DISCLAIMER

This PDF is an exact copy of the Annual Report and Accounts of LCH.Clearnet Group Limited as provided to the National Storage Mechanism.

The maintenance and integrity of the LCH.Clearnet Group Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company number: 4743602

LCH.CLEARNET GROUP LIMITED

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Board of Directors

Type of director	Name	Note
Executive	Suneel Bakhshi (CEO)	Appointed 3 February 2014
Independent	Jacques Aigrain (Chairman)	See * below
Independent	Ian Abrams	Senior Independent Director
Independent	Jill Considine	Appointed 25 April 2014
Independent	Lex Hoogduin	
Independent	Neil Walker	
Independent	Jonathan Eliot	Appointed 25 February 2015
Shareholder representative	Michael Bagguley	
Shareholder representative	Laurent Curtat	
Shareholder representative	Dominique Cerutti	
Shareholder representative	Jacques D'Estais	Appointed 14 October 2014
Shareholder representative	Robert Greifield	
Shareholder representative	Alexander Justham	
Shareholder representative	Ashok Krishnan	Appointed 25 February 2014
Shareholder representative	Vivien Levy-Garboua	Resigned 1 July 2014
Shareholder representative	Xavier Rolet	
Shareholder representative	Yunho Song	Resigned 6 February 2014
Shareholder representative	David Warren	
Shareholder representative	Denise Wyllie	
Customer representative	Yves Perrier	Appointed 1 January 2014

* Jacques Aigrain is the non-executive independent chairman. He was executive chairman for an interim period from 25 September 2013 until Suneel Bakhshi joined the Board on 3 February 2014. On 24 February 2015, it was announced that Jacques Aigrain will stand down as a director and Chairman of the Company effective from 5 March 2015.

Secretary Robert Franklin

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office
Aldgate House
33 Aldgate High Street
London
EC3N 1EA

Telephone: +44 (0) 20 7426 7000

Registered in England, number: 4743602

LCH.Clearnet Group Limited is a majority owned subsidiary of London Stock Exchange Group plc and is the parent of the LCH.Clearnet group of companies.

Business model

LCH.Clearnet Group (the Group) is a leading multinational clearing house. The Group provides services through which counterparty risk is mitigated across multiple asset classes for sell side clearing members, buy side clients and for exchange markets globally.

Each major operating subsidiary is a central counterparty (CCP) and provides CCP clearing services and other related services to its clearing members and their clients operating on major exchanges and platforms as well as a range of over-the-counter (OTC) markets.

As CCPs, the Group's operating companies sit in the middle of a trade as the buyer to every seller and the seller to every buyer. If either party defaults on the trade, the relevant CCP owns the defaulter's risk and becomes accountable for its liabilities. During the life of a trade, or that of a portfolio of trades, the Group's operating companies process all cash flows and mark the trade or book to market, calling variation and initial margin in relation to prevailing risk of the overall portfolio. This process is called clearing.

The tenor of a trade can be anything from two days to 50 years, depending on the product type and terms of the deal. During the life of a trade, markets can move significantly and the capability of a CCP's risk and liquidity management becomes vital. Fundamental to each CCP's risk process is its ability to collect quality collateral from clearing members and clients as credit support for their cleared positions. This collateral is often referred to as margin. Margin is calculated on a daily basis, or multiple times a day for certain asset classes, which is important during turbulent markets and is based on clearing members' positions and market risk. If a clearing member fails, this collateral is used by a CCP to fulfil the failed organisation's obligations.

Operating subsidiaries

LCH.Clearnet Limited continues to satisfy the requirements of the Bank of England as a Recognised Clearing House in the UK and the requirements of all other regulatory bodies to whose rules it is subject (note 23). It provides CCP clearing services in respect of a broad range of cash and derivative products traded on or through various exchanges and trading platforms in the UK, Europe, Asia and the US as well as those traded in the OTC markets.

Banque Centrale de Compensation SA (trading as LCH.Clearnet SA), regulated by the L'Autorité de Contrôle Prudentiel et de Résolution (ACPR), acts as the clearing house for regulated markets in France, the Netherlands, Belgium and Portugal and for fixed income products and credit default swaps (CDS) traded either on regulated markets or trading platforms located in France, the UK and Italy. Its principal business is the provision of CCP clearing services in respect of equities and bonds, interest rate and commodity futures and options, equity and index futures and options, OTC bonds and repurchase agreements and CDS.

LCH.Clearnet LLC is a New York based, Delaware registered company. LCH.Clearnet LLC is regulated as a derivatives clearing organization (DCO) by the Commodity Futures Trading Commission (CFTC). Its principal business is the provision of CCP clearing services in respect of OTC swaps.

Strategic objectives

The Group's principal objectives are:

- to reduce risk and safeguard the financial infrastructure in the markets that the Group serves
- to deliver market leading and efficient clearing services
- to independently serve multiple asset classes around the world

The strategy for achieving these objectives is:

- to maintain a sound risk management approach and resilient systems
- to set and maintain the highest standards across all asset classes cleared, in line with evolving regulatory requirements
- to work closely with market participants to develop and deliver new services and products that increase clearing efficiencies globally

Key performance indicators

Financial and non-financial key performance indicators utilised by the directors to measure the Group's progress are as follows:

	2014	2013	Variance
SwapClear			
SwapClear members	**114**	103	11%
Notional cleared ($ trillion)	**641.9**	507.8	26%
Notional outstanding ($ trillion)	**361.9**	426.0	-15%
CDSClear			
CDSClear members	**10**	11	-9%
Notional cleared (€ billion)	**61.9**	167.6	-63%
Notional outstanding (€ billion)	**36.0**	23.0	57%
ForexClear			
ForexClear members	**21**	20	5%
Notional cleared ($ billion)	**907.3**	888.3	2%
Fixed Income: notional cleared (€ trillion)	**73.4**	72.7	1%
Commodities: lots cleared (million)	**123.6**	123.3	-
Listed Derivatives: contracts cleared (million)	**176.8**	174.3	1%
Cash Equities: trades cleared (million)	**452.3**	347.5	30%
Average cash collateral (€ billion)	**47.1**	39.3	20%

Discussion of the key performance indicators is included in the development and performance section below.

Development and performance

LCH.Clearnet Limited announced that the Bank of England had approved its application as a central counterparty under the European Market Infrastructure Regulation (EMIR) on 12 June 2014. This was the final step in the process, which followed LCH.Clearnet SA's authorisation by the ACPR on 22 May 2014. It confirms that LCH.Clearnet's risk management framework, technology, governance, operating model and capital meet the standards required by EMIR. LCH.Clearnet Limited was granted clearing house recognition by Canada's Autorité des marchés financiers (AMF).

LCH.Clearnet was named Risk Magazine's 2015 Clearing House of the Year after fulfilling criteria which included risk management, customer satisfaction, responsiveness to new regulations, engagement with regulators, liquidity provision and creativity.

During April 2014, the operating agreements in respect of the SwapClear, CDSClear and ForexClear OTC business lines were renegotiated to ensure compliance with the EMIR regulatory regime. The renegotiated terms were backdated to 1 January 2014. Key aspects of the amended terms of the operating agreements include changes to the governance arrangements and the replacement of surplus profit share arrangements in LCH.Clearnet Limited with revenue share arrangements.

SwapClear

SwapClear (operating in LCH.Clearnet Limited and LCH.Clearnet LLC), the world's leading interest rate swap (IRS) clearing service, led the move to mandatory central clearing, delivering high levels of efficiency and liquidity to an increasing roster of clearing members and clients. During the year, SwapClear cleared $642 trillion total notional and compressed $292 trillion of interest rate swaps. Membership increased by 11% to 114 clearing members. Total clearing fee revenue for the year was €136.0 million.

In September 2014, SwapClear expanded its compression offering with a blended rate compression service, in response to market demand, that provides both operational and capital efficiencies. SwapClear also introduced fees for all types of compression services.

Mandatory IRS client clearing was introduced in the US in 2013, and during the last year SwapClear client clearing increased by 113% to $122 trillion (2013: $57 trillion). European client clearing is expected to be mandated in 2016.

CDSClear

CDSClear (operating in LCH.Clearnet SA) offers industry leading default management provisions and clears a broad set of European credit indices and single names. CDSClear is now dual registered meaning it can act for clients both in the US and Europe. Currently CDSClear clears more than 200 European single name CDS. Total clearing fee revenue for the year was €24.7 million.

CDSClear cleared €61.9 billion notional value last year (2013: €167.6 billion) due to lower customer activity levels on this service.

ForexClear

ForexClear (operating in LCH.Clearnet Limited) is the Company's market-leading service clearing foreign exchange (FX) non-deliverable forwards (NDF) in multiple currencies. The service has seen continued growth in volumes and during the year ForexClear added a 12th currency, the Peruvian Nuevo Sol enabling over 95% of the NDF market to be cleared. With the first Swap Execution Facility (SEF) having now connected to ForexClear and a number in the pipeline for 2015, ForexClear is playing an important role in working with both new and established FX market infrastructure to bring the benefits of clearing, including reduction of risk, operational complexity and regulatory capital, to all market participants. Total clearing fee revenue for the year was €10.5 million.

ForexClear membership increased to 21 (2013: 20) and notional cleared increased to $907 billion (2013: $888 billion).

Fixed Income

The Group remains the leading clearer of European repurchase agreement and cash bond markets, clearing €73.4 trillion in term adjusted volumes in the last year (2013: €72.7 trillion) comprising 15 European government markets. Total clearing fee revenue for the year was €53.1 million.

RepoClear is LCH.Clearnet Limited's market leading service clearing cash bond and repurchase agreement (repo) trades across a number of European markets. RepoClear is one of Europe's largest clearers of fixed income and plays an important role in the facilitation of interbank liquidity.

Trading volumes in the repo market overall have declined due to more stringent regulatory requirements on member banks' leverage ratios. However, the leverage ratio has made netting more attractive, such that cleared volumes have remained stable.

Commodities and Listed Derivatives

LCH.Clearnet Limited and LCH.Clearnet SA provide clearing services for interest rate and equity derivatives as well as a range of commodities markets, including power and associated energy markets, base and precious metals and agricultural products. It also provides clearing for freight derivatives and other commodities under its EnClear service. OTC forward freight agreements for the most actively traded routes. Total clearing fee revenue for the year was €101.0 million.

In November 2014 the EnClear swaps (in LCH.Clearnet Limited) were reclassified to block futures, making the market for freight and commodities more transparent whilst boosting margin efficiencies and mitigating risk for clearing members. Also in November agricultural clearing for Euronext (in LCH.Clearnet SA) was expanded with the launch of a rapeseed derivatives complex. Other new products to clearing during the year included 200 additional Single Stock Futures and introduction of a series of Euronext spotlight options on SMEs and newly listed stocks.

As expected, the clearing of commodities (in LCH.Clearnet Limited) for the London Metal Exchange (LME), a major part of commodities clearing, ceased in September 2014 as this business migrated to LME's own clearing house. The Nodal Exchange has given notice that it intends to go live with its own clearing service in late 2015.

Listed Derivatives clearing for multiple venues including Euronext markets, London Stock Exchange Derivatives and Nasdaq's NLX saw an increase in volumes to 176.8 million contracts during the year (2013: 174.3 million).

Cash Equities

LCH.Clearnet Limited and LCH.Clearnet SA provide equity clearing services for a wide coverage of European regulated exchanges and MTFs including London Stock Exchange, Turquoise, Euronext, SIX Swiss Exchange, Oslo Børs, BATS Chi-X Europe and other venues. The Group is uniquely positioned to provide risk management and clearing services from Asian market hours through European trading to the close of the US markets. It has been at the forefront of industry initiatives to introduce competition and provide cost efficiencies for users of the European cash equities markets through the implementation of interoperability arrangements with other CCPs. Total clearing fee revenue for the year was €43.5 million.

In the last year, clearing volumes increased 30% to 452 million trades (2013: 347 million). This was due to both a natural market increase in trading activity and the addition of a new market venue, Oslo Børs, in March 2014. In June 2014 LCH.Clearnet expanded clearing capacity which facilitated record high clearing volumes in October 2014 with 51 million trades cleared. The launch of OTC equity clearing on Traiana in the later stages of the year increased market coverage. In July the Group expanded its Contracts for Difference (CFD) product range from 1,400 to 2,000 products.

Following on from becoming EMIR compliant the Group launched its post trade Crest model and successfully migrated to T+2.

Net investment income

Net investment income is the result of interest earned on cash assets lodged with the Group, less interest paid to the clearing members on their initial margin and default fund contributions. The level of funds held is primarily driven by volumes cleared and volatility in the market. Income is also driven by short-term interest rates predominantly in the Euro, US dollar and UK Sterling money markets.

Operating expenses

The original cost synergies target across London Stock Exchange Group (LSEG) of €23 million, was increased to €60 million, to be achieved in 2015 (from a total LSEG cost base, including an expected annualised 2013 LCH cost base of €306 million). The majority of the savings are now embedded within the LCH cost base. These savings are offset by amendments to the OTC business line arrangements, capital investment in operational efficiency and business line growth. The cost base has also increased due to foreign exchange movements and inflation.

Future development

SwapClear will continue to develop its offering with the introduction of new products and services such as inflation linked swaps, further compression services, expansion of Asian services including plans to extend with a clearing license in Japan and increased operating hours through the Australian office.

CDSClear will expand its product range to include senior financials, CDX and US single names subject to regulatory approval.

In the coming year ForexClear will be working with clearing members and regulators on a global basis to search for a settlement solution that will allow the clearing of FX options.

RepoClear is set to expand geographically and increase its currency base which will likely result in new clearing members joining the service.

LCH.Clearnet Limited has been granted a clearing and settlement licence in Australia for the new FEX global commodity, energy and environmental exchange. The Company continues its search for expansion opportunities into different market venues and products such as precious metals.

In the coming year, EquityClear plans to expand into new trading venues and will enhance risk models for cash and derivatives. A new pricing proposal will be implemented in response to member demand.

Principal risks and uncertainties

The Group's activities expose it to a number of risks, principally market risk (foreign exchange risk, interest rate risk, financial market volatility), sovereign risk, credit risk, liquidity risk and pension risk. The Group manages these risks through various control mechanisms and its approach to risk management is to be prudent yet responsive to changes in the risk environment.

Note 2 provides descriptions of these risks and details the means by which the Group mitigates them.

Going concern and liquidity risk

The Directors have made an assessment of the Group's ability to continue as a going concern and to meet current and future regulatory capital requirements and are satisfied that it has the resources to continue in business for the foreseeable future, being at least 12 months from the date on which these accounts were approved by the Board. Contracts for the majority of the exchanges for which the Group clears have a notice period of at least one year. It has a large number of clearing members and is not unduly reliant on any single clearing member or group of clearing members.

Both, LCH.Clearnet Limited and LCH.Clearnet SA were re-authorised during 2014 by their national competent authorities under EMIR in line with regulatory deadlines.

Furthermore, the Directors are not currently aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

Details of the Group's financial instruments are provided in note 19 and its capital management processes in note 23.

By order of the Board

Jacques Aigrain
Chairman
4 March 2015

The directors of LCH.Clearnet Group Limited (the Company), registered in England and Wales with company number 4743602, present their report to the shareholders, together with the audited consolidated financial statements for the year ended 31 December 2014. The principal activity of the Company is the holding of investments in operating subsidiaries.

Directors

The current directors and changes made during the year ended and subsequent to 31 December 2014 are detailed on page 1.

Indemnity of directors

Directors are entitled to be indemnified by the Group against all costs, charges, losses and liabilities incurred by them in the proper exercise of their duties. Directors who have resigned during the year may also benefit from the same indemnity arrangement.

Transactions with directors and related parties

Details of transactions with related parties are set out in note 25 to the consolidated financial statements. There were no transactions, other than those disclosed in note 18, with directors during the year.

Staff

It is the policy of the Group as a whole to ensure that no staff members or job applicants face discrimination on the grounds of ethnic origin, colour, religion, gender, sexual orientation, age or disability. Should an employee become disabled during his or her career with the Group every effort will be made to ensure continued employment. Staff involvement is encouraged through regular meetings and information is shared with staff through web based communication. The Group recognises its responsibilities to provide a safe working environment for its staff and measures are in place to ensure that the appropriate health and safety at work regulations are strictly observed in all workplaces.

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware there is no relevant audit information of which the Group's auditors are unaware
- the director has taken all steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Auditors

Ernst & Young LLP are deemed to have been reappointed as the Company's auditor under the provisions of the Companies Act 2006.

By order of the Board

Jacques Aigrain
Chairman
4 March 2015

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements
- make judgements and estimates that are reasonable and prudent

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of LCH.Clearnet Group Limited for the year ended 31 December 2014 which comprise of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statement of changes in equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement (set out on page 8), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us
- the parent company financial statements are not in agreement with the accounting records and returns
- certain disclosures of directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Maurice McCormick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, London

4 March 2015

Notes:

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Consolidated income statement

		2014			2013		
	Note	Before impairment & non-recurring items €'m	Impairment & non-recurring items €'m	Total €'m	Before impairment & non-recurring items €'m	Impairment & non-recurring items €'m	Total €'m
Revenue							
Clearing fees		**368.8**	–	**368.8**	306.9	–	306.9
Interest income		**114.7**	–	**114.7**	288.9	–	288.9
Interest expense		**(39.6)**	–	**(39.6)**	(203.8)	–	(203.8)
Net interest income		**75.1**	–	**75.1**	85.1	–	85.1
Settlement and other income		**74.3**	–	**74.3**	57.2	–	57.2
Settlement fees payable		**(20.3)**	–	**(20.3)**	(18.3)	–	(18.3)
Net settlement and other income		**54.0**	–	**54.0**	38.9	–	38.9
Revenue sharing arrangements		**(18.9)**	–	**(18.9)**	(51.0)	–	(51.0)
Net income		**479.0**	–	**479.0**	379.9	–	379.9
Operating expenses before revenue share costs		**(335.4)**	**(43.2)**	**(378.6)**	(285.8)	(29.6)	(315.4)
Revenue share costs		**(16.4)**	–	**(16.4)**	–	–	–
Operating expenses after revenue share costs	5	**(351.8)**	**(43.2)**	**(395.0)**	(285.8)	(29.6)	(315.4)
Operating profit		**127.2**	**(43.2)**	**84.0**	94.1	(29.6)	64.5
Finance income	7	**1.2**	–	**1.2**	3.3	–	3.3
Finance expense	7	**(12.5)**	–	**(12.5)**	(13.1)	–	(13.1)
Profit before taxation		**115.9**	**(43.2)**	**72.7**	84.3	(29.6)	54.7
Taxation expense	8	**(22.6)**	**3.5**	**(19.1)**	(21.2)	10.6	(10.6)
Profit for the year		**93.3**	**(39.7)**	**53.6**	63.1	(19.0)	44.1

The results for both years are in respect of continuing operations.

The notes on pages 18 to 72 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Note	2014 €'m	2013 €'m
Profit for the year		**53.6**	44.1
Amounts that will subsequently be reclassified to profit for the year when specific conditions are met:			
Exchange differences on retranslation of foreign operations		**4.3**	(0.3)
Revaluation of available for sale assets	19	**(0.2)**	-
Amounts that will not subsequently be reclassified to profit for the year:			
Remeasurement gains/(losses) on UK defined benefit plan	18	**(1.1)**	2.4
Deferred tax relating to remeasurement gains/(losses) on UK defined benefit plan	8	**-**	(6.8)
Remeasurement gains/(losses) on overseas defined benefit plans	18	**(0.7)**	0.2
Deferred tax relating to the overseas remeasurement gains/(losses) on defined benefit plans	8	**0.3**	(0.6)
OtherOther comprehensive income for the year, net of tax		**2.6**	(4.5)
Total comprehensive income for the year, net of tax		**56.2**	39.6

The results for both years are in respect of continuing operations.

The notes on pages 18 to 72 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	2014 €'m	2013 (restated) €'m	2012 (restated) €'m
Assets				
Non-current assets				
Intangible assets	9	**239.0**	220.0	198.3
Property, plant and equipment	11	**11.5**	15.9	18.5
Trade and other receivables	13	**0.1**	44.6	84.2
Employment benefits	18	**20.7**	19.3	–
Deferred tax asset	8	**10.1**	16.8	14.8
Total non-current assets		**281.4**	316.6	315.8
Current assets				
Balances with clearing members	12	**372,635.7**	411,020.4	455,364.1
Trade and other receivables	13	**74.9**	40.5	33.7
Income tax receivable		**14.7**	5.9	12.1
Cash and cash equivalents	14	**27,718.4**	31,696.3	26,345.4
Other financial assets	19	**17,928.5**	9,510.1	13,997.3
Total current assets		**418,372.2**	452,273.2	495,752.6
Total assets		**418,653.6**	452,589.8	496,068.4
Current liabilities				
Balances with clearing members	12	**(407,890.9)**	(444,619.5)	(489,518.1)
Trade and other payables	15	**(138.6)**	(169.9)	(187.8)
Income tax payable		**-**	(3.2)	-
Interest bearing loans and borrowings	16	**(0.4)**	(43.0)	(69.0)
Derivative financial liabilities	19	**-**	(11.1)	(35.4)
Provision for liabilities	20	**(2.0)**	(18.9)	-
Default funds	17	**(9,570.8)**	(6,718.6)	(5,595.1)
Total current liabilities		**(417,602.7)**	(451,584.2)	(495,405.4)
Non-current liabilities				
Interest bearing loans and borrowings	16	**(179.3)**	(179.2)	(179.0)
Trade and other payables	15	**(28.4)**	(40.9)	(51.8)
Deferred tax liability	8	**(1.1)**	-	-
Employment benefits	18	**(5.4)**	(5.0)	(8.1)
Total non-current liabilities		**(214.2)**	(225.1)	(238.9)
Total liabilities		**(417,816.9)**	(451,809.3)	(495,644.3)
Net assets		**836.7**	780.5	424.1

Consolidated statement of financial position (continued)

	Note	2014 €'m	2013 (restated) €'m	2012 (restated) €'m
Capital and reserves				
Called up share capital	22	**74.2**	74.2	42.2
Share premium	22	**316.1**	316.1	28.1
Capital reserves	22	**15.3**	15.3	15.3
Capital redemption reserve	22	**59.5**	59.5	59.5
Translation reserve	22	**2.7**	(1.6)	(1.3)
Retained earnings	22	**368.9**	317.0	280.3
Total equity		**836.7**	780.5	424.1

Details of the restatements are given in note 1.

Jacques Aigrain
Chairman

Suneel Bakhshi
Chief Executive Officer

The notes on pages 18 to 72 form an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board on 4 March 2015.

Consolidated statement of cash flows

	Note	2014 €'m	2013 €'m
Cash flows arising from operating activities			
Profit for the year		**53.6**	44.1
Tax expense	8	**19.1**	10.6
Finance income	7	**(1.2)**	(3.3)
Finance expense	7	**12.5**	13.1
Depreciation and amortisation	5	**43.8**	24.6
Impairment of intangible assets	5	**30.3**	8.7
Share-based payments expense		**2.0**	-
Decrease in trade and other receivables		**10.1**	32.4
Difference between pension contribution paid and amounts recognised in the income statement		**-**	(16.6)
Decrease in trade and other payables		**(113.9)**	(38.5)
Provisions utilised during the period	20	**(16.9)**	-
Unrealised fair value (gains)/losses on financial instruments		**(2.4)**	3.3
Margin monies cash inflow/(outflow)		**1,656.1**	(554.9)
Increase in default funds		**2,852.2**	1,123.5
Net cash inflow from operations		**4,545.3**	647.0
Tax paid		**(20.3)**	(4.0)
Net cash inflows from operating activities		**4,525.0**	643.0
Investing activities			
Investment in intangible assets		**(39.6)**	(50.6)
Purchase of property, plant and equipment		**(2.6)**	(3.3)
(Acquisition)/redemption of other financial assets		**(8,418.4)**	4,487.1
Interest received		**1.2**	3.3
Net cash inflow/(outflow) from investing activities		**(8,459.4)**	4,436.5
Financing activities			
Proceed from issue of ordinary shares		**-**	320.0
Net of fees thereon		**-**	(3.2)
Interest paid		**(12.0)**	(13.1)
Repayment of borrowings		**(8.0)**	(60.0)
Share-based payments contribution		**(2.0)**	-
Finance lease principal payments		**(0.3)**	(0.3)
Net cash generated from/(used in) financing activities		**(22.3)**	243.4
(Decrease)/increase in cash and cash equivalents		**(3,956.7)**	5,322.9
Cash and cash equivalents at 1 January		**31,661.7**	26,345.4
Effects of foreign exchange movements		**13.4**	(6.6)
Cash and cash equivalents at 31 December		**27,718.4**	31,661.7

	Note	**2014 €'m**	2013 €'m
Cash and cash equivalents at 31 December comprise:			
Investments in secured short-term deposits		**26,063.4**	26,508.9
Cash at bank and in hand		**1,655.0**	5,187.4
	14	**27,718.4**	31,696.3
Bank overdrafts	16	**-**	(34.6)
		27,718.4	31,661.7

The notes on pages 18 to 72 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Called up share capital €'m	Share premium €'m	Capital reserves €'m	Capital redemption reserve €'m	Translation reserve €'m	Retained earnings €'m	Total €'m
Shareholders' equity at 1 January 2013	42.2	28.1	15.3	59.5	(1.3)	280.3	424.1
Profit for the year ended 31 December 2013	–	–	–	–	–	44.1	44.1
Other comprehensive expense	–	–	–	–	(0.3)	(4.2)	(4.5)
Total comprehensive income	–	–	–	–	(0.3)	39.9	39.6
Shares issued (note 22)	32.0	288.0	–	–	–	–	320.0
Costs of share issue	–	–	–	–	–	(3.2)	(3.2)
Shareholders' equity at 31 December 2013	74.2	316.1	15.3	59.5	(1.6)	317.0	780.5
Profit for the year ended 31 December 2014	-	-	-	-	-	**53.6**	**53.6**
Other comprehensive expense	-	-	-	-	**4.3**	**(1.7)**	**2.6**
Total comprehensive income	-	-	-	-	**4.3**	**51.9**	**56.2**
Share-based payments contribution	-	-	-	-	-	**2.0**	**2.0**
Share-based payments expense	-	-	-	-	-	**(2.0)**	**(2.0)**
Shareholders' equity at 31 December 2014	**74.2**	**316.1**	**15.3**	**59.5**	**2.7**	**368.9**	**836.7**

The notes on pages 18 to 72 form an integral part of these consolidated financial statements.

1. Summary of significant accounting policies and basis of preparation

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) effective for 2014 reporting and endorsed by the EU, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the valuation of financial assets and liabilities held at fair value. A summary of significant accounting policies is set out below, together with an explanation of changes to previous policies on the adoption of new accounting standards.

The Group uses a columnar format for the presentation of its income statement. This aids the understanding of its results by presenting profit for the year before impairments and non-recurring items. Profit before impairment and non-recurring items is reconciled to profit before taxation on the face of the income statement.

The financial statements are presented in millions of euros except where otherwise indicated.

Changes in accounting treatment

The statement of financial position as at 31 December 2013 has been restated in order to classify default funds as current rather than non-current liabilities following a review of the operating agreements in place. This reflects the fact that the funds are repayable after a period of notice is given by a member. The impact on the consolidated statement of financial position is as follows:

	2013 As originally reported €'m	2013 Adjustment €'m	2013 Restated €'m
Current liabilities	(444,865.6)	(6,718.6)	(451,584.2)
Non-current liabilities	(6,943.7)	6,718.6	(225.1)
Total liabilities	(451,809.3)	-	(451,809.3)

The corresponding effect on the statement of financial position as at 31 December 2012 is as follows:

	2012 As originally reported €'m	2012 Adjustment €'m	2012 Restated €'m
Current liabilities	(489,810.3)	(5,595.1)	(495,405.4)
Non-current liabilities	(5,834.0)	5,595.1	(238.9)
Total liabilities	(495,644.3)	-	(495,644.3)

There is no effect on the net assets or results of the Group at 31 December 2013 or 31 December 2012.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated. As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's result for the year is disclosed in note 4.

Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

- the measurement and impairment of goodwill and other intangible assets
- the estimated useful economic life of assets
- the measurement of defined benefit pension obligations

The Group determines whether indefinite life goodwill is impaired on an annual basis and this requires an estimation of the value in use of cash generating units to which the goodwill is allocated. Intangible assets are assessed when an indication of impairment arises. This requires the estimation of future cash flows and choosing a suitable discount rate (see note 10). The Group regularly reviews its estimate of useful economic lives to ensure it fairly reflects the period over which the Group expects to derive economic benefits from its assets.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation as well as mortality rates, the expected return on assets and the choice of a suitable discount rate (see note 18).

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and to meet current and future regulatory capital requirements and are satisfied that it has the resources to continue in business for the foreseeable future, being at least 12 months from the date on which these accounts were approved by the Board.

Contracts for the majority of the exchanges for which the Group clears have a notice period of at least one year. It has a large number of clearing members and is not unduly reliant on any single clearing member or group of clearing members. Both, LCH.Clearnet Limited and LCH.Clearnet SA were re-authorised by their national competent authorities under EMIR in line with regulatory deadlines. Furthermore, the Directors are not currently aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.

Presentational currency

The Group's consolidated financial statements are presented in euros, which is also the functional currency of the Company. Items included in the financial statements of each of the Group's entities are measured using their functional currency.

Basis of consolidation

Subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to direct the activities of the subsidiary so as to obtain a variable return from its activities. This is achieved through direct ownership of voting rights.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All significant intra-group balances and transactions have been eliminated on consolidation.

Investments

In its separate financial statements, the Company recognises its investments in subsidiaries at cost less the value of any impairment provision that may be necessary. Income is recognised from these investments in relation to any distributions received.

Foreign currencies

Monetary assets and liabilities denominated in currencies other than the functional currency of individual entities are translated into the functional currency of the entity at the rates of exchange ruling on the statement of financial position date and the resulting exchange differences are recorded in the income statement. Transactions in foreign currencies are recorded at the prevailing foreign exchange rates on the date of the transaction in the income statement and are not revalued.

On consolidation, the results of non-euro denominated businesses are translated into euros at the average exchange rates for the period. The assets and liabilities of these businesses are translated into euros at the exchange rate prevailing at the reporting date; any exchange differences arising are recognised within other comprehensive income.

Goodwill arising on the acquisition of non-euro denominated entities is treated as an asset of that entity and translated into euros at the exchange rate prevailing at the reporting date.

In the consolidated statement of cash flows, cash flows denominated in foreign currencies are translated into euros at the average exchange rates for the year or at the rate prevailing at the time of the transaction where more appropriate.

Goodwill

Goodwill arising on an acquisition is the fair value of consideration less the fair value of the net assets acquired. Goodwill is capitalised in the statement of financial position within intangible assets.

Following initial recognition goodwill is measured at initial value less any accumulated impairment losses.

Intangible assets other than goodwill

Intangible assets other than goodwill are initially recognised at cost and are capitalised on the statement of financial position. Where assets are acquired as a result of a business acquisition or the negotiation of an operating agreement, fair values are attributed to the assets acquired. Following initial recognition the assets are amortised at rates calculated to write off their cost on a straight line basis over their estimated useful lives.

An internally generated intangible asset arising from the Group's business development is created if the asset can be identified, its cost measured reliably and it is probable that it will generate future economic benefits. Amortisation is charged from the date the developed product, service, process or system is available for use. Self developed software is amortised on a straight line basis over periods between three and five years.

Other intangible assets represent investment in business development. Amortisation is charged from the date of recognition over a five year period.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost and capitalised in the statement of financial position and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on current prices, of each asset over its expected useful life as follows:

- leasehold refurbishment over the term of the lease (up to a maximum of ten years)
- computer equipment and purchased software over three years
- office equipment and other fixed assets between three and five years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Impairment of goodwill, intangible assets, and property, plant and equipment

Goodwill and intangible assets in the course of development are subject to an annual impairment review or a more frequent review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable. Other intangible assets and property, plant and equipment are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount of the asset may not be fully recoverable.

For the purpose of impairment testing, goodwill and other assets are allocated to cash generating units monitored by management, usually at statutory company level. The impairment review involves a comparison of the carrying amount of the goodwill or other asset allocated to the related cash generating units, with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of less the costs associated with the sale.

Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis. The carrying values of goodwill, intangible assets or property, plant and equipment are written down by the amount of any impairment and this loss is recognised in the income statement in the year in which it occurs.

The carrying amount of goodwill allocated to a cash generating unit is taken into account when determining the gain or loss on disposal of the unit.

Financial instruments

The Group classifies its financial instruments into the following categories: financial assets and liabilities at fair value through profit or loss, available for sale assets, held to maturity assets, loans and receivables, cash and short-term deposits, trade and other payables, interest bearing loans and borrowings and derivative financial instruments.

Financial assets and liabilities at fair value through profit or loss are financial instruments which are either acquired for trading purposes, or as designated by management. Financial instruments held in this category are initially recognised and subsequently measured at fair value with transaction costs taken directly to the income statement. Changes in fair value are recorded within net interest income. Interest earned or incurred is accrued in interest income or expense, or finance income or cost according to the purpose of the financial instrument.

Balances with clearing members are included in this category upon initial recognition and are recorded on a settlement date basis. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Available for sale assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities which the Group may sell before maturity. After initial measurement available for sale financial assets are subsequently measured at fair value. Changes in fair value are recorded within other comprehensive income until the asset is sold when the whole amount will be recognised in the income statement.

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities which the Group has the intention and ability to hold to maturity. After initial measurement held to maturity financial assets are subsequently measured at amortised cost using the effective interest rate less impairment. The amortisation of any premium or discount is included in interest income.

If a Group entity were to sell or reclassify a significant amount of held to maturity assets before maturity (other than in certain specific circumstances) the entire category might have to be reclassified as available for sale. The Group entity would then be prohibited from classifying any financial instrument as held to maturity during the following two years.

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in interest income and is accrued over the life of the agreement using the effective interest rate method.

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. After initial recognition at fair value, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

Cash and short-term deposits comprise cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of six months or less. For the purposes of the cash flow statement cash and cash equivalents are as defined above, but with an original maturity of three months or less, net of bank overdrafts (which are included within interest bearing loans and borrowings in current liabilities on the statement of financial position).

Other financial assets include government backed certificates of deposit issued by banks, notes and treasury bills directly issued by state or national governments. These assets are initially recognised and subsequently measured at fair value.

Interest bearing loans and other borrowings, including preferred securities, and default funds are initially recorded at fair value. Subsequent measurement is at amortised cost using the effective interest method, and amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Where derivative financial instruments are used, such as interest rate swaps and foreign currency forward exchange contracts, they reduce exposure to interest rate movements and foreign currency movements. The change in fair value of these hedging instruments is recognised in the income statement. The Group does not hold derivative financial instruments for trading purposes, but derivatives that do not qualify for hedge accounting are accounted for as trading instruments and are initially recognised and subsequently measured at fair value.

The Group establishes fair value using recognised valuation techniques. These include the use of externally available market prices, discounted cash flow analysis and other valuation techniques commonly used by market participants. Where discounted cash flow analysis and other valuation techniques are used assumptions are validated against market observable inputs.

Derecognition of financial assets and financial liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Taxation

Deferred and current tax assets and liabilities are only offset when they arise in the same reporting tax group and where there is both a legal right of offset and the intention to settle on a net basis.

Income tax relating to items recognised directly in other comprehensive income is charged or credited as appropriate to other comprehensive income and there is no effect on profit for the year.

Current tax

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to relevant taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date on which the Board approves the financial statements.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes using tax rates and laws enacted or substantively enacted by the date on which the Board approves the financial statements.

Deferred tax liabilities are recognised for all temporary differences. Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, except where the deferred income tax asset arises through investments in subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future.

Provisions

Provisions are recognised for current obligations arising as consequences of past events where it is probable that a transfer of economic benefits will be necessary to settle the obligation and it can be reliably estimated. All provisions, except for those arising under pension liabilities, are undiscounted.

Preference shares

Preferred securities are classified as liabilities where there is an obligation to transfer economic benefits to their holder and are recognised at amortised cost. Set up costs related to the instruments issued are initially capitalised and amortised over the expected life of the instrument. Finance costs are recognised as a finance expense in the period they become due. Preferred securities of the group that have been re-acquired are recognised as a reduction of the liability.

Revenue recognition

Clearing fee income and rebates, together with other fee income and net settlement fees, are recognised on a transaction by transaction basis in accordance with the Group's fee scales. Non-cash collateral fees are charged on non-cash collateral provided by clearing members and are included in other income.

Net interest income is the total of revenue earned on the cash and other financial assets held that have been generated from clearing member activity, less interest paid to clearing members on their margin and other monies lodged with the Group. Interest expense or income is recorded using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

Revenue sharing arrangements – amounts deducted from revenue

Amounts deducted from revenue relate to surplus or revenue share arrangements whereby, as part of an operating agreement, amounts are due back to either the other party to the operating agreement or the actual clearing customers.

Revenue sharing arrangements - revenue share costs

Revenue share costs relate to revenue share arrangements with clearing members where the revenue share is not limited to the amount of revenues receivable from the specific clearing members. As such this has been classified as an expense, as it arises, rather than as a deduction from revenue.

Where a liability has been created following the recognition of assets used to generate a revenue share, it will be recognised in the income statement on a systematic basis over the useful life of those assets and offset against the related revenue share costs.

Employee benefits

The Group operates defined benefit and defined contribution pension schemes for its employees.

The cost of providing benefits under the defined benefit plans is determined using the projected unit method. Under this method each participant's benefits under the schemes are estimated based on the total pension to which each participant is expected to become entitled at retirement. The liability is the total present value of the individuals' attributed benefits for the valuation purposes at the measurement date and is based on actuarial advice. Past service costs are recognised in the income statement on a straight line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement.

The net interest amount charged to profit or loss is calculated using actuarial assumptions fixed at the start of the annual report period and the defined benefit liability and asset value at the start of the annual reporting period adjusted for the actual contributions and benefit payments made during the period.

Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur. The defined benefit pension liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid market price.

The contribution payable to a defined contribution plan is in proportion to the services rendered to LCH.Clearnet Limited by the employees and is recorded as an expense in the income statement within employee benefits as incurred.

Share-based compensation

The Group operates share-based compensation plans for employees, settled in shares of the ultimate parent company, London Stock Exchange Group plc. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant as an indirect measure of the value of employee services received by the Group and recognised over the relevant vesting period.

Leases

The Group is a lessee. Leases of property, plant and equipment where substantially all the risks and rewards of ownership have passed to the Group are capitalised in the statement of financial position as property, plant and equipment. Finance leases are capitalised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The capital element of future obligations under finance leases is included as a liability in the statement of financial position. The interest element of rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful economic life of the asset or the lease term.

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the consolidated income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term.

Where a lease becomes onerous the full value of net future costs is immediately recognised in the income statement.

Fair value measurement

The group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in an arm's length transaction at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in note 19.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Non-recurring items

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

New accounting standards, amendments and interpretations

Standards issued and adopted for the financial year beginning 1 January 2014

The Group has applied the following standards for the first time in the current year; the impact of these is limited to the disclosure notes.

	Effective date for periods beginning on or after
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
IAS 27 (2011) Separate Financial Statements	1 January 2014
IAS 28 (2011) Investments in Associates and Joint Ventures	1 January 2014
Amendments to IFRS 10, IFRS 12 & IAS 27	1 January 2014
Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC Interpretation 21 Levies	1 January 2014

Standards issued but not effective for the financial year beginning 1 January 2014 and not early adopted

The following standards, amendments and interpretations have been issued by the IASB and IFRIC with an effective date, subject to EU endorsement. With the exception of IFRS 15 Revenue From Contracts With Customers, the Directors do not expect adoption of these standards to have a material effect on the results of the Group. Further consideration of IFRS 15 will be carried out during 2015 and its likely effects will be reported in due course.

	Effective date for periods beginning on or after
Amendments to IFRS 11 Joint arrangements on accounting for acquisitions of interest in a joint operations	1 January 2016
Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets on Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Proposed amendments to IAS 27 Separate Financial Statements on equity method in separate financial statements	1 January 2016
Proposed amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates and Joint Ventures on sale and contribution of assets between an investor and its associate or joint venture	1 January 2016
Annual Improvements 2012-2014	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue From Contracts With Customers	1 January 2017
IFRS 9 Financial Instruments	1 January 2018

2. Risk management

Introduction

The Group's activities expose it to a number of financial risks, principally market risk (foreign exchange risk, interest rate risk, financial market volatility), sovereign risk, credit risk, liquidity risk and pension risk. In addition to the financial risks, the Group is also exposed to other risks such as operational, legal, compliance and reputational risk. The Group manages these risks through various control mechanisms and its approach to risk management is to be prudent yet responsive to changes in the risk environment.

Overall responsibility for risk management rests with the Group Board. Day to day responsibility is delegated to the Group Chief Risk Officer, who ensures effective delegation to the executives in the operating subsidiaries on the basis of risk policies which are calibrated to the Board's risk appetite and are discussed and agreed by the Group's Risk Committees and Boards. The application of these policies is undertaken by the business functions as the first line of defence and by the group risk management team forming the second line of independent assurance, who control and manage the exposures arising from the various clearing activities. Risk policies are harmonised across the Group. The continued appropriateness of risk policies and key risk data are regularly reviewed by the Risk Committees and Boards, and audits of processes within risk management are undertaken periodically.

Foreign exchange risk

Risk description

Group companies generally incur expenses in their respective local currencies while earning revenues and investment income in several major currencies. This then exposes the Group to foreign exchange risk; this is primarily because the Group companies translate net assets and liabilities arising in other currencies (principally UK Sterling and US dollars) to their functional currencies.

Risk management approach

The Group converts foreign currency balances to euros regularly based upon agreed thresholds which partially mitigate the impact of exchange rate fluctuations on the Group's financial performance. Any exchange differences on the translation of net assets and liabilities that remain are recorded in the income statement.

Foreign exchange sensitivity

FX exposure in the Company, LCH.Clearnet LLC, LCH.Clearnet SA and LCH.Clearnet (Luxembourg) S.à.r.l is not significant.

The table below summarises the foreign exchange exposure on the net monetary position of LCH.Clearnet Limited, expressed in euros, the Group's presentational currency, to the major trading currencies and the effect of a reasonable shift of the relevant exchange rates on the Group's net profit and net assets. The reasonable shift in exchange rates is calculated as the average movement over the past two years. Movements in other currencies are not significant.

	2014			2013	
	£ €'m	**$ €'m**	**AUD €'m**	£ €'m	$ €'m
Net exposure	**26.2**	**(4.0)**	**2.8**	18.4	8.9
Reasonable shift	**2.1%**	**3.9%**	**8.7%**	0.2%	2.9%
Total increase/(decrease) on profit/net assets of positive movements	**0.6**	**(0.2)**	**0.2**	-	(0.3)
Total increase/(decrease) on profit/net assets of negative movements	**(0.6)**	**0.2**	**(0.2)**	-	0.3

In addition, the net assets of the Group are exposed to foreign exchange exposure on the retranslation of foreign subsidiaries' net assets at the balance sheet date. This retranslation does not affect the net profit of the Group, but passes through other comprehensive income and will affect net assets.

Interest rate risk

Risk description

The Group is exposed to interest rate risk arising from the cash and investment balances it maintains, the margin and default fund balances it holds from clearing members and the loans and borrowings it has issued.

Risk management approach

Interest bearing assets are generally invested for a longer term than the interest bearing liabilities, whose interest rate is generally reset daily. This makes investment revenue vulnerable to volatility in overnight rates and shifts in spreads between overnight and term rates. Interest rate exposures are managed within defined risk appetite parameters against which sensitivities are monitored daily. The risk to the Group's capital is managed within interest rate risk limits expressed as a percentage of each subsidiary's capital and calculated under stressed scenarios.

Interest rate sensitivity analysis

The Group aims to minimise its exposure to interest rate fluctuations. Any exposure is predominantly due to the mismatch between the Group's interest bearing assets, net of interest rate swaps, and interest bearing member liabilities. Since the return paid on member liabilities is generally reset to prevailing market interest rates on an overnight basis the Group is only exposed for the time it takes to reset the interest rates on its investments. The maximum fixed exposure on any asset in the treasury portfolio is one year and the portfolio is subject to an overall interest rate risk limit.

The following table shows the estimated impact on the consolidated profit after tax and the effect on retained earnings within shareholders' equity:

	2014			2013		
	+25bp €'m	**+50bp €'m**	**+100bp €'m**	+25bp €'m	+50bp €'m	+100bp €'m
Net exposure of cash and member margin balances	**(10.1)**	**(20.2)**	**(40.4)**	(5.4)	(10.8)	(21.6)
Interest rate swaps	**-**	**-**	**-**	1.1	2.2	4.4
	(10.1)	**(20.2)**	**(40.4)**	(4.3)	(8.6)	(17.2)
Tax effect of above	**2.5**	**5.0**	**10.0**	1.0	2.1	4.2
Decrease in profit after tax	**(7.6)**	**(15.2)**	**(30.4)**	(3.3)	(6.5)	(13.0)
	-25bp €'m	**-50bp €'m**	**-100bp €'m**	-25bp €'m	-50bp €'m	-100bp €'m
Net exposure of cash and member margin balances	**10.1**	**20.2**	**40.4**	5.4	10.8	21.6
Interest rate swaps	**-**	**-**	**-**	(1.1)	(2.2)	(4.4)
	10.1	**20.2**	**40.4**	4.3	8.6	17.2
Tax effect of above	**(2.5)**	**(5.0)**	**(10.0)**	(1.0)	(2.1)	(4.2)
Increase in profit after tax	**7.6**	**15.2**	**30.4**	3.3	6.5	13.0

Financial market volatility (latent market risk)

Risk description

Volatility within the financial markets in which the Group operates can adversely affect its earnings and its ability to meet its business objectives. The Group CCPs run a balanced position in all cleared contracts and run no significant market risk unless a clearing member defaults. In such an event the Group faces market risk which is correlated to clearing member positions and market conditions.

Risk management approach

The market and credit risk management policies of the Group are reviewed and approved by its Risk Committees and Boards at least annually. A variety of measurement methodologies, including both empirical and analytical margin models, stress testing and scenario analysis, are used daily to quantify and assess the levels of credit and market risk to which the Group is exposed, and hence the amount of resources that should be held to cover such risks, under both normal and extreme but plausible market conditions.

Initial margins for all clearing services are calibrated and back-tested to a 99.7% confidence level which has the effect of reducing the probability of loss from the default of a clearing member with the worst acceptable credit to the level of an AAA rated credit for the next 12 months.

This potential market risk is reduced by collecting variation margin on marked to market positions and by establishing initial margin requirements which are the Group's estimate of likely future market risk under normal market conditions, calibrated to a 99.7% confidence level for all products. Margin add-ons are calculated for clearing member specific concentration, liquidity, wrong way risk and credit risk. Both variation and initial margin are collected daily and replenished intraday subject to credit related thresholds.

The Group accepts both cash and high quality non-cash collateral to cover margin requirements. The list of acceptable non-cash collateral is restricted and haircuts are set for each security type taking into account market, credit, foreign exchange, country and liquidity risks and calibrated to a 99.7% confidence level. All non-cash collateral is revalued daily.

As at 31 December 2014 the total margin liability of clearing members amounted to €76.0 billion (2013: €66.0 billion), against which the Group had received €38.1 billion (2013: €30.8 billion) in cash, €36.5 billion (2013: €34.2 billion) in non-cash securities and €1.4 billion (2013: €1.0 billion) in guarantees. The maximum margin liability during the year was €92.2 billion (2013: €81.4 billion).

New applicants for clearing must meet strict credit, financial and operational criteria, which are regularly reviewed as part of the Group's risk policies and subject to independent validation at least annually.

The operating subsidiaries also require all clearing members to contribute to pre-funded default funds to be used should the margins of a defaulted clearing member not fully cover close out costs. Supplementary financial resources include a proportion of the CCPs' own capital and further clearing member contributions to ensure the continuity of ongoing operations. The operating subsidiary pre-funded default funds are segregated by clearing service and designed to be sufficient at all times to cover the default of the two clearing member groups giving rise to the greatest losses above margin under extreme but plausible market conditions.

As at 31 December 2014 the total of clearing member contributions to the default funds amounted to €9.6 billion (2013: €6.7 billion) (note 17). The maximum amount during the year was €13.4 billion (2013: €7.2 billion). Clearing members are committed to contribute further amounts in the event of a clearing member default equivalent to approximately twice this amount.

The models which calculate margins and default fund contributions are independently validated at least annually and meet all applicable regulatory requirements.

Sovereign risk

Risk description

Distress amongst sovereigns through market concerns over the levels of government debt and the ability of certain governments to service their debts over time could have adverse effects on the Group's cleared products, margin collateral, investments, the clearing membership and the financial industry as a whole.

Risk management approach

Specific risk frameworks manage sovereign risk for both fixed income clearing and margin collateral, and all clearing members' portfolios are monitored regularly against a suite of sovereign stress scenarios which model escalations in sovereign risk. In addition, investment limits and both counterparty and clearing membership monitoring frameworks are sensitive to changes in ratings and other financial market indicators, to ensure that the Group is able to measure, monitor and mitigate exposures to sovereign risk and respond quickly to anticipated changes.

The Risk Committees and Boards continually monitor such risks and the sovereign risk framework continues to protect the Group against potentially severe market volatility in the sovereign debt markets.

The Group has investments in the following Sovereigns (or equivalent issuer) as at 31 December 2014:

	2014		2013	
Sovereign (or equivalent)	**Investment value € billion**	**Proportion**	Investment value € billion	Proportion
France	**6.6**	36%	3.3	28%
European Union	**0.7**	4%	2.6	22%
USA	**6.9**	37%	2.0	17%
Germany	**2.1**	11%	1.4	12%
United Kingdom	**0.7**	4%	0.9	8%
Other	**1.6**	8%	1.5	13%
Total	**18.6**	**100%**	11.7	100%

The above total includes all other financial assets of €17,928.5 million (2013: €9,510.1 million) along with central bank cash deposits.

Credit risk

Risk description

Credit risk is the risk that a counterparty of the Group will be unable or unwilling to meet a financial commitment to the Group. Credit risk exposure arises as a direct result of the reinvestment of the cash the Group holds primarily as part of its CCP activities, in collecting margin and default fund contributions from its clearing members.

Risk management approach

The Group's investment portfolio is invested in accordance with clear risk policies which require secure investment of a significant portion of the portfolio either via reverse repurchase agreements with credit institutions, receiving high quality government, government guaranteed or supranational securities as collateral, by investing directly in such securities or by the placement of cash with central banks.

The Investment Risk Policy requires that securities received as collateral are subject to a haircut on their market value, that the average maturity of the portfolio will not exceed two years, and that while cash may be deposited in the money markets on an unsecured basis, this can only be short term with high quality banking institutions and limited to an average of 5% and a maximum of 10% of all credit institution investment.

The amount of LCH.Clearnet Limited's capital at risk to the default of a banking institution or the issuer of a debt instrument is limited to €15 million by the non-default loss allocation model introduced in response to the revision of UK CCP Recognition Requirements which became effective on 1 May 2014. Treasury default losses in excess of €15 million are allocated among clearing members.

The investment portfolio at 31 December 2014 was €45.6 billion (2013: €41.2 billion), of which 96% (2013: 94%) was invested securely with an overall average maturity of 35 days (2013: 26 days). The maximum portfolio size during the year was €53.9 billion (2013: €50.3 billion). Note 19 contains further analysis of the investment portfolio including by type and fair value hierarchy.

All counterparties, including clearing members, interoperating CCPs, investment counterparties, custodians and settlement and payment institutions, are assessed according to an internal credit scoring framework. This framework incorporates financial analysis, external ratings, market implied ratings, a support assessment and an operational capability assessment. The rating model is independently validated at least annually and the rating scale is continuously monitored for performance. A minimum credit score is set for joining any clearing service and for institutions to be eligible for investment. Increased margins are applied to clearing members when their credit score deteriorates below the entry level. Other actions may include reduced credit tolerances and forced reduction of exposures.

The Group's exposures to clearing member balances and the investment portfolio are managed through the Group's risk policies. Clearing members are subject to strict eligibility criteria which are monitored on a regular basis and, in addition, are required to contribute to the default funds as well as depositing initial margin and variation margin when entering into clearing contracts.

The Group currently interoperates with several other CCPs in Europe for cash cleared products. Interoperability with another CCP poses risks similar to the risks to which the Group is exposed with its clearing members. Credit risk is managed according to the same credit assessment framework applied to clearing members and other counterparties. To cover the latent market risk arising on interoperating exposures, all interoperating CCPs are subject to daily margining.

As at 31 December 2014 the total interoperating margin placed with and received under reciprocal arrangements with other CCPs amounted to €1,523.9 million and €1,744.5 million (2013: €3,850.4 million and €3,459.9 million) respectively.

Financial assets are neither past due nor impaired. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the statement of financial position date.

Analysis by credit rating

The table below shows the Group's clearing member balances and investment portfolio by reference to the credit rating (Fitch) of the counterparty. The treasury portfolio includes cash at bank and other financial assets.

	Note	**2014 €'m**	2013 €'m
Fair value of transactions with clearing members (ratings as measured by Fitch)			
Clearing members rated AAA		**29,422.2**	25,719.3
AA+		**-**	–
AA		**1,044.9**	385.3
AA-		**33,831.5**	41,195.1
A+		**23,221.0**	32,627.4
A		**95,067.1**	116,493.2
A-		**75,178.5**	82,456.4
BBB+		**35,830.6**	76,824.8
BBB		**56,764.8**	14,680.7
BBB-		**1,594.8**	9,137.9
BB+		**954.4**	1,945.4
BB		**10,860.9**	2,907.9
BB-		**696.5**	-
B+		**-**	356.6
Unrated		**6,163.4**	2,085.3
	12	**370,630.6**	406,815.3
Group investment portfolio (ratings assigned with reference to major agencies)			
AAA/AA+/AA- Government backed		**19,097.8**	9,932.9
AA/AA+/AAA Secured		**-**	8,695.2
AA/AA+/AAA Unsecured		**21.7**	453.9
AA-/A+/A/A-/BBB+ Secured		**26,046.5**	20,160.6
A+/AA- Unsecured		**480.9**	1,963.8
		45,646.9	41,206.4

The total credit risk of the Group is represented by the total financial assets of the Group as disclosed in note 19.

Concentration risk

Risk description

Concentration risk may arise through having large connected individual exposures and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors.

Risk management approach

Direct concentration risk arises in several areas of the Group's activities, and in order to avoid excessive concentrations of risk the Group maintains a diversified portfolio of high quality liquid investments and uses a diversified range of custodians, payment and settlement banks and agents.

Indirect concentration risks, conditional upon a clearing member default, are managed within risk policy through various means, including restrictions on certain non-cash collateral issuers and the monitoring of aggregated exposures to member groups across clearing and investment activities.

The largest concentration of investment exposures as at 31 December 2014 was 15.2% of the total investment to the US Government (2013: 8.0% to the French Government).

Liquidity risk

Risk description

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due, in particular to meet obligations to pay margin or physical settlement monies due to clearing members and investment counterparties or in the event of a clearing member default.

Liquidity risk exists as a result of day to day operational flows such as repayments of cash collateral to clearing members, provision of liquidity to facilitate settlement and cash flows resulting from investment activity. In the case of a clearing member default the Group must transfer or liquidate the defaulter's portfolio. The default management process may give rise to additional liquidity requirements to meet losses arising from close out and the defaulter's settlement and margin obligations until the portfolio is closed out or transferred.

Risk management approach

Liquidity risk is managed by ensuring that the operating clearing houses in the Group have sufficient cash to meet their payment obligations and by the provision of facilities to meet short term imbalances between available cash and payment obligations. The Group subsidiaries maintain liquidity buffers against expected daily operational liquidity needs, based on the maximum relevant liquidity outflow observed from an extensive data history, and against the default of one or more clearing members when additional liquidity will be required so that the Group can continue to meet its obligations to clearing members as a CCP.

The Group's liquidity management is subject to strict minimum liquidity targets set by senior executives within its Risk and Collateral & Liquidity Management (CaLM) departments. These targets are reviewed regularly and reported to the Risk Committees and Boards. On a day to day basis CaLM is tasked with ensuring that the Group can meet its financing needs at all times, in particular to ensure the business continues to operate smoothly in the event of the default of one or more clearing members.

The ability to access liquidity under extreme market conditions is modelled daily. Liquid resources include available cash balances, secured financing facilities and for LCH.Clearnet SA, which is a bank within the Eurozone, access to central bank liquidity.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2014	On demand €'m	Less than three months €'m	Three months to one year €'m	One to five years €'m	Over five years €'m	Total €'m
Fair value of transactions with clearing members	-	(367,032.1)	(3,583.3)	(15.2)	-	(370,630.6)
Initial margin and other clearing member balances	(7,617.9)	(29,642.4)	-	-	-	(37,260.3)
Default fund	-	-	(9,570.8)	-	-	(9,570.8)
Trade and other payables	(2.0)	(39.4)	(83.0)	-	-	(124.4)
Preferred securities	-	-	(11.8)	(203.7)	-	(215.5)
Interest bearing loans and borrowings	-	(0.1)	(0.3)	(0.4)	-	(0.8)
Interest rate swaps – net outflows	-	-	-	-	-	-

As at 31 December 2013 (restated)	On demand €'m	Less than three months €'m	Three months to one year €'m	One to five years €'m	Over five years €'m	Total €'m
Fair value of transactions with clearing members	(206,196.7)	(192,081.0)	(8,401.9)	(134.6)	(1.1)	(406,815.3)
Initial margin and other clearing member balances	(11,161.6)	(26,642.2)	(0.4)	–	–	(37,804.2)
Default fund (restated)	–	–	(6,718.6)		–	(6,718.6)
Trade and other payables	(33.7)	(131.3)	–	(40.9)	–	(205.9)
Preferred securities	–	–	(11.8)	(215.5)	–	(227.3)
Interest bearing loans and borrowings	(34.7)	(8.1)	(0.2)	(0.8)	–	(43.8)
Interest rate swaps – net outflows	–	(5.0)	(2.7)	(3.4)	–	(11.1)

For the default funds, the tenor of the liability is matched with the interest reset dates of the asset. The weighted average maturity of the total treasury portfolio is 35 (2013: 26) days, with strict risk criteria related to interest rate exposure being applied.

Interest due on the financial liabilities is based upon rates set on a daily basis.

Settlement risk

Risk description

Settlement risk is the risk that the Group makes a payment or delivery without simultaneously receiving the delivery or payment from the counterparty.

Risk management approach

The Group fully mitigates this risk through the use of guaranteed and irrevocable delivery versus payment mechanisms where available.

Settlement bank risk

Risk description

The Group is exposed to the risk that a settlement bank could fail, creating credit losses and liquidity pressures for the Group.

Risk management approach

The Group uses a combination of central bank, payment agent and commercial settlement bank models. The policy requires that only minimal unsecured balances at commercial settlement banks remain overnight, placing the majority at available central banks. Any such unsecured balances are deducted from commercial bank deposit limits. Intraday credit exposures to commercial concentration banks are also monitored and closely controlled.

For monies due from clearing members, if the payment agent or commercial settlement bank is not able to transfer funds to the Group, the clearing members remain liable for the fulfilment of their payment obligations to the Group CCPs.

Custody risk

Risk description

Custody risk is the risk of loss on securities in safekeeping as a result of the custodian's insolvency, negligence, misuse of assets, poor administration or inadequate record keeping.

Risk management approach

Although the risk of insolvency of central securities depositories or custodian banks used by the Group is low the Group mitigates this risk through a due diligence framework ensuring appropriate legal arrangements and operational processes, in addition to minimum eligibility requirements, credit assessment, regular reviews required by policy and a requirement for back-up contingency arrangements are in place.

Capital risk

Risk description

Capital risk is the risk that the Group's entities may not maintain sufficient capital to meet their obligations. This includes the risks that regulators may increase capital requirements or that own capital levels may become eroded. Capital is specifically allocated, and therefore at risk ahead of clearing member resources, in the event of either a clearing member or investment counterparty default. In addition, capital may be at risk to operational losses in excess of insurance protection.

Risk management approach

The Group's approach to capital management and a review of the current regulatory requirements are detailed in note 23. In addition:

- the default waterfalls for each clearing service feature LCH.Clearnet capital, to be utilised after the defaulted clearing member's collateral and default fund contributions and before the balance of the mutualised default funds and further, non-prefunded, resources available from the clearing members. In aggregate this capital at risk is equivalent to 25% of regulatory capital requirement for each CCP in the Group
- the non-default loss allocation model for LCH.Clearnet Limited (as detailed on page 31) limits the amount of capital at risk to the investment default/loss of a banking institution or the issuer of a debt instrument to €15 million for this entity
- the Group can manage its capital structure by varying returns to shareholders, issuing new shares or increasing or reducing borrowings

Pension risk

Pension risk arises from the potential deficit in the Group's defined benefit pension plans due to a number of factors such as mortality rates or changes in inflation assumptions. The schemes are exposed to inflation, interest rate risks and changes in the life expectancy for members. As the schemes' assets include a significant investment in equity shares, the Group is exposed to equity market risk.

The main scheme in the Group is the LCH.Clearnet Limited pension scheme in the UK and it is governed under the relevant laws and managed by the Trustees who are required to undertake a formal funding valuation every three years and, where assets are deemed to be insufficient, to agree a schedule of contributions to be paid by LCH.Clearnet Limited to make good any shortfall over a period of time. Details of the pension scheme and assumptions used in valuing their assets and liabilities are included in note 18.

Other risks

Operational risk

Operational risk is the risk of loss arising through failures associated with personnel, processes or systems or from external events. It is inherent in every business organisation and covers a wide spectrum of issues. First line operational risk is managed by the business, for example through procedures, documentation of processes, independent authorisation and reconciliation of transactions.

The Group has adopted a framework, supported by tailored enterprise-wide software, systematically to identify, assess, monitor and manage operational risks. This is achieved through self assessment of risks and controls, the collection and analysis of loss data and the development of key risk indicators as appropriate, enabling the embedding of operational risk awareness within the corporate culture. An independent department performs second line operational risk management, validating the self-assessments of risks and controls and reporting on operational risk to senior management and Board.

Business operations are subject to a programme of internal audit reviews, which are independent of line management, and the results are reported directly to the Group's senior management and Audit Committees. Following each review, management will put in place an action plan to address any issues identified. Internal Audit evaluates the adequacy and effectiveness of the Group's systems of internal control, as well as the level of compliance with policies, and reports, in addition to management's own combined assurance reporting, to the Audit Committees and senior management. Any significant weaknesses are reported to the relevant Boards.

The Group maintains comprehensive contingency plans to support its operations and ensure business continuity. These facilities are regularly tested.

Legal, compliance and regulatory risk

These risk categories include the risk arising from the potential that unenforceable contracts, lawsuits, or adverse judgements can disrupt or otherwise negatively affect the operations or condition of the organisation, and the risk of loss of license or other penalties imposed due to non-compliance with regulations governing clearing house activities in each jurisdiction in which LCH.Clearnet operates.

It is the responsibility of the Heads of the Legal, Regulatory and Compliance functions to provide assurance to the Boards that these risks are measured and monitored, while the responsibility for any mitigation actions resides with the relevant business and functional heads.

In the normal course of business, the Group receives legal claims in respect of commercial, employment and other matters. Where a claim is more likely than not to result in an economic outflow of benefits from the Group (and is measureable), a provision is made representing the expected cost of settling such claims.

Reputational risk

The maintenance of the Group's strong reputation is key to its continued profitability and is the responsibility of the Boards, management and staff. In particular the efficiency, reliability and effectiveness of the day to day operations of the Group are paramount to its reputation.

Business and strategic risks

Business risk is the risk of loss or profit decrease where declining volumes lead to lower revenues which cannot be offset by adjusting variable costs within a reasonable time period, while strategic risk is the risk of reduction in earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Business heads are responsible for managing these risks and liaising closely with the Boards when issues arise.

Project risk and business continuity, information security and cyber risks

These risk categories include the risk to earnings and capital arising from project execution deficiencies, the risk of loss arising from the disruption of critical business or IT processes due to adverse circumstances or events, and the risk that valuable and sensitive LCH.Clearnet data is compromised, lost and/or misused. The Heads of dedicated business functions and of each business are responsible for managing these risks.

Model risk

This is the risk that, for example, a margin model may not capture the essence of the stress loss/events being modelled, or that there are mistakes in the underlying calculation, which may result in systemic under-margining for the products in question. Model risk management is the responsibility of the heads of business lines which place reliance on the models, and is effected through appropriate testing and maintenance of the models and in particular through an annual independent review.

Default management risk

The additional risk arising from not having a well defined process in place prior to a default event, so that valuable time may be lost trying to reconcile positions, contacting the relevant people, etc, leading to a material deterioration in the market value of assets held.

For each service, it is the joint responsibility of the Chief Risk Officer and the relevant business head to ensure that a functioning Default Management Group is in place in accordance with group policies and guidelines, and that drills are held regularly to ensure the default management process functions smoothly.

Enterprise Risk Management framework

Each of the risks identified in this section are governed by the Risk Governance Framework issued by the Board. This framework describes the overall risk appetite of the Group, defines each risk type, the tolerance for each and the standards expected for the management of all risks. The framework also requires that all risks are measured, monitored and reported via an Enterprise Risk Management framework which is coordinated by the Chief Risk Officer.

3. Exchange rates

The most significant exchange rates to the euro for the Group are as follows:

	2014 Closing rate	**2014 Average rate**	2013 Closing rate	2013 Average rate
Euro (€) to US dollar ($)	**1.21**	**1.33**	1.37	1.33
Euro (€) to pound sterling (£)	**0.78**	**0.81**	0.83	0.85

4. Segment information

For management purposes the Group is organised into business units based on legal entities and has three reporting operating segments:

- LCH.Clearnet Limited based in the UK, with a presence in each of New York, USA and Sydney, Australia. The LCH.Clearnet LLC operations are also included within this segment
- LCH.Clearnet SA based in mainland Europe with its main operations in France, it also has branches in Belgium and the Netherlands and a representative office in Portugal
- Other, including the remainder of the Group's activities

These segments reflect the way in which the Group's chief operational decision makers monitor results and determine resource allocation within the Group. The LCH.Clearnet LLC results are included in the LCH.Clearnet Limited segment based on meeting the quantitative and qualitative requirements of IFRS 8.

The appropriate segment has directly attributable costs allocated to it. Where costs are not directly attributable, the relevant portion is allocated on a reasonable basis to each segment. Assets that are jointly used by two or more segments are allocated across segments.

Transfer pricing between segments is set on an arm's length basis in a manner similar to transactions with third parties.

LCH.Clearnet Limited, LCH.Clearnet LLC and LCH.Clearnet SA derive revenues through their activities as clearing houses. They provide CCP services in respect of OTC markets, a broad range of cash and derivative products traded on or through various exchanges and trading platforms in the UK (LCH.Clearnet Limited), mainland Europe (LCH.Clearnet SA), the US (LCH.Clearnet Limited and LCH.Clearnet LLC) and Australia (LCH.Clearnet Limited).

Of other Group companies, LCH.Clearnet (Luxembourg) S.á.r.l. earns royalties from Group companies who use the intellectual property held by it in their operations and LCH.Clearnet Group Limited earns revenue from the operating subsidiaries in the form of management fees and dividends.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Segmental information

	2014			
	Ltd €'m	SA €'m	Other €'m	Total €'m
Revenue				
Clearing revenue	255.7	113.1	-	368.8
Interest income	85.3	29.4	-	114.7
Interest expense	(26.1)	(13.5)	-	(39.6)
Net interest income	59.2	15.9	-	75.1
Other revenue	38.8	(3.7)	-	35.1
Inter-segment revenue	3.4	-	(3.4)	-
Segment income	357.1	125.3	(3.4)	479.0
Segment result before impairment and non-recurring items	91.8	26.1	9.3	127.2
Impairment and non-recurring items	(37.8)	(3.6)	(1.8)	(43.2)
Operating profit	54.0	22.5	7.5	84.0
Finance income	0.9	0.3	-	1.2
Finance expense	(0.1)	-	(12.4)	(12.5)
Profit/(loss) before tax	54.8	22.8	(4.9)	72.7
Taxation expense	(18.7)	(5.3)	4.9	(19.1)
Profit/(loss) for the year	36.1	17.5	-	53.6
Other segment information:				
Capital expenditure on fixed assets	18.4	16.4	2.5	37.3
Non-cash items:				
Fair value (gain)/loss on financial instruments	(0.6)	(1.8)	-	(2.4)
Depreciation of property, plant and equipment	4.0	2.0	-	6.0
Impairment of goodwill	30.3	-	-	30.3
Amortisation	17.8	5.1	14.9	37.8

The retained profit for the year includes a loss of €47.8 million (2013: loss of €19.1 million) relating to the Company, LCH.Clearnet Group Limited.

	2013			
	Ltd €'m	SA €'m	Other €'m	Total €'m
Revenue				
Clearing revenue	220.5	86.4	–	306.9
Interest income	128.5	160.4	–	288.9
Interest expense	(68.4)	(135.4)	–	(203.8)
Net Interest income	60.1	25.0	–	85.1
Other revenues	(26.5)	14.4	–	(12.1)
Inter-segment revenue	4.6	(0.3)	(4.3)	–
Segment income	258.7	125.5	(4.3)	379.9
Segment result before impairment and non-recurring items	48.2	37.5	8.4	94.1
Impairment and non-recurring items	13.3	(29.8)	(13.1)	(29.6)
Operating profit	61.5	7.7	(4.7)	64.5
Finance income	3.2	0.1	–	3.3
Finance expense	(0.1)	–	(13.0)	(13.1)
Profit/(loss) before tax	64.6	7.8	(17.7)	54.7
Taxation expense	(15.4)	(2.6)	7.4	(10.6)
Profit/(loss) for the year	49.2	5.2	(10.3)	44.1
Other segment information:				
Capital expenditure on fixed assets	16.0	29.2	17.0	62.2
Non-cash items:				
Fair value (gain)/loss on financial instruments	(0.3)	3.6	–	3.3
Depreciation of property, plant and equipment	3.9	1.9	–	5.8
Impairment of intangible assets	-	8.4	0.3	8.7
Amortisation	4.7	4.9	9.2	18.8

Assets and liabilities

	2014			
	Ltd €'m	**SA €'m**	**Other €'m**	**Total €'m**
Total assets	**183,163.1**	**235,443.9**	**46.6**	**418,653.6**
Total liabilities	**(182,551.5)**	**(235,083.6)**	**(181.8)**	**(417,816.9)**
Net assets	**611.6**	**360.3**	**(135.2)**	**836.7**

	2013			
	Ltd €'m	SA €'m	Other €'m	Total €'m
Total assets	232,525.7	219,946.0	118.1	452,589.8
Total liabilities	(231,939.1)	(219,684.0)	(186.2)	(451,809.3)
Net assets	586.6	262.0	(68.1)	780.5

	2014 €m	2013 €m
Non-current assets		
UK	**100.7**	95.0
Other European	**179.2**	190.9
Other	**1.5**	30.7
Total	**281.4**	316.6

Non-current assets are as defined in the statement of financial position.

Additional disclosures for Capital Requirements Directive IV (CRD IV)

The following additional segmental information is provided to comply with CRD IV. No comparatives are required other than those shown, which were separately disclosed by the Group for the year ended 31 December 2013.

Year ended 31 December 2014	**Revenue €'m**	**Profit before tax €'m**	**Tax charged €'m**	**Profit after tax €'m**
By location:				
UK	**351.1**	**87.2**	**(13.8)**	**73.4**
France	**118.1**	**19.2**	**(5.5)**	**13.7**
Netherlands	**6.3**	**3.6**	**0.2**	**3.8**
Belgium	**0.9**	**-**	**-**	**-**
United States	**2.6**	**(37.3)**	**-**	**(37.3)**
Total	**479.0**	**72.7**	**(19.1)**	**53.6**

Year ended 31 December 2013	Revenue €'m
By location:	
UK	253.0
France	116.1
Netherlands	7.4
Belgium	2.0
United States	1.4
Total	379.9

Revenue is based on the location of the Group establishment which earns the revenue.

Further disclosures required under CRD IV regarding staff numbers and Group companies are given in notes 18 and 24 respectively.

5. Operating expenses

The following items are included in operating expenses:

	2014 €'m	2013 €'m
Employee costs (note 18)	**161.4**	127.2
Depreciation and amortisation (see below)	**74.1**	33.3
Other operating expenses	**159.5**	154.9
Total operating expenses	**395.0**	315.4

Total operating expenses includes impairment and non-recurring items. A full analysis is given in note 6.

Depreciation and amortisation		
Amortisation of intangible assets	**37.8**	18.8
Depreciation of property, plant and equipment	**6.0**	5.8
Impairment of intangible assets (note 10)	**30.3**	8.7
	74.1	33.3

Other operating expenses include:		
Property lease rentals	**7.9**	13.4
Hire of plant and machinery under operating leases	**-**	0.3
Foreign exchange (gains)/losses	**(1.8)**	1.6

Auditor's remuneration:		
Fees payable for the audit of the Company	**0.1**	0.1
Fee's payable to the auditor of the Company for other services:		
Fees payable for the audit of the Company's subsidiaries	**0.5**	0.7
Other assurance services on behalf of the Group	**0.3**	0.7
Other assurance services on behalf of the Company's subsidiaries	**-**	0.6
	0.9	2.1

6. Impairment and non-recurring items

	2014 €'m	2013 €'m
Net settlement costs in relation to past default exercise	**(8.5)**	-
Synergy plan costs including SA social plan	**(4.4)**	(24.5)
Fees relating to the Group's acquisition by LSEG	**-**	(12.2)
Curtailment gain relating to UK pension scheme closure	**-**	17.6
Impairment of intangible assets	**(30.3)**	(8.7)
Other costs	**-**	(1.8)
Total impairment and non-recurring items	**(43.2)**	(29.6)
Tax effect of non-recurring items	**3.5**	10.6
Net impairment and non-recurring items	**(39.7)**	(19.0)

7. Finance income and expense

	2014 €'m	2013 €'m
Interest charged in respect of:		
Preferred securities	**(12.3)**	(12.3)
Interest on bank loans and overdrafts and finance leases	**(0.2)**	(0.8)
	(12.5)	(13.1)
Interest received in respect of:		
Recoverable development costs	**-**	3.2
Finance income on pension assets	**0.9**	-
Bank interest	**0.3**	0.1
Net finance expense	**(11.3)**	(9.8)

8. Taxation

The major components of taxation expense are:

Current tax	**2014 €'m**	2013 €'m
United Kingdom current tax charge	**(15.6)**	(10.2)
Adjustments in respect of current taxation in previous years	**4.2**	0.9
Overseas current tax charge	**(0.8)**	(10.9)
Adjustments in respect of current taxation in previous years	**1.2**	0.2
Total current taxation	**(11.0)**	(20.0)
Deferred tax		
Deferred tax relating to the origination and reversal of temporary differences	**(8.0)**	9.4
Adjustments in respect of prior years	**(0.2)**	-
Re-measurement of deferred tax – change in corporation tax rate	**0.1**	-
Tax expense reported in the consolidated income statement	**(19.1)**	(10.6)
Consolidated statement of comprehensive income		
Tax relating to remeasurement losses/(gains) on overseas defined benefit pension plans	**0.3**	(0.6)
Tax relating to remeasurement losses/(gains) on UK defined benefit pension plans	**-**	(6.8)
Tax expense reported in the statement of comprehensive income	**0.3**	(7.4)

Reconciliation of tax expense

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK as explained below:

	2014 €'m	2013 €'m
Accounting profit before taxation	**72.7**	54.7
Tax at UK statutory corporation tax rate of 21.5% (2013: 23.25%)	**(15.7)**	(12.7)
Effect of:		
Deferred tax not recognised in the US	**(1.5)**	(0.5)
Tax on pension surplus recognised in other comprehensive income	**-**	3.9
Adjustments in respect of prior periods	**5.2**	3.8
Goodwill impairment	**(6.6)**	-
Disallowed expenses and non-taxable income	**(0.1)**	(3.4)
Re-measurement of deferred tax – change in corporation tax rate	**0.1**	(1.2)
Net effect of higher rates of overseas taxation	**(3.0)**	(1.2)
Exempt foreign income	**2.1**	1.3
Foreign exchange adjustment	**0.4**	(0.6)
Total tax charge	**(19.1)**	(10.6)
Effective corporate tax rate	**26.3%**	19.4%

The UK Finance Bill 2014 was substantively enacted on 17 July 2014. The reduction to the standard rate of corporation tax from 21% to 20% will be effective from 1 April 2015. Accordingly the UK deferred tax balances at 31 December 2014 have been stated at 20%.

Exchange differences have arisen on the translation of the closing sterling tax creditor which is payable to HM Revenue and Customs in the UK.

Deferred tax

	Consolidated statement of financial position		**Consolidated income statement**	
	2014 €'m	2013 €'m	**2014 €'m**	2013 €'m
Post-employment benefits	**(7.3)**	(7.8)	**0.7**	1.2
Reduced depreciation for tax purposes	**5.2**	6.5	**(0.9)**	(0.5)
Tax losses recoverable against future profits	**11.1**	18.1	**(7.9)**	8.7
Deferred tax (charge)/credit			**(8.1)**	9.4
Net deferred tax asset	**9.0**	16.8		

	UK €'m	**Luxembourg €'m**	**France €'m**	**Total €'m**
Net deferred tax asset at 1 January 2014	**1.3**	**4.2**	**11.3**	**16.8**
Deferred tax in income statement	**(2.4)**	**(0.3)**	**(5.4)**	**(8.1)**
Deferred tax relating remeasurement gains on defined benefit pension plans	**-**	**-**	**0.3**	**0.3**
Net deferred tax asset/(liability) at 31 December 2014	**(1.1)**	**3.9**	**6.2**	**9.0**

	UK €'m	Luxembourg €'m	Other overseas €'m	Total €'m
Net deferred tax asset at 1 January 2013	9.7	1.0	4.1	14.8
Deferred tax in income statement	(1.6)	3.2	7.8	9.4
Deferred tax relating to remeasurement gains on defined benefit pension plans	(6.8)	-	(0.6)	(7.4)
Net deferred tax asset at 31 December 2013	1.3	4.2	11.3	16.8

9. Intangible assets

	2014				2013			
	Self-developed software €'m	**Goodwill €'m**	**Other €'m**	**Total €'m**	Self-developed software €'m	Goodwill €'m	Other €'m	Total €'m
Cost								
At 1 January	**189.7**	**533.5**	**22.4**	**745.6**	178.2	533.5	-	711.7
Transfers	**1.0**	-	-	**1.0**	(7.0)	-	7.0	-
De-recognition	**22.4**	-	**(22.4)**	-	-	-	-	-
Additions	**85.1**	-	-	**85.1**	35.2	-	15.4	50.6
Disposals	**(7.4)**	-		**(7.4)**	(8.0)	-	-	(8.0)
Impairment in the year	-	-	-	-	(8.7)	-	-	(8.7)
Exchange differences	-	**0.6**	-	**0.6**	-	-	-	-
At 31 December	**290.8**	**534.1**	-	**824.9**	189.7	533.5	22.4	745.6
Accumulated amortisation and impairment								
At 1 January	**127.5**	**393.4**	**4.7**	**525.6**	120.0	393.4	-	513.4
Transfers	-	-	-	-	(3.1)	-	3.1	-
De-recognition	**4.7**	-	**(4.7)**	-	-	-	-	-
Amortisation charge for the year	**37.4**	-	-	**37.4**	17.2	-	1.6	18.8
Impairment in the year	-	**30.3**	-	**30.3**	-	-	-	-
Disposals	**(7.4)**	-	-	**(7.4)**	(6.6)	-	-	(6.6)
At 31 December	**162.2**	**423.7**	-	**585.9**	127.5	393.4	4.7	525.6
Net book value at 31 December	**128.6**	**110.4**	-	**239.0**	62.2	140.1	17.7	220.0

The portion of capitalised self-developed software costs disclosed above that relates to software not currently brought into use amounted to €11.9 million (2013: €31.5 million). No amortisation has been charged during the year against these assets (2013: €nil), but instead they are tested for impairment (see note 10).

Goodwill consists of the amounts arising from the acquisition of LCH.Clearnet SA in 2003 (€110.4 million). The goodwill relating to LCH.Clearnet LLC has been fully impaired (see note 10).

During 2014, the operating agreements in respect of the SwapClear, CDSClear and ForexClear OTC business lines were renegotiated to ensure compliance with the EMIR regulatory regime. The renegotiated terms were amended from 1 January 2014. This resulted in the recognition of intangible assets in respect of self-developed software of €68.1 million (included within additions in the table above) and the de-recognition of the other intangible assets of €17.7 million.

10. Impairment testing of intangible assets

The Group carries out annual impairment testing on goodwill and software not currently brought into use in December of each year, or more often if circumstances show that an impairment may be likely.

Goodwill is carried in relation to LCH.Clearnet SA and LCH.Clearnet (US) LLC, both wholly owned subsidiaries, which are also the cash generating units (CGUs) to which the goodwill is allocated. The recoverable amount associated with these subsidiaries is determined based on value in use calculations.

In respect of self developed software not yet in use, impairment has been assessed by reviewing the carrying value of the asset against its recoverable amount, which has been determined by value in use calculations for the relevant cash generating unit using cash flow projections approved by the Board.

Assumptions

The key assumptions used in the valuations relate to cash flow projections derived from financial forecasts prepared by management covering a five year period based on an analysis of the likely development of each business line.

The following rates are then applied to these cash flow projections:

- cash flows beyond the five year period (applicable to goodwill only) are extrapolated using an estimated long term growth rate of 2.0% (2013: 2.0%)
- cash flows are discounted using the Group's pre-tax weighted average cost of capital discount rate of 10.1% (2013: 12.0%)

Impairment results

The impairment recognised during the year of €30.3 million relates to goodwill arising from the acquisition of LCH.Clearnet LLC. Following a review it was determined that the cash flows required to maintain the current valuation are too uncertain. Consequently it was considered appropriate to impair the asset. The Group remains committed to developing the business to provide clearing services in the US and continues to investigate all opportunities as they arise.

Otherwise, having completed the tests as described above, goodwill was found not to be impaired. After reflecting the impairment in relation to LCH.Clearnet LLC, the excess of value in use over carrying value is €417.3 million (2013: €33.4 million) at 31 December 2014 in respect of goodwill.

Having completed the tests as described above, self developed software and other intangible assets were found not to be impaired (2013: an impairment of €8.7 million was recognised in relation to self-developed software).

Sensitivity analysis

Reasonably possible changes in key assumptions and rates at 31 December 2014 are detailed below and the impact on the impairment recognised noted:

Goodwill

	Base case	Adjusted	Increase in impairment €'m
Reduction in clearing revenues	various	-10.0%	2.8
Cash flow growth beyond the five year period	2.0%	0%	-
Pre-tax discount rate	10.1%	13.1%	-

Self-developed software

	Base case	Adjusted	Increase in impairment €'m
Reduction in clearing revenues	various	-10.0%	-
Pre-tax discount rate	10.1%	13.1%	-

11. Property, plant and equipment

As at 31 December 2014	Leasehold refurbishment €'m	Computer equipment and software €'m	Office equipment and other fixed assets €'m	Total €'m
Cost				
At 1 January	12.5	34.7	6.7	53.9
Additions	-	2.6	-	2.6
Transfers	-	(1.0)	-	(1.0)
Disposals	(0.5)	-	(0.1)	(0.6)
At 31 December	12.0	36.3	6.6	54.9
Accumulated depreciation				
At 1 January	4.7	27.5	5.8	38.0
Depreciation charge for the year	1.3	4.4	0.3	6.0
Disposals	(0.5)	-	(0.1)	(0.6)
At 31 December	5.5	31.9	6.0	43.4
Net book value at 31 December	6.5	4.4	0.6	11.5

As at 31 December 2013	Leasehold refurbishment €'m	Computer equipment and software €'m	Office equipment and other fixed assets €'m	Total €'m
Cost				
At 1 January	12.2	33.6	6.0	51.8
Additions	0.3	2.3	0.7	3.3
Disposals	–	(1.2)	–	(1.2)
At 31 December	12.5	34.7	6.7	53.9
Accumulated depreciation				
At 1 January	3.6	24.3	5.4	33.3
Depreciation charge for the year	1.1	4.4	0.4	5.9
Disposals	–	(1.2)	–	(1.2)
At 31 December	4.7	27.5	5.8	38.0
Net book value at 31 December	7.8	7.2	0.9	15.9

Assets with a net book value of €0.3 million (2013: €0.5 million) are held under finance leases and included within office equipment.

12. Balances with clearing members

	2014 €'m	2013 €'m
Assets		
Fair value of transactions with clearing members	**370,630.6**	406,815.3
Other clearing member balances	**2,005.1**	4,205.1
	372,635.7	411,020.4
Liabilities		
Fair value of transactions with clearing members	**(370,630.6)**	(406,815.3)
Initial margin and other clearing member balances	**(37,260.3)**	(37,804.2)
	(407,890.9)	(444,619.5)

The balances due from clearing members recorded in the consolidated statement of financial position of €370,630.6 million (2013: €406,815.3 million) are fully secured by collateral held by the Group.

At 31 December 2014 the total of fully collateralised loans in respect of fixed income transactions was €369,030.6 million (2013: €436,575.3 million). This collateral has in turn, been passed on to fixed income counterparties to secure the Group's liabilities in respect of fixed income contracts.

The total net amount of non-cash collateral, including that in respect of initial margin, relating to other balances due from clearing members was €28,854.5 million (2013: €34,208.5 million) and the total amount of guarantees held was €1,403.7 million (2013: €997.4 million).

Balances with clearing members include €1,744.6 million (2013: €3,850.4 million) due from and €1,702.8 million (2013: €3,459.9 million) due to Cassa di Compensazione Garanzia S.p.A (CC&G), a fellow LSEG subsidiary company.

13. Trade and other receivables

	2014 €'m	2013 €'m
Non-current		
Other receivables	**0.1**	44.6
Current		
Trade and other receivables	**68.7**	34.6
Provision for bad debts	**(1.3)**	(1.3)
Prepayments	**7.1**	6.7
Accrued income	**0.4**	0.5
	74.9	40.5

Non-current other receivables in 2013 included amounts recoverable from clearing members relating to the development of clearing systems. These were repaid in the year as a result of the renegotiated operating agreements. A doubtful debt provision has been made in respect of €1.3 million (2013: €1.3 million) due from one customer, there were no movements in the year.

14. Cash and cash equivalents

	2014 €'m	2013 €'m
Cash at bank and in hand	**1,655.0**	5,187.4
Short term deposits	**26,063.4**	26,508.9
	27,718.4	31,696.3

€26,063.4 million (2013: €26,508.9 million) of short-term deposits are fully collateralised by sovereign and investment grade corporate securities in accordance with eligibility criteria approved by the Group's Risk Committees.

Of this amount, €836.2 million (2013: €769.3 million) is own cash. €107.0 million (2013: €54.1 million) of this amount is restricted as the Group's CCP-level own resources to be used in the default waterfalls. This is allocated by default fund on a pro rata basis for LCH.Clearnet Limited and LCH.Clearnet SA.

15. Trade and other payables

	2014 €'m	2013 €'m
Non-current		
Other payables	**28.4**	40.9
Current		
Trade payables	**8.1**	10.6
Other payables including taxation and social security	**50.9**	89.1
Accruals and deferred income	**79.6**	70.2
	138.6	169.9

Non-current payables in 2013 included amounts relating to funding arrangements for the development of new clearing systems. These amounts were settled in the year as a result of the renegotiated operating agreements.

Other payables (current and non-current) include liabilities of €37.8 million that were created on the recognition of intangible assets as a result of the renegotiated operating agreements in respect of SwapClear, CDSClear and ForexClear. These liabilities are being recognised in the income statement on a systematic basis over the useful life of the assets recognised.

16. Interest bearing loans and borrowings

	2014 **€'m**	2013 €'m
Current		
Finance leases	**0.4**	0.3
Other loans	-	8.1
Bank overdrafts	-	34.6
	0.4	43.0
Non-current		
Preferred securities	**178.9**	178.4
Finance leases	**0.4**	0.8
	179.3	179.2

Preferred securities

The Group issued €200 million non-voting, non-cumulative preferred securities on 18 May 2007. Interest is payable annually in arrears at a fixed rate of 6.576% until 18 May 2017 and then at 2.1% above three month EURIBOR. The preferred securities are redeemable in whole at the option of the Group on 18 May 2017 or any distribution date thereafter. The preferred securities are listed on the Dublin Stock Exchange through Freshwater Finance PLC.

In January 2009 the Group repurchased preferred securities with a nominal value of €20.0 million at a cost of €10.5 million. The fair value of these securities as at 31 December 2014 was €21.1 million (2013: €20.1 million).

Other loans

The €8.0 million loan from OTC Derivnet Limited was repaid on 13 February 2014. Interest was charged monthly at a rate of EURIBOR + 1.1%.

Bank overdrafts

In order to assist with day to day liquidity management the Group maintains a number of uncommitted money market and overdraft facilities with a number of major banks. Effective interest rates on these facilities vary depending on market conditions.

17. Default funds

The purpose of the default funds is to absorb any losses incurred by the Group in the event of clearing member default if margin collateral is insufficient to cover the management and close out of the positions of the defaulting clearing member. Default funds are held separately by each CCP entity to cover the risks that each company faces, and are split into several different funds in each company to cover the different business lines of that company. The total default funds held by the Group at 31 December 2014 were €9,570.8 million (2013: €6,718.6 million).

Default funds are now treated as a current liability, see note 1 for more details.

18. Employee benefits

i) Staff costs

All employees and directors	**2014 €'m**	2013 €'m
Wages and salaries	**124.1**	109.4
Social security costs	**20.4**	20.1
Share-based payment costs	**2.0**	-
Pension costs	**7.9**	11.0
Staff costs before non-recurring items	**154.4**	140.5
Staff costs included in non-recurring items (note 6)	**7.0**	(13.3)
Total staff costs	**161.4**	127.2

Average monthly number of staff employed by territory	**2014**	2013
United Kingdom	**490**	538
France	**162**	175
United States	**61**	54
Netherlands	**8**	11
Belgium	**3**	4
Portugal	**3**	4
Luxembourg	**2**	2
Australia	**2**	-
Total	**731**	788

Staff numbers given are on a full-time equivalent basis rather than actual employee numbers. The average number of actual employees during the year was 740 (2013: 804).

Key management personnel	**2014 €'m**	2013 €'m
Remuneration	**5.0**	10.0
Deferred bonus and other long-term benefits	**3.2**	2.4
Share-based payment costs	**1.5**	-
Pension contributions	**0.1**	0.5
Compensation for loss of benefits from previous employment	**0.1**	0.5
Compensation for loss of office	**-**	0.9
Aggregate emoluments of for key management personnel	**9.9**	14.3

The costs above include deferred bonuses, other long-term incentive plan (LTIP) awards and share-based payment costs on an accrued basis.

Directors' remuneration

	2014 €'m	2013 €'m
Remuneration	**2.5**	5.6
Total remuneration	**2.5**	5.6

Where directors left the Board at the same time as they were compensated for loss of employment, the full value of such costs has been included.

The costs above include deferred bonuses, other long-term incentive plan (LTIP) awards and share-based payment costs when they vest or become payable. No amounts have vested or been paid in the year, except to a former director who was paid €1.8 million in the year in respect of an LTIP award (excluded from the table above).

The highest paid director received total remuneration of €1,233,501 in the year (2013: €3,774,153).

No directors are in the Group's defined benefit pension schemes. Contributions of €14,000 (2013: €34,000) have been made on behalf of one director to the UK defined contribution scheme.

One director (the highest paid director) participates in the share-based award schemes detailed below.

Independent non-executive directors received fees for their services. The Board determines fees that reflect the level of individual responsibilities, attendance of meetings and membership of Board committees. Non-executive directors representing shareholders did not receive fees.

ii) Share-based payments

Group employees were eligible to participate in one or more of the following LSEG share option based arrangements during the financial year:

i. The London Stock Exchange Group Long Term Incentive Plan (LSEG LTIP)
ii. The LCH.Clearnet Group Long Term Incentive Plan (LCH LTIP)
iii. The LSEG SAYE Option Scheme and LSEG International Sharesave Plan (SAYE)
iv. The LSEG Restricted Share Award Plan 2008 and LCH.C Companies' Retention Plan 2014 (Restricted Plans)

The **LSEG LTIP** has two elements, a conditional award of Performance Shares and an award of Matching Shares, which is linked to a co-investment being made by the executive. Awards are made in the form of nil-cost options. Under the Matching Shares arrangement, selected executives may invest up to the value of 50% of their net-of-tax base salary in LSEG shares (Invested Value). The Invested Value is then matched with a performance related Matching Share award, matched 2:1 on a pre-tax basis (up to a maximum of 4:1 on a post-tax basis).

Vesting of the LSEG LTIP awards is dependent upon LSEG's total shareholder return (TSR) performance and adjusted basic earnings per share growth (EPS) (50% on each) over a three year period. The following targets applied to options granted in 2014:

EPS element (50%): Average growth over 3 years	TSR element (50%): Absolute growth over 3 years	Proportion of element that vests
Less than 6% p.a	Less than 8% p.a.	0%
6% p.a.	8% p.a.	25%/30%*
More than 12% p.a.	More than 16% p.a.	100%

* Vesting triggers vary based on timing of awards. as per the 2004 LSEG LTIP that prevailed at the time the grant was made. Straight line pro-rating applies between this trigger and 100% vesting.

The **LCH LTIP** also has two elements, a conditional award of Performance Shares and an award of Matching Shares, which is linked to a co-investment being made by the executive . The Matching Shares element only applies to selected senior management. The Performance Shares are available to a wider group of executives. Awards are made in the form of nil-cost options. Under the Matching Shares arrangement, selected executives may invest up to the value of 50% of their net-of-tax base salary in LSEG shares (Invested Value). The Invested Value is then matched with a performance related Matching Share award, matched 2:1 on a pre-tax basis (up to a maximum of 4:1 on a post-tax basis).

Vesting of the LCH LTIP award is initially dependent upon the achievement of a risk management gateway. If this is achieved, the degree of vesting of the award is assessed against three conditions, measured independently over three years:

1) **Regulatory metric**: a qualitative assessment of performance on regulatory matters (comprising up to 34% of the award)
2) **Cost metric:** a quantitative assessment of qualifying cost savings during the performance period (comprising up to 33% of the award)
3) **EBIT metric:** a quantitative assessment of earnings before interest/tax (EBIT) performance at the end of the performance period (comprising up to 33% of the award)

For Internal Audit, Risk and Compliance participants, the Cost and EBIT metrics do not apply. Assuming the risk management gateway is achieved, the vesting of the award is assessed against the Regulatory metric only.

The risk management gateway will be assessed by the Group Remuneration Committee ('Committee') who will assess if the Group has managed its risk effectively over the three year period. The award lapses in full if any of the Group CCPs suffers an aggregate loss of more than €12 million (Higher Level Losses). Equally, if, during the performance period, any of the Group CCPs suffers losses below this level or circumstances arise in the reasonable opinion of the Committee that have or could have resulted in a significant adverse event which did or could have materially damaged future business operations, the Committee shall determine whether Management could or should have taken action to prevent such circumstances and may lapse the award accordingly.

The Regulatory metric shall vest at 100% if it is determined that management actions in relation to regulatory matters were wholly effective during the performance period. If it is determined that management actions in relation to regulatory matters were not wholly effective during the performance period, then the Remuneration Committee shall determine a lesser level of vesting as it deems appropriate.

In order for the portion of the Performance Share Award subject to the Cost metric to vest, the LCH Remuneration Committee, must determine the amount of cumulative net consolidated qualifying cost savings of the London Stock Exchange Group achieved over the performance period by reference to specified cost saving projections and adjustments set out in the rules of the Plan.

The Cost and EBIT metrics shall vest as follows:

Cost metric: amount of qualifying cost savings determined to have been achieved	EBIT metric: EBIT level	Percentage of shares that vest
€100 million or more	€120 million or more	100%
€75 million	€106 million	62.5%
€50 million	€92 million	25%
Below €50 million	Below €92 million	0%

At the end of the performance period, the Remuneration Committee shall calculate EBIT for the last financial year in the performance period, as approved by the LCH.Clearnet Group Limited Audit Committee. EBIT means earnings before interest, tax and non-recurring items, as reported in the consolidated accounts for LCH.Clearnet Group Limited, subject to such adjustments as the Remuneration Committee considers necessary to take account of matters that it considers to be appropriate.

Straight line vesting applies between the relevant percentages listed above in respect of the Cost and EBIT metrics.

If circumstances occur, which, in the reasonable opinion of the Committee, justify a reduction to awards granted the Committee may at its discretion reduce an award or not grant future awards. In the event that an award has already vested, the Committee may determine that a repayment is made. The circumstances and timeframe in which the Committee may consider it appropriate to exercise such discretions are covered in the Plan Rules.

The **SAYE schemes** provide for grants of options to employees who enter into a SAYE savings contract; options are granted at 20% below fair market value. The scheme is available to employees based in the UK, US and France (and approved by HMRC in the UK). The options vest in full after three years, providing the employee remains employed by the Group or wider LSEG group of companies.

The **Restricted Plans** allow for grants to be made in the form of conditional awards over ordinary shares of LSEG, in the form of nil-cost options to certain executives. The vesting of such awards granted to date under the plans are conditional upon tenure and furthermore in the case of the LCH.C Companies' Retention Plan 2014 upon successful achievement of a risk management gateway.

Movements in the number of share options and awards outstanding and their weighted average exercise price are as follows:

	LSEG LTIP	**LCH LTIP**	**SAYE schemes**		**Restricted Plans**
	Number	**Number**	**Number**	**Weighted average exercise price (£)**	**Number**
1 January 2014	-	-	-	-	-
Granted in year	123,555	298,089	226,647	12.73	72,271
Exercised	-	-	-	-	-
Lapsed/forfeited in year	-	-	(22,527)	12.15	-
31 December 2014	**123,555**	**298,089**	**204,120**	**12.79**	**72,271**

None of the options were exercisable as at 31 December 2014. The weighted average exercise price is nil for all other schemes except the SAYE. The weighted average share price of LSEG plc shares during the year was £19.56.

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

As at 31 December 2014	Number outstanding	Weighted average remaining contractual life Years
LSEG LTIP - nil	123,555	2.40
LCH LTIP - nil	298,089	2.66
SAYE - over £12	204,120	2.42
Restricted Plans - nil	72,271	0.76
Total	**698,035**	**2.34**

The fair value of share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:

	LSEG LTIP				LCH LTIP	
	Performance shares	Performance shares	Matching shares	Matching shares	Performance shares	Matching shares
Grant date	5/2/14	27/8/14	5/2/14	30/9/14	27/8/14	30/9/14
Grant date share price	£18.34	£20.61	£18.34	£18.68	£20.61	£18.69
Options granted	58,999	3,038	32,449	29,069	266,976	31,113
Expected life (years)	3.07	3.00	3.07	3.01	3.00	3.01
Dividend yield	1.60%	1.50%	1.60%	1.70%	1.50%	1.70%
Risk-free interest rate	1.00%	1.30%	1.00%	1.30%	1.30%	1.30%
Volatility	29%	27%	29%	26%	27%	26%
Fair value TSR	£6.05	£6.39	£6.05	£5.44	n/a	n/a
Fair value EPS	£17.48	£19.70	£17.48	£17.75	n/a	n/a
Fair value non-market conditions	n/a	n/a	n/a	n/a	£19.70	£17.75

	2014 SAYE		Restricted Plans	
Grant date	10/1/14	11/7/14	5/2/14	5/2/14
Grant date share price	£17.99	£19.15	£18.34	£18.34
Options granted	135,198	91,449	29,364	42,907
Expected life (years)	3.00	3.14	1.07	2.07
Exercise price	£12.64	£15.38	-	-
Dividend yield	1.70%	1.60%	1.60%	1.60%
Risk-free interest rate	1.10%	1.50%	0.5%	0.6%
Volatility	30%	29%	29%	29%
Fair value	£6.06	£5.39	£18.05	£17.76

The volatility is based on a statistical analysis of LSEG's weekly share price since its flotation in July 2001.

The fair value for LSEG LTIP performance and matching shares granted during the year is based on a total shareholder return (TSR) pricing model which takes into account the TSR vesting conditions. All other fair values of options granted are based on a Black-Scholes model. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

iii) Pension commitments

Defined contribution scheme

The Group pays fixed contributions to a defined contribution pension scheme in the UK and there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Group in a fund under the control of the trustees. The total expense charged in the income statement of €7.4 million (2013: €8.1 million) represents contributions payable to the plan by the Group at rates specified in the rules of the plan.

Defined benefit schemes

The Group operated a defined benefit pension scheme for its employees in the UK (the defined benefit section of the LCH Pension Scheme), which required contributions to be made to a separate trustee administered fund. This was closed to new members from 30 September 2009 and closed to further employee contributions on 31 March 2013.

As a result of this closure, LCH.Clearnet Limited made a curtailment gain of £14.5 million (€17.6 million) which was recognised as a non-recurring item during 2013 (note 6).

A full actuarial valuation of the UK pension scheme was carried out at 30 June 2013 and partially updated to 31 December 2014 by a qualified independent actuary.

The Group has obligations in respect of retirement indemnity and long-service award schemes in Paris. The provisions have been calculated by a qualified independent actuary as at 31 December 2014.

The Group committed to assume the obligations in respect of certain staff in the Euronext defined benefit pension scheme in Amsterdam who transferred their employment to LCH.Clearnet SA in 2004. A gain was recognised in the year, due to the settlement of the Euronext defined benefit pension scheme in Amsterdam in 2013. The Group has no further defined benefit liability in respect of staff in Amsterdam.

The obligations in respect of certain staff in an independent defined benefit scheme in Porto were assumed in 2006. An updated valuation of these funds was carried out at 31 December 2013 by a qualified independent actuary.

Details of the regulatory environment and risks can be found in note 2.

The valuations of the UK scheme conducted for financial reporting purposes are based on the triennial actuarial valuation as at 30 June 2013. The other schemes were subject to a full valuation at 31 December 2014. A summary of the principal assumptions used is detailed below. The Group is not aware of any events subsequent to 31 December 2014, which would have a material impact on the results of the valuation. There was no impact of the asset ceiling test.

	2014				2013			
	UK	**France**	**A'dam**	**Porto**	UK	France	A'dam	Porto
Weighted-average assumptions to determine benefit obligations:								
Discount rate	**3.7%**	**1.7%**	**-**	**1.7%**	4.6%	3.0%	3.0%	3.0%
Rate of salary increase	**n/a**	**3.0%**	**-**	**3.0%**	n/a	3.0%	n/a	3.0%
Rate of price inflation	**3.1%**	**2.0%**	**-**	**2.0%**	3.4%	2.0%	n/a	2.0%
Rate of pension increases	**2.2%**	**n/a**	**-**	**1.5%**	2.2%	n/a	n/a	1.5%

	2014				2013			
	UK	**France**	**A'dam**	**Porto**	UK	France	A'dam	Porto
Life expectancy from age 60 (years):								
Non-retired male member	**30.4**	**23.3**	**n/a**	**20.6**	30.7	23.3	n/a	20.6
Non-retired female member	**32.8**	**27.5**	**n/a**	**20.6**	32.9	27.5	n/a	n/a
Retired male member	**28.1**	**23.3**	**n/a**	**20.6**	29.2	23.3	n/a	20.6
Retired female member	**30.4**	**27.5**	**n/a**	**20.6**	31.2	27.5	n/a	n/a

The discount rate for the UK scheme has been determined from a curve of AA corporate bond rates by duration which is consistent with the estimated weighted average duration of the scheme's liabilities at around 25 years. Scheme assets are stated at their market value at the respective statement of financial position dates.

Changes in benefit obligation

	2014		
	UK €'m	**France €'m**	**Porto €'m**
Benefit obligation as at 1 January	**179.2**	**5.0**	**0.4**
Pension (income)/expense:			
Current service cost	**–**	**0.3**	**–**
Past service gain (curtailment gain)	**–**	**(0.6)**	**–**
Net interest	**8.5**	**0.2**	**–**
Re-measurement (losses)/gains:			
Effect of changes in demographic assumptions	**(4.0)**	**-**	**-**
Effect of changes in financial assumptions	**42.6**	**0.9**	**0.2**
Effect of experience adjustments	**–**	**(0.3)**	**–**
Reduction in obligation due to settlement	**–**	**–**	**–**
Benefits paid	**(2.8)**	**(0.1)**	**(0.1)**
Foreign exchange	**15.0**	**–**	**–**
Benefit obligation as at 31 December	**238.5**	**5.4**	**0.5**

	UK	2013 France	A'dam/ Porto
	€'m	€'m	€'m
Benefit obligation as at 1 January	189.8	6.3	6.6
Pension (income)/expense:			
Current service cost	2.5	0.4	0.3
Past service gain (curtailment gain)	(17.6)	(1.7)	(2.0)
Net interest	8.1	0.2	0.2
Re-measurement (losses)/gains:			
Effect of changes in demographic assumptions	–	0.2	–
Effect of changes in financial assumptions	3.1	–	–
Effect of experience adjustments	0.3	(0.2)	(0.5)
Reduction in obligation due to settlement	–	–	(4.2)
Benefits paid	(3.3)	(0.2)	–
Foreign exchange	(3.7)	–	–
Benefit obligation as at 31 December	179.2	5.0	0.4

Changes in scheme assets

	UK	**2014 France**	**Porto**
	€'m	**€'m**	**€'m**
Fair value of scheme assets as at 1 January	**198.5**	**–**	**0.4**
Pension income:			
Net interest	**9.1**	**–**	**–**
Re-measurement gains:			
Return on plan assets (excluding interest income)	**37.5**	**–**	**–**
Employer contributions	**0.6**	**0.2**	**0.2**
Benefits paid	**(2.8)**	**(0.2)**	**(0.1)**
Administrative expenses	**(0.3)**	**–**	**–**
Reduction in assets due to settlement	**–**	**–**	**–**
Foreign exchange	**16.6**	**–**	**–**
Fair value of scheme assets as at 31 December	**259.2**	**–**	**0.5**

	2013 UK €'m	2013 France €'m	2013 A'dam/ Porto €'m
Fair value of scheme assets as at 1 January	189.4	–	4.3
Pension income:			
Net interest	8.2	–	0.1
Re-measurement gains:			
Return on plan assets (excluding interest income)	5.8	–	(0.3)
Employer contributions	2.2	0.2	0.6
Benefits paid	(3.3)	(0.2)	(0.1)
Reduction in assets due to settlement	–	–	(4.2)
Foreign exchange	(3.8)	–	–
Fair value of scheme assets as at 31 December	198.5	–	0.4

An analysis of the pension assets is set out below:

Pension scheme asset allocation	**2014 UK €'m**	**2014 Porto €'m**	2013 UK €'m	2013 Porto €'m
Fair value of scheme assets with a quoted market price:				
Cash and cash equivalents	**9.1**	**0.1**	7.7	–
Equity instruments	**118.4**	**0.1**	104.5	–
Debt / LDI instruments	**131.7**	**0.2**	86.3	0.3
Real estate	–	**0.1**	–	0.1
Total	**259.2**	**0.5**	198.5	0.4

Sensitivity analysis on benefit obligation		**2014 UK €'m**	**2014 France €'m**	**2014 Porto €'m**	2013 UK €'m	2013 France €'m	2013 Porto €'m
Discount rate	+25 basis points	**223.4**	**5.2**	**0.5**	168.3	4.8	0.4
Discount rate	-25 basis points	**254.9**	**5.6**	**0.5**	191.1	5.2	0.4

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Payments from the defined benefit schemes

The weighted average duration of the defined benefit pension schemes is 26.33 years (2013: 25.13 years). The following payments are expected to be made in future years out of the defined benefit plans' obligations:

	UK €'m	France €'m	Porto €'m
Within the next 12 months	**3.1**	**0.2**	–
Between 2 and 5 years	**12.9**	**0.2**	–
Following 5 years	**18.0**	**1.5**	–
Total	**34.0**	**1.9**	–

Contributions

During 2014, contributions of €0.6 million were made to the defined benefit pension plan in the UK. A contingent commitment in respect of the UK scheme has been made to make contributions up to £2.5 million in the event of an agreed level of deficit at 30 June 2016.

The Group does not expect to make any contributions to its defined benefit pension plans in 2015.

19. Financial instruments

Financial assets and liabilities

	Note	2014 €'m	2013 €'m
Financial assets at fair value through profit or loss			
Fair value of transactions with clearing members	12	**370,630.6**	406,815.3
Government backed, bank issued certificates of deposits		**3,086.6**	3,066.7
Treasury bills		**8,909.1**	4,899.6
Available for sale assets			
Government issued bonds		**5,932.8**	-
Held to maturity assets			
Government issued bonds		**-**	1,543.8
Other financial assets in the statement of financial position		**17,928.5**	9,510.1
Loans and receivables			
Trade and other receivables	13	**67.9**	77.9
Other clearing member balances	12	**2,005.1**	4,205.1
Cash and short-term deposits	14	**27,718.4**	31,696.3
Financial liabilities at fair value through profit or loss			
Fair value of transactions with clearing members	12	**(370,630.6)**	(406,815.3)

	Note	**2014 €'m**	2013 €'m
Financial liabilities at amortised cost			
Trade and other payables	15	**(124.4)**	(205.9)
Initial margin and other clearing member balances	12	**(37,260.3)**	(37,804.2)
Default funds	17	**(9,570.8)**	(6,718.6)
Interest bearing loans and borrowings	16	**(0.8)**	(43.8)
Preferred securities	16	**(178.9)**	(178.4)
Derivative financial instruments at fair value through profit or loss			
Derivative financial liabilities		**–**	(11.1)

Prepayments within trade and other receivables are not classified as financial assets. Other taxes, provisions and the liability in respect of the renegotiated operating agreements within trade and other payables are not classified as financial liabilities.

For assets not marked to market there is no material difference between the carrying value and fair value.

Based on market prices at 31 December 2014 the fair value of the Group's preferred securities is €189.7 million (2013: €181.2 million) at the year-end compared to the amortised cost carrying value of €178.9 million (2012: €178.4 million) as shown in note 16.

All financial assets held at fair value are designated as such at initial recognition by the Group. During the year, LCH.Clearnet Limited reclassified its government issued bonds asset portfolio (€5,539.3 million) as available for sale from held to maturity; this reflects a limited number of sales of these assets during 2014. This has resulted in an additional loss of €0.2 million within other comprehensive income.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs, which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. The Group has no financial instruments in this category

The Group held the following significant financial instruments measured at fair value:

	2014			2013		
	Level 1 €'m	**Level 2 €'m**	**Total €'m**	Level 1 €'m	Level 2 €'m	Total €'m
Assets measured at fair value						
Fair value of transactions with clearing members	**7.4**	**370,623.2**	**370,630.6**	5.3	406,810.0	406,815.3
Treasury bills	**8,909.1**	**–**	**8,909.1**	4,899.6	-	4,899.6
Available for sale assets	**5,932.8**	**–**	**5,932.8**	-	-	-
Government backed, bank issued certificates of deposit	**3,086.6**	**–**	**3,086.6**	3,066.7	-	3,066.7
Liabilities measured at fair value						
Fair value of transactions with clearing members	**(7.4)**	**(370,623.2)**	**(370,630.6)**	(5.3)	(406,810.0)	(406,815.3)
Derivative financial liabilities	**–**	**–**	**–**	-	(11.1)	(11.1)
Other items where fair value is known						
Government backed, bank issued certificates of deposit	**–**	**–**	**–**	1,543.8	-	1,543.8
Preferred securities	**(189.7)**	**–**	**(189.7)**	(181.2)	-	(181.2)

For assets and liabilities classified as level 1, the fair value is based on market price quotations at the reporting date. For assets and liabilities classified as level 2, the fair value is calculated using valuation techniques with market observable inputs. Frequently applied techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Income statement

Amounts included in the income statement in relation to financial instruments are as follows:

	2014 €'m	2013 €'m
Interest income on assets held at fair value through the income statement	**14.1**	137.5
Interest income on other financial assets	**98.2**	154.7
Net fair value (loss)/gain on revaluation of other financial assets held at fair value included in net interest income	**2.4**	(32.8)
Net fair value gain on interest rate swaps	**–**	29.5
Interest income	**114.7**	288.9
Interest expense on liabilities held at fair value	**(6.2)**	-
Interest expense on liabilities held at amortised cost	**(33.4)**	(203.8)
Net interest income	**75.1**	85.1
Finance income on pension fund assets	**0.9**	-
Finance income on assets held at amortised cost	**0.3**	3.3
Finance expense on overdrafts and finance leases held at amortised cost	**(0.2)**	(0.8)
Finance expense on loans and borrowings held at amortised cost	**(12.3)**	(12.3)
Net finance expense	**(11.3)**	(9.8)

Interest income includes amounts earned from clearing members' cash collateral deposits which attract negative interest rates. Interest expense includes amounts where the Company incurs negative interest in its cash deposits.

Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table shows the impact of netting arrangements on all financial assets and liabilities that are reported net on the balance sheet.

As at 31 December 2014	**Gross amounts €'m**	**Amount offset €'m**	**Net amount as reported €'m**
Derivative financial assets	**27,279,192**	**(27,277,592)**	**1,600**
Reverse repurchase agreements	**586,017**	**(216,986)**	**369,031**
Other	–	–	–
Total assets	**27,865,209**	**(27,494,578)**	**370,631**
Derivative financial liabilities	**(27,279,192)**	**27,277,592**	**(1,600)**
Reverse repurchase agreements	**(586,017)**	**216,986**	**(369,031)**
Other	–	–	–
Total liabilities	**(27,865,209)**	**27,494,578**	**(370,631)**

As at 31 December 2013	Gross amounts €'m	Amount offset €'m	Net amount as reported €'m
Derivative financial assets	28,572,945	(28,571,553)	1,392
Reverse repurchase agreements	619,260	(214,683)	404,577
Other	88,265	(87,419)	846
Total assets	29,280,470	(28,873,655)	406,815
Derivative financial liabilities	(28,572,945)	28,571,553	(1,392)
Reverse repurchase agreements	(619,260)	214,683	(404,577)
Other	(88,265)	87,419	(846)
Total liabilities	(29,280,470)	28,873,655	(406,815)

As CCPs, the Group's operating companies sit in the middle of clearing members' transactions and hold default funds and margin amounts as a contingency against the default of a member and so further amounts are available to offset in the event of a default reducing the asset and liability of €370,631 million (2013: €406,815 million) to nil. Default funds for derivatives of €7,304.9 million (2013: €4,485.9 million), repurchase agreements of €1,864.5 million (2013: €1,650.9 million) and other transactions of €401.4 million (2013: €581.8 million) are held by the Group. In addition, the Group holds margin of €49,400.6 million (2013: €10,551.6 million) for derivatives, €22,249.2 million (2013: €12,245.1 million) for repurchase agreements and €2,305.4 million (2013: €3,992.9 million) for other transactions, as well as additional variation margin amounts which are not allocated by business line.

20. Provisions

In December 2013, the Group initiated a restructuring plan for LCH.Clearnet SA, the Group's French CCP, and a net amount of €18.9 million was provided for on the statement of financial position. The provision was not discounted as it was expected that the provision would be substantially utilised during 2014.

	Restructuring provision €'m
As at 1 January 2013	-
Provided in the year	18.9
Utilised in the year	-
As at 31 December 2013	**18.9**
Utilised in the year	**(16.9)**
As at 31 December 2014	**2.0**

21. Commitments and contingencies

Operating leases

The Group leases offices under non-cancellable operating leases. The total future minimum lease payments due are as follows:

Property	**2014 €'m**	2013 €'m
Within one year	**7.2**	8.8
More than one year, but less than five	**24.7**	29.3
More than five years	**33.5**	27.3
	65.4	65.4

The main London office lease expires in 2026, the Paris office lease in 2023 and the main New York office lease in 2023.

Finance leases

The Group has finance leases for various items of office equipment.

	2014		2013	
Amounts due:	**Minimum payments €'m**	**Present value of payments €'m**	Minimum payments €'m	Present value of payments €'m
Within one year	**0.4**	**0.4**	0.4	0.3
In two to five years	**0.5**	**0.4**	0.8	0.8
Total minimum lease payments	**0.9**	**0.8**	1.2	1.1
Less: future financing charges	**(0.1)**	**–**	(0.1)	–
	0.8	**0.8**	1.1	1.1

Supplier agreements

LCH.Clearnet SA and the ATOS group agreed a new five year IT service contract, effective on 1 January 2014. The estimated maximum value of the commitment to December 2018 is up to €55.2 million (2013: €57.0 million), assuming no early termination.

Treasury assets supporting operational facilities

At 31 December 2014 the Group had assets and collateral in support of the following operational facilities:

	2014 €'m	2013 €'m
Central bank activity[1]	**2,962.6**	5,246.8
Concentration bank services	**202.0**	313.3
Fixed income settlement[2]	**18,873.1**	21,373.9
	22,037.7	26,934.0

[1]LCH.Clearnet SA pledges securities that have been provided as collateral for clearing activity with Banque de France for the purpose of securing overnight borrowing.
[2]LCH.Clearnet Limited holds collateral as security against tri-party cash loans as well as government debt and government backed bank issued debt, which is used to support RepoClear settlement activity.

22. Issued capital and reserves

Share capital

Ordinary shares

The company has 74,193,814 fully paid-up ordinary shares of €1.00 each in issue as at 31 December 2014 (2013: 74,193,814).

No ordinary shares were issued in the year (2013: 32,000,000).

Non-cumulative callable preference shares (NCPS)

The company is authorised to issue NCPS of €1.00 each in the event that the Group's capital ratios fall below the minimum required by the relevant regulatory authority for a period of six months. As at 31 December 2014, none of these shares have been issued (2013: nil).

Other reserves

Share premium

The share premium reserve is €316.1 million (2013: €316.1 million).

Capital reserves

The capital reserve of €15.3 million (2013: €15.3 million) represents the difference between the called-up share capital of the Company and the called-up share capital, share premium account and capital redemption reserve of LCH.Clearnet Limited at 19 December 2003, when the Group was formed, less the amount transferred to retained earnings in 2007 as part of a court approved capital restructuring.

Capital redemption reserve

The balance of €59.5 million (2013: €59.5 million) represents the nominal value of the ordinary shares that were repurchased and cancelled in 2007, 2008, and 2009.

Translation reserve

The balance €2.7 million (2013: (€1.6) million) represents the movement when retranslating the Group's non-euro denominated subsidiaries' net assets.

Retained earnings

Retained earnings of €368.9 million (2013: €317.0 million) include €19.9 million of non-distributable reserves reflecting the nominal value of the redeemable convertible preference shares redeemed in 2007. €20.7 million (2013: €68.5 million) of the Company's reserves are regarded as distributable. Included within retained earnings is a revaluation reserve of €0.2 million (2013: nil) in relation to the Group's available for sale assets.

23. Capital management

The Group's approach to capital management is to maintain a strong capital base that will support the development of the business, meet regulatory capital requirements at all times and maintain good credit ratings. This is managed with reference to external capital requirements, including a consideration of future impacts to LCH. Capital plans are included within the Group's medium-term financial plan which is presented to the Board annually. The capital plans take into account current and future regulatory requirements and the development of the Group's business. The Group monitors capital resources in relation to its capital requirements.

LCH.Clearnet Limited and LCH.Clearnet SA are considered as Qualifying Central Counterparties (QCCPs) under the European Capital Requirements Regulations (CRR) as they have received authorisation under European Markets Infrastructure Regulations (EMIR). Both companies are registered as DCOs in the USA affording them QCCP status for USA members.

LCH.Clearnet LLC, a USA company, is considered as a QCCP for USA members as it complies with the Principles for Financial Market Infrastructures. It is also considered as a QCCP for EU members until 15 June 2015 (the deadline of the transition measure under the CRR) or until its recognition under EMIR if earlier.

Compliance with capital adequacy regulations

The Group is lead-regulated by the Autorité de Contrôle Prudentiel et de Resolution (ACPR) in France as a Compagnie Financiere under French law and is subject to capital adequacy rules under Basel III.

LCH.Clearnet SA is regulated as a credit institution by the ACPR and as a CCP and an investment service provider by L'Authorité des marchés financiers (AMF) in Québec, Canada. It is subject to standard capital adequacy rules under EMIR and Basel III. Since December 2013, it is also regulated by the CFTC as a DCO in the USA.

LCH.Clearnet Limited is regulated by the Bank of England as a Recognised Clearing House under the Financial Services and Markets Act 2000 and is subject to capital adequacy rules under EMIR. It is also regulated by the CFTC as a DCO in the USA, licensed by the Swiss Financial Markets Supervisory Authority (FINMA) as a CCP to SIX Swiss Exchange in Switzerland. In Canada it is recognised as a Clearing Agent by the Ontario Securities Commission (OSC) in Ontario, and the AMF in Québec. During 2014, it was also recognised as a CCP by the Australian Securities & Investments Commission (ASIC) in Australia.

LCH.Clearnet LLC is regulated by the CFTC as a DCO and can be deemed to be a QCCP because it has elected to be subject to heightened risk management standards under the CFTC's Subpart C rules.

The Group and its subsidiaries have been fully compliant with the respective capital adequacy regulations throughout 2014.

Basel III capital calculation

In accordance with the Basel III Pillar I framework the Group is required to maintain ratios of capital to risk weighted assets that cannot fall under a threshold of 4% of common equity, 5.5% of tier 1 capital, and 8% of total capital. At 31 December 2014 the common equity ratio was 23.5% (2013 Basel II: 52.3%), and the Tier 1 and total capital ratios was 32.9% (2013 Basel II: 70.4%).

As at 31 December 2014, the Group's total regulatory capital was €496.7 million; this is based on shareholders' funds and, to the extent that they are allowable, the Group's preferred securities (see below).

Changes due to Basel III/EMIR

On 1 January 2014 the Capital Requirement Directive IV came into effect, the impact of this new regulation was a reduction in regulatory capital due to the gradual grandfathering of the company's preferred securities (reduced by 20% in the first year) and the deduction of intangible assets and defined benefit pension assets. There was also an increase in the regulatory requirement due to the treatment of treasury activities as trading book classification.

Latent market risk, which is equivalent to the group's contribution to its CCP's waterfall, has increased due to the additional requirement under EMIR. The ACPR has reviewed the treatment of latent market risk and has requested that it is brought in line with the EMIR treatment and deducted from regulatory capital instead of being included in the Pillar II requirement.

Changes to Pillar II capital requirement calculation

The Group uses its Internal Capital Adequacy Assessment Process (ICAAP) to identify additional risks and to assess extra capital under Pillar II which are not covered within the Pillar I framework. A revised ICAAP was prepared during the year, the most significant change of which, has lead to the reduction in the Pillar II calculation of concentration risk. Previously a function of capital, concentration risk is now based on the largest unsecured exposure to an institution's internal credit score.

24. Subsidiary companies

The Company's principal subsidiaries are as follows, all are owned 100%:

Company name	Principal activity	Country of incorporation
LCH.Clearnet Limited	CCP	England and Wales
LCH.Clearnet SA	CCP	France
LCH.Clearnet LLC[1]	CCP	United States
LCH.Clearnet (Luxembourg) S.à.r.l[1]	Investment	Luxembourg
LCH.Clearnet Funding LP[1]	Financing	England and Wales
LCH.Clearnet GP Limited	Financing	England and Wales
LCH.Clearnet PLP Limited	Financing	England and Wales

[1] Indirect holding through the Company's other subsidiaries

The country of incorporation is also the principal area of operation. LCH.Clearnet SA also operates in the Netherlands, Belgium and Portugal and LCH.Clearnet Limited also operates in the USA and Australia.

The partners of LCH.Clearnet Funding LP have taken advantage of the exemption in Regulation 7 of The Partnerships (Accounts) Regulations 2008 from preparing the equivalent Annual Report and Annual Financial Statements as would be required under the Companies Act 2006.

The Company also owns the following companies that are not material to the Group. All companies are 100% owned.

Company name	Principal activity	Country of incorporation
LCH.Clearnet (US) LLC	Holding company	United States
LCH.Clearnet Service Company Limited	Dormant	England and Wales
BondClear Limited	Dormant	England and Wales
SwapClear Limited	Dormant	England and Wales
LCH Pensions Limited	Trustee company	England and Wales
RepoClear Limited	Dormant	England and Wales
Bondnet Limited	Dormant	England and Wales
EquityClear Limited	Dormant	England and Wales
The London Clearing House Limited	Dormant	England and Wales
RepoNet Limited	Dormant	England and Wales
ForexClear Limited	Dormant	England and Wales
International Commodities Clearing House Limited	Dormant	England and Wales
The London Produce Clearing House Limited	Dormant	England and Wales

25. Related party transactions

Key management personnel

Details of key management personnel and their total remuneration are disclosed in note 18.

Ultimate parent company and group companies

London Stock Exchange Group plc (LSEG) is the ultimate parent company of the Group, with a total shareholding of 57.78% and is the largest group that prepares consolidated accounts. The immediate parent company is London Stock Exchange (C) Limited, which does not prepare consolidated accounts. LCH.Clearnet Group Limited is the head of the smallest group which prepares consolidated accounts.

Copies of the consolidated financial statements for LSEG for the period ended 31 December 2014 are available from the Company Secretary, London Stock Exchange Group plc, 10 Paternoster Square, London, EC4M 7LS.

Details of the principal Group companies are set out in note 24. Transactions or balances with Group entities that have been eliminated in these consolidated financial statements are not reported.

Throughout 2014, the Group had a number of transactions with various companies within LSEG which are detailed below. All transactions were on an arm's length basis.

	2014 €m	2013 €m
Transactions with parent companies		
Income statement		
Services recharged to parent companies	1.7	-
Services recharged from parent companies	(2.8)	-
	(1.1)	-
Statement of financial position		
Amount due to parent companies at 31 December	(1.2)	-
Transactions with fellow subsidiaries		
Income statement		
Services recharged to fellow subsidiaries	4.1	-
Services recharged from fellow subsidiaries	(4.8)	0.2
	(0.7)	0.2
Statement of financial position		
Amount due to fellow subsidiaries at 31 December	(0.3)	(0.2)

Company statement of financial position

	Note	2014 €'m	2013 €'m
Non-current assets			
Investments	26	**658.5**	696.8
Deferred taxation asset		**0.2**	0.4
Total non-current assets		**658.7**	697.2
Current assets			
Trade and other receivables	27	**1.1**	1.2
Cash at bank and in hand		**3.1**	2.5
Other financial assets	30	**31.3**	51.5
Income tax receivable		**12.8**	8.0
Total current assets		**48.3**	63.2
Total assets		**707.0**	760.4
Current liabilities			
Interest bearing loans and borrowings	28	**-**	(8.1)
Trade and other payables	29	**(17.7)**	(15.7)
Total current liabilities		**(17.7)**	(23.8)
Non-current liabilities			
Interest bearing loans and borrowings	28	**(198.9)**	(198.4)
Total non-current liabilities		**(198.9)**	(198.4)
Total liabilities		**(216.6)**	(222.2)
Net assets		**490.4**	538.2
Equity			
Called up share capital	22	**74.2**	74.2
Share premium	22	**316.1**	316.1
Capital redemption reserve	22	**59.5**	59.5
Retained earnings		**40.6**	88.4
Total equity		**490.4**	538.2

Jacques Aigrain
Chairman

Suneel Bakhshi
Chief Executive Officer

Notes 26 to 31 form an integral part of these financial statements.

The financial statements were approved by the Board on 4 March 2015.

Company statement of cash flows

	2014 €'m	2013 €'m
Cash flows arising from operating activities		
Comprehensive loss for the year	**(47.8)**	(19.1)
Taxation	**(4.7)**	(3.2)
Finance income	**(1.3)**	(1.3)
Finance cost	**13.8**	14.3
Decrease in trade and other receivables	**0.1**	7.9
Increase in trade and other payables	**2.0**	5.4
Impairment of investments	**38.3**	-
Unrealised fair value gains on financial instruments	**(0.9)**	(4.1)
Net cash outflow from operations	**(0.5)**	(0.1)
Tax received	**-**	6.8
Net cash inflow/(outflow) from operating activities	**(0.5)**	6.7
Investing activities		
Investment in subsidiaries	**-**	(281.0)
Redemption of other financial assets	**21.1**	25.1
Interest received	**1.3**	1.3
Net cash inflow/(outflow) from investing activities	**22.4**	(254.6)
Financing activities		
Proceeds from loans issued	**-**	100.0
Loan amounts repaid	**(8.0)**	(160.6)
Net proceeds from the issue of ordinary shares	**-**	316.8
Interest paid	**(13.3)**	(13.8)
Net cash inflow/(outflow) from financing activities	**(21.3)**	242.4
Increase/(decrease) in cash and cash equivalents	**0.6**	(5.5)
Cash and cash equivalents at 1 January	**2.5**	8.0
Cash and cash equivalents at 31 December	**3.1**	2.5
Cash and cash equivalents at 31 December comprise:		
Cash at bank and in hand	**3.1**	2.5
	3.1	2.5

Notes 26 to 31 form an integral part of these financial statements.

	Called up share capital €'m	Share premium €'m	Capital redemption reserves €'m	Retained earnings €'m	Total €'m
Shareholders' equity at 1 January 2013	42.2	28.1	59.5	110.7	240.5
Loss for the year	–	–	–	(19.1)	(19.1)
Ordinary shares issued	32.0	288.0	–	–	320.0
Share issue costs	–	–	–	(3.2)	(3.2)
Shareholders' equity at 31 December 2013	74.2	316.1	59.5	88.4	538.2
Loss for the year	–	–	–	(47.8)	(47.8)
Shareholders' equity at 31 December 2014	**74.2**	**316.1**	**59.5**	**40.6**	**490.4**

Notes 26 to 31 form an integral part of these financial statements.

26. Investments

	Investment in subsidiaries 2014 €'m	Investment in subsidiaries 2013 €'m
Cost		
As at 1 January	**1,028.8**	747.8
Additions	**–**	281.0
As at 31 December	**1,028.8**	1,028.8
Accumulated impairment		
As at 1 January	**(332.0)**	(332.0)
Impairment in year	**(38.3)**	-
As at 1 January and 31 December	**(370.3)**	(332.0)
Net book value	**658.5**	696.8

Investments in subsidiary companies are stated at cost less impairment. During the year the Company impaired its investment in LCH.Clearnet (US) LLC by €38.3 million to its net asset value as at 31 December 2014.

In 2013 the Company made additional investments in the share capital of LCH.Clearnet Limited of €260.0 million, LCH.Clearnet (US) LLC of €20.0 million and an initial investment of €1.0 million in LCH.Clearnet Service Company Limited. See note 24 for details of the Company's subsidiary companies.

27. Trade and other receivables

	2014 €'m	2013 €'m
Current		
Amounts owed by subsidiary companies	**1.1**	1.2

Amounts owed by Group companies are interest free and payable on demand.

28. Interest bearing loans and borrowings

	2014 €'m	2013 €'m
Current		
Other loans	**–**	8.1
Non-current		
Subordinated loan notes owed to LCH.Clearnet Funding LP	**198.9**	198.4

See note 16 for details of other loans. The interest rate on the subordinated loan notes is fixed at 6.576% until 18 May 2017 and then moves to three month EURIBOR plus 2.1%. The balance is shown net of the capitalised transactions costs of €1.1 million (2013: €1.6 million) which are being amortised over the life of the notes. The loan is not repayable before 18 May 2017.

29. Trade and other payables

	2014 €'m	2013 €'m
Amounts owed to Group companies	**10.1**	4.0
Accruals	**7.6**	11.7
	17.7	15.7

Amounts owed to Group companies are interest free and payable on demand.

30. Financial instruments

The Company's financial assets and liabilities are as follows:

	Note	**2014 €'m**	2013 €'m
Financial assets at fair value through profit or loss			
Investment in preferred securities		**21.1**	20.1
Loans and receivables			
Short term loan due from subsidiary		**10.2**	31.4
Other financial assets in the statement of financial position		**31.3**	51.5
Trade and other receivables		**1.1**	1.2
Cash and short term deposits in the statement of financial position		**3.1**	2.5
Financial liabilities at amortised cost			
Trade and other payables		**(17.7)**	(15.7)
Other loans		**-**	(8.1)
Subordinated loan owed to subsidiary		**(198.9)**	(198.4)

The Company purchased some of the Group's preferred securities in the market with a nominal value of €20.0 million in January 2009. These preferred securities had been issued initially by Freshwater Finance plc. These were repurchased at a cost of €10.5 million and have been revalued at the 31 December 2014 price of €1.05408 (2013: €1.00682) in the Company's statement of financial position.

31. Related party transactions

During the year the Company charged €19.1 million (2013: €12.9 million) in management charges to subsidiary companies and paid recharges of €18.1 million (2012: €12.9 million). The Company paid interest of €13.2 million (2013: €13.2 million) to subsidiaries and received interest of €1.3 million (2013: €1.3 million).

Balances at the year end with subsidiaries are shown in notes 27 and 29.