London
STOCK EXCHANGE

Investing for growth

ANNUAL REPORT 2003

In 2002/03 we have continued to invest for growth, diversify our operations and build on our position as the world's most global exchange business.

- Achieved 69 per cent of all Western European IPOs
- Continued growth in equity bargains underpinned by increased trading on our SETS electronic order book
- Successful launch of a retail covered warrants market
- New cost-effective services for brokers to enhance trading and settlement communications
- Entry into the financial market software and data services sector with the acquisition of Proquote
- Corporate Data Warehouse delivered to increase the depth, breadth and value of information provided to our customers
- New global identifier for securities

Contents

Investing for growth

Turnover
£237m
+10%

Profit before tax
£80m
+6%

Earnings per share
18.1p
+6%

Adjusted earnings per share
20.9p
+14%

Dividend per share
4.3p
+19%

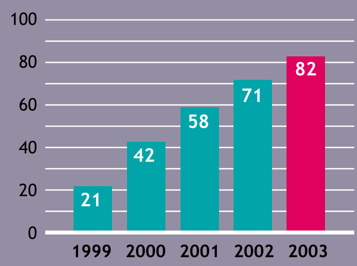
FINANCIAL HIGHLIGHTS

Investing for growth

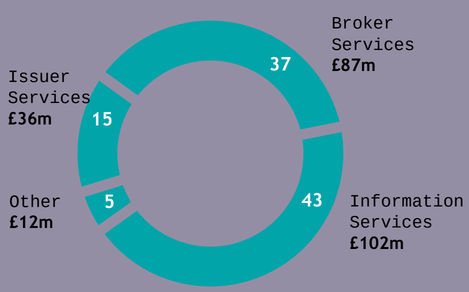
	2002/03	2001/02	Growth
Turnover	£237m	£216m	10%
Operating profit before exceptional items and goodwill amortisation	£82m	£71m	16%
Profit before tax	£80m	£75m	6%
Earnings per share	18.1p	17.1p	6%
Adjusted earnings per share	20.9p	18.3p	14%

TURNOVER
YEARS ENDED 31 MARCH (£ MILLION)

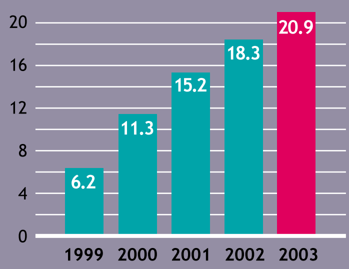
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION
YEARS ENDED 31 MARCH (£ MILLION)



TOTAL REVENUE
YEAR ENDED 31 MARCH (%)



ADJUSTED EARNINGS PER SHARE
YEARS ENDED 31 MARCH (PENCE)



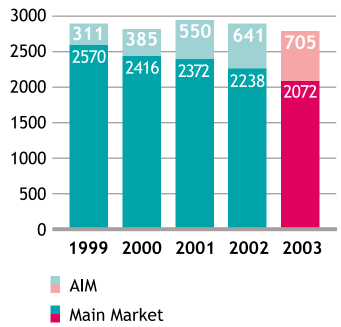
Our revenues come from activities in three main business areas: Issuer Services, Broker Services and Information Services.

Issuer Services receives revenue from fees for admission to trading and from annual fees.

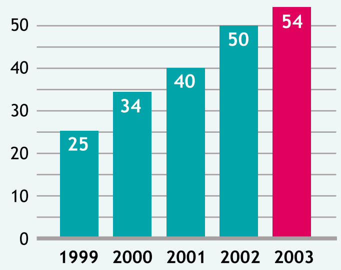
Broker Services derives its revenue principally from charges levied on trades.

Information Services receives revenue principally from charges levied on terminals with access to Exchange trade and price data.

TOTAL NUMBER OF COMPANIES
YEARS ENDED 31 MARCH

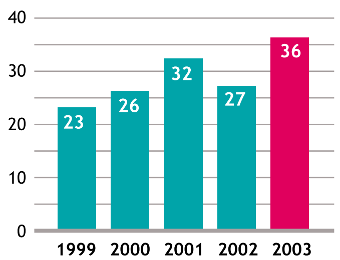


NUMBER OF EQUITY BARGAINS
YEARS ENDED 31 MARCH
(MILLION)

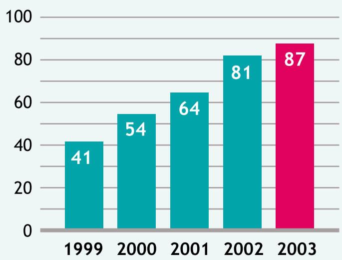


NUMBER OF TERMINALS
YEARS ENDED 31 MARCH
(THOUSAND)

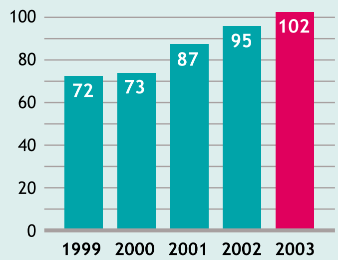
ISSUER SERVICES REVENUE
YEARS ENDED 31 MARCH
(£ MILLION)



BROKER SERVICES REVENUE
YEARS ENDED 31 MARCH
(£ MILLION)



INFORMATION SERVICES REVENUE
YEARS ENDED 31 MARCH
(£ MILLION)



Leading market change in Europe

The London Stock Exchange is a high quality business that is in a strong position to lead market change in Europe. Amid turbulent markets worldwide, our financial performance has been strong.

Competition

Supporting the continuing growth of your company, our public policy campaigns have made progress as we seek to promote open and more competitive markets in the UK and Europe.

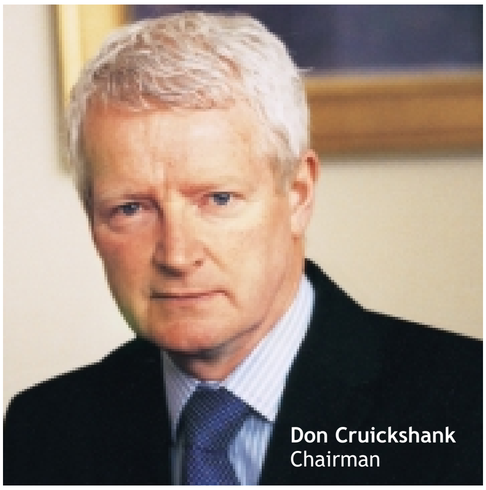
Stamp duty on share transactions remains one of the major barriers to more efficient share trading and to greater investment by UK companies. We continue to build support among key business leaders for abolition. In September, ahead of the Government's Pre-Budget Report, we took the leading role in organising a major stamp duty conference. Despite significant restraints on public finances, we will continue our campaign until we secure a commitment to abolition from the Government.

Our support for an efficient single European market in financial services is unwavering. We are convinced that implementation of the European Commission's Financial Services Action Plan should be swifter and promote greater competition between providers. This would help create more choice both for investors to diversify portfolios and for European companies over where they list, cutting their cost of capital substantively in the process. In order to encourage more companies to access Europe's capital markets, we urge greater flexibility towards the distinct needs of both smaller and international issuers.

We encouraged and supported the merger in September 2002 of CRESTCo and Euroclear, creating Europe's largest settlement organisation. This constituted a major step towards delivering a single, user-owned, user-governed, exchange-neutral system of clearing and settlement across Europe. Such a system would reduce transaction costs for investors and further cut issuers' cost of capital.

Our campaign to create a more efficient solution for clearing and settlement was given an additional boost in March when the European competition authorities ruled against discriminatory behaviour in the sector. Given London's open business model, we believe we have much to gain from a stronger enforcement of competition rules.

'I am confident that your company is in a position to be able to respond quickly and flexibly to any opportunities that arise.'



Don Cruickshank
Chairman

The competitive landscape is changing as a result of the public policy challenges that we face. I am confident that your company is in a position to be able to respond quickly and flexibly to any opportunities that arise.

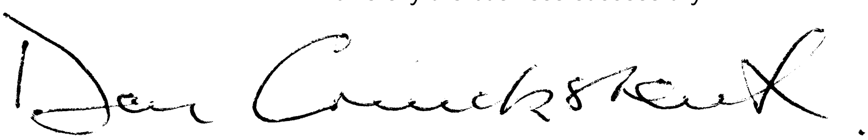
Corporate governance

We are supportive of the highest standards of corporate governance as both a listed company ourselves and as a provider of high quality and attractive equity markets. We welcome the thrust of the Higgs Review of the Role and Effectiveness of Non-Executive Directors as a move in that direction. In our submission to the Financial Reporting Council, we set out our own views on how the recommendations of the Review could best be translated into a Revised Combined Code. As to the Board of your company itself, we particularly value the contribution of the Non-Executive Directors who are part of the market we serve, and this may raise some issues of compliance with the Revised Code.

New Chairman

In October 2002, I announced to the Board that I would not seek to extend my term as Chairman beyond the next Annual General Meeting in July 2003. I am delighted that the Board has announced Chris Gibson-Smith as my successor. Chris joined the Exchange Board from 1 May. He brings real depth of highly relevant experience on an international stage, and his insights and leadership skills will be invaluable to the Exchange. He is extremely well qualified to lead the Board and to support the management team led by Clara Furse.

I have enjoyed the unique experience of leading your company through such a concentrated and beneficial period of change. I would like to express my appreciation to staff and shareholders for the support they have given me. The natural strengths of the London Stock Exchange are significant and I know that your Board, Clara, her management team and staff will build on its strengths further to expand and diversify the business successfully.



Don Cruickshank
Chairman

Chris Gibson-Smith

Chris Gibson-Smith (57) will become the new Chairman of the London Stock Exchange on 16 July 2003, following our AGM. He brings extensive international commercial experience and strategic acumen to the Exchange, which will help to strengthen our position as the world's most global exchange business. Currently, he is also Chairman of National Air Traffic Services. Previously, he has had 30 years' experience with BP plc, one of the world's leading companies, where he rose to become Group Managing Director.

Investing for growth

In a difficult year for markets, the London Stock Exchange has improved its competitive position as the leading provider of equity markets services in the European time zone. This has been achieved in an increasingly competitive marketplace that faces major structural and regulatory change.

Over the last year, we have also launched a series of growth initiatives. In February, we acquired Proquote, a low cost financial market software and data services supplier. In December, we announced an equity derivatives partnership with OM. EDX London is being launched along with a new covered warrants market. Using our extensive database of financial market information, we are developing a suite of new data products within a Corporate Data Warehouse, and we aim to become the definitive global numbering standard with our new SEDOL products. Collectively, these initiatives will require continuing capital investment in the next financial year. They represent important growth opportunities and will diversify our business.

We remain committed to the creation of a competitive single market in Europe, in which the London Stock Exchange intends to be the most prolific and efficient provider of equity markets services. We continue to shape the growth of capital markets worldwide by removing cost and regulatory barriers to equity markets. We are now linked by flexible business agreements to the most international exchanges in Africa and Asia. We have the technology, expertise and experience to offer a range of exchange services on a global scale and we are actively seeking to extend our network of exchange and markets relationships.

Strong finances

We have produced a strong financial performance. Turnover increased 10 per cent to £237.3 million and operating profit before exceptional items and goodwill amortisation increased to £81.7 million, a rise of 16 per cent. Earnings per share increased 6 per cent from 17.1 pence to 18.1 pence per share. Adjusted earnings per share (excluding exceptional items and


Clara Furse
Chief Executive

goodwill amortisation) rose 14 per cent, from 18.3 pence to 20.9 pence per share.

This creditable set of results reflects the overall resilience and quality of our business, achieved in increasingly competitive markets and against the backdrop of uncertain economic conditions. We remain well positioned to take further advantage of the opportunities presented by the dynamic environment in which we operate.

Management team

We continue to recruit and attract talent from across the financial services industry to add to our skilled management team. In March, we announced the recruitment of Karen Young and Roberto Rivero to head up and deliver important initiatives in our Information Services division. In May, we were delighted to welcome Martin Graham as our new Director of Market Services. These hires add vital expertise and experience to our business and will accelerate its growth. This year we also created a Regulatory Strategy team to focus on the challenges presented by international regulatory reform, where we have a key role to play in promoting the development of more open and competitive capital markets, particularly in Europe.

Market activity

Trading volumes in the UK equity market reached 40 million bargains, an increase over the previous year of 23 per cent. Our SETS electronic order book, which trades the UK's most liquid securities, has again driven the growth in trades, producing a record 27.5 million bargains, an increase of 58 per cent on the year. Despite difficult market conditions, a total of 202 companies were admitted to our markets, including 81 Initial Public Offerings (IPOs).

'We have the technology, expertise and experience to offer a range of exchange services on a global scale and we are actively seeking to extend our network of exchange and markets relationships.'

Issuer Services

While the last year has been a difficult one for issuers, our markets have proven to be the most resilient worldwide. We attracted 69 per cent of all IPOs in Western Europe while AIM continues to set the pace as the world's leading market for smaller quoted companies. We have attracted more issuers from around the world, including our first Chilean company and our first Russian share offering. In order to continue to attract companies from key markets, we are strengthening our links in specific areas, notably with Chinese mainland companies and within the Nordic region. In Europe, we are promoting our markets within the framework of the European Commission's Financial Services Action Plan.

Broker Services

Electronic trading through the SETS order book continues to rise strongly. We have invested significantly in trading system capacity and will extend our trading services with the planned introduction of SETSmm, a new trading mechanism to support FTSE 250 securities. We have made the trading process cheaper and more efficient through new services, such as the RSP Gateway and CREST Network. The covered warrants market was successfully introduced in October and is showing healthy growth.

The creation of EDX London forms the cornerstone of our entry into the rapidly growing over-the-counter derivatives market and provides exciting potential for building on London's position as a centre for international equity derivatives trading.

Information Services

Following a strategic review, we identified a number of new opportunities to sell the wealth of real time and historical data we possess, opening up additional revenue streams and reducing costly market inefficiencies for our customers. The first stage of the Corporate Data Warehouse was introduced in May 2003 and will form the basis for an expanding range of information products by enabling us to customise data for customers. The introduction in January 2004 of a global identifier for securities based on the SEDOL code will add another new service and will promote and streamline cross-border trading. Our acquisition of Proquote presents an exciting growth opportunity into the financial market software and data services sector. Our RNS company news service has risen to the challenge of operating within a competitive environment with a range of new products and over 90 per cent of FTSE 100 companies using its services.

Leading-edge technology

Leading-edge technology lies at the heart of our business and our strategy for growth. Over the last six months, a complete review of future technological requirements and opportunities has produced a platform for technology-led growth. We continue to work with world-class suppliers such as Accenture, Hewlett Packard and Microsoft to deliver exceptionally robust, high quality technology to our market. Our roadmap for the future will enable us to deliver new products and services more quickly and cost effectively than ever before.

New headquarters

Our relocation to Paternoster Square near St Paul's Cathedral in the second quarter of 2004 represents an important investment in our business, our market and our future. Work is on schedule and the completed headquarters will provide a modern, outward-looking and efficient working environment.

In April 2003, the Corporation of London resolved to approve the redevelopment of the Stock Exchange Tower site in Old Broad Street. The new scheme will double the amount of office space available and creates an attractive investment opportunity for potential purchasers.

Looking ahead

We are determined to capitalise on our position as the world's most global equity markets business. The steps we are taking to internationalise our products, services and customers will promote the gradual but certain globalisation of capital markets.

Global financial markets will become ever more competitive. This is good news for the Exchange: the outstanding quality of our markets, our products, our technology and our staff mean we are well placed to exploit the opportunities opened up by increased competition. We will persist in lobbying policy makers to take the measures required to promote fair and open competition within the UK and across Europe.

Our international reputation for quality and integrity is a major asset. We are proud of that reputation and will continue to build on it.

Clara Furse
Chief Executive

'We are determined to capitalise on our position as the world's most global equity markets business.'

Creating value for the companies on our markets

We are making the most of the opportunities our markets offer to strengthen our domestic presence and extend our global reach.

Issuer Services is the focal point for the Exchange's primary market activities. Its strong markets continue to attract companies worldwide.

- The Main Market provides the majority of the division's revenues, and supports trading in 2,072 issuers, including 410 overseas issuers from 60 countries.
- AIM, our international market for smaller, growing companies, has 705 constituent companies, including 50 overseas issuers.

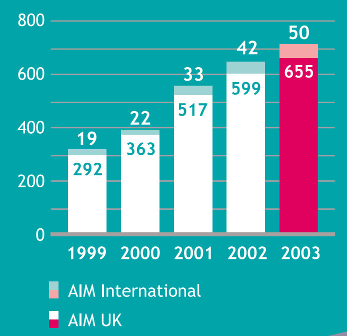
The division derives its revenues from the tariffs paid by issuers for having their securities admitted to our markets at IPO and in connection with subsequent corporate activity. Revenues also come from annual fees and from the nominated advisers that support AIM. Issuer Services increased its revenues by 34 per cent to £36 million.

We also recognise the importance of diversifying revenues and the coming year will see a major focus on the development of new products and services. During the last year, our ability to invest in our markets and in related services for our customers was strengthened by a simplified tariff structure, which remains highly competitive. Our fee levels remain well below those of our international competitors.

The value of our market offering

Our markets, which are competing with those of stock exchanges in Europe and the United States, have proven to be the most resilient worldwide during a year of difficult market conditions.

TOTAL NUMBER OF AIM COMPANIES
YEARS ENDED 31 MARCH



Main Market

Key to this is the strength of our customer offering including:

- a choice of markets and effective structures
- the credibility conferred on companies by the strong reputation of the Exchange and our world-leading regulatory standards
- London's recognised industry knowledge and expertise
- an unrivalled institutional investor base, providing access to London's deep pool of capital. London is the most international market in the world with £260 billion in international assets under management – almost twice as large as New York and 75 per cent larger than our closest European competitor (Source: 2002 Thomson Financial).

These qualities helped us to attract 202 companies during the year, including 81 IPOs. This accounted for 69 per cent of all Western European IPOs, up from 64 per cent the previous year. A total of £17.9 billion of new capital was raised on our markets.

AIM goes from strength to strength

AIM continued to set the pace as the world's most dynamic market for smaller quoted companies. During the year, the low costs and tailored regulation of AIM drew a steady flow of new issuers, despite the weaker IPO environment. In June, we welcomed the largest IPO in the seven year history of AIM when PRI Group, a new insurance company, raised £131 million at launch. At the end of the year, there were 705 companies on AIM, compared with 641 in the previous year. Overall,154 companies joined AIM including 12 overseas issuers. New joiners included seven North American companies, three of which were Canadian mining companies. During the year, we also welcomed three overseas nominated advisers.

PERCENTAGE OF WESTERN EUROPEAN IPOS YEAR ENDED 31 MARCH (%)

PERCENTAGE OF WESTERN EUROPEAN IPOS TRADING IN LONDON (%)

Source: London Stock Exchange, Thomson Financial and individual exchange websites

City Media Centre

Our City Media Centre (CMC), which provides broadcasting, presentation and training facilities to external customers, continued to generate increasing interest and activity. Broadcasters including the BBC, CNN, CNBC and Sky News benefited from newly upgraded and refurbished studio facilities. This helped to raise the number of broadcasts during the year by 41 per cent to 9,652 and enabled us to benefit from significant media exposure.

We implemented a redesign of the CMC website to incorporate 'virtual tours' of the facilities. The events and presentation business also grew, hosting 135 events during the year, an increase of 37 per cent. Plans are already in hand for further expansion of our media and business facilities following the move of our headquarters to Paternoster Square in 2004.

Serving customers worldwide

Our international strategy is focused on three regions – Europe, Asia Pacific and the Americas – with activity centred on the countries with greatest potential. Opportunities within each country differ and we are taking a considered approach to the strategies and tactics we use to exploit them, including:

- co-listing agreements, such as the one being developed with Hong Kong Exchanges and Clearing
- direct sales trips to key countries to target prospective issuers and their advisers
- developing a strong local presence, such as opening an office in the Nordic region
- building and strengthening networks and alliances to gain greater access to companies, their advisers and other key influencers.

This activity resulted in 18 issuers from nine countries being admitted to our markets in the last year including Lukoil, our first Russian share listing and Banco de Chile, our first Chilean company.

More than just a market provider

The role of Issuer Services extends beyond that of providing markets for trading and facilitating access to capital.

We are campaigners on behalf of our issuers. In the UK, we are contributing to the current review of the Listing Rules. In Europe, we continue to lobby for a single market in financial services that will recognise the needs of all issuers that wish to access our markets. In particular, we have been pressing the case for a more flexible approach to reflect the interests and requirements of AIM's growing community of companies, advisers and investors.

We continue to develop our range of services for companies. The introduction of dedicated relationship managers has been widely welcomed by issuers and has enabled us to:

- increase our understanding of, and responsiveness to, our customers
- ease the process for companies coming to market
- create a channel through which we can offer new services.

In order to deepen London's liquidity, we have developed new routes to market, using our wealth of regulatory experience. Our objective is to make it simple for all issuers to gain access to the benefits of London's capital markets. For example, we are developing a faster and easier route to AIM for companies already quoted on selected international markets.

Philip Mastriforte
Head of Issuer Services

INVESTING FOR GROWTH

Deepening international relationships in Hong Kong and the Nordic countries

In May 2002, we announced a collaboration agreement with Hong Kong Exchanges and Clearing to make it easier for companies to list in both Hong Kong and London, boosting the long-term growth prospects of both markets. We expect to implement a 'co-listing' programme with Hong Kong in 2003, designed with the support of our respective securities regulators. This will make it easier for companies listing in Hong Kong to obtain a simultaneous secondary listing in London. With many mainland Chinese companies targeted for privatisation over the next five years and a fast growing economy, this provides an excellent growth opportunity. Conversely, as mainland China increasingly deregulates and liberalises its financial markets, we expect European companies to be interested in seeking listings in Hong Kong in order to tap into China's huge savings and investment pools.

Our new Nordic office opened in October to realise the potential of our relationships with issuers, brokers and advisers across the region. Based in Stockholm, the office creates a single local point of contact for Exchange-related information, advice and support. It is delivered by a small, local team with experience and knowledge of the Nordic commercial, legal and regulatory environment.

Generating growth opportunities through new markets and services

Amid strong growth in trading volumes on our markets, we are broadening and enhancing the trading opportunities we offer to an ever-wider range of customers.

Our Broker Services division is responsible for the product management and development of our trading markets, and related products and services. It also manages our relationships with broking firms and promotes our markets to potential new customers around the world.

We have nearly 300 firms from 13 different countries and overseas territories that trade as members of the London Stock Exchange. During the year we attracted 26 new members, including seven from overseas. Our expanding range of products, services and trading opportunities continue to enhance our appeal to existing and potential customers all over the world.

Broker Services' main sources of revenue are charges for the processing of trades between members. During the year, the division's revenues rose by 8 per cent to £87 million.

The daily average number of equity bargains increased by 8 per cent to 215,000. Our trading systems proved resilient, providing uninterrupted access throughout a year of rising volumes and volatile global trading conditions.

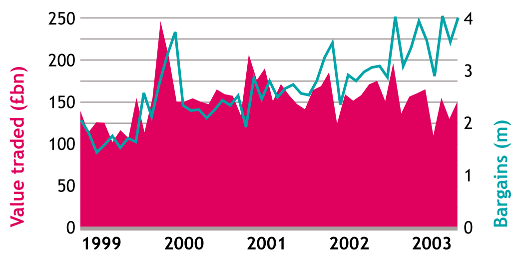
At the same time, we invested in a number of new initiatives and ventures that will create growth opportunities for the Exchange and help our members offer a fuller and more cost-effective service to their clients. These included our new covered warrants market and the formation of EDX London, our international equity derivatives business under a joint-venture agreement with OM, the trading technology specialists.

Powering growth in electronic trading

The SETS electronic order book, on which our most liquid UK securities are traded, again experienced record levels of trading. The daily average number of SETS trades reached 109,000, up from 69,000 the previous year. The 58 per cent increase in equity bargains came on top of an 86 per cent rise the previous year, reflecting our customers' continuing move towards electronic trading and technical trading strategies.

The arrangement with which we supply the JSE Securities Exchange South Africa with access to SETS on an Application Service

MONTHLY UK EQUITY TRADING VOLUMES
YEARS ENDED 31 MARCH



revenue
£87m
+8%

Provider basis went live in May 2002. During the year, SETS transacted a daily average of 14,000 JSE trades.

While SETS remained robust throughout the year, the rapid increase in trading necessitated further investment to expand its capacity. This investment will ensure that customers continue to get the standards of performance and reliability they require.

The development of our trading services continues. In September 2003, we will be introducing a new trading mechanism, SETSmm, to support trading of FTSE 250 securities. At the same time, we will be introducing an iceberg order type, which will enhance order book trading. Iceberg functionality allows order book participants to enter large limit orders onto the book while revealing only a portion of the order to the market. This will enable users to work larger orders through the book with reduced market impact and makes London an even more attractive place to do business.

Enhancing retail trading

The covered warrants market was successfully launched in October, providing a new product to private investors. The development of the market has been supported by a high-profile educational and promotional campaign. Since launch, it has grown steadily. There are currently over 430 covered warrants in the UK on stocks, international indices, baskets of equities and commodities, including gold and oil. There have been almost 10,000 trades totalling over £25 million in value. This makes the UK one of the fastest growing covered warrants markets in the world.

Bargains in Exchange Traded Funds (ETFs) tripled following a successful integrated marketing campaign to private client brokers and investors. We are continuing to raise awareness of ETFs as an effective tracking instrument amongst both institutional and private investors. We anticipate further growth following the launch of new ETF products during the coming year.

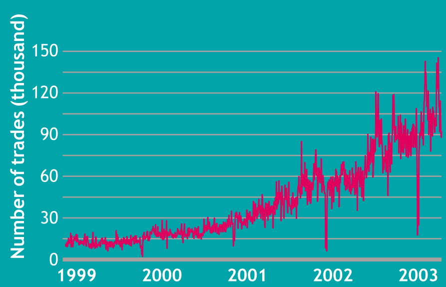
Our RSP Gateway sevice was launched last July, giving private client brokers access to Retail Service Providers through a single connection. Five RSPs are now offering trading in a wide range of UK equities and bonds.

Cutting the costs of clearing and settlement

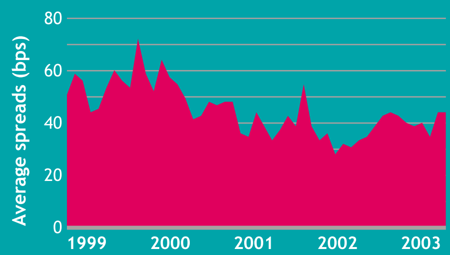
We continue to encourage the lowering of clearing and settlement costs, launching several initiatives to help member firms settle trades more cheaply and efficiently.

In May, we became a CREST Network provider, offering access to the CREST settlement service at highly competitive rates. The client list for the CREST Network Service has risen steadily since the introduction of the service. We estimate that our entry to this market has delivered a multi-million pound saving to the industry.

NUMBER OF SETS TRADES
YEARS ENDED 31 MARCH



FTSE 100 AVERAGE VOLUME WEIGHTED SPREADS
ENTERED ONTO SETS YEARS ENDED 31 MARCH




EDX
LONDON

Following the successful introduction of the Central Counterparty the year before, we again worked with CRESTCo and LCH to make the clearing and settlement of SETS trades even more efficient by introducing a facility for netting trades. The netting capability, launched in July, has enabled participating firms to achieve huge productivity gains and has reduced the number of settlements by some 98 per cent.

Our campaign continues for a more streamlined, user-governed settlement solution in Europe. This would reduce settlement costs and stimulate a greater level of cross-border trading. In September, we strongly encouraged and supported the merger of CRESTCo and Euroclear which has created Europe's largest settlement organisation.

Promoting cross-border investment

Professional investors can gain low cost access to international markets through the International Order Book (IOB), while the International Retail Service caters for private investors. Over the last year, we have added 37 new securities to the IOB, including 25 from Hong Kong, while the value of trading increased by 37 per cent.

Proper protection for investors

Our markets are well regulated to ensure that business is conducted in an orderly manner with proper protection for investors. Our advanced technology enables us to monitor market activity cost effectively and unobtrusively in real time, and to maintain integrity and fair dealing. The Exchange is regulated by the Financial Services Authority (FSA) as a Regulated Investment Exchange (RIE) under the Financial Services and Markets Act 2000. EDX London, our new equity derivatives business, has applied to the FSA for approval as an RIE and will operate to the same high regulatory standards.

Last year, we undertook a fundamental review of our trading rules to ensure they remain clear, concise and relevant, resulting in a major revision in July. We consult with customers and investors about possible developments to our rules, while remaining committed to high-quality regulation across our markets.

We continue to shape the European regulatory landscape as it develops following the gradual implementation of the Financial Services Action Plan. After widespread consultation, the new Investment Services Directive, central to a European single market in financial services, is entering the initial stages of the legislative process. We are committed to working with customers, practitioner groups and the European Commission to promote open and competitive trading practices, high standards of regulation, and choice and opportunity for investors.

INVESTING FOR GROWTH

Marc Bailey
Managing Director
EDX London

EDX London

In December, we announced the creation of EDX London, our new international equity derivatives business. EDX London is a joint venture with OM, the trading technology provider, and will use OM's CLICK™ exchange technology platform together with its SECUR™ clearing technology solution. Initially, EDX London will take responsibility for the operation of the Scandinavian equity derivatives business of OM's UK subsidiary, OM London Exchange.

Part of EDX London's initial focus will be on the development, in conjunction with London Clearing House (LCH), of an over-the-counter (OTC) equity derivatives trade confirmation and clearing service for wholesale market participants, which will provide capital and operational savings. This will reduce the cost and risk of conducting OTC business and is a facility not currently available for the growing OTC equity derivatives market in London. In the longer term, EDX London will seek opportunities to increase trading in a broader range of order book traded equity derivatives.

We have communicated our vision and objectives both to existing OM London Exchange customers and to London Stock Exchange members in a series of customer information seminars, and the response has been encouraging. Subject to regulatory approval by the FSA, EDX London will begin trading in June 2003.

Increasing capacity, services and revenues

To maintain and extend our position in a demanding financial services arena, we must be ready for increasing competition. At the same time, we are looking for ways to extend our technology offerings and create value for our shareholders.

Charting the future

Over the last decade, the Exchange has seen a period of continuing technological change allied to significant increases in order volumes. We anticipate that the rate of change and volume growth will accelerate in the future. To help us meet both our own and our customers' needs, we have constructed a strategic technology roadmap, charting the future shape of our systems platform. Our technology will evolve both to support our intention to broaden our range of financial products and to meet the specific needs of the market – speed, scalability, global reach, reliability and cost effectiveness.

World-class supplier partnerships

We work closely with world-class technology partners, such as Accenture, Hewlett Packard, Microsoft, MCI and NCR Teradata to ensure our products and services are constantly upgraded and remain leading edge.

During the year we developed our relationship with Accenture to meet our changing requirements. The result was the Exchange Solution Centre, a dedicated on-site Accenture development facility that enables us to reduce costs significantly and gain more efficient and effective access to the resources we need.

In January, with the help of Hewlett Packard, we increased the capacity of the SEQUENCE Tandem Non-Stop trading platform to address the rapid growth in trading volumes. This expansion, the second in just over a year, ensures that SEQUENCE – and the wide range of market models it supports, such as the SETS electronic order book – will continue to provide the resilience, functionality and cost efficiency that our customers require.

Our high-capacity Internet Protocol (IP) network, supported by MCI, enhances the capacity, flexibility and reach of SEQUENCE, and forms the basis of Extranex, our global information network service.

In November, we announced the launch of the Corporate Data Warehouse, based on Windows Server 2003 and NCR Teradata technology. The Warehouse will calculate value added market data in real time for onward transmission to our customers. It will also capture in-depth historical information and aims to be the definitive source for all UK financial market data sets.

Microsoft selected us as a 'partner of choice' for the launch of Windows Server 2003, the technology that underpins our new market data distribution platform. Microsoft's enterprise technologies allow us to reduce the total cost of ownership of our platforms, and enable flexible development techniques that help us to bring new data products to market faster than ever before.

IP-based products and services

During the year, we added several more products and services around our IP network to create an ever-expanding suite of IP-based facilities for our customers. The new market data distribution functionality, based on the Corporate Data Warehouse, the acquisition of Proquote, and the launch of the RSP Gateway and CREST Network services now make up a cost-effective range of services linked directly to our central systems.

Relocation to Paternoster Square

The planned relocation to our new headquarters at Paternoster Square in 2004 will provide the catalyst to upgrade the Exchange's desk top, messaging and intranet/internet infrastructure. The new infrastructure will realise important benefits, such as:

- support for remote working – both for our Regional Offices and travelling staff
- easier integration and support of new technology for the use of the Exchange and its clients.

World-class data resources driving new products and revenue streams

Our new information products and services are opening up additional revenue streams and markets, capitalising on our wealth of real-time and historical trading information.

Our Information Services division sells price data and other information on securities and trading to a range of customers, including companies, investors and specialist information vendors. It also enables customers to access our technology networks, such as Extranex and our STX private telephone service for market participants.

During the year, Information Services' revenues increased by 8 per cent to £102 million. This solid performance was achieved against the background of a rapidly changing market for information services.

Terminal numbers

Historically, over two-thirds of Information Services' revenue has come from real-time data sold through the terminals of over 300 third party vendors in 100 countries. In the last year, difficult global market conditions have led to a decline in the number of terminals taking Information Services' data from 105,000 to 94,000.

Breaking new ground in products and services

In April 2002, we successfully introduced Extranex, our new Internet Protocol (IP) based global information network service. Extranex has increased the information product range that we can offer and widened the customer base to which we can sell it. We are now able to provide more cost-effective services to any of the world's recognised financial centres.

Following a complete review of Information Services' business strategy, and with Extranex in place, we have identified a series of new initiatives that will enable us to diversify the division's range of products and services and target them at an increasingly international customer base. These initiatives build on our existing data assets to help meet the specific needs of market users. They include the development of our Corporate Data Warehouse, the acquisition of Proquote, a quality, low-cost financial market software and data services provider, and the creation

COUNTRIES RECEIVING DATA FROM THE LONDON STOCK EXCHANGE (HIGHLIGHTED IN RED)

revenue
£102m
+8%

of a new global identifier system for securities based on the SEDOL code.

Introducing the Corporate Data Warehouse

Using our existing range of market data, we have developed our Corporate Data Warehouse, which enables us to increase the range and depth of information we deliver to investors, data vendors and other market participants. This technology will form the basis for an expanding range of information products. It enables us to customise the real-time data we send to customers via our London Market Information Link (LMIL), and provides easier access to our archived trading data.

The technology delivers several benefits to the Exchange and our customers. By enabling data to be accessed from a single authoritative central source, it reduces costs for data vendors and member firms. By acting as the core of a new generation of carefully targeted information services, it creates a wealth of new commercial opportunities for the Exchange.

The first stage of the Corporate Data Warehouse was introduced in May 2003 with the launch of the Exchange's first historical data services. It will be followed in June by the introduction of a value-added real-time data service.

New global identifier for securities

An issue of keen concern to our customers is the estimated £125 million wasted by the global securities industry every year because of problems identifying securities in cross-border transactions. A key cause of these losses has been the lack of a unique market-level, global identifier for each security. Many stocks require multiple codes, depending on where they are listed and traded to ensure accurate identification.

INVESTING FOR GROWTH

David Lester
Chief Information Officer

Proquote

Our purchase of Proquote, the privately owned financial market software and data services provider, in February 2003 represented a major strategic diversification of our business. As an independent company, Proquote had already established a leading reputation as a supplier of cost-effective information products and trading services directly to brokers. By buying Proquote, we immediately gained entry to the financial market software and data services sector. It also enables us to use our brand and global reach to drive more rapid growth of the existing Proquote business. We have now positioned ourselves to offer an increasingly comprehensive range of Proquote-based information products and trading services across both our Extranex network and the internet. Proquote also offers us the potential to recruit new member firms – particularly outside the UK – by offering them a low-cost terminal product enabling direct access to our markets.

proquote

We are now in a position to provide a market-wide solution thanks to our long-established international market experience and our large database of SEDOL securities codes. After extensive consultation with third parties, we are updating these codes to uniquely identify securities and the markets they trade on, covering all asset classes. From the time of the system's planned launch in January 2004, subscribers will have round-the-clock internet access to request SEDOL codes in real time and search our enhanced database. This will augment the efficiency of global capital markets, reduce costs for participants, and create a sustainable new revenue stream for the Exchange.

FTSE Group

A further source of revenue is FTSE Group, the index provider of choice for the world's leading investors. FTSE is a 50/50 joint venture originated in 1995 between the Exchange and the Financial Times, owned by Pearson Group. FTSE now calculates over 20,000 indices daily, including more than 600 real-time indices, and is a global company with eight offices around the world and clients from 77 countries. FTSE has a portfolio of highly-regarded indices including the FTSE 100 and the FTSE All-World Index Series. The success of FTSE in recent years has seen the business expand rapidly, generating increasing revenues for our Information Services division.

www.londonstockexchange.com

The popularity of www.londonstockexchange.com continues to grow, with over a billion hits registered on the site over the last year. Developments delivered include e-commerce products such as the online Historic Price service, together with new content that incorporates leading edge web design, such as the City Media Centre promotional site.

Other new initiatives have focused on enhancing the usability and 'customer friendliness' of the site. These include the online Answer Engine and the Product Diary, which is a communication and reference tool for our customers. The overall look and feel of the site has also been refreshed with the implementation of new online branding.

A leading provider of business communication tools

RNS remains the foremost company news distributor in the UK and continues to develop its services to meet the current and future needs of its customers.

Since the deregulation of regulatory news distribution in April 2002, RNS has operated in a competitive environment, creating the opportunity for a valuable new revenue stream for the Exchange. The reliability, expert knowledge and high levels of customer service that RNS offers have enabled it to meet this challenge to the full. It has retained its position as the UK's leading distributor of company news with over 90 per cent of FTSE 100 companies continuing to use its services.

A broader range of communication tools

As well as providing news distribution services to meet companies' UK regulatory requirements, RNS has increased the depth and reach of its distribution channels. It has also developed complementary tools to help the companies traded on our markets communicate more effectively and efficiently with their investors.

RNS now assists companies in meeting their regulatory obligations in the United States by providing a streamlined service for making mandatory electronic filings with the Securities and Exchange Commission. It also distributes announcements to the audiences recommended by the US exchanges where the companies have a listing.

RNS can help companies to communicate their messages to a broader media audience by reaching journalists' desks directly through press wires across Europe and the US. This enhancement to the range of services that RNS offers enables companies to achieve maximum coverage simply and effectively for their important news stories.

The growing demand on companies to provide audio and video presentations to a wider audience is now being met by RNS through its webcasting facilities. RNS Webcasting provides a full range of services, ranging from high quality production of content to notification of and distribution to target audiences.

Continuing innovation

By developing new channels and methods for business communications, we are developing our existing services. This has resulted in the creation of a new tool, RNS Submit, which makes it even easier for companies and their advisers to distribute their announcements online. RNS Submit, launched in March 2003, enables documents in Microsoft Word format to be submitted directly from the user's desktop, while also enhancing control over how announcements appear on an end user's screen.

By maintaining its market-leading position and providing new and innovative products, RNS aims to continue building on its commercial success to date.

communicate RNS

CORPORATE AND SOCIAL RESPONSIBILITY

A responsible business

On behalf of our employees, business partners and the wider community, we are determined to maintain the highest social, ethical and environmental standards.

As a commercial company competing at the highest level, we are proud of the way in which we do business. We are also keenly aware that winning and keeping the trust of all our stakeholders is critical to sustaining our long-term strength and growth. We want our customers to know that we are their best possible choice and our shareholders to know that their investment is in the safest of hands.

We take our responsibilities to all our stakeholders extremely seriously. Throughout our business, we are taking up the challenge of meeting their expectations and aspirations.

Employees

We have created a working and learning environment which develops the skills and knowledge of our employees. As part of that environment, we operate an appraisal system that clearly links reward to performance and provides a framework for training and development.

This year we introduced a coaching skills programme for senior managers, designed to better equip them with the skills needed to motivate and develop an increasingly diverse workforce.

In January, we launched a flexible benefits programme, enabling our employees to make better-informed decisions about the effect of a wide range of benefits on their lifestyle, wealth and financial security. Our share schemes continue to encourage employees to take an active stake in the success of our company, with a participation level of over 80 per cent.

Customers and suppliers

We are committed to being honest and fair in all our dealings with our customers and suppliers. We use terms of business to provide clarity and protection, and to ensure delivery and receipt of products and services at agreed standards. We closely guard the information they entrust to us and seek to ensure that it is never used improperly.

Community

Last year was our second supporting The Trident Trust as our partner charity. Founded in 1971, The Trident Trust aims to help young people between 14 and 25 prepare for life beyond the classroom. It enhances their employability and develops their individual potential regardless of ability or background. Trident's national reach and investment in the future through its tireless work with young people made it a natural choice as our partner charity.

Our contribution to Trident's management costs provided it with much-needed stability, and enabled it to respond more quickly to emerging opportunities. It also allowed Trident to match-fund new developments and access funds previously out of its reach. The result was new projects, greater reach and more young people being helped to bridge the gap between education – or educational exclusion – and the workplace.

We are particularly excited about a pioneering e-mentoring programme. Our employees are working closely with Trident and the City of Westminster College to help 20 young people, many from unstable or disruptive backgrounds, to acquire the necessary interview skills and confidence to undertake a work experience placement.

We are delighted that the value of the work we have done with Trident was recently recognised by Business In The Community, who awarded us with the 'BIG TICK' in their Awards for Excellence 2003. The BIG TICK is awarded to companies and company programmes that have achieved excellence in the field of corporate responsibility.

In April 2003, we linked up with Special Olympics to help launch the 'Invest in a Life' campaign. Special Olympics is a global sports programme for people with learning disabilities and the campaign aims to secure the funding that will attract one million new participants by 2005.

Health, safety and the environment

It is our policy to maintain healthy and safe working conditions and to operate in an environmentally-responsible manner. Significant health, safety and environmental issues are escalated to senior management in accordance with the risk management process described in the Corporate Governance section on page 31.

Our Health and Safety policy includes procedures for the safe handling of toxic and environmentally-damaging materials. Compliance with the policy is overseen by an internal Health and Safety Group. This Group, with representation from each business area, meets on a regular basis and considers changes in legislation and related matters. One accident to staff was reported under the health and safety reporting regulations during the year. There were no other reportable illnesses, dangerous occurrences, or fatalities, nor were any health and safety enforcement notices or convictions received.

We recognise that our activities inevitably have an impact on the environment. Consequently we embrace the principles of sustainable development and are committed to a process of continual environmental improvement and pollution prevention. We treat all relevant environmental legislation and regulations as the minimum standard and seek to exceed them wherever possible. An Environmental Policy Statement is set out on our website (www.londonstockexchange-ir.com) and provides a framework for developing and reviewing environmental objectives and targets.

Key environmental management procedures include the recycling of paper waste and IT equipment, the use of energy saving office equipment and the requirement for all significant facilities contractors to have an environmental policy in place. In addition, we have an established Energy Management Policy and monitor carbon dioxide emissions.

Trident
Skills for Life

FINANCIAL REVIEW

Growth and new investment

Financial performance for the year ended 31 March 2003 has been creditable despite difficult market conditions. We achieved further growth in turnover and operating profit with strong cash flow.

Turnover increased 10 per cent to £237.3 million (2002: £215.6 million) and operating profit before exceptional items and goodwill amortisation rose to £81.7 million (2002: £70.5 million). Earnings per share rose 6 per cent from 17.1p per share to 18.1p per share and adjusted earnings per share, before exceptional items and goodwill amortisation, grew 14 per cent to 20.9p per share (2002: 18.3p).

Turnover

Issuer Services' turnover increased 34 per cent from £26.9 million to £36.0 million, largely attributable to selective tariff changes which took effect on 1 April 2002. The number of companies on our markets as at 31 March 2003 was 2,777 (2002: 2,879) and the number of new issues on the Exchange's markets decreased to 202 (2002: 289) reflecting continued difficult conditions in the IPO market. Nevertheless, a total of £17.9 billion of new capital was raised on the Exchange's markets during the year. AIM, our market for younger enterprises, continued to attract new participants and at 31 March 2003 the number of companies on AIM had increased 10 per cent to 705 (2002: 641).

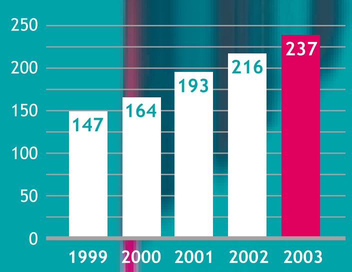
Turnover from Broker Services increased 8 per cent to £87.3 million (2002: £81.2 million), driven by the continued strong growth in the number of bargains transacted through the electronic order book, SETS. The total number of equity bargains increased 8 per cent to 54.3 million (2002: 50.1 million), a daily average of 215,000 (2002: 200,000). Over the same period, the daily average number of equity bargains transacted on SETS grew by 58 per cent to 109,000 (2002: 69,000), a total of 27.5 million (2002: 17.4 million).

Information Services' turnover was up 8 per cent to £102.2 million from £94.9 million with the total number of terminals receiving Exchange data on a real-time basis at year end of 94,000 (2002: 105,000). The decline in terminals was off-set by demand for the Exchange's other information products including RNS, our company news distributor, and FTSE, the Exchange's joint venture with Pearson Group, owner of the Financial Times.

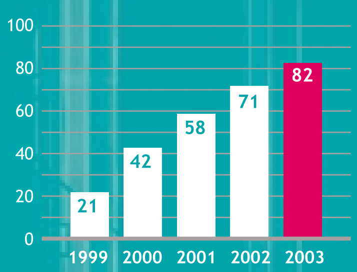
Expenditure

Administrative expenses grew at a lower rate than turnover, up 6 per cent to £144.3 million (2002: £136.1 million) principally reflecting

TURNOVER FROM CONTINUING OPERATIONS (£ MILLION)



OPERATING PROFIT FOR CONTINUING OPERATIONS BEFORE EXCEPTIONAL ITEMS AND GOODWILL AMORTISATION (£ MILLION)



profit before taxation

+6%

additional IT support costs relating to the Exchange's new high capacity communications network. In addition, exceptional costs of £11.6 million were recognised for an exceptional VAT credit of £10.4 million off-set by a £22.0 million exceptional property charge.

Following successful negotiations with Customs and Excise, a retrospective change in the method for calculating VAT recoverable on expenditure has been agreed, leading to a recovery of £10.4 million of VAT. Off-setting the VAT credit was a £22.0 million increase in provision for leasehold properties in respect of space to be sublet in our new headquarters at Paternoster Square.

Profit for the year

The increase in turnover and further improvement to operating margin to 36 per cent (2002: 34 per cent) resulted in an increase of 16 per cent in operating profit before exceptional items and goodwill amortisation to £81.7 million (2002: £70.5 million).

After exceptional items and net interest received, profit before taxation improved 6 per cent to £79.5 million (2002: £75.2 million). The taxation charge of £26.8 million is higher than the standard tax rate due to certain expenses disallowed for the purposes of tax provision. After tax, the profit for the year was £52.7m (2002: £49.9 million).

Earnings per share increased 6 per cent to 18.1p per share (2002: 17.1p per share) and adjusted earnings per share grew by 14 per cent to 20.9p per share (2002: 18.3p per share). The Directors have proposed a final dividend of 3.0p per share resulting in a total dividend of 4.3p per share. This represents a 19 per cent increase over 3.6p per share last year and gives a total distribution of £12.5 million (2002: £10.6 million).

Balance sheet and cash flow

Cash flow from operating activities before exceptional items was £74.8 million (2002: £82.4 million) after a special contribution to the Company's defined benefit pension scheme of £15.0 million. After capital expenditure of £28.1 million (2002: £15.8 million) and acquisition of Proquote Ltd for £11.8 million (2002: nil), there remained a cash inflow of £20.9 million (2002: £42.0 million). At 31 March 2003, sterling cash resources were £211.0 million (2002: £189.9 million) with no debt. The Company invests the majority of its funds in fixed term deposits with banks, for periods of up to one year.

Jonathan Howell
Director of Finance

Accounting policies

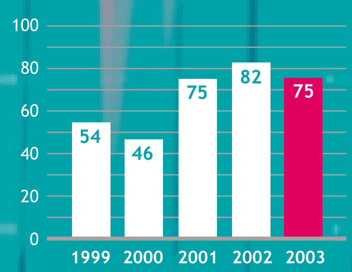
The Exchange complies with all current UK accounting standards and there have been no policy changes during the year. The transitional disclosures required by FRS 17 on Retirement Benefits are included in the financial statements. The valuation of the pension plan at 31 March 2003, based on the requirements of FRS 17, shows a post-tax deficit of £19.6 million (2002: £13.2 million).

Going concern

After making appropriate enquiries, the Directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future. The accounts are, therefore, prepared on the going concern basis.

Jonathan Howell
Director of Finance

CASH INFLOW FROM OPERATIONS BEFORE EXCEPTIONAL ITEMS (£ MILLION)



turnover

+10%

Your board

1 **Don Cruickshank 60 ▪**
Chairman

Chairman since May 2000. Chairman of SMG plc. He was Chairman of UK Banking Review from 1998 to 2000, Director General of Telecommunications from 1993 to 1998, Chief Executive, NHS in Scotland from 1989 to 1993, Managing Director of Virgin Group from 1984 to 1989. Chairman, Wandsworth Health Authority from 1986 to 1989.

2 **Clara Furse 45**
Chief Executive

Appointed Chief Executive in January 2001. Formerly Group Chief Executive of Credit Lyonnais Rouse from 1998 to 2000. Director of LIFFE from 1990 to 1999, Deputy Chairman from 1997 to 1999. At Phillips & Drew/UBS (now UBS Warburg) from 1983 to 1998; became a Director in 1988, Executive Director in 1992, Managing Director in 1995, Global Head of Futures in 1996. She is a Non-Executive Director of Euroclear plc and RICS Foundation.

3 **Jonathan Howell 40**
Director of Finance

Director of Finance since December 1999. He was previously Head of Market Regulation from 1998 and Director of Regulation from March 1999. He is a Director of FTSE International Ltd. He joined the Exchange in 1996 from PricewaterhouseCoopers.

4 **Martin Wheatley 44**
Deputy Chief Executive

Deputy Chief Executive since March 2001, with responsibility for Corporate Strategy and Development. Previously Director of Business Development from December 1999 to March 2001 and Director of Marketing and Development from July 1998 to December 1999. He is Chairman of FTSE International Ltd. He joined the Exchange in 1985.

5 **Ian Salter 60 • ▪**
Deputy Chairman

Non-Executive Deputy Chairman since 1990. He is a Managing Director of SG Investment Management Ltd. He is a member of the Finance Committee for the City Take Over Panel and sits on the Code Committee. He also served on the Financial Reporting Council for eight years and is a member of the UK Listing Authority Advisory Committee.

6 **Michael Marks CBE 61 • ▪**
Non-Executive Director

Partner NewSmith Capital Partners Ltd. Formerly Executive Vice-President, Merrill Lynch & Co, Inc, Executive Chairman of Merrill Lynch Europe, Middle East and Africa; Chairman of Merrill Lynch Investment Managers & International Private Client and a member of the Executive Management Committee of Merrill Lynch & Co, Inc. He is a member of NASD's International Markets Advisory Board.

• Member of the Audit Committee
▲ Member of the Remuneration Committee
▪ Member of the Nomination Committee

7 Baroness (Janet) Cohen 62 • ▲ ■
Non-Executive Director

A Life Peer. Chairman of BPP Holdings plc. Non-Executive Director of the Defence Logistics Organisation. 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.

8 Gary Allen CBE DL 58 •
Non-Executive Director

Chairman IMI plc since May 2001, Chief Executive from 1986 to January 2001. Board Director of IMI plc since 1978, 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.

9 Peter Meinertzhagen 57 ▲
Non-Executive Director

Chairman Hoare Govett Ltd since October 1999. Previously he was Chairman of Hoare Govett Corporate Finance Ltd and of Hoare Govett Small Companies Index Trust plc. He joined Hoare Govett in 1965.

10 Robert Webb QC 54 ▲
Non-Executive Director

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.

11 Oscar Fanjul 54 • ■
Non-Executive Director

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, Técnicas Reunidas, Marsh & Mclennan Companies and Advisory Director of Unilever. He is also a member of the European Advisory Board of the Carlyle Group.

12 Nigel Stapleton 56 ▲
Non-Executive Director

Chairman Uniq plc and Cordiant Communications Group plc. Previously Chairman of Veronis Suhler International Ltd from 1999 to 2001, 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.

13 Chris Gibson-Smith 57
Non-Executive Director
(from 1 May 2003)

Non-Executive Director since May 2003, he becomes Chairman on 16 July. He is also Chairman of National Air Traffic Services and Non-Executive Director of British Land Company plc and of Lloyds TSB plc. Previously Group Managing Director of BP plc from 1997 to 2001. He is a Trustee of both the Institute for Public Policy Research and the arts charity Arts and Business.

Corporate governance

Subject to the comments below regarding the independence of the senior non-executive director and of a member of the Remuneration Committee, the Company's Board is satisfied that it has complied with the provisions of the Combined Code – Principles of Good Governance and Code of Best Practice ('the Combined Code') during the year ended 31 March 2003. The Company's Board believes that these exceptions are justified given the wide experience and calibre of the two non-executive directors concerned.

Board of directors

At 31 March 2003, the Board comprised nine non-executive directors, including the Chairman and Deputy Chairman and three executive directors. Of the non-executive directors, Gary Allen, Janet Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb QC are considered to have been fully independent during the year within the meaning of the Combined Code. The senior non-executive director, who is not regarded as being independent, is Ian Salter.

On 1 May 2003, Chris Gibson-Smith joined the Board as an independent non-executive director. He will take over as Chairman from Don Cruickshank following the AGM on 16 July 2003.

The Board has six scheduled meetings a year and meets more frequently as required.

The roles of Chairman and Chief Executive are distinct and separate with a clear division of responsibilities.

Directors serving on the Board's committees are identified on the 'Board of Directors' pages 28 and 29.

The Remuneration Committee is chaired by Nigel Stapleton and comprises three other non-executive directors. One member of the Committee is not regarded as being independent and, in this respect, the Company does not comply fully with the Combined Code. The Committee has written terms of reference and 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 and executive directors, including the grant of entitlements under the Company's share schemes. A separate Remuneration report is set out on pages 32 to 39.

The Audit Committee is chaired by Gary Allen and comprises four other non-executive directors. It has written terms of reference and meets at least twice a year, normally with the external auditors present, to consider the audit plan and the interim and annual results, as well as any matters raised by the auditors. It also reviews the adequacy and effectiveness of the key systems of internal control and monitors the efficiency and independence of the internal audit function. The Committee reviews the Company's financial statements and makes recommendations regarding their approval by the Board as a whole.

In order to ensure an appropriate balance between cost effectiveness, objectivity and independence, the Audit Committee also reviews the nature of all services provided by the external auditors each year. Factors taken into consideration include: cost, appropriate use of the auditors' existing business knowledge and their procedures for ensuring compliance with professional and regulatory requirements. The Company normally expects to retain the external auditors to provide audit related services, including work in relation to shareholder (and other) circulars and transaction related work, and certain tax and similar services. The external auditors have provided no general consulting or internal audit services during the year.

The Nomination Committee is chaired by Don Cruickshank and comprises four other non-executive directors. The Committee meets as necessary to make recommendations to the Board on all new Board appointments. Don Cruickshank deferred to Ian Salter for the appointment of Chris Gibson-Smith as his successor as Chairman.

Internal control

The Board confirms that procedures have been in place throughout the year and up to the date of this report which comply fully with the guidance 'Internal Control: Guidance for Directors on the Combined Code' (published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in September 1999).

The Company's systems of internal control over business, operational, financial and compliance risks are designed to help the Company meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board has ultimate responsibility for the systems of internal control and, through the Audit Committee, has reviewed the effectiveness of the systems. The Board is committed to their continual enhancement.

The principal features of the Company's control framework are described under the following headings:

- Delegation of authority – matters reserved for Board approval only are clearly defined. Executive directors have general responsibility for making and implementing operational decisions and for overseeing the Company's business.
- Planning and reporting – the Board approves strategic decisions and the budget for the forthcoming year and receives a report on key business matters from the Chief Executive at each meeting. Monthly reports to management contain key performance indicators and compare actual financial performance with the annual budget or forecast. Management action is taken where variances arise and revised forecasts are prepared on a regular basis.
- Audit Committee – the Company's internal audit department reports to the Audit Committee on the effectiveness of key risk management and internal control procedures and appropriate action is taken where necessary. The Audit Committee also receives reports from the Company's external auditors.
- Risk management – effective risk management is the responsibility of all line managers and each business area continuously updates and evaluates its documented key risks and controls. Periodic reports confirming the effectiveness of all significant control policies and procedures are produced by management and reviewed by the most senior executive in each business area. The Company's internal audit department reviews these reports and independently summarises any significant matters arising for the Audit Committee. During the year, the Company introduced new risk management software, improving the visibility, monitoring and evaluation of risk across all business areas.
- Detailed procedures – procedures and controls for key business areas (including the Company's finance function) are set out in detailed departmental manuals. These are reviewed and kept up-to-date to meet changing business needs.

Relations with shareholders

The Company conducts regular dialogue with institutional investors, holding meetings throughout the year in the UK and on overseas visits. Communication with shareholders also takes place by way of annual and interim reports, quarterly trading updates and through the presentation of preliminary and interim results, which are made accessible to all investors by webcasts available on the Company website. A range of other information and services for shareholders is provided on the Investor Relations section of our website at: www.londonstockexchange-ir.com, which was recently revised to improve accessibility of data.

The Annual General Meeting (AGM) provides the opportunity for shareholders to question the Board and meet informally after the event. The procedures for the AGM are compliant with the Combined Code and the event is normally attended by all Directors.

Health, safety and the environment

The Company's approach to health, safety and the environment is set out in our Corporate and Social Responsibility statement on page 25.

Remuneration report

Scope of report

The Remuneration report sets out the Company's current remuneration policy and particularly its approach to directors. It also explains how the Company applies the principles of good corporate governance in relation to directors' remuneration in accordance with the Combined Code and the recent Directors' Remuneration report Regulations 2002.

The Remuneration Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company's business environment and remuneration practice. Any changes in policy for years after 2003/04 will be described in future Remuneration reports, which will continue to be subject to shareholder approval.

Details of directors' remuneration and benefits are set out in the tables in this report.

Shareholders will be provided with an opportunity to vote on the Remuneration report as set out in this Annual Report at the forthcoming AGM. Further details are contained in the notice of Annual General Meeting.

Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises four non-executive directors. During the last financial year the Committee met on three occasions to determine on behalf of the Board the framework of executive remuneration, and the specific remuneration of the executive directors including the award of entitlements under the performance-related incentive schemes. The members of the Committee are:

Nigel Stapleton (Chairman)
Baroness Cohen
Peter Meinertzhagen
Robert Webb QC

For the purposes of the Combined Code, Peter Meinertzhagen, a member of the former Senior Appointments and Remuneration Committee, is the sole member not regarded as being independent.

The members of this Committee do not have any personal financial interests nor any conflicts from cross-directorships that relate to the business of the Committee. The members do not have any day to day involvement in the running of the Company.

During 2002/03, the Committee received advice from the remuneration consultants, Mercer Human Resource Consulting Ltd, who provided professional advice on all aspects of remuneration. They provided no other services to the Company. The results of market surveys are also made available to the Committee. The Committee also invites the views of the Chairman, CEO and Finance Director. These individuals did not participate in any decision relating to their own remuneration.

The Committee's terms of reference are reviewed and approved by the Board.

Remuneration policy

The Company is committed to the governing objective of maximising shareholder value over time. Each year the total remuneration package of the directors is reviewed to ensure it continues to incentivise performance against this objective.

In a competitive and challenging marketplace the Company must attract and retain a talented 'top team' to ensure it is positioned to deliver its business plans and maximise returns for shareholders.

The Company is committed to paying for genuine performance. A significant proportion of executive remuneration is variable and dependent on the achievement of challenging performance targets which align with shareholders' interests. The remuneration is predominantly performance-related. In 2002/03, when the Board judged performance to be outstanding, over two-thirds of executive directors' total remuneration was performance related.

The Remuneration Committee continually reviews executive remuneration practices and levels in relation to market practice against a group of peer companies. This peer group comprises specialist financial services and information technology companies, and is kept under regular review to reflect corporate events and ongoing suitability. Specifically, total remuneration is benchmarked at market median against this peer group.

The principal components of executive directors' remuneration are as follows:

Fixed components

- Base salary, benefits and provision for retirement, set by reference to market levels.

Performance-related components

- Annual bonus, through a cash payment and in certain circumstances a deferred award of shares for the achievement of corporate and individual objectives.
- Share option grants to reward the creation of long-term shareholder value.

The fees of the non-executive directors are agreed by the Board. They are designed to recognise the significant responsibilities of directors and to attract individuals with the necessary experience and ability to make an important contribution to the Company's affairs. The fees, which are neither performance related nor pensionable, are comparable with those paid by other FTSE mid 250 companies. In 2003/04, the Company intends that at least 20 per cent of the fees (net of tax) are used to purchase shares to strengthen the linkage to shareholder value.

The components of executive directors' remuneration are set out in more detail below.

Base salary
Salaries are reviewed annually with effect from 1 April. Adjustments may be made to reflect changes in responsibilities and to ensure salary levels remain competitive against the peer group of companies. No executive director received a salary increase on 1 April 2003.

Executive directors are eligible to receive a choice of various employee benefits or a cash equivalent, on a similar basis as other employees.

Annual Bonus Plan
Executive directors are eligible to participate in the Annual Bonus Plan. Under this plan bonuses are determined by two factors:

- The performance of the Company against annual financial targets which include operating profit, earnings per share and cashflows.
- Individual performance against personal objectives.

The threshold performance levels, below which no bonus will be payable, have also been set by the Remuneration Committee at higher figures than those achieved in the previous year.

Bonus levels for executives for achievement of stretching performance targets and objectives are typically 100 per cent of base salary, with the potential for higher awards to incentivise and reward outstanding performance. Similarly, executive directors will not be eligible for a bonus if the Company fails to meet its annual financial targets, except for that element relating to their individual objectives.

Awards over 100 per cent of salary are in part deferred as share awards, which are delivered in two tranches after 12 and 24 months of the performance period. As the deferred bonus awards are for the achievement of Company and personal performance objectives (see above), no further performance conditions attach to vesting, other than continued service.

Long-Term Incentive Schemes
Share awards and share options have been granted in previous years in accordance with the relevant scheme rules and market practice at that time. All plans, with the exception of the Executive Share Option Plan approved by shareholders at the 2002 AGM and the SAYE scheme have now been closed in respect of new awards.

Share Options
The Executive Share Option Plan (the Plan) was approved by shareholders in July 2002.

The maximum individual grant limit in any financial year is an option over shares with a market value at the date of grant equal to 100 per cent of that individual's salary. In exceptional circumstances, the Remuneration Committee may grant an option over shares with a value of up to 200 per cent of an individual's base salary. There were no such exceptional circumstances during the 2002/03 financial year. Upon the recruitment of a senior executive, the Remuneration Committee can exceed this limit if this is necessary in order to recruit the Company's chosen candidate.

Under the Plan, options will only become exercisable providing the Company achieves the performance criteria set by the Board during the initial three-year period. 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 will expire after 10 years. The Remuneration Committee will seek independent verification of whether or not the performance criteria have been achieved, by the end of the third year.

Options granted under the Plan in the financial year 2003/04 will not normally become exercisable unless the growth in the Company's earnings per share (adjusted for certain items including exceptional items and the amortisation of goodwill) exceeds the retail price index over the initial three-year period after award by an average of at least four per cent per annum.

Earnings per share growth has been chosen as a good measure of value creation; it is aligned with the Company's corporate strategy and business goals and with the interests of shareholders. The Remuneration Committee will review performance measures and targets on an annual basis to ensure that they remain suitably challenging and aligned with shareholder value creation.

Share ownership guidelines
To be considered for future awards under long-term incentive schemes, executive directors and other senior executives are expected to build up over a three-year period and then hold shares with a value at least equal to their base salary.

All employee SAYE Share Option Scheme
All UK permanent employees, including executive directors, are eligible to participate in the Inland Revenue approved SAYE Share Option Scheme. Under the scheme rules, 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 per cent discount to market value. This scheme operates within specific tax legislation and exercise of the option is not subject to satisfaction of performance conditions.

Recruitment award
In May 2003, a senior new hire, who is not a director, was granted a one-off restricted share award as part of his recruitment arrangements. Providing he remains an employee of the Company, the award will vest in 2006, and will be satisfied from shares bought in the market.

Pensions
The Company's policy is that all new executive directors should only participate in a defined contribution pension scheme.

Martin Wheatley, who was appointed prior to 1989, participates in the Company's final salary pension arrangements. This provides a core benefit, which is non-contributory, of a pension accrual rate of 1/60th of final pensionable salary for each year of service (up to a limit of two thirds of final pensionable salary) (see note ii).

All other executive directors have a proportion of their base salary paid into an appropriate defined contribution pension scheme.

Only base salary is used to calculate pension entitlement and no other pension supplements apply.

Executive directors
The Company has adopted the following policy on directors' service contracts.

Notice periods
All executive directors have one-year rolling service contracts with the Company. The Remuneration Committee considers that this is consistent with current best practice.

Clara Furse entered into a service agreement with the Company on 24 January 2001 and may be terminated by the Company with not less than 12 months' notice.

Jonathan Howell and Martin Wheatley entered into their current service agreements on 25 January 2000 and both service agreements may be terminated by the Company with not less than 12 months' notice.

Termination arrangements
For the Chief Executive, a pre-estimate of her loss upon termination was agreed and is defined within the service agreement. The severance pay is equal to the annual compensation value, which includes basic salary, benefits paid and the value of the last annual bonus awarded to the Chief Executive in the 12-month period prior to termination.

For Martin Wheatley and Jonathan Howell, no provisions for termination payments have been agreed to. Instead, the parties will rely on common law, including the duty to mitigate if a contract is terminated without notice. No compensation for loss of office was paid to any director during the financial year 2002/03.

The Company's policy for future appointments is that contracts should not contain a liquidated damages clause in the event of termination.

Outside appointments
Executive directors are allowed to accept appointments as non-executive directors of other companies with the prior approval of the Chairman or Remuneration Committee. Approval will only be given where the appointment does not present a conflict of interest with the Company's activities and the wider exposure gained will be beneficial to the development of the individual.

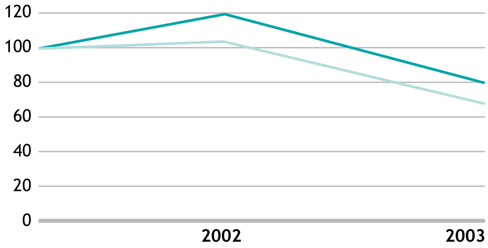
Non-executive directors' remuneration
Non-executive directors have letters of appointment and do not have contracts of service or contracts for services. Apart from the current Chairman, the non-executive directors receive no benefits or entitlements other than fees and do not participate in any of the Company's incentive schemes. The Board as a whole determines the fees of the non-executive directors. The Company does not make any contribution to the pension arrangements of non-executive directors.

Don Cruickshank was appointed as Chairman with effect from 25 May 2000, and will stand down at the 2003 AGM, as non-executive Chairman. He received shares and options under the Initial Plan in November 2000. On becoming non-executive Chairman in January 2001, he has foregone his entitlement to be considered for further awards under the Company's incentive schemes. He retains an entitlement to medical insurance, which was part of his original terms and conditions. The company makes no contributions to Don Cruickshank's pension arrangements.

Total Shareholder Return (TSR) performance

The following line graphs show the total shareholder return on a holding of the Company's ordinary shares and a hypothetical holding of shares made up of shares of the same kind and number as those by reference to which the FTSE 250 is calculated.

TOTAL SHAREHOLDER RETURN (£)
YEAR ENDED 31 MARCH 2003



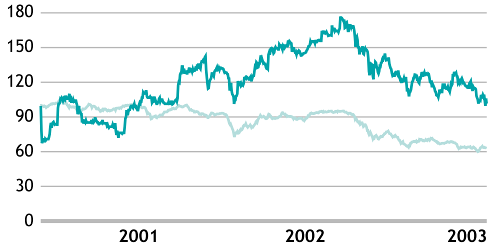
London Stock Exchange plc
FTSE 250 Index
Source: Datastream

The above graph has been prepared in accordance with the Directors' Remuneration report Regulations, and looks at the value, at 31 March 2003, of £100 invested in London Stock Exchange plc on 20 July 2001 (its first day of trading after listing) compared with the value of £100 invested in the FTSE 250 Index over the same period. The other point plotted is the value at the intermediate financial year-end (31 March 2002).

The index has been chosen as the appropriate benchmark because the Exchange has been a constituent of the FTSE 250 index throughout this period.

An additional graph, below, looks at the value, at 31 March 2003, of £100 invested in London Stock Exchange on 24 July 2000, the first day of trading in Exchange shares, and compares this with the value of £100 invested in the FTSE 250 Index over the same period. The graph illustrates daily movements over the period.

TOTAL SHAREHOLDER RETURN (£)
DAILY PRICE MOVEMENTS SINCE 24 JULY 2000 TO YEAR ENDED 31 MARCH 2003



London Stock Exchange plc
FTSE 250 Index
Source: Datastream

Table A — Directors' remuneration

	2003 Salary £000	2003 Performance Bonus £000	2003 Benefits (note i) £000	2003 Total £000	2002 Salary £000	2002 Performance Bonus £000	2002 Benefits (note i) £000	2002 Total £000	2003 Pensions (note ii) £000	2002 Pensions (note ii) £000
Chairman										
D G Cruickshank	350	–	1	**351**	350	–	1	351	–	–
Chief Executive										
C H F Furse	351	515	3	**869**	319	475	1	795	**29**	26
Executive directors										
J A G Howell	237	310	2	**549**	210	320	2	532	**23**	25
M Wheatley (note ii)	224	318*	12	**554**	235	300	10	545	–	–
	1,162	1,143	18	**2,323**	1,114	1,095	14	2,223	**52**	51

*of which £250,000 is payable directly to the senior executive defined contribution pension plan. Martin Wheatley previously requested that up to £250,000 of any bonus that might otherwise have been awarded to him for the 2002/03 financial year, be paid as a pension contribution.

In addition to the cash bonus for the year to 31 March 2003, share awards under the Annual Bonus Plan will be made after the year end. The share awards, based on a share price of £2.95, will amount to 62,712 shares for C H F Furse, 37,288 shares for J A G Howell and 36,441 shares for M Wheatley and will vest over the following two years.

	2003 Total £000	2002 Total £000	2003 Pensions £000	2002 Pensions £000
Non-executive directors' fees				
Directors in office throughout both years				
I G Salter – deputy Chairman (note iii)	**50**	50		
G J Allen	**30**	30		
Baroness Cohen	**30**	30		
O Fanjul	**30**	30		
M J P Marks (note iii)	**30**	30		
P R Meinertzhagen (note iii)	**30**	30		
N J Stapleton	**30**	30		
R S Webb QC	**30**	30		
Total non-executive directors' fees (note iii)	**260**	260		
Total directors' emoluments	**2,583**	2,483	**52**	51

Notes

i) Benefits

Benefits represent the cash value of health and life insurance, travel and for M Wheatley a Company match of voluntary pension contributions.

ii) Pensions

M Wheatley is a member of the Company's defined benefit scheme. Details of his pension benefit for the year ended 31 March 2003 are:

	£000
Accrued annual pension at year end	61
Increase in accrued pension during the year	6
Increase in accrued pension during the year, excluding inflation	5
Transfer value of increase in accrued pension excluding inflation	50
Transfer value of accrued pension at beginning of year	407
Transfer value of accrued pension at end of year	670
Increase in transfer value of accrued pension during the year	263

The Company contributed to the senior executive defined contribution pension plan for C H F Furse of £29,000 (2002: £26,000), for J A G Howell of £23,000 (2002: £25,000) and for M Wheatley of £250,000 (2002: nil) as shown in the table above.

iii) Non-executive directors' fees

Fees paid directly to the employer companies of three (2002: three) non-executive directors were £102,500 (2002: £110,000). A further £7,500 was paid to a charity.

iv) Waiver of emoluments

None of the directors waived emoluments during 2002 and 2003.

Table B – Directors' share interests

Current Share Schemes for 2002 onwards

Annual Bonus Plan

As part of the short-term incentive scheme, a proportion of the annual bonus is deferred as shares, delivered after 12 and 24 months, subject to continued service. Awards of shares under this scheme are set out below:

	Number of shares								
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date (£)	Price at vesting date (£)	Value at vesting date (£)	Date of award	Final vesting date
C H F Furse	3,440	–	1,720	**1,720**	3.65	4.15	7,138	25/06/01	25/06/03
	–	40,793	–	**40,793**	3.90	–	–	15/07/02	01/04/04
	3,440	40,793	1,720	**42,513**			7,138		
J A G Howell	12,360	–	6,180	**6,180**	3.65	4.15	25,647	25/06/01	25/06/03
	–	32,635	–	**32,635**	3.90	–	–	15/07/02	01/04/04
	12,360	32,635	6,180	**38,815**			25,647		
M Wheatley	13,720	–	6,860	**6,860**	3.65	4.15	28,469	25/06/01	25/06/03
	–	23,311	–	**23,311**	3.90	–	–	15/07/02	01/04/04
	13,720	23,311	6,860	**30,171**			28,469		

Shares awarded under the Annual Bonus Plan vest in two equal tranches 12 months prior to final vesting date and on final vesting date. The aggregate value of shares vesting during the year to directors was £61,254.

Executive Share Option Plan

Shareholders approved a new long term incentive scheme at the AGM in 2002, under which all future long-term incentives are made up entirely of share options. The performance condition attaching to options granted in 2002 is average earnings per share growth of RPI plus four per cent per annum over the initial three-year period.

	Number of Options						
Share option grants	At start of year	Granted during year	Exercised during year	At end of year	Option price (£)	Date of grant	Expiry date
C H F Furse	–	76,924	–	**76,924**	3.90	15/07/02	15/07/12
J A G Howell	–	47,436	–	**47,436**	3.90	15/07/02	15/07/12
M Wheatley	–	51,283	–	**51,283**	3.90	15/07/02	15/07/12

The options granted become exercisable after three years from the date of grant.

Executive directors are entitled to participate in the all employee SAYE Share Option Scheme. Options granted under this scheme are:

	Number of Options						
Share option grants	At start of year	Granted during year	Exercised during year	At end of year	Option price (£)	Date of grant	Expiry date
C H F Furse	6,048	–	–	**6,048**	2.79	16/08/01	01/04/07

The options granted become exercisable from 1 October 2006.

Table B — Directors' share interests (continued)

Share option grants and Share awards in 2001 and prior

The following grants and awards were made under the long-term incentive scheme (comprising the Initial and Annual Share Plans) approved by shareholders in March 2000. These plans are now closed and no further grants or awards will be made under them. No performance conditions apply to the exercise of these options, although options priced at £2.97 and £3.15 are premium priced.

	Number of Options						
Share option grants	At start of year	Granted during year	Exercised during year	At end of year	Option price (£)	Date of grant	Expiry date
D G Cruickshank	181,950	–	–	**181,950**	2.37	16/11/00	16/11/10
	134,750	–	–	**134,750**	2.97	16/11/00	16/11/10
	316,700	–	–	**316,700**			
C H F Furse	285,450	–	–	**285,450**	2.52	25/01/01	25/01/11
	211,450	–	–	**211,450**	3.15	25/01/01	25/01/11
	3,430	–	–	**3,430**	3.65	25/06/01	25/06/11
	500,330	–	–	**500,330**			
J A G Howell	242,600	–	–	**242,600**	2.37	16/11/00	16/11/10
	179,700	–	–	**179,700**	2.97	16/11/00	16/11/10
	12,350	–	–	**12,350**	3.65	25/06/01	25/06/11
	434,650	–	–	**434,650**			
M Wheatley	272,950	–	–	**272,950**	2.37	16/11/00	16/11/10
	202,150	–	–	**202,150**	2.97	16/11/00	16/11/10
	13,720	–	–	**13,720**	3.65	25/06/01	25/06/11
	488,820	–	–	**488,820**			

The options granted above become exercisable between one and five years from the date of grant, at 20 per cent in each year.

	Number of shares					
Share awards	At start of year	Awarded during year	Vested during year	At end of year	Price at award date(£)	Vesting Date
D G Cruickshank	50,550	–	–	**50,550**	2.37	16/11/03
	50,550	–	–	**50,550**		
C H F Furse	79,300	–	–	**79,300**	2.52	25/01/04
	1,720	–	–	**1,720**	3.65	25/06/04
	81,020	–	–	**81,020**		
J A G Howell	67,400	–	–	**67,400**	2.37	16/11/03
	6,180	–	–	**6,180**	3.65	25/06/04
	73,580	–	–	**73,580**		
M Wheatley	75,820	–	–	**75,820**	2.37	16/11/03
	6,860	–	–	**6,860**	3.65	25/06/04
	82,680	–	–	**82,680**		

The market price of the shares on 31 March 2003 was £2.80 and the range during the year was £2.70 to £5.03.

Directors' interests in shares

The directors who held office at 31 March 2003 had the following other beneficial interests in the shares of the Company:

	Ordinary shares 15 May 2003	**Ordinary shares 31 March 2003**	Ordinary shares 31 March 2002
D G Cruickshank	**25,000**	**25,000**	25,000
C H F Furse	**222,117**	**201,720**	100,000
J A G Howell	**34,998**	**18,680**	12,500
M Wheatley	**36,016**	**24,360**	17,500
O Fanjul	**28,000**	**28,000**	28,000
I Salter	**15,400**	**15,400**	12,000

D G Cruickshank, C H F Furse, J A G Howell and M Wheatley, as potential beneficiaries, are also deemed to be interested in the London Stock Exchange Employee Benefit Trust, the trustees of which held 4,870,808 shares in London Stock Exchange plc on 31 March 2003 and 4,769,317 on 15 May 2003.

Signed by and approved on behalf of the Board

Nigel Stapleton

Chairman of the Remuneration Committee

Directors' report

The directors of the London Stock Exchange plc ('the Company') are pleased to present their annual report to shareholders, together with the financial statements for the year ended 31 March 2003.

Principal activities and results

The principal activities of the Company and its subsidiaries are the admission of securities to trading, the delivery of trading systems, the organisation and regulation of markets in securities and the provision of associated information services.

The profit of the Group on ordinary activities before taxation for the year ended 31 March 2003 was £79.5 million (2002: £75.2 million), after charging exceptional items of £11.6 million (2001: £3.6 million).

The strategic developments and operations of the business are described in the Chairman's statement, the Chief Executive's review and the operating and financial reviews on pages 4 to 27.

Dividend

The directors are recommending a final dividend of 3.0 pence (2002: 2.5 pence) per share for the year which, together with the interim dividend of 1.3 pence (2002: 1.1 pence) per share paid in January 2003, produces a total dividend of 4.3 pence (2002: 3.6 pence) per share amounting to £12.5 million (2002: £10.6 million). If approved by shareholders, the final dividend will be paid on 18 August 2003 to shareholders on the register on 25 July 2003.

Share capital

Details of the Company's share capital are set out in note 17 to the accounts on page 55.

Substantial shareholding

As at 15 May 2003 the Company had been notified of the following interests amounting to more than three per cent in the issued share capital of the Company in accordance with Sections 198 to 208 of the Companies Act 1985:

Fidelity International Limited	8.94%
UBS AG	4.07%
Threadneedle Investments	4.00%
Legal & General Group plc	3.08%

Directors

The directors of the Company at 31 March 2003, and who served throughout the year, are set out on pages 28 and 29.

The directors who will, according with the Company's Articles of Association, retire at the forthcoming AGM and, being eligible, offer themselves for reappointment are Clara Furse, Baroness Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb QC. The unexpired term of the service contract for Clara Furse is 12 months. The other directors seeking reappointment do not have a service contract with the Company.

Chris Gibson-Smith was appointed to the Board on 1 May 2003. In accordance with the Company's Articles of Association, Mr Gibson-Smith will retire at the forthcoming AGM and, being eligible, offer himself for reappointment. Mr Gibson-Smith does not have a service contract with the Company.

Directors' interests

Directors' interests in the shares of the Company as at 31 March 2003 according to the register maintained under the Companies Act 1985 are set out in the Remuneration report on pages 32 to 39. No company in the Group was, during or at the end of the financial year, party to any contract of significance in which any director was materially interested.

Corporate governance

The Company's corporate governance statement is set out on pages 30 and 31.

Land and buildings

All freehold properties were revalued at 31 March 1997 and are included in the financial statements at the revalued amounts less depreciation. Following the implementation of FRS 15, no further revaluations of freehold properties will be made in the financial statements. In the opinion of the directors, there is no significant difference between market value and book value of freehold properties.

Employees
Information on the Company's employment policies is given on pages 24 and 25. The Company also provides an induction programme for new employees, including training on health and safety, and a range of development programmes for all staff to develop their skills and knowledge. The Company encourages and assists the employment, training and retention of disabled people. Where changes to working practices or structure affect staff, they are consulted and given the appropriate support.

All employees are provided with information on matters of concern to them in their work, through regular briefing meetings and internal publications.

Donations
During the year the Company gave £108,000 (2002: £119,000) to charitable organisations. No donations were made to political parties.

Supplier payment policy
It is the Company's policy to agree payment terms with suppliers when business transactions are negotiated and to make payments in accordance with those terms when goods have been satisfactorily supplied. At 31 March 2003 trade creditors represented 19 days of annual purchases by the Company.

Auditors
Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 29 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the AGM.

By Order of the Board

L M Condron

Secretary

15 May 2003

Directors' responsibility for the financial statements

The following statement, which should be read in conjunction with the independent auditors' report on page 43, is made with a view to distinguishing for shareholders the responsibilities of the directors from those of the auditors in relation to the financial statements.

Annual Report and accounts
The directors are required by the Companies Act 1985 to prepare an Annual Report and financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

Accounting policies
The directors consider that in preparing the financial statements the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

Accounting records
The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

Safeguarding assets
The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The maintenance and integrity of the Group's website is the responsibility of the directors. Information published on the internet is accessible in many countries; the legal requirements relating to the preparation and dissemination of financial statements in those countries are different from those applying in the United Kingdom.

Independent auditors' report

To the members of London Stock Exchange plc
We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the Remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the unaudited part of the Remuneration report, the chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements and the auditable part of the Remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2003 and of the profit and cash flows of the Group for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- those parts of the Remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
15 May 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2003

Continuing operations		Notes	2003 £m	2002 £m
Turnover				
Group and share of joint venture			**237.3**	215.6
Less: share of joint venture's turnover			**(11.4)**	(9.0)
Net turnover		2	**225.9**	206.6
Administrative expenses	– Operating costs		**(144.3)**	(136.1)
	– Exceptional items	3	**(11.6)**	(3.6)
			(155.9)	(139.7)
Operating profit	– Before exceptional items and goodwill amortisation		**81.7**	70.5
	– Before exceptional items		**81.6**	70.5
	– After exceptional items		**70.0**	66.9
Share of operating profit of joint venture and income from other fixed asset investments			**1.1**	1.0
Net interest receivable		7	**8.4**	7.3
Profit on ordinary activities before taxation			**79.5**	75.2
Taxation on profit on ordinary activities		8	**(26.8)**	(25.3)
Profit for the financial year		18	**52.7**	49.9
Dividends		9	**(12.5)**	(10.6)
Retained profit for the financial year			**40.2**	39.3
Earnings per share		10	**18.1p**	17.1p
Diluted earnings per share		10	**17.9p**	17.0p
Adjusted earnings per share		10	**20.9p**	18.3p
Dividend per share			**4.3p**	3.6p

There were no other recognised gains and losses during the two years ended 31 March 2003.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Profit on ordinary activities before taxation		**79.5**	75.2
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	18	**1.8**	1.9
Historical cost profit on ordinary activities before taxation		**81.3**	77.1
Historical cost profit retained after taxation		**54.5**	51.8

BALANCE SHEETS

31 March 2003

	Notes	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Fixed assets					
Intangible assets	11	**14.1**	–	**–**	–
Tangible assets	12	**126.3**	115.4	**126.1**	115.4
		140.4	115.4	**126.1**	115.4
Investments					
Investments in joint venture:					
Share of gross assets		**9.9**	8.6	**–**	–
Share of gross liabilities		**(8.4)**	(7.1)	**–**	–
	13	**1.5**	1.5	**1.5**	1.5
Other investments	13	**10.1**	12.1	**26.3**	12.1
		11.6	13.6	**27.8**	13.6
		152.0	129.0	**153.9**	129.0
Current assets					
Debtors	14	**64.3**	46.8	**62.4**	46.8
Investments – term deposits		**207.0**	186.0	**207.0**	186.0
Cash at bank		**4.0**	3.9	**3.4**	3.9
		275.3	236.7	**272.8**	236.7
Creditors – amounts falling due within one year	15	**64.0**	62.7	**63.0**	62.7
Net current assets		**211.3**	174.0	**209.8**	174.0
Total assets less current liabilities		**363.3**	303.0	**363.7**	303.0
Provisions for liabilities and charges	16	**41.6**	21.7	**41.6**	21.7
Net assets		**321.7**	281.3	**322.1**	281.3
Capital and reserves					
Called up share capital	17	**14.9**	14.9	**14.9**	14.9
Reserves					
Revaluation reserve	18	**44.0**	45.8	**44.0**	45.8
Profit and loss account	18	**262.6**	220.6	**263.2**	220.6
Equity shareholders' funds		**321.5**	281.3	**322.1**	281.3
Equity minority interest		**0.2**	–	**–**	–
Total shareholders' funds		**321.7**	281.3	**322.1**	281.3

The financial statements on pages 44 to 62 were approved by the Board on 15 May 2003 and signed on its behalf by:

Clara Furse, Chief Executive
Jonathan Howell, Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2003

	Notes	2003 £m	2002 £m
Net cash inflow/(outflow) from continuing operations:			
– Ongoing operating activities	20(i)	**74.8**	82.4
– Exceptional items	20(i)	**10.4**	(3.8)
Net cash inflow from operating activities		**85.2**	78.6
Dividends from joint venture		**1.2**	0.1
Returns on investments and servicing of finance			
Interest received		**9.5**	8.8
Dividends received		**–**	0.1
Net cash inflow from returns on investments and servicing of finance		**9.5**	8.9
Taxation			
Corporation tax paid		**(25.2)**	(15.8)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		**(28.1)**	(15.8)
Payments to acquire own shares		**–**	(5.0)
Receipts from sale of fixed asset investments		**0.7**	0.7
Net cash outflow from capital expenditure and financial investments		**(27.4)**	(20.1)
Acquisitions			
Acquisition of subsidiary undertaking	20(ii)	**(11.8)**	–
Net cash acquired with subsidiary undertaking	20(ii)	**0.5**	–
Net cash outflow for acquisition		**(11.3)**	–
Dividends paid		**(11.1)**	(9.7)
Net cash inflow before use of liquid resources and financing		**20.9**	42.0
Management of liquid resources			
Increase in term deposits	20(iii)	**(21.0)**	(43.0)
Financing			
Issue of ordinary share capital to minority interest		**0.2**	–
Increase/(decrease) in cash in the year	20(iii)	**0.1**	(1.0)

1. Accounting policies

Basis of accounting and consolidation
The financial statements are prepared in accordance with applicable UK accounting standards, applied on a consistent basis, under the historical cost convention modified by the revaluation of certain fixed assets. The consolidated financial statements include the accounts of all subsidiaries. As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements.

Turnover
Turnover represents the total amount receivable for the provision of goods and services, excluding value added tax. Turnover is recognised in the period when the service or supply is provided:

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

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

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

Intangible assets
Intangible assets represent goodwill arising on the acquisition of subsidiaries, being the excess of consideration paid over the fair value of net assets acquired. Goodwill is amortised on a straight line basis over a period not exceeding 20 years.

Tangible assets and depreciation
a) Freehold properties, including related fixed plant, have been revalued by external chartered surveyors and are included in the financial statements at the revalued amounts. Following the implementation of FRS 15 no revaluations of freehold properties after March 1997 have been made. Freehold buildings and related fixed plant are depreciated, based on cost or valuation at the beginning of the year plus subsequent additions, over their estimated economic lives. The economic lives of properties range from 15 to 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 over the shorter of the period of the lease or the economic life of the property.

c) Plant and equipment is stated at cost and is depreciated on a straight line basis over the estimated useful lives of the assets, which are mainly in the range from three to five years. Third party software costs for the development and implementation of systems which enhance the services provided by the Company are capitalised and amortised over their estimated useful lives, which is an average of three years.

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

Joint ventures
The Group's share of profits, less losses, from joint ventures is included in the consolidated profit and loss account and the Group's share of gross assets and gross liabilities underlying the net equity amount is included in the consolidated balance sheet.

Fixed asset investments
Shares in the Company held under Employee Share Ownership Plans are stated at cost less amortisation. The cost of these shares is written down to realisable value over the periods of service in respect of which options and awards are granted. Other fixed asset investments are stated at cost less any provision required for impairment in value.

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 profit and loss account when incurred. Provision is made in the accounts for lease commitments, less income from sub-letting, for property space which is surplus to business requirements.

1. Accounting policies (continued)

Pension costs
Pension costs for the defined benefit plan are assessed in accordance with the advice of an independent actuary. The accounting cost for providing defined benefit pensions is charged over the period during which the Company benefits from the services of employees. The cost is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Pension costs under the defined contribution plan are charged as incurred. Further details of the Company's pension schemes and the basis upon which the charge to the profit and loss account is determined are set out in note 22 to the financial statements.

Deferred taxation
Full provision is made for the future tax consequences of past transactions and events. The timing differences are recognised as deferred tax liabilities or assets in the financial statements, measured at expected future tax rates. No discounting of the deferred tax liabilities or assets is applied.

Employee Share Ownership Plan (ESOP)
Details of the Company's Employee Share Ownership Plan are set out in note 24 to the financial statements. Costs for the Initial Share Plan are being charged to the profit and loss account over three years from the date of award. Share awards under the Annual Bonus Plan are charged in the year to which the awards relate.

2. Turnover

	2003 £m	2002 £m
Continuing operations		
Issuer Services	**36.0**	26.9
Broker Services	**87.3**	81.2
Information Services	**102.2**	94.9
Other income	**11.8**	12.6
Gross turnover	**237.3**	215.6
Less: share of joint venture's turnover	**(11.4)**	(9.0)
Net turnover	**225.9**	206.6

For the purposes of Segmental Reporting, the directors consider that the Company has one class of business with the three principal revenue streams noted above derived from that business, with principal operations being in the United Kingdom.

3. Exceptional items

	2003 £m	2002 £m
VAT repayment	**10.4**	–
Provision in respect of leasehold properties	**(22.0)**	–
Fees in respect of the Company's introduction to the Official List	**–**	(3.6)
	(11.6)	(3.6)
Taxation effect	**3.5**	–

The VAT repayment represents a recovery of VAT paid between 1990 and 2001. Following successful negotiation with Customs and Excise, a retrospective change in the method for calculating VAT recoverable on expenditure has been agreed, resulting in this repayment.

The increase in provision for leasehold properties is in respect of space to be sublet in new headquarters at Paternoster Square.

4. Operating profit

Operating profit is stated after charging the following amounts:	2003 £m	2002 £m
Depreciation of tangible assets	**19.0**	17.5
Amortisation of goodwill	**0.1**	–
Operating lease rentals – properties	**3.9**	4.4
Auditors remuneration for:		
Audit	**0.2**	0.1
Other services (see below)	**1.2**	0.9

Other fees paid to PricewaterhouseCoopers during the year were £1.2m (2002: £0.9m). These fees are primarily in respect of pensions, actuarial and transaction-related services.

5. Employees

Employees of the Group and their employment costs are summarised below:	2003	2002
The number of employees was:		
At the year end	**501**	524
Average for the year	**513**	552
	£m	£m
Staff costs, included within administrative expenses, amounted to:		
Wages and salaries	**34.0**	31.9
Social security costs	**4.3**	4.1
Other pension costs	**2.8**	2.7
Total	**41.1**	38.7

6. Directors' emoluments

	2003 £000	2002 £000
Emoluments:		
Salary and fees	**1,422**	1,374
Performance bonus, including £250,000 (2002: £nil) payable to defined contribution pension plan	**1,143**	1,095
Benefits	**18**	14
	2,583	2,483
Contributions to defined contribution pension schemes	**52**	51
Total	**2,635**	2,534

During the year two directors (2002: two) had retirement benefits accruing under defined contribution schemes and one director (2002: one) had retirement benefits accruing under a defined benefit scheme.

Further details of directors' emoluments are included in the Remuneration report on pages 32 to 39.

7. Net interest receivable

	2003 £m	2002 £m
Interest receivable		
Bank deposit and other interest	**9.3**	8.5
Interest payable		
Interest on discounted provision for leasehold properties (see note 16)	**(0.9)**	(1.2)
Net interest receivable	**8.4**	7.3

Surplus funds are deposited for periods of up to one year. No trading of financial instruments takes place.

8. Taxation

	2003 £m	2002 £m
Current tax:		
Corporation tax for the year at 30% (2002: 30%)	**23.9**	25.2
Adjustments in respect of previous years	**–**	(3.1)
	23.9	22.1
Deferred taxation (see note 14)	**2.5**	2.8
Joint venture	**0.4**	0.4
Taxation charge	**26.8**	25.3

The adjustments for previous years are mainly in respect of timing differences, the effect of which was dealt with in deferred taxation, and reflect revised assumptions for the allowance of certain expenses.

Factors affecting the current tax charge for the year
The current tax assessed for the year is the same as the standard rate of corporation tax in the UK of 30% (2002: 30%). The variations are explained below:

	2003 £m	2002 £m
Profit on ordinary activities before tax	**79.5**	75.2
Profits on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**23.9**	22.6
Expenses disallowed for the purpose of tax provision (primarily professional fees and depreciation on expenditure not subject to capital allowances)	**2.6**	2.5
Accounting deduction (less)/greater than taxation allowance – timing differences	**(2.6)**	0.1
Adjustments to tax charge in respect of previous periods	**–**	(3.1)
Corporation tax charge	**23.9**	22.1

Factors that may affect future tax charges
The disposal of properties at their revalued amount would not give rise to a tax liability.

9. Dividends

	2003 £m	2002 £m
Interim paid: 1.3p (2002: 1.1p) per Ordinary share	**3.7**	3.2
Final proposed: 3.0p (2002: 2.5p) per Ordinary share	**8.8**	7.4
	12.5	10.6

10. Earnings per share

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

	2003	2002
Earnings per share	**18.1p**	17.1p
Diluted earnings per share	**17.9p**	17.0p
Adjusted earnings per share	**20.9p**	18.3p

	£m	£m
Profit for the financial year	**52.7**	49.9
Adjustments:		
Exceptional items	**11.6**	3.6
Amortisation of goodwill	**0.1**	–
Tax effect of exceptional items and amortisation of goodwill	**(3.5)**	–
Adjusted profit for the financial year	**60.9**	53.5
Weighted average number of shares – million	**291.9**	291.8
Effect of dilutive share options and awards – million	**3.0**	2.1
Diluted weighted average number of shares – million	**294.9**	293.9

The weighted average number of shares excludes those held in the ESOP (see note 24), reducing the weighted average number of shares to 291.9 million (2002: 291.8 million).

11. Intangible assets

	Group Goodwill £m
Cost:	
Additions during the year	**14.2**
31 March 2003	**14.2**
Amortisation:	
Charge for the year	**0.1**
31 March 2003	**0.1**
Net book value:	
31 March 2003	**14.1**

Goodwill arising on the acquisition of subsidiaries is being amortised on a straight line basis over 20 years from date of acquisition – see note 26.

12. Tangible assets

Group	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant and equipment £m	Total £m
Cost or valuation:				
1 April 2002	155.3	5.5	104.6	265.4
Additions	2.7	5.3	21.9	29.9
Acquisition	–	–	0.1	0.1
Disposals	(0.9)	(2.7)	(38.3)	(41.9)
31 March 2003	**157.1**	**8.1**	**88.3**	**253.5**
Depreciation:				
1 April 2002	76.9	4.0	69.1	150.0
Provision for the year	3.2	–	15.8	19.0
Acquisition	–	–	0.1	0.1
Disposals	(0.9)	(2.7)	(38.3)	(41.9)
31 March 2003	**79.2**	**1.3**	**46.7**	**127.2**
Net book values:				
31 March 2003	**77.9**	**6.8**	**41.6**	**126.3**
1 April 2002	78.4	1.5	35.5	115.4
Net book values at 31 March 2003 are analysed as follows:				
Assets at valuation less depreciation	68.2	–	–	68.2
Assets at cost less depreciation	9.7	6.8	41.6	58.1
	77.9	**6.8**	**41.6**	**126.3**

Company	Land and buildings Freehold £m	Land and buildings Leasehold £m	Plant and equipment £m	Total £m
Cost or valuation:				
1 April 2002	155.3	5.5	104.6	265.4
Additions	2.7	5.3	21.7	29.7
Disposals	(0.9)	(2.7)	(38.3)	(41.9)
31 March 2003	**157.1**	**8.1**	**88.0**	**253.2**
Depreciation:				
1 April 2002	76.9	4.0	69.1	150.0
Provision for the year	3.2	–	15.8	19.0
Disposals	(0.9)	(2.7)	(38.3)	(41.9)
31 March 2003	**79.2**	**1.3**	**46.6**	**127.1**
Net book values:				
31 March 2003	**77.9**	**6.8**	**41.4**	**126.1**
1 April 2002	78.4	1.5	35.5	115.4
Net book values at 31 March 2003 are analysed as follows:				
Assets at valuation less depreciation	68.2	–	–	68.2
Assets at cost less depreciation	9.7	6.8	41.4	57.9
	77.9	**6.8**	**41.4**	**126.1**

12. Tangible assets (continued)

(i) Freehold land and buildings includes freehold properties and associated fixed plant. All freehold properties were revalued as at 31 March 1997 by DTZ Debenham Thorpe, International Property Advisors, in accordance with the RICS Appraisal and Valuation Manual. At that time, the directors reviewed the valuations and were of the opinion that the total value of freehold properties amounted to £92.0m based on the Existing Use Value or Open Market Value as appropriate.

(ii) Based on historical cost at 31 March 2003, the aggregate cost of tangible assets was £215.5m (2002: £226.9m), the aggregate depreciation was £133.2m (2002: £157.3m) and the aggregate net book value was £82.3m (2002: £69.6m).

(iii) Plant and equipment includes capitalised software with a net book value at 31 March 2003 of £25.4m (2002: £21.9m).

13. Fixed asset investments

These represent investments in joint venture undertakings and other investments made by the Company.

	Joint venture (i) £m	Shares held in the Company (ii) £m	Shares in Group undertakings (iii) £m	Other (iv) £m	Total £m
Group					
1 April 2002	1.5	11.7	–	0.4	13.6
Shares awarded and charge to the profit and loss account	–	(1.3)	–	–	(1.3)
Disposal of shares on vesting	–	(0.7)	–	–	(0.7)
31 March 2003	**1.5**	**9.7**	**–**	**0.4**	**11.6**
Company					
1 April 2002	1.5	11.7	–	0.4	13.6
Acquisitions during the year	–	–	16.2	–	16.2
Shares awarded and charge to the profit and loss account	–	(1.3)	–	–	(1.3)
Disposal of shares on vesting	–	(0.7)	–	–	(0.7)
31 March 2003	**1.5**	**9.7**	**16.2**	**0.4**	**27.8**

(i) Joint venture
The Company owns 50 per cent 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 Group investment of £1.5m shown above represents the Company's share of the joint venture's net assets as at 31 December 2002, its accounting reference date.

The Company is entitled, under a shareholders' agreement, to receive royalties from FTSE International Ltd.

The following amounts were receivable from FTSE International Ltd during the year:

	2003 £m	2002 £m
Royalties	3.4	2.2
Rent and service charges	–	0.2
	3.4	2.4

At 31 March 2003, there was £0.7m indebtedness by FTSE International Ltd to the Company representing the dividend declared for the year to 31 December 2002 (2002: £1.2m).

(ii) Shares held in the Company
Shares held in the Company are in a separately administered trust for the purposes of the ESOP. The difference between the purchase price of shares and the exercise price of awards/grants is charged to the profit and loss account over the period of service for which the awards and options are granted. Details of the ESOP are set out in note 24 to the financial statements.

13. Fixed asset investments (continued)

(iii) Subsidiary undertakings

Principal subsidiaries	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 Company holds directly or indirectly 100 per cent 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 will be annexed to the next annual return of the Company.

(iv) Other investment

The other investment of £0.4m represents the cost of the Company's 0.6 per cent interest in ordinary shares of Euroclear plc.

14. Debtors

	Group		Company	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Trade debtors	**18.6**	14.4	**18.4**	14.4
Amounts owed by joint venture	**0.7**	1.2	**0.7**	1.2
Other debtors	**2.9**	1.5	**2.9**	1.5
Prepayments and accrued income (see (i) below)	**35.5**	21.8	**35.0**	21.8
Deferred taxation (see (ii) below)	**6.6**	7.9	**5.4**	7.9
	64.3	46.8	**62.4**	46.8

(i) **Prepayments** includes a funding contribution of £15.0m paid to the defined benefit pension scheme – see also note 22.

(ii) Deferred taxation – amounts falling due after more than one year

	2003 £m	2002 £m
1 April 2002	**7.9**	10.7
Acquisition	**1.2**	–
Transfer to the profit and loss account during the year	**(2.5)**	(2.8)
31 March 2003	**6.6**	7.9
The deferred taxation balance comprises:		
Tax allowances available in excess of related depreciation	**3.9**	5.4
Provisions and other timing differences	**2.7**	2.5
	6.6	7.9

The deferred tax asset is recoverable against future taxable profits.

15. Creditors: amounts falling due within one year

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Trade creditors	**6.1**	10.2	**5.7**	10.2
Corporation tax	**12.3**	13.6	**12.5**	13.6
Other taxation and social security	**1.3**	0.9	**1.1**	0.9
Other creditors	**4.5**	5.8	**4.5**	5.8
Accruals and deferred income	**31.0**	24.8	**30.4**	24.8
Proposed dividend	**8.8**	7.4	**8.8**	7.4
	64.0	62.7	**63.0**	62.7

16. Provisions for liabilities and charges

	Pensions £m	Property £m	Deferred consideration £m	Total £m
1 April 2002	0.9	20.8	–	21.7
Utilised during the year	(0.2)	(5.7)	–	(5.9)
Interest on discounted provision	–	0.9	–	0.9
Increase in provision	–	22.0	–	22.0
Transfer to debtors	(0.7)	–	–	(0.7)
Deferred consideration	–	–	3.6	3.6
31 March 2003	**–**	**38.0**	**3.6**	**41.6**

Pensions
The pensions provision represents a pension surplus which first arose in 1990 and is being released to the profit and loss account over the expected remaining service lives of scheme members. The provision was transferred to prepayments at 31 March 2003, offsetting the £15.0m pension prepayment referred to in notes 14 and 22.

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 11 and 25 years to expiry. The increase in provision is in respect of space to be sublet in new headquarters at Paternoster Square.

Deferred consideration
Deferred consideration relates to amounts payable to former shareholders of Proquote Ltd, contingent upon Proquote Ltd achieving certain revenue targets. The total deferred consideration has been estimated at £3.6m and can be up to a maximum of £11.0m.

17. Share capital

		2003	2002
Authorised			
Ordinary shares of 5p each	– number	**500,000,000**	500,000,000
	– £	**25,000,000**	25,000,000
Issued, called up and fully paid			
Ordinary shares of 5p each	– number	**297,000,000**	297,000,000
	– £	**14,850,000**	14,850,000

18. Reserves

	Group		Company	
	Revaluation £m	Profit and loss account £m	Revaluation £m	Profit and loss account £m
1 April 2002	45.8	220.6	45.8	220.6
Profit for the financial year	–	52.7	–	53.3
Dividends	–	(12.5)	–	(12.5)
Transfer, representing the amount in the current year by which the depreciation charge for revalued assets exceeds the historic cost depreciation	(1.8)	1.8	(1.8)	1.8
31 March 2003	**44.0**	**262.6**	**44.0**	**263.2**

All reserves are classified as equity shareholders' funds, as they are all attributable to Ordinary shareholders.

19. Reconciliation of movements in shareholders' funds

	2003 £m	2002 £m
Profit for the financial year	**52.7**	49.9
Dividends	**(12.5)**	(10.6)
Net addition to shareholders' funds	**40.2**	39.3
Opening equity shareholders' funds	**281.3**	242.0
Closing equity shareholders' funds	**321.5**	281.3

20. Notes to the consolidated cash flow statement

	2003 £m	2002 £m
(i) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**70.0**	66.9
Depreciation of tangible assets	**19.0**	17.5
Amortisation of goodwill	**0.1**	–
Increase in debtors	**(19.2)**	(0.7)
Decrease in creditors	**(1.6)**	(3.3)
Increase in property provision	**22.0**	–
Provisions utilised during the year	**(5.9)**	(2.6)
Amortisation of own shares	**0.8**	0.8
Net cash inflow from operating activities	**85.2**	78.6
Comprising:		
Ongoing operating activities	**74.8**	82.4
Exceptional items (see note 3)	**10.4**	(3.8)
Net cash inflow	**85.2**	78.6

	2003 £m	2002 £m
(ii) Analysis of the net cash outflow for acquisition		
Cash consideration (including expenses)	**(11.8)**	–
Net cash acquired	**0.5**	–
Net cash outflow for acquisition	**(11.3)**	–

20. Notes to the consolidated cash flow statement (continued)

(iii) Reconciliation of net cash flow to movement in net funds

	2003 £m	2002 £m
Increase/(decrease) in cash in the year	**0.1**	(1.0)
Increase in liquid resources	**21.0**	43.0
Change in net funds	**21.1**	42.0
Net funds at 1 April 2002	**189.9**	147.9
Net funds at 31 March 2003	**211.0**	189.9

(iv) Analysis of changes in net funds

	At 1 April 2002 £m	Cash flows £m	At 31 March 2003 £m
Cash in hand and at bank	3.9	0.1	**4.0**
Current asset investments	186.0	21.0	**207.0**
Total net funds	189.9	21.1	**211.0**

21. Commitments

		2003 £m	2002 £m
Contracted capital commitments not provided for in the financial statements		**–**	0.7
Financial commitments under property operating leases at 31 March 2003:			
Leases expiring	– between two and five years	**0.1**	0.6
	– in five years or more	**15.3**	3.5
		15.4	4.1

22. Pension costs

The Company operates one pension plan which includes separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes are held separately from those of the Company 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 costs are determined by an independent qualified actuary on the basis of regular valuations using the projected unit method and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

A full actuarial valuation of the scheme was carried out at 31 March 2000 by an independent qualified actuary. The market value of the plan's assets for the scheme was £162m, representing 107 per cent of the value of benefits that had accrued to members, after allowing for expected future increases in salaries.

Defined contribution scheme

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

Pension contributions

The contribution rate for the defined benefit scheme is 31.2 per cent of pensionable salaries less £1.1m amortisation of the actuarial surplus at 31 March 2000. As the defined benefit scheme is closed to new members, under the projected unit method the current service cost will increase as a percentage of pensionable salaries as members approach retirement.

In addition to the normal contributions to the defined benefit scheme, the Company made an additional contribution of £15.0m during the year. This has therefore been treated as a prepayment in the accounts at 31 March 2003 and will be charged to the profit and loss account in future years over the expected remaining service lives of scheme members. The level of contributions for future years will be determined following the full actuarial valuation, which will be carried out as at 31 March 2003.

22. Pension costs (continued)

The pension charge for the year ended 31 March 2003 was:

	2003 £m	2002 £m
Defined benefit contribution	**1.0**	1.2
Release of pension provision (see note 16)	**(0.2)**	(0.2)
Defined contribution costs	**2.0**	1.7
Total pension charge	**2.8**	2.7

Financial Reporting Standard (FRS) 17 – Retirement Benefits

The Company continues to account for pension costs in accordance with SSAP 24 – Accounting for Pension Costs. The following information is provided under the disclosure requirements of FRS 17 – Retirement Benefits. The Accounting Standards Board has deferred the full adoption of FRS 17 until implementation of International Accounting Standards in 2005.

The costs for the defined contribution scheme are unchanged by FRS 17 and are as set out above.

Defined benefit valuation

The actuarial valuation as at 31 March 2000 was updated at 31 March 2002 and 2003 by an independent qualified actuary to provide the information required by FRS 17.

The assumptions which have the most significant effect on the results of the valuation are those relating to the discount of estimated cash flows and the rates of increase in salaries and pensions, as set out below:

	31 March 2003	31 March 2002	Actuarial valuation 31 March 2000
Inflation assumption	**2.5%**	2.5%	2.9%
Rate of increase in salaries	**4.5%**	4.5%	4.9%
Rate of increase in pensions in payment	**3.5%**	3.7%	3.7%
Discount rate	**5.4%**	6.0%	5.9%

Defined benefit assets and liabilities

The fair value of the assets and net position in the defined benefit scheme, with the assumed expected rates of return at 31 March 2003 and 2002, are as follows:

	31 March 2003 £m	Long-term expected rate of return	31 March 2002 £m	Long-term expected rate of return
Equities	**35.9**	8.00%	40.8	7.75%
Bonds	**123.1**	4.82%	107.3	5.57%
Total market value of assets	**159.0**		148.1	
Present value of liabilities	**187.0**		167.0	
Deficit in the plan	**(28.0)**		(18.9)	
Related deferred tax asset	**8.4**		5.7	
Net pension liability	**(19.6)**		(13.2)	

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 March 2003 would have been reduced by £29.6m (2002: £12.6m) being the deficit of the pension scheme based on assumptions at that date of £19.6m plus the prepaid pension contribution (£15.0m) less the existing pension provision (£0.7m) and related deferred tax adjustments. The plan's assets are invested approximately 23 per cent in equities and 77 per cent in bonds at 31 March 2003 and the trustees of the plan intend to move gradually to 100 per cent investment in bonds over the longer term.

22. Pension costs (continued)

Defined benefit charges to the profit and loss account

On the basis required by FRS 17, the charges would be as follows:

	Year ended 31 March 2003 £m	Year ended 31 March 2002 £m
Current service cost	**(1.9)**	(2.0)
Other service costs	–	–
Total costs	**(1.9)**	(2.0)
Finance income and costs		
Interest cost, being the expected increase in the present value of scheme liabilities	**(10.0)**	(9.8)
Expected return on assets in the scheme	**9.0**	8.6
Net finance cost	**(1.0)**	(1.2)

Defined benefit other recognised gains and losses

The following items reflect movements between the net assets/liabilities of the pension scheme during the year and would be recognised in the Statement of Total Recognised Gains and Losses.

	Year ended 31 March 2003 %	Year ended 31 March 2003 £m	Year ended 31 March 2002 %	Year ended 31 March 2002 £m
Difference between the expected and actual return on assets		**(9.5)**		(8.5)
Percentage of scheme assets	**(6.0%)**		(5.7%)	
Experience gains and losses arising on the scheme liabilities		**4.5**		3.6
Percentage of scheme liabilities	**2.4%**		2.2%	
Effect of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities		**(17.0)**		(0.3)
Total		**(22.0)**		(5.2)
Percentage of scheme liabilities	**(11.8%)**		(3.1%)	

Movement in defined benefit liability during the year

	£m
Deficit in scheme at 1 April 2002	**(18.9)**
Current service cost	**(1.9)**
Contributions	**15.8**
Net finance cost	**(1.0)**
Actuarial loss	**(22.0)**
Deficit in scheme at 31 March 2003	**(28.0)**

23. Financial assets and liabilities

The Company has defined financial assets and liabilities as those assets and liabilities of a financial nature, namely cash, investments and borrowings. Short term debtors and creditors are excluded. All of the Company's financial assets and liabilities are sterling based and no derivative contracts have been entered into during the year. The main risks arising from the Company's financial instruments are in respect of interest rate, credit and liquidity.

Interest rate management

There are no floating rate financial assets or liabilities. Term deposits with banks are for fixed rates for the period of the deposit.

Liquidity and credit management

The Company manages liquidity risk by depositing funds available for investment in approved instruments for periods up to one year. Counterparty risk is managed by establishing minimum credit worthiness limits and limiting the maximum exposure to each counterparty.

23. Financial assets and liabilities (continued)

	2003 £m	2002 £m
Financial assets		
Other fixed asset investments (excluding own shares)	**0.4**	0.4
Investments – term deposits	**207.0**	186.0
Cash at bank	**4.0**	3.9
	211.4	190.3
Maturing in:		
One year or less, or on demand	**211.0**	189.9
Weighted average period of fixed interest rates	**98 days**	113 days
Weighted average interest rate	**3.7%**	4.0%

	Book value 31 March 2003 £m	Fair value 31 March 2003 £m	Book value 31 March 2002 £m	Fair value 31 March 2002 £m
Fair values of financial assets				
Other fixed asset investments (excluding own shares)	**0.4**	**0.4**	0.4	0.4
Investments – term deposits and cash	**211.0**	**211.0**	189.9	189.9
	211.4	**211.4**	190.3	190.3

Borrowing facilities

At 31 March 2003, the Company had in place a multicurrency revolving loan facility for £250m. The facility is not drawn down and is available up to 23 May 2004.

24. Employee Share Ownership Plans (ESOP)

At the Company's AGM in July 2002, shareholders approved a new share option plan. Under this plan, the maximum value of shares placed under option to an individual is equivalent to 100 per cent of their annual salary. Full details of the scheme are provided in the Remuneration report on pages 32 to 39.

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 Company'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. The Company established an ESOP discretionary trust to administer the original and the new share scheme and to acquire the Company's shares to meet commitments to employees.

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 cent per annum over five years.

The SAYE scheme provides for grants of options to employees who enter into a SAYE savings contract. As provided under UITF 17, no charge is made in the accounts in respect of the SAYE scheme, except where the exercise price on vesting differs from the cost of shares purchased by the Company when the difference is charged to the profit and loss account.

Share awards were granted at nil cost to employees and share options were granted at fair market value or above. Options under the SAYE scheme were granted at 20 per cent below fair market value. Costs for the Initial Share Plan are being charged to the profit and loss account over three years from the date of award and share awards under the Annual Bonus Plan in the year to which the awards relate.

At the balance sheet date, 4,870,808 shares (2002: 5,309,967 shares) were held by the trust, at an initial cost of £13.1m. This was funded by an interest free loan from the Company. At the balance sheet date, the market value of these shares was £13.6m (2002: £23.0m). Dividends on shares held in respect of share awards have not been waived by the trust, dividends on shares held in respect of share options have been waived by the trust amounting to £0.2m (2002: £0.1m). In accordance with UITF 13, the assets, liabilities, income and costs of the ESOP trust have been included in the Company's financial statements.

24. Employee Share Ownership Plans (ESOP) (continued)

As at 31 March 2003 outstanding awards of shares and grants of options were:

	Date granted	Subscription /option price per share	Exercisable from	Number of shares for which right is exercisable 2003	2002
Share awards	16/11/00	–	16/11/03	**756,740**	862,010
	25/1/01	–	25/1/04	**79,300**	79,300
	25/6/01	–	25/6/02	**–**	31,250
	25/6/01	–	25/6/03	**28,500**	31,250
	25/6/01	–	25/6/04	**347,140**	404,240
	8/11/01	–	8/11/04	**31,992**	31,922
	15/7/02	–	15/7/05	**25,642**	–
	15/7/02	–	1/4/03	**84,154**	–
	15/7/02	–	1/4/04	**84,154**	–
Share options	16/11/00	2.37	16/11/01	**2,530,210**	2,709,470
	16/11/00	2.97	16/11/01	**1,603,990**	1,703,820
	25/1/01	2.52	25/1/02	**285,450**	285,450
	25/1/01	3.15	25/1/02	**211,450**	211,450
	25/6/01	3.65	25/6/02	**835,070**	928,810
	25/6/01	4.56	25/6/02	**155,240**	169,880
	8/11/01	3.72	8/11/02	**114,919**	114,919
	8/11/01	4.65	8/11/02	**85,125**	85,125
	15/7/02	3.90	15/7/05	**1,448,752**	–
	15/7/02	3.90	15/7/03	**25,642**	–
SAYE scheme – share options	7/12/00	1.90	1/1/06	**1,143,140**	1,359,258
	16/8/01	2.79	1/10/06	**380,057**	435,446
	1/10/02	3.09	1/10/07	**209,372**	–
Total share awards and options				**10,466,039**	9,443,600

25. Transactions with related parties

During the financial year, no contracts of significance were entered into by the Company 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 13.

26. Acquisitions

Proquote Ltd

On 17 February 2003 the Company acquired Proquote Ltd, a distributor of market data. The estimated consideration, including expenses and deferred consideration of £3.6m, is £15.4m. The book value of assets and liabilities at the date of acquisition are set out below; no fair value adjustments were required.

	Fair value at acquisition £m
Book value at date of acquisition:	
Fixed Assets	–
Debtors, including deferred tax	1.5
Cash	0.5
Creditors	(0.8)
Net assets	1.2
Purchase consideration	15.4
Goodwill arising	14.2
Purchase consideration satisfied by:	
Cash	11.0
Deferred consideration (see note 16)	3.6
Costs of acquisition	0.8
Total	**15.4**

For the year ended 31 May 2002, Proquote Ltd reported an audited post-tax loss of £1.5m. For the period ended 17 February 2003, the unaudited post-tax profit was £0.3m after recognising £1.2m deferred tax credit. In the post acquisition period to 31 March 2003, turnover for Proquote Ltd was £0.4m and operating loss was £0.4m.

EDX London Ltd

On 8 December 2002 the Company announced the establishment of EDX London Ltd, to develop and provide derivatives market services. The initial share capital of the company has been provided 76 per cent by London Stock Exchange plc and 24 per cent by Stockholmbörsen AB. EDX London Ltd will purchase the equity derivatives business of OM London Exchange for £24.0m in cash, subject to approval as a Recognised Investment Exchange by the Financial Services Authority.

Profit and loss account	Year ended 31 March 2003 £m	Year ended 31 March 2002 £m	Year ended 31 March 2001 £m	Year ended 31 March 2000 £m	Year ended 31 March 1999 £m
Turnover – Continuing operations					
– Issuer Services	**36.0**	26.9	31.9	25.7	23.1
– Broker Services	**87.3**	81.2	64.2	54.1	40.5
– Information Services	**102.2**	94.9	87.0	72.9	71.8
– Other income	**11.8**	12.6	10.3	11.3	11.3
Gross turnover	**237.3**	215.6	193.4	164.0	146.7
Administrative expenses					
– operating costs for continuing operations	**(144.2)**	(136.1)	(129.3)	(117.7)	(122.3)
– goodwill amortisation	**(0.1)**	–	–	–	–
– exceptional items	**(11.6)**	(3.6)	(18.9)	(5.1)	(17.6)
Operating profit for continuing operations before exceptional items and goodwill amortisation	**81.7**	70.5	57.9	41.8	21.0
Profit on ordinary activities before taxation	**79.5**	75.2	30.4	48.5	18.1
Profit on ordinary activities after taxation	**52.7**	49.9	15.2	32.1	11.0
Earnings per share	**18.1p**	17.1p	5.1p	10.8p	3.7p
Diluted earnings per share	**17.9p**	17.0p	5.1p	10.8p	3.7p
Adjusted earnings per share	**20.9p**	18.3p	15.2p	11.3p	6.2p
Balance sheet					
Fixed assets	**152.0**	129.0	129.5	116.9	124.0
Net current assets	**211.3**	174.0	137.1	189.2	181.4
Creditors: amounts falling due after more than one year	**–**	–	–	(30.0)	(30.0)
Provisions for liabilities and charges	**(41.6)**	(21.7)	(24.6)	(31.0)	(36.6)
Net assets	**321.7**	281.3	242.0	245.1	238.8
Cash flow					
Net cash inflow from operating activities before exceptional items	**74.8**	82.4	74.5	46.4	53.6
Other information					
Operating margin for continuing operations excluding joint ventures, goodwill amortisation and exceptional items	**36.2%**	34.1%	30.9%	26.2%	14.7%
Share price – high	**£5.03**	£4.35	£3.15	–	–
– low	**£2.70**	£2.81	£1.93	–	–
Total dividend per share	**4.3p**	3.6p	3.2p	–	–

Shareholder information

Shareholder services

The shareholder information section includes details on a few useful services for existing and prospective shareholders.

Lloyds TSB Registrars Shareview Service

Shareview is a free service provided by Lloyds TSB Registrars. It may be accessed though the internet at www.shareview.co.uk. By creating a Shareview Portfolio, you will gain online access to information about your Exchange shares and other investments including:

- direct access to information held for you on the share register including share movements
- a daily valuation of all investments held in your portfolio
- a range of information and practical help for shareholders.

To register at Shareview you will need your shareholder reference (which can be found on your share certificate) and you will be asked to select your own personal identification number. A User ID will then be posted to you. If you have any problems in registering your portfolio for the Shareview services, please contact Lloyds TSB Registrars on 0870 600 3989 or if calling from outside the UK +44 121 415 7065.

Electronic shareholding service

The Exchange believes that settlement in certificated form represents a significant inefficiency within the UK capital markets and results in increased costs for brokers and investors.

The Exchange is keen to see the removal of these market inefficiencies and has become a CREST sponsor, facilitating personal membership of CREST for private investors. The Electronic Shareholding service makes it easier to hold shares electronically and is free for LSE shareholdings.

Investors using the service will be able to use a choice of brokers and will gain all the benefits of electronic shareholding whilst preserving full legal ownership.

For further information please see **www.londonstockexchange.com/electronic shareholding** or ring the Electronic Shareholding hotline on +44 (0) 20 7797 4321.

Exchange's share price service

To obtain share price information for the Exchange, please see our web site at: **www.londonstockexchange-ir.com/lse/services/sharetools/**. This link will provide you with the Exchange's share price (15 minute delayed), historical closing prices and volumes and an interactive share price graph. Alternatively you may ring +44 (0) 20 7797 1205 to obtain closing prices of any Exchange listed company, including the London Stock Exchange for no charge.

Financial calendar

Annual General Meeting	16 July 2003
Q1 Trading Statement (revenues only)	16 July 2003
Ex-dividend date for final dividend	23 July 2003
Final dividend record date	25 July 2003
Final dividend payment	18 August 2003
Half year end	30 September 2003
Interim Results	6 November 2003
Q3 Trading Statement (revenues only)	January 2004
Financial year end	31 March 2004
Preliminary Results	May 2004

The financial calendar is updated on a regular basis throughout the year. Please refer to our website **www.londonstockexchange-ir.com/lse/services/calendar** for up-to-date details.

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Substantial shareholders

(notified of 3% holding or more)

As at 15 May 2003, the Company had been notified of the following substantial interests in accordance with Sections 198 to 208 of the Companies Act 1985:

Fidelity International Limited	8.94%
UBS AG	4.07%
Threadneedle Investments	4.00%
Legal & General Group plc	3.08%

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