15 May 2014

LONDON STOCK EXCHANGE GROUP PLC

ANNOUNCEMENT OF PRELIMINARY RESULTS FOR YEAR ENDED 31 MARCH 2014

- Good financial and operational performance – 10 per cent organic revenue growth with increases across all business segments and contribution from acquisitions, including LCH.Clearnet

- Reported revenue up 50 per cent at £1,088.3 million (2013: £726.4 million); adjusted total income[1] up 42 per cent at £1,213.1 million (2013: £852.9 million)

- Adjusted operating expenses[1] up 65 per cent to £698.4 million, reflecting inclusion of acquisitions, including LCH.Clearnet (2013: £422.7 million); core operating costs[1], excluding impact of acquisitions and FX, up 6 per cent, partly reflecting increased cost of sales

- Increased cost synergies identified – integration with LCH.Clearnet to deliver €60 million (£49 million) of cost reductions in 2015 (significantly ahead of original €23 million target)

- Adjusted operating profit[1] up 20 per cent at £514.7 million (2013: £430.2 million); operating profit up 1 per cent at £353.1 million (2013: £348.4 million)

- Adjusted profit before tax[1] up 17 per cent at £445.9 million (2013: £380.7 million); profit before tax of £284.3 million (2013: £298.9 million), principally reflecting increased acquisition amortisation

- Adjusted basic EPS[1] up 2 per cent at 107.1 pence (2013: 105.3 pence); basic EPS of 63.0 pence (2013: 80.4 pence)

- Strong cash generation reduced net debt: adjusted EBITDA of 1.9x as at 31 March 2014 (from 2.2x at 30 September 2013)

- Proposed final dividend up 4.5 per cent to 20.7 pence per share; total dividend for the year increased 4.4 per cent to 30.8 pence per share. The final dividend will be paid on 19 August 2014 to shareholders on the register on 26 July 2014

[1] before acquisition amortisation and non-recurring items and excluding unrealised net investment gains/losses at LCH.Clearnet

Chris Gibson-Smith, Chairman, London Stock Exchange Group, said:

“It has been a strong year for the Group. We have further expanded our global business, building best in class capabilities as we grow. We expect the substantial benefits of the LCH.Clearnet transaction to continue to work through over the coming year and the improving economic outlook and evolving regulatory landscape also present further opportunity to develop our business. We look forward to further growth in the year ahead.”

Commenting on the year, Xavier Rolet, Chief Executive, London Stock Exchange Group said:

"The Group's expansion in capital markets infrastructure is delivering tangible success. We have produced a good full year financial performance with increased top line, operating profits and earnings, reflecting both strong organic growth and the benefits from recent additions to the Group.

"We have accelerated our cost saving targets at LCH.Clearnet Group and we see opportunities for growth as the regulatory landscape evolves. I am more optimistic than ever that our truly unique position as the only global open access market infrastructure player, which works in close partnership with its customers across all of our businesses, will position us well for the future."

SUMMARY FINANCIAL RESULTS

	Year ended 31 March			Organic and constant currency
	2014 £m	2013 £m	Variance %	variance %
Revenue				
Capital Markets	**309.5**	267.5	16%	12%
Post Trade Services	**98.4**	91.8	7%	4%
LCH.Clearnet	**263.0**	-	-	-
Information Services	**348.7**	306.3	14%	10%
Technology Services	**64.0**	56.1	14%	12%
Other revenue	**4.7**	4.7	-	(2%)
Total revenue	**1,088.3**	726.4	50%	10%
Net treasury income through CCP business:				
CC&G	**47.6**	116.7	(59%)	(61%)
LCH.Clearnet	**62.2**	-	-	-
Other income	**11.5**	9.8	17%	19%
Total income	**1,209.6**	852.9	42%	0%
Adjusted total income excluding unrealised gain / (loss)	**1,213.1**	852.9	42%	0%
Operating expenses	**(698.4)**	(422.7)	65%	6%
Adjusted operating profit[1]	**514.7**	430.2	20%	(6%)
Amortisation of purchased intangibles and non-recurring items	**(158.1)**	(81.8)	93%	24%
Operating profit	**353.1**	348.4	1%	(12%)
Basic earnings per share (p)	**63.0**	80.4	(22%)	
Adjusted basic earnings per share (p)[1]	**107.1**	105.3	2%	
Dividend (p)	**30.8**	29.5	4%	

Adjusted basic earnings per share[1] of 107.1 pence includes a 4.6 pence benefit from one-time items including a gain from sale of a non-core asset (£6.9 million, 2.2 pence), release of provisions relating to Lehman debtors and exit from a leasehold property (£8.4 million, 2.4 pence).

Adjusted basic earnings per share[1] in the prior year, of 105.3 pence, included a 5.4 pence benefit from a one-time £14.6 million tax credit relating to prior years.

[1]*before amortisation of purchased intangibles, non-recurring items and unrealised net investment gains/losses at LCH.Clearnet*

Organic growth is calculated in respect of businesses owned for at least 12 months and so excludes LCH.Clearnet, FTSE TMX, GATElab and EuroTLX.

Unless otherwise stated, all figures refer to the year ended 31 March 2014 and comparisons are against the same corresponding period in the previous year

Cost savings and other changes

The Group has identified significant additional cost savings as part of the integration process that commenced following completion of a majority stake in LCH.Clearnet in May 2013. We have increased the cost synergies from the original €23 million (£19 million[1]) target, to €60 million (£49 million[1]) to be achieved in 2015 (from an expected LCH.Clearnet annualised 2013 cost base of €306 million (£251 million[1]), just prior to last year's acquisition). One-time costs to achieve the savings are expected to be €43 million (£35 million[1]), with €31 million (£26 million) of this included in non-recurring items in the Group's March 2014 results.

These savings are being achieved through a number of measures, including restructuring of operations, procurement efficiencies, combination of group functions and other headcount reductions. These saves will more than offset expected cost increases at LCH.Clearnet over the same period, principally from higher depreciation charges from investment in systems and processes required to meet EMIR requirements and other operational needs. The Group will continue to work on measures to improve the operational and cost efficiency of the business.

In April 2014, the SwapClear, ForexClear and CDSClear services' arrangements were amended (with effect from 1 January 2014) to ensure they met EMIR and other regulatory requirements for clearing houses, as well as recognising the changing economics and increased regulatory capital for running OTC derivatives clearing services. The surplus share arrangements in the SwapClear and ForexClear services have been replaced with revenue share arrangements. The impact for the period to 31 March 2014, including changes to CDSClear, has been to increase OTC revenues by £14.0 million with a corresponding increase in operating expenses of £10.2 million; this reflects the move to a revenue share and LCH.Clearnet is now recognising in full the assets and their associated amortisation relating to these businesses. In 2014, it is expected that LCH.Clearnet's overall share from the three OTC services in aggregate will be over 50 per cent, while SwapClear will be over 60 per cent. The new arrangements will become increasingly beneficial as the cost base is controlled and the OTC businesses continue to grow, through fee increases for new services and products, geographic expansion and an increased number of customers using the services.

[1] using exchange rate of £1:€1.22

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Further information

The Group will host a presentation of its Preliminary Results for analysts and shareholders today at 09:30am (BST) at 10 Paternoster Square, London EC4M 7LS. The presentation will be accessible via live webcast, which can be viewed at http://www.lseg.com/investor-relations or listened to on the numbers below:

Participant UK Dial-In Numbers: 0844 493 3800
Participant Std International Dial-In: +44 (0) 1452 555 566
Conference ID # 420 019 16

For further information, please call the Group's Investor Relations team on +44 (0) 20 7797 3322.

Chief Executive's Review

Overview

This has been another year of achievement as we continued to grow and diversify the Group on an increasingly global basis, most notably through the successful completion of our transaction with LCH.Clearnet Group. The environment in which we operate has also evolved. We have been encouraged by regulation emerging out of Europe, which will promote competition, empowering investors through enhanced choice, lower costs and greater capital efficiency. The provisions for open access in clearing and access to benchmarks will help reduce the fragmentation of risk in closed silos and promote lower cost, more efficient and robust competitive markets. As the economic recovery continues, we have also seen a return of investors to our equity markets. The Group helped companies raise over £34 billion in new and further equity issues across our markets. Providing companies with the ability to access capital to grow their businesses is a fundamental part of what we do and we continue to develop products and services across asset classes, as well as initiatives such as ELITE, to support small and medium sized enterprises (SMEs) across Europe to grow and attract investors along the funding ladder. This is also a core underpinning of our approach to corporate responsibility.

LCH.Clearnet

One of the key landmarks for the Group during the past year was the completion of the acquisition of a majority stake in the global clearing house, LCH.Clearnet Group. Risk management is a vital component of stable financial markets and LCH.Clearnet has a strong record of helping its members and customers manage their risk. The business embraces an open access model, which also makes it well positioned to benefit from regulatory change being implemented across the world. By operating a multi-asset global platform, across multiple geographies, LCH.Clearnet provides customers with enhanced collateral efficiency opportunities through services such as portfolio netting and compression. LCH.Clearnet is also particularly well positioned to meet the needs of OTC clearing across a range of asset classes.

Suneel Bakhshi joined as CEO of LCH.Clearnet Group in February 2014, bringing a wealth of risk and change management experience in financial services. Together with his team, he is working hard to further develop opportunities through product innovation and geographic expansion designed to support its global customer base in an evolving regulatory landscape. He is also focused on realising the benefits of the relationship with LSEG and we are very pleased that our work on the integration now means that we are able to extend the expected cost synergies. These are now expected to reach €60 million / £49 million per annum in 2015. In addition, further changes to the operation of the OTC clearing businesses, particularly SwapClear, have resulted in additional revenues for the Group, as well as changes to the share of costs.

Building best in class capabilities

Our portfolio of products and brands enables us to offer our customers innovative solutions across the trading cycle from technology to post trade. In February, UnaVista Trade Repository went live helping customers to meet their obligations under EMIR, receiving approximately ten million reports on behalf of over 2,500 counterparties on day one. In fixed income, we completed the acquisition of a 70 per cent stake in EuroTLX, a retail bond platform, which will enable Borsa Italiana to extend the range of trading services for retail investors. MTS, the European fixed income market, announced plans to launch a new platform, which will give buy-side institutions the ability to trade interest rate swaps electronically.

Turquoise, the Group’s pan-European trading platform, expanded its stock universe to include a number of the mid-tier securities, previously only available to trade via domestic exchanges. Turquoise has seen its overall share of trading improve significantly throughout the year with the platform now regularly accounting for more than eight per cent of all volume traded across Europe. The Group also continued to enhance its technology offering with a series of product upgrades to allow improved functionality for users.

Creating a global business

The Group's global reach was further increased during the year with FTSE reinforcing its position as a leading international index provider. FTSE continued to consolidate its leading position in China with $18 billion of assets under management linked to ETFs tracking the FTSE China Index series, as of the end of March 2014. FTSE also made good progress in expanding its operations in North America and further enhanced its fixed income offering with the launch of a new offshore RMB Bond Index Series, in partnership with Bank of China, as well as the recent acquisition of the MTS indices business through its joint venture with TMX.

MTS began trading in the U.S. following the launch of MTS Markets International and took further steps to grow its customer base in the region through the acquisition of Bonds.com, an electronic platform for the trading of U.S. corporate and emerging market bonds.

MillenniumIT recorded a number of wins throughout the year, such as the signing of an agreement to provide post trade technology to SGX, as well as extending existing contracts with London Metal Exchange and TMX.

Developing opportunities

The Group has taken further positive steps to diversify its business. In July 2013, the Group confirmed plans to launch a new central securities depository (CSD) business, based in Luxembourg. The new CSD, globeSettle, has received regulatory approval from CSSF and is on track to commence operations in Summer 2014. It has previously been announced that the CSD will provide settlement, custody and asset servicing for J.P. Morgan's international collateral management business.

The Group launched a number of new derivative products, including the introduction of Single Stock Options both in Italy and the UK as well as FTSE UK Large Cap Super Liquid index futures. As noted above, we believe that we are well positioned to benefit from a number of the MiFID II regulations, which promote an open-access, competitive model for customers across many of our businesses, including indices and post trade services.

In the UK, we welcomed the Government's decision to abolish stamp duty for AIM-listed stocks, which followed an earlier move to allow AIM securities to be included in ISAs. Initiatives aimed at encouraging greater investment in SMEs among retail investors are vital and we remain firmly committed to supporting high-growth, entrepreneurial companies, which are the lifeblood of our economy. In November 2013, we published our inaugural report titled '1000 Companies to Inspire Britain', a landmark study that identified some of the UK's most exciting and dynamic SMEs and, last month, the Group launched ELITE in the UK, based on the success of a similar programme in Italy, which helps small and medium-sized enterprises access finance to enable their future growth and development.

The landscape for global capital markets infrastructure continues to evolve and consolidation remains a key theme. We will continue to seek to expand the Group's global offering, as value-enhancing opportunities arise.

Outlook

I joined the Group five years ago. During this period, the business has transformed through control of the cost base, investment in high performance technology, organic development, innovation and strategic acquisitions. The Group's expansion in capital markets infrastructure is delivering tangible success, reflected in consistently good financial performance and returns to our shareholders. I am particularly pleased how colleagues across the business have embraced the opportunities brought through diversification, working together to identify opportunities and realise the benefits of being part of a global group. We have accelerated our cost savings targets at LCH.Clearnet Group and we see opportunity for growth as the regulatory landscape evolves. I am more optimistic than ever that our truly unique position – as the only global open access market infrastructure player which works in close partnership with its customers across all of our businesses – will position us well for the future.

Financial Review

The following is a review of the Group's financial performance for the year.

Capital Markets

Year ended 31 March Revenue	**2014** **£m**	**2013** **£m**	**Variance** **%**	**Variance at organic and constant currency** **%**
Primary Markets				
Annual Fees	**41.2**	38.5	7	6
Admission Fees	**39.9**	32.3	24	21
Total Primary Markets	**81.1**	70.8	15	13
Secondary Markets				
Cash equities UK & Turquoise	**94.5**	86.0	10	10
Cash equities Italy	**36.1**	32.7	10	7
Derivatives	**19.6**	19.1	3	0
Fixed income	**68.1**	51.8	31	17
Total Secondary Markets	**218.3**	189.6	15	10
Other	**10.1**	7.1	42	38
Total revenue	**309.5**	267.5	16	12
Operating expenses	(164.8)	(148.6)	11	
Operating profit	**144.7**	118.9	22	

Capital Markets revenue, which comprises primary and secondary market activities, increased 16 per cent to £309.5 million (2013: £267.5 million). Primary markets revenue was up 15 per cent to £81.1 million (2013: £70.8 million) following the highest IPO activity seen in the last six years, and secondary market revenues increased by 15 per cent on higher equity and fixed income trading volumes and the inclusion of revenue from EuroTLX in which a majority stake was acquired in September 2013.

In primary markets, the total amount of capital raised across our equity markets, both through new and further issues, increased by 90 per cent to £34.2 billion (2013: £18.0 billion). This reflected a strong recovery, particularly in the second half of the year, in equity issuance for both domestic and international companies across our markets. In total, 57 issuers (2013: 40) joined our main markets in London, 20 companies (2013: 7) came to market in Italy and 111 companies (2013: 74) were admitted to trading on AIM. Looking ahead, the pipeline of companies looking to join our markets remains encouraging.

In secondary markets, both the UK and Italian equity trading activity increased on last year with average order book daily value traded in the UK up 8 per cent to £4.3 billion (2013: £4.0 billion) and order book volume in Italy up 5 per cent to 235,000 trades per day (2013: 223,000). Trading on Turquoise, our pan-European equities platform, delivered a 67 per cent rise in average daily equity value traded to €2.8 billion (2013: €1.7 billion). Global derivatives volumes decreased in the last year, with 23 per cent and 4 per cent declines in the UK and Italy respectively, largely as a result of lower market volatility.

Fixed Income produced a good performance despite MOT volumes down 9 per cent, while MTS grew strongly with MTS Repo volumes up 2 per cent and MTS Cash and BondVision value traded up 48 per cent. In September, the Group acquired a majority stake in EuroTLX, an Italian MTF operating in the European fixed income market, and 6 months of revenue (£6.6 million) is included in Fixed Income (£5.8 million) and Admission Fees (£0.8 million). Other capital markets revenues of £10.1 million (2013: £7.1 million) primarily comprise fees for membership of and connectivity to our markets.

Operating expenses (including cost of sales and EuroTLX costs) were up 11 per cent to £164.8 million (2013: £148.6 million) in line with increasing revenue and Operating profit was up 22 per cent to £144.7 million (2013: £118.9 million).

Post Trade Services - CC&G and Monte Titoli

Year ended 31 March Revenue	**2014** **£m**	**2013** **£m**	**Variance** **%**	**Variance at organic and constant currency** **%**
Clearing (CC&G)	**40.0**	36.1	11	7
Settlement (Monte Titoli)	**16.4**	15.5	6	2
Custody & other	**42.0**	40.2	4	1
Total revenue	**98.4**	91.8	7	4
Net treasury income	**47.6**	116.7	(59)	(61)
Inter-segmental income	**0.9**	-		
Total income	**146.9**	208.5	(30)	(33)
Operating expenses	**(63.4)**	(64.2)	(1)	
Operating profit	**83.5**	144.3	(42)	

Post Trade Services - CC&G and Monte Titoli, saw an expected sharp decline in net treasury income following completion of the migration to a minimum 95 per cent secured investment portfolio, partially offset by a modest increase in revenue resulting in total income decreasing to £146.9 million (2013: £208.5 million).

Clearing revenues grew by 11 per cent to £40.0 million, following the recovery in trading volumes in equities and fixed income. Similarly settlement revenues increased by 6 per cent with Monte Titoli processing 58.3 million settlement instructions, up 5 per cent on the previous year.

In the Monte Titoli CSD business the average value of assets under custody grew by 3 per cent, leading to an increase in year on year revenues from Custody on a constant currency basis. The main increase in assets under custody came in Government Bonds and Equity, the latter mainly due to increases in market capitalisation.

CC&G generates net treasury income by investing the cash margin it holds, retaining any surplus after members are paid a return on their cash collateral contributions. The average daily initial margin rose 18 per cent to €11.9 billion for the period (2013: €10.1 billion). CC&G completed the move to a minimum 95 per cent secured investment level for cash margin, required to meet EMIR regulatory standards, with a subsequent reduction in yields. Net treasury income, as a result of this change, decreased by £69.1 million to £47.6 million (2013: £116.7 million).

Operating expenses were down one per cent to £63.4 million and combined with the decline in net treasury income resulted in a 42 per cent decrease in operating profit to £83.5 million (2013: £144.3 million).

Post Trade Services – LCH.Clearnet

Year ended 31 March (eleven months)	**2014** £m
Revenue	
OTC	**109.6**
Non-OTC	**146.3**
Other	**7.1**
Total revenue	**263.0**
Net treasury income	**62.2**
Other income	**(3.5)**
Total income	**321.7**
Operating Expenses	**(240.6)**
Operating Profit	**81.1**

The Post Trade Services - LCH.Clearnet segment comprises the Group's majority owned global clearing business which was acquired on 1 May 2013. In the eleven month period as part of the Group, the division contributed revenue of £263.0 million and net treasury income of £62.2 million, offset by operating expenses of £240.6 million and resulted in an operating profit of £81.1 million.

OTC revenue of £109.6 million includes revenue from SwapClear, the world's leading interest rate swap clearing service, CDS Clear, which clears European credit indices and ForexClear, clearing interbank foreign exchange non-deliverable forwards in multiple currencies. SwapClear membership increased to 103 members in 2014 (2013: 78 members) whilst CDSClear had 11 members and ForexClear 20 members, an increase in the year of 3 members and 5 members respectively.

In April 2014, the SwapClear, ForexClear and CDSClear services' arrangements were amended (with effect from 1 January 2014) to ensure they met EMIR and other regulatory requirements for clearing houses, as well as recognising the changing economics and increased regulatory capital for running OTC derivatives clearing services. The surplus share arrangements in the SwapClear and ForexClear services have been replaced with revenue share arrangements. The impact for the period to 31 March 2014, including changes to CDSClear, has been to increase OTC revenues by £14.0 million with a corresponding increase in operating expenses of £10.2 million; this reflects the move to a revenue share and LCH.Clearnet is now recognising in full the assets and their associated amortisation relating to these businesses. In 2014, it is expected that LCH.Clearnet's overall share from the three OTC services in aggregate will be over 50 per cent, while SwapClear will be over 60 per cent. The new arrangements will become increasingly beneficial as the cost base is controlled and the OTC businesses continue to grow, through fee increases for new services and products, geographic expansion and an increased number of customers using the services.

Non-OTC revenue contributed £146.3 million in eleven months including £82.1 million from clearing services for interest rate and equity derivatives as well as a range of commodities markets, £32.4 million from cash equities which provides clearing services for a wide coverage of European regulated exchanges and multilateral trading facilities and £31.8 million from clearing cash bond and repo trades across a number of European markets.

Net treasury income is earned by investing the cash margin it holds, retaining any surplus after members are paid a return on their cash collateral contributions . Total income for the 11 month period was £62.2 million with LCH.Clearnet investments remaining at over 95 per cent secured throughout the period.

The Group has identified significant additional cost savings as part of the integration process that commenced following completion of the acquisition. We have increased the cost synergies from the original €23 million (£19 million) target, to €60 million (£49 million) to be achieved in 2015 (from an expected annualised 2013 cost base of €306 million (£251 million), just prior to last year's acquisition). One-time costs to achieve the savings are expected to be €43 million (£35 million), with €31 million (£26 million) of this included in non-recurring items in the Group's March 2014 results.

These savings are being achieved through a number of measures, including restructuring of the operations, procurement efficiencies, the combination of group functions and other headcount reductions. These savings will more than offset expected cost increases over the same period, principally from higher depreciation charges from investment in systems and processes necessary to meet EMIR requirements and other operational needs.

Information Services

Year ended 31 March Revenue	2014 £m	2013 £m	Variance %	Variance at organic and constant currency %
FTSE revenues	**174.0**	134.1	30	22
Real time data	**90.8**	96.9	(6)	(7)
Other information services	**83.9**	75.3	11	11
Total revenue	**348.7**	306.3	14	6
Operating Expenses	**(179.0)**	(159.2)	12	
Operating Profit	**169.7**	147.1	15	

Information Services provides fast, reliable market information including global indices products, trade processing operations, desktop and workflow products. In the last year Information Services revenue rose 14 per cent to £348.7 million (2013: £306.3 million) reflecting a strong performance from FTSE as well as growth in other products.

FTSE's revenue increased 30 per cent to £174.0 million (2013: £134.1 million) driven by an increase in subscription revenues from net new business and the completion of Vanguard's benchmark switch to FTSE. Growth was boosted from the inclusion of the new FTSE TMX fixed income indices joint venture in April 2013. We remain on track to achieve the three year aggregate target of £28 million set for FTSE global revenue and cost synergies, with the SEDOL business benefiting, in particular, through the FTSE sales network.

Real time data revenue declined 6 per cent year on year as a result of fewer users in both the UK and Italy, down 6 per cent and 8 per cent respectively. These falls were largely the result of headcount reductions and general cost cutting in the sector. Other Information Services performed well, in particular UnaVista which increased its user base to over 30,000 in the last year (2013: 9,000). UnaVista also launched its EMIR trade repository solution to assist clients manage their evolving regulatory and reporting needs.

Operating expenses of £179.0 million (2013: £159.2 million) are up 12 per cent on 2013 levels reflecting increased cost of sales, up 25 per cent, and staff costs following strong growth in the FTSE business. Operating profit rose 15 per cent to £169.7 million (2013: £147.1 million).

Technology Services

Year ended 31 March Revenue	2014 £m	2013 £m	Variance %	Variance at organic and constant
MillenniumIT	**31.5**	26.9	17	21
Technology	**32.5**	29.2	11	3
Total revenue	**64.0**	56.1	14	12
Intersegmental revenue	**10.9**	21.3	(49)	(45)
Total income	**74.9**	77.4	(3)	(2)
Operating expenses	**(63.1)**	(57.2)	10	
Operating profit	**11.8**	20.2	(42)	

Technology Services comprises technology connections and data centre services, along with the MillenniumIT business, based in Sri Lanka, which provides technology and enterprise services for the Group and third parties. Revenues for Technology Services increased by 14 per cent to £64.0 million (2013: £56.1 million).

MillenniumIT third party revenue rose 17 per cent to £31.5 million (2013: £26.9 million) mostly relating to growth in the Enterprise Service Provision operation. The business continued to perform well, launching new technology and building new relationships with Singapore Stock Exchange and Canada's TMX amongst others.

Revenue from other technology services grew by 11 per cent to £32.5 million (2013: £29.2 million) including a full year's contribution from the GATELab business (acquired in December 2012), which supplies advanced trading and post trade technology globally.

Operating expenses were up 10 per cent to £63.1 million (2013: £57.2 million) primarily due to an increase in cost of sales relating to growth in ESP revenues and Operating profit was £11.8 million (2013: £20.2 million).

Operating Expenses

Operating expenses before amortisation of purchased intangibles and non-recurring items rose 65 per cent to £698.4 million (2013: £422.7 million), mainly reflecting the inclusion of £240.6 million of costs relating to eleven months of LCH.Clearnet and costs of £4.6 million from other acquired businesses (FTSE TMX, EuroTLX and GATELab) for a full year.

Organic costs on a constant currency basis remained well controlled, up 6 per cent (including inflation), mainly attributable to investments in staff, higher project-related professional fees and an increase in cost of sales. Offsetting these cost increases were items of £8.4 million for the release of provisions relating to Lehmans debtors and the exit from a leasehold property.

We remain committed to maintaining high levels of cost control, including realising synergies as part of the LCH.Clearnet acquisition, where we have increased annualised target cost savings from €23 million (£19 million) to €60 million (£49 million) by the end of 2015.

Finance income and expense and taxation

Net finance costs were £68.8 million, up £19.3 million on the prior year, principally reflecting the full year cost of the £300 million retail bond (issued in November 2012), the drawing of credit facilities to fund the acquisition of the majority stake in LCH.Clearnet in May 2013 (and its subsequent capital raise), eleven months interest cost on the LCH.Clearnet Preferred Securities and also arrangement fees totalling £3 million for new bank facilities, signed in July 2013.

The Group's effective tax rate on profit before amortisation of purchased intangibles and non-recurring items was 28.2 per cent, which is slightly lower than last year (2013: 29.0 per cent). This reflects the on-going reduction in the UK statutory corporation tax rate of 23.0 per cent (2013: 24.0 per cent) and a slight change in the taxable profit mix towards the UK following the majority acquisition of LCH.Clearnet. This downward move is offset by a temporary increase in the Italian corporate tax rate for certain of the Group's Italian entities and the expansion of the Group into new markets (France and Canada) following the majority acquisitions of LCH.Clearnet and FTSE TMX Global Debt Capital Markets. Both of these jurisdictions have higher statutory rates of corporate tax than the UK.

Cash flow and balance sheet

The Group's business continued to be strongly cash generative during the year, with cash generated from operations up six per cent to £515.4 million. Total investment in the year, net of dividends received, was £28.0 million as the Group invested £376.5 million in the majority acquisitions of LCH.Clearnet, EuroTLX and FTSE TMX along with £90.9 million on capital expenditure offset by acquired cash from acquisitions of £432.0 million. The Group purchased shares for £28 million to cover long term incentive plan commitments however in future years it is expected that we will issue shares in combination with cash purchases to meet these requirements.

At 31 March 2014, the Group had net assets of £1,956.9 million (2013: £1,599.0 million). Intangible assets increased by £426.7 million, mainly reflecting goodwill and purchased intangibles recognised from the purchase of LCH.Clearnet. The central counterparty clearing business assets and liabilities within LCH.Clearnet and CC&G largely offset each other but are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties.

Net debt, facilities and credit rating

	2014 £m	**2013** £m
Gross borrowings	**1,223.7**	796.8
Cash and cash equivalents	**(919.2)**	(446.2)
Net derivative financial liabilities /(assets)	**0.7**	(0.7)
Net debt	**305.2**	349.9
Regulatory and operational cash	**803.6**	200.0
Operating net debt	**1,108.8**	549.9

At 31 March 2014, the Group had operating net debt of £1,108.8 million after adjusting for £803.6 million of cash and cash equivalents held to support regulatory and operational requirements, including cash and cash equivalents held by LCH.Clearnet together with a further £200 million covering requirements at other LSEG companies.

The Group's gross borrowings increased by £426.9 million reflecting the financing of the acquisition of the majority stake in LCH.Clearnet including our participation in its subsequent capital raise to fund increased regulatory capital needs, the consolidation of the LCH.Clearnet Group Preferred Securities, the investment in the FTSE TMX Debt Capital Markets joint venture and the acquisition of a 70 per cent interest in EuroTLX.

In July 2013, the Group took advantage of favourable market conditions and signed a new £700 million unsecured, committed revolving bank facility package, on improved terms, to replace its existing credit lines. The new facility comprises a mix of 3 and 5 year commitments which extend the Group's debt maturity profile and underpin its financial flexibility. At 31 March 2014, the Group had drawn debt and committed credit lines totalling £1.65 billion, with maturities extending to July 2016 or beyond. With £422 million of undrawn bank lines available, together with continuing strong cash generation, the Group remains well positioned to fund future growth.

The Group's interest cover (the coverage of net finance expense by earnings before interest, taxation, depreciation and amortisation, both before non-recurring items) reduced to 8.6 times (2013: 9.5 times) due to the increase in net finance costs during the year being only partially covered by the growth in EBITDA. However, the Group's cash generation remained strong, which resulted in an improvement in leverage in the second half of the year following the material increase in borrowings in the first half. As at 31 March 2014, operating net debt to adjusted EBITDA of 1.9 times (2013: 1.2 times) is back within the Group's target range for leverage of 1 to 2 times.

The Group's long term credit ratings remained unchanged during the year. Standard & Poor's concluded its watch reviews over both LSEG and LCH.Clearnet on 3 May 2013, following the Group's majority acquisition of LCH.Clearnet, by affirming its A- rating for LSEG, and moving the A+ rating of LCH.Clearnet back to a stable outlook. However, following the introduction of new global criteria published later in 2013 (that examines the risks to LSEG around its businesses in Italy - given the sovereign state is rated lower than LSEG, at BBB) and reflecting its caution, in the short term, around the achievement of key financial metric targets set for the Group, Standard & Poor's has placed LSEG on credit watch with negative implications. This credit watch also applies to the A+ rating of LCH.Clearnet with the watch review period to the end of May 2014.

Moody's affirmed its rating of Baa2 during the year and assigned a stable outlook following completion of the LCH.Clearnet Group acquisition.

Foreign Exchange

	2014	2013
Spot £/€ rate at 31 March	**1.21**	1.18
Average £/€ rate for the year	**1.19**	1.23

The Group's principal foreign exchange exposure arises as a result of translating the Group's euro earnings, assets and liabilities from our European based euro reporting businesses into sterling. A €5c movement in the average £/€ rate for the year would have changed the Group's operating profit for the year before amortisation of purchased intangibles and non-recurring items by approximately £12 million.

The acquisition of a majority stake in LCH.Clearnet has increased the exposure the Group has to the euro. In addition, the growth of LCH.Clearnet and the FTSE businesses during the year has also increased, but to a lesser extent, our foreign exchange exposure to the US dollar. The Group manages its translation risk exposure by matching the currency of its debt (including debt effectively swapped from sterling into currency) to the currency of its earnings, where possible, to ensure its key financial metrics are protected from material foreign exchange rate volatility.

Earnings per share

The Group recorded an adjusted basic earnings per share, which excludes amortisation of purchased intangible assets, non-recurring items and unrealisable gains/losses on investments, of 107.1 pence, up 2 per cent including an increase of 2.4 pence from £8.4 million release of provisions relating to Lehmans debtors and the exit from a leasehold property and 2.2 pence from £6.9 million sale of a non-core asset (2013: 105.3 pence including 5.4 pence relating to the one-time prior years' tax adjustment). Basic earnings per share decreased by 22 per cent to 63.0 pence (2013: 80.4 pence) as a result of increased amortisation, transaction costs and interest payments following the acquisition of a majority stake in LCH.Clearnet and higher tax charges mainly due to a financial industry surcharge in Italy.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2014		2014			2013		
	Notes	Before acquisition amortisation and non-recurring items £m	Acquisition amortisation and non-recurring items £m	Total £m	Before acquisition amortisation and non-recurring items £m	Acquisition amortisation and non-recurring items £m	Total £m
Revenue	2	**1,088.3**	**-**	**1,088.3**	726.4	-	726.4
Net treasury income through CCP business		**109.8**	**-**	**109.8**	116.7	-	116.7
Other Income		**11.5**	**-**	**11.5**	9.8	18.3	28.1
Total Income	2	**1,209.6**	**-**	**1,209.6**	852.9	18.3	871.2
Expenses							
Operating expenses		**(698.4)**	**(158.1)**	**(856.5)**	(422.7)	(100.1)	(522.8)
Operating profit/(loss)	4	**511.2**	**(158.1)**	**353.1**	430.2	(81.8)	348.4
Finance income		**5.5**	**-**	**5.5**	2.7	-	2.7
Finance expense		**(74.3)**	**-**	**(74.3)**	(52.2)	-	(52.2)
Net finance expense	5	**(68.8)**	**-**	**(68.8)**	(49.5)	-	(49.5)
Profit/(loss) before taxation		**442.4**	**(158.1)**	**284.3**	380.7	(81.8)	298.9
Taxation	6	**(124.7)**	**23.1**	**(101.6)**	(95.7)	12.3	(83.4)
Profit/(loss) for the financial year		**317.7**	**(135.0)**	**182.7**	285.0	(69.5)	215.5
Profit/(loss) attributable to non-controlling interests		**30.7**	**(18.1)**	**12.6**	1.0	(2.5)	(1.5)
Profit/(loss) attributable to equity holders		**287.0**	**(116.9)**	**170.1**	284.0	(67.0)	217.0
		317.7	**(135.0)**	**182.7**	285.0	(69.5)	215.5
Basic earnings per share	7			**63.0p**			80.4p
Diluted earnings per share	7			**61.4p**			79.0p
Adjusted basic earnings per share	7			**107.1p**			105.3p
Adjusted diluted earnings per share	7			**104.4p**			103.4p
Dividend per share in respect of the financial period:	8						
Dividend per share paid during the year				**29.9p**			28.7p
Dividend per share declared for the year				**30.8p**			29.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	Notes	2014 £m	2013 £m
Profit for the financial year		**182.7**	215.5
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
Defined benefit pension scheme actuarial loss		**(1.3)**	(6.9)
Cash flow hedge		**(0.3)**	0.3
Net investment hedge		**(16.4)**	(1.9)
Change in value of available for sale financial assets		**6.1**	1.2
Exchange (loss)/gain on translation of foreign operations		**(43.7)**	19.2
Tax related to items not recognised in income statement	6	**1.5**	3.9
Other comprehensive income net of tax		**(54.1)**	15.8
Total comprehensive income for the financial year		**128.6**	231.3
Attributable to non-controlling interests		**5.2**	(0.6)
Attributable to equity holders		**123.4**	231.9
Total comprehensive income for the financial year		**128.6**	231.3

BALANCE SHEET

31 March 2014

		Group	
		2014	2013
	Notes	£m	£m
Assets			
Non-current assets			
Property, plant and equipment		**93.3**	80.1
Intangible assets	9	**2,476.0**	2,049.3
Investment in associates		**0.3**	0.6
Deferred tax assets		**42.2**	19.2
Derivative financial instruments		**6.7**	4.3
Available for sale investments	10	**4.8**	-
Retirement benefit asset	10	**14.5**	-
Other non-current assets		**38.0**	12.0
		2,675.8	2,165.5
Current assets			
Inventories		**0.5**	1.5
Trade and other receivables		**250.5**	185.7
CCP financial assets		**470,497.7**	137,620.2
CCP cash and cash equivalents (restricted)		**33,278.5**	8,476.2
CCP clearing business assets	10	**503,776.2**	146,096.4
Current tax		**22.3**	24.6
Assets held at fair value	10	**18.7**	6.1
Cash and cash equivalents		**919.2**	446.2
		504,987.4	146,760.5
Total assets		**507,663.2**	148,926.0
Liabilities			
Current liabilities			
Trade and other payables		**401.5**	230.0
Derivative financial instruments	10	**3.4**	0.1
CCP clearing business liabilities	10	**503,747.4**	146,088.1
Current tax		**14.8**	43.2
Borrowings	11	**278.7**	0.4
Provisions		**2.8**	1.1
		504,448.6	146,362.9
Non-current liabilities			
Borrowings	11	**945.0**	796.4
Other non-current payables		**-**	3.4
Derivative financial instruments	10	**4.0**	3.5
Deferred tax liabilities		**176.0**	109.0
Retirement benefit obligations		**36.9**	25.6
Other non-current liabilities		**79.2**	-
Provisions		**16.6**	26.2
		1,257.7	964.1
Total liabilities		**505,706.3**	147,327.0
Net assets		**1,956.9**	1,599.0
Equity			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	13	**18.8**	18.8
Retained (losses)/earnings		**(79.0)**	(126.8)
Other reserves		**1,587.0**	1,638.5
Total shareholder funds		**1,526.8**	1,530.5
Non-controlling interests		**430.1**	68.5
Total equity		**1,956.9**	1,599.0

CASH FLOW STATEMENT

Year ended 31 March 2014

	Notes	Group 2014 £m	Group 2013 £m
Cash flow from operating activities			
Cash generated from/(absorbed by) operations	26	**515.4**	487.5
Interest received		**4.6**	2.4
Interest paid		**(71.7)**	(43.2)
Corporation tax paid		**(99.8)**	(64.9)
Withholding tax paid		**(23.2)**	(39.3)
Net cash inflow/(outflow) from operating activities		**325.3**	342.5
Cash flow from investing activities			
Purchase of property, plant and equipment		**(23.6)**	(18.2)
Purchase of intangible assets		**(67.3)**	(28.2)
Investment in other acquisition		**-**	(11.2)
Investment in subsidiaries		**(376.5)**	(3.1)
Net cash inflow from acquisitions		**432.0**	1.1
Dividends received		**0.3**	0.2
Proceeds from sale of investment in associate		**7.1**	-
Net cash (outflow)/inflow from investing activities		**(28.0)**	(59.4)
Cash flow from financing activities			
Capital Raise		**114.4**	-
Dividends paid to shareholders		**(80.8)**	(77.4)
Dividends paid to non-controlling interests		**(2.9)**	(4.3)
Cost of capital raise		**(2.7)**	-
Purchase of own shares by ESOP Trust		**(28.0)**	(13.9)
Proceeds from own shares on exercise of employee share options		**2.3**	0.3
Proceeds from borrowings		**283.5**	297.6
Repayments of borrowings		**(91.4)**	(257.8)
Net cash inflow/(outflow) from financing activities		**194.4**	(55.5)
Increase/(decrease) in cash and cash equivalents		**491.7**	227.6
Cash and cash equivalents at beginning of year		**446.2**	216.0
Exchange (losses)/gains on cash and cash equivalents		**(18.7)**	2.6
Cash and cash equivalents at end of year		**919.2**	446.2

Group cash flow does not include cash and cash equivalents held by the Group’s Post Trade operations on behalf of its clearing members for use in its operation as manager of the clearing and guarantee system. These balances represent margins and default funds held for counterparties for short periods in connection with this operation. Interest on CCP balances are received net of withholding tax, which is deducted at source. This withholding tax is effectively a cash outflow for the Group, and is shown separately in the cash flow statement.

STATEMENT OF CHANGES IN EQUITY

Group	Ordinary share capital	Retained loss	Other reserves	Total attributable to equity holders	Non-controlling interests	Total equity
	Attributable to equity holders					
	£m	£m	£m	£m	£m	£m
31 March 2012	18.8	(262.9)	1,620.9	1,376.8	72.9	1,449.7
Profit/(loss) for the year	-	217.0	-	217.0	(1.5)	215.5
Other comprehensive income for the year	-	(2.7)	17.6	14.9	0.9	15.8
Final dividend relating to the year ended 31 March 2012	-	(51.2)	-	(51.2)	-	(51.2)
Interim dividend relating to the year ended 31 March 2013	-	(26.2)	-	(26.2)	-	(26.2)
Dividend payments to non-controlling interests	-	-	-	-	(3.8)	(3.8)
Employee share scheme expenses	-	(0.8)	-	(0.8)	-	(0.8)
31 March 2013	18.8	(126.8)	1,638.5	1,530.5	68.5	1,599.0
Profit for the year	-	170.1	-	170.1	12.6	182.7
Other comprehensive income for the year	-	4.8	(51.5)	(46.7)	(7.4)	(54.1)
Final dividend relating to the year ended 31 March 2013	-	(53.5)	-	(53.5)	-	(53.5)
Interim dividend relating to the year ended 31 March 2014	-	(27.3)	-	(27.3)	-	(27.3)
Dividend payments to non-controlling interests	-	-	-	-	(5.4)	(5.4)
Employee share scheme expenses	-	(13.0)	-	(13.0)	-	(13.0)
Purchase of non-controlling interest	-	(33.3)	-	(33.3)	361.8	328.5
31 March 2014	**18.8**	**(79.0)**	**1,587.0**	**1,526.8**	**430.1**	**1,956.9**

Other reserves comprise the following:

Capital redemption reserve of £514.2m (2013: £514.2m), a non-distributable reserve set up as a result of a court approved capital reduction.

Reverse acquisition reserve of £(512.5)m (2013: £(512.5)m), a non-distributable capital reserve arising on consolidation as a result of the capital reduction scheme.

Foreign exchange translation reserve of £318.5m (2013: £353.3m), reflecting the impact of foreign currency changes on the translation of foreign operations.

Merger reserve of £1,304.3m (2013: £1,304.3m), arising on consolidation when the Company issued shares as part of the consideration to acquire subsidiary undertakings.

Hedging reserve of £(37.5)m (2013: £(20.8)m), representing the cumulative fair value adjustment recognised in respect of net investment and cash flow hedges undertaken in accordance with hedge accounting principles.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value and on the basis of the Group's accounting policies.

The Group uses a columnar format for the presentation of its consolidated income statement. This enables the Group to aid the reader's understanding of its results by presenting profit for the year before amortisation of purchased intangible assets and non-recurring items. This is the profit measure used to calculate adjusted earnings per share and is considered to be the most appropriate as it best reflects the Group's underlying, recurring cash earnings and is the primary measure of performance monitored by the Group's Executive Committee. Profit before acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the income statement.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries with all inter-company balances and transactions eliminated, together with the Group's attributable share of the results of associates. The results of subsidiaries sold or acquired are included in the income statement up to, or from, the date that control passes.

Investments in associates are accounted for under the equity method. The Group's investments in associates are initially recognised at cost, and its share of profits or losses after tax from associates is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Group's balance sheet. The financial statements of associates are used by the Group to apply the equity method, under which the Group's income statement reflects the Group's share of the results of operations of the associates. A company is considered an associate where the Group has a significant influence.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Adjustments to fair values include those made to bring accounting policies into line with those of the Group.

The Group applies a policy of treating transactions with non-controlling interests through the economic entity model. Transactions with non-controlling interests are recognised in equity.

Investments in subsidiaries shares, loans and other contributions are recognised at cost. These are reviewed for impairment when events indicate the carrying amount may not be recoverable and are accounted for in the Company's financial statements at cost less accumulated impairment losses.

Recent accounting developments

The following standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC and have been adopted in these financial statements:

Amendments to IFRS 1, 'First time adoption' – exemption for severe hyperinflation and removal of fixed dates;
Amendment to IFRS 7, 'Financial instruments: Disclosures' – disclosures on transfers of financial assets and offsetting financial assets and liabilities;
IAS19R, 'Amendments to IAS 19 Employee Benefits';
IFRS 13, 'Fair value measurement';
IAS 1, 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income; and
IFRS various Annual improvements 2012 and 2013.

The adoption of these standards did not have a material impact on these consolidated financial statements.

The restatement relating to IAS19R resulted in reclassification of net expenses with an immaterial impact to profit for the financial period.

2. Segmental Information

Segmental disclosures for the year ended 31 March 2014 are as follows:

	Capital Markets	Post Trade Services - CC&G and Monte Titoli	Post Trade Services - LCH. Clearnet	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	**309.5**	**98.4**	**263.0**	**348.7**	**64.0**	**4.7**	**-**	**1,088.3**
Inter-segmental revenue	**-**	**0.9**	**-**	**-**	**10.9**	**-**	**(11.8)**	**-**
Revenue	**309.5**	**99.3**	**263.0**	**348.7**	**74.9**	**4.7**	**(11.8)**	**1,088.3**
Net treasury income through CCP business	**-**	**47.6**	**62.2**	**-**	**-**	**-**	**-**	**109.8**
Other Income	**-**	**-**	**(3.5)**	**-**	**-**	**15.0**	**-**	**11.5**
Total Income	**309.5**	**146.9**	**321.7**	**348.7**	**74.9**	**19.7**	**(11.8)**	**1,209.6**
Operating profit before amortisation of purchased intangible assets and non-recurring items	**144.7**	**83.5**	**81.1**	**169.7**	**11.8**	**8.7**	**11.7**	**511.2**
Amortisation of purchased intangible assets								**(116.5)**
Non-recurring items								**(41.6)**
Operating profit								**353.1**
Net finance expense								**(68.8)**
Profit before taxation								**284.3**
Other income statement items								
Depreciation and software amortisation	**(25.3)**	**(5.5)**	**(23.0)**	**(15.6)**	**(5.3)**	**(0.2)**	**12.6**	**(62.3)**

The segmental reporting incorporates LCH.Clearnet's results since its acquisition by the Group on 1 May 2013. Comparative information for LCH.Clearnet has not been included within the following tables.

Revenue from external customers principally comprises fees for services rendered £1,014.0m (2013: £658.5m) and Technology Services £64.0m (2013: £56.1m).

Post Trade Services – CC&G and Monte Titoli, saw an expected sharp decline in net treasury income following completion of the migration to a minimum 95 per cent secured investment portfolio, partially offset by a modest increase in revenue resulting in total income decreasing to £146.9 million (2013: £208.5 million).

Net treasury income through CCP business of £109.8m comprises gross interest income of £261.1m less gross interest expense of £151.3m. Interest from investment in securities amount to £34.8m.

Comparative segmental disclosures for the year ended 31 March 2013 (restated) are as follows:

	Capital Markets	Post Trade Services - CC&G and Monte Titoli	Information Services	Technology Services	Other	Eliminations	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	267.5	91.8	306.3	56.1	4.7	-	726.4
Inter-segmental revenue	-	-	-	21.3	-	(21.3)	-
Revenue	267.5	91.8	306.3	77.4	4.7	(21.3)	726.4
Net treasury income through CCP business	-	116.7	-	-	-	-	116.7
Other Income	-	-	-	-	9.8	-	9.8
Other non-recurring income	-	-	-	-	18.3	-	18.3
Total income	267.5	208.5	306.3	77.4	32.8	(21.3)	871.2
Operating profit before amortisation of purchased intangible assets and non-recurring items	118.9	144.3	147.1	20.2	0.5	(0.8)	430.2
Amortisation of purchased intangible assets							(88.8)
Non-recurring income							18.3
Non-recurring expenses							(11.3)
Operating profit							348.4
Net finance expense							(49.5)
Profit before taxation							298.9
Other income statement items:							
Depreciation and software amortisation	(27.0)	(5.6)	(14.6)	(5.4)	(0.4)	12.6	(40.4)

Net treasury income through CCP business of £116.7m comprises gross interest income of £128.9m less gross interest expense of £12.2m. Interest from investment in securities amount to £12.5m.

The comparatives are shown following restatement for reallocation of technology costs across other segments.

3. Employee costs

Employee costs comprise the following:

	2014	2013
	£m	£m
Salaries and other short term benefits	**237.6**	128.1
Social security costs	**37.4**	19.2
Pension costs	**17.3**	7.5
Share-based compensation	**11.6**	12.5
Total	**303.9**	167.3

The average number of employees in the Group was:

	2014	2013
UK	**1,329**	753
Italy	**503**	428
France	**205**	7
Sri Lanka	**659**	654
Other	**151**	120
	2,847	1,962

Average is calculated from date of acquisition of the subsidiary company by the Group

4. Amortisation of purchased intangible assets and non-recurring items

		2014	2013
	Notes	**£m**	£m
Amortisation of purchased intangible assets	9	**116.5**	88.8
Transaction credit		**-**	(18.3)
Transaction costs		**14.9**	7.6
Restructuring costs		**28.8**	3.7
Pension curtailment credit		**(2.1)**	-
Total affecting operating profit		**158.1**	81.8
Total affecting profit before tax		**158.1**	81.8
Tax effect on items affecting profit before tax			
Deferred tax on amortisation of purchased intangible assets		**(11.8)**	(9.1)
Current tax on amortisation of purchased intangible assets		**(2.2)**	(2.2)
Tax effect on other items affecting profit before tax		**(9.1)**	(1.0)
Total tax effect on items affecting profit before tax		**(23.1)**	(12.3)
Total charge to income statement		**135.0**	69.5

Transaction costs comprise charges incurred for ongoing services related to potential or completed acquisitions. Restructuring costs primarily relate to the integration of the LCH business in the current year.

The transaction credit in 2013 relates to funds received from the TMX Group following the termination of the 2010 merger agreement.

5. Net finance expense

	2014	2013
	£m	£m
Finance income		
Bank deposit and other interest income	**5.2**	2.4
Other finance income	**0.3**	0.3
	5.5	2.7
Finance expense		
Interest payable on bank and other borrowings	**(71.2)**	(48.2)
Defined benefit pension scheme interest cost	**(0.8)**	(2.0)
Other finance expenses	**(2.3)**	(2.0)
	(74.3)	(52.2)
Net finance expense	**(68.8)**	(49.5)

6. Taxation

The standard UK corporation tax rate was 23% (24% for the year ended 31 March 2013).

Taxation charged to the income statement	**2014 £m**	2013 £m
Current tax:		
UK corporation tax for the year	**43.5**	30.5
Overseas tax for the year	**77.6**	78.6
Adjustments in respect of previous years	**(1.2)**	(16.4)
	119.9	92.7
Deferred tax:		
Deferred tax for the year	**(4.7)**	0.3
Adjustments in respect of previous years	**(1.8)**	(0.5)
Deferred tax liability on amortisation of purchased intangible assets	**(11.8)**	(9.1)
Taxation charge	**101.6**	83.4

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

Taxation on items not credited/(charged) to income statement	**2014 £m**	2013 £m
Current tax credit:		
Tax allowance on share options/awards in excess of expense recognised	**3.5**	2.0
Deferred tax (loss)/credit:		
Defined benefit pension scheme actuarial (gain)/loss	**(1.7)**	1.7
Tax allowance on share options/awards in excess of expense recognised	**1.0**	0.5
Movement in value of available for sale financial assets	**(0.7)**	(0.4)
Adjustments relating to change in UK tax rate	**(0.6)**	0.1
	1.5	3.9

Factors affecting the tax charge for the year

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
Profit before taxation	**284.3**	298.9
Profit multiplied by standard rate of corporation tax in the UK	**65.4**	71.7
Expenses not deductible/(income not taxable)	**4.3**	(2.2)
Adjustment arising from change in UK tax rate	**2.4**	0.7
Overseas earnings taxed at higher rate	**19.1**	17.7
Adjustments in respect of previous years	**(3.0)**	(16.8)
Amortisation of purchased intangibles	**13.4**	12.3
Taxation charge	**101.6**	83.4

7. Earnings per share

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

	2014	2013
Basic earnings per share	**63.0p**	80.4p
Diluted earnings per share	**61.4p**	79.0p
Adjusted basic earnings per share	**107.1p**	105.3p
Adjusted diluted earnings per share	**104.4p**	103.4p

	£m	£m
Profit for the financial year attributable to equity holders	**170.1**	217.0
Adjustments:		
Amortisation and non recurring items:		
Amortisation of purchased intangible assets	**116.5**	88.8
Transaction costs	**14.9**	7.6
Transaction cost contribution from TMX Group	**-**	(18.3)
Restructuring costs	**28.8**	3.7
Pension curtailment costs	**(2.1)**	-
Other adjusting items:		
Unrealised net investment loss (included in other income)	**3.5**	-
Tax effect of amortisation and non-recurring items	**(23.1)**	(12.3)
Tax effect of other adjusting items	**(1.2)**	-
Amortisation, non-recurring and adjusting items, and taxation attributable to non-controlling interests	**(18.1)**	(2.5)
Adjusted profit for the financial year attributable to equity holders	**289.3**	284.0
Weighted average number of shares - million	**270.1**	269.8
Effect of dilutive share options and awards - million	**7.0**	4.8
Diluted weighted average number of shares - million	**277.1**	274.6

The weighted average number of shares excludes those held in the ESOP.

8. Dividends

	2014	2013
	£m	£m
Final dividend for 2013 paid 19 August 2013: 19.8p per Ordinary share (2012: 19.0p)	**53.5**	51.2
Interim dividend for 2014 paid 6 January 2014: 10.1p per Ordinary share (2013: 9.7p)	**27.3**	26.2
	80.8	77.4

The Board has proposed a final dividend in respect of the year ended 31 March 2014 of 20.7p, per share, which is estimated to amount to £56.0m, to be paid on 19 August 2014.

9. Intangible Assets

	Goodwill	Customer and supplier relationships (Purchased intangible assets)	Brands (Purchased intangible assets)	Software, licenses and intellectual property (Purchased intangible assets)	Software	Total
	£m	£m	£m	£m	£m	£m
Cost:						
31 March 2012	1,188.9	959.5	236.8	342.4	219.0	2,946.6
Additions	1.1	-	-	-	21.3	22.4
Acquisition of subsidiaries	4.1	-	-	-	0.5	4.6
Disposals	-	-	-	-	(84.4)	(84.4)
Foreign exchange	17.8	8.7	0.2	2.2	1.3	30.2
31 March 2013	1,211.9	968.2	237.0	344.6	157.7	2,919.4
Additions	**-**	**-**	**-**	**-**	**106.8**	**106.8**
Acquisition of subsidiaries	**166.1**	**232.0**	**18.1**	**82.0**	**35.4**	**533.6**
Disposals	**-**	**-**	**-**	**-**	**(30.3)**	**(30.3)**
Foreign exchange	**(31.8)**	**(32.5)**	**(1.5)**	**(6.0)**	**(3.9)**	**(75.7)**
31 March 2014	**1,346.2**	**1,167.7**	**253.6**	**420.6**	**265.7**	**3,453.8**
Accumulated amortisation and impairment:						
31 March 2012	437.3	135.8	7.3	76.5	172.3	829.2
Amortisation charge for the year	-	49.5	10.0	29.3	22.8	111.6
Disposals	-	-	-	-	(84.4)	(84.4)
Foreign exchange	8.3	2.9	0.1	1.7	0.7	13.7
31 March 2013	445.6	188.2	17.4	107.5	111.4	870.1
Amortisation charge for the year	**-**	**61.0**	**10.9**	**44.6**	**38.3**	**154.8**
Disposals	**-**	**-**	**-**	**-**	**(30.3)**	**(30.3)**
Foreign exchange	**(8.4)**	**(4.4)**	**(0.3)**	**(2.8)**	**(0.9)**	**(16.8)**
31 March 2014	**437.2**	**244.8**	**28.0**	**149.3**	**118.5**	**977.8**
Net book values:						
31 March 2014	**909.0**	**922.9**	**225.6**	**271.3**	**147.2**	**2,476.0**
31 March 2013	766.3	780.0	219.6	237.1	46.3	2,049.3

The fair values of the purchased intangible assets were principally valued using discounted cash flow methodologies and are being amortised over their useful economic lives, which do not normally exceed 25 years. The goodwill arising on consolidation represents the growth potential and assembled workforces of the Italian Group, LCH.Clearnet Group, FTSE Group, MillenniumIT and Turquoise.

The acquisition of the LCH.Clearnet Group, the EuroTLX business within the Italian Group, and the FTSE TMX business during the year resulted in an increase of goodwill in the Group of £166.1m in the year. This value is preliminary and will be finalised during the following year.

During the year additions relating to internally generated software was £103.0m.

10. Financial instruments by category

The financial instruments of the Group are categorised as follows:

31 March 2014	**2014** **£m**	2013 £m
Assets as per balance sheet		
Financial assets of the CCP clearing business:		
– CCP trading assets	**337,211.5**	3,426.6
– Receivables for repurchase transactions	**117,702.6**	127,036.2
– Other receivables from clearing members	**4,442.5**	7,144.8
– Financial assets held at fair value	**11,141.1**	12.6
– Cash and cash equivalents of clearing members	**33,278.5**	8,476.2
Financial assets of the CCP clearing business	**503,776.2**	146,096.4
Assets held at fair value	**18.7**	6.1
Total financial assets for CCP clearing	**503,794.9**	146,102.5
Trade and other receivables	**133.5**	121.0
Cash and cash equivalents	**919.2**	446.2
Available for sale financial assets	**4.8**	11.9
Cross currency interest rate swaps	**6.7**	4.0
Forward foreign exchange contract	**-**	0.3
Total	**504,859.1**	146,685.9

	Total **£m**	**Total** **£m**
Liabilities as per balance sheet		
Financial liabilities of the CCP clearing business:		
– CCP trading liabilities	**337,211.5**	3,426.6
– Liabilities under repurchase transactions	**117,702.6**	127,036.2
– Other payables to clearing members	**48,808.2**	15,610.4
– Financial liabilities held at fair value	**25.1**	14.9
Financial liabilities of the CCP clearing business	**503,747.4**	146,088.1
Trade and other payables	**401.5**	233.4
Other non-current liabilities	**79.2**	-
Provisions	**19.4**	27.3
Borrowings	**1,223.7**	796.8
Interest rate swaps	**3.4**	-
Cross currency interest rate swaps	**4.0**	3.5
Forward foreign exchange contracts	**-**	0.1
Total	**505,478.6**	147,149.2

11. Borrowings

	Group 2014 £m	Group 2013 £m
Current		
Bank borrowings and trade finance loans	**278.7**	0.4
	278.7	0.4
Non-current		
Bonds	**796.6**	796.5
Preferred securities	**148.4**	-
Deferred arrangement fees	-	(0.1)
	945.0	796.4

The Group has the following committed bank facilities and unsecured notes:

Type	Expiry Date	Notes/ Facility £m	Carrying value at 31 March 2014 £m	Interest rate percentage at 31 March 2014 %
Drawn value of Facilities				
Multi-currency revolving credit facility	Jul 2016	250.0	165.1	LIBOR + 0.8
Multi-currency revolving credit facility	Jul 2018	450.0	112.7	LIBOR + 0.95
Total Bank Facilities		700.0	277.8	
Notes due July 2016	Jul 2016	250.0	251.0	6.125
Notes due October 2019	Oct 2019	250.0	248.2	9.125
Notes due November 2021	Nov 2021	300.0	297.4	4.75
LCH.Clearnet Preferred Securities	May 2017	165.6	148.4	6.576
Total Bonds		965.6	945.0	
Total Committed Facilities		1,665.6	1,222.8	

Current borrowings

The Group's committed bank facility arrangements of £700 million were partially utilised at 31 March 2014 with £277.8 million drawn.

In addition, a number of Group entities have access to uncommitted operational, money market and overdraft facilities which support post trade activities and day to day liquidity requirements across its operations. As at 31 March 2014, £0.9 million was the aggregate drawing against these facilities.

CC&G has unlimited direct intra-day access to refinancing with the Bank of Italy to cover its operational liquidity requirements in the event of a market stress or participant failure. In addition, it has arranged secured and unsecured credit lines with a number of commercial banks, which totalled €450m at the 31 March 2014, to further support its operational and liquidity requirements.

As a bank, LCH.Clearnet SA has full and unlimited access to the liquidity operations provided by the central bank, including refinancing securities at Banque de France to support its normal day to day requirements.

Non-current borrowings

In July 2006, the Company issued a £250m bond which is unsecured and is due for repayment in July 2016. Interest is paid semi-annually in arrears in January and July each year. The issue price of the bond was £99.679 per £100 nominal. The coupon on the bond is dependent on movements in the Company's credit rating with Moody's which was unchanged throughout the financial year. The bond coupon remained at 6.125 per cent per annum throughout this period.

In June 2009, the Company issued another £250m bond which is unsecured and is due for repayment in October 2019. Interest is paid semi-annually in arrears in April and October each year. The issue price of the bond was £99.548 per £100 nominal. The coupon on the bond is dependent on the Company's credit ratings with Moody's and Standard & Poor's which were unchanged throughout the financial year. The bond coupon remained at 9.125 per cent per annum throughout this period.

In November 2012, the Company issued a further £300m bond under its euro medium term notes programme (launched at the same time) which is unsecured and is due for repayment in November 2021. Interest is paid semi-annually in arrears in May and November each year. The issue price of the bond was £100 per £100 nominal. The coupon on the bond is fixed at 4.75 per cent per annum.

In May 2007, LCH.Clearnet Group Limited issued through Freshwater Finance plc €200m of Perpetual Preferred Securities to underpin its capital structure. €20m of these Securities were subsequently repurchased in the market by LCH.Clearnet Group Limited. The coupon on these Securities is currently a fixed rate of 6.576 per cent per annum and interest is paid annually. In May 2017 this coupon is replaced by a rate of 3 month Euribor plus 2.1 per cent per annum, and a first call date attached to the Securities is May 2018.

The fair values of borrowings are based on discounted cash flows using a rate based on borrowing cost. Floating rate borrowings bear interest at an agreed margin over LIBOR.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2014			2013		
	Drawn	Swapped	Effective	Drawn	Swapped	Effective
Currency	£m	£m	£m	£m	£m	£m
Sterling	**822.6**	**(248.5)**	**574.1**	796.4	(255.5)	540.9
Euro	**400.5**	**248.5**	**649.0**	-	255.5	255.5
Sri Lankan Rupees	**0.6**	**-**	**0.6**	0.4	-	0.4
Total	**1,223.7**	**-**	**1,223.7**	796.8	-	796.8

12. Analysis of net debt

	Group	
	2014	2013
	£m	£m
Due within one year		
Cash and cash equivalents	**919.2**	446.2
Bank borrowings	**(278.7)**	(0.4)
Derivative financial liabilities	**(3.4)**	(0.1)
	637.1	445.7
Due after one year		
Deferred arrangement fees	**-**	0.1
Bonds	**(796.6)**	(796.5)
Preferred Securities	**(148.4)**	-
Derivative financial assets	**6.7**	4.3
Derivative financial liabilities	**(7.4)**	(3.5)
Total net debt	**(308.6)**	(349.9)

Reconciliation of net cash flow to movement in net debt

	Group	
	2014	2013
	£m	£m
Increase/(decrease) in cash in the year	**491.7**	227.6
Bond issue proceeds	**-**	(297.6)
Bank loan repayments less new drawings	**(192.1)**	257.8
Change in net debt resulting from cash flows	**299.6**	187.8
Foreign exchange movements	**(11.2)**	2.6
Movement on derivative financial assets and liabilities	**(4.8)**	(2.4)
Bond valuation adjustment	**0.1**	0.1
Acquired debt	**(242.4)**	-
Net debt at the start of the year	**(349.9)**	(538.0)
Net debt at the end of the year	**(308.6)**	(349.9)

13. Ordinary share capital

Authorised	2014 millions	2014 £m	2013 millions	2013 £m
Ordinary shares of 6 79/86p	**271.1**	**18.8**	271.1	18.8

More information about the shares and rights attached to the ordinary shares is given in the Directors' Report on page 98.

14. Net cash flow generated from operations

	Group	
	2014	2013
	£m	£m
Profit before taxation	**284.4**	298.9
Depreciation and amortisation	**178.6**	129.2
Gain on disposal of property, plant and equipment	**0.2**	1.5
Profit on acquisition/disposal of shares in subsidiary and joint venture	**(6.9)**	-
Net finance expense/(income)	**68.8**	49.5
Decrease in inventories	**0.8**	0.5
Decrease/(increase) in trade and other receivables	**37.2**	(3.0)
Decrease in trade and other payables	**(118.6)**	(9.6)
Borrowing costs capitalised	**-**	(0.5)
Goodwill valuation amendment	**-**	(1.2)
Decrease/(increase) in CCP financial assets	**92,323.0**	(43,590.5)
(Decrease)/increase in CCP clearing business liabilities	**(92,236.4)**	43,594.4
Defined benefit pension obligation - contributions (in excess of)/lower than expenses charged	**(3.3)**	(1.0)
Provisions utilised during the year	**(9.7)**	(6.1)
(increase)/decrease in assets held at fair value from operating activities	**(9.5)**	8.0
Share scheme expense	**13.4**	13.1
Foreign exchange (losses)/gains on operating activities	**(6.6)**	4.3
Cash generated from/(absorbed by) operations	**515.4**	487.5
Comprising:		
Ongoing operating activities	**548.7**	480.5
Non-recurring items	**(33.3)**	7.0
	515.4	487.5

15. Commitments and contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Group were £1.7m (2013: £1.6m) and £nil (2013: £13.2m), respectively.

LCH.Clearnet Group Limited is currently engaged in correspondence and discussions regarding concerns raised by administrators in relation to a past default exercise which could give rise to a claim against it. The amount and likelihood of success of any such claim, if made, is currently uncertain and accordingly no provision for any liability has been made in the financial statements.

16. Business combinations

Acquisitions in the year to 31 March 2014

The Group made three acquisitions during the period.

On 5 April 2013, the Group and TMX Group Limited completed a transaction to combine their fixed income businesses into a new business, FTSE TMX Global Debt Capital Markets Limited. The transaction resulted in the Group acquiring a 75% stake in FTSE TMX Global Debt Capital Markets Limited for a total consideration of £78.2m. The non-controlling interest ('NCI') has an option to sell the remaining 25% interest to the Group after 6 years or earlier in other limited scenarios.

On 1 May 2013, the Group completed the acquisition of a further 55.5% stake in LCH.Clearnet, resulting in a majority stake of 57.8% in LCH.Clearnet. The total investment of £470.3m includes deferred consideration of £20.0m, payable on 30 September 2017 subject to acceleration or delay in certain limited circumstances. The investment is inclusive of the Group's participation in the capital raise of LCH.Clearnet issued share capital of £158.2m.

On 23 September 2013, the Group acquired a 70% interest in EuroTLX SIM SpA for a consideration of £26.1m and £0.9m in deferred consideration. The NCI has an option to sell the remaining 30% interest to the Group. The value of the option is dependent on achieving growth and cost synergies in the next financial year.

					Contribution post acquisition	
	Date acquired	Total investment	Goodwill	Fair value of assets acquired	Revenue	Operating profit
Acquisition		£m	£m	£m	£m	£m
LCH.Clearnet Group Ltd	**1 May 2013**	**470.3**	**123.8**	**346.5**	**263.0**	**78.5**
EuroTLX SIM SpA	**23 Sep 2013**	**27.0**	**15.6**	**11.4**	**6.6**	**2.0**
FTSE TMX Global Debt Capital Markets Ltd	**5 Apr 2013**	**78.2**	**27.4**	**50.8**	**10.9**	**6.7**
		575.5	**166.8**	**408.7**	**280.5**	**87.2**

The total investment included in the acquisition of LCH.Clearnet comprises cash consideration of £292.1m, deferred consideration of £20.0m and the Group's participation in the capital raise of £158.2m. Included in the LCH.Clearnet value of assets acquired is £273.7m raised from all shareholders as part of the capital raise.

If all acquisitions had occurred on 1 April 2013, estimated Group revenue for the year would have been £1,124m, with operating profit (before acquisition amortisation and exceptional items) of £525m. These amounts have been calculated using the Group's accounting policies and based on available information.

The assets and liabilities arising out of each acquisition at the relevant acquisition date are as follows:

	LCH.Clearnet Group Limited		**EuroTLX SIM SpA**		**FTSE TMX Global Debt Capital Markets Limited**		**Total**	
	Book value	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Non-current assets:								
Intangible assets	55.4	277.1	0.1	11.0	11.0	75.9	**66.5**	**364.0**
Goodwill	119.9	-	-	-	90.1	-	**210.0**	**-**
Property, plant and equipment	14.6	14.6	0.9	0.9	-	-	**15.5**	**15.5**
Other non-current assets	24.0	24.0	-	-	-	-	**24.0**	**24.0**
Current assets:								
Cash and cash equivalents	425.1	425.1	8.2	8.2	2.7	2.7	**436.0**	**436.0**
Other current assets	466,555.5	466,555.5	2.5	2.5	3.0	3.2	**466,561.0**	**466,561.2**
Current liabilities:								
Borrowings	(92.4)	(92.4)	-	-	-	-	**(92.4)**	**(92.4)**
Other current liabilities	(461,088.1)	(461,088.1)	(2.8)	(6.3)	(4.4)	(4.5)	**(461,095.3)**	**(461,098.9)**
Non-current liabilities:								
Borrowings	(152.4)	(152.4)	-	-	-	-	**(152.4)**	**(152.4)**
Other non-current liabilities	(5,214.0)	(5,277.4)	(0.1)	(0.1)	(4.5)	(9.6)	**(5,218.6)**	**(5,287.1)**
Net assets	**647.6**	**686.0**	**8.8**	**16.2**	**97.9**	**67.7**	**754.3**	**769.9**
Non controlling interest	-	(339.5)	-	(4.8)	-	(16.9)	**-**	**(361.2)**
Goodwill	-	123.8	-	15.6	-	27.4	**-**	**166.8**
	647.6	**470.3**	**8.8**	**27.0**	**97.9**	**78.2**	**754.3**	**575.5**
Satisfied by:								
Cash and capital raise		450.3		26.1		73.1		**549.5**
Deferred consideration		20.0		0.9		-		**20.9**
Transfer of assets		-		-		5.1		**5.1**
Total investment		**470.3**		**27.0**		**78.2**		**575.5**

The fair values are preliminary and will be finalised within twelve months of the acquisition date.

The fair value adjustments include:

LCH.Clearnet Group Limited

The additional £245.2m of intangible assets arising on consolidation represents £47.4m relating to various technologies, £33.4m relating to software licences, £152.1m relating to customer relationships and £12.3m relating to trade names. The fair values of these purchased intangible assets are being amortised over their remaining useful life from the date of completion. The goodwill of £123.8m arising on consolidation represents the growth of future expected income streams from customers and its assembled workforce.

Euro TLX SIM SpA

The purchased intangibles of £10.9m primarily relates to customer relations of £10.0m. The goodwill of £15.6m arising on consolidation includes value attributed to its assembled workforce.

FTSE TMX Global Debt Capital Markets Limited

The purchased intangibles of £74.1m mainly relate to customer relations of £69.1m. The goodwill of £27.4m arising on consolidation represents the potential for the Group to expand into new territories such as the USA (£16.3m), Australia (£7.4m) and China (£3.7m).