This document, which comprises a prospectus relating to the London Stock Exchange Group plc (''Exchange Group'') has been prepared in accordance with the Prospectus Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000.

Exchange Group, whose registered office is set out on page 14, and the Directors, whose names and functions are set out on page 14, accept responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Application has been made to the UK Listing Authority for all the New Ordinary Shares and all the B Shares to be admitted to the Official List and to the London Stock Exchange for such New Ordinary Shares and B Shares to be admitted to trading on the London Stock Exchange's market for listed securities (''Admission''). No application has been made or is currently intended to be made for the New Ordinary Shares or B Shares to be admitted to listing or dealt on any other exchange. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares and B Shares will commence on 15 May 2006.

No New Ordinary Shares or any B Shares have been marketed to, nor are any available for purchase in whole or in part, by the public in the United Kingdom in connection with Admission. This document does not constitute an offer or invitation to any person to subscribe for or purchase any securities in Exchange Group.

The whole text of this Prospectus should be read. For a discussion of certain risks and other factors that should be considered in connection with an investment in the New Ordinary Shares and B Shares, see the section entitled ''Risk Factors'' on pages 10 to 13.

London
STOCK EXCHANGE

London Stock Exchange Group plc

(Incorporated in England and Wales under the Companies Act 1985, with registered number 5369106)

Introduction to the Official List and admission to trading on the London Stock Exchange of up to 350,000,000 New Ordinary Shares and up to 260,000,000 B Shares

The New Ordinary Shares will be issued credited as fully paid and will rank pari passu in all respects with each other and will rank in full for all dividends and other distributions thereafter declared, made or paid in respect of the New Ordinary Shares. The B Shares will be issued credited as fully paid and will rank pari passu in all respects with each other. Ongoing holders of B Shares will be entitled to receive the B Share Continuing Dividend at the rate of 75% of six month LIBOR, payable in arrears on the amount of 200 pence per B Share. The B Shares will carry limited voting rights.

Securities may not be offered or sold in the United States unless they are registered under the United States Securities Act of 1933, as amended (the ''Securities Act''), or are exempt from such registration requirements. The New Ordinary Shares and B Shares have not been, and will not be, registered under the Securities Act. This document contains certain forward-looking statements as defined under section 21E of the Exchange Act and section 27A of the Securities Act. These statements typically contain words such as ''intends'', ''expects'', ''anticipates'', ''targets'', ''estimates'' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors identified elsewhere in this document as well as the following possibilities: future revenues are lower than expected; competitive pressures in the industry increase; general economic conditions or conditions affecting the industry, whether internationally or in the places the Group does business, are less favourable than expected; and/or conditions in the securities market are less favourable than expected. The Exchange does not undertake any obligation to update the forward-looking statements to reflect actual results, or any change in events, conditions or assumptions or other factors, unless required to do so by regulation. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no prospectus in relation to the Admission has been, or will be, lodged with, or registered by The Australian Securities and Investments Commission; and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Admission of the New Ordinary Shares or the B Shares. Accordingly, subject to certain exceptions, the New Ordinary Shares or the B Shares may not, directly or indirectly, be offered or sold within Canada, Australia or Japan or offered or sold to a resident of Canada, Australia or Japan.

JPMorgan Cazenove, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as Exchange Group's sponsor, financial adviser and broker in relation to Admission and will not be responsible to any person other than Exchange Group for providing the protections afforded to its clients or for advising any other person on the contents of this document.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

CONTENTS

PART 1:
SUMMARY

The following summary should be read as an introduction to this Prospectus. Any decision to invest in the New Ordinary Shares and B Shares should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the claimant might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

1. Introduction

On the Scheme Effective Date, Exchange Group will become the holding company of the Group and upon Admission will replace the Exchange as the listed entity. The Exchange is Exchange Group's principal operating subsidiary and became a listed company in July 2001. It is one of the world's leading stock exchanges and, based in London, is at the heart of global financial markets.

On 7 March 2006, the Exchange announced details of a proposed Return to Shareholders of approximately £510 million, equivalent to 200 pence per Existing Ordinary Share. The Return will be effected through the introduction of the holding company, Exchange Group, via a Court approved scheme of arrangement, the issue of New Ordinary Shares and B Shares and a subsequent Reduction of Capital.

Under the terms of the Proposals, Shareholders at the Scheme Record Time, expected to be 5.00 p.m. on 12 May 2006 were due to receive 3 New Ordinary Shares for every 4 Existing Ordinary Shares held at the Scheme Record Time and one B Share for every one Existing Ordinary Share held at the Scheme Record Time.

On 19 April 2006, the Exchange announced that in light of the strong performance in the Exchange's share price since the Proposals were announced on 7 March 2006 it would be in the best interests of the Exchange and its shareholders to improve comparability of share price, earnings per share, and dividend per share, before and after the Return and a new share conversion ratio will be set by reference to the closing price of Existing Ordinary Shares on their last day of dealing (expected to be 12 May 2006).

Shareholders of the Exchange at the Scheme Record Time will now receive:

an appropriate number of New Ordinary Shares for the Existing Ordinary Shares that they hold to achieve the desired comparability to be fixed by reference to the closing share price of the Existing Ordinary Shares at that time;

and

one B Share with a value of 200 pence for every Existing Ordinary Share that they hold

The new share conversion ratio will be announced by Exchange Group through RNS after market close on the last day of dealing of the Existing Ordinary Shares.

The Proposals were approved by Shareholders of the Exchange at a Court Meeting and Extraordinary General Meeting held on 19 April 2006 and are conditional on approval of the Court at a hearing to be held on 12 May 2006.

Shareholders will not have to pay anything for these New Ordinary Shares and B Shares. Based on the closing middle market price of 1244 pence per Existing Ordinary Share on 3 May 2006, the latest practicable date prior to publication of this Prospectus, the total amount of the Return (which is expected to be £512.5 million) is equivalent to approximately 16% of the market capitalisation of the Exchange.

2. Reasons for the Proposals

The Group's objective in returning capital to Shareholders is to improve the efficiency of the Group's balance sheet whilst retaining sufficient resources to invest in future growth. The Board believes the Proposals treat all Shareholders equally and give Shareholders the flexibility to elect how and when they receive their Return.

In order to effect the Return, the Group has entered into a £200 million revolving loan facility agreement and a £250 million loan facility agreement. The Exchange has historically had no long-term bank debt and the Board believes that this introduction of a suitable level of gearing to the business should improve balance sheet efficiency and returns to shareholders.

3. Return options

Scheme Shareholders have three choices as to how to receive their Return:

(i) *Initial B Share Dividend* – a single dividend of 200 pence per B Share;

(ii) *Initial Redemption* – immediate 200 pence redemption per B Share; or

(iii) *Future Redemption Right* – retention of B Share with the right to redeem on Redemption Dates for 200 pence per B Share.

Scheme Shareholders need not make the same choice for their entire B Share holding. Scheme Shareholders who do not elect for any of these alternatives will receive the Initial Redemption in respect of all of their B Shares. In addition, Exchange Group will compulsorily redeem all outstanding B Shares in issue on the Final Future Redemption Date at a price of 200 pence per B Share.

Initial B Share Dividend

B Shares for which a Scheme Shareholder has chosen to receive the single dividend payment will automatically be reclassified as Deferred Shares which will have negligible value. It is expected that cheques for the proceeds will be sent to these Scheme Shareholders, or that their CREST accounts will be credited with the proceeds, on 26 May 2006.

Initial Redemption

B Shares for which a Scheme Shareholder has chosen Initial Redemption will be redeemed by Exchange Group on 22 May 2006 for 200 pence per B Share. These B Shares will subsequently be cancelled by Exchange Group. It is expected that cheques for the proceeds will be sent to these Scheme Shareholders, or that their CREST accounts will be credited with the proceeds, on 26 May 2006.

Future Redemption Right

B Shares for which a Scheme Shareholder has elected for Future Redemption Right will receive the B Share Continuing Dividend. This is a continuing, non-cumulative, semi-annual dividend at the annualised rate of 75% of six months' LIBOR, payable on the nominal amount of 200 pence per B Share retained. It is payable to the extent that Exchange Group has sufficient distributable reserves and is not guaranteed. B Share holders will have the right to redeem their B Shares at 200 pence per B Share on Future Redemption Dates, being 1 June and 1 December of each year, up to the Final Future Redemption Date.

It is expected that cheques for the proceeds will be sent to Scheme Shareholders electing for the Future Redemption Right or that their CREST accounts will be credited with the proceeds within 20 business days of their elected Future Redemption Date.

4. Listing and admission to trading of New Ordinary Shares and B Shares

Application has been made to the UK Listing Authority for all the New Ordinary Shares and all the B Shares to be admitted to the Official List and to the London Stock Exchange for such New Ordinary Shares and B Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that the New Ordinary Shares will be equivalent to the Existing Ordinary Shares in all material respects, including their dividend, voting and other rights. The B Shares will carry entitlement to the B Share Continuing Dividend and will have limited voting rights.

5. Key financial information

Summarised historical financial information on the Exchange

The following has been reported under IFRS:

	Nine months ended 31 December		Year ended 31 March
	2005 Unaudited IFRS	2004 Unaudited IFRS	2005 Audited IFRS
	£m	£m	£m
Revenue	217.0	180.8	244.4
Operating profit before exceptional items	83.2	63.3	84.6
Profit on ordinary activities before taxation	68.9	73.4	92.2
Adjusted basic earnings per share	25.5p	17.8p	24.2p
Dividend per share in respect of financial period(1):			
Dividend per share paid during the period	5.0p	3.4p	5.4p
Dividend per share proposed for the period	4.0p	2.0p	7.0p

(1) Excludes 2004 special dividend of 55 pence per share.

The following was previously reported under UK GAAP:

	Year ended 31 March 2005 Audited UK GAAP	Year ended 31 March 2004 Audited(2) UK GAAP	Year ended 31 March 2003 Audited(2) UK GAAP
	£m	£m	£m
Net turnover	244.4	237.1	225.9
Operating profit before exceptional items and goodwill amortisation	82.0	82.9	81.4
Profit on ordinary activities before taxation	89.1	88.8	79.2
Adjusted basic earnings per share	23.5p	21.2p	20.8p
Dividend per share(1)	7.0p	4.8p	4.3p

(1) Excludes 2004 special dividend of 55 pence per share.

(2) As restated for the change in accounting policy resulting from adoption of UITF Abstract 38 and UITF 17, as explained on page 41 of the 2005 Annual Report.

Accounting differences between UK GAAP and IFRS are explained in note 32 of Part 8: ''Accountant's report and special purpose restated consolidated financial information for the Exchange in respect of the year ended 31 March 2005 prepared under IFRS''.

Summary unaudited pro forma financial information

Presented below is summary pro forma financial information for Exchange Group, which gives effect to the Proposals as if implemented with effect from 30 September 2005 and is prepared in accordance with IFRS.

	London Stock Exchange plc 30 September 2005	Pro forma total
	£m	£m
Non-current assets	135.9	135.9
Current assets	245.2	148.2
Current liabilities	89.8	89.8
Non-current liabilities	44.1	461.6
Net assets/(liabilities)	247.2	(267.3)

The pro forma financial effect of the proposed Return will be to enhance earnings per share (EPS), although total earnings will be reduced as a result of the net interest charge resulting from the reduction in cash and additional debt being assumed to fund the Return.

6. Risk factors

Risks relating to the industry

Economic environment

Business conditions in the savings market supply chain can affect investment in securities. These conditions are influenced by a variety of factors including: demographic changes, including the behaviour of the population in saving to pay for future obligations; the government's fiscal policy and the Bank of England's monetary policy and any changes in EU and domestic legislation. These factors may affect the Group's financial performance.

Structure of the industry

Participants in the securities industry are undergoing a significant level of restructuring and consolidation. This may have consequences for exchanges.

Risks relating to the business

Market activity

A slowdown in trading activity might adversely affect Exchange Group revenues.

Regulation

The Exchange needs to continue to meet certain regulatory obligations in relation to its operations and the markets it maintains.

Competitive pressure

Competitive pressures on exchanges are expected to increase.

Liquidity shift

A significant shift of liquidity away from the Exchange would have a material impact on revenue.

IT infrastructure

Exchange Group is currently renewing its IT infrastructure. Major IT replacements of this kind can have high levels of risk attached.

External service providers

Failure by outsourced suppliers to meet their obligations could impact the group's business.

Clearing services

If contractual arrangements were breached by LCH.Clearnet, this could impact the efficiency and competitiveness of the Exchange's markets.

Intellectual property rights

The steps that Exchange Group has taken to protect its intellectual property may prove inadequate.

Capital

Capital requirements and resources may vary from those currently anticipated.

Competition risk

The impact of the undertaking given to the OFT in respect of issuer services pricing may continue beyond 2007.

Property

Damage or destruction of the Group's property could impair its business.

Employees

The loss of key members of Exchange Group's staff could have a material effect on its performance.

Borrowings

The Group may require additional funds in the future if its current position changes and the Group may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of ordinary shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities.

New debt facilities

The debt raised by the Group to effect the return of capital will give rise to an obligation to meet regular interest payments and comply with associated covenants. This could result in restrictions being placed on future financing and operating activities.

Risks relating to the Return

Reduction of Capital

The timing of the Court Hearing could change. Confirmation of the capital reduction is within the discretion of the Court, which can refuse approval if it considers it to be to the detriment of creditors.

Risks relating to the New Ordinary Shares and B Shares

Admission to listing of B Shares

If less than 25% of the B Shares are held in public hands, or the total market capitalisation of the B Shares falls below £700,000, Admission of the B Shares may be suspended or cancelled.

Trading of B Shares

There has been no prior market for B Shares and an active public market for B Shares may not develop or be sustained.

Tax treatment

The future UK tax treatment of the acquisition, ownership and disposal of New Ordinary Shares and B Shares could change.

Payment of dividends

Exchange Group is a holding company and will not conduct business of its own. The inability of Exchange Group's direct and indirect subsidiaries to pay dividends in an amount sufficient to enable Exchange Group to meet its cash requirements at the holding company level could have a material adverse effect on its business and its ability to pay dividends.

7. Current trading

On 28 March 2006, the Exchange issued its pre-close update relating to the year ended 31 March 2006 which showed that trading performance continues to be very strong, benefiting from increasingly positive trends in all core business areas. As at 28 February 2006: total new issues were up 25% to 547 and total money raised was up 124% to £18.2 billion; the average daily number of SETS bargains increased 29% to 216,000 and average daily value traded up 29% to £4.5 billion; and professional terminals stood at 87,000, a 4,000 increase on February 2005 and a 1,000 increase since December 2005. The monthly market report published on 7 April 2006 showed that March 2006 was a record month for SETS with total value traded up 69% compared to March 2005.

8. Third party approaches

In December 2004, the Exchange received two proposals, from Deutsche Börse AG and Euronext N.V., for a possible combination which were both subsequently withdrawn. In December 2005, the Exchange received an offer from Macquarie, valued at 580 pence per share. The Exchange rejected the approach and the offer lapsed. In March 2006, the Exchange received a proposal from NASDAQ with a view to a possible combination. The Exchange rejected the indicative approach of 950 pence per share and NASDAQ withdrew its offer. NASDAQ has since announced that it has acquired an interest of 18.7% of the issued share capital of the Exchange. The Exchange has committed itself to discussions with its industry peers and continues to explore and take a lead role in opportunities for consolidation within the industry.

9. Board and Senior Management

The Board and Senior Management of Exchange Group is identical to the Board and Senior Management of the Exchange as set out below:

Board

Chris Gibson-Smith, Non-Executive Chairman
Clara Furse, Chief Executive
Jonathan Howell, Director of Finance
Gary Allen CBE, Non-Executive Director
Janet Cohen, Non-Executive Director
Oscar Fanjul, Non-Executive Director
Peter Meinertzhagen, Non-Executive Director
Nigel Stapleton, Non-Executive Director
Robert Webb Q.C., Non-Executive Director

Senior Management

Chris Broad, Head of Corporate Strategy
Martin Graham, Director of Market Services
Paul Kafka, Director of Corporate Communications and Public Policy
David Lester, Chief Information Officer
Nic Stuchfield, Director of Corporate Development

10. Employees

The number of Exchange employees as at 31 March 2005 was 519.

11. Additional information

(a) Share capital

A statement with details of the authorised, issued and fully paid share capital of Exchange Group and the nominal value of the New Ordinary Shares following Admission, the Reduction of Capital and redemption of the Redeemable Preference Share will be published by Exchange Group after the market closes on the last day of dealing of the Existing Ordinary Shares (expected to be 12 May 2006).

Assuming all options over Existing Ordinary Shares in the Exchange exercisable before the Scheme Record Date have been exercised, the aggregate nominal value of the New Ordinary Shares will be approximately equal to £15 million (being the aggregate nominal value of the Existing Ordinary Shares immediately prior to the Scheme becoming effective).

(b) Indebtedness

Unaudited net funding of London Stock Exchange plc group as at 31 March 2006 under IFRS was £225.7 million.

(c) Working capital statement

The Directors are of the opinion that, taking into account available bank and other facilities and assuming the Scheme becomes effective, Exchange Group has sufficient working capital for its present requirements, that is for at least 12 months following the date of this document.

(d) Significant changes

The only significant changes in the financial or trading position of the Exchange since 30 September 2005, the date of the interim report, are the £200 million revolving loan facility agreement and the £250 million loan facility agreement with The Royal Bank of Scotland plc and Barclays Capital, entered into on 9 February 2006 and described in paragraph 14 of Part 13, and the voting in favour of a Scheme of Arrangement and subsequent reduction of share capital by the shareholders of London Stock Exchange plc which took place on 19 April 2006.

There has been no significant change in the financial or trading position of Exchange Group since 31 March 2006, the end of the last financial period for which audited financial information has been published.

PART 2:
RISK FACTORS

Before deciding to invest in New Ordinary Shares and/or B Shares, prospective investors should carefully consider all the information set out in this document, together with the risks associated with companies of a similar nature to Exchange Group and, in particular, those risks below. If any of the following risks actually materialise, Exchange Group's business, financial condition and share price could be materially and adversely affected to the detriment of Exchange Group and its Shareholders. Further risks and uncertainties which are not presently known to the Directors at the date of this document, or that the Directors currently deem immaterial, may also have an adverse effect on the business, financial condition or results of the Group.

Risks relating to the industry

Economic environment

Business conditions in the savings market supply chain can affect investment in securities. These conditions are influenced by a variety of factors including: demographic changes, including the behaviour of the population in saving to pay for future obligations; the government's fiscal policy and the Bank of England's monetary policy; and any changes in EU and domestic legislation. Such changes may impact the ability of Exchange Group to achieve its targets. Exchange Group is not in a position to influence these factors directly and it is not always possible to predict or foresee the occurrence or scale of their impact on the business. However, the Group continuously monitors trends and developments and engages in dialogue with regulatory and governmental authorities at both national and EU level.

Structure of the industry

In response to the gradual liberalisation of world financial markets, participants in the securities market are undergoing a significant level of corporate restructuring. In particular, a high proportion of business in the securities market is becoming increasingly concentrated in a smaller number of institutions and Exchange Group's revenue may therefore become concentrated in a smaller number of customers. Such restructuring in the world exchange sector, were it to occur, could impact Exchange Group's ability to implement its strategy. Exchange Group constantly monitors this trend and evaluates its strategy in light of it.

Risks relating to the business

Market activity

Exchange Group revenues and profitability are dependent upon the levels of activity on its markets. A slowdown in trading activity could lead to a decrease in trading volumes and fewer initial public offerings as well as to a drop in the number of information terminals receiving the Exchange's data. Such slowdown might adversely affect Exchange Group revenues. Based on recent trends in market activity on its markets, Exchange Group has no indication that such slowdown is likely to occur in the near future.

Regulation

The Exchange is authorised as a RIE. In order to obtain RIE status, a body must satisfy the Recognition Requirements which include: the provision of proper and orderly markets; sufficiency of financial resources; safeguards for investors; monitoring and enforcement; and investigation of complaints. These requirements apply to all markets operated by the Exchange. If an RIE fails to continue to meet such Recognition Requirements, or if the RIE fails to comply with any obligation to which it is subject under the Financial Services and Markets Act, then the FSA has the power to direct compliance by the RIE with such requirements and ultimately to revoke the RIE's recognition. As at the date of this Prospectus, the Directors are not aware of any circumstances which would result in the FSA issuing any such direction against the Exchange or revoking the Exchange's RIE status.

It is a requirement that the Exchange satisfies the FSA that the Exchange is properly discharging its regulatory responsibilities relating to AIM. The Exchange has a dedicated AIM regulation team and regularly reviews the appropriateness of its procedures in this area, both internally and with the FSA.

Competitive pressure

The terms under which business has been conducted in the UK have been further liberalised by recent EU directives presenting an opportunity to conduct and publish trades in different ways and on alternative venues. The new MiFID legislation is expected to come into effect on 1 November 2007. This legislation requires all business in securities traded on regulated markets to be published via a reporting venue irrespective of where the trade takes place. This provides the Exchange with the opportunity to compete for pan European trade reporting as well as generating a competitive threat for existing trade reporting revenues earned by the Exchange. The Group also faces competition from other exchanges as well as from electronic communication networks (ECNs) and alternative trading systems (ATSs) (including a move towards greater systematic internalisation by member firms). This competition may intensify in the near future especially as technological advances create pressure to reduce the costs of trading. Whilst these developments might reduce the flow of business to the Group, they also provide an opportunity for the Group to develop new products and services.

Liquidity shift

A significant shift of liquidity away from the Exchange would have a material impact on revenue for all core divisions due to the interdependencies in the Exchange's business. A liquidity shift could occur where: a new entrant provides lower pricing and better quality of service, a new entrant can provide these services at low cost, customers are dissatisfied with the incumbent provider, there is a powerful, concentrated customer group, the customer group moves in a co-ordinated fashion, there are no regulatory or political barriers and there is full access to clearing and settlement infrastructure. The London market is considered susceptible to these circumstances because there is a highly concentrated group of traders, London has an open regulatory structure and there are a large number of potential competitors with existing technology and connections to intermediaries. However, the likelihood of these factors being present simultaneously is low. The Exchange operates under the principle of mutual advantage with its customers and has consistently delivered improvements to the quality of its markets which act to maintain customer goodwill and ensure that customers would not generate additional benefits from shifting liquidity.

IT infrastructure

Services for the provision of a platform for the execution of securities trades and for the collection and aggregation of trade and price information predominantly depend on technology which is secure, stable and performs to high rates of availability and throughput. The Group operates sophisticated technology platforms and service management processes in conjunction with Accenture. In the event of failure of this infrastructure, revenue and customer goodwill could be adversely impacted. The Group maintains alternative computer facilities that are designed to provide redundancy and back-up to reduce the risk of system disruptions and form part of the Group's disaster recovery plans. There have been no trading outages in the last six years. The Directors believe that the Group maintains appropriate technology management, operations and procedures capable of meeting customer requirements, absent a major catastrophe.

The Exchange is currently renewing its IT infrastructure to create a more modern and flexible platform which can be operated more efficiently (the Technology Roadmap – ''TRM''). Major IT replacements of this kind can have high levels of risk attached to them and there is no guarantee that the new system will bring all the benefits foreseen. In this event, the strategic flexibility of the Group could be hampered and its ability to respond to customer needs for services or keener pricing could be reduced. The Exchange, in conjunction with Accenture, the Group's primary IT service provider, is employing rigorous software design methodologies, logistics planning and assembly and testing regimes to minimise this risk.

External service providers

The Group actively manages the relationship with key IT suppliers to avoid any breakdown which could adversely affect the Group's business. The maintenance and operation of efficient IT platforms is critical to the Group's business. The Group outsources the majority of the operation and development of its IT. Failure by the outsourced suppliers to meet their obligations could impact the Group's business. Exit management plans are in place for the Group's two main outsource partners Accenture and MCI Worldcom (now Verizon Business). In addition, where possible, it is the Group's policy to own the intellectual property rights in respect of its key IT systems.

Clearing services

Clearing services for securities on the Exchange's markets are provided by LCH.Clearnet Ltd (''LCH.Clearnet''), a subsidiary of LCH.Clearnet Group Ltd, which is partly owned by a competitor of the Exchange. The Exchange has in place detailed contractual provisions designed to ensure the fair treatment of the Exchange and its customers by LCH.Clearnet. In the event such contractual arrangements are breached by LCH.Clearnet, this could impact the efficiency and competitiveness of the Exchange's markets.

LCH.Clearnet is currently proposing to migrate all the cash equity markets for which it provides clearing services onto a single clearing system. If implemented, such a migration will make it more difficult for the Exchange to make alternative arrangements for clearing through other providers.

Intellectual property rights

The Group protects its intellectual property by relying upon a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, clients, strategic partners and others. The protective steps the Group has taken may be inadequate to deter misappropriation of its proprietary information. Further, defending its intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Group's business, financial condition and operating results.

Capital

In order to develop its business, the Board expects that after the Return the current capital requirements of the Group will be met from existing cash resources, internally generated funds and access to lending facilities. However, based on a variety of factors, including the rate of market acceptance of new products, the cost of service and technology upgrades, regulatory costs and other costs beyond the control of the Group, capital requirements may vary from those currently planned. There can be no assurance that capital will be available on a timely basis or on favourable terms or at all.

Competition risk

In 2003, following an inquiry into its issuer fees, the Exchange provided an undertaking to the OFT not to increase UK annual and admission fees for the UK Main Market and AIM by more than the increase in the ONS service sector wage index in the period from April 2003 to April 2007. In addition, the Exchange reduced annual and admission fees for AIM and annual fees for the Main Market to levels agreed with the OFT. The impact on issuer services pricing may continue beyond 2007.

Property

The Group has a portfolio of freehold and leasehold property. Damage or destruction of property could impair the conduct of the Group's business and adversely impact revenue. However, the Group has detailed contingency arrangements and insurances in place to protect against this.

Employees

The success of the Group depends, inter alia, upon the support of its employees and, in particular, the Executive Directors and senior managers within business divisions. The loss of key members of the Group's staff could have a material adverse effect on its performance.

Borrowings

The Group may require additional funds in the future if its current position changes and the Group may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of ordinary shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities.

New debt facilities

The debt raised by the Group to effect the return of capital will give rise to an obligation to meet regular interest payments and comply with associated covenants. If the Exchange Group's retained earnings fall substantially from current levels, this may result in restrictions being placed on future financing and operating activities. The Board believes that it has sufficient working capital for the foreseeable future, which includes being able to meet these obligations.

Risks relating to the Return

Reduction of capital

Pursuant to the Proposals, it is expected that the New Ordinary Shares and B Shares will be issued on 15 May 2006 to Scheme Shareholders. It is expected that the New Ordinary Shares and B Shares will be admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange's Main Market for listed securities on 15 May 2006. It is expected that the Court Hearing to confirm the Reduction of Capital of Exchange Group will be held on 17 May 2006, although this date is subject to change dependent upon a number of factors, including when the Scheme becomes effective and the date on which the Court is available to hear the petition for Reduction of Capital of Exchange Group.

The confirmation of Reduction of Capital is within the discretion of the Court and the Court can refuse to confirm the Reduction of Capital if it considers it to be to the detriment of creditors. If the Court refuses to confirm the Reduction of Capital, Exchange Group will not have sufficient distributable reserves to implement the Proposals and Shareholders will not receive the Return.

Risks relating to the New Ordinary Shares and B Shares

Admission to listing of B Shares

As explained in Part 11, holders of B Shares can elect to receive the Return as income by dividend, or capital or deferred capital by redemption of the B Shares. As capital is returned to Shareholders, the number of B Shares in issue will be reduced. If less than 25% of B Shares are held in public hands, or the market capitalisation of the B Shares falls below £700,000, Admission may be suspended or cancelled. In such circumstances, holders of B Shares may have difficulty in disposing of their holding of B Shares outside of the redemption dates.

Trading of B Shares

There has been no prior market for the B Shares. There can be no assurance that an active trading market for the B Shares will develop or, if developed, will be sustained. If an active trading market is not developed or maintained, the liquidity and trading price of the B Shares could be adversely affected.

Tax treatment

The summary of the UK taxation treatment of the transaction contained in Part 12 is based on current UK tax law and the current practice of UK HM Revenue & Customs. Both of these are subject to change, possibly with retrospective effect. Therefore, the future UK taxation treatment of the acquisition, ownership and/or disposal of the New Ordinary Shares and B Shares may potentially be subject to change, which could impact on the UK taxation position of a Shareholder.

The summary of the UK taxation treatment of the transaction is intended as a general guide only. It does not address the specific tax position of every Shareholder or prospective shareholder and only deals with UK taxation. Therefore, any Shareholders or prospective shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and/or disposal of the New Ordinary Shares and B Shares and/or who are subject to tax in a jurisdiction other than the UK should consult their own independent tax advisers.

Payment of dividends

Exchange Group is a holding company and will not conduct business of its own. Dividends from Exchange Group's only direct subsidiary, the Exchange, and its subsidiaries, together with any investment income, are expected to be Exchange Group's sole source of funds to pay expenses and dividends, if any. The inability of Exchange Group's direct and indirect subsidiaries to pay dividends in an amount sufficient to enable Exchange Group to meet its cash requirements at the holding company level could have a material adverse effect on its business and its ability to pay dividends. Based on current trading as described in Part 6, the risk of this is considered to be small.

PART 3:

PERSONS RESPONSIBLE, DIRECTORS, COMPANY SECRETARY AND ADVISERS

1. Persons responsible

The Directors, whose names appear below, and Exchange Group accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Exchange Group (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors, Company Secretary and Registered Office

Directors	Christopher Shaw Gibson-Smith	Chairman
	Clara Hedwig Frances Furse	Chief Executive
	Jonathan Anton George Howell	Director of Finance
	Gary James Allen CBE	Non-Executive Director
	Baroness (Janet) Cohen	Non-Executive Director
	Oscar Fanjul	Non-Executive Director
	Peter Richard Meinertzhagen	Non-Executive Director
	Nigel John Stapleton	Non-Executive Director
	Robert Stopford Webb Q.C.	Non-Executive Director
Company Secretary	Lisa Margaret Condron	
Head Office, Registered Office and Directors' Address	10 Paternoster Square London EC4M 7LS	

3. Advisers and Others

Sponsor and Financial Adviser	JPMorgan Cazenove 20 Moorgate London EC2R 6DA	
Brokers	JPMorgan Cazenove 20 Moorgate London EC2R 6DA	Lehman Brothers Limited 25 Bank Street London E14 5LE
Auditors and Reporting Accountants	PricewaterhouseCoopers LLP Southwark Towers 32 London Bridge Street London SE1 9SY	
Legal Advisers	*To Exchange Group:* Freshfields Bruckhaus Deringer 65 Fleet Street London EC4Y 1HS	*To the Sponsor:* Macfarlanes 10 Norwich Street London EC4A 1BD
Bankers to Exchange Group	HSBC Bank plc 8 Canada Square London E14 5HQ	
Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA	

PART 4:
EXPECTED TIMETABLE OF PRINCIPAL EVENTS

12 May 2006	Court Hearing of the petition to sanction the Scheme
12 May 2006	Scheme Record Date and record date for Second Interim Dividend
12 May 2006	5.00 p.m.: Scheme Record Time
12 May 2006	Last day of dealings in Existing Ordinary Shares
15 May 2006	Scheme Effective Date
15 May 2006	8.00 a.m.: Delisting of Existing Ordinary Shares, Admission of New Ordinary Shares and B Shares, crediting of New Ordinary Shares and ''Interim B Shares''(1) to CREST accounts and dealings in New Ordinary Shares and B Shares commence on the London Stock Exchange
15 May 2006	Ex-dividend date for Second Interim Dividend
17 May 2006	Court Hearing of the petition to confirm the Exchange Group Reduction of Capital
18 May 2006	Exchange Group Reduction of Capital becomes effective
19 May 2006	11.00 a.m.: Latest time for receipt of Form of Election
19 May 2006	11.00 a.m.: Latest time for receipt of TTE instructions on CREST
19 May 2006	Despatch of certificates in respect of New Ordinary Shares
19 May 2006	Record date for Initial B Share Dividend
22 May 2006	Initial Redemption in respect of relevant B Shares by Exchange Group and cancellation of relevant B Shares pursuant to valid elections by those electing for Initial Redemption (and those not returning a valid Form of Election by 11.00 a.m. on 19 May 2006)
22 May 2006	Initial B Share Dividend allocated in respect of relevant B Shares by Exchange Group and relevant B Shares converted to Deferred Shares pursuant to valid elections by those electing for Initial B Share Dividend
22 May 2006	Crediting of B Shares to CREST accounts pursuant to valid elections by those holding shares in uncertificated form and electing for Future Redemption Right
26 May 2006	Despatch of cheques or crediting of CREST accounts to Shareholders in respect of (as applicable): (a) the Initial Redemption; and (b) the sale of fractional entitlements to New Ordinary Shares
26 May 2006	Despatch of cheques in relation to the Initial B Share Dividend or payment of the Initial B Share Dividend to Shareholders' bank accounts through BACS Direct Credit ***(BACS)*** (as applicable)
26 May 2006	Despatch of cheques in relation to the Second Interim Dividend or payment of the Second Interim Dividend to Shareholders' bank accounts through BACS (as applicable)
26 May 2006	Despatch of certificates in respect of relevant B Shares pursuant to valid elections by those electing for Future Redemption Right

All times in this document are references to local time in the United Kingdom unless otherwise stated.

(1) ''interim B Shares'' are required to enable Shareholders to elect for Alternatives 1, 2 or 3 on CREST. Further details are provided in paragraph 2.20 of Part 13 of this document.

The dates given are indicative only and may be subject to change. The dates are based on the Exchange's current expectations and will depend on, among other things, the dates upon which the Court sanctions the Scheme, the Scheme becomes effective and the Court confirms the Exchange Group reduction of Capital. In particular, certain Court dates are subject to confirmation by the Court. If the scheduled date of the Court Hearing of the petition to sanction the Scheme is changed, the Exchange will give adequate notice of the change by issuing an announcement through a Regulatory Information Service.

PART 5:
INFORMATION ON EXCHANGE GROUP

The financial information discussed below has been extracted without material adjustment from Part 7: ''Historical Financial Information for the Exchange'' and Part 8: ''Accountants' report and special purpose restated consolidated financial information for the Exchange in respect of the year ended 31 March 2005 prepared under IFRS'' and is based on the audited consolidated financial statements of the Exchange for the years ended 31 March 2003, 31 March 2004 and 31 March 2005.

The operating information discussed below is derived from the Exchange's internal operational and financial reporting systems.

1. History and development

1.1. On the Scheme Effective Date, Exchange Group will become the holding company of the Group and upon Admission will replace the Exchange as the listed entity. The Exchange will become Exchange Group's principal operating subsidiary and became a listed company in July 2001. It is one of the world's leading stock exchanges and, based in London, is at the heart of global financial markets.

1.2. The Group's principal business is: providing a market for the issuing and trading of securities by assisting companies to raise capital though the issue of securities; providing platforms for investors and intermediaries to trade these and other financial investments; and collecting and distributing market information.

1.3. The Exchange's success in building liquidity is exemplified by: its long-term success in capturing the majority of admission to trading by Western European companies; the sustained growth in trading volumes on SETS and SETSmm, its order books for capturing and executing orders; and the breadth of data distribution to investors and traders.

1.4. The Group's core business areas, as reported under IFRS are:

- **Issuer Services** – which facilitates the raising of capital through the issuing of securities by companies from around the world and the dissemination of regulatory news;
- **Broker Services** – which provides a forum for investors and intermediaries to trade securities via a range of robust electronic trading systems, an effective regulatory environment and a high level of price and trade transparency;
- **Information Services** – which distributes high quality, real-time price, news and other information relating to trading on the Exchange's platforms; and
- **Derivatives Services** – which provides services for trading derivatives through the Exchange's covered warrants market for retail investors and the Exchange's subsidiary EDX London.

1.5. The turnover of the Exchange for the last 3 financial years ended 31 March is as follows:

	2005 Audited UK GAAP	2004 Audited UK GAAP	2003 Audited UK GAAP
	£m	£m	£m
Issuer Services	35.2	38.5	36.0
Broker Services	99.8	94.1	87.3
Information Services	110.3	101.0	102.2
Derivatives Services	6.8	6.1	—
Other income	7.6	10.7	11.8
Gross turnover	**259.7**	**250.4**	**237.3**
Less: share of joint venture's turnover	(15.3)	(13.3)	(11.4)
Net turnover	**244.4**	**237.1**	**225.9**

The above analysis is extracted from the Exchange's 2003, 2004 and 2005 Annual Reports which have been prepared under UK GAAP.

2. Summary of the terms of the Proposals

2.1. The Group's objective in returning capital to Shareholders is to improve the efficiency of the Group's balance sheet whilst retaining sufficient resources to invest in future growth. The Board believes that the Proposals treat all Shareholders equally and give Shareholders the flexibility to elect as to how and when they receive their Return.

2.2. The Return will be effected through the introduction of a holding company, Exchange Group, via a Court approved scheme of arrangement, the issue of New Ordinary Shares and B Shares and a subsequent Reduction of Capital.

2.3. Details of the Return were set out in the Circular sent to shareholders on 21 March 2006. As a result of the Return, shareholders at the Scheme Record Time, expected to be 5.00 p.m. on 12 May 2006 were to receive one B Share with a value of 200 pence for every Existing Ordinary Share that they hold and 3 New Ordinary Shares for every 4 Existing Ordinary Shares that they hold. The ratio used for the share conversion was set by reference to the Closing Price of 863.5 pence per Existing Ordinary Share on 6 March 2006, the date prior to the announcement of the details of the Return.

2.4. The intention behind issuing a smaller number of New Ordinary Shares for Existing Ordinary Shares is that the share price of a New Ordinary Share should be approximately equal to the share price of an Existing Ordinary Share, thus facilitating comparisons of the Exchange's share price, earnings per share and dividend per share before and after the Return.

2.5. The Circular noted that the share conversion ratio may, in effect, be re-set if the current proposed ratio would no longer result in appropriate comparability of share price, earnings per share and dividend per share before and after the Return. In the light of the strong performance in the Exchange's share price since the proposals were announced on 7 March 2006, the Board, which has received financial advice from JPMorgan Cazenove Limited, has decided that it would be in the best interests of the Exchange and its shareholders to improve comparability before and after the Return and a new share conversion ratio will be set by reference to the closing price of Existing Ordinary Shares on their last day of dealings (expected to be 12 May 2006).

2.6. As a result, shareholders at the Scheme Record Time, expected to be 5.00 p.m. on 12 May 2006 will receive:

- an appropriate number of New Ordinary Shares for the Existing Ordinary Shares that they hold to achieve the desired comparability to be fixed by reference to the closing share price of the Existing Ordinary Shares at that time; and
- one B Share with a value of 200 pence for every Existing Ordinary Share that they hold.

2.7. The formula by which the new share conversion ratio will be determined is represented by the closing price of the Existing Ordinary Shares on the last day of dealing (expected to be 12 May 2006) less the amount of the capital return (200 pence per Existing Ordinary Share) divided by the closing share price of the Existing Ordinary Shares on the last day of dealing.

2.8. The new share conversion ratio will be set as a fraction of two numbers of no more than two digits each which is closest to the result of the formula and is intended to minimise the theoretical difference in share price between the closing price of an Existing Ordinary Share and the share price of a New Ordinary Share, taking into account the return of 200 pence per Existing Ordinary Share.

2.9. Subject to the Court sanctioning the scheme of arrangement at a hearing expected to take place on 12 May 2006, the New Ordinary Shares and B shares will be issued to shareholders pursuant to the Scheme as set out in the Scheme Circular and approved without modification at the Court Meeting. The Scheme is unaffected by the new share conversion ratio. Immediately following the issue of New Ordinary Shares in accordance with the Scheme, a consolidation and sub-division of the New Ordinary Shares will be effected pursuant to a resolution passed by the current shareholders of Exchange Group on 13 April 2006. The consolidation and sub-division of the New Ordinary Shares will be effected so that it will have substantially the same effect as if the ratio in the Scheme were adjusted to the new share conversion ratio.

2.10. The nominal value of a New Ordinary Share following the reduction of capital of Exchange Group for the purposes of the Return will be determined by dividing $5\frac{5}{6}$ pence (the current nominal value of an Existing Ordinary Share) by the new share conversion ratio.

2.11. The number of New Ordinary Shares in issue on the first day of dealing of New Ordinary Shares will be the number of Existing Ordinary Shares in issue on their last day of dealing multiplied by the new share conversion ratio, rounded down to the nearest number of whole shares. A statement with details of the authorised, issued and fully paid share capital of Exchange Group and the nominal value of the New Ordinary Shares following Admission, the Reduction of Capital and redemption of the Redeemable Preference Share will be published by Exchange Group pursuant to Rule 2.3.2 after the market closes on the last day of dealing of the Existing Ordinary Shares (expected to be 12 May 2006).

2.12. The effect of the capital reorganisation will be to reduce the number of New Ordinary Shares to reflect the return of 200 pence per B Share to Shareholders. Following the Proposals, Shareholders' proportional holdings of New Ordinary Shares in Exchange Group will be the same as their previous proportional holding of Existing Ordinary Shares in the Exchange, subject to adjustments for fractional entitlements.

2.13. In order to effect the Return, the Group has entered into a £200 million revolving loan facility agreement and a £250 million loan facility agreement. The Exchange has historically had no long-term bank debt and the Board believes that this introduction of a suitable level of gearing to the business should improve balance sheet efficiency and returns to shareholders.

Further details are provided in pages 3 to 28 of the Circular, which is incorporated by reference into this document.

3. Strategy

3.1. The Group's strategy is built around its vision to be the world's capital market and, through doing so, create superior value for shareholders and customers.

3.2. The strategy has three key elements:

- Extending the Exchange's lead in domestic and international markets. The Group aims to achieve this through enhancing the Exchange's market position in Europe and by always promoting the Exchange's global brand, the quality of the Exchange's markets and the principle of mutual advantage which builds the relationships between the Exchange and its customers who make the market.
- Leveraging the Group's core strengths to diversify the business. The Group's market position at the heart of the most international financial centre in the world, and its internationally recognised brand, provide a strong basis on which the Group seeks to diversify into contiguous markets, products or services where it can leverage its competitive edge in technology, markets and its customer franchise.
- Promoting the growth and efficiency of capital markets. As an operator and developer of markets we place at the centre of the Group's strategy the philosophy that what is profitable for the Group's customers and the market creates value for the Group and its shareholders. The Group aims to develop more efficient markets through innovation in market structure, technology and by investing in customer relationships. More efficient markets reduce the cost of equity capital for companies and the cost of trading for investors and intermediaries. This increases trading volumes which in turn makes the market more liquid and efficient, fuelling the virtuous circle which continuously drives the growth of the Group's business.

3.3. In December 2004, the Exchange received two proposals, from Deutsche Börse AG and Euronext N.V., for a possible combination. These proposals were referred to the Competition Commission and in March 2006, the Competition Commission announced that undertakings had been agreed with Deutsche Börse AG and Euronext N.V. which would allow them to proceed with an offer for the Exchange. Both of these proposals were subsequently withdrawn, as announced by Deutsche Börse AG on 15 March 2006 and Euronext N.V. on 3 May 2006. In December 2005, the Exchange received an approach from Macquarie London Exchange Investments Limited (Macquarie). The Exchange rejected the offer of 580 pence per share from Macquarie as substantially undervaluing the Exchange given its unique franchise, attractive long term growth prospects and pivotal position in global capital markets. The offer from Macquarie lapsed on 28 February 2006. In March 2006, the Exchange received a proposal from The Nasdaq Stock Market, Inc. (NASDAQ) with a view to a possible combination. The Exchange rejected the indicative offer from NASDAQ of 950 pence per share on the basis that it substantially undervalued the Company, its unique position and the very significant synergies that would be achievable from the combination of the Exchange with any major exchange group. NASDAQ subsequently announced that it no longer intended to make an offer for the Exchange. On 11 April 2006, NASDAQ announced that it had acquired an interest of 14.99% of the issued share capital of the Exchange and on 3 May 2006 announced that it had increased its holding to approximately 18.7% of the issued share capital of the Exchange.

3.4. Whilst the Exchange did not solicit the approaches it received and ultimately rejected offers made for the Exchange, the Exchange nevertheless committed itself to discussions with its industry peers to explore whether sufficient real value could be achieved for the benefit of shareholders and market users through a potential combination, on the right terms, with another exchange. The Group continues to explore and take a lead role in opportunities for consolidation within the industry. The Group believes that the Exchange is a unique franchise and will consider the strategic options available to the Group to create additional value for shareholders and customers, including discussions with other major exchanges. In the meantime, the Group continues to remain fully focused on driving its business forward and capitalising on opportunities for growth in the future.

4. Issuer Services

4.1. Issuer Services provides a range of markets for companies issuing debt and equity securities to raise money by selling those securities to investors.

4.2. The main sources of revenue for Issuer Services are admissions, further issues and annual fees. Annual fee income, the revenue the Exchange receives from companies on its markets, contributed 49% of Issuer Services' turnover in the full year to March 2005 (2004 full year: 56%). During 2006, new and further issues (both domestic and international) together raised £34 billion (2005: £19 billion; 2004: £21 billion) across the Exchange's markets.

4.3. The Exchange operates three primary markets:

- *The Main Market* – which helps more established companies to gain access to London's deep pools of institutional investment capital. The profile of the Main Market is given added prominence by attribute segments and tailored FTSE indices;
- *AIM* – which provides these facilities for smaller growing companies. To further enhance AIM's profile and attractiveness, new AIM indices were launched in May 2005 which will help increase research and analyst coverage and institutional investment in this market. In addition, the Exchange has recently announced its intention to pursue a European expansion plan whereby it proposes to extend its AIM offering to a wider range of European small cap companies; and
- *The Professional Securities Market* – which allows issuers to list debt securities or depositary receipts of any denomination on PSM on production of a prospectus aimed at a wholesale or professional audience.

4.4. The Exchange has a successful track record of developing and promoting markets and segments to meet the specific needs of issuers and facilitate capital formation, by providing liquidity in their securities and visibility amongst investors. It does this through the following key services:

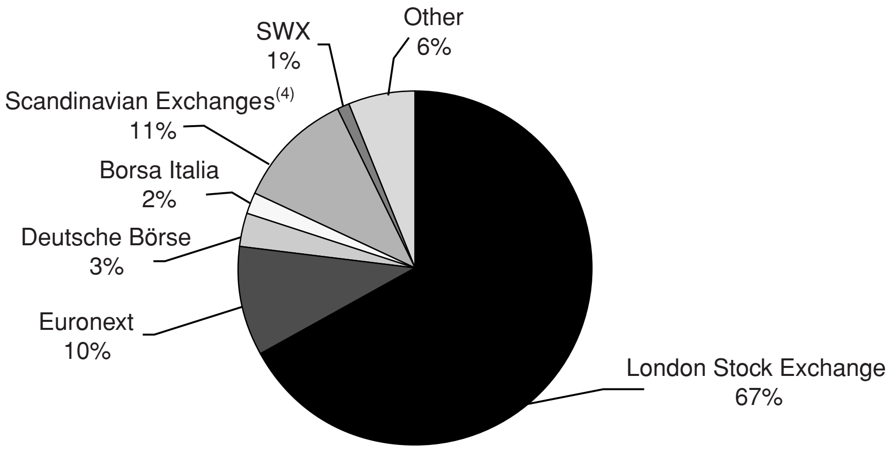
(i) admission to trading on the Exchange's markets enables securities to be freely traded. This increases the pool of investors that can invest in an issuer's securities;

(ii) the operation of trading platforms which facilitates price formation and trading in an issuer's securities; and

(iii) RNS, the UK's leading Primary Information Provider (''PIP'') distributing 75% of the UK's regulatory disclosure announcements by listed companies and serving 90% of FTSE 100 companies (as at 31 December 2005). It provides a facility for regulatory and non-regulatory news disclosure and focused capital markets news distribution on behalf of issuers.

4.5. During the year to March 2006, the total number of companies on the Exchange's markets increased to 3,141 (March 2005: 2,916). There were 622 new issues on the Exchange's markets in the year to 31 March 2006 (2005: 514) including 409 IPOs (2005: 366). This accounted for more than 67% of IPOs in Western Europe during the period (2005: 80%).

Breakdown of the Western European(1) IPO Market(2)
Financial year 2005/2006(3)



Source: Thomson Financial; European stock exchange websites

(1) Western Europe comprises the following exchanges: Bolsa Madrid, Borsa Italia, Deutsche Börse, Euronext Amsterdam, Euronext Brussels, Euronext Paris, Euronext Alternext, Euronext Lisbon, Irish Stock Exchange, London Stock Exchange, Luxembourg Stock Exchange, Swiss Stock Exchange, Wiener Börse, Copenhagen Stock Exchange, Helsinki Stock Exchange, Iceland Stock Exchange, Oslo Børs and Stockholm Stock Exchange.

(2) IPOs are all new issues and exclude introductions, transfers and re-admissions.

(3) Up to 31 March 2006.

(4) Scandinavian exchanges consist of Copenhagen Stock Exchange, Helsinki Stock Exchange, Iceland Stock Exchange, Oslo Børs and Stockholm Stock Exchange.

AIM enjoyed a record year in the year to March 2006. The total number of companies traded on AIM rose by 31% during the year to 1,473 as at 31 March 2006 (March 2005: 1,127), including 247 international companies. There were 510 new issues on AIM for the year (2005: 432) of which 26% were overseas companies (2005: 17%).

4.6. Growth in Main Market new issues has continued in the year to 31 March 2006 with 107 new issues compared with 82 new issues in 2005. The number of international new issues for the year was 18. This continues the Exchange's success in attracting key international listings seen in the last financial year, including Novatek from Russia, Investcom from United Arab Emirates and Lotte Shopping form South Korea. To reinforce its commitment to the Asia-Pacific region, the Exchange opened an Asia-Pacific office in Hong Kong in October 2004 which provides companies from the region with the direct support they need to improve access to international investment funds.

4.7. New products and services

The Exchange has developed a number of new products and services including: ''Professional Securities Market'' (''PSM'') which allows issuers to list Debt securities or depository receipts of any denomination on PSM on production of a prospectus aimed at a wholesale or professional audience; and The Corporate Responsibility Exchange, which helps corporate customers fulfil their Corporate Social Responsibility and Corporate Governance reporting obligations.

5. Broker Services

5.1. Broker Services is responsible for delivering price formation and execution services in UK and international securities, through robust trading systems, effective regulation and a high level of price and trade transparency. It derives its revenue principally from fees for execution on the electronic order book and also from reporting fees for trades carried out away from the order book.

5.2. Broker Services provides membership and market-maker registration services and fast and efficient access to liquidity, trade execution and reporting through its key trading services:

(i) SETS – the Exchange's fully automated electronic order book for the most liquid securities. Currently 172 domestic securities are traded on SETS, including all FTSE 100 securities. A further 266 international securities are also traded on this platform;

(ii) SETSmm – a hybrid trading service introduced in 2003. Currently 705 securities are traded on SETSmm, including all FTSE 250 securities not traded on SETS and all FTSE Small Cap Index companies. Since its introduction, average spreads for (small caps) stocks transferring from the SEAQ platform have reduced by 33%;

(iii) SEAQ – a screen based service displaying competing offer prices;

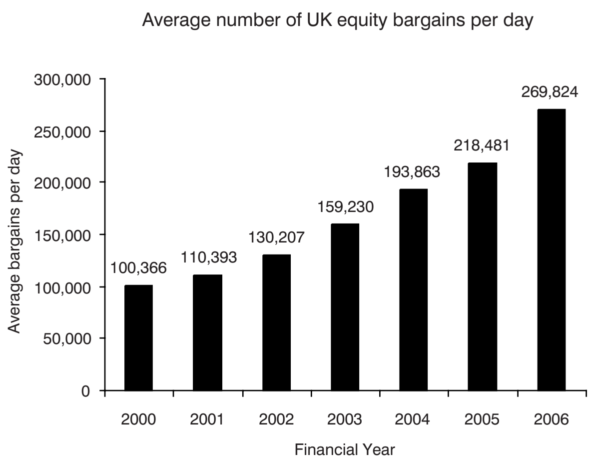
(iv) SEATS PLUS – a hybrid system for less liquid securities;

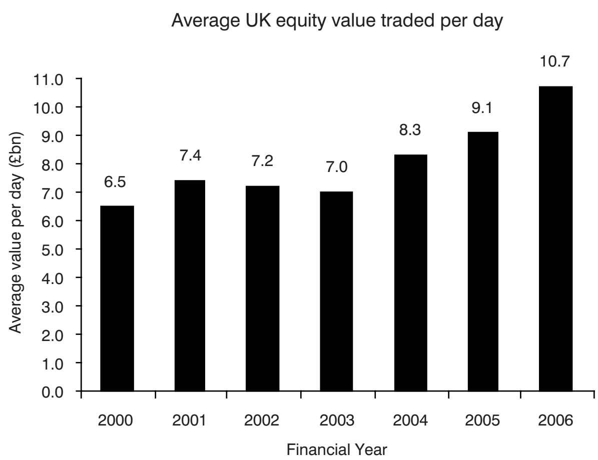
(v) International Order Book – an electronic order book service for international securities; and

(vi) International Bulletin Board – a screen-based trading service displaying competing bid and offer prices for international securities.

5.3. In all, the Exchange provides and maintains the underlying electronic platforms on which shares, bonds and other products are traded by more than 350 member firms in 38 countries worldwide, with over 15,000 securities tradable on the Exchange's platforms.

5.4. The total value of equity bargains for the year ended 31 March 2006 increased 23% over the same period last year to £5.8 trillion (2005: £4.7 trillion), attributable to an increase in order book trading, with average SETS bargains per day increasing 31% to 223,000 in the year ended 31 March 2006 (2005: 170,000). In the same period the total value of off book bargains also increased although the average number of such bargains reduced by two per cent to 47,000 bargains per day (2005: 48,000) and SETSmm saw an average of approximately 36,000 bargains per day (2005: 16,000).





5.5. Technology

A key aspect of the Exchange's core business is the technological excellence of its trading platforms. The Technology Road Map (''TRM'') is the Exchange's programme of work which seeks to provide a step change in the capability of the Exchange's IT systems. TRM includes Infolect, the Exchange's new Information Dissemination Platform implemented in September 2005, and a new Trading System, expected to be delivered in early 2007.

5.6. Regulation

The Exchange recognises the importance to the quality of its markets of transparency and accuracy of information on issuers and of trading taking place on its platform. In relation to both secondary market trading and admission to its primary markets, the Exchange imposes high regulatory standards. The Exchange also has its own admission and disclosure standards for issuers admitted to trading on the London Stock Exchange's Main Market and AIM companies are subject to the AIM rules written and administered by the Exchange.

As a RIE, the Exchange is responsible for ensuring the fairness and transparency of activity on its trading platforms and the adequate and timely disclosure of information required by investors to make informed investment decisions. The Exchange monitors trading in real time with sophisticated surveillance technology so that action could be taken immediately if a breach of its rules were to occur.

5.7. Regulatory Strategy

The Exchange recognises the importance of shaping the regulatory environment, by influencing and driving policy at the earliest stage of its formulation and has a dedicated Regulatory Strategy team. Much of the work carried out by the Exchange in this area involves analysing new regulatory developments and engaging with the relevant parties to ensure that any legislation that materialises is as effective and successful as possible both at a UK and EU level. In particular, the Exchange has focused on influencing the EU's key Financial Services Action Plan directives (the Markets in Financial Instruments Directive, Market Abuse Directive, Transparency Directive and Prospectus Directive) and is engaged in the development of the Company Law and Corporate Governance Action Plan.

5.8 New Products and Services

New Products and Services include the addition of a new segment on the SETSmm hybrid platform (SETSmm Small Caps) in July 2005. This significantly increased the number of stocks being traded on an order driven platform, bringing the total number of securities being traded on the SETSmm platform to 705, including the constituents of the FTSE AIM UK 50 transferred to SETSmm in December 2005.

6. Information Services

6.1. The Information Services division delivers real-time and historical market data, along with other specialist securities information, ensuring efficient price discovery and comprehensive market intelligence for investors.

6.2. Information Services' principal products and sources of revenue include:

(i) Infolect – the Exchange's recently introduced proprietary information service. Infolect data includes an order book and trade prices and sizes from the Exchange's markets. Subscribers are able to choose between different levels of information to meet their specific requirements. As at 28 February 2006, the total number of terminals supplied with the Exchange's real-time market data increased to 102,000, compared with 95,000 at 31 March 2005. Of this total, approximately 87,000 terminals were attributable to professional users, compared with 83,000 at 31 March 2005;

(ii) Extranex – the Exchange's proprietary high performance private network which provides speed, capacity and reliability for communications solutions tailored to the needs of the Exchange's different customer segments;

(iii) Historical and reference data services – including SEDOL Masterfile, the Exchange's expanding securities identification service, providing unique identification codes for global securities and enabling greater efficiency in the processing of trades. At 28 February 2006 over 1,100 licences had been taken for the use of the SEDOL Masterfile service and the number of instruments covered by the service had grown to over 1,100,000 from 450,000 at 31 March 2005; and

(iv) Proquote – the Exchange's wholly owned subsidiary, which provides financial market software and data services to a wide range of buy-side, sell-side, retail and private client market professionals. Proquote's data and trading functionality is available over the internet and therefore provides a cost efficient alternative source of real-time financial information.

6.3. New Products and Services

The Exchange continues to expand and enhance its Information Services offering. In addition to further improvements to the Infolect data link, current developments include:

(i) planned geographic expansion of the SEDOL Masterfile (including current focus on the Asian market, where there is no single securities identifier) and expansion of instrument types covered; and

(ii) continued improvement of the Proquote product. An international version of Proquote was launched in April 2005 and an order management system for Proquote's retail and institutional clients was launched in March 2006.

7. Derivatives Services

7.1. The Exchange's derivatives business is operated primarily through EDX London, a joint venture between Stockholm Stock Exchange AB, a subsidiary of OMX AB, and the Exchange, which started trading in June 2003. EDX London is a FSA regulated RIE.

7.2. EDX London currently offers trading in derivatives based on Nordic equities, fixed income and interest products through an electronic market place, using proven OMX technology. Market makers provide continuous prices in the products listed and members benefit from a common order book with access to domestic liquidity through the linked exchange network. Currently members can trade Swedish, Norwegian, Danish and Finnish products through the link arrangements, which enables trading firms to access multiple international derivative markets via a single membership.

7.3. Derivatives Services also includes the trading of covered warrants carried out on the Exchange's platforms.

8. Directors and Senior Management

Set out below are details of the Directors and Senior Management as at 3 May 2006, the latest practicable date prior to publication of this Prospectus, with descriptions of their roles and their ages:

The Board of Directors

Chris Gibson-Smith (60) Non-Executive Chairman	Appointed to the Board in May 2003 and appointed Chairman in July 2003. Also Senior Independent Non-Executive Director of British Land Company plc and Non-Executive Director of Qatar Financial Centre Authority. Previously Chairman of National Air Traffic Services Ltd from 2001 to 2005, Group Managing Director of BP plc from 1997 to 2001 and Non-Executive Director of Lloyds TSB plc from 1999 to 2005. He is a Trustee of both the London Business School and the arts charity Arts and Business.
Clara Furse (48) Chief Executive	Appointed Chief Executive in January 2001. Group Chief Executive of Credit Lyonnais Rouse from 1998 to 2000. At Phillips & Drew (now UBS) from 1983 to 1998; became a Director in 1988, Executive Director in 1992, Managing Director in 1995 and Global Head of Futures in 1996. Director of LIFFE from 1991 to 1999. Deputy Chairman from 1997 to 1999. She is a Non-Executive Director of Euroclear plc and LCH.Clearnet Group Limited.
Jonathan Howell (43) Director of Finance	Director of Finance since December 1999, responsible for Finance and Business Operations. He was previously Head of Market Regulation from 1998 and Director of Regulation from March 1999. He is a Non-Executive Director of FTSE International Ltd. He joined the Exchange in 1996 from PricewaterhouseCoopers.

Gary Allen CBE (61) Non-Executive Director	Appointed to the Board in July 1994, Senior Director and Chairman of the Audit Committee. Chairman of IMI plc from May 2001 until December 2004, Chief Executive from 1986 to January 2001. Board Director of IMI plc from 1978 until 2004, having joined the company in 1965. He is a Non-Executive Director of N V Bekaert SA, Belgium, the National Exhibition Centre Ltd and Temple Bar Investment Trust plc.
Janet Cohen (65) Non-Executive Director	A Life Peer. Appointed to the Board in February 2001. Member of the Audit, Nominations and Remuneration Committees. Non-Executive Chairman of BPP Holdings plc and Non-Executive Director of MCG plc. Previously Advisory Director of HSBC Investment Bank, a Non-Executive Director of Charterhouse Management Services Ltd from 1988 to 1999 and Charterhouse Financial Services Ltd from 1989 to 1993.
Oscar Fanjul (56) Non-Executive Director	Appointed to the Board in February 2001. Member of the Nominations and Audit Committees. Vice-Chairman and Chief Executive of Omega Capital. Honorary Chairman and formerly Chairman and CEO of REPSOL-YPF and Chairman of Hidroeléctrica del Cantábrico. Non-Executive Director of Acerinox, Marsh & McLennan Companies and Unilever. Member of the European Advisory Board of Carlyle Group and Sviluppo Italia. He is also Trustee of the International Accounting Standards Committee (IASC) Foundation.
Peter Meinertzhagen (60) Non-Executive Director	Appointed to the Board in May 1997. Member of the Remuneration Committee. Non-Executive Chairman of Hoare Govett Ltd. He joined Hoare Govett in 1965.
Nigel Stapleton (59) Non-Executive Director	Appointed to the Board in February 2001. Chairman of the Remuneration Committee. Member of the Audit and Nominations Committees. Chairman of Uniq plc and Chairman Postal Services Commission. Previously Chairman of Reed International plc from 1997 to 1999, Co-Chairman of Reed Elsevier plc from 1996 to 1998, Chief Financial Officer of Reed Elsevier plc from 1993 to 1996.
Robert Webb Q.C. (57) Non-Executive Director	Appointed to the Board in February 2001. Member of the Remuneration and Nominations Committees. General Counsel of British Airways plc since September 1998, responsible for government and industry affairs, safety, security, risk management and the environment. Board member of London First and Non-Executive Director of Air Mauritius until 2005. Bencher, Inner Temple.

Senior Management

Chris Broad (43) Head of Corporate Strategy	Rejoined the Exchange as Head of Service Development in 1999 after a year with Instinet. Appointed to current role in 2003. First worked for the Exchange from 1986 until 1998 and has been instrumental in delivery of SETS and other key projects.
Martin Graham (43) Director of Market Services	Joined the Exchange as Director of Market Services in May 2003. Previously employed by West LB Panmure from 2001 to 2003 as Global Head of Equity Sales. At Dresdner Kleinwort Benson from 1990 to 2001 where he reached the position of Global Head of Equity Sales.
Paul Kafka (49) Director of Corporate Communications & Public Policy	Joined the Exchange in this role in August 2004. A barrister by profession, spent 6 years in banking and project finance before moving into financial PR and communications, occupying senior positions at Dewe Rogerson, Security Pacific Hoare Govett, Nomura International and most recently as Executive Director, Head of Corporate Communications at Fidelity International.

David Lester (39) Chief Information Officer	Joined the Exchange as Chief Information Officer in October 2001. Previously Chief Information Officer for Regus (2001) before which he worked for Primark from 1996 to 2000 including a post as Chief Information Officer for their internet start-up business. Prior to this he worked in consultancy for KPMG followed by Accenture.
Nic Stuchfield (46) Director of Corporate Development	Joined the Exchange in August 2003 and was appointed to his current role in 2004. His previous roles include CEO of Tradepoint (now Virt-x), COO of Barclays Global Investors and COO & CFO of BZW's global equities business.

9. Employees

The numbers of employees at the end of the financial years ended 31 March 2003, 2004 and 2005 by division were as follows:

	2003	2004	2005
Issuer and Broker	234	197	214
Information	74	106	97
Derivatives	—	33	33
IT and Corporate	193	186	175
Total	**501**	**522**	**519**

10. Employee incentives

Share awards and share options have been granted by the Exchange in previous years in accordance with the relevant scheme rules at that time. Plans which are now closed in respect of new awards comprise the London Stock Exchange Executive Share Option Scheme, the London Stock Exchange Initial Share Plan, the London Stock Exchange Annual Share Plan and the London Stock Exchange Deferred Bonus Plan.

Awards may still be granted under the London Stock Exchange Long Term Incentive Plan, the HM Revenue & Customs approved London Stock Exchange SAYE Option Scheme and the London Stock Exchange Share Incentive Plan under which no awards have been made.

Further details on the Exchange Employee Share Schemes are given in paragraph 7 of Part 13.

As the purpose of the Scheme is to implement a corporate reorganisation of the Exchange to give effect to the Return of approximately £510 million to Shareholders, the Board and the Remuneration Committee have sought (to the extent possible) to ensure that participants' rights under the Exchange Employee Share Schemes are rolled over into equivalent rights relating to New Ordinary Shares when the Scheme becomes effective.

(i) London Stock Exchange Executive Share Option Scheme, and London Stock Exchange Annual and Initial Share Plans

The Remuneration Committee has exercised its discretion to refuse its consent to the exercise of options granted under the above-mentioned schemes by virtue of the Scheme. Instead options will be automatically rolled-over into equivalent rights relating to New Ordinary Shares when the Scheme becomes effective. Options approved by HM Revenue & Customs will not be automatically rolled-over but participants will have the opportunity to roll-over their options, failing which their options will lapse six months after the date on which the Scheme is sanctioned by the Court.

(ii) London Stock Exchange SAYE Option Scheme

In accordance with the rules, participants in the SAYE Scheme may elect either to exercise or rollover their SAYE options. Participants are entitled to exercise their SAYE options (and acquire Existing Ordinary Shares) within six months from the date on which the Scheme is sanctioned by the Court. The Existing Ordinary Shares issued on the exercise of SAYE options within this six month period will then be automatically acquired under the Exchange Articles by Exchange Group in exchange for the delivery to the participant of a number of New Ordinary Shares on a one-for-one basis. The number of Existing Ordinary Shares that may be acquired on the exercise of SAYE options will be restricted to the amounts which can be purchased with the proceeds of a participant's monthly savings contract at the date of exercise. Alternatively, participants may rollover their SAYE options into equivalent SAYE options relating to New Ordinary Shares when the Scheme becomes effective which they may continue to hold (subject to the rules of the SAYE Scheme).

(iii) London Stock Exchange Long Term Incentive Plan 2004

The Remuneration Committee has exercised its discretion to refuse its consent to the vesting of awards of performance shares and matching shares granted under the LTIP by virtue of the Scheme and instead to require participants to roll over such awards into equivalent rights relating to New Ordinary Shares when the Scheme becomes effective.

A participant's holding of invested shares (to which an award of matching shares is linked) will comprise New Ordinary Shares and B Shares after the Scheme becomes effective. This will result in the number of matching shares to which the participant is entitled being reduced to reflect the smaller number of New Ordinary Shares which he or she then holds. However, if the participant chooses to redeem his B Shares or elects for the Initial B Share Dividend and reinvests the new cash proceeds (net of any tax paid) in additional New Ordinary Shares he will remain entitled to the original number of matching shares which were comprised in his matching award.

11. Corporate governance

Exchange Group is committed to maintaining the highest standards of corporate governance as previously applied by the Exchange. Exchange Group will take the same approach to compliance as the Exchange and will comply with all provisions of the Combined Code except as explained on page 24–26 of the 2005 Annual Report, which is incorporated by reference into this document.

12. Board of Directors

The Board of Exchange Group is identical to the Board of the Exchange. Exchange Group's Board is responsible to Shareholders for achieving Exchange Group's strategic objectives and is accountable to Shareholders for financial and operational performance. There is a written list of matters which may be approved only by the Board of Exchange Group including:

- Exchange Group's corporate strategy;
- the annual budget;
- policies in relation to risk management, health and safety and environmental matters;
- increases or variations to borrowing facilities;
- committing to major capital expenditure or acquisitions; and
- dividend policy.

Exchange Group's Board also views the Group's brand and the Exchange's reputation as a RIE as important assets of the Group and protection of brand and reputation are key parts of the Board's role.

At each of its meetings the Board will receive a full written report from the Chief Executive on financial performance and key activities in each of the divisions. The executive management team will present to the Board on their business responsibilities on a regular basis and also will present at the Board's periodic strategy sessions.

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Chairman leads the Board and is responsible for ensuring its effectiveness. The Chief Executive has delegated authority from, and is responsible to, the Board for managing Exchange Group's business.

13. Board Committees

The following sections disclose the operation of Exchange Group's Board Committees.

Remuneration Committee

The Committee members are Nigel Stapleton (Chairman), Janet Cohen, Peter Meinertzhagen and Robert Webb. The Committee normally invites the Chief Executive, Head of Human Resources and Director of Finance to attend part of the meeting and the Chairman to attend throughout. The Committee has written terms of reference. The Committee meets at least twice a year to review and present recommendations to the Board regarding remuneration and conditions of service of the Chairman, Chief Executive, Executive Directors and senior management, including the grant of entitlements under the Exchange Employee Share Schemes.

Audit Committee

The Committee members are Gary Allen (Chairman), Janet Cohen, Oscar Fanjul and Nigel Stapleton. The Board is satisfied that various members of the Committee have recent and relevant financial experience. The Committee meets at least three times a year and has an agenda linked to events in Exchange Group's financial calendar. The Committee normally invites the Chairman, Director of Finance, Head of Finance, Head of Internal Audit and senior representatives from the external auditors to attend its meetings. Other senior managers are invited to present such reports as required by the Committee. The Audit Committee considers the audit plan and the interim and annual results. It also reviews the adequacy and effectiveness of the key systems of internal control (including accounting systems) and monitors the efficiency and independence of the internal audit function. The Audit Committee reviews the financial statements and makes recommendations regarding their approval by the Board as a whole.

The Audit Committee meets privately with the PricewaterhouseCoopers partner on an annual basis. It has the opportunity at each meeting to review any issues with the external auditors and with the Head of Internal Audit without any other members of executive management being present.

Nomination Committee

The Nomination Committee members are Chris Gibson-Smith (Chairman), Janet Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb. The Committee normally invites the Chief Executive to attend its meetings. The Committee meets as necessary to make recommendations to the Board on all new Board appointments and to consider executive and Board succession planning.

14. Dividend policy

It is expected that the dividend policy to be adopted by Exchange Group upon Admission will be:

- to maintain sustainable, progressive dividends;
- to pay interim and final dividends each year in January and August respectively; and
- for interim and final dividends to be paid in the approximate proportions of one third and two thirds respectively of the expected total dividend.

This dividend policy is the same as the new dividend policy which the Exchange announced with its interim results in November 2005.

On 17 February 2006, the Exchange announced that the Board has also declared a Second Interim Dividend of 8 pence per Existing Ordinary Share which will be paid at the time of the Return in lieu of a final dividend for the year ended 31 March 2006. The Exchange usually pays its final dividend in August, however payment of the Second Interim Dividend at the time of the Return ensures that Shareholders receive the 8 pence dividend on their Existing Ordinary Shares regardless of the Scheme. The record date for the Second Interim Dividend will be the Scheme Record Date (expected to be 12 May 2006) and Existing Ordinary Shares will become ''ex-dividend'' on 15 May 2006. It is expected that cheques will be despatched or bank accounts credited (as applicable) on 26 May 2006. It is expected that payment of dividends for the financial year ending 31 March 2007 will follow the past practice of the Exchange to pay interim and final dividends in January and August respectively.

Holders of B Shares who elect to receive the Initial B Share Dividend will be entitled to a dividend of 200 pence for every B Share held. The Initial B Share Dividend will be paid on 26 May 2006. After the Initial B Share Dividend has been paid out on a B Share, the B share will be reclassified as a Deferred

Share, with limited rights and negligible value. The Deferred Shares can be redeemed in their entirety at any time by Exchange Group for an aggregate consideration of 1 pence.

Holders of B Shares who elect for the Future Redemption Right will be entitled to receive the B Share Continuing Dividend at the rate of 75% of six month LIBOR, payable in arrears on the amount of 200 pence per B Share.

The introduction of Exchange Group as the new group holding company pursuant to the Scheme will not affect the underlying earnings of the Exchange except to the extent of the after tax effect of additional interest payable on debt or interest receivable forgone on cash as a result of the cash returned via B Shares. Instead of receiving dividends on their Existing Ordinary Shares, Scheme Shareholders who receive New Ordinary Shares will be paid dividends on these New Ordinary Shares.

15. Taxation

Further information on United Kingdom taxation with regard to the New Ordinary Shares and B Shares is set out in Part 12: ''UK Taxation''. All information in relation to taxation in this Prospectus is intended only as a general guide to the current United Kingdom tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

PART 6:

OPERATING AND FINANCIAL REVIEW

The financial information discussed below has been extracted without material adjustment from Part 7: ''Historical Financial Information for the Exchange'' and Part 8: ''Accountants' report and special purpose restated consolidated financial information for the Exchange in respect of the year ended 31 March 2005 prepared under IFRS'' and is based on the audited consolidated financial statements of the Exchange for the years ended 31 March 2003, 31 March 2004 and 31 March 2005. The financial information for the nine month period ended 31 December 2005 is based on the Trading Statement for the three and nine months ended 31 December 2005, which has not been audited by the Exchange's auditors.

The analysis for the year ended 31 March 2004 versus 31 March 2003 presented below is based on results for those years adjusted for the change in accounting policy in respect of the accounting for share schemes adopted during the year ended 31 March 2005.

Financial information for the years ended 31 March 2003, 31 March 2004 and 31 March 2005 was presented under UK GAAP. Financial information for the nine month period ended 31 December 2005 was prepared under IFRS. Financial information for the year ended 31 March 2005 prepared under IFRS is included in Part 8 of this Prospectus and note 32 to Part 8 provides information reconciling IFRS figures with those reported under UK GAAP.

The operating information discussed below is derived from the Exchange's internal operational and financial reporting systems.

OVERVIEW

The Group's principal business is: providing a market for the issuing and trading of securities by assisting companies to raise capital though the issue of securities; providing platforms for investors and intermediaries to trade these and other financial investments; and collecting and distributing market information.

The Exchange's success in building liquidity is exemplified by: its long-term success in capturing the majority of admission to trading by Western European companies; the sustained growth in trading volumes on SETS and SETSmm, its order books for capturing and executing orders; and the breadth of data distribution to investors and traders.

The Group's core business areas, as reported under IFRS, are:

- **Issuer Services** – which facilitates the raising of capital through the issuing of securities by companies from around the world and the dissemination of regulatory news;
- **Broker Services** – which provides a forum for investors and intermediaries to trade securities via a range of robust electronic trading systems, an effective regulatory environment and a high level of price and trade transparency;
- **Information Services** – which distributes high quality, real-time price, news and other information relating to trading on the Exchange's platforms; and
- **Derivatives Services** – which provides services for trading derivatives through the Exchange's covered warrants market for retail investors and the Exchange's subsidiary EDX London.

The turnover of the Exchange for the last 3 financial years ended 31 March is as follows:

	2005 Audited UK GAAP £m	2004 Audited UK GAAP £m	2003 Audited UK GAAP £m
Issuer Services	35.2	38.5	36.0
Broker Services	99.8	94.1	87.3
Information Services	110.3	101.0	102.2
Derivatives Services	6.8	6.1	—
Other income	7.6	10.7	11.8
Gross turnover	**259.7**	**250.4**	**237.3**
Less: share of joint venture's turnover	(15.3)	(13.3)	(11.4)
Net turnover	**244.4**	**237.1**	**225.9**

The above analysis is extracted from the Exchange's 2003, 2004 and 2005 Annual Reports which have been prepared under UK GAAP.

Current trading

On 28 March 2006, the Exchange issued its pre-close update relating to the year ended 31 March 2006 which showed that trading performance continues to be very strong, benefiting from increasingly positive trends in all core business areas. As at 28 February 2006: total new issues were up 25% to 547 and total money raised was up 124% to £18.2 billion; the average daily number of SETS bargains increased 29% to 216,000 and average daily value traded up 29% to £4.5 billion; and professional terminals stood at 87,000, a 4,000 increase on February 2005 and a 1,000 increase since December 2005. The monthly market report published on 7 April 2006 showed that record SETS volumes continue to drive strong levels of revenue growth. March 2006 was a record month for SETS with total value traded up 69% compared to March 2005.

MATERIAL FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following factors have had and are likely to continue to have a material effect on the Exchange's results of operations and financial condition:

New listings and annual fees

The number and market capitalisation of companies listing on the Exchange's markets has varied significantly from year to year and may continue to do so. New issues in the year ended 31 March 2005 totalled 514 companies, compared with 236 in the year ended 31 March 2004, and contributed to a £1.0 million increase in admission revenue to £17.8 million despite the impact of price reductions. The Group has recently increased its marketing activities, including the opening of an Asia-Pacific office in Hong Kong and improved focus on growth markets such as Russia, China and India, with the intention of broadening the scope and number of companies that may elect to list of the Exchange's markets.

While the annual Issuer Service fees are based on market capitalisation, the tariff structure is designed to limit the impact of stock market fluctuations so this revenue is protected to a certain extent – a 20% fall in the market capitalisation of all companies listed on the Exchange's markets is estimated to result in a reduction in annual fee revenue of approximately £1 million.

SETS volumes/value traded

Of the total Broker Services revenue for the year ended 31 March 2005, £66.0 million related to trading on SETS, excluding order charges. SETS revenue depends on the value and volume of trades transacted on the platform, which is in part dependent upon conditions in the savings market supply chain, although trading volumes have also increased as a result of a structural shift in trading patterns facilitated by the Technology Road Map upgrade. These conditions are influenced by a variety of factors including demographic changes, government policy, interest rates and EU and domestic legislation. The Group is unable to control these factors, however, management continuously monitors trends and engages in dialogue with regulatory and governmental authorities. The Exchange's position at the heart of the most international financial centre in the world and its internationally recognised brand act to support the level of business. In addition, the ever-improving quality of the Exchange's markets, operating under the principle of mutual advantage, and the introduction of Infolect in September 2005, which has significantly improved the quality of information for investors, have helped drive growth in the business.

Real-time data terminals

The Information Services division delivers real-time market data through Infolect, the Exchange's proprietary information service. Revenue from data charges typically has been 60–70% of total Information Services revenue and is dependent upon the number of subscribers. The number of terminals varies with market conditions and cyclical factors over which the Group has minimal control. The Group has sought to diversify its sources of revenue in order to protect the Information Services division against potential falls in demand by the introduction of new services such as, for example, SEDOL Masterfile, the Exchange's securities identification service.

Regulatory issues

In November 2003 the Exchange and the OFT agreed tariff reductions for companies listed on the Main Market and AIM following the OFT's investigation into the increases in Issuer Services tariffs introduced in 2002. These tariff reductions impacted both annual and admission fees for AIM and annual fees for Main Market and took effect from 1 April 2004 with an adverse impact on revenue for the year ended 31 March 2005 of approximately £8.0 million.

Technology infrastructure replacement

The Exchange is replacing its existing IT infrastructure to create a modern and flexible platform that can be operated at lower cost (the Technology Roadmap – ''TRM''). The investment in TRM is significant, reducing the cost of operating the Exchange's market while stimulating growth in electronic trading.

Nature of cost base

The Exchange's cost base is largely fixed, with an estimated 70-80% of costs not able to be varied in the short term. As a result, while this is beneficial on the upside, operating profit and the Group's financial condition are more susceptible to falling revenue. The Group regularly monitors trading performance and updates financial forecasts with a view to identifying potential future downturns in order that appropriate mitigating action can be taken.

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of operations and financial condition for nine month periods to 31 December 2005 and 31 December 2004

The following table sets out selected financial data extracted from the IFRS historical financial information, incorporated by reference into this document.

	Nine months ended 31 December 2005 Unaudited IFRS	Nine months ended 31 December 2004 Unaudited IFRS
	£m	£m
Selected profit and loss statement information		
Issuer Services	42.3	31.3
Broker Services	87.8	74.0
Information Services – ongoing	69.5	64.9
Information Services – exceptional	6.4	—
Derivatives Services	5.8	5.1
Other income	5.2	5.5
Revenue	**217.0**	**180.8**
Administrative expenses (before exceptional items)	(127.4)	(117.5)
Operating profit before exceptional items	**83.2**	**63.3**
Profit before taxation	68.9	73.4
Adjusted basic earnings per share	25.5p	17.8p

For the nine months ended 31 December 2005, the Exchange produced another very strong financial performance, benefiting from continued good momentum in all main business areas with financial results (excluding exceptional items) for the nine months ended 31 December 2005 showing:

- Underlying revenue up 16% to £210.6 million
- Adjusted basic earnings per share up 43% to 25.5 pence

Revenue

For the nine months ended 31 December 2005, revenue was £217.0 million (2004: £180.8 million). Operating profit (including exceptional items) was £62.6 million (2004: £67.3 million) and basic earnings per share was 20.7 pence (2004: 19.3 pence). Excluding net exceptionals of £20.6 million (2004: income £4.0 million), revenue rose 16% to £210.6 million, operating profit climbed 31% to £83.2 million (2004: £63.3 million) and adjusted basic earnings per share increased 43% to 25.5 pence (2004: 17.8 pence).

Issuer Services' revenue rose 35% to £42.3 million (2004: £31.3 million) principally driven by the growth in new issues. At 474, the total number of new issues increased 31% over the corresponding period in

2004 (2004: 362). Main Market new issues increased 38% to 83 (2004: 60) while AIM also performed well with a 29% increase in new issues from 302 to 389. As at 31 December 2005, the number of companies on AIM grew to a new record level of 1,399 (2004: 1,021), with the total number of companies on the Exchange's markets increasing to 3,093 (2004: 2,837). To further enhance AIM's profile and attractiveness, the Exchange's new AIM indices were launched in May 2005 which are expected to increase research coverage and institutional investment in this market and contribute to continued growth. For the nine months to 31 December 2005, revenue from RNS increased 26% to £6.7 million, reflecting an increase in the number of company announcements during the year.

For the nine months ended 31 December 2005, Broker Services' strong performance was reflected in a 19% increase in revenue to £87.8 million (2004: £74.0 million). During the period, the daily average number of equity bargains was 326,000 (2004: 258,000) and the daily average number of SETS bargains was 206,000 (2004: 162,000), a financial year to date increase of 27%. The average value of a SETS bargain was unchanged over the same period in 2004 at £21,000 (2004: £21,000). SETS growth was supported by the continued success of SETSmm (up 131% to 37,000 bargains per day) which was extended in December 2005 to include the constituents of the AIM 50 Index as well as the remaining 100 Main Market small cap stocks not already traded on the service.

Information Services' turnover for the nine months to 31 December 2005, before exceptional items, increased seven per cent from £64.9 million to £69.5 million, reflecting the increase in the number of terminals taking Exchange data as well as increased contributions from SEDOL and Proquote. The overall number of terminals taking real time Exchange data increased to 99,000, up 5,000 since the same point in 2004 (31 December 2004: 94,000). The number of terminals attributable to professional users rose to 86,000 (31 December 2004: 82,000). Proquote, the Exchange's provider of financial market software and data, continued to expand with 3,000 screens (31 December 2004: 2,500). SEDOL Masterfile, the Exchange's securities numbering service, continued to make good progress during the period with the number of securities with SEDOL identification increasing from 450,000 at the end of March 2005 to over one million at 31 December 2005.

Derivatives Services contributed revenues of £5.8 million for the nine months to 31 December 2005 (2004: £5.1 million). During the nine months to 31 December 2005 EDX traded 15.6 million contracts (2004: 13.6 million).

Expenditure

Administrative expenses (before exceptional items) rose eight per cent to £127.4 million (2004: £117.5 million) mainly reflecting investment in staff and IT.

In addition, exceptional costs of £27.0 million were incurred for advisors' fees in respect of potential offers for the Company and the impairment of goodwill and provision in respect of EDX London.

Profit for the period

Operating profit before exceptional items increased 31% to £83.2 million (2004: £63.3 million); including exceptional revenue from Information Services of £6.4 million, exceptional costs in respect of potential offers for the Company of £3.9 million and the impairment of goodwill and provision in respect of EDX London of £23.1 million, operating profit decreased seven per cent to £62.6 million (2004: £67.3 million). After net interest received, profit before taxation at £68.9 million was six per cent below the same period in 2004 (2004: £73.4 million). After tax and minority interests, profit for the period was £52.6 million (2004: £52.8 million).

Basic earnings per share increased seven per cent to 20.7 pence per share (2004: 19.3 pence per share) and adjusted basic earnings per share rose by 43% to 25.5 pence per share (2004: 17.8 pence per share).

Cash flow and balance sheet strength

	Six months ended 30 September 2005 Unaudited IFRS	Six months ended 30 September 2004 Unaudited IFRS
	£m	£m
Selected cash flow statement information		
Net cash flow from operating activities	66.2	53.0
Net cash flow from investing activities	(13.1)	8.1
Net cash flow from financing activities	(11.4)	(171.3)
Increase/(decrease) in cash and cash equivalents	**41.7**	**(110.2)**
Cash and cash equivalents at beginning of period	124.4	227.9
Cash and cash equivalents at end of period	**166.1**	**117.7**

The Exchange did not prepare a cash flow statement at the time of publication of results for the nine months ended 31 December 2005 and 2004. The cash flow statement above, published at the time of the 2005 interim report, shows that net cash flow from operating activities for the six months ended 30 September 2005 increased by 25% to £66.2 million (2004: £53.0 million). At 30 September 2005, cash balances had increased to £166.1 million from £124.4 million at 31 March 2005.

Historic annual results of operations and financial condition

The following table sets out selected financial data extracted from the UK GAAP financial information, incorporated by reference into this document

	Year ended 31 March 2005 Audited UK GAAP	Year ended 31 March 2004 Audited UK GAAP	Year ended 31 March 2003 Audited UK GAAP
	£m	£m	£m
Selected profit and loss information			
Issuer Services	35.2	38.5	36.0
Broker Services	99.8	94.1	87.3
Information Services	110.3	101.0	102.2
Derivatives Services	6.8	6.1	—
Other income	7.6	10.7	11.8
Gross turnover	**259.7**	**250.4**	**237.3**
Less: share of joint venture's turnover	(15.3)	(13.3)	(11.4)
Net turnover	**244.4**	**237.1**	**225.9**
Administrative expenses (before goodwill amortisation and exceptional items):			
Depreciation	(30.9)	(21.9)	(19.0)
IT/network	(39.4)	(40.8)	(43.0)
Staff	(47.5)	(44.5)	(41.1)
Property, marketing and other	(44.6)	(47.0)	(41.4)
	(162.4)	**(154.2)**	**(144.5)**
Operating profit before exceptional items and goodwill amortisation	**82.0**	**82.9**	**81.4**
Profit on ordinary activities before taxation	89.1	88.8	79.2
Adjusted basic earnings per share	23.5p	21.2p	20.8p
Selected cash flow statement information			
Net cash flow from operating activities	95.4	105.4	85.2
Dividends from joint venture	1.3	0.7	1.2
Net cash flow from returns on investments and servicing of finance	8.0	7.4	9.5
Taxation	(24.3)	(22.2)	(25.2)
Capital expenditure and financial investments	(8.5)	(54.2)	(28.1)
Acquisitions	—	(15.5)	(11.3)
Dividends	(177.6)	(12.9)	(11.1)
Decrease/(increase) in short term deposits	103.5	(16.0)	(21.0)
Financing	2.2	8.2	0.9
Increase in cash in the year	**—**	**0.9**	**0.1**

Year ended 31 March 2005 compared with year ended 31 March 2004

Overall financial performance for the year ended 31 March 2005 showed continued growth in turnover and earnings per share, and cash flows remained strong.

Turnover increased four per cent to £259.7 million (2004: £250.4 million) and operating profit before exceptional items and goodwill amortisation reduced one per cent to £82.0 million (2004: £82.9 million), with a ten per cent decrease in operating profit after exceptional costs of £6.8 million and goodwill amortisation. Basic earnings per share increased seven per cent to 23.1 pence per share from 21.6 pence per share and adjusted basic earnings per share, before exceptional items and goodwill amortisation, increased 11% to 23.5 pence per share (2004: 21.2 pence). Following the share consolidation in July 2004 associated with the special dividend paid in August 2004, the weighted average number of shares decreased in the year from 293.0 million to 269.0 million.

Turnover

Issuer Services' turnover represented 14% of gross turnover and decreased nine per cent to £35.2 million (2004: £38.5 million) reflecting the effects of tariff reductions (following the OFT's review of the Exchange's Main Market and AIM), partly offset by significant increases in new issue activity on both markets. Total new issues on the Exchange's markets more than doubled to 514 (2004: 236), with new and further issues, including fixed interest equity issues, together raising £18.8 billion (2004: £21.2 billion). The Exchange was once again the leading European exchange in attracting companies to its markets, accounting for 80% of IPOs in Western Europe (2004: 85%). Growth in Main Market new issues was strong, increasing over 90% to 82 (2004: 43), including high profile listings from China, Russia, India and Korea following the Exchange's increasing focus on these growth markets and the opening of a new Asia-Pacific office in Hong Kong in October 2004. AIM enjoyed a record year with 432 new issues. As at 31 March 2005, the total number of companies on the Exchange's markets increased to 2,916 (2004: 2,693). Of these, 1,127 companies were traded on AIM, an increase of 42% (2004: 792), including 134 international companies.

Turnover for the Broker Services division increased six per cent to £99.8 million (2004: £94.1 million), reflecting in particular another year of strong performance for SETS, which accounted for approximately 66% of Broker Services' revenue for the year, excluding order charges. The total number of equity bargains for the year ended 31 March 2005 rose 15% to 67.9 million (2004: 59.3 million), a daily average of 271,000 bargains (2004: 234,000). Over the same period, the number of SETS bargains rose to a total of 42.8 million (2004: 34.7 million), reflecting a 24% increase to an average of 170,000 bargains per day (2004: 137,000). Performance in the last quarter of the year was particularly strong, seeing successive record trading months. The continued strong growth on SETS was partly attributable to the success of SETSmm, launched in November 2003, which trades mid-cap securities on a hybrid market structure, with an average 16,000 bargains per day (five months ended 31 March 2004: 9,000). Also contributing to the growth of trading on SETS was the introduction, effective from 1 April 2004, of a new discount scheme which provides progressive discounts for member firms trading above certain monthly volume levels on SETS. The Exchange continues to deliver improvements and new functionality to the electronic order book, to which market participants have responded positively following the growth in new trading technologies such as algorithmic trading.

Information Services' turnover rose nine per cent to £110.3 million (2004: £101.0 million), accounting for 42% of total turnover (2004: 40%). This good growth was primarily attributable to the new SEDOL Masterfile service and rising turnover from Proquote and FTSE. As at 31 March 2005, the number of terminals taking the Exchange's real-time market data stood at 95,000 (2004: 90,000), an increase of six per cent. Of this total, 83,000 terminals (2004: 80,000) were attributable to professional users, the first increase for over three years. SEDOL Masterfile enjoyed a good start since launch in March 2004 with over 1,000 licences having been taken out to use this service by 31 March 2005 while the number of instruments had grown from 250,000 at launch to 450,000. Proquote, the Exchange's provider of financial market software and data increased the number of installed screens at year end by 50% to 2,700 (2004: 1,800). Contributing to this increase was the success in signing up new group contracts and the enhancements to functionality and range of data. RNS, the Exchange's financial communication service contributed £7.5 million to turnover (2004: £7.2 million) and remained the market leader in a highly competitive regulatory news distribution market, with over 90 companies in the FTSE 100 using the service.

Derivatives Services contributed £6.8 million to turnover (2004: £6.1 million for the nine months ended 31 March 2004), representing three per cent of total revenue. EDX London traded a total of 18.3 million contracts (2004: 13.7 million for the nine months ended 31 March 2004) and during the year added Finnish derivatives to the products offered by the other Scandinavian exchanges linked to EDX.

Other income, primarily from property subletting, declined from £10.7 million to £7.6 million following disposal of the Stock Exchange Tower.

Expenditure

Administrative expenses (before exceptional items and goodwill amortisation) rose five per cent to £162.4 million (2004: £154.2 million) mainly reflecting the anticipated cost increases from higher depreciation. Staff costs were also up but this was partly offset by lower IT, property, marketing and other costs.

In addition, exceptional costs of £6.8 million were incurred for advisers' fees in respect of potential offers for the Company received in the second half of the year.

Profit for the year

Operating profit before exceptional items and goodwill amortisation reduced one per cent to £82.0 million (2004: £82.9 million); including exceptional costs in respect of potential offers for the Company of £6.8 million and goodwill amortisation, operating profit decreased ten per cent to £73.2 million (2004: £81.3 million). With profit on disposal of the Stock Exchange Tower of £7.2 million and after net interest received, profit before taxation at £89.1 million was slightly above 2004 (2004: £88.8 million). The taxation charge of £27.6 million is higher than the standard tax rate due to certain expenses, mainly goodwill and property depreciation, being disallowed. After tax and minority interests, profit for the year was £62.2 million (2004: £63.4 million).

Basic earnings per share increased seven per cent to 23.1 pence per share (2004: 21.6 pence per share) and adjusted basic earnings per share (excluding exceptional items and goodwill amortisation) rose by 11% to 23.5 pence per share (2004: 21.2 pence per share).

Cash flow and balance sheet strength

Cash flow from operating activities before exceptional items was £100.9 million (2004: £105.4 million) reflecting a small increase in working capital. After capital expenditure of £40.8 million (2004: £54.2 million), initial proceeds from the sale of Stock Exchange Tower of £32.3 million and the payment of the special dividend of £162.5 million in August 2004, there was a cash outflow of £105.7 million (2004: inflow £8.7 million).

At 31 March 2005, sterling cash resources were £124.4 million (2004: £227.9 million) with debt of £3.3 million (2004: £4.9 million).

Year ended 31 March 2004 compared with year ended 31 March 2003

Financial performance for the year ended 31 March 2004 was satisfactory against a backdrop of variable market conditions. Cash flow from operating activities remained strong.

Turnover increased six per cent to £250.4 million (2003: £237.3 million) and operating profit before exceptional items and goodwill amortisation rose two per cent to £82.9 million (2003: £81.4 million), with a rise of 17% in operating profit. Basic earnings per share rose 20% to 21.6 pence per share from 18.0 pence per share and adjusted basic earnings per share, before exceptional items and goodwill amortisation, increased two per cent to 21.2 pence (2003: 20.8 pence).

Turnover

Turnover from Issuer Services increased seven per cent from £36.0 million to £38.5 million. The number of companies on the Exchange's markets as at 31 March 2004 was 2,693 (2003: 2,777) and the number of new issues on the Exchange's markets rose to 236 (2003: 202) as weak conditions in the first half of the year were offset by a stronger overall performance in the second half. The amount of new capital raised on the Exchange's markets during the year rose to a total of £21.2 billion (2003: £17.9 billion). AIM enjoyed a successful year and 792 companies were traded on AIM at 31 March 2004, an increase of 12% (2003: 705). During the year the fast track route to AIM was introduced, which allows companies from designated markets to take advantage of a streamlined admission process. Eight companies, from countries including Canada, Australia and Germany used this service from launch in May 2003 up to 31 March 2004.

Broker Services' turnover increased eight per cent to £94.1 million (2003: £87.3 million), mainly attributable to the continued growth in the number of bargains transacted on SETS, which accounted for 64% of Broker Services' revenue for the year (2003: 55%). The total number of equity bargains increased nine per cent to 59.3 million (2003: 54.3 million), a daily average of 234,000 (2003: 215,000). During the same period, the number of SETS bargains grew 26% to a total 34.7 million (2003: 27.5 million), representing a daily average of 137,000 bargains (2003: 109,000). Partly offsetting the benefit of increased number of SETS bargains were a continued decline in the average value of a SETS bargain, down 12% to £22,000 (2003: £25,000) and a 27% reduction in the number of international bargains reported to the Exchange to 40,000 per day (2003: 55,000).

Information Services' turnover fell one per cent to £101.0 million from £102.2 million, accounting for 40% of total turnover (2003: 43%), reflecting the continued fall in terminals receiving real-time Exchange data which stood at 90,000 at 31 March 2004 (2003: 94,000), of which approximately 80,000 terminals (2003: 88,000) were attributable to professional users. Proquote made good progress with over 1,800 installed screens at 31 March 2004, almost doubling the number since acquisition in February 2003 achieved against a backdrop of falling overall terminal demand. RNS, in its second year of commercial operation, and FTSE, the joint venture indices business, both increased turnover during the year. SEDOL Masterfile, the extension to the Exchange's previous securities identifier, was launched in March 2004. This service aims to reduce the cost of failed cross-border trades arising from incorrect instrument identification. Market response was positive, with reference data user groups recognising the service as meeting all criteria for global securities identification. At 31 March 2004 the Exchange had agreed contracts for SEDOL with nearly 700 customers.

Derivatives Services, principally comprising the Exchange's 76% owned equity derivatives business, EDX London, contributed £6.1 million to turnover in the period to 31 March 2004. The business made good progress with 13.7 million contracts traded from launch on 30 June 2003 to 31 March 2004. Migration of the central counterparty, for trading on EDX London's market, to LCH.Clearnet was successfully completed in February 2004.

Expenditure

Administrative expenses (excluding goodwill amortisation and exceptional items) rose seven per cent to £154.2 million (2003: £144.5 million) principally reflecting the inclusion of Proquote and EDX London, two new businesses, and costs associated with the Exchange's relocation to new offices. Staff costs were higher as Group headcount increased to 522 (2003: 501) reflecting the Proquote and EDX acquisitions, with depreciation also higher largely reflecting continued investment in the business. IT cost savings were delivered, down £2.2 million to £40.8 million. There were no exceptional items in the year ended 31 March 2004 (2003: £11.6 million charge).

Profit for the year

Operating profit before exceptional items and goodwill amortisation rose two per cent to £82.9 million (2003: £81.4 million). With no exceptional items in the year ended 31 March 2004 (2003: £11.6 million cost), and after net interest received, profit before taxation improved 12% to £88.8 million (2003: £79.2 million). The taxation charge of £25.7 million is lower than the standard tax rate due to a one-off tax credit of £2.7 million agreed with the Inland Revenue. After tax and minority interests, the profit for the year was £63.4 million (2003: £52.4 million).

Basic earnings per share increased 20% to 21.6 pence (2003: 18.0 pence) and adjusted basic earnings per share (excluding exceptional items and goodwill amortisation) rose by two per cent to 21.2 pence (2003: 20.8 pence).

Cash flow and balance sheet strength

Cash flow from operating activities before exceptional items increased to £105.4 million (2003: £74.8 million) with a reduction in working capital and lower contributions to the Company's defined benefit pension scheme. After capital expenditure of £54.2 million (2003: £28.1 million) and acquisitions of £15.5 million (2003: £11.8 million), there remained a cash inflow before financing of £10.9 million (2003: £20.9 million).

At 31 March 2004, sterling cash resources were £227.9 million (2003: £211.0 million) with debt of £4.9 million (2003: nil).

CAPITAL RESOURCES

The Exchange's business is highly cash generative and it has previously not drawn down on any overdraft facility in place to fund operations. Nor has it previously taken on long-term debt other than minor amounts relating to loan notes issued on acquisition of Proquote Limited and a loan from the minority shareholder in relation to EDX London. The only derivative contracts used by the Group are to hedge foreign cash inflows in Scandinavian currencies.

The main unused source of liquidity is cash from operations. The majority of unused free cash is placed with AA (or higher) rated banks on short-term interest bearing deposits, with the remaining cash used as working capital. All balances are held in pounds sterling. At 30 September 2005, the last reported balance sheet date, cash and cash equivalents amounted to £166.1 million which was mainly deposited with banks in short term deposits.

The material change in the cash position of the Group since 30 September 2005 has been the receipt of £33.2 million on 30 December 2005, representing final proceeds from the sale of the Stock Exchange Tower.

Except for customary restrictions on any such payments under corporate law in their respective jurisdictions of incorporation and regulatory requirements that the Exchange and EDX London Limited must maintain as RIEs, there are no specific or legal or economic restrictions that can materially affect the ability of the subsidiaries of Exchange Group to make payments to Exchange Group in the form of dividends, loans or advances.

On 9 February 2006, the Exchange entered into a £200 million revolving loan facility agreement, replacing a multicurrency revolving loan facility for £300 million, and a £250 million loan facility agreement with The Royal Bank of Scotland plc and Barclays Capital. A summary of both of these agreements is in paragraph 14(e) and 14(f) of Part 13. Pursuant to the terms of each of the facility agreements, Exchange Group may become a borrower under the facilities. At 3 May, being the latest practicable date prior to publication of this Prospectus, there has been no draw down against either of these facilities, which will provide Exchange Group with funds for general corporate purposes, which include the Return.

PART 7:

HISTORICAL FINANCIAL INFORMATION FOR THE EXCHANGE

1. Historical consolidated financial information on the Exchange and its subsidiaries for the three financial years ended 31 March 2003, 2004 and 2005 prepared under UK GAAP

The audited historical financial information of the Exchange covering the latest three financial years ended 31 March 2003, 2004 and 2005 and each auditors' report thereon is incorporated into this document by reference to pages 43 to 62 of the Annual Report 2003, pages 47 to 66 of the Annual Report 2004 and pages 37 to 54 of the Annual Report 2005.

This information has been made public and is available on the Exchange website at www.londonstockexchange.com

2. Historical unaudited financial information on the Exchange and its subsidiaries for the six months ended 30 September 2005 prepared under IFRS

The unaudited historical financial information of the Exchange covering the six months ended 30 September 2005 is incorporated into this document by reference to pages 4 to 19 of the Interim Report for the six months ended 30 September 2005.

The Interim Report for the Exchange for the six months ended 30 September 2005 has been made public and is available on the Exchange website at www.londonstockexchange.com

3. Historical unaudited financial information on the Exchange and its subsidiaries for the three and nine months ended 31 December 2005, and unaudited earnings per share information for the 12 months ended 31 December 2005, prepared under IFRS

The unaudited historical financial information of the Exchange covering the three and nine months ended 31 December 2005 and 2004 and unaudited earnings per share for the 12 months ended 31 December 2005, is incorporated into this document by reference to pages 4 to 9 of the Trading Statement for the three and nine months ended 31 December 2005.

The trading statement and unaudited results for the three and nine months ended 31 December 2005 and unaudited earnings for the 12 months ended 31 December 2005 has been made public and is available on the Exchange website at www.londonstockexchange.com

ACCOUNTANT'S REPORT AND SPECIAL PURPOSE RESTATED CONSOLIDATED FINANCIAL INFORMATION FOR THE EXCHANGE IN RESPECT OF THE YEAR ENDED 31 MARCH 2005 PREPARED UNDER IFRS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

The Directors
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

5 May 2006

London Stock Exchange plc (the ''Exchange'') – Special Purpose Restated Consolidated Financial Information for the year ended 31 March 2005

We report on the special purpose restated financial information set out on pages 42 to 67 of the prospectus dated 5 May 2006 of London Stock Exchange Group plc (the ''Prospectus'') for the year ended 31 March 2005 (the ''2005 restated financial information''). This has been prepared in anticipation of the transition by the Exchange to preparing consolidated financial statements using accounting standards endorsed for use by EU entities required to comply with Regulation EC 1606/2002 (''Accounting standards as adopted for use in the EU'') on the basis described in Note 1, following the recommendations of the Committee of European Securities Regulators (''CESR'') for companies preparing one-year financial information for inclusion in prospectuses (CESR/05~054b). As set out in Note 1, that basis may differ from the basis applicable if the 2005 restated financial information comprised the first financial statements of the Exchange under accounting standards as adopted for use in the EU and from the basis which will be adopted for the 2005 comparative financial information in the Exchange's consolidated financial statements for the year ending 31 March 2006 prepared for the first time under accounting standards as adopted for use in the EU. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibility

The Directors of the London Stock Exchange Group plc are responsible for preparing the special purpose restated consolidated financial information on the basis of preparation set out in Note 1.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the accounting principles used and significant estimates and judgments made by those responsible for the preparation of the financial information, and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the 2005 restated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the 2005 restated financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Exchange as at 31 March 2005 and of its profit, cash flows and recognised income and expense for the year then ended in accordance with the basis set out in note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants

Special purpose restated consolidated financial information for the Exchange in respect of the year ended 31 March 2005 prepared under IFRS

Consolidated income statement

Year ended 31 March 2005

	Notes	2005 £m
Continuing operations		
Revenue	3	**244.4**
Expenses	4	
Operating expenses before exceptional items		(159.8)
Exceptional expenses	6	(6.8)
Total		**(166.6)**
Profit on disposal of Stock Exchange Tower	6	6.7
Operating profit		**84.5**
Analysed as:		
Operating profit before exceptional items		84.6
Exceptional items	6	(0.1)
Operating profit		**84.5**
Finance income		19.2
Finance costs		(12.7)
Net finance income	7	6.5
Share of profit after tax of joint venture		1.1
Investment income		0.1
Profit before taxation		**92.2**
Taxation	8	(27.7)
Profit for the financial year		64.5
Loss attributable to minority interest		(0.5)
Profit attributable to equity holders		65.0
		64.5
Basic earnings per share	9	**24.2p**
Diluted earnings per share	9	**23.9p**
Dividend per share in respect of financial period (excluding special dividend)	10	
Dividend per share paid during the year		5.4p
Dividend per share declared for the year		7.0p

Consolidated statement of recognised income and expense

Year ended 31 March 2005

	2005 £m
Profit for the financial year	64.5
Defined benefit pension scheme actuarial loss, net of tax (see note 8)	(1.8)
Total recognised income and expense for the financial year	**62.7**
Attributable to minority interest	(0.5)
Attributable to equity holders	63.2
	62.7

Consolidated balance sheet

31 March 2005

	Notes	2005
		£m
Assets		
Non-current assets		
Property, plant and equipment	11	71.7
Intangible assets	12	65.0
Available for sale investments	13	0.4
Investment in joint venture	14	2.2
Deferred tax assets	16	14.8
		154.1
Current assets		
Trade and other receivables	17	81.9
Cash and cash equivalents	18	124.4
		206.3
Total assets		**360.4**
Liabilities		
Current liabilities		
Trade and other payables	19	49.1
Current tax		13.0
Borrowings	20	2.8
Provisions	21	11.9
		76.8
Non-current liabilities		
Borrowings	20	0.5
Retirement benefit obligations	22	18.7
Provisions	21	28.1
		47.3
Total liabilities		**124.1**
Net assets		**236.3**
Equity		
Capital and reserves attributable to the Company's equity holders		
Share capital	23	14.9
Retained earnings	24	220.3
		235.2
Equity minority interest	24	1.1
Total equity		**236.3**

Consolidated cash flow statement

Year ended 31 March 2005

	Notes	2005 £m
Cash flow from operating activities		
Cash generated from operations	25	95.4
Interest received		8.1
Interest paid		(0.2)
Corporation tax paid		(24.3)
Net cash inflow from operating activities		**79.0**
Cash flow from investing activities		
Purchase of property, plant and equipment		(22.3)
Purchase of intangible assets		(18.5)
Receipts from disposal of Stock Exchange Tower		32.3
Dividends received from joint venture		1.3
Dividends received from financial assets		0.1
Net cash outflow from investing activities		**(7.1)**
Cash flow from financing activities		
Dividends paid		(177.6)
Issue of ordinary share capital to minority interest		0.2
Loans received from minority shareholder		0.3
Redemption of loan notes		(1.5)
Purchase of own shares by ESOP trust		(2.5)
Proceeds from own shares on exercise of employee share options		5.7
Net cash outflow from financing activities		**(175.4)**
Decrease in cash and cash equivalents		**(103.5)**
Cash and cash equivalents at beginning of year		227.9
Cash and cash equivalents at end of year	18	**124.4**

Notes to the Financial Information

1. Basis of preparation and accounting policies

Up until 31 March 2005, London Stock Exchange plc (''the Exchange'') prepared its financial statements under UK Generally Accepted Accounting Principles (''UK GAAP''). From 1 April 2005 the Exchange consolidated financial statements are prepared in accordance with International Financial Reporting Standards (''IFRS'') and International Financial Reporting Interpretations Committee (''IFRIC'') interpretations endorsed by the European Union (''EU''). The Exchange has prepared financial information for the year ended 31 March 2005 on the basis applicable to comparative information prepared for inclusion in the first financial statements of the Exchange prepared in accordance with accounting standards as adopted for use in the EU for the year ended 31 March 2006.

The Exchange is not required by the Prospectus Rules of the Financial Services Authority to prepare, for inclusion in its Prospectus, financial information in accordance with accounting standards as adopted for use in the EU for any financial period commencing before 1 January 2004. Accordingly, the Exchange has elected not to prepare comparative amounts to accompany the financial information for the year ended 31 March 2005. As a result, the financial information is not a complete set of financial statements in accordance with accounting standards as adopted for use in the EU.

The financial information has been prepared in accordance with the recommendations of CESR for the consistent implementation of the European Commission's Regulation on Prospectuses 809/2004 (CESR/05-054b) as to the presentation of one-year information in prospectuses for entities transitioning to accounting standards as adopted for use in the EU.

The financial information is prepared under the historical cost convention and on the basis of the principle accounting policies set out below. The financial information comprises the financial information of the Exchange and its subsidiaries, all having co-terminous accounting periods, with all inter company balances and transactions eliminated.

Accounting policies

Revenue

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

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

(a) annual fees are recognised over the 12 month period to which the fee relates;

(b) admission fees are recognised at the time of admission to trading; and

(c) data, transaction and Exchange charges are recognised in the month in which the data is provided or the transaction is effected.

Exceptional items

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

Foreign currencies

The consolidated financial information is presented in sterling, which is the Exchange's presentation and functional currency. Transactions in foreign currencies and currency balances at the year end are converted at the rate ruling at the transaction date or year end date respectively, with any gains or losses recognised in the income statement.

Intangible assets

(a) Goodwill arising on the acquisition of subsidiaries represents the excess of consideration paid over the identifiable fair value of net assets acquired. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses.

(b) Third party software costs for the development and implementation of systems which enhance the services provided by the Exchange are capitalised and amortised over their estimated useful lives, which is an average of three years.

Property, plant and equipment

(a) Freehold properties, including related fixed plant, are included in the financial information at cost less accumulated depreciation and any provision for impairment. Freehold buildings and related fixed plant are depreciated to residual value, based on cost at the beginning of the year plus subsequent additions, over their estimated economic lives. The economic lives of properties are approximately 50 years, the estimated useful lives of fixed plant range from five to 20 years.

(b) Leasehold properties and improvements are included at cost and depreciated to residual value over the shorter of the period of the lease or the economic life of the asset.

(c) Plant and equipment is stated at cost and is depreciated to residual value on a straight line basis over the estimated useful lives of the assets, which are mainly in the range from three to five years.

(d) The Exchange selects its depreciation rates based on expected economic lives, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Exchange's circumstances. Residual values and economic lives are reviewed at each balance sheet date.

Joint ventures

Investments in joint ventures are accounted for under the equity method and are initially recognised at cost. The Exchange's share of profits or losses after tax from joint ventures is included in the consolidated income statement. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the Exchange's balance sheet.

Cash and cash equivalents

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

Financial instruments

(a) Investments (other than fixed deposits and interests in joint ventures and subsidiaries) are designated as available for sale and are recorded on trade date at fair value with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost.

(b) Foreign currency derivatives are recorded at fair value. The method of recording gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item hedged. The Exchange designates foreign currency derivatives where they meet the relevant IAS 39 criteria as cash flow hedges with the movement in fair value recognised in equity. Amounts recognised in equity are transferred to the income statement when the hedged item is recognised in the income statement.

(c) The Exchange's own shares held by the ESOP trust are deducted from equity until they vest unconditionally in employees.

(d) Consideration paid in respect of Treasury shares is deducted from equity until the shares are cancelled, reissued or disposed of.

Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Operating leases

Rental costs for operating leases are charged to the income statement when incurred. Lease incentives are spread over the term of the lease. Provision is made in the accounts for lease commitments, less income from sub-letting, for property space which is surplus to business requirements. Such provisions are discounted where the time value of money is considered material.

Pension costs

The Exchange operates defined benefit and defined contribution pension schemes.

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

For defined contribution schemes, the expense is charged to the income statement as incurred.

Deferred taxation

Full provision is made, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. Deferred taxation is determined using tax rates expected to apply when the asset is realised or liability settled.

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

Share based compensation

The Exchange operates a number of equity settled share based compensation plans for employees. The charge to the income statement is determined by the fair value of the options granted or shares awarded at the date of grant and recognised over the relevant vesting period.

IFRS 1 transitional arrangements

The following exemptions have been applied to the financial information:

(a) Business combinations

The Exchange has chosen not to restate business combinations prior to the transition date, 1 April 2004;

(b) Fair value or revaluation at deemed cost

The Exchange has chosen to restate freehold properties, other than the Stock Exchange Tower which has since been sold, to fair value as deemed cost at the transition date;

(c) Employee benefits

The Exchange has chosen to recognise all cumulative pension scheme actuarial gains and losses in equity at the transition date; and

(d) Share based payments

The Exchange has chosen to apply IFRS 2 Share-based payments to awards granted after 7 November 2002.

2. Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

The critical judgements and estimates made in the preparation of the financial information set out below are made in accordance with the appropriate IFRS and the Exchange's accounting policy. The resulting accounting estimate may not equal the related actual result.

(a) The determination of the defined benefit pension liability is based on the present value of future pension obligations using assumptions determined by the Exchange with advice from an independent qualified actuary;

(b) The property provision is determined taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers;

(c) Goodwill is tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance; and

(d) Significant estimates are required in determining the provision for income taxes. The Exchange recognises liabilities for the estimated tax charge at the period end and where the final tax liability is different from that estimate, such differencies are reflected in the period in which such determination is made.

3. Segment information

Segmental disclosures for the year ended 31 March 2005 are as follows:

	Issuer Services	Broker Services	Information Services	Derivatives Services	Other	Corporate	Group
	£m	£m	£m	£m	£m	£m	£m
Revenue	43.3	100.6	86.7	6.8	7.0	—	244.4
Expenses							
Depreciation and amortisation	(2.8)	(13.6)	(10.7)	(0.7)	(0.4)	(0.5)	(28.7)
Exceptional costs (see note 6)	—	—	—	—	—	(6.8)	(6.8)
Other expenses	(26.9)	(36.6)	(43.5)	(10.8)	(5.5)	(7.8)	(131.1)
Total expenses	(29.7)	(50.2)	(54.2)	(11.5)	(5.9)	(15.1)	(166.6)
Profit on disposal of Stock Exchange Tower	—	—	—	—	—	6.7	6.7
Operating profit	13.6	50.4	32.5	(4.7)	1.1	(8.4)	84.5
Share of profit after tax of joint venture	—	—	1.1	—	—	—	1.1
Assets	21.5	57.8	71.0	21.3	6.3	180.3	358.2
Investment in joint venture	—	—	2.2	—	—	—	2.2
Total assets	21.5	57.8	73.2	21.3	6.3	180.3	360.4
Liabilities	(9.2)	(12.5)	(15.0)	(8.9)	(37.4)	(41.1)	(124.1)
Capital expenditure	3.2	15.6	12.3	0.8	0.5	0.6	33.0

The Other segment represents property letting and activities not directly related to the main four business segments. Corporate expenses are for corporate services which cannot reasonably be allocated to business segments.

Principal operations of the Exchange are in the United Kingdom.

4. Expenses

Expenses comprised the following:

	2005
	£m
Employee costs (see note 5)	47.9
Depreciation and amortisation	28.7
Other costs, including exceptional costs of £6.8 million (see note 6)	90.0
Total	166.6

5. Employee costs

Employee costs comprised the following:

	2005 £m
Salaries and other short term benefits	37.1
Social security costs	5.2
Pension costs (see note 22)	3.8
Share based compensation (see note 29)	1.8
Total	47.9

The number of employees was:

	2005
At the year end	519
Average for the year	513

6. Exceptional items

	2005 £m
Profit on disposal of Stock Exchange Tower (see below)	6.7
Fees in respect of potential offers for the Exchange	(6.8)
Total exceptional items	(0.1)
Profit on disposal of Stock Exchange Tower	
Proceeds receivable from disposal	64.2
Book value and disposal costs	57.5
Profit on disposal	6.7

No taxation was payable on the disposal as indexed base cost for tax purposes exceeds disposal proceeds; accordingly, a nil effect on the Exchange's tax provision has been assumed.

7. Net finance income

	2005 £m
Finance income	
Bank deposit and other interest	9.0
Expected return on defined benefit pension scheme assets (see note 22)	10.2
	19.2
Finance costs	
Interest on discounted provision for leasehold properties	(1.7)
Defined benefit pension scheme interest cost (see note 22)	(10.7)
Interest payable on other loans	(0.3)
	(12.7)
Net finance income	**6.5**

8. Taxation

	2005 £m
Taxation charged to the income statement	
Current tax:	
Corporation tax for the year at 30%	25.1
Deferred taxation (see note 16)	2.6
Taxation charge	**27.7**
Taxation on items charged to equity	
Deferred tax credit:	
Defined benefit pension scheme actuarial loss	(0.8)

Factors affecting the tax charge for the year

The reconciling items between the standard rate of corporation tax in the UK of 30% and the income statement tax charge for the year are explained below:

	2005 £m
Profit before taxation	92.2
Profits multiplied by standard rate of corporation tax in the UK of 30%	27.7
Expenses not deductible/income not taxable	0.3
Share of joint venture consolidated at profit after tax	(0.3)
Taxation charge	**27.7**

Factors that may affect future tax charges

The disposal of properties at their deemed cost amount (see note 11) would not give rise to a tax liability

9. Earnings per share

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

	2005
Basic and adjusted basic earnings per share	24.2p
Diluted earnings per share	23.9p

	2005 £m
Profit for the financial year attributable to equity holders	65.0
Adjustments:	
Exceptional items	0.1
Tax effect of exceptional items	—
Adjusted profit for the financial year attributable to equity holders	**65.1**
Weighted average number of shares – million	**269.0**
Effect of dilutive share options and awards – million	2.9
Diluted weighted average number of shares – million	**271.9**

The weighted average number of shares excludes those held in the ESOP, reducing the weighted average number of shares to 269.0 million.

10. Dividends

	2005
	£m
Final dividend paid August 2004: 3.4 pence per ordinary share	10.0
Interim dividend paid January 2005: 2.0 pence per ordinary share	5.1
Special interim dividend paid August 2004: 55 pence per ordinary share	162.5
	177.6

A final dividend in respect of the year ended 31 March 2005 of 5.0 pence per share, amounting to £12.6 million, was proposed at the Annual General Meeting on 13 July 2005 which is not reflected in this financial information.

11. Property, plant and equipment

	Land and buildings		Plant and equipment	Total
	Freehold	Leasehold		
	£m	£m	£m	£m
Cost or deemed cost:				
1 April 2004	160.8	35.7	45.4	241.9
Additions	—	6.9	9.1	16.0
Disposals	(103.6)	—	(3.2)	(106.8)
31 March 2005	**57.2**	**42.6**	**51.3**	**151.1**
Depreciation:				
1 April 2004	87.3	1.5	28.9	117.7
Charge for the year	—	3.8	8.7	12.5
Disposals	(47.6)	—	(3.2)	(50.8)
31 March 2005	**39.7**	**5.3**	**34.4**	**79.4**
Net book value:				
31 March 2005	**17.5**	**37.3**	**16.9**	**71.7**

Freehold land and buildings were accounted for at 1 April 2004 (IFRS transition date) at deemed cost. For the Stock Exchange Tower, which was disposed of in July 2004, deemed cost was based on fair value at 31 March 1997 plus subsequent additions less subsequent depreciation; other freehold properties were based on fair value at 1 April 2004. Total deemed cost for all freehold properties at 1 April 2004 was £73.5 million. Fair value was determined based on open market value for each building assessed by independent property advisers.

Use of fair values as deemed cost in respect of freehold land and buildings resulted in a reduction of £9.4 million from carrying values under UK GAAP as at 31 March 2004.

Based on historical cost at 31 March 2005, the aggregate cost of property, plant and equipment was £162.1 million, the aggregate depreciation was £84.9 million and the aggregate net book value was £77.2 million.

12. Intangible assets

	Goodwill	Software	Total
	£m	£m	£m
Cost:			
1 April 2004	26.0	69.3	95.3
Additions	—	17.0	17.0
Recognition of contingent consideration (see note 21)	5.2	—	5.2
Disposals	—	(6.1)	(6.1)
31 March 2005	**31.2**	**80.2**	**111.4**
Amortisation and accumulated impairment:			
1 April 2004	1.7	34.6	36.3
Charge for the year	—	16.2	16.2
Disposals	—	(6.1)	(6.1)
31 March 2005	**1.7**	**44.7**	**46.4**
Net book value:			
31 March 2005	**29.5**	**35.5**	**65.0**

Goodwill is allocated by segment as follows:

	2005
	£m
Information Services	11.1
Derivatives Services	18.4
	29.5

The recoverable amounts of goodwill were measured based on value in use. In calculating value in use, cash flows from the latest approved business plan were used for a period of 5 years. Subsequent cash flows have been increased in line with historic UK growth rates. Cash flows were discounted using a pre-tax discount rate of 13%.

13. Available for sale investments

Available for sale financial assets of £0.4 million represent the cost of the Exchange's 0.6 per cent interest in the unlisted ordinary shares of Euroclear plc.

14. Investment in joint venture

The Exchange owns 50% of the 1,000 £1 issued equity shares in FTSE International Ltd a company incorporated in Great Britain which distributes financial information. FTSE International Ltd is a joint venture owned together with The Financial Times Ltd, a subsidiary of Pearson plc. The investment of £2.2 million represents the Exchange's share of the joint venture's net assets as at 31 December 2004, its accounting reference date.

The following amounts represent the revenue and expenses and assets and liabilities of FTSE International Ltd for the year ended 31 December 2004:

	2004
	£m
Revenue	30.7
Expenses	(28.6)
Profit after tax	2.1
Non-current assets	5.2
Current assets	20.1
Total assets	25.3
Current liabilities	(20.4)
Non-current liabilities	(0.4)
Total liabilities	(20.8)
Net assets	4.5

The Exchange is entitled, under a shareholders' agreement, to receive royalties from FTSE International Ltd. The amount receivable by the Exchange from FTSE International Ltd for the year ended 31 March 2005 was £4.1 million.

During the year the Exchange received dividends of £1.3 million from FTSE International Ltd. Dividends declared after the balance sheet date, not reflected in this financial information, amounted to £0.6 million.

15. Subsidiary undertakings

Principal subsidiaries (all held directly by the Exchange)	Principal activity	Country of incorporation	Country of principal operations	% Equity and votes held
EDX London Ltd	Derivatives exchange	UK	UK	76
Proquote Ltd	Market data provider	UK	UK	100
The Stock Exchange (Properties) Ltd	Property company	UK	UK	100

The Exchange holds directly or indirectly 100% of the ordinary shares, being the only class of shares in issue, of other subsidiaries, none of which has actively traded during the year. A full list of subsidiaries is annexed to the annual return of the Exchange.

16. Deferred taxation

The movements in deferred tax assets during the year are shown below.

	Accelerated tax depreciation	Provisions and other differences timing	Total
	£m	£m	£m
1 April 2004	4.8	11.8	16.6
Transfer to the income statement during the year (see note 8)	(2.0)	(0.6)	(2.6)
Tax credited to equity – defined benefit pension scheme actuarial loss	—	0.8	0.8
31 March 2005	2.8	12.0	14.8

The deferred tax assets are recoverable against future taxable profits and are due after more than one year.

17. Trade and other receivables

	2005
	£m
Trade receivables	17.6
Less: provision for impairment of receivables	(0.4)
Trade receivables – net	17.2
Deferred consideration on disposal of Stock Exchange Tower	31.8
Other receivables	5.5
Prepayments and accrued income	27.4
	81.9

During the year the Exchange recognised a gain of £0.8 million for the reversal of impairment provisions against trade receivables.

18. Cash and cash equivalents

	2005
	£m
Cash at bank	4.9
Short term deposits	119.5
	124.4
Average maturity of short term deposits	77 days
Weighted average interest rate	4.9%

19. Trade and other payables

	2005
	£m
Trade payables	4.3
Social security and other taxes	1.3
Other payables	2.8
Accruals and deferred income	40.7
	49.1

20. Borrowings

	2005
	£m
Current	
Loan from minority shareholder – repayable on demand, following approval of subsidiary borrowing Board	2.8
Non-current	
Loan from minority shareholder – wholly repayable after June 2013	0.5

The interest rate payable on borrowings is determined with reference to LIBOR. The effective interest rate on the loan from minority shareholder at year end was 7.0 per cent per annum.

Borrowing facilities

At 31 March 2005, the Exchange had in place a multicurrency revolving loan facility for £300 million. The facility was not drawn down and was available up to 13 January 2007. On 9 February 2006 this facility was replaced by a loan facility amounting to £250 million and a revolving loan facility amounting to £200 million, both of which will be available to fund the return of capital to shareholders.

21. Provisions

	Property	Contingent consideration	Total
	£m	£m	£m
1 April 2004	38.4	—	38.4
Utilised during the year	(5.3)	—	(5.3)
Interest on discounted provision	1.7	—	1.7
Contingent consideration recognised	—	5.2	5.2
31 March 2005	**34.8**	**5.2**	**40.0**
Non-current			28.1
Current			11.9
			40.0

Property

The property provision represents the estimated net present value of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting space which is surplus to business requirements. The leases have between nine and 23 years to expiry.

Contingent consideration

Contingent consideration relates to the equity derivatives business acquired from OM London Exchange. The contingent consideration was estimated at £5.2 million and can be up to a maximum of £11.2 million, payable by March 2006.

22. Retirement benefit obligations

The Exchange operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Exchange and the funds are managed by Schroder Investment Management Limited and Legal & General Investment Management Limited respectively.

Defined benefit scheme

The defined benefit scheme is non-contributory and provides benefits based on final pensionable pay. Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method.

Defined contribution schemes

The Exchange's defined contribution schemes are now the only schemes open to new employees. A core contribution of eight per cent of pensionable pay is provided and the Exchange will match employee contributions up to a maximum of six per cent of pensionable pay.

Amounts recognised in profit or loss

	2005
	£m
Defined contribution schemes	(2.3)
Defined benefit scheme – current service cost	(1.5)
Total pension charge included in employee benefit expense (see note 5)	(3.8)
Finance income and costs	
Interest cost, being the expected increase in the present value of scheme obligations	(10.7)
Expected return on assets in the scheme	10.2
Net finance cost	(0.5)
Total recognised in profit or loss	(4.3)

Defined benefit assets and obligations

Funded obligations and assets are set out below:

	2005
	£m
Fair value of assets:	
Equities	52.2
Bonds	139.1
Total fair value of assets	191.3
Present value of funded obligations	(210.0)
Balance sheet liability	(18.7)

The main actuarial assumptions are set out below:

	2005
Inflation assumption	2.8%
Rate of increase in salaries	4.8%
Rate of increase in pensions in payment	3.6%
Discount rate	5.4%
Expected return on assets as at 31 March 2004:	
– equities	8.2%
– bonds	4.9%

Expected return on equities is determined by applying an equity risk premium applicable to the investments held to the risk free rate measured with reference to the return on government bonds. Expected returns on bonds are derived from returns on government and corporate bonds of an equivalent term to the investments held.

Movement in defined benefit obligation during the year

	2005
	£m
1 April 2004	196.0
Current service cost	1.5
Interest cost	10.7
Benefits paid	(4.9)
Actuarial loss	6.7
31 March 2005	**210.0**

Movement in fair value of plan assets during the year

	2005
	£m
1 April 2004	177.6
Expected return on assets	10.2
Contributions paid	4.3
Benefits paid	(4.9)
Actuarial gain	4.1
31 March 2005	**191.3**

The Exchange expected to contribute approximately £4.2 million to the defined benefit scheme during the year ending 31 March 2006. The actual return on plan assets was £14.3 million.

Defined benefit actuarial gains and losses recognised

The following items reflect experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year and are recognised in the statement of recognised income and expense.

	2005
	£m
Recognised at 1 April 2004	—
Net actuarial loss recognised in the year	(2.6)
Cumulative amount recognised at 31 March 2005 in the statement of recognised income and expense	(2.6)

	2005
History of experience gains and losses	
Experience adjustments arising on scheme assets:	
Amount (£m)	4.1
Percentage of scheme assets	2.1%
Experience adjustments arising on share liabilities:	
Amount (£m)	(6.7)
Percentage of scheme liabilities	(3.2%)

23. Share capital

		2005
Authorised		
Ordinary Shares of 5⅚ pence each	number	428,571,428
	£	25,000,000
Issued, called up and fully paid		
Ordinary Shares of 5⅚ pence each	number	254,571,428
	£	14,850,000

Following approval by shareholders at the AGM in July 2004, every seven existing 5 pence ordinary shares were replaced with six new ordinary shares of 5⅚ pence each, with effect from 26 July 2004.

24. Consolidated statement of changes in equity

	Attributable to equity holders of the Exchange			
	Share capital	Retained earnings	Minority interest	Total equity
	£m	£m	£m	£m
1 April 2004	14.9	329.7	1.0	345.6
Total recognised income and expense for the financial year	—	63.2	(0.5)	62.7
Final dividend relating to the year ended 31 March 2004	—	(10.0)	—	(10.0)
Special interim dividend paid August 2004	—	(162.5)	—	(162.5)
Interim dividend relating to the year ended 31 March 2005	—	(5.1)	—	(5.1)
Employee share schemes and own shares	—	5.0	—	5.0
Issue of share capital in subsidiary undertaking	—	—	0.6	0.6
31 March 2005	14.9	220.3	1.1	236.3

25. Net cash flow generated from operations

	2005 £m
Profit before taxation	92.2
Depreciation and amortisation	28.7
Profit on disposal of Stock Exchange Tower	(6.7)
Net finance income	(6.5)
Investment income	(0.1)
Share of profit after tax of joint venture	(1.1)
Increase in trade and other receivables	(8.2)
Increase in trade and other payables	3.4
Defined benefit pension obligation – contributions in excess of expenses charged	(2.8)
Provisions utilised during the year	(5.3)
Share scheme expense	1.8
Cash generated from operations	95.4
Comprising:	
Ongoing operating activities	100.9
Exceptional items (see note 6)	(5.5)
	95.4

26. Commitments

There were no contractual capital commitments not provided for in the financial information at 31 March 2005.

27. Leases

The Exchange leases various properties under non-cancellable operating leases.

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

	2005 £m
Less than one year	15.4
More than one year and less than five years	61.0
More than five years	189.9
	266.3

Operating lease payments, representing minimum lease payments of £13.5 million were charged to the income statement

The total future minimum lease payments expected to be received under non-cancellable operating leases are as follows:

	2005 £m
Less than one year	1.5
More than one year and less than five years	11.2
More than five years	9.6
	22.3

28. Financial risk management

The majority of the Exchange's financial assets and liabilities are based in sterling with some exposure to Scandinavian currencies in Derivatives Services which are mainly hedged by forward exchange contracts. The main risks arising from the Exchange's financial instruments are in respect of interest rate, credit, liquidity and exchange rate.

Interest rate risk

There are no floating rate financial assets. Term deposits with banks are for fixed rates for the period of the deposit. Interest on the loan from the minority shareholder is determined with reference to LIBOR. No hedging of interest rates on floating rate financial liabilities took place during the year.

Liquidity and credit risk

The Exchange manages liquidity risk by depositing funds available for investment in approved instruments for periods up to one year. Counterparty risk with respect to cash and cash equivalents is managed by establishing minimum credit worthiness limits and limiting the maximum exposure to each counterparty. There is no concentration of credit risk with respect to trade receivables as the Exchange has a large number of customers.

Exchange rate risk

The only derivative contracts used during the year were forward exchange contracts to hedge forecast cash inflows in Scandinavian currencies and were designated as fair value or cash flow hedges as appropriate. All contracts were closed out on or before the final contract dates and fully matched with equivalent currency cash holdings. At the year end, forward contracts were held for forecast currency cash flows in the following year. The fair value of these contracts at 31 March 2005 amounted to nil.

The fair and carrying values of financial assets and liabilities are as follows:

	Carrying value 31 March 2005	Fair value 31 March 2005
	£m	£m
Short term investments—term deposits and cash	124.4	124.4
Loan from minority shareholder – within one year	(2.8)	(2.8)
– after more than one year	(0.5)	(0.5)
	121.1	121.1

Available for sale financial assets, representing the Exchange's 0.6 per cent interest in the ordinary shares of Euroclear plc, are measured at cost of £0.4 million. The fair value of these shares cannot be measured reliably because they are unquoted.

The fair value of forward exchange contracts is determined using a valuation technique with reference to observable market interest rates. The carrying amount of trade receivables and payables are reasonable approximations of fair value. The fair value of borrowings are based on discounted cash flows using a rate based on borrowing cost.

29. Share schemes

A new Long Term Incentive Plan (LTIP) was approved at the 2004 AGM and introduced in 2004. The scheme has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in the Exchange's shares. Vesting of these awards is dependent upon the Exchange's total shareholder return performance.

Under the Exchange's previous share option plan approved by shareholders in 2002, the maximum value of shares placed under option to an individual was equivalent to 100% of their annual salary. No further awards will be made under this scheme.

Prior to 2002, under the previous long term incentive scheme (comprising the Initial and Annual Share Plans) option grants and share awards were made based on approvals prior to the Exchange's listing in July 2001. No further option grants or share awards will be made under this scheme apart from the SAYE Scheme available to all staff. Under both the Initial and Annual Share Plan, share awards have a vesting period of three years and share options become exercisable at 20% per annum over five years with a contractual life of 10 years.

The SAYE Scheme provides for grants of options to employees who enter into a SAYE savings contract and options were granted at 20% below fair market value. Share awards were granted at nil cost to employees and share options were granted at fair market value or above.

The Exchange established an ESOP discretionary trust to administer the share plans and to acquire the Exchange's shares to meet commitments to employees. At the year end 878,694 shares were held by the trust, funded by an interest free loan from the Exchange. In accordance with SIC-12 the assets, liabilities, income and costs of the ESOP trust have been included in the Exchange's financial information and the cost of the Exchange's shares held by the trust are deducted from retained earnings.

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

	Share awards		Share options		SAYE Scheme		LTIP	
	No.	Weighted average exercise price(£)	No.	Weighted average exercise price(£)	No.	Weighted average exercise price(£)	No.	Weighted average exercise price(£)
1 April 2004	625,648	—	7,821,436	3.12	1,519,949	2.29	—	—
Granted	—	—	1,765,628	3.76	211,900	2.93	746,888	—
Exercised	(499,256)	—	(1,863,237)	2.95	(141,461)	2.04	—	—
Forfeited	(2,570)	—	(741,512)	3.71	(174,609)	2.55	—	—
31 March 2005	**123,822**	**—**	**6,982,315**	**3.26**	**1,415,779**	**2.38**	**746,888**	**—**
Exercisable at: 31 March 2005	700	—	2,297,237	2.84	—	—	—	—

The weighted average share price during the year was £4.19.

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding at 31 March 2005 are as follows:

	Share awards/options outstanding at 31 March 2005	
	Number outstanding	Weighted average remaining contractual life
		Years
Exercise price range		
Share awards		
Nil	123,822	0.3
Share options		
Up to £3.00	2,320,880	5.7
Between £3.00 and £4.00	4,598,025	8.1
Above £4.00	63,410	6.2
SAYE		
Up to £2.00	706,870	1.1
Between £2.00 and £3.00	588,748	3.2
Above £3.00	120,161	2.9
LTIP		
Nil	746,888	2.3
Total	9,268,804	6.0

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

	SAYE 1 August 2004	Performance shares 15 July 2004	Matching shares 20 August 2004
Grant date share price	£3.60	£3.79	£3.45
Exercise price	£2.93	—	—
Volatility	29%	29%	29%
Expected life	5.25 years	3 years	3 years
Dividend yield	1.3%	1.3%	1.4%
Risk free rate of return	5.1%	n.a.	n.a.
Fair value	£1.42	£2.43	£2.03

The volatility assumption is based on a statistical analysis of weekly share prices since the Exchange's flotation in July 2001. No performance conditions were included in the fair value of SAYE options granted during the year. The fair value for the Performance and Matching Shares granted during the year takes account of the TSR vesting condition.

Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

30. Transactions with related parties

Directors

During the financial year, no contracts of significance were entered into by the Exchange or any of its subsidiaries in which the Directors had a material interest.

FTSE International Ltd

Details of transactions with FTSE International Ltd are included in note 14.

Key management compensation

Compensation for Directors of the Exchange and key personnel who have authority for planning, directing and controlling the Exchange:

	2005
	£000
Salaries and other short term benefits	3,876
Pensions	164
Share based payments	763
	4,803

31. Other statutory information

Auditors' remuneration for audit services was £0.2 million. Other fees paid to PricewaterhouseCoopers LLP during the year were £0.8 million primarily in respect of taxation advice £0.3 million, corporate finance transactions £0.4 million and other services £0.1 million.

Directors' emoluments comprise the following:

	2005
	£000
Salary and fees	1,139
Performance bonus	775
Gains on exercise of share options	337
Benefits	3
	2,254
Contributions to defined contribution pension schemes	51
	2,305

During the year two Directors had retirement benefits accruing under a defined contribution scheme and no Director had retirement benefits accruing under a defined benefit scheme.

32. Transition disclosures

Set out below are reconciliations between UK GAAP and IFRS for total equity at 1 April 2004 (date of transition to IFRS) and 31 March 2005. In addition, reconciliation is provided between profit for the financial year ended 31 March 2005 under UK GAAP and IFRS.

Reconciliation of equity at date of transition to IFRS (1 April 2004)

	Notes	UK GAAP	Effect of transition to IFRS	IFRS
		£m	£m	£m
Assets				
Non-current assets				
Property, plant and equipment	(b),(i)	168.3	(44.1)	124.2
Intangible assets	(i)	24.3	34.7	59.0
Available for sale investments		0.4	—	0.4
Investment in joint venture	(g)	1.5	0.9	2.4
Deferred tax assets	(a),(b),(c),(e)	3.4	13.2	16.6
		197.9	4.7	202.6
Current assets				
Trade and other receivables	(a),(g)	57.7	(15.3)	42.4
Cash and cash equivalents		227.9	—	227.9
		285.6	(15.3)	270.3
Total assets		**483.5**	**(10.6)**	**472.9**
Liabilities				
Current liabilities				
Trade and other payables	(c),(h)	62.3	(8.9)	53.4
Current tax		12.2	—	12.2
Borrowings		4.4	—	4.4
Provisions	(j)	—	6.6	6.6
		78.9	(2.3)	76.6
Non-current liabilities				
Borrowings		0.5	—	0.5
Retirement benefit obligations	(a)	—	18.4	18.4
Provisions	(j)	38.4	(6.6)	31.8
		38.9	11.8	50.7
Total liabilities		**117.8**	**9.5**	**127.3**
Net assets		**365.7**	**(20.1)**	**345.6**
Equity				
Capital and reserves attributable to the Exchange's equity holders				
Share capital		14.9	—	14.9
Other reserves	(b)	42.1	(42.1)	—
Retained earnings	(a),(b),(c),(e),(h)	307.7	22.0	329.7
		364.7	(20.1)	344.6
Equity minority interest		1.0	—	1.0
Total equity		**365.7**	**(20.1)**	**345.6**

Reconciliation of equity at date of most recent financial statements (31 March 2005)

	Notes	UK GAAP	Effect of transition to IFRS	IFRS
		£m	£m	£m
Assets				
Non-current assets				
Property, plant and equipment	(b),(i)	114.9	(43.2)	71.7
Intangible assets	(d),(i)	27.5	37.5	65.0
Available for sale investments		0.4	—	0.4
Investment in joint venture	(g)	1.6	0.6	2.2
Deferred tax assets	(a),(b),(c),(d),(e)	1.4	13.4	14.8
		145.8	8.3	154.1
Current assets				
Trade and other receivables	(a),(g)	97.0	(15.1)	81.9
Cash and cash equivalents		124.4	—	124.4
		221.4	(15.1)	206.3
Total assets		**367.2**	**(6.8)**	**360.4**
Liabilities				
Current liabilities				
Trade and other payables	(c),(h)	59.3	(10.2)	49.1
Current tax		13.0	—	13.0
Borrowings		2.8	—	2.8
Provisions	(j)	—	11.9	11.9
		75.1	1.7	76.8
Non-current liabilities				
Borrowings		0.5	—	0.5
Retirement benefit obligations	(a)	—	18.7	18.7
Provisions	(j)	40.0	(11.9)	28.1
		40.5	6.8	47.3
Total liabilities		**115.6**	**8.5**	**124.1**
Net assets		**251.6**	**(15.3)**	**236.3**
Equity				
Capital and reserves attributable to the Exchange's equity holders				
Share capital		14.9	—	14.9
Other reserves	(b)	2.2	(2.2)	—
Retained earnings	(a),(b),(c),(d),(e),(h)	233.6	(13.3)	220.3
		250.7	(15.5)	235.2
Equity minority interest	(d)	0.9	0.2	1.1
Total equity		**251.6**	**(15.3)**	**236.3**

Reconciliation of profit for the year ended 31 March 2005

	Notes	UK GAAP	Effect of transition to IFRS	IFRS
		£m	£m	£m
Revenue		**244.4**	**—**	**244.4**
Expenses	(a),(b),(c),(d),(e)	**(171.2)**	**4.6**	**(166.6)**
Profit on disposal of Stock Exchange Tower	(b)	7.2	(0.5)	6.7
Operating profit		**80.4**	**4.1**	**84.5**
Analysed as:				
Operating profit before exceptional items		80.0	4.6	84.6
Exceptional items		0.4	(0.5)	(0.1)
Operating profit		**80.4**	**4.1**	**84.5**
Finance income		9.0	10.2	19.2
Finance costs		(2.0)	(10.7)	(12.7)
Net finance income	(a)	7.0	(0.5)	6.5
Share of profit after tax of joint venture	(g)	1.7	(0.6)	1.1
Investment income	(f)	—	0.1	0.1
Profit before taxation		**89.1**	**3.1**	**92.2**
Taxation	(a),(b),(c),(d),(e),(g)	(27.6)	(0.1)	(27.7)
Profit for the financial year		**61.5**	**3.0**	**64.5**
Loss attributable to minority interest	(d)	(0.7)	0.2	(0.5)
Profit attributable to equity holders		62.2	2.8	65.0
		61.5	**3.0**	**64.5**

Explanation of reconciling differences between UK GAAP and IFRS

(a) IAS 19 Employee benefits

The Exchange has elected to recognise the defined benefit pension scheme deficit in full in the Exchange balance sheet at transition date (1 April 2004). The charge to the income statement is the current period's service charge and a financing charge for unwinding the discount applied to obligations and the expected return on pension scheme assets.

The impact on the income statement for the year ended 31 March 2005 is to increase operating profit by £2.7 million and reduce net finance income by £0.5 million. After the associated tax there is an increase in profit attributable to equity holders for the year of £1.5 million.

The impact on the balance sheet is to reduce total equity at 31 March 2005 by £23.2 million (1 April 2004: £22.9 million).

(b) IAS 16 Freehold properties

Under the transitional arrangements set out in IFRS 1 the Exchange has elected to restate freehold properties other than the Stock Exchange Tower to their fair value at the date of transition, resulting in a reduction in the balance sheet carrying amount. This lower carrying amount, together with the requirement to update residual values to reflect current prices, has the effect of reducing depreciation compared with UK GAAP.

The impact on the income statement is to reduce the depreciation charge in respect of remaining freehold properties for the year ended 31 March 2005 by £1.7 million. In relation to the Stock Exchange Tower, there is a reduction in depreciation charge and corresponding reduction to the profit on sale of the Tower of £0.5 million. After the associated tax there is an increase in profit attributable to equity holders for the year of £1.4 million.

Total equity is £5.2 million lower at 31 March 2005 (1 April 2004: £6.6 million) as a result of the restated values of freehold properties as at 1 April 2004, partly offset by the lower depreciation charge in the year ended 31 March 2005.

(c) IAS 17 Leases

All leases have been reviewed and remain as operating leases. Lease incentives under IFRS are spread over the term of the lease, whereas, under UK GAAP they were spread over the period to the first rent review. This results in an increased charge to the income statement and consequent higher balance sheet accrual.

The impact on the income statement is to reduce operating profit for the year ended 31 March 2005 by £1.3 million. After the associated tax there is a reduction in profit attributable to equity holders for the year of £0.9 million.

Total equity at 31 March 2005 is £1.7 million lower (1 April 2004: £0.8 million).

(d) IFRS 3 Goodwill

Under IFRS 3, goodwill is not amortised but is tested annually for impairment. On the balance sheet, under IFRS, goodwill is held at the UK GAAP carrying amount at transition date less any subsequent impairments.

The effect is to increase operating profit for the year ended 31 March 2005 by £2.0 million. After the associated tax and minority interest, the increase in profit attributable to equity holders for the year is £1.5 million.

The impact on the balance sheet is to increase total equity at 31 March 2005 by £1.7 million (1 April 2004: nil).

(e) IFRS 2 Share based payments

Under IFRS 2, charges to the income statement are based on the fair value of the instrument granted determined using an option pricing model. Under UK GAAP, the charge was based on the difference between the market price on the date of grant and the exercise price. The balance sheet is adjusted to reflect the additional deferred tax arising from the increased charge to the income statement.

This reduces operating profit for the year ended 31 March 2005 by £1.0 million. After the associated tax there is a reduction in profit attributable to equity holders for the year of £0.7 million.

Recognition of deferred tax on the additional charge to the income statement results in an increase in total equity at 31 March 2005 of £0.5 million (1 April 2004: £0.2 million).

(f) Investment income

Under UK GAAP income from fixed asset investments was reported within Share of operating profit of joint venture and income from other fixed asset investments. Under IFRS, it is reported separately.

This results in a reclassification to the Investment income heading for the year ended 31 March 2005 of £0.1 million but has no impact on profit.

(g) IAS 31 Joint Ventures

There are three presentational changes in respect of joint ventures:

1. The share of joint venture revenue is not reported within revenue although details of joint venture turnover are reported within the notes to the accounts.
2. Under UK GAAP the Group's share of joint venture income is reported pre-tax with the Group's share of joint venture's tax reported within the Group's tax charge. Under IFRS, the Group's share of joint venture's income is reported net of tax within profit before taxation.
3. As dividends receivable from joint ventures are recognised when declared rather than in the period to which they relate under UK GAAP, there is a reduction to trade and other receivables in respect of dividends declared and a corresponding increase in investment in joint venture.

The impact on the income statement is to reduce profit before tax for the year ended 31 March 2005 by £0.5 million but with a corresponding reduction to the taxation charge such that there is no overall impact on net profit.

In the balance sheet there is an increase in investment in joint venture and a corresponding reduction in trade and other receivables at 31 March 2005 of £0.6 million (1 April 2004: £0.9 million).

(h) IAS 10 Dividends

Under IAS 10, dividends are recognised in the financial statements when declared rather than in the period to which they relate.

The impact on the balance sheet is to increase total equity by the amount of dividends declared after 31 March 2005 of £12.6 million (1 April 2004: £10.0 million).

(i) IAS 38 Intangible assets

Under UK GAAP software development costs were capitalised within plant and equipment but under IFRS are required to be disclosed as intangible assets.

There is no impact on the income statement, but in the balance sheet these assets are reclassified from property, plant and equipment to intangible assets. The amount transferred at 31 March 2005 is £35.5 million (1 April 2004: £34.7 million).

(j) Provisions

Under UK GAAP, provisions are shown as a single amount but under IFRS are analysed between those amounts due in less than one year and those due in more than one year.

There is no impact on the income statement. In the balance sheet there is a reclassification to report separately the amount due within one year which at 31 March 2005 is £11.9 million (1 April 2004: £6.6 million).

Explanation of adjustments to the cash flow statement

Under UK GAAP the cash flow statement presented the movement in cash balances, analysed between nine categories of cash flow. Under IFRS, the cash flow statement presents the movement in cash and cash equivalents, analysed between operating, investing and financing activities. The principal consequences of these differences are that cash and cash equivalents under IFRS includes term deposits which were included in management of liquid resources under UK GAAP, and corporation tax paid, interest received and interest paid are classified within operating activities for IFRS purposes.

As software developments are reported as intangible assets under IFRS, expenditure on these is separately reported in the cash flow statement as purchase of intangible assets.

PART 9:

ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION UNDER IFRS FOR EXCHANGE GROUP IN RESPECT OF THE PERIOD ENDED 31 MARCH 2006 PREPARED UNDER IFRS

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

The Directors
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

5 May 2006

Dear Sirs

London Stock Exchange Group plc (the ''Company'' or ''Exchange Group'') – financial information for the period ended 31 March 2006

Introduction

We report on the financial information set out on pages 70 to 72 of the prospectus dated 5 May 2006 of Exchange Group (the ''Prospectus''). The financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purposes of complying with that item and for no other purpose.

Responsibilities

The Directors of Exchange Group are responsible for preparing the financial information in accordance with International Financial Reporting Standards (''IFRS'').

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 5 May 2006, a true and fair view of the state of affairs of Exchange Group as at the date stated and of its cashflows and changes in equity for the period then ended, in accordance with International Financial Reporting Standards.

Declaration

For the purposes of Prospectus Rule 5.5.3(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants

Financial Information under IFRS for Exchange Group in respect of the period ended 31 March 2006 prepared under IFRS

Financial information – Exchange Group

London Stock Exchange Group plc – Balance Sheet as at 31 March 2006

	Notes	£
Assets		
Current Assets		
Trade and other receivables	3	50,002
Current liabilities		
Borrowings	4,5	(50,000)
Net assets		**2**
Equity		
Capital and reserves attributable to the Company's equity holders		
Ordinary share capital	4	2
Total equity		**2**

Notes to the financial information

1. Accounting policies

Accounting convention

The financial information has been prepared in accordance with applicable International Financial Reporting Standards under the historical cost convention.

Financial instruments

The Redeemable Preference Share is carried at amortised cost under IAS 39, Financial Instruments: Recognition and Measurement. The Redeemable Preference Share is presented as a financial liability rather than in capital and reserves under IAS 32, Financial Instruments: Disclosure and Presentation.

2. Trading activity

Exchange Group was incorporated on 18 February 2005 and did not trade or receive any income, incur any expenses or pay any dividends between that date and 31 March 2006. Consequently, no income statement has been prepared. Exchange Group has no cash, nor have there been any cash flows during the period. Consequently, no cash flow statement has been prepared.

3. Trade and other receivables

	£
Amounts receivable in respect of Redeemable Preference Share (see note 4 below)	50,000
Amounts receivable in respect of equity share capital (see note 5 below)	2
	50,002

The holder of the £50,000 Redeemable Preference Share has provided the Company with a written undertaking to pay the amount due on the Redeemable Preference Share, resulting in the amount being treated as a receivable.

4. Borrowings

	£
Redeemable Preference Share	**50,000**

On 5 December 2005, Exchange Group issued one Redeemable Preference Share of £50,000 which was called up, allotted and fully paid.

The holder of the Redeemable Preference Share is entitled, in priority to the holders of any other class of share in Exchange Group's share capital, to receive out of the profits of Exchange Group available for distribution in respect of each financial year of Exchange Group a fixed non-cumulative preferential dividend (''Redeemable Preference Share Dividend'') at the rate of 0.0000001 per cent per annum on the amount for the time being paid up or credited as paid up on the Redeemable Preference Share held by him, accruing on a daily basis and payable in arrears on 31 March. The first such payment is due on 31 March 2006.

On a winding up or other return of capital (other than a redemption or purchase by Exchange Group of its own shares), the holder of the Redeemable Preference Share shall be entitled, in priority to any holder of any other class of shares, to receive an amount equal to the aggregate of the capital paid up on the Redeemable Preference Share together with a sum equal to any arrear of any declared but unpaid Redeemable Preference Share Dividend payable on such share calculated up to and including the date of the commencement of the winding up or (in any other case) the date of the return of capital.

Other than noted above, in relation to the Redeemable Preference Share Dividend and on winding up or other return of capital, the holder of the Redeemable Preference Share is not entitled to any participation in the profits or assets of Exchange Group.

The holder of the Redeemable Preference Share is entitled to receive notice of and to attend any general meeting of Exchange Group but does not have the right to vote in respect of its holding of the Redeemable Preference Share except in certain circumstances. The holder of the Redeemable Preference Share can redeem the Redeemable Preference Share at any time by giving Exchange Group written notice.

The Redeemable Preference Share will be redeemed automatically upon admission of Exchange Group's ordinary share capital to the Official List of the United Kingdom Listing Authority.

5. Share capital

As at 31 March 2006 the authorised and issued share capital was as follows:

	£
Authorised	
350,000,000 ordinary shares of £5 each	1,750,000,000
260,000,000 class B shares of £2 each	520,000,000
400,000,000,000 class A ordinary shares of £0.01 each	4,000,000,000
Total	6,270,000,000
Redeemable Preference Share	50,000
Called up, allotted and fully paid	
200 class A ordinary shares of £0.01 each	2
Redeemable Preference Share	50,000

Exchange Group was incorporated as a private limited company, Milescreen Limited, on 18 February 2005 with an authorised share capital of £1,000, comprising a thousand ordinary shares of £1 each, out of which one ordinary share of £1 was called up, allotted and fully paid. On 16 November 2005, Milescreen Limited changed its name to London Stock Exchange Group Limited.

On 5 December 2005 Exchange Group increased its authorised share capital by the creation of £50,000 redeemable preference share capital. On the same date Exchange Group increased its issued ordinary share capital to two ordinary shares of £1 each which were called up, allotted and fully paid, and issued the £50,000 redeemable preference share discussed in note 3 above. On 7 December 2005 Exchange Group re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and became London Stock Exchange Group plc.

On 9 March 2006 Exchange Group reclassified its existing one thousand ordinary shares of £1 each into 100,000 class A ordinary shares of £0.01 each. Exchange Group also resolved to increase its authorised share capital by the creation of 350,000,000 ordinary shares of £5 each, 260,000,000 B shares of £2 each and additional 99,999,900,000 class A ordinary shares of £0.01 each. On 17 March 2006 Exchange Group created a further 300,000,000,000 class A ordinary shares of £0.01 each.

6. Directors' interests in shares

The directors who held office at 31 March 2006 had the following beneficial interests in the equity share capital of London Stock Exchange Group plc.

	Date of Appointment No. of shares	31 March 2006 No. of shares
O Shomroni	1	100
C A Thomas	—	100

On 20 October 2005 O Shomroni was appointed director of Milescreen Limited (and acquired the one equity share in issue at that date from Instant Companies Limited, who resigned as director at that date).

Following the change of Company name to London Stock Exchange Group Limited on 16 November, O Shomroni was sole shareholder in the Company until 5 December 2005 when C A Thomas accepted a newly issued equity share, prior to the Company re-registering as a public limited company on 7 December 2005.

On 9 March 2006 the Company reclassified its existing ordinary £1 shares into class A ordinary shares of £0.01 each (see Note 5) so that each director now holds 100 class A ordinary shares of £0.01 each.

7. Post balance sheet events

On 19 April 2006 the shareholders of London Stock Exchange plc voted in favour of a Scheme of Arrangement under section 425 CA 1985 as a result of which London Stock Exchange Group plc will issue new ordinary shares of £5.00 and B shares of £2.00 to acquire all of the share capital of London Stock Exchange plc at its market value.

By special resolution of London Stock Exchange Group plc passed on 13 April 2006, it was resolved that, conditional upon the Scheme becoming effective: (i) Exchange Group's ordinary shares of £5.00 issued pursuant to the Scheme will be consolidated and subdivided to an adjusted nominal value determined by reference to the closing price of London Stock Exchange plc ordinary shares on their last day of dealing immediately prior to the Scheme becoming effective, expected to be 12 May 2006; (ii) the nominal value of such ordinary shares will be reduced from such adjusted nominal value to a lower nominal value with the amount reduced being taken to reserves; (iii) the merger reserve created upon the Scheme becoming effective will be capitalised and applied towards paying up class A ordinary shares of £0.01 in London Stock Exchange Group plc and (iv) such class A ordinary shares will be cancelled and extinguished with the amount reduced being taken to reserves.

The Scheme is expected to be sanctioned by the Court on 12 May 2006 and to become effective on 15 May 2006. The reduction of capital of London Stock Exchange Group plc is expected to be confirmed by the Court on 17 May 2005 and to become effective on 18 May 2006.

8. Bank facilities

On 9 February 2006 London Stock Exchange plc entered into agreements with The Royal Bank of Scotland plc and Barclays Capital, for a loan facility amounting to £250 million, and revolving loan facility £200 million. These facilities will become available to London Stock Exchange Group plc after it becomes the holding company of London Stock Exchange plc, and will be available to fund a return of capital to shareholders. The borrowings under the facilities bear interest at a floating rate plus mandatory costs (if any). Repayments under the facilities are to be made on the last day of the relevant interest period(s) and any term loans are to be repaid on the last day of the relevant term out period. A commitment fee is payable on undrawn commitments under the facilities.

ACCOUNTANT'S REPORT AND UNAUDITED IFRS PRO FORMA FINANCIAL INFORMATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

The Directors
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DAB

5 May 2006

Dear Sirs

London Stock Exchange Group plc (the ''Company'' or ''Exchange Group'')

We report on the unaudited IFRS pro forma financial information set out in Part 10 of Exchange Group's prospectus dated 5 May 2006 (the ''Prospectus'') which has been prepared on the basis described, for illustrative purposes only, to provide information about how the proposed Return and capital reorganisation might have affected the financial information presented on the basis of the accounting policies adopted by the Company and London Stock Exchange plc (the ''Exchange'') in preparing the financial information for the six months ended 30 September 2005. This report is required by item 7 of Annex II to the PD Regulation and is given for the purpose of complying with that PD Regulation and for no other purpose.

Responsibilities

It is the responsibility solely of the Directors of Exchange Group to prepare the IFRS pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation, on the unaudited IFRS pro forma financial information as to proper compilation of the IFRS pro forma financial information and to report our opinion to you. In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the IFRS pro forma financial information, nor do we accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of Exchange Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Exchange Group.

Opinion

In our opinion:

(a) the unaudited IFRS pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the IFRS accounting policies of Exchange Group and the Exchange.

Declaration

For the purposes of Prospectus Rule 5.5.3(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountant

UNAUDITED IFRS PRO FORMA FINANCIAL INFORMATION

Set out below is unaudited pro forma financial information on the net assets of London Stock Exchange Group plc as at 30 September 2005 prepared on the basis of International Financial Reporting Standards. The unaudited pro forma statement of net assets is prepared for illustrative purposes only to show the effect of the Proposals as if they had occurred on 30 September 2005.

Due to the nature of pro forma financial information, this information addresses a hypothetical situation and does not therefore represent an actual financial position.

The unaudited IFRS pro forma financial information has been compiled from the IFRS balance sheet of London Stock Exchange Group plc as at 31 March 2006 and the unaudited consolidated group balance sheet of London Stock Exchange plc at 30 September 2005, as set out in Parts 9 and 7, respectively, of this document, adjusted as described in the notes below.

		Adjustments			
	London Stock Exchange Group plc Note 1	London Stock Exchange plc 30 September 2005 Note 2	Cash return Note 3	Transaction costs Note 4	Pro forma total
	£m	£m	£m	£m	£m
ASSETS					
Non-current assets					
Property, plant and equipment	—	66.2	—	—	66.2
Intangible assets	—	49.1	—	—	49.1
Available for sale investments	—	0.4	—	—	0.4
Investment in joint venture	—	1.8	—	—	1.8
Investment in subsidiary undertaking	—	—	—	—	—
Deferred tax asset	—	18.4	—	—	18.4
	—	**135.9**	**—**	**—**	**135.9**
Current assets					
Trade and other receivables	—	79.1	—	—	79.1
Cash and cash equivalents	—	166.1	(95.0)	(2.0)	69.1
	—	**245.2**	**(95.0)**	**(2.0)**	**148.2**
Total assets	**—**	**381.1**	**(95.0)**	**(2.0)**	**284.1**
LIABILITIES					
Current liabilities					
Trade and other payables	—	58.3	—	—	58.3
Current tax	—	13.2	—	—	13.2
Borrowings	—	2.8	—	—	2.8
Provisions	—	15.5	—	—	15.5
	—	**89.8**	**—**	**—**	**89.8**
Non-current liabilities					
Borrowings	—	0.5	417.5	—	418.0
Retirement benefit obligations	—	16.5	—	—	16.5
Provisions	—	27.1	—	—	27.1
	—	**44.1**	**417.5**	**—**	**461.6**
Total liabilities	**—**	**133.9**	**417.5**	**—**	**551.4**
NET ASSETS/(LIABILITIES)	**—**	**247.2**	**(512.5)**	**(2.0)**	**(267.3)**

Notes:

1. The financial information on London Stock Exchange Group plc has been extracted, without material adjustments from the IFRS financial information of London Stock Exchange Group plc. At this time, net assets totalled £2, represented by ordinary share capital of £2, as set out in Part 9 of this document.

2. The financial information on London Stock Exchange plc has been extracted, without material adjustment, from the unaudited Interim Report for the six months ended 30 September 2005 prepared under IFRS incorporated by reference in Part 7 of this document.

3. The amount of the Return, at £2.00 per share, is expected to be £512.5 million based on the number of Existing Ordinary Shares in issue on 3 May 2006, the latest practicable date prior to publication of this Prospectus, and is to be funded by surplus cash and bank debt. The funding split shown above is determined by reference to cash available to Exchange Group, being cash in excess of the minimum cash balance of approximately £70 million (shown here as £69.1 million) that Exchange Group maintains for regulatory purposes. The surplus cash available for the Return as at 30 September 2005 is therefore £95 million, with the balance being funded by bank debt. The actual level of debt at the date of the Return will reflect the £33.2 million cash received on 30 December 2005 in relation to the sale of the Stock Exchange Tower.

4. Transaction costs under the Scheme total £2.0 million, predominantly relating to advisers' fees.

5. No account has been taken of the trading results or other cash flows of London Stock Exchange Group plc since 31 March 2006 or of London Stock Exchange plc since 30 September 2005.

6. This pro forma financial information does not constitute financial statements within the meaning of Section 240 of the Companies Act.

PART 11:
RIGHTS AND RESTRICTIONS OF THE B SHARES AND THE DEFERRED SHARES

1. Rights and restrictions of the B Shares

The following are the rights of the B Shares and the restrictions to which they are subject, which are reflected in the Exchange Group Articles.

1.1. Income – Initial B Share Dividend

The Shareholders who have elected as part of the Proposals for Alternative 1: Initial B Share Dividend shall receive a single dividend of £2.00 for each B Share selected to be subject to that alternative. Each B Share in respect of which the Initial B Share Dividend is payable, shall at 11.00 a.m. on 22 May 2006 (or such other date as the Directors of Exchange Group shall determine) be reclassified as a Deferred Share of £2.00 nominal value. The rights and restrictions attaching to the Deferred Shares are summarised in section 2 of this Part 11.

1.2. Income – B Share Continuing Dividend

The Shareholders who have elected as part of the Proposals for Alternative 3: Future Redemption Right shall receive a B Share Continuing Dividend on the amount of £2.00 per B Share selected to be subject to that alternative as follows:

(i) With effect from 22 May 2006 (or such other date as the Directors of Exchange Group shall determine), out of the profits available for distribution in respect of each financial year or other accounting period of Exchange Group, the holders of the B Shares shall be entitled, in priority to any payment of dividend or other distribution to the holders of any New Ordinary Shares and before profits are carried to reserves, to be paid a non-cumulative preferential dividend at such rate on the amount of £2.00 in respect of each B Share as is calculated in accordance with sub-paragraphs (ii) and (iii) below. The B Share Continuing Dividend shall be payable to the extent that Exchange Group has sufficient distributable reserves and it is therefore not guaranteed. Such dividend shall be paid (without having to be declared) semi-annually in arrears on 1 June and 1 December in each year (or if any such day is not a Business Day, the next following day that is a Business Day (without any interest or payment in respect of such delay) (each a ***Payment Date***)). The first Payment Date is expected to be 1 December 2006.

(ii) Each six month period ending on a Payment Date is called a ***Calculation Period***. The annual rate applicable to each Calculation Period shall be the lower of (i) 25% per annum and (ii) 75% of LIBOR for six month deposits in pounds sterling which appears on the display designated as page 3750 on the Telerate Monitor (or such other page or service as may replace it for the purpose of displaying London inter-bank offered rates of leading banks for pounds sterling deposits) as determined by JPMorgan Cazenove or such other agent as Exchange Group shall appoint from time to time (the ***Reference Agent***) at or about 11.00 a.m. (UK time) on the first Business Day of such Calculation Period. The first Payment Date is expected to be 1 December 2006 and in relation to the period from 22 May 2006 (or such other date as the Directors of Exchange Group shall determine) to 1 December 2006, the rate applicable for the B Share Continuing Dividend paid on the first Payment Date shall be the relevant proportion of the rate applicable to the Calculation Period ending on 1 December 2006. The relevant proportion shall be the number of days from and including 22 May 2006 (or such date as the Directors of Exchange Group shall determine) to, but excluding, 1 December 2006 divided by 183.

(iii) If for any reason the rate does not appear, or if the relevant page is unavailable then Exchange Group (or the Reference Agent) will request each of the banks whose offered rates would have been used for the purposes of the relevant page if the event leading to the application of this proviso had not happened to provide to Exchange Group (or the Reference Agent) through its normal London office its offered quotation to leading banks for pounds sterling deposits in London for a six month period and the rate shall be the arithmetic mean (rounded upward if necessary to the nearest $1/16$ per cent) of the respective rates per annum notified to Exchange Group or the Reference Agent such quotations (or such of them, being at least two, as provided) as determined by the Reference Agent.

(iv) Payments of the B Share Continuing Dividend shall be made to holders of the B Shares on the register on a date selected by the Directors being not less than 15 days or more than 42 days (or, in default of selection by the Directors, on the date falling 15 days) prior to the relevant Payment Date.

(v) The holders of the B Shares shall not be entitled to any further right of participation in the profits of Exchange Group.

(vi) All preferential dividends payable on the B Shares which are unclaimed for a period of 12 years from the date of due payment shall be forfeited and shall revert to Exchange Group.

1.3. Capital – Initial Redemption

The Shareholders who have elected as part of the Proposals for Alternative 2: Initial Redemption, and, unless the Board of Exchange Group otherwise determines, those Shareholders not making a valid election before 11.00 a.m. on 19 May 2006, will have their B Shares redeemed by Exchange Group on 22 May 2006 or such other date as the Directors of Exchange Group shall determine. There shall be paid to holders of the B Shares the sum of £2.00 in respect of each B Share which they have selected, or deemed to have selected, to be subject to Alternative 2.

1.4. Capital – Future Redemption Right

The Shareholders who have elected as part of the Proposals for Alternative 3: Future Redemption Right, will be able to make further elections to have some or all of their B Shares redeemed at £2.00 in respect of each B Share which they have selected to be subject to Alternative 3. The redemption can take place semi-annually on 1 June and 1 December in each year (or if any such day is not a Business Day, the next following day that is a Business Day (without any interest or payment in respect of such delay) (each a ***Redemption Date***)) until the Final Deferred Redemption Date. The first Redemption Date is expected to be 1 December 2006.

Upon the Final Deferred Redemption Date, or at any time after the third anniversary of the Scheme Effective Date, or, when the total number of B Shares remaining in issue becomes less than 25% of the total number of B Shares issued, Exchange Group may (subject to the provisions of the Companies Act and every other statute, statutory instrument, regulation or order in force concerning companies regulated under the Companies Act including the Listing Rules), on giving notice in writing to the holders of the B Shares, redeem all but not some only of the B Shares then in issue on that date specified in the notice, which shall not be less than 10 days nor more than 42 days from the date of such notice (a ***Redemption Call Date***) in such a manner as the Directors may determine, including the manner set out in Exchange Group Articles. The redemption shall be on the basis of £2.00 per B Share.

On any Redemption Call Date, each holder of B Shares being redeemed shall be entitled to a dividend which is equal to the relevant proportion of the B Share Continuing Dividend in respect of the B Shares so redeemed which would have been payable, if the Redemption Call Date was the same as the last day of the then current Calculation Period. The relevant proportion shall be the number of days from and including the last Payment Date to but excluding the Redemption Call Date divided by 183. The aggregate amount of the B Share Continuing Dividend payable to each holder of B Shares shall be rounded down to the nearest whole penny.

On a return of capital on a winding-up (except on a redemption in accordance with the terms of issue of any share, or purchase by Exchange Group of any share or on a capitalisation issue and subject to the rights of any other class of shares that may be issued) there shall be paid to the holders of the B Shares the sum of £2.00 in respect of each B Share held by them respectively, together with a sum equal to the relevant proportion of the B Share Continuing Dividend which would have been payable if the winding-up had taken effect on the last day of the then current Calculation Period. The relevant proportion shall be the number of days from and including the preceding Payment Date (or if the date of such winding-up is prior to the first Payment Date, the number of days from and including the Scheme Effective Date) to, but excluding, the date of such winding-up divided by 183. The aggregate entitlement of each holder of B Shares on a winding-up in respect of all of the B Shares held by them shall be rounded down to the nearest whole penny. The holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of Exchange Group. If on such a winding-up the amount available for payment is insufficient to cover in full the amounts payable on the B Shares, the holders of such shares will share on a pro rata basis in the distribution of assets (if any) in proportion to the full preferential amounts to which they are entitled.

1.5. Attendance and voting at general meetings

The holders of the B Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meetings of Exchange Group or to attend, speak or vote at any such general meetings.

1.6. Purchase

Subject to the provisions of the Companies Act and every other statute, statutory instrument, regulation or order in force concerning companies registered under the Companies Act (including the Listing Rules), but without the need to obtain the sanction of an extraordinary resolution of the holders of the B Shares, Exchange Group may at any time and at its sole discretion purchase B Shares: (i) in the market; (ii) by tender available alike to all holders of B Shares; or (iii) by private treaty, in each case at a price and upon such other terms and conditions as the Directors of Exchange Group may think fit.

1.7. Class Rights

Exchange Group may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the B Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose.

A reduction by Exchange Group of the capital paid up on the B Shares shall be in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose and Exchange Group shall be authorised at any time to reduce its capital (subject to the confirmation of the Court in accordance with the Companies Act and without obtaining the consent of the holders of the B Shares).

1.8. Form and Transferability

The B Shares are not renounceable and will be freely transferable by an instrument of transfer in any usual form or in any other form which the Board of Exchange Group may approve. Exchange Group will apply for the B Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in B Shares may take place within the CREST system in respect of general market transactions.

1.9. Business Day

In this Part, the expression ***Business Day*** means a day upon which pounds sterling deposits may be dealt with on the London inter-bank market and commercial banks are generally open in London and ''non-cumulative'' in relation to the preferential dividend means that the dividend payable on each Payment Date is payable out of the profits of Exchange Group available for distribution in respect of the accounting reference period in which the Payment Date falls (including any reserves representing profits made in previous accounting reference periods) without any right in the case of a deficiency to resort to profits made in subsequent accounting reference periods.

2. Rights and restrictions of the Deferred Shares

The following are the rights of the Deferred Shares and the restrictions to which they are subject, which are reflected in the Exchange Group Articles.

2.1. Income

Subject to the payment of the B Share Continuing Dividend on the B Shares and to the rights attached to any other share or class of share, the holders of the Deferred Shares shall be entitled to be paid a dividend out of the profits available for distribution in respect of any financial year or other accounting period of Exchange Group and determined to be paid provided that no such dividend shall be payable in respect of any financial year or other accounting period of Exchange Group in respect of which no dividend has been declared on the New Ordinary Shares or a dividend (excluding the amount of any associated tax credit) of less than £100,000 per New Ordinary Share has been declared. The Deferred Shares shall confer no further right to participate in the profits of Exchange Group.

2.2. Capital

On a return of capital on a winding-up (and for the avoidance of doubt, excluding conversion or redemption or reduction of capital in accordance with the terms of issue of any share, or purchase by Exchange Group of any share or on a capitalisation issue and subject to the rights of any other class of shares that may be issued) there shall be paid to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares after:

(a) firstly, paying to the holders of the B Shares the nominal capital paid up or credited as paid up on the B Shares held by them together with any outstanding entitlement to the B Share Continuing Dividend up to the Payment Date last preceding the Return; and

(b) secondly, paying to the holders of the New Ordinary Shares the nominal capital paid up or credited as paid up on the New Ordinary Shares held by them respectively together with the sum of £100,000 on each New Ordinary Share.

The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of Exchange Group.

2.3. Redemption/Cancellation

Subject to the provisions of the Companies Act and to the provisions of the Exchange Group Articles, Exchange Group may, at any time, without prior notice, redeem all Deferred Shares then in issue for a total aggregate price not exceeding one pence for all such Deferred Shares if redeemed or for nil consideration if cancelled.

2.4. Attendance and voting at general meetings

The holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of Exchange Group or to attend, speak or vote at any such meeting.

2.5. Form

The Deferred Shares will not be listed on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall not be transferable.

2.6. Class rights

Exchange Group may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of holders of Deferred Shares.

The reduction by Exchange Group of the capital paid up on the Deferred Shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and Exchange Group shall be authorised at any time to reduce its capital (subject to the confirmation of the Court in accordance with the Companies Act) without obtaining the consent of the holders of the Deferred Shares.

PART 12:
UK TAXATION

1. General

1.1. The following summary is intended as a general guide only and relates only to certain UK tax consequences of receiving the New Ordinary Shares and B Shares under the Scheme. It is based on current UK tax law and the current practice of UK HM Revenue & Customs, both of which are subject to change, possibly with retrospective effect. The summary is intended to apply only to Shareholders who are resident in the UK for UK tax purposes, who hold the New Ordinary Shares and B Shares as investments and not on trading account and who are the beneficial owners of the New Ordinary Shares and B Shares. The summary is not intended to apply to certain classes of shareholders such as dealers in securities, insurance companies or collective investment schemes. The tax treatment of participants in the Exchange Employee Share Schemes may be different from that described below. Participants should also read the additional information sent to them and/or consult their own independent tax advisers.

1.2. Any Shareholders or prospective Shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and/or disposal of the New Ordinary Shares and B Shares and/or who are subject to tax in a jurisdiction other than the UK should consult their own independent tax advisers.

2. The Reorganisation

2.1. For the purposes of the UK taxation of capital gains and corporation tax on chargeable gains, the cancellation of the Existing Ordinary Shares and the issue of New Ordinary Shares and B Shares should be treated as a reorganisation of share capital. UK resident Shareholders should obtain rollover relief in respect of the cancellation of Existing Ordinary Shares and the issue to them of the New Ordinary Shares and B Shares. Accordingly, UK resident Shareholders should not be treated as making a disposal of the Existing Ordinary Shares for the purposes of UK taxation of chargeable gains as a result of that cancellation.

2.2. Shareholders who alone, or together with connected persons, hold more than five per cent of the Existing Ordinary Shares will be eligible for the above treatment only if the Scheme is effected for bona fide commercial reasons and does not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of a liability to capital gains tax or corporation tax. In the opinion of Exchange Group, as confirmed by leading Counsel, the Scheme should be regarded as being effected for bona fide commercial reasons and should not form part of a scheme or arrangements of which the main purpose, or one of the main purposes, is avoidance of a liability to capital gains tax or corporation tax.

2.3. The sale, on behalf of Shareholders, of fractional entitlements to New Ordinary Shares resulting from the Scheme should not constitute a disposal of Existing Ordinary Shares by UK resident Shareholders. The amounts of any payments received by such Shareholders on the sale of fractional entitlements to New Ordinary Shares should, in practice, be deducted from the base cost of any New Ordinary Shares and B Shares received.

2.4. For the purposes of the UK taxation of capital gains and corporation tax on chargeable gains, the reduction of capital of Exchange Group, which will be effected by decreasing the nominal value of each New Ordinary Share and by alloting Class A Ordinary Shares and then reducing and immediately cancelling the Class A Ordinary Shares, should be treated as a reorganisation of share capital. Accordingly, UK resident Shareholders should not be treated as making a disposal of the New Ordinary Shares and Class A Ordinary Shares for the purposes of UK taxation of chargeable gains as a result of that reduction of capital.

3. Dividends

3.1. Under current tax law, Exchange Group will not be required to withhold tax at source from dividend payments it makes.

(a) Individuals

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from Exchange Group will generally be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual Shareholder's liability to income tax is calculated on the aggregate of the net dividend and the related tax credit (the ''gross dividend'') which will be regarded as the top slice of the individual's income. The tax credit will be equal to one-ninth of the cash dividend paid, or ten per cent of the gross dividend.

A UK resident Shareholder who is liable to income tax at the starting, lower or basic rate will be subject to income tax on dividends paid by Exchange Group at the rate of ten per cent of the gross dividend so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend. If and to the extent that a UK resident individual Shareholder is liable to pay income tax at the higher rate he will be subject to income tax on the gross dividend at 32.5%. After taking into account the tax credit, such a Shareholder will have to account for additional tax equal to 22.5% of the gross dividend (an effective tax rate of 25% of the net cash dividend received).

Shareholders who are not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit.

(b) Companies

A corporate Shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from Exchange Group. A corporate Shareholder will not be able to claim repayment of the tax credit attaching to any dividend.

4. Capital Gains

(a) Initial B Share Dividend

For the purposes of the taxation of UK capital gains, the Initial B Share Dividend (and the consequent conversion of the B Shares into Deferred Shares) will not be treated as giving rise to a disposal or part disposal of the B Shares.

Scheme Shareholders who receive the Initial B Share Dividend should note that a proportion of the base cost of their original holding of Existing Ordinary Shares will be attributed to the B Shares and this amount should continue to be attributed to those B Shares following their reclassification as Deferred Shares (notwithstanding that the Deferred Shares have limited rights or value). Correspondingly, only a proportion of the base cost of the original holding of Existing Ordinary Shares will be available on a disposal of New Ordinary Shares.

Shareholders who wish to be able to use any capital loss in respect of their Deferred Shares will have to dispose of those shares. A deemed disposal may be effected by means of an appropriate negligible value claim. In addition, a redemption or cancellation will be treated as a disposal for capital gains tax purposes. However, Shareholders should note that whether it is advantageous to effect a disposal by transferring their Deferred Shares by means of a negligible value claim at any particular time will depend on the particular circumstances of each Shareholder. Shareholders who are in any doubt as to whether, and if so when, to effect a disposal should consult their own taxation advisers.

Shareholders liable to corporation tax should note that it is possible that section 30 TCGA 1992 could be applicable to such a Shareholder who elects for the Initial B Share Dividend. If it were applied, the effect would be broadly to deny any loss or impute a chargeable gain attributable to the payment of that dividend, depending on the apportionment of the base cost of the Existing Ordinary Shares between the New Ordinary Shares and the B Shares.

(b) Redemption of B Shares

On redemption of all or any of the B Shares, a Shareholder may, depending on his individual circumstances, be subject to UK tax on the amount of any chargeable gain realised. The Shareholder's original base cost in his Existing Ordinary Shares will be attributed between the New Ordinary Shares and the B Shares, so only a proportion of the base cost of the original holding of Existing Ordinary Shares will be available on a redemption of the B Shares.

No part of the proceeds received by a Shareholder on redemption of all or part of the B Shares will be an income distribution in the Shareholder's hands. The proceeds of the redemption will not constitute franked investment income in the hands of a corporate Shareholder.

5. UK Inheritance and Gift Taxes

5.1. New Ordinary Shares and B Shares beneficially owned by an individual will be subject to inheritance tax on the death of the individual or, in certain circumstances, if the New Ordinary Shares and B Shares are the subject of a gift by such individual even where the individual

Shareholder is neither domiciled nor deemed to be domiciled in the UK under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Inheritance tax is not generally chargeable on gifts to individuals or to certain types of settlement made more than seven years before the death of the donor. Inheritance tax is chargeable on shares situated in the UK at the time of the death or gift. Registered shares are situated where they are registered, which is generally the place where the share register is maintained and where transfer of the shares can be legally executed. Special rules also apply to close companies and to trustees of certain settlements that hold New Ordinary Shares and B Shares which may bring them within the charge to inheritance tax.

5.2. Shareholders should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any New Ordinary Shares and B Shares through trust arrangements.

5.3. Shareholders should also seek professional advice in a situation where there is a potential for a double charge to UK inheritance tax and an equivalent tax in another country.

6. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

6.1. Except in relation to depository receipt arrangements or clearance services where special rules apply:

(i) no stamp duty or SDRT will be payable on the creation of New Ordinary Shares or B Shares pursuant to the Scheme;

(ii) where Shareholders elect to redeem B Shares, the redemption of those B Shares will not give rise to a liability to stamp duty or SDRT; and

(iii) an agreement to sell New Ordinary Shares or B Shares will normally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent of the actual consideration paid. If an instrument of transfer of the New Ordinary Shares or B Shares is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent (rounded up to the nearest multiple of £5) of the actual consideration paid. When stamp duty is paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

7. Anti-avoidance Provisions

7.1. In certain circumstances, section 703 Income and Corporation Taxes Act 1988 (ICTA) may apply where a person obtains a tax advantage in consequence of a ‘‘transaction in securities’’. If these provisions were to apply to the Scheme, the general effect would be to counteract the tax advantage obtained. Exchange Group has not applied to HM Revenue & Customs for a clearance under section 707 ICTA in this regard. However, in the opinion of Exchange Group, as confirmed by leading Counsel, section 703 ICTA should not generally apply to Scheme Shareholders who receive New Ordinary Shares and B Shares pursuant to the Scheme.

7.2. New anti-avoidance rules provide that in certain circumstances redeemable shares held by companies and which are designed to produce a return which equates to a commercial rate of interest may be characterised as debt for tax purposes. The consequences of such recharacterisation would be that, subject to transitional rules, dividends and profits and losses would fall to be recognised under the loan relationship regime. The new rules may apply to the B Shares held in the following limited circumstances:

(i) by companies which (together with connected persons) acquired at least ten per cent of the B Shares and the main purpose, or one of the main purposes, of the acquisition of the shares was tax avoidance; or

(ii) by companies whose main purpose, or one of whose main purposes, in acquiring the B Shares was to avoid section 95 ICTA; or

(iii) by companies which are associates of banks (unless such companies can show that they carry on a business of making and holding investments and that the shares were acquired in the ordinary course of that business).

8. PEPs and ISAs

8.1. If existing Shareholders of the Exchange currently hold their Existing Ordinary Shares in a PEP or the stocks and shares component of an ISA, the New Ordinary Shares and B Shares should qualify for inclusion in a PEP or in the stocks and shares component of an ISA.

PART 13:
ADDITIONAL INFORMATION

1. Incorporation and registered office of Exchange Group and the Exchange

1.1. Exchange Group was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act as a private company limited by shares with registered number 5369106 and with the name Milescreen Limited. On 16 November 2005 it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it re-registered as a public limited company pursuant to section 43 of the Companies Act and changed its name to London Stock Exchange Group plc.

1.2. The registered and head office of Exchange Group is at 10 Paternoster Square, London EC4M 7LS. The telephone number is 020 7797 1000.

1.3. The principal legislation under which the Exchange Group will operate and the New Ordinary Shares will be created is the Companies Act.

1.4. Exchange Group has not traded since its incorporation. PricewaterhouseCoopers LLP, whose address is Southwark Towers, 32 London Bridge Street, London SE1 9SY, are the auditors of Exchange Group and have been the only auditors of Exchange Group since its incorporation.

1.5. PricewaterhouseCoopers LLP, whose address is Southwark Towers, 32 London Bridge Street, London SE1 9SY are the auditors of the Exchange. PricewaterhouseCoopers LLP audited the financial statements of the Exchange for the years ended 31 March 2003, 31 March 2004 and 31 March 2005. The reports in respect of the financial statements for each of the three years to 31 March 2005 were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act.

1.6. The Exchange was incorporated and registered in England and Wales with registered number 2075721 on 19 November 1986 as a private limited company under the Companies Act with the name The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. On 9 December 1995, the Exchange changed its name to London Stock Exchange Limited. On 8 June 2000, the Exchange was re-registered as a public limited company pursuant to section 43 of the Companies Act and changed its name to London Stock Exchange plc. On 20 July 2001, the shares of the Exchange were listed on the Official List of the UKLA and admitted to trading on the London Stock Exchange.

2. Share capital of Exchange Group

2.1. On incorporation the authorised share capital of Exchange Group was £1,000 divided into 1,000 ordinary shares of £1.00 each. Of such shares, one ordinary share was taken by the subscriber to the memorandum of association and was paid up in full. On 20 October 2005, the subscriber's ordinary share of £1.00 was transferred to Oded Shomroni, an employee of the Exchange. On 5 December 2005, Catherine Thomas, an employee of the Exchange, subscribed for one ordinary share of £1.00 in Exchange Group which was paid up in full.

2.2. On 5 December 2005, resolutions were passed by the shareholders of Exchange Group at that time to the effect that:

(a) the authorised share capital was increased from £1,000 to £51,000 by the creation of one fixed rate redeemable preference share of £50,000 (the ***Redeemable Preference Share***);

(b) amended Exchange Group Articles including the rights associated with the Redeemable Preference Share and other changes relating to the re-registration of Exchange Group as a public limited company were adopted;

(c) the Redeemable Preference Share was created and allotted as paid up in full in order to enable Exchange Group to obtain a certificate to commence business under section 117 of the Companies Act. Following completion of the Scheme, the Redeemable Preference Share, to the extent that it has been issued but remains unredeemed, will continue to be held by the holder thereof, but will carry no right to vote. The Redeemable Preference Share may be redeemed by Exchange Group by notice to the holder thereof and upon any redemption the Redeemable Preference Share will be cancelled and Exchange Group will pay to the holder thereof the amount paid up on such Redeemable Preference Share. Exchange Group intends to redeem the Redeemable Preference Share as soon as reasonably practicable after the Scheme Effective Date.

2.3. On 9 March 2006, resolutions were passed at an extraordinary general meeting of the Exchange Group to the effect that:

(a) the authorised share capital of the Exchange Group was increased by the creation of:

a. 350,000,000 New Ordinary Shares of £5.00 each having the rights of ordinary shares as set out in the Exchange Group Articles;

b. 260,000,000 B Shares of £2.00 each having the rights and being subject to the restrictions summarised in Part 11 of this document; and

c. 99,999,900,000 Class A Ordinary Shares of 1 pence each having the rights of ordinary shares as set out in the Exchange Group Articles; and

(b) each of the existing 1,000 ordinary share of £1.00 each in the capital of the Company was sub-divided and reclassified into 100,000 Class A Ordinary Shares of 1 pence.

In the event that in connection with the Scheme the issue of New Ordinary Shares with a nominal value of £5.00 each would or may (in the reasonable opinion of the directors of Exchange Group) result in the issue of Exchange Group's shares at a discount, Exchange Group will prior to the Scheme becoming effective take steps in accordance with the provisions of the Exchange Group and the Companies Act to procure that the New Ordinary Shares are issued with a lower nominal value which is, in the reasonable opinion of the Directors of Exchange Group, appropriate to ensure that such New Ordinary Shares are not issued at a discount to their nominal value.

2.4. On 17 March 2006, a resolution was passed at an extraordinary general meeting of Exchange Group to the effect that the authorised share capital of Exchange Group was increased by the creation of a further 300,000,000,000 Class A Ordinary Shares of 1 pence each having the rights of ordinary shares set out in the Exchange Group Articles.

2.5. Catherine Thomas and Oded Shomroni, employees of the Exchange, each currently hold 100 Class A Ordinary Shares of 1 pence. It is expected that, following the Scheme becoming effective, these shares will be reduced and cancelled as part of the Exchange Group Reduction of Capital with no consideration payable to the holders.

2.6. JPMorgan Cazenove holds the Redeemable Preference Share. It is expected that, following the Scheme becoming effective, the Redeemable Preference Share will be redeemed for an amount equal to the amount paid up on such Redeemable Preference Share.

2.7. Accordingly, as at the date of this document, the authorised and issued share capital of Exchange Group is, and immediately prior to completion of the Scheme will be, as follows:

	Authorised		Issued and fully paid	
Class	**Number**	**Nominal Value**	**Number**	**Nominal Value**
New Ordinary Shares	350,000,000	5.00	Nil	Nil
B Shares	260,000,000	2.00	Nil	Nil
Class A Ordinary Shares	400,000,000	0.01	200	2.00
Redeemable Preference Share	1	50,000	1	50,000

2.8. On 13 April 2006, resolutions were passed at an extraordinary general meeting of Exchange Group to the effect that, conditional on the Scheme becoming effective:

(a) immediately upon the Scheme becoming effective all ordinary shares of £5.00 each in the capital of the Company resulting from the Scheme to which the persons (the ***New Shareholders***) entered on the register of members of the Exchange at 5.00 p.m. on the later of 12 May 2006 or the business day immediately preceding the date on which the Scheme becomes effective (the ***Scheme Record Time***) shall be entitled pursuant to the Scheme (including any entitlement to a fraction of an ordinary share in the Company that any New Shareholders may have as a result of the Scheme) (the ***Share Entitlement***) shall be consolidated into one ordinary share in the capital of the Company with a nominal value equal to the product of £5.00 and such Share Entitlement and immediately thereafter such one ordinary share arising as a result of such consolidation shall be sub-divided into ordinary shares with a nominal value equal to the Adjusted Nominal Value, being ''ANV'' as calculated in accordance with the following formula:

$$ANV = \frac{£5.00}{M}$$

Where:

ANV = the Adjusted Nominal Value.

M = the multiplication factor necessary to achieve the Adjusted Nominal Value and is calculated according to the following formula:

$$M = \frac{4 * RCR}{3}$$

RCR = the Required Consolidation Ratio, being the fraction with both numerator and denominator being integers of no more than two digits each which has the result when expressed as a decimal which is equal to, or closest to, the result of the following formula when expressed as a decimal:

$$\frac{CP - £2.00}{CP}$$

CP = the closing middle market quotation of the ordinary shares in London Stock Exchange plc as derived from the Daily Official List of the London Stock Exchange on the later of 12 May 2006 and the business day immediately preceding the date on which the Scheme becomes effective;

(b) all of the authorised ordinary shares of £5.00 each in the capital of the Company that are not subject to the Share Entitlement as described in sub-paragraph (a) above shall be consolidated into one ordinary share in the capital of the Company with a nominal value equal to the product of £5.00 and such number of ordinary shares and immediately thereafter such one ordinary share arising as a result of such consolidation shall be sub-divided into ordinary shares with a nominal value equal to the Adjusted Nominal Value provided that where such sub division results in a fraction of an ordinary share, such fraction shall be cancelled pursuant to section 121(2)(e) of the Act;

(c) each New Shareholder shall receive shares in the Company on the basis of the Required Consolidation Ratio as calculated in accordance with the formula referred to in sub-paragraph (a) above and, accordingly, the directors of the Company (or any person appointed by the director of the Company) shall be authorised prepare the register of members of the Company on the basis of the Required Consolidation Ratio applied to the number of ordinary shares held by each New Shareholder in the Exchange at the Scheme Record Time; and

(d) if a shareholder is entitled to a fraction of an ordinary share as a result of the consolidation and subdivision, such fraction shall, so far as possible, be aggregated with other such fractions into ordinary shares with nominal value equal to the Adjusted Nominal Value (the ***Fractional Entitlement Shares)*** and the directors of the Company be and are hereby authorised to sell (or appoint any other person to sell), on behalf of the relevant members, all the Fractional Entitlement Shares, at the best price reasonably obtainable, and to pay the proceeds of sale in due proportion among the relevant members entitled thereto (any fraction of a penny which would otherwise be payable being rounded down to the nearest penny if less than half a penny and rounded up if more than or equal to a half penny) and that any director of the Company (or any person appointed by the Company) be and is hereby authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant shareholders.

(e) The shareholders of Exchange Group also resolved in the resolutions passed at the extraordinary general meeting of Exchange Group held on 13 April 2006 that subject to confirmation by the Court as required by section 135(1) of the Act, following Scheme becoming effective and the share consolidation and sub-division referred to in paragraph 2.8(a) above, the share capital of Exchange Group be reduced by reducing the nominal value of the fully paid up ordinary shares in the Company in issue from the Adjusted Nominal Value (as referred to in paragraph 2.8(a) to the Required Nominal Value, being ''RNV'' as calculated in accordance with the following formula:

$$RNV = \frac{ENV}{RCR}$$

Where:

ENV = the Exchange Nominal Value, being 5⅚ pence, the nominal value of the existing ordinary shares in London Stock Exchange plc.

RNV = the Required Nominal Value, expressed in whole pence and, if necessary, a fraction of whole pence, with both numerator and denominator of such fraction being integers of no more than two digits each.

RCR = the Required Consolidation Ratio as defined in paragraph 2.8(a) above; and

the nominal value of the ordinary shares of the Company not in issue were reduced to the Required Nominal Value;

(f) sanction be given to the Directors of Exchange Group to capitalise any amount standing to the credit of Exchange Group's merger reserve resulting from the Scheme becoming effective and, accordingly that the Directors be unconditionally authorised and directed to appropriate such sum to the Scheme Shareholders in the same proportions in which such sum would have been divisible amongst them if it were distributed by way of dividend and to apply such sum on their behalf in paying up in full Class A Ordinary Shares in the Company of one pence each and to allot such shares at par credited as fully paid;

(g) subject to the passing of the resolution referred to in (a) above, and subject to and conditional upon the New Ordinary Shares and B Shares required to be issued by Exchange Group pursuant to the Scheme having been registered in the name of the persons entitled thereto the share capital of Exchange Group be reduced by: (a) reducing and immediately cancelling all of the paid share capital on the Class A Ordinary Shares; and (b) reducing and immediately cancelling all authorised but unissued Class A Ordinary Shares;

(h) the Directors were generally and unconditionally authorised in accordance with section 80 of the Companies Act to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £6,269,999,998 as required for the purposes of the Scheme.

2.9. On 4 May 2006, resolutions were passed at an extraordinary general meeting of Exchange Group to the effect that, conditional on the Scheme becoming effective:

(a) the Directors are generally and unconditionally authorised in accordance with section 80 of the Companies Act to allot relevant securities (within the meaning of that section):

(i) up to an aggregate nominal amount of £4,950,000 (representing approximately one third of the expected issued ordinary share capital of Exchange Group immediately following completion of the Scheme and the Reduction of Capital) on such terms as the Directors think fit; and

(ii) such authority to expire on the conclusion of the next annual general meeting of Exchange Group (unless previously revoked or varied by the Company in general meeting), whichever is earlier, save that Exchange Group, pursuant to the authority granted by that resolution may enter into a contract to allot relevant securities which would or might be completed wholly or partly after such expiry;

(b) the Directors are generally empowered (pursuant to section 95 of the Companies Act) to allot securities (within the meaning of section 94(2) of the Companies Act) for cash as if section 89(1) of the Companies Act did not apply to such allotment at any time up to the conclusion of the next annual general meeting of Exchange Group (unless previously revoked or varied by the Company in general meeting), whichever is earlier:

(i) in connection with an offer to Shareholders of the Exchange of shares in the capital of Exchange Group in proportion (as nearly as maybe) to their existing holdings of New Ordinary Shares in the Exchange but subject to such exclusions or other arrangements in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any applicable body or stock exchange in another territory; and

(ii) up to an aggregate nominal amount of £742,500 (representing approximately five per cent of the expected issued ordinary share capital of Exchange Group immediately following implementation of the Scheme and the Exchange Group reduction of Capital), but so that Exchange Group, pursuant to the power granted by that resolution, may enter into a contract to allot equity securities which would or might be completed wholly or partly after the expiry of such power;

(c) conditional upon the Reduction of Capital becoming effective, that Exchange Group be generally and unconditionally authorised to make market purchases (as defined in Section 163 of the Companies Act 1985) of its ordinary shares of 7⁷⁄₉ pence (or such other nominal value as Exchange Group shall resolve) provided that:

(i) it does not purchase under this authority more than 19,000,000 New Ordinary Shares (representing approximately ten per cent of the expected number of issued New Ordinary Shares of Exchange Group immediately following implementation of the Scheme and the Exchange Group Reduction of Capital);

(ii) it does not pay less than RNV for each New Ordinary Share (being the nominal value of a New Ordinary Share following the Exchange Group Reduction of Capital);

(iii) it does not pay more for each New Ordinary Share than the higher of (i): the amount equal to 105% of the average of the middle market price of the New Ordinary Shares for the five business days immediately preceding the date on which Exchange Group agrees to buy the New Ordinary Shares concerned and (ii) an amount equal to the higher of the price of the last independent trade of a New Ordinary Share and the highest current independent bid for an ordinary share as derived from the Stock Exchange Electronic Trading Service (***SETS***);

(iv) this authority shall continue in force until the conclusion of the next annual general meeting of Exchange Group (unless previously revoked or varied by the Company in general meeting), whichever shall be the earlier; and

(v) it may agree before the authority terminates under (iv) above to purchase New Ordinary Shares where the purchase will or may be executed after the authority terminates (either wholly or in part). Exchange Group may complete such a purchase even though the authority has terminated;

(d) the rules of the London Stock Exchange Long Term Incentive Plan 2004, the London Stock Exchange SAYE Scheme and the London Stock Exchange Share Incentive Plan are approved;

(e) new Exchange Group Articles, containing provisions appropriate for Exchange Group as a listed company, are adopted; and

(f) upon redemption of the Redeemable Preference Share in the share capital of Exchange Group, the Exchange Group Articles be amended by deleting all the terms relating to the Redeemable Preference Share.

2.10. The Exchange Group Articles which will be in place at the time of the Scheme Effective Date will be substantially the same as the current Exchange Articles adopted on 13 July 2005, although they will include a simplified procedure for shareholders to provide authority to the Directors of Exchange Group for allotment of New Ordinary Shares under section 80 of the Companies Act up to a prescribed amount for a prescribed period specified by ordinary or special resolution and for shareholders to disapply pre-emption rights under section 89 of the Companies Act up to a prescribed amount for a prescribed period and will increase the limit on aggregate fees payable to Non-Executive Directors (but excluding the Chairman) from £500,000 to £750,000.

2.11. The Exchange does not hold any Existing Ordinary Shares in treasury. The Directors of Exchange Group have no present intention to make any allotments pursuant to the authority contemplated in the resolution described in paragraph 2.9(c) above other than pursuant to the issue of shares following the exercise of options or vesting of share awards granted under the Exchange Employee Share Schemes.

2.12. The New Ordinary Shares and B Shares will, when issued, be in registered form and will be capable of being held in uncertificated form. No temporary documents of title have been or will be issued in respect of the New Ordinary Shares or the B Shares.

2.13. The New Ordinary Shares and B Shares have not been marketed and are not available in whole or in part to the public otherwise than pursuant to the Scheme.

2.14. No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of Exchange Group.

2.15. The Redeemable Preference Share will be in registered form but will not be listed or traded and will carry no rights to vote (other than at any meeting of its class).

2.16. Under the Scheme, Exchange Group will issue New Ordinary Shares and B Shares, credited as fully paid, to the Scheme Shareholders on the basis of one B Share with a value of 200 pence for every Existing Ordinary Shares that they hold and an appropriate number of New Ordinary Shares for the Existing Ordinary Shares that they hold to achieve the desired comparability to be fixed by reference to the share price of the Existing Ordinary Shares at that time held at the Scheme Effective Date and the Class A Ordinary Shares resulting from the capitalisation of the merger reserve of Exchange Group created upon the Scheme becoming effective shall be allotted and issued to the Shareholders of Exchange Group who are registered as holders of New Ordinary Shares of the persons required to be issued with New Ordinary Shares by Exchange Group pursuant to the Scheme and, together with the 200 Class A Ordinary Shares in issue at the date of this document, shall be reduced and immediately cancelled pursuant to the Exchange Group Reduction of Capital. It is proposed then to redeem the Redeemable Preference Share. Accordingly, the proposed authorised, issued and fully paid share capital of Exchange Group as it will be immediately following Admission (on the basis that the Redeemable Preference Share has been redeemed and that all options over shares in the Exchange exercisable before the Scheme Effective Date have been exercised) is as follows:

	Authorised		Issued and fully paid	
Class	**Number**	**Nominal Value**	**Number**	**Nominal Value**
New Ordinary Shares	350,000,000	RNV	To be confirmed	RNV
B Shares	260,000,000	£2.00	256,230,499	£2.00

2.17. The number of New Ordinary Shares in issue on the first day of dealing of New Ordinary Shares will be the number of Existing Ordinary Shares in issue on their last day of dealing multiplied by the new share conversion ratio, rounded down to the nearest whole number of shares. A statement with details of the authorised, issued and fully paid share capital of Exchange Group and the nominal value of the New Ordinary Shares following Admission, the Reduction of Capital and redemption of the Redeemable Preference Share will be published by Exchange Group pursuant to Rule 2.3.2 after the market closes on the last day of dealing of the Existing Ordinary Shares (expected to be 12 May 2006).

2.18. Application has been made to the UK Listing Authority for all the New Ordinary Shares and all the B Shares to be admitted to the Official List and to the London Stock Exchange for such New Ordinary Shares and B Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that the New Ordinary Shares will be equivalent to the Existing Ordinary Shares in all material respects, including their dividend, voting and other rights. The B Shares will carry entitlement to the B Share Continuing Dividend and will have limited voting rights.

2.19. The ISIN number for the New Ordinary Shares is GB00B0SWJX34.

2.20. The Company will apply for the B Shares to be admitted to CREST with effect from Listing so that general market transactions in the B Shares may be settled within the CREST system. In order to facilitate the B Share Alternative elections, the B Shares will, for the purposes of settlement in CREST only, be designated as ''interim B Shares'' under the ISIN GB00B0SXQG84 for the period from the Listing (15 May 2006) until the Initial B Share Dividend/Initial Redemption Offer is made (22 May 2006).

During this period CREST holders will have their accounts credited with ''interim B Shares'' to allow them to elect electronically through the CREST system.

From 22 May 2006, the B Shares will, for the purposes of dealings and settlement in CREST, be designated as ''B Shares'' and will be quoted in the Official List under the ISIN GB00B0SXD233

Accordingly, on 22 May 2006 those CREST holders who have elected to retain B Shares will have their CREST accounts credited with the ''B Shares'' under the new ISIN GB00B0SXD233.

3. Memorandum and Articles of Association

Memorandum of Association

The Memorandum of Association of Exchange Group provides that its principal objects are to carry on the business of an investment exchange and clearing house; to provide, manage and regulate markets in, and clearing and settlement services with respect to transactions in, investments of all kinds, whether direct or derivative, including financial instruments and currencies; and to provide facilities for the transaction of the businesses of broking, dealing, market-making, stocklending, investment management and advice and other businesses in the field of financial services. The objects of Exchange Group are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the address specified in paragraph 22 of this Part 13.

Articles of Association

The Exchange Group Articles include provisions to the following effect:

3.1 Share rights

Subject to the provisions of the Companies Act, and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as Exchange Group may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

The Board may issue shares which are to be redeemed or are liable to be redeemed at the option of Exchange Group or the holder. Subject to the Exchange Group Articles and to the Companies Act, the unissued shares of Exchange Group (whether forming part of the original or any increased capital) are at the disposal of the Board.

The rights attached to the B Shares and Deferred Shares are summarised in Part 11 of this document. The rights attaching to the New Ordinary Shares and Redeemable Preference Share are set out below.

3.1.1 Rights of Redeemable Preference Share

The Redeemable Preference Share carries a right to receive a fixed non-cumulative preferential dividend out of distributable profits at the rate of 0.0000001 per cent per annum from Exchange Group. Upon a return of assets in a winding up, the Redeemable Preference Share entitles its holder to repayment in full of the amount paid up together with a sum equal to any arrears of any declared but unpaid redeemable dividend prior to the distribution of assets available for distribution among members to any of the Shareholders. Save for the right to a redeemable dividend, the Redeemable Preference Share does not carry any rights to participate in the profits of Exchange Group. The holder of the Redeemable Preference Share is entitled to receive notice of and to attend any general meeting of Exchange Group but shall have no right to vote except if at the date of notice of the meeting the redeemable dividend to the holder is in arrears for more than six months and unless a resolution is proposed to approve the purchase by Exchange Group of its own shares reduce its capital or to wind up Exchange Group or to vary, modify, alter or abrogate the rights of such shares.

The terms of the Redeemable Preference Share provide that either: i) the holder of the Redeemable Preference Share can redeem it at any time by giving to Exchange Group written notice; or ii) Exchange Group can redeem it at any time after the second anniversary of the date of the allotment of the Redeemable Preference Share by giving not less than one month's written notice to the Redeemable Preference Share holder.

3.1.2 Voting rights on New Ordinary Shares

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting unless all moneys presently payable by him in respect of shares in Exchange Group have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 212 of the Companies Act and is in default for the prescribed period in supplying to Exchange Group the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that in respect of the shares in relation to which the default occurred the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

3.1.3 Dividends and other distributions on New Ordinary Shares

Subject to the provisions of the Companies Act, Exchange Group may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of Exchange Group available for distribution.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against Exchange Group unless otherwise provided by the rights attached to the share.

The Board may withhold payment from a person of all or any part of any dividend or other moneys payable in respect of shares in Exchange Group if those shares represent at least a 0.25 per cent interest in Exchange Group's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide Exchange Group with information concerning interests in those shares required to be provided under the Companies Act.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution of Exchange Group, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by Exchange Group.

Except as provided by the rights and restrictions attached to any class of shares, the holders of Exchange Group's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of Exchange Group and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

3.1.4 Variation of rights

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

3.1.5 Lien and forfeiture

Exchange Group shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to Exchange Group (whether presently or not) in respect of that share. Exchange Group may sell any share on which Exchange Group has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to Exchange Group the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by Exchange Group by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

3.1.6 Transfer of shares

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in Exchange Group from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

(i) is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(ii) is in respect of one class of share only; and

(iii) is in favour of not more than four persons.

The Board may refuse to register a transfer of shares in Exchange Group by a person if those shares represent at least a 0.25 per cent interest in Exchange Group's shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide Exchange Group with information concerning interests in those shares required to be provided under the Companies Act, unless: (i) the transfer is an approved transfer (as defined in the Exchange Group Articles); (ii) the member is not himself in default as regards supplying the information required and certifies that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer; or (iii) the transfer of the shares is required to be registered by the Uncertificated Securities Regulations 2001.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with Exchange Group.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

3.1.7 Alteration of share capital

Exchange Group may by ordinary resolution increase, consolidate or, subject to the Companies Act, sub-divide its share capital. Exchange Group may by ordinary resolution also cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled. Subject to the provisions of the Companies Act, Exchange Group may by special resolution reduce its share capital, capital redemption reserve and share premium account in any way.

3.1.8 Purchase of own shares

Subject to the Companies Act and without prejudice to any relevant special rights attached to any class of shares, Exchange Group may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

3.1.9 General meetings

The Board shall convene and Exchange Group shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act. The Board may call general meetings whenever and at such times and places as it shall determine.

3.2 Directors

3.2.1 Appointment of Directors

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board. A Director appointed by the Board holds office only until the next following annual general meeting and if not re-appointed at such annual general meeting shall vacate office at its conclusion.

3.2.2 Age of Directors

The provisions of the Companies Act with regard to ''Age limit for Directors'' shall not apply to Exchange Group but where the Board convenes any general meeting of Exchange Group at which (to the knowledge of the Board) a Director will be proposed for appointment or re-appointment who at the date for which the meeting is convened will have attained the age of 70 or more, the Board shall give notice of his age in years in the notice convening the meeting.

3.2.3 No share qualification

A Director shall not be required to hold any shares in the capital of Exchange Group by way of qualification.

3.2.4 Retirement of Directors by rotation

At every annual general meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment or in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. A retiring Director shall be eligible for re-election.

3.2.5 Remuneration of Directors

The emoluments of any Director holding executive office for his services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the Directors who do not hold executive office, but excluding the Chairman, (excluding amounts payable under any other provision of the Exchange Group Articles) shall not exceed in aggregate £750,000 per annum or such higher amount as Exchange Group may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. In addition, any Director who does not hold executive office and who serves on any committee of the Board, by the request of the Board goes or resides abroad for any purpose of Exchange Group or otherwise performs services outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Board may determine.

In addition to any remuneration to which the Directors are entitled under the Exchange Group Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of Exchange Group or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of Exchange Group or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

3.2.6 Permitted interests of Directors

Subject to the provisions of the Companies Act, and provided that he has disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office:

(i) may be a party to, or otherwise interested in, any transaction or arrangement with Exchange Group in which Exchange Group is otherwise interested;

(ii) may act by himself or his firm in a professional capacity for Exchange Group (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;

(iii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by Exchange Group or in which Exchange Group is otherwise interested; and

(iv) shall not, by reason of his office, be accountable to Exchange Group for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

3.2.7 Restrictions on voting

A Director shall not vote on any resolution of the Board concerning a matter in which he has an interest which (together with any interest of any person connected with him) is to his knowledge material, but these prohibitions shall not apply to:

(i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, Exchange Group or any of its subsidiary undertakings;

(ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of Exchange Group or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of Exchange Group or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(iv) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, Shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest (as that term is used in sections 198 to 211 of the Companies Act) representing one per cent or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(v) a contract, arrangement, transaction or proposal for the benefit of employees of Exchange Group or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

(vi) a contract, arrangement, transaction or proposal concerning any insurance which Exchange Group is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

3.2.8 Borrowing powers

The Board may exercise all the powers of Exchange Group to borrow money, to guarantee, to indemnify, to mortgage or change its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of Exchange Group or of any third party.

3.2.9 Indemnity of officers

Subject to the provisions of the Companies Acts but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director or other officer of Exchange Group shall be indemnified out of the assets of Exchange Group against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of Exchange Group.

4. Directors and others interested in Exchange Group

4.1. Details of the Directors and Senior Managers, their functions in Exchange Group and the Exchange, and relevant management expertise and experience are set out in paragraph 8 of Part 5 of this Prospectus under the heading ''Directors and Senior Management.''

4.2. Each of the Directors and the Senior Managers can be contacted at Exchange Group's registered office.

5. Directors' and Senior Managers' Interests

5.1. The interests of the Directors, the Senior Managers and persons connected with them (within the meaning of section 346 of the Companies Act), all of which are beneficial, in the issued share capital of the Exchange as at 3 May, the latest practicable date prior to publication of this Prospectus are as follows:

	Number of Existing Ordinary Shares	% Holding of Existing Ordinary Shares
Directors		
CS Gibson-Smith	60,214	0.0235
CHF Furse	355,085	0.1386
JAG Howell	111,483	0.0435
GA Allen	1,865	0.0007
J Cohen	1,443	0.0006
O Fanjul	25,976	0.0101
NJ Stapleton	1,645	0.0006
RS Webb	1,424	0.0006
Senior Managers		
CMJ Broad	60,599	0.0237
MP Graham	33,799	0.0132
P Kafka	2,060	0.0008
DA Lester	33,171	0.0129
NJ Stuchfield	28,966	0.0113

The number of New Ordinary Shares immediately following Admission will be calculated by reference to the consolidation ratio to be set on 12 May 2006.

The percentage holding of New Ordinary Shares is expected to remain the same as the percentage holding of Existing Ordinary Shares, subject to fractional entitlements.

Share awards and share options granted under the current and closed share schemes for the Directors and Senior Managers are summarised in paragraphs 5.5 to 5.6.

5.2. Save as disclosed in paragraphs 5.1, 5.5 and 5.6, none of the Directors or Senior Managers or their immediate families, nor any person connected with any Director or Senior Manager (within the meaning of section 346 of the Companies Act) will at Admission have any interest, whether beneficial or non beneficial, in any share or loan capital of Exchange Group or any of its subsidiaries

5.3. As at 3 May 2006, the latest practicable date prior to publication of this Prospectus; (i) no outstanding loans or guarantees have been granted or provided to or for the benefit of any Director by Exchange Group or any of its subsidiaries.

5.4. On the Proposals becoming effective, the Directors may have interests in New Ordinary Shares and B Shares arising pursuant to their interests under the Exchange Group Employee Share Schemes referred to in paragraph 7 of this Part 13. Directors are required (or, in the case of HM Revenue and Customs approved options granted under the SAYE Scheme, the Annual and Initial Plan and the ESOS, invited) to exchange their options and awards which have not been exercised at the effective date of the Proposals for equivalent rights over New Ordinary Shares. Where share options or share awards are subject to performance criteria based on the performance of the Exchange, the replacement share options and share awards will be subject to identical performance criteria linked to the performance of Exchange Group. Clara Furse has indicated that she will agree to roll over any HM Revenue & Customs approved share options which she holds under the SAYE Scheme. Jonathan Howell does not hold any options under the SAYE Scheme.

5.5. Current Share Schemes

(a) The London Stock Exchange Long Term Incentive Plan

The following performance share awards, the vesting of which is dependent on the achievement of performance targets, are held under the LTIP:

	Number of shares awarded	Price at award date (£)	Date of award	Final vesting date
Directors				
CHF Furse	27,687	3.63	15/07/04	15/07/07
	44,620	8.55	28/02/06	28/02/09
	72,307			
JAG Howell	18,194	3.63	15/07/04	15/07/07
	28,772	8.55	28/02/06	28/02/09
	46,966			
Senior Managers				
CMJ Broad	11,866	3.63	15/07/04	15/07/07
	17,544	8.55	28/02/06	28/02/09
	29,410			
MP Graham	16,375	3.63	15/07/04	15/07/07
	25,906	8.55	28/02/06	28/02/09
	42,281			
P Kafka	19,298	8.55	28/02/06	28/02/09
DA Lester	16,612	3.63	15/07/04	15/07/07
	25,497	8.55	28/02/06	28/02/09
	42,109			
NJ Stuchfield	26,368	3.63	15/07/04	15/07/07
	19,298	8.55	28/02/06	28/02/09
	45,666			

The following participants elected to invest a portion of their annual bonus in invested shares and were awarded matching shares, the vesting of which is dependent on the achievement of performance targets:

	Matching shares			
	Maximum number	Price at award date (£)	Date of award	Final vesting date
Directors				
CHF Furse	44,444	8.60	03/03/06	03/03/09
JAG Howell	27,480	8.64	06/03/06	06/03/09
Senior Managers				
CMJ Broad	11,581	8.64	09/03/06	09/03/09
MP Graham	87,376	3.43	20/08/04	20/08/07
	25,640	8.64	06/03/06	06/03/09
	113,016			
P Kafka	6,949	8.64	09/03/06	09/03/09
DA Lester	25,246	8.64	06/03/06	06/03/09
NJ Stuchfield	77,666	3.43	20/08/04	20/08/07
	19,109	8.64	09/03/06	09/03/09
	96,775			

(b) *The London Stock Exchange SAYE Option Scheme*

The following options are held under the SAYE Scheme:

	Number of shares under option	Option price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	6,048	2.79	16/08/01	01/10/06	01/04/07
Senior Managers					
CMJ Broad	8,880	1.90	07/12/00	01/01/06	01/07/06
MP Graham	5,833	2.73	01/08/03	01/09/08	01/03/09
NJ Stuchfield	5,580	2.93	30/07/04	01/09/09	01/03/10

5.6. Share Schemes Closed to New Awards

(a) *The London Stock Exchange Executive Share Option Scheme*

The following options, the vesting of which is dependent on the achievement of performance targets, are held under the ESOS:

	Number of shares under option	Option price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	76,924	3.90	15/07/02	15/07/05	15/07/12
	102,168	3.23	16/05/03	16/05/06	16/05/13
	87,072	3.79	20/05/04	20/05/07	20/05/14
	266,164				
JAG Howell	47,436	3.90	15/07/02	15/07/05	15/07/12
	61,920	3.23	16/05/03	16/05/06	16/05/13
	52,771	3.79	20/05/04	20/05/07	20/05/14
	162,127				
Senior Managers					
CMJ Broad	33,334	3.90	15/07/02	15/07/05	15/07/12
	44,892	3.23	16/05/03	16/05/06	16/05/13
	38,316	3.79	20/05/04	20/05/07	20/05/14
	116,542				
MP Graham	178,019	3.23	16/05/03	16/05/06	16/05/13
	47,494	3.79	20/05/04	20/05/07	20/05/14
	225,513				
P Kafka	139,333	3.45	18/08/04	18/08/07	18/08/14
DA Lester	47,436	3.90	15/07/02	15/07/05	15/07/12
	60,682	3.23	16/05/03	16/05/06	16/05/13
	51,678	3.79	20/05/04	20/05/07	20/05/14
	159,796				
NJ Stuchfield	158,312	3.79	20/05/04	20/05/07	20/05/14

(b) *The London Stock Exchange Initial Share Plan*

The following share options are held under the Initial Share Plan:

	Number of shares under option	Option price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	285,450	2.52	25/01/01	25/01/02	25/01/11
	211,450	3.15	25/01/01	25/01/02	25/01/11
	496,900				
JAG Howell	242,600	2.37	16/11/00	16/11/01	16/11/10
	179,700	2.97	16/11/00	16/11/01	16/11/10
	422,300				
Senior Managers					
CMJ Broad	109,240	2.37	16/11/00	16/11/01	16/11/10
	79,040	2.97	16/11/00	16/11/01	16/11/10
	188,280				

No share awards (as distinct from share option grants) remain unvested under the Initial Share Plan.

(c) *The London Stock Exchange Annual Share Plan*

The following share awards were granted under the Annual Share Plan:

	Number of shares awarded	Share price (£)	Date of award	Vesting date
MP Graham	34,056	3.23	16/05/03	05/05/06

The following share options are held under the Annual Share Plan:

	Number of shares under option	Option Price (£)	Date of grant	First vesting date	Expiry date
Directors					
CHF Furse	3,430	3.65	25/06/01	25/06/02	25/06/11
JAG Howell	12,350	3.65	25/06/01	25/06/02	25/06/11
Senior Manager					
CMJ Broad	8,240	3.65	25/06/01	25/06/02	25/06/11
DA Lester	87,800	3.65	25/06/01	25/06/02	25/06/11
	63,410	4.56	25/06/01	25/06/02	25/06/11
	151,210				

6. Director's Service Agreements and Letters of Appointment, Emoluments of Directors and Senior Managers and Other Interests

6.1. The Directors were appointed directors of the Exchange on the following dates:

Director	Position	Date
Chris Gibson-Smith	Chairman	1 May 2003
Clara Furse	Chief Executive	24 January 2001
Jonathan Howell	Director of Finance	25 March 1999
Gary Allen	Non-Executive Director	14 July 1994
Janet Cohen	Non-Executive Director	1 February 2001
Oscar Fanjul	Non-Executive Director	1 February 2001
Peter Meinertzhagen	Non-Executive Director	22 May 1997
Nigel Stapleton	Non-Executive Director	1 February 2001
Robert Webb QC	Non-Executive Director	1 February 2001

6.2. Each Executive Director has a service agreement with the Exchange which will continue after the Proposals become effective. The terms are set out below:

(a) Clara Furse entered into a service agreement with the Exchange on 24 January 2001 to act as Chief Executive. The service agreement may be terminated by Mrs Furse or the Exchange on not less than 12 months' notice. In addition, on a change of control of the Exchange, Mrs Furse has the right to terminate her contract on 30 days notice provided such notice is given within 30 days of the change of control. In the event of her (i) resignation following a change of control; (ii) an unlawful termination of her employment by the Exchange; or (iii) the Exchange terminating her employment in the event that she is unable to perform her duties due to illness or injury for a period of 6 months in any 12 month period and she is not eligible to receive a permanent health insurance benefit, Mrs Furse is entitled to a severance payment equal to one year's salary, benefits in kind and the amount of the last bonus awarded in the twelve month period prior to termination;

(b) Jonathan Howell entered into a service agreement with the Exchange dated 25 January 2000. His service agreement may be terminated by Mr Howell or the Exchange on not less than 12 months' written notice by the Exchange or Mr Howell;

(c) The Executive Directors each receive benefits in kind, principally private health care and life assurance arrangements. In addition, each of the Executive Directors is entitled to:

(i) participate in the Exchange Annual Bonus Plan. Bonus awards are approved by the Exchange's remuneration committee and are based on annual financial targets and individual performance; and

(ii) participate in the LTIP which comprises a conditional award of performance shares and an award of matching shares linked to investment by the Executive Directors in Existing Ordinary Shares;

(d) Exchange staff participate in a flexible benefit plan whereby they receive an allowance from which they can purchase additional benefits or receive all or a proportion as a cash supplement. This allowance is not used to calculate bonus payments or pension contributions. Clara Furse receives a flexible benefit allowance of £20,000 per annum. Jonathan Howell's flexible benefit allowance is £19,520 per annum; and

(e) Save as mentioned in this Part 13, there is no entitlement to commissions, profit sharing arrangements or any other specific compensation payments under the Executive Directors' service agreements.

6.3. On 4 May 2006, each of the Executive Directors entered into a letter of appointment with Exchange Group (to which the Exchange is also a party) which is conditional on the Proposals becoming effective. Under these letters of appointment the Executive Directors will be appointed to the Board of Directors of Exchange Group and will owe duties to Exchange Group. In the case of Clara Furse, the letter of appointment will also amend her service agreement so that her existing entitlement to a severance payment upon her resignation following a change of control of the Exchange (as described above) will not be exercised as a result of the Proposals but will be preserved upon a change of control of Exchange Group.

6.4. Each of the Non-Executive Directors except the Chairman has a letter of appointment, with no notice period, dated 1 February 2001 which sets out their responsibilities and commitments. Each of the appointments were for an initial period of three years and have been renewed until 31 January 2007, unless the Non-Executive Director is not re-elected by shareholders at the next Annual General Meeting at which he is required to stand for re-election.

6.5. The Chairman has a letter of appointment dated 7 April 2003. His appointment is for an initial period of three years until the AGM in 2006, is terminable on six months notice and is renewable for a further period of three years.

6.6. On 4 May 2006, the Non-Executive Directors including the Chairman entered into new letters of appointment with Exchange Group which are conditional on the Proposals becoming effective. Their respective appointment dates and terms of appointment will remain unaffected by these new letters of appointment.

6.7. The Non-Executive Directors including the Chairman are not eligible to participate in any incentive or pension arrangements.

6.8. Save as specified in paragraph 6.2, 6.3, 6.4 and 6.5, there are no existing or proposed service agreements between any of the Directors and Exchange Group, the Exchange or any of its subsidiaries.

6.9. There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year ended 31 March 2005.

6.10. In the financial year ended 31 March 2005 the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the directors of the Exchange is shown in the Remuneration Report on page 31 of the Annual Report 2005 and incorporated by reference herein.

6.11. The aggregate remuneration of the Senior Managers in the year ended 31 March 2005 was as follows:

Basic salary	£851,049
Benefits	£199,948
Performance related bonuses	£878,000
Total	£1,928,997

6.12. There are no amounts set aside or accrued by Exchange Group, the Exchange or its subsidiaries to provide pension, retirement or similar benefits to Directors or Senior Managers.

6.13. Other than current or former directorships of the Exchange, during the five years immediately prior to the date of this Prospectus, the Directors and the Senior Managers have been members of the administrative, management or supervisory bodies or partners of the companies or partnerships (excluding subsidiaries of any company of which he is also a member of the administrative, management or supervisory bodies) specified below:

Directors

Chris Gibson-Smith – current directorships are as follows: British Land Company plc, Qatar Financial Centre Authority, Arts & Business Limited and Arts & Business Services Limited. In addition, Chris Gibson has had the following former directorships: BP Car Finance Limited (resigned 2001), BP plc (resigned 2001), BP Pension Trustees Limited (resigned 2001), Powergen Limited (resigned 2002), The BOC Foundation (resigned 2003), Lloyds TSB Bank plc (resigned 2005), National Air Traffic Services Ltd (resignated 2005), NATS (En Route) Public Limited Company (resignated 2005), NATS (Services) Limited (resigned 2005), NATS Holding Limited (resigned 2005) and Institute for Public Policy Research (resigned 2005).

Clara Furse – current directorships are as follows: Euroclear plc and LCH.Clearnet Group Limited. In addition, Clara Furse has had the following former directorships: RICS Foundation (resigned 2005).

Jonathan Howell – current directorships are as follows: FTSE International Ltd. In addition, Jonathan Howell has had the following former directorships: CRESTCo (resigned 2001).

Gary Allen – current directorships are as follows: N V Bekaert SA, The National Exhibition Centre Ltd, NEC Finance plc and Temple Bar Investment Trust plc. In addition, Gary Allen has had the following former directorships: IMI Group Services (resigned 2001), IMI Kynoch Limited (resigned 2001), IMI Overseas Investment Limited (resigned 2001), The Lord's Taverners Limited (resigned 2001), Polypipe Building Products Limited (resigned 2001), Birmingham Royal Ballet Trust (resigned 2002), Birmingham Royal Ballet (resigned 2003), IMI plc (resigned 2004) and Industry in Education Limited (resigned 2005).

Janet Cohen – current directorships are as follows: BPP Holdings plc, Management Consulting Group plc, Proudfoot Trustees Limited and TRL Electronics plc. In addition, Janet Cohen has had the following former directorships: CCF Charterhouse Corporate Finance Limited (resigned 2001), and Defence Logistics Organisation (resigned 2005).

Oscar Fanjul – current directorships are as follows: Unilever plc, Marsh & McLennan Companies Inc., Lafarge, Acerinox, Omega Capital, S.L. and 59 Cadogan Place Limited. In addition, Oscar Fanjul has had the following former directorships: Ericsson S.A. (resigned 2001), Hidroelectrica del Cantabrico (resigned 2001), Banco Bilbao Vizcaya Argentaria (resigned 2002), and Técnicas Reunidas (resigned 2005).

Peter Meinertzhagen – former directorships are as follows:. ABN Amro Equities Holdings (UK) Limited (resigned 2004), ABN Amro Management Services (resigned 2004), Hoare Govett Trustees Limited (resigned 2004), Hoare Govett Limited (resigned 2004) and MVM Limited (resigned 2005).

Nigel Stapleton – current directorships are as follows: Ashley Walls Investment Limited, Reliance Security Group plc, Uniq plc and Uniq Prepared Foods Limited. In addition, Nigel Stapleton has had the following former directorships: PBI Media Limited (resigned 2001), The Royal Opera House (resigned 2001), ITE Group plc (resigned 2001), AXA UK plc (resigned 2002), Centaur Communications Limited (resigned 2002), Origindeal Limited (resigned 2002), Veronis Suhler

Stevenson International Limited (resigned 2002), M (2003) plc (resigned 2002) and Cordiant Communications Group plc (resigned 2003).

Robert Webb – current directorships are as follows: London First and Hakluyt & Company Limited. In addition, Robert Webb has had the following former directorships: British Airways Pension Trustees Limited (resigned 2002) and Air Mauritius (resigned 2005).

Senior Management

Chris Broad – no current or previous directorships.

Martin Graham – current directorships are as follows: FTSE International Limited and The Indo British Partnership Network.

Paul Kafka – no current or previous directorships.

David Lester – current directorship: Proquote Limited.

Nic Stuchfield – current directorship: EDX London Limited. In addition, Nic Stuchfield previously held the following directorships: The Stuchfield Consultancy Limited (resigned 2005), Barclays Directors Limited (resigned 2001), Markit Valuations Limited (resigned 2004) and Portfolio Tools Limited (resigned 2001).

6.14. Save as set out in paragraph 6.16 below, none of the Directors or the Senior Managers has any business interests nor performs any activities outside the Exchange which are significant with respect to the Exchange.

6.15. In the five years before the date of this Prospectus the Directors and the Senior Managers:

(i) do not have any convictions in relation to fraudulent offences;

(ii) do not have any bankruptcies, receiverships or liquidations through acting in the capacity of a member of administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company; and

(iii) do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

6.16. By virtue of her position as Chief Executive of the Exchange, Clara Furse was invited to be a director of LCH.Clearnet Group Limited and Euroclear, both of which provide services to the Exchange. Peter Meinertzhagen is Non-Executive Chairman of Hoare Govett Limited one of the Exchange's customers.

6.17. No outstanding loans or guarantees have been granted or provided to or for the benefit of any Director by Exchange Group, the Exchange or any of its subsidiaries.

6.18. None of the Directors or Senior Managers has or has had any interest, whether direct or indirect in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Exchange and which taken as a whole was effected by the Exchange in the current or two immediately preceding financial years of the Exchange or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

6.19. No Director has any conflict of interest between his duties to Exchange Group, the Exchange and any private interests or other duties.

6.20. There are no family relationships between any of the Directors.

7. Summary of Exchange Group Employee Share Schemes

7.1. Share awards and share options have been granted to employees (including Executive Directors) in previous years under the Exchange Employee Share Schemes in accordance with the rules of the relevant scheme prevailing at the time of grant. All plans established prior to 2004, with the exception of the SAYE scheme, have now been closed in respect of new awards.

7.2. Following Shareholder approval of resolution D in the Notice of Extraordinary General Meeting, and, in the case of the SAYE Scheme and the SIP, upon the approval of HM Revenue & Customs, the terms of the LTIP, the SAYE Scheme and the SIP will be amended so that appropriate references to Existing Ordinary Shares (and other relevant references) have been changed to New Ordinary Shares and appropriate references to Exchange have been changed to Exchange Group. This enables the LTIP, the SAYE Scheme, and the SIP to continue to operate in relation to New Ordinary Shares for the remainder of each scheme's life.

7.3. Further details of the Exchange Employee Share Schemes are incorporated by reference herein and set out in:

(i) for the LTIP and the SIP, the notice of annual general meeting dated 14 June 2004, pages 12 to 16;

(ii) for the ESOS, the notice of annual general meeting dated 13 June 2002, pages 4 and 5;

(iii) for the Initial and Annual Share Plans, and the SAYE Scheme, the Listing Particulars of the Exchange of annual general meeting dated 18 June 2001; and

(iv) pages 27 to 33 of the Annual Report 2005.

7.4. As the purpose of the Scheme is to implement a corporate reorganisation of the Exchange to give effect to the Return of approximately £510 million to Shareholders, the Board and the Remuneration Committee have sought (to the extent possible) to ensure that participants' rights under the Exchange Employee Share Schemes are rolled over into equivalent rights relating to New Ordinary Shares when the Scheme becomes effective.

7.5. All rollovers of share awards and share options granted under the Exchange Employee Share Schemes will be on the basis of one New Ordinary Share for every one Existing Ordinary Share. The Board has concluded that this exchange ratio is appropriate on the basis that it reflects the combined impact of the Return (which is likely to devalue awards and options) and the capital reorganisation pursuant to the Scheme (which is designed to counteract any such devaluation).

7.6. The following paragraphs summarise how the Exchange Employee Share Schemes are currently operated, and will continue to be operated after the Scheme becomes effective. References in these summaries to the Remuneration Committee and the Board of Exchange Group include, where the context requires, references to the Remuneration Committee and Board of the Exchange. References to Exchange Group include, where the context requires, references to the Exchange (in respect of the period before the Scheme Effective Date). References to ''shares'' refer to Existing Ordinary Shares or New Ordinary Shares as the context requires.

7.7. **Current share schemes**

(a) The London Stock Exchange Long Term Incentive Plan 2004

In July 2004, Shareholder approval was given to adopt a new LTIP to replace the Exchange's existing ESOS. The LTIP has two elements, a conditional award of performance shares and an award of matching shares linked to investment by the executive of annual bonus in the Exchange's shares. The matching shares element of the LTIP only applies to the Executive Directors and selected other executives. A wider group of executives, as well as the Executive Directors and selected executives, are also eligible for the performance shares element of the LTIP.

The proportion of performance and matching shares which vest will be determined by the Exchange's Total Shareholder Return (''TSR'') performance over a single three year period beginning on the first day of the financial year in which the award is made. For median performance, in comparison to companies constituting the FTSE 51 to 200 (excluding investment trusts), 30% of the award will vest. For upper quartile performance against this group, 100% of the award will vest. For performance below median, none of the award will vest.

(b) The London Stock Exchange SAYE Option Scheme

All UK employees, including Executive Directors, are eligible to participate in the HM Revenue & Customs approved SAYE Scheme. Under the rules of the SAYE Scheme, participants can save up to £250 each month for a period of five years. Savings plus interest may be used to acquire Shares by exercising the related option. The options may be granted at an exercise price which represents a 20% discount to market value at the start of the 5 year period. No performance conditions are attached to SAYE options.

(c) *The London Stock Exchange Share Incentive Plan*

The Exchange has obtained Shareholder approval for the SIP. No awards have been made under the SIP.

7.8. **Share schemes closed for new awards**

(a) *London Stock Exchange Executive Share Option Scheme*

The ESOS was approved by Shareholders in July 2002 and is now closed to further grants. Options granted under the ESOS will not normally become exercisable unless the growth in the Exchange's earnings per share (adjusted for certain items including exceptional items and the amortisation of goodwill) exceeds the Retail Price Index (''RPI'') over the initial three year period after the date of grant by an average of at least four per cent per annum.

If the criteria have not been met when the options are due to vest then the options will lapse and there will be no opportunity for re-testing. In addition, all options expire after 10 years.

(b) *The London Stock Exchange Annual and Initial Share Plans*

The London Stock Exchange Initial Share Plan was introduced in November 2000 following the Exchange's conversion to a public limited company. Share awards and a grant of options were made to senior executives and other employees. The share awards had a vesting period of three years and share options vested at 20% per annum over five years.

Under the London Stock Exchange Annual Share Plan, awards of shares and grants of options were first made in November 2000. Further awards and grants were made in subsequent years. Share awards have a vesting period of three years and share options vest at 20% per annum over five years.

No performance conditions are attached to the vesting of shares and options under the Annual and Initial Plans, although some options under the Plans were granted at a premium to the market price at grant.

8. Significant shareholders

8.1. As at 3 May 2006 (the latest practicable date prior to the publication of this Prospectus), the Exchange had been notified of the following substantial interests in accordance with sections 198 to 208 of the Companies Act and, upon the Scheme becoming effective, such persons are expected to have substantial interests in accordance with sections 198 to 208 of the Companies Act:

Name	Current Holding of Existing Ordinary Shares	Per cent of issued ordinary share capital of Exchange Group
Nightingale Acquisition Limited[1]	13,100,000	14.87%
UBS Warburg	15,397,420	6.01%
Deutsche Bank AG	12,592,097	4.91%
Lloyds TSB Group plc and subsidiaries (including Scottish Widows Investment Partnership)	10,152,008	3.96%
Goldman Sachs Group, Inc	8,754,532	3.41%
Wellington Management Company LLP	8,510,900	3.34%
Legal & General Group plc	9,786,474	3.29%
Credit Suisse Group	8,372,036	3.27%
Barclays plc	8,180,262	3.19%

(1) Nightingale Acquisition Limited is a wholly owned subsidiary of The Nasdaq Stock Market, Inc.

(2) Nightingale Acquisition Limited's holding shows the latest disclosure that the Exchange has received in accordance with sections 198 to 208 of the Companies Act. On 3 May 2006, Nightingale Acquisition Limited announced via RNS that it had increased its holding by 9.79 million shares and holds 18.7% of the issued share capital of the Exchange.

8.2. Exchange Group's significant shareholders have identical voting rights to all other shareholders.

8.3. Exchange Group is not aware of any person who can currently or who will, immediately following Admission, directly or indirectly, jointly or severally, own or exercise or could exercise control over Exchange Group.

9. Subsidiary and associated undertakings

Following the Scheme Effective Date, Exchange Group will be the holding company of the Group and the Group's principal activity is a securities exchange. The significant subsidiary and other undertakings of Exchange Group are set out in the table below. Unless expressly stated below, each of these companies will be directly or indirectly wholly-owned by Exchange Group, the issued share capital will be fully paid, each will be incorporated in England and Wales and the registered office of each of the companies will be 10 Paternoster Square, London EC4M 7LS. There will be no different voting powers.

Name	Issued Share Capital	Principal Activity	Proportion of ownership/voting rights (if any)
London Stock Exchange plc	256,230,499	Administration of financial markets	100%
EDX London Limited	26,600,000	Administration of financial markets	76%
Proquote Limited Tabley Court Moss Lane Over Tabley Knutsford Cheshire WA16 OPL	125,188	Other computer-related activities	100%
FTSE International Limited 12th Floor 10 Upper Bank Street Canary Wharf London E14 5NP	1,000	Data processing, database activities, administration of financial markets and library and archives activities	50%
The Stock Exchange (Properties) Limited	1,000,001	Property Company	100%

10. Principal establishments

Leasehold properties

Property	Demise: Exchange	Sq ft	Rent: paid by Exchange	Rent Commencement Date
10 Paternoster Square	Whole Building	224,090(1)	£12,454,630	2 September 2004

(1) Approximately 45,000 sq. ft are sublet by the Exchange to various tenants.

The Exchange also has two freehold properties in London EC2, with an aggregate area of approximately 168,000 sq. ft.

11. Investments

Details of the main investments held by the Group in other undertakings in the three prior financial years and in the current financial year are set out below:

(a) Exchange Group holds 0.6 per cent interest in the ordinary share capital of Euroclear plc at a cost of £0.4 million; and

(b) The Group has not made any firm material commitments concerning principal investments in progress or any future investments by the Group in the current financial year.

12. Capitalisation and indebtedness

Capitalisation and indebtedness of the Group

The following table sets out the unaudited capitalisation as at 30 September 2005 and indebtedness as at 31 March 2006, prepared under International Financial Reporting Standards, of the Group on a consolidated basis:

	Notes	£m
Total current debt		
– Unguaranteed/Unsecured	1	0.6
Total non-current debt (excluding current portion of long-term debt)		
– Unguaranteed/Unsecured	2	0.5
Shareholders' equity		
Share capital	3	14.9

Notes:

1. The current debt of £0.6 million relates to a loan from minority shareholder which is repayable on demand, following approval of subsidiary borrowing Board.
2. The non-current debt of £0.5 million relates to a loan from minority shareholder which is wholly repayable after June 2013.
3. Between 30 September 2005 and 3 May 2006, being the latest practicable date prior to publication of this Prospectus, 1,659,071 Existing Ordinary Shares were issued, giving rise to ordinary share capital of approximately £97,000 and share premium of £4.3 million. Please see paragraph 2 of Part 5 for details of further changes to the capitalisation of the Group which will take place pursuant to the Proposals.

This statement of capitalisation and net indebtedness has been prepared under International Financial Reporting Standards.

The following table sets out the unaudited net funding of the Group as at 31 March 2006:

	£m
Cash and cash equivalents (including restricted cash)	226.8
Liquidity	**226.8**
Other current financial debt	(0.6)
Current financial debt	**(0.6)**
Net current financial funding	**226.2**
Other non-current loans	(0.5)
Non current financial indebtedness	**(0.5)**
Unaudited net financial funding under IFRS	**225.7**

Note: The Group had no indirect or contingent or other indebtedness as at 31 March 2006.

Capitalisation and indebtedness of Exchange Group

As at 3 May 2006, the latest practicable date prior to the publication of this Prospectus, Exchange Group's capitalisation was £2 and its preference share capital (accounted for as indebtedness under IFRS) was £50,000. It had no indirect or contingent or other indebtedness.

13. Significant changes

The only significant changes in the financial or trading position of the Exchange since 30 September 2005 the date of the interim report, are the £200 million revolving loan facility agreement and the £250 million loan facility agreement with The Royal Bank of Scotland plc and Barclays Capital, entered into on 9 February 2006 and described in paragraph 14 of Part 13, and the voting in favour of a

Scheme of Arrangement and subsequent reduction of share capital by the shareholders of London Stock Exchange plc which took place on 19 April 2006.

There has been no significant change in the financial or trading position of Exchange Group since 31 March 2006, the end of the last financial period for which audited financial information has been published.

14. Material contracts

Set out below is a summary of each contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Group: (a) within the two years immediately preceding the date of this Prospectus and which are or may be material to the Group; or (b) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

(a) The Service Management Agreement between the Exchange and Accenture plc (***Accenture***) dated 11 October 1996 as amended and extended by letters dated 31 July 2001 and 1 April 2003, whereby Accenture is the main facilities manager for the London Stock Exchange's trading and information systems. Key elements of London Stock Exchange's Technology Road Map (***TRM***) project for the development, implementation and maintenance of its new trading and information system are covered by this Agreement. The net annual payment to Accenture under this Agreement during the financial year ended 31 March 2005 was £15.7 million. The term of this Agreement has been extended until 31 March 2008;

(b) The Exchange Solutions Centre Agreement between the Exchange and Accenture plc dated 28 March 2002 (as subsequently amended), whereby Accenture is the main development resource provider for London Stock Exchange's trading and information systems. Key elements of London Stock Exchange's Technology Road Map (TRM) project for the development, implementation and maintenance of its new trading and information system are covered by this Agreement. The net annual payment to Accenture under this Agreement during the financial year ended 31 March 2005 was £14.1 million. The Term of this Agreement has been extended until 31 March 2008;

(c) The Agreement between MCI Worldcom (now Verizon Business) and the Exchange for the Implementation and Management of the London Stock Exchange's primary IP Network dated 22 June 2001 (as subsequently amended). The term of this Agreement will expire on 21 June 2006 with automatic 12 month extensions thereafter (unless either party gives the requisite 3 months notice to terminate). The Exchange may terminate at any time subject to payment of cancellation charges. The net annual payment to MCI Worldcom under the Agreement during the financial year ended 31 March 2005 was £4.7 million;

(d) The Agreement between the Exchange and The London Clearing House Limited (now known as LCH.Clearnet Limited) dated 24 November 2003. Under the agreement, the Exchange has appointed LCH.Clearnet to act as the central counterparty for the clearing of securities on the Exchange's SETS trading platform. There are no financial flows between the parties relating to this activity. The agreement remains in force until validly terminated by either party on not less than 12 months' prior written notice;

(e) the Agreement between the Exchange and The Royal Bank of Scotland plc, and Barclays Capital, the investment banking division of Barclays Bank PLC (the ***Revolving Facility Agreement***) dated 9 February 2006 for a revolving loan facility amounting to £200 million (the ***Revolving Facility***) terms of which are as follows:

   (i) The Revolving Facility is for general corporate purposes including to fund a return of capital to the shareholders of Exchange Group. The Revolving Facility Agreement provides that Exchange Group, and subsidiaries of the Exchange, may become borrowers and guarantors under the Revolving Facility. If the Exchange Group becomes a party to the Revolving Facility Agreement the borrowings under the Revolving Facility will be secured by a charge over the shares in the Exchange owned by Exchange Group. The final maturity date of the Revolving Facility is the fifth anniversary of the date of the Revolving Facility Agreement;

   (ii) The borrowings under the Revolving Facility bear interest initially at a floating rate per annum equal to LIBOR (in the case of US Dollar and Sterling advances) and EURIBOR (in the case of euro advances) plus mandatory costs (if any) plus a margin. The Revolving Facility margin shall initially be 40 basis points per annum and thereafter is determined in accordance with a margin adjustment mechanism. The mechanism provides that the margin may change depending on the Group's leverage ratio as reflected in the latest compliance certificate delivered semi-annually with the financial statements. The leverage ratio is the ratio of the Group's consolidated net debt to consolidated EBITDA. The Revolving margin may vary between 35 and 55 basis points according to the leverage ratio. Repayments under the Revolving Facility are to be made on the last day of the relevant interest period(s), up to the maturity date of the Revolving Facility. A commitment fee is payable on undrawn commitments under the Revolving Facility;

(iii) The borrowers must, if required by a two-thirds majority of lenders, prepay all indebtedness under the Revolving Facility following the occurrence of a change of control of the Exchange or Exchange Group on the terms set out in the Revolving Facility Agreement;

(iv) The Revolving Facility Agreement contains certain customary covenants which restrict the obligors (being any borrowers or guarantors under the Revolving Facility) and in certain cases their subsidiaries (subject to agreed exceptions and materiality carve outs) from, amongst other things, (i) creating security, (ii) disposing of assets, (iii) mergers, (iv) substantially changing the general nature of the Exchange Group, and (v) incurring subsidiary borrowings. The Revolving Facility also requires the group to maintain certain specified financial covenants; and

(v) The Revolving Facility Agreement contains certain customary representations and events of default.

(f) the Agreement between the Exchange and The Royal Bank of Scotland plc and Barclays Capital, the Investment banking division of Barclays Bank PLC (the Facility Agreement) dated 9 February 2006 for a revolving loan facility amounting to £250 million (the Facility) terms of which are as follows:

(i) The Facility is available to fund a return of capital to the shareholders of Exchange Group. The Facility Agreement provides that Exchange Group and subsidiaries of the Exchange may become borrowers and guarantors under the Facility. If the Exchange Group becomes a party to the Facility Agreement, the borrowings under the Facility will be secured by a charge over the shares in the Exchange owned by Exchange Group. The Facility is available as a revolving facility until the earlier of (i) 31 October 2006 and (ii) the date which is six months after the first utilisation of the Facility. Thereafter, any outstanding amounts under the Facility may be converted into term loans for a maximum period of eighteen months;

(ii) The borrowings under the Facility bear interest at a floating rate per annum equal to LIBOR (in the case of US Dollar and Sterling advances) and EURIBOR (in the case of euro advances) plus mandatory costs (if any) plus a margin. The Facility margin shall initially be 40 basis points per annum and thereafter is determined in accordance with a margin adjustment mechanism. The mechanism provides that the margin may change depending on the Group's leveraged ratio as reflected in the latest compliance certificate delivered semi-annually with the financial statements. The leverage ratio is the ratio of the Group's consolidated net debt to consolidated EBITDA. The Facility margin may vary between 35 and 60 basis points according to the leverage ratio. Repayments under the Facility are to be made on the last day of the relevant interest period(s) and any term loans are to be repaid on the last day of the relevant term out period. A commitment fee is payable on undrawn commitments under the Facility. A term-out fee will be payable on any amounts termed out;

(iii) The borrowers must if required by two-thirds majority of lenders, prepay all indebtedness under the Facility following the occurrence of a change of control of the Exchange or Exchange Group under the terms set out in the Facility Agreement. The Facility must be repaid in full from the proceeds of any bond issues; and

(iv) The Facility Agreement contains certain customary covenants similar to those contained in the Revolving Agreement described above and contains certain customary representations and events of default.

15. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Exchange Group is aware), which during the 12 month period prior to the publication of this Prospectus may have, or have had in the recent past, significant effects on either the Exchange or the Exchange Group's financial position or profitability.

16. Related party transactions

Save as disclosed in the financial information incorporated by reference in Part 7 and note 30 to the financial information included in Part 8 of this document, there are no related party transactions between Exchange Group and members of the Group that were entered into during the financial years ended 31 March 2003, 2004 and 2005 and during the period between 1 April 2005 to 3 May 2006 (the latest practicable date prior to the publication of this Prospectus).

17. Working capital statement

The Directors are of the opinion that, taking into account available bank and other facilities and assuming the Scheme becomes effective, Exchange Group has sufficient working capital for its present requirements that is, for at least 12 months following the date of this document.

18. Consents

18.1. JPMorgan Cazenove has given and not withdrawn its written consent to the issue of this document with the inclusion of the reference to its name in the form and context in which it appears.

18.2. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England & Wales. PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of its reports in Parts 8, 9 and 10 in the form and context in which they are included. PricewaterhouseCoopers LLP has authorised the contents of those reports for the purposes of item 5.5.3(2)(f) of the Prospectus Rules.

19. The Exchange's regulatory status

The Exchange is a Recognised Investment Exchange under FSMA 2000 and is supervised by the FSA. RIE status means that the Exchange is exempt from the general prohibition as respects any regulated activity which is carried on as part of the Exchange's business as an investment exchange.

In order to obtain RIE status a body must satisfy the recognition requirements set out in FSMA 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 which relates to, *inter alia*, sufficiency of financial resources, safeguards for investors, monitoring and enforcement and investigation of complaints. If an RIE fails to continue to meet such recognition criteria, or if the RIE fails to comply with any obligation to which it is subject under FSMA 2000, then the FSA has the power to revoke the RIE's recognition.

20. Nature of financial information

The financial information in this Prospectus relating to the Exchange and, in particular, contained within the Accountants' Report in Part 8 does not comprise statutory accounts within the meaning of section 240(5) of the Companies Act. Statutory accounts for the Exchange for the period from incorporation to the year ended 31 March 2005 have been delivered to the Registrar of Companies in England and Wales. The statutory accounts for the year ended 31 March 2005 were audited by PricewaterhouseCoopers LLP and their report on those accounts were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act.

21. Third party information

Information on the Group's operations in paragraph 4.5 of Part 5 is sourced from Thomson Financial and certain European stock exchange website. This information has been accurately reproduced and as far as the Group is aware, and is able to ascertain from information published by Thomson Financial and certain European stock exchange websites, no facts have been omitted that would render the reproduced information inaccurate or misleading.

22. Documents on display

Copies of the following documents may be physically inspected at the offices of Freshfields Bruckhaus Deringer at 65 Fleet Street, London EC4Y 1HS during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 14 days from the date of this Prospectus:

(i) the Memorandum of Association and Exchange Group Articles referred to in paragraph 3 of Part 13;

(ii) the rules of the London Stock Exchange Long Term Incentive Plan 2004, the London Stock Exchange SAYE Option Scheme and the London Stock Exchange Share Incentive Plan as they are proposed to be amended;

(iii) the rules of the Exchange Employee Share Schemes;

(iv) the Executive Directors' service agreements and Non-Executive Directors' letters of appointment referred to in paragraph 6 of Part 13;

(v) the letters of consent referred to in paragraph 18 of Part 13;

(vi) the Accountants' Reports from PricewaterhouseCoopers LLP set out in Parts 8 and 9;

(vii) the Pro Forma Statement of Net Assets together with the report from PricewaterhouseCoopers LLP thereon set out in Part 10;

(viii) the audited consolidated accounts of the Exchange for the financial periods ended 31 March 2003, 2004 and 2005;

(ix) the unaudited interim report of the Exchange for the six month period ended 30 September 2005;

(x) the unaudited trading statement for the three and nine months ending 31 December 2005;

(xi) the tripartite agreements between the Directors, the Exchange and Exchange Group;

(xii) this Prospectus; and

(xiii) the Circular.

23. Checklist of documents incorporated by reference

Information incorporated by reference	Document reference	Page number in Prospectus
Circular dated 21 March 2006	Circular containing terms of the Scheme and resolutions necessary for Shareholders to approve the passing of the Scheme	18
Remuneration Report 2005	Annual Report 2005 (pages 27 to 33)	100
Board of Directors 2005	Annual Report 2005 (pages 22 to 23)	39
Review of Corporate Governance 2005	Annual Report 2005 (pages 24 to 26)	26
Chief Executive's Review 2005	Annual Report 2005 (pages 6 to 8)	39
Chief Executive's Review 2004	Annual Report 2004 (pages 6 to 9)	39
Chief Executive's Review 2003	Annual Report 2003 (pages 6 to 9)	39
Financial Review 2005	Annual Report 2005 (pages 18 to 19)	39
Financial Review 2004	Annual Report 2004 (pages 30 to 31)	39
Financial Review 2003	Annual Report 2003 (pages 26 to 27)	39
Chairman's Statement 2005	Interim Report for the six months ended 30 September 2005 (pages 1 to 3)	39
Annual historical financial information for year ended 31 March 2003 and auditors report	Annual Report 2003 (pages 43 to 62)	39
Annual historical financial information for year ended 31 March 2004 and auditors report	Annual Report 2004 (pages 47 to 66)	39
Annual historical financial information for year ended 31 March 2005 and auditors report	Annual Report 2005 (pages 37 to 54)	39
Unaudited historical financial information on the Exchange covering the six months ended 30 September 2005	Interim Report for the six months ended 30 September 2005 (pages 4 to 19)	39
Unaudited financial information on the Exchange for the three and nine months ended 31 December 2005, and unaudited earnings per share information for the 12 months ended 31 December 2005, prepared under IFRS	Quarterly trading statement for the three and nine months ended 31 December 2005 (pages 4 to 7) and unaudited earnings for the 12 months ended 31 December 2005	39
Summary of the rules of the LTIP and the SIP	Notice of annual general meeting dated 14 June 2004 (pages 12 to 16)	103
Summary of the rules of the ESOS	Notice of annual general meeting dated 13 June 2002 (pages 4 and 5)	103
Summary of the rules of the Initial and Annual Share Plans and the SAYE Scheme	Listing Particulars dated 18 June 2001	103

Dated 5 May 2006.

DEFINITIONS

In this Prospectus, the following expressions have the following meanings, unless the context requires otherwise:

Accountants' Reports	the reports prepared by PricewaterhouseCoopers LLP in relation to the Group which are set out in Parts 8, 9 and 10 of this Prospectus, each one an ''Accountants' Report''
Adjusted Nominal Value or ANV	The nominal value of ordinary shares in the Company following the Scheme and subsequent consolidation and sub-division as described in paragraph 2.8 of Part 13
Admission	admission of the New Ordinary Shares and B Shares to the Official List in accordance with the Listing Rules and to trading on the London Stock Exchange's market for listed securities in accordance with the Admission and Disclosure Standards
Admission and Disclosure Standards	the requirements contained in the publication ''Admission and Disclosure Standards'' dated April 2002 and issued by the London Stock Exchange (as amended from time to time) containing, inter alia, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities
Annual and Initial Share Plans	the London Stock Exchange Annual Share Plan
Board	the board of directors of Exchange Group from time to time, including a duly constituted committee thereof
B Share Continuing Dividend	the dividend to be paid on the B Shares retained by the Shareholders as described in Part 11
B Shares	the B Shares issued by Exchange Group pursuant to the Scheme and carrying the right as described in Part 11
business day	a day (excluding Saturday or Sunday) on which banks generally are open for business in the City of London for the transaction of normal banking business
Circular	circular sent to ordinary shareholders on 21 March 2006 in conjunction with the Proposals
Class A Ordinary Shares	the Class A Ordinary Shares of nominal value one pence in the capital of Exchange Group to be allotted upon capitalism of the merger reserve created upon the Scheme becoming effective and reduced and immediately cancelled pursuant to the Exchange Group Reduction of Capital
Closing Price	the closing middle market quotation of the relevant share as derived from the Daily Official List of the London Stock Exchange or the London Stock Exchange's website
Combined Code	the combined code principles of good governance and code of best practice published by the Financial Reporting Council
Companies Act	the Companies Act 1985, including any statutory modification or re-enactment thereof for the time being in force
Court	the High Court of Justice of England and Wales
Court Hearing	the hearing of the petition to sanction the Scheme by the Court and the reduction of capital of the Exchange involved in the Scheme
Court Meeting	the meeting of the holders of Existing Ordinary Shares convened by order of the Court pursuant to section 425 of the Companies Act to consider and approve the Scheme

CREST	the system for the paperless settlement of trades in securities and the holding of uncertified securities operated by CRESTCo in accordance with the Regulations
CRESTCo	CRESTCo Limited
Deferred Shares	the class of shares which B Shares will be reclassified as if an Initial B Share Dividend is paid on such B Shares, as described in Part 11
Directors	the directors of the Exchange or the directors of Exchange Group, as the context may require
EBITA	earnings before interest, tax and amortisation being ''Operating profit before goodwill amortisation and exceptional items'' as disclosed in the Accountants' Report
EBITDA	EBITA before depreciation
EEA States	a state which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992 as it has effect for the time being, as at the date of this Prospectus, being: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, The Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom
ESOS	London Stock Exchange Executive Share Option Scheme
EU	European Union
Exchange	London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 2075721
Exchange Act	the United States Securities Exchange Act of 1934, as amended
Exchange Articles	the Articles of Association of the Exchange as adopted or amended from time to time
Exchange Nominal Value or ENV	5⅚ pence, the nominal value of the existing ordinary shares in London Stock Exchange plc as described in paragraph 2.8 of Part 13
Exchange Employee Share Schemes	the London Stock Exchange Executive Share Option Scheme, the London Stock Exchange Initial Share Plan, the London Stock Exchange Annual Share Plan, the London Stock Exchange Long Term Incentive Plan 2004, the London Stock Exchange SAYE Option Scheme and the London Stock Exchange Share Incentive Plan
Exchange Group	London Stock Exchange Group plc, a public limited company incorporated in England and Wales with registered number 5369106
Exchange Group Articles	the Articles of Association of Exchange Group
Exchange Group Reduction of Capital	The proposed reduction of capital of Exchange Group under Section 135 of the Companies Act described in paragraph 5 of Part 1 of the Circular
Executive Directors	the executive directors of the Exchange, or the executive directors of Exchange Group, as the context may require, and ''Executive Director'' shall mean any one of them

Existing Ordinary Shares	the Existing Ordinary Shares of 5⅚ pence each in the capital of the Exchange
Extraordinary General Meeting	the extraordinary general meeting of the Exchange convened on 19 April 2006 which approved a special resolution required, *inter alia*, to give effect to the Scheme
Final Deferred Redemption Date	1 June 2009, the date on which all remaining B Shares shall be redeemed, as described more fully in paragraph 1.4 of Part 11
Form of Election	in relation to the B Shares the form of election in respect of the alternatives for receipt of the Return
Forms of Proxy	the forms of proxy accompanying the Circular relating to the resolutions to be proposed at the Court Meeting and the Extraordinary General Meeting
FRS	Financial Reporting Standards
FSA	Financial Services Authority Limited
FSMA 2000	Financial Services and Markets Act 2000
Future Redemption Right	the right of redemption of the B Shares at Future Redemption Dates available to Shareholders electing for Alternative 3 on such B Shares, as described more fully in Part 11
Group	before the Scheme Effective Date, the Exchange and its subsidiary undertakings and, from the Scheme Effective Date, Exchange Group and its subsidiary undertakings
holder	a registered holder, and includes any person(s) entitled by transmission
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
in certificated form	in relation to a share or other security, a share or other security which is not in uncertificated form
Initial B Share Dividend	the dividend of 200 pence to be paid on each B Share to Shareholders electing for Alternative 1 on such B Shares, as described more fully in Part 11
Initial Redemption	the redemption of the B Shares for a redemption amount of 200 pence and cancellation of such B Shares, with payment of such amount to be made to shareholders electing for Alternative 2 on such B Shares, as described more fully in Part 11
Initial Redemption Date	the date on which the Initial Redemption shall be made, expected to be 22 May 2006
ISA	individual savings account
JPMorgan Cazenove	JPMorgan Cazenove Limited
LIBOR	the London inter-bank offered rate, being the rate at which lending banks in the London market offer to take sterling deposits from one another
Listing Rules	the rules and regulations of the FSA made under Part VI of FSMA 2000 as amended from time to time
LTIP	London Stock Exchange Long Term Incentive Plan 2004
MiFID or Markets in Financial Instruments Directive	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC

New Exchange Ordinary Shares	the ordinary shares of the Exchange created following the cancellation of the Existing Ordinary Shares which shall be of an aggregate nominal amount equal to the aggregate nominal amount of the Existing Ordinary Shares cancelled
New Ordinary Shares	the ordinary shares in the capital of Exchange Group to be allotted and issued pursuant to the Scheme
Non-Executive Directors	the non-executive directors of the Exchange Group, in each case including the Chairman, whose names are set out in paragraph 8 of Part 5 of this Prospectus and ''Non-Executive Director'' shall mean any one of them
Offer Period	as defined by the City Code on Takeovers and Mergers
Official List	the list maintained by the UKLA pursuant to Part VI of FSMA 2000
Payment Date	1 June and 1 December in each year, being the date on which a holder of B Shares shall receive the B Share Continuing Dividend, as described more fully in paragraph 1.2 of Part 11
penny, pence, p, £ or pounds sterling	the lawful currency of the United Kingdom
PEP	personal equity plan
Proposals	the proposed reorganisation of the Group involving the Scheme and the subsequent Reduction of Capital as described in paragraph 1 of Part 5 and on pages 16 to 23 of the Circular, which is incorporated by reference into this document
Prospectus	this document
Prospectus Rules	the rules and regulations made by the FSA pursuant to Part VI of the FSMA 2000 as amended from time to time
Recognition Requirements	Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, incorporated in the FSA's sourcebook for Recognised Investment Exchanges
Redeemable Preference Share	a share created and allotted as paid up in full in order to enable Exchange Group to obtain a certificate to commence business
Redemption Call Date	the date on which Exchange Group may call for redemption of the B Shares, as described more fully in paragraph 1.4 of Part 11
Redemption Date	1 June and 1 December in each year, being the dates on which a holder of B Shares may elect to redeem any B Shares he holds, as described more fully in paragraph 1.4 of Part 11
Reduction of Capital	the proposed reduction of capital of Exchange Group under section 135 of the Companies Act described in paragraph 2 of Part 13
Registrars	Lloyds TSB Registrars of The Causeway, Worthing, West Sussex BN99 6DA
Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
Required Nominal Value or RNV	The nominal value of the share capital of Exchange Group following the reduction of capital as described in paragraph 2.8 of Part 13
Return	the payment to Shareholders proposed to be effected pursuant to the Scheme as described in this document
RIE	Recognised Investment Exchange

RNS	Regulatory News Service, the Exchange's Primary Information Provider, for dissemination of regulatory and non-regulatory news to the market
SAYE Scheme	London Stock Exchange SAYE Option Scheme
Scheme	the scheme of arrangement in its present form as set out in Part 3 of the Circular or with or subject to any modification, addition or condition approved or imposed by the Court
Scheme Effective Date	the date on which the Scheme becomes effective in accordance with Clause 7 of the Scheme, expected to be 15 May 2006
Scheme Record Date	the later of 12 May 2006 and the business day immediately preceding the Scheme Effective Date
Scheme Record Time	5.00 p.m. (UK time) on the Scheme Record Date
Scheme Shareholder	a holder of Existing Ordinary Shares as appearing in the register of members of the Exchange at the Scheme Record Time
Second Interim Dividend	the Dividend payment of 8 pence per Existing Ordinary Share to be paid to holders of the Existing Ordinary Shares as at the Scheme Record Time
Securities Act	the United States Securities Act of 1933, as amended
Senior Managers	senior management of the Group as detailed in paragraph 8 of Part 5
Shareholder	a registered holder of Existing Ordinary Shares, or of New Ordinary Shares, as the context may require
SIP	the London Stock Exchange Share Incentive Plan
TTE Instruction	Transfer to Escrow (TTE) instruction to be used by shareholders holding their Existing Ordinary Shares in CREST to enable them to choose one of the B Share Alternatives
Transparency Directive	Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC
TRM or Technology Roadmap	the Exchange's IT programme to fundamentally update its technology systems and operations
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK GAAP	UK generally accepted accounting principles
UK time	the local time in the United Kingdom
UKLA	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA 2000
uncertificated or in uncertificated form	in relation to a share or other security, a share or other security title which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
US or United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

(This page has been left blank intentionally.)

(This page has been left blank intentionally.)

Merrill Corporation Ltd, London
06LON1492