Taxation charge	56.2	50.9

The weighted average tax rate for the Group was 32% (2007: 30%).

6. Earnings per share

Earnings per share is presented on three bases: basic earnings per share; diluted earnings per share; and adjusted basic earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on conversion or vesting of share options and share awards under the Employee Share Ownership Plan (ESOP). Adjusted basic earnings per share excludes amortisation of purchased intangible assets and exceptional items to enable comparison of the underlying earnings of the business with prior periods.

	2008	2007
Basic earnings per share	73.1p	50.5p
Diluted earnings per share	71.9p	49.4p
Adjusted basic earnings per share	73.1p	56.2p
	£m	£m
Profit for the financial year attributable to equity holders	173.8	109.6
Adjustments:		
Amortisation of purchased intangible assets	21.5	-
Exceptional items	2.3	11.4
Tax effect of amortisation and exceptional items	(24.1)	0.6
Exceptional items, amortisation and taxation attributable to minority interests	0.3	0.5
Adjusted profit for the financial year attributable to equity holders	173.8	122.1
Weighted average number of shares - million	237.8	217.2
Effect of dilutive share options and awards - million	3.8	4.6

Diluted weighted average number of shares - million	241.6	221.8
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The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 237.8 million (2007: 217.2 million).

7. Dividends

	2008	2007
	£m	£m
Second interim dividend (in lieu of final dividend) for 2006 paid May 2006: 8.0p per Ordinary share	-	20.5
Final dividend for 2007 paid August 2007: 12.0p per Ordinary share	23.8	-
Interim dividend for 2008 paid January 2008: 8.0p (2007: 6.0p) per Ordinary share	22.2	12.7
	46.0	33.2

The Board has declared a final dividend in respect of the year ended 31 March 2008 of 16.0p per share, which is estimated to amount to £43.0m, to be paid on 11 August 2008. The right to non-cumulative preference dividends on the remaining redeemable Class B shares is discussed in note 14.

8. Property, plant & equipment

Group	Total
	£m
Cost	
1 April 2006	112.6
Additions	6.6
Disposals	(1.4)
31 March 2007	117.8
Additions	8.4
Acquisition of subsidiaries (note 18)	16.2
Exchange differences	2.3
Disposals	(0.1)
31 March 2008	144.6
Depreciation	
1 April 2006	48.5
Charge for the year	11.4
Disposals	(0.9)
31 March 2007	59.0
Charge for the year	12.9
Exchange differences	-
Disposals	(0.1)
31 March 2008	71.8
Net book values:	
31 March 2008	72.8

9. Intangible Assets

Group	Goodwill £m	Software £m	Purchased intangibles £m	Total £m
Cost:				
1 April 2006	32.2	95.1	-	127.3
Additions	-	16.9	-	16.9
Disposals	-	(0.7)	-	(0.7)
31 March 2007	32.2	111.3	-	143.5
Additions	-	19.9	-	19.9
Acquisition of subsidiaries (note 18)	917.3	5.6	635.2	1,558.1
Exchange differences	132.7	0.8	93.1	226.6
31 March 2008	1,082.2	137.6	728.3	1,948.1
Amortisation and accumulated impairment:				
1 April 2006	21.1	54.6	-	75.7
Charge for the year	-	12.7	-	12.7
Disposals	-	(0.7)	-	(0.7)
31 March 2007	21.1	66.6	-	87.7
Charge for the year	-	14.0	21.5	35.5
Exchange differences	-	-	3.0	3.0
31 March 2008	21.1	80.6	24.5	126.2
Net book values:				
31 March 2008	1,061.1	57.0	703.8	1,821.9
31 March 2007	11.1	44.7	-	55.8

As explained in note 18, the fair valuation of the Borsa Italiana assets and liabilities is provisional. Accordingly, the allocation of goodwill in respect of the Borsa Italiana merger to cash-generating units has not been finalised or disclosed. In accordance with IAS 36, "Impairment of assets", the Group will effect the allocation by 31 March 2009.

The carrying value of goodwill for Borsa Italiana S.p.A. represents the excess of consideration paid over the provisional identifiable fair value of the purchased assets. Purchased intangible assets were valued using discounted cash flows, and are amortised over their estimated useful lives, which do not normally exceed 25 years.

The purchased intangible assets arising on consolidation represent customer relationships, brands, software and licences, as disclosed in note 18.

The foreign exchange differences arise as a result of the assets purchased being booked at the prevailing exchange rate on 1 October 2007 and revalued for the balance sheet at the exchange rate for 31 March 2008. The movement has been taken to equity (note 16).

The carrying value of goodwill and other assets in respect of Proquote Ltd was supported by the estimated net present value of future cash flows in the business plan over the next five years, with a growth rate of 2.25% beyond that and cash flows discounted using a pre-tax discount rate of 12.6%.

10. Retirement benefit asset/obligation

The Group operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Group in a separate trustee administered fund and the funds are primarily managed by Schroder Investment Management Limited, Investec Asset Management Limited, Morley Fund Management Limited and Legal & General Investment Management Limited.

The 'Other Plans' relate to the severance and leaving indemnity scheme (TFR) operated by Borsa Italiana Group in accordance with Italian law. Until 30 June 2007, the amounts deducted from employees' pay were held by Borsa Italiana Group until the employee left.

Defined benefit scheme

The defined benefit scheme is non-contributory and provides benefits based on final pensionable pay related to salary earned in the last five years of employment. The defined benefit scheme was closed to new members in 1999 but provides retirement benefits to approximately 10% of current and many former employees. Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Group balance sheet.

The severance and leaving indemnity scheme (TFR) operated by Borsa Italiana Group is classified as a defined benefit scheme. The service cost, representing deferred salaries accruing to employees, is included as an operating expense and is determined by law at 6.91% of salary payments subject to certain adjustments. Since 1 July 2007, contributions are made directly into Italian state funds, and the Group retains no obligation. Funds accumulated prior to 1 July 2007 continue to be invested to fulfil obligations when contributing employees leave. The scheme obligation comprises accumulated service costs and is revalued by law at a rate equal to 75% of 'national life price index +1.5%' by an independent qualified actuary.

Defined contribution schemes

The Group's defined contribution schemes are now the only schemes open to new employees. A core contribution of 8% of pensionable pay is provided and the Group will match employee contributions up to a maximum of 6% of pensionable pay.

Amounts recognised in the income statement are as follows;

	UK Pension	2008 Other plans	UK Pension	2007 Other plans
	£m	£m	£m	£m
Defined contribution schemes	(2.8)	(1.5)	(2.0)	-
Defined benefit scheme - current service cost	(1.1)	-	(1.4)	-
Total pension charge included in employee benefit expense	(3.9)	(1.5)	(3.4)	-
Finance income and costs				
Interest cost	(12.6)	-	(11.8)	-
Expected return on assets in the scheme	12.3	-	11.9	-
Net finance (cost)/income	(0.3)	-	0.1	-
Total recognised in the income statement	(4.2)	(1.5)	(3.3)	-
Defined benefit assets/(obligations) for UK pension scheme				
Funded obligations and assets are set out below:	2008	2007	2006	2005
	£m	£m	£m	£m
Fair value of assets:				
Equities	33.2	35.7	69.4	52.2

Bonds	190.9	185.2	153.3	139.1
Property	8.8	3.7	-	-
Total fair value of assets	232.9	224.6	222.7	191.3
Present value of funded obligations	(221.1)	(239.6)	(243.0)	(210.0)
Balance sheet asset/(liability)	11.8	(15.0)	(20.3)	(18.7)

Sensitivity

The sensitivities regarding the principal assumptions used to measure the scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.4%
Rate of increase in pensions payment	Increase/decrease by 0.5%	Increase/decrease by 6.6%
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 8.0%
Mortality rate	Increase by 1 year	Increase by 2.4%

Movement in defined benefit obligation during the year

	2008		2007	
	UK Pension £m	Other plans £m	UK Pension £m	Other plans £m
1 April 2007	239.6	-	243.0	-
Acquisition of subsidiaries (note 18)	-	7.1	-	-
Current service cost	1.1	-	1.4	-
Interest cost	12.6	-	11.8	-
Benefits paid	(6.7)	(1.1)	(5.6)	-
Actuarial (gain)/loss	(25.5)	0.6	(11.0)	-
Exchange differences	-	1.0	-	-
31 March 2008	221.1	7.6	239.6	-

Movement in fair value of plan assets during the year for UK scheme

	2008 £m	2007 £m
1 April 2007	224.6	222.7
Expected return on assets	12.3	11.9
Contributions paid	6.4	6.3
Benefits paid	(6.7)	(5.6)
Actuarial gain	(3.7)	(10.7)
31 March 2008	232.9	224.6

11. Trade and other receivables

	Group	
	2008 £m	2007 £m

Trade receivables	73.7	27.0
Less: provision for impairment of receivables	(0.7)	(0.1)
<hr/>		
Trade receivables - net	73.0	26.9
Other receivables	3.1	0.2
Prepayments and accrued income	45.0	34.3
<hr/>		
	121.1	61.4
<hr/>		

12. Financial instruments by category

The financial instruments of the Group and company are categorised as follows:

31 March 2008	Loans and receivables £m	Available for sale £m	Assets at fair value through profit or loss £m	Total £m
Assets as per balance sheet				
Financial assets of the CCP clearing business:				
- CCP trading assets	-	-	4,782.1	4,782.1
- Receivables for repurchase transactions	10,299.3	-	-	10,299.3
- Other receivables from clearing members	560.7	-	-	560.7
- Financial assets held at fair value	-	-	7.1	7.1
- Cash and cash equivalents of clearing members	1,654.1	-	-	1,654.1
Financial assets of the CCP clearing business	12,514.1	-	4,789.2	17,303.3
Assets held at fair value	-	-	13.8	13.8
Trade and other receivables	121.1	-	-	121.1
Cash and cash equivalents	200.6	-	-	200.6
Available for sale financial assets	-	0.4	-	0.4
Total	12,835.8	0.4	4,803.0	17,639.2
		Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Liabilities as per balance sheet				
Financial liabilities of the CCP clearing business:				
- CCP trading liabilities		-	4,782.1	4,782.1
- Liabilities under repurchase transactions		-	10,299.3	10,299.3
- Other payables to clearing members		-	2,218.1	2,218.1
- Financial liabilities held at fair value		-	8.2	8.2
Financial liabilities of the CCP clearing business		-	17,307.7	17,307.7
Borrowings		-	684.4	684.4
Derivative financial instruments		7.9	-	7.9
Total		7.9	17,992.1	18,000.0

13. Trade and other payables

	Group	
	2008	2007
	£m	£m
Trade payables	23.3	3.3
Social security and other taxes	11.5	2.1
Other payables	35.4	7.0
Share buyback programme	13.0	60.0
Accruals and deferred income	63.0	57.0
	146.2	129.4

Shares purchased during the close period following the 2008 year end, under an irrevocable commitment entered into with the Company's corporate brokers prior to the year end, are recorded as a current liability at a total cost of £13.0m (2007: £60.0m) (see note 16).

The carrying amount of trade payables are reasonable approximations of fair value.

14. Borrowings

	Group	
	2008	2007
		£m
Current		
Bank borrowings	427.2	155.7
Redeemable Class B shares	7.6	15.7
Other borrowings	1.2	-
	436.0	171.4
Non-current		
Bond issue	248.4	248.2
Other borrowings	-	0.5
	248.4	248.7

Current borrowings

The Company has in place a multicurrency revolving loan facility of £200m, available up to 9 February 2011. Borrowings under the loan facility are unsecured and currently bear interest at a floating rate of LIBOR plus 40 basis points. The facility was undrawn at 31 March 2008. The interest margin applicable to borrowings under the loan facility is dependent upon the Group net debt: EBITDA ratio. CC&G has direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements. In addition, uncommitted credit lines of €1bn are available from major Italian banks in relation to support of the MTS markets. If these are drawn they are guaranteed by Italian Government Bonds. CC&G also has available to it €150m of committed facilities with banks.

The Company has a bridge facility of £242m which was fully drawn at 31 March 2008, repayable by 17 July 2009, to fund any return of capital to the Company's shareholders. Borrowings under the loan facility are unsecured and at 31 March 2008 bear interest at a floating rate of LIBOR plus 175 basis points. The interest margin increases based on the length of time that the facility has been drawn. At 31 March 2008, the Company also had a bridge facility of £180m for the purposes of refinancing borrowings of Borsa Italiana S.p.A. and any return of capital to the Company's shareholders, repayable by 22 June 2009. This facility was fully drawn at 31 March 2008. The Company intends to repay these facilities during the next 12 months and therefore treats them as current.

The Company has Redeemable Class B shares. Holders of B shares are entitled to a non-cumulative preference dividend based on 75% of six month LIBOR on 1 June and 1 December each year until 1 June 2009 and may redeem their B shares for 200 pence each on those dates. Any outstanding B shares will be redeemed on 1 June 2009.

Non-current borrowings

In July 2006, the Company issued a £250m bond which is unsecured and due for repayment in 2016, with a 5.875% coupon, interest to be paid semi-annually in arrears. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on the Company's credit rating. In October 2007 Moody's changed the Company's long term credit rating from Baa2 to Baa3, primarily as a result of the £500m share buyback programme announced at the time of the merger. The rating was subsequently changed to 'Baa3 with positive outlook' in March 2008. Moody's rates the £250m bond, as a result of the change to Baa3, the coupon increased to 6.375%. In May 2008, Standard and Poor's issued a long term credit rating for the Company of A- (stable outlook).

15. Provisions

	Group		
	Property £m	Other £m	Total £m
1 April 2006	31.6	8.9	40.5
Exceptional charges during the year	-	1.0	1.0
Utilised during the year	(4.3)	(3.6)	(7.9)
Released during the year	-	(3.1)	(3.1)
Interest on discounted provision	1.4	-	1.4
31 March 2007	28.7	3.2	31.9
Charges during the year	0.4	0.8	1.2
Utilised during the year	(3.4)	(2.6)	(6.0)
Interest on discounted provision	1.3	-	1.3
31 March 2008	27.0	1.4	28.4
Non-current	22.8	0.4	23.2
Current	4.2	1.0	5.2
	27.0	1.4	28.4

Property

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between six and 20 years to expiry.

Other

As at 31 March 2008 other provisions relate to the one off implementation costs arising from the cost saving programme announced in February 2006.

16. Reconciliation of movements in equity

Attributable to equity holders of the Group									
Other reserves									
Ordinary share capital	Share premium	Retained earnings	Capital redemption reserve	Reverse acquisition reserve	FX Translation reserve	Merger reserve	Hedging reserve	Minority interest	Total equity

Group	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2006	14.9	4.3	268.0	-	-	-	-	-	1.6	288.8
The Scheme	238.7	(4.3)	(491.7)	257.3	(512.5)	-	-	-	-	(512.5)
Equity transaction costs	-	-	(1.1)	-	-	-	-	-	-	(1.1)
Redemption of B shares	-	-	(0.8)	0.8	-	-	-	-	-	-
Total recognised income and expense for the financial year	-	-	114.7	-	-	-	-	-	1.0	115.7
Second interim dividend relating to the year ended 31 March 2006	-	-	(20.5)	-	-	-	-	-	-	(20.5)
Interim dividend relating to the year ended 31 March 2007	-	-	(12.7)	-	-	-	-	-	-	(12.7)
Share buyback	(0.6)	-	(169.9)	0.6	-	-	-	-	-	(169.9)
Employee share schemes and own shares	-	-	(37.7)	-	-	-	-	-	-	(37.7)
31 March 2007	253.0	-	(351.7)	258.7	(512.5)	-	-	-	2.6	(349.9)
Issue of shares	5.5	-	-	-	-	-	1,302.2	-	-	1,307.7
Equity transaction costs	-	-	-	-	-	-	(3.0)	-	-	(3.0)
Redemption of deferred shares	(238.7)	-	-	238.7	-	-	-	-	-	-
Redemption of B shares	-	-	(8.1)	8.1	-	-	-	-	-	-
Total recognised income and expense for the financial year	-	-	191.1	-	-	201.5	-	(14.7)	15.9	393.8
Final dividend relating to the year ended 31 March 2007	-	-	(23.8)	-	-	-	-	-	-	(23.8)
Interim dividend relating to the year ended 31 March 2008	-	-	(22.2)	-	-	-	-	-	-	(22.2)
Share buyback	(0.7)	-	(92.3)	0.7	-	-	-	-	-	(92.3)
Employee share schemes and own shares	-	-	(18.6)	-	-	-	-	-	-	(18.6)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	76.7	76.7
31 March 2008	19.1	-	(325.6)	506.2	(512.5)	201.5	1,299.2	(14.7)	95.2	1,268.4

During the year the Company re-purchased, and subsequently cancelled, 10.1m ordinary shares at an average price of £13.71 per share. The total consideration was £139.3m. The excess of the consideration over the nominal value has been charged against retained earnings.

Under the court-approved Scheme effected on 15 May 2006, the Company issued 43 new ordinary shares for every 51 existing ordinary shares in London Stock Exchange plc and one B share with a nominal value of 200 pence per share for every one existing ordinary share in London Stock Exchange plc. After a reduction in the nominal value of the new ordinary shares, the merger reserve created by the Scheme was capitalised through an issue of A shares, and then reduced through a court-approved capital reduction. This created sufficient distributable reserves to distribute £512.5m to shareholders. In July 2007, the Company redeemed all 119.4m of the outstanding deferred shares. This resulted in an increase of £238.7m in the capital redemption reserve, a non-distributable reserve set up as a result of the £512.5m capital return. The reverse acquisition reserve is a non-distributable capital reserve arising on consolidation as a result of the Scheme.

The issue of new shares in the Company in exchange for shares in Borsa Italiana S.p.A. (see note 18) has attracted merger relief under Section 131 of the Companies Act 1985. Of the £1,307.7m above, £5.5m has been credited to share capital and £1,302.2m to the merger reserve. This is offset by a £3.0m debit to the merger reserve which relates to the costs associated with the issue of the new shares.

The foreign exchange translation reserve reflects changes in the impacts of foreign currency on the translation of foreign operations.

The hedging reserve represents the cumulative fair value adjustment recognised in respect of cash flow hedges and the net investment hedge undertaken during the year.

The Company has entered into an irrevocable commitment with its corporate brokers to purchase shares which covers the close period from 1 April 2008 up to the preliminary announcement of the Company's results. This has resulted in £13.0m being recorded as a current liability.

17. Net cash flow generated from operations

	Group	
	2008	2007
	£m	£m
Profit/(loss) before taxation	234.7	161.5
Depreciation and amortisation	48.4	24.1
Impairment loss and provision for EDX London Ltd	-	(3.1)
Provision for restructuring costs	-	1.0
Net finance costs	32.7	14.6
Share of profit after tax of joint venture/associates	(2.2)	(1.9)
Increase in trade and other receivables	(14.1)	(13.5)
(Decrease)/increase in trade and other payables	(23.1)	6.0
Decrease in CCP financial assets	286.3	-
Decrease in CCP clearing business liabilities	(287.7)	-
Defined benefit pension obligation - contributions in excess of expenses charged	(1.1)	(4.9)
Provisions utilised during the year	(6.0)	(7.9)
Share scheme expense	12.3	4.5
Cash generated from operations	280.2	180.4
Comprising:		
Ongoing operating activities	282.7	198.6
Exceptional items (see note 3)	(2.5)	(18.2)
	280.2	180.4

18. Business combinations

On 1 October 2007, the Group acquired 99.92% of Borsa Italiana S.p.A., the company responsible for the organisation and management of the securities market in Italy. The total consideration of £1,321.5m, including £13.8m costs, was financed by the issue of 79.4m London Stock Exchange Group plc shares with a total market value of £1,307.7m on the date of acquisition, together with £13.8m costs paid in cash. Subsequently the Group acquired a further 0.04% bringing its total shareholding to 99.96%.

The assets and liabilities as of 1 October 2007 arising from the acquisition are as follows:

	Book value	Fair value adjustment	Provisional fair value
	£m	£m	£m
Non-current assets:			
Intangible assets	320.2	320.6	640.8
Property, Plant and Equipment	14.3	1.9	16.2
Other non-current assets	-	0.9	0.9
Current assets:			

Cash and cash equivalents	96.1	-	96.1
Financial assets of the CCP clearing business	15,389.3	-	15,389.3
Other current assets	70.4	2.7	73.1
Current liabilities:			
Borrowings	(136.7)	(0.4)	(137.1)
Financial liabilities of the CCP clearing business	(15,403.4)	-	(15,403.4)
Other current liabilities	(66.7)	(12.7)	(79.4)
Non-current liabilities (including deferred tax)	(49.9)	(65.4)	(115.3)
Net assets	233.6	247.6	481.2
Minority interests			(77.0)
Net assets acquired			404.2
Goodwill			917.3
Total consideration			1,321.5
Satisfied by:			
Cash (transaction fees)			13.8
Shares			1,307.7
			1,321.5

The fair value adjustments include the recognition of £635.2m of intangible assets arising on consolidation, representing £541.7m of customer relationships, £8.4m of brands, £35.7m of software and £49.4m of licences. The fair values of these purchased intangible assets have been independently valued by a qualified valuation firm using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill of £917.3m arising on consolidation represents the future synergies and growth potential of Borsa Italiana and its assembled workforce. The fair values of net assets purchased are based on provisional assessments pending final determination of certain assets and liabilities. The fair value adjustments will be finalised in the financial statements for the year ending 31 March 2009.

The inflow of cash and cash equivalents on the acquisition can be calculated as follows:

	£m
Total purchase consideration settled in cash	(13.8)
Cash and cash equivalents in subsidiaries acquired	96.1
Net cash inflow from merger	82.3

The acquired business contributed revenues of £133.2m and operating profit (excluding exceptional items and amortisation of purchased intangible assets) of £57.5m to the Group for the period 1 October 2007 to 31 March 2008. If the merger (together with Borsa Italiana S.p.A.'s acquisitions of its 90% stake in Servizio Titoli and remaining 51% stake in MBE Holding S.p.A., and MTS S.p.A.'s acquisition of the remaining 33% stake of MTSNext) had occurred on 1 April 2007, estimated Group revenue would have been £666.8m with operating profit (excluding exceptional items and amortisation of purchased intangible assets) of £343.0m. These amounts have been calculated using the Group's accounting policies. The minority interests represent the holdings of third parties in the subsidiary and associate companies.

19. Abridged Accounts

These abridged accounts do not constitute, but have been extracted from, the Group's statutory financial statements. The statutory financial statements, which include an unqualified audit report, will be delivered to the Registrar of Companies in due course.