London STOCK EXCHANGE

News Release

24 May 2001
14/01

LONDON STOCK EXCHANGE plc

ANNOUNCEMENT OF INTENTION TO LIST AND PRELIMINARY FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2001

Reporting strong results for the year ended 31 March 2001, London Stock Exchange plc (the "Exchange") today unveiled its corporate strategy with an intention to list in July 2001.

The Exchange's strategic aims are:

- To be Europe's leading exchange organisation
- To shape the globalisation of capital markets through technology links and partnerships
- To create value for its shareholders

It intends to do this by:

- Becoming the clear market of choice in the European time zone
- Extending its service offering and broadening its product range
- Building the reach and scale of its businesses
- Promoting the growth of capital markets

The Exchange's listing plans include:

- Introduction to the main market of the London Stock Exchange by the end of July 2001
- EGM, inter alia, to remove the 4.9 per cent limit on shareholdings
- 9 for 1 bonus issue to facilitate trading in the Exchange's shares

Financial Highlights for the year 2000 / 2001 include:

- Turnover from continuing operations up 18 per cent to £193.4 million
- Operating profit from continuing operations before exceptional items up 39 per cent to £57.9 million
- Adjusted earnings per share on continuing operations before exceptional items up 34 per cent to 152.0 pence
- Final dividend 22 pence per share, bringing the total dividend for the year to 31 March 2001 to 32 pence per share

London Stock Exchange
London EC2N 1HP
www.londonstockexchange.com

Press Office
Telephone +44(0)20 7797 1222
Outside office hours +44(0)20 7797 1000
Fax +44 (0)20 7334 8928
press@londonstockexchange.com

Commenting on the announcement of the intention to list, Don Cruickshank, Chairman of the Exchange, said:

"The restructured board and strengthened management team at the Exchange are well positioned to carry forward the development of our business as a commercial organisation. We have reached the point now where we are ready to move to a full listing, offering us the flexibility to pursue the strategy developed by Clara Furse and her team."

Clara Furse, Chief Executive of the Exchange, said:

“This year's strong results put us in a great position to scale up the business in the future. Delivering on the corporate strategy I have laid out today should ensure that the business and shareholder value continue to grow.

"The Exchange operates in a fast-moving and competitive market-place. I am determined that the Exchange should seize opportunities presented by its position in that market. If that means actively pursuing corporate deals, that is what we will do.

"During the year, we have worked with our customers to develop and deliver a wide range of initiatives. Over the coming year this will gather pace. As a business we must seek to position ourselves as Europe's leading capital market exchange organisation and exchange service provider rather than purely as a stock exchange.”

Further information is available from:

London Stock Exchange	John Wallace	020 7797 1557
Schroder Salomon Smith Barney	Philip Robert-Tissot	020 7986 7519

Schroder Salomon Smith Barney is acting as financial adviser and sponsor to the Exchange in relation to the proposed introduction. Cazenove & Co. Ltd is acting as corporate stockbroker in relation to the proposed introduction.

Salomon Brothers International Limited (trading as “Schroder Salomon Smith Barney”), which is regulated in the UK by The Securities and Futures Authority Limited, is acting for the Exchange and no one else in connection with the proposed introduction and will not be responsible to anyone other than the Exchange for providing the protections afforded to customers of Schroder Salomon Smith Barney nor for giving advice in relation to the proposed introduction. Schroder Salomon Smith Barney has approved the contents of this document solely for the purposes of section 57 of the Financial Services Act 1986.

This document does not constitute, or form part of, any offer of, or any solicitation of an offer for, securities.

The distribution of this document in certain jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with those restrictions may constitute a violation of the laws of such jurisdictions. The ordinary shares of the Exchange will not be registered under the US Securities Act of 1933 (as amended).

FURTHER INFORMATION

Reasons for and benefits of listing

In March 2000, the Directors concluded that an interim period was required while the Exchange's business evolved and the consequences and benefits of demutualisation had time to take full effect. Since then, the Exchange has operated on a fully commercial basis with the primary objective of maximising shareholder value.

For the next stage of the Exchange's development, the Directors believe it is appropriate to move to a full listing and remove the 4.9 per cent. limit on shareholdings.

The Directors continue to believe that the Exchange should maintain a strong balance sheet which provides the financial flexibility to implement its key strategic objectives. In view of the significant cash balances that the Exchange currently has on its balance sheet, the Directors do not consider it appropriate to raise additional capital at this time. As a fully listed company, the Exchange will have greater access to capital markets which should provide it with the necessary strategic flexibility to play a leading role in the development of global capital markets.

In addition, the move to a full listing and the removal of the 4.9 per cent. limit on shareholdings will enable a broader range of institutions to invest in the Exchange's shares. The Directors believe, based on the closing share price (being the last traded price) for an ordinary share on 23 May 2001 on the Cazenove dealing facility, that the Exchange's shares will become eligible for membership of the FTSE All Share and FTSE 250 Indices.

Strategy

The Exchange's strategy is to be the leading exchange organisation in Europe and to shape the globalisation of capital markets through technology links and partnerships, thus creating value for its shareholders.

The Exchange intends to grow its existing businesses and extend the reach and scale of its operations, through business development initiatives and through mergers, acquisitions, joint ventures and alliances where appropriate.

To implement this strategy, the Exchange will pursue four objectives:

Becoming the clear market of choice in the European time zone
The Exchange intends to grow revenues from its existing businesses by:

- continuing to deliver well-regulated, transparent markets, supporting a range of trading mechanisms on an efficient and flexible technology platform and providing reliable, real-time information services

- investing further in the development of new products and services, such as the introduction of a settlement network and the provision of improved services to the retail community, which anticipate the evolving needs of customers
- pursuing opportunities to attract new domestic and overseas investors and issuers to the Exchange's markets in order to deepen pools of liquidity.

Extending its service offering and broadening its product range
The Exchange intends to diversify its activities by:

- admitting new products to trading which can be accommodated on the Exchange's trading platform, such as Exchange Traded Funds, covered warrants and other non-equity products
- expanding the number and geographical diversity of its customers
- pursuing mergers, acquisitions, joint ventures and alliances where the Exchange believes these provide the potential to create shareholder value.

Building the reach and scale of its businesses
The Exchange intends to extend the reach and scale of its businesses by building global linkages, partnerships and service relationships, particularly through:

- offering technology services to other exchanges and trading mechanisms, along the lines of the proposed agreement under which the Exchange will provide core technology services to JSE Securities Exchange South Africa
- utilising the Exchange's network to provide connectivity between market participants, for example CREST network provision which allows member firms access to the Exchange's markets and CREST via a single link to the Exchange's network
- pursuing opportunities to offer additional IT services to third parties, thereby utilising the Exchange's network capacity.

Promoting the growth of capital markets
The Exchange intends to leverage its brand and reputation to promote reductions in transaction costs and the elimination of market inefficiencies. In particular:

- working for the removal of stamp duty on UK equity transactions
- working to achieve the most efficient clearing and settlement solution across Europe
- supporting the development of a more open and competitive international securities market. In particular, the Exchange will continue to contribute to initiatives such as the Lamfalussy review of the European capital markets
- promoting dematerialisation of shareholdings in the UK equity market.

Timetable

It is anticipated that the Exchange will publish listing documentation in mid June and seek an introduction to the Official List of the UK Listing Authority and admission to trading on the Exchange's main market by the end of July 2001.

Listing will be conditional on the adoption of new articles for the Exchange, which will not include the existing 4.9 per cent. limit on shareholdings. An Extraordinary General Meeting of the Exchange will be convened for mid-July to seek shareholder approval to adopt the new articles and to implement a 9 for 1 bonus issue.

Schroder Salomon Smith Barney is acting as sponsor for the introduction. Cazenove & Co. Ltd is acting as corporate stockbroker for the introduction.

Financial results

The year ended 31 March 2001 was a strong financial year for the Exchange. Turnover from continuing operations increased 18 per cent to £193.4 million (2000: £164.0 million). Operating profit on continuing operations, before exceptional items, was up 39 per cent to £57.9 million (2000: £41.8 million). As a result, operating margins for continuing operations and excluding joint ventures for the year rose to 31 per cent (2000: 26 per cent). Adjusted earnings per share on continuing operations, before exceptional items, increased 34 per cent to 152.0 pence (2000: 113.1 pence).

Profit after taxation and exceptional items for the financial year was £15.2 million (2000: £32.1 million). The Directors propose a final dividend of 22 pence per share to those shareholders who are on the register as at 6 July 2001 for payment on 27 August 2001. With the interim dividend of 10 pence per share paid in January 2001, the total dividend for the year is 32 pence per share. The bonus shares will not carry an entitlement to receive the final dividend.

The excellent financial results were driven by strong performance in all three main business divisions: Issuer Services, Broker Services and Information Services.

Issuer Services

Turnover from Issuer Services for the year ended 31 March 2001 increased by 24 per cent from £25.7 million to £31.9 million, contributing 17 per cent of total turnover from continuing operations.

The increase in Issuer Services turnover was due to the higher number of companies traded on the Exchange's markets combined with higher revenues from new and further issues. The total number of companies on the Exchange's markets as at 31 March 2001 was 2,922 (2000: 2,801). This includes 550 companies on AIM, the Exchange's international market for growing companies, an increase of 43 per cent over the year (2000: 385).

In aggregate, the companies on the Exchange's markets raised £37.3 billion through new or further issues (2000: £29.8 billion), of which £24.6 billion was raised by UK listed companies (2000: £18.7 billion). The total amount of money raised on techMARK, the Exchange's international technology market, was over £7 billion.

Broker Services

Turnover from Broker Services for the year ended 31 March 2001 contributed 33 per cent of total turnover from continuing operations. This represented 19 per cent growth, from £54.1 million to £64.2 million, over the prior year.

The increase in Broker Services' turnover was due to the high level of trading activity carried out on the Exchange's markets during the year. The total number of equity bargains rose 19 per cent to 40.2 million (2000: 33.9 million) – a daily average of 160,000 equity bargains (2000: 135,000). This equated to over £5.5 trillion transacted through the Exchange's markets (2000: £4.3 trillion).

The total value of UK equity bargains increased 14 per cent in the year to £1,863 billion (2000: £1,637 billion). Foreign bargains by volume were up by 46 per cent in 2001 and now represent 31 per cent of total bargains (2000: 25 per cent).

Information Services

Information Services was the largest contributor to turnover for the year ended 31 March 2001. Turnover from Information Services was 17 per cent higher, up from £72.9 million to £85.3 million, representing 44 per cent of total turnover from continuing operations.

Higher Information Services turnover was due to the growing demand for Exchange market data and the consequent rise in the number of terminals receiving Exchange data on a real time basis. The number of terminals as at 31 March 2001 was approximately 107,000, an 18 per cent increase over last year (2000: 91,000). Of those, over 10,000 terminals are for private investors. Exchange market data is now received in over 100 countries around the world.

New customer focused initiatives

The Exchange established the Exchange Markets Group (EMG) in October 2000 to provide independent advice directly to the Board. EMG is chaired by Don Cruickshank and consists of members drawn from a wide spectrum of market participants. The group provides valuable practitioner input and advice on a range of issues that affect the Exchange's markets.

The Exchange has announced a wide range of new business initiatives developed in conjunction with the Exchange's customers to enhance and expand the products and services the Exchange is able to offer. These included the following:

Issuer services

- Further internationalisation of AIM and techMARK – launched March 2001
- landMARK - an attribute group for UK regions – launched March 2001

Broker services

- Developed the International Retail Service – bringing international securities to the private investor – launched April 2001
- Launched the Central Counterparty – reducing trading risk, increasing confidence in our markets – introduced February 2001

Information services

- Enhanced Regulatory News Services (RNS) internet services – launched September 2000
- Developed new real time and derived information packages for investors
- Providing more tailored services for private client brokers
- Developing of Internet Protocol (IP) communications network

Strengthened Executive Management and Board of Directors

On 24 January 2001, the Exchange announced the appointment of Clara Furse as Chief Executive, bringing her considerable business experience and market expertise to the Exchange.

Coinciding with Clara's appointment, the Exchange also announced a restructuring of its Board of Directors to increase the representation of independent non-executive directors. Four new non-executive directors were appointed to the Board, bringing with them a wealth of international business experience and understanding of running commercial companies. The new members are Baroness Cohen, Oscar Fanjul, Nigel Stapleton and Robert Webb QC.

Corporate activities

Proposed partnership with Johannesburg

On 2 April 2001, the Exchange announced a proposed partnership with the JSE Securities Exchange South Africa (JSE) involving the provision of core technology services including the Exchange's robust trading system, SETS and co-operation to seek easier access for our companies and investors to each others markets.

The proposed sale of the Exchange's trading system to JSE is an exciting step. It demonstrates the attractiveness of the Exchange's technology and represents an addition to the portfolio of products and services the Exchange offers.

Other activities

During the year, the Exchange saw a significant amount of other corporate activity. The proposal to form iX-international exchanges was withdrawn in September 2000. A hostile offer for the company by OM Gruppen was successfully defeated in November 2000.

In October 2000, the Exchange announced its intention to relocate from the Exchange Tower in Old Broad Street. Subsequently, in March 2001, the Exchange redeemed all of the then outstanding 10 1/8 per cent mortgage debenture stock secured over the Exchange Tower.

Current trading and prospects

Since 31 March 2001, financial performance has been broadly in line with Directors' expectations and secondary market activity has remained strong despite a period of weaker IPO activity.

Overall, the Directors believe the Exchange enjoys a number of key strengths which provide a solid foundation for future success.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2001

	Notes	2001 £m	Restated 2000 £m
Turnover			
Group and share of joint venture - Continuing operations		**193.4**	164.0
- Discontinued operations		**1.2**	11.7
Gross turnover		**194.6**	175.7
Less: share of joint venture's turnover - Continuing operations		**(6.2)**	(4.5)
Net turnover	2	**188.4**	171.2
Administrative expenses - Operating costs		**(129.7)**	(124.2)
- Exceptional items	3	**(18.9)**	(5.1)
		(148.6)	(129.3)
Operating profit - Continuing operations - before exceptional items		**57.9**	41.8
- after exceptional items		**39.0**	36.7
- Discontinued operations		**0.8**	5.2
		39.8	41.9
Share of operating profit of joint venture and income from other fixed asset investments		**0.3**	0.3
Net interest receivable /(payable) - before exceptional item	4	**7.9**	6.3
- exceptional item	4	**(17.6)**	-
		(9.7)	6.3
Profit on ordinary activities before taxation		**30.4**	48.5
Taxation on profit on ordinary activities	5	**(15.2)**	(16.4)
Profit for the financial year		**15.2**	32.1
Dividend		**(9.5)**	-
Retained profit for the financial year		**5.7**	32.1
Earnings per equity share	6	**51.4p**	108.1p
Diluted earnings per equity share	6	**51.4p**	108.1p
Adjusted earnings per equity share	6	**152.0p**	113.1p
Dividend per equity share		**32.0p**	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001 £m	Restated 2000 £m
Profit for the financial year	**15.2**	32.1
Other recognised gains and losses for the year:		
Prior year adjustments	**11.0**	13.4
Total recognised gains and losses since last annual report	**26.2**	45.5

BALANCE SHEET
31 March 2001

	Notes	Group 2001 £m	Group Restated 2000 £m
Fixed assets			
Tangible assets		**117.1**	114.4
Investments			
Investments in joint venture:			
Share of gross assets		**7.1**	5.8
Share of gross liabilities		**(4.8)**	(3.7)
		2.3	2.1
Other investments	7	**10.1**	0.4
		12.4	2.5
		129.5	116.9
Current assets			
Debtors			
Debtors - amounts falling due within one year		**37.3**	35.7
Deferred tax - amounts falling due after more than one year		**10.7**	12.2
		48.0	47.9
Investments - term deposits		**143.0**	196.0
Cash at bank		**4.9**	4.4
		195.9	248.3
Creditors: amounts falling due within one year		**58.8**	59.1
Net current assets		**137.1**	189.2
Total assets less current liabilities		**266.6**	306.1
Creditors: amounts falling due after more than one year	8	**-**	30.0
Provisions for liabilities and charges	9	**24.6**	31.0
Net assets		**242.0**	245.1
Capital and reserves			
Called up share capital	10	**1.5**	-
Reserves			
Revaluation reserve		**47.7**	49.6
Capital redemption reserve		**-**	8.8
Trade compensation reserve		**-**	15.0
Profit and loss account		**192.8**	171.7
Total shareholders' funds		**242.0**	245.1
Analysed between:			
Equity shareholders' funds		**242.0**	236.3
Non-equity shareholders' funds		**-**	8.8
		242.0	245.1

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2001

		Notes	2001 £m	2000 £m
Net cash inflow / (outflow) from:	**- ongoing operating activities**	12(i)	**74.5**	46.4
	- exceptional items	12(i)	**(22.4)**	(1.4)
Net cash inflow from operating activities			**52.1**	45.0
Returns on investments and servicing of finance				
Interest received			**12.1**	10.6
Interest paid			**(4.1)**	(3.0)
Premium on redemption of debenture			**(17.6)**	-
Dividends received			**0.1**	0.1
Net cash (outflow)/inflow from returns on investments and servicing of finance			**(9.5)**	7.7
Taxation				
Corporation tax paid			**(20.6)**	(12.1)
Capital expenditure and financial investments				
Payments to acquire tangible fixed assets			**(22.7)**	(14.7)
Payments to acquire own shares			**(10.0)**	-
Receipts from sale of tangible fixed assets			**-**	1.2
Receipts from sale of fixed asset investments			**-**	0.1
Net cash outflow from capital expenditure and financial investments			**(32.7)**	(13.4)
Equity dividends paid			**(3.0)**	-
Acquisitions and disposals				
Payments to acquire shares in joint venture			**-**	(1.5)
Net cash (outflow)/inflow before use of liquid resources and financing			**(13.7)**	25.7
Management of liquid resources				
Decrease/(increase) in term deposits			**53.0**	(2.0)
Financing				
Redemption of mortgage debenture			**(30.0)**	-
Redemption of 'A' shares			**(8.8)**	(25.8)
Increase/(decrease) in cash in the year			**0.5**	(2.1)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Change in accounting policy
Following the introduction of the new financial reporting standard on deferred tax, FRS 19, the Company changed its accounting policy in respect of deferred tax during the year. Previously the Company provided for deferred tax using the liability method, except where, in the opinion of the directors, a liability or recovery was unlikely to arise in the foreseeable future. The Company now makes full provision for 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. The effect of this change in accounting policy was to increase shareholder's funds by £11.0m as at 31 March 2000 and reduce profit after tax by £1.2m in the current year (2000: reduction in profit after tax of £1.8m).

Basis of preparation
The competent authority activity was transferred to the Financial Services Authority on 1 May 2000 and has been treated as a discontinued operation. The expenses charged to the competent authority are the direct expenses of the activity and do not include any applicable overheads, which are included within the expenses charged to the continuing operations. This reflects the directors' view that no significant change in overhead expenses occurred following the transfer of the competent authority to the Financial Services Authority.

2. Turnover

	2001 £m	2000 £m
Analysis of turnover:		
Continuing operations		
Issuer services	**31.9**	25.7
Broker services	**64.2**	54.1
Information services	**85.3**	72.9
Other income	**12.0**	11.3
	193.4	164.0
Discontinued operations		
Competent authority	**1.2**	11.7
Gross turnover	**194.6**	175.7
Less: share of joint venture's turnover		
Information services	**(6.2)**	(4.5)
Net turnover	**188.4**	171.2

The Company has one class of business, with principal operations in the United Kingdom.

3. Exceptional items

	2001 £m	2000 £m
Fees in respect of the proposed merger with Deutsche Börse AG and in defence of the bid from OM Gruppen	**18.9**	-
Fees in respect of the Company reorganisation - demutualisation	**-**	5.1
	18.9	5.1

NOTES TO THE FINANCIAL STATEMENTS

4. Net interest receivable/(payable)

	2001 £m	2000 £m
Interest receivable		
Bank deposits	**12.4**	11.1
Interest payable		
On bank and other loans repayable after five years	**(2.8)**	(3.0)
Interest on discounted provision for leasehold properties	**(1.7)**	(1.8)
Total	**(4.5)**	(4.8)
Net interest receivable - before exceptional item	**7.9**	6.3
Exceptional item - Premium on redemption of mortgage debenture	**(17.6)**	-
Net interest (payable)/receivable - after exceptional item	**(9.7)**	6.3

5. Taxation

	2001 £m	Restated 2000 £m
Current tax:		
Corporation tax for the year at 30% (2000, 30%)	**15.0**	17.8
Adjustments in respect of previous periods	**(1.4)**	(1.0)
	13.6	16.8
Deferred taxation	**1.5**	(0.5)
Joint venture	**0.1**	0.1
Taxation charge	**15.2**	16.4

The adjustments for previous years are partly in respect of timing differences, and reflect revised assumptions for the allowance of certain expenses.

NOTES TO THE FINANCIAL STATEMENTS

5. Taxation (continued)

Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2000, 30%).

The differences are explained below:

	2001 £m	2000 £m
Profit on ordinary activities before tax	**30.4**	48.5
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	**9.1**	14.6
Expenses disallowed for the purpose of tax provision (primarily professional fees and depreciation on expenditure not subject to capital allowances)	**6.8**	2.7
Accounting deduction greater than capital allowances - timing difference	**0.3**	2.6
Release of provisions	**(1.2)**	(2.1)
Adjustment to tax charge in respect of previous periods	**(1.4)**	(1.0)
Corporation tax charge	**13.6**	16.8

Factors that may affect future tax charges

The disposal of properties at their revalued amount would not give rise to a tax liability.

6. Earnings per equity share

To show results for continuing operations on a comparable basis, an adjusted earnings per equity share is presented. This is in addition to earnings per equity share, which is in respect of all activities and diluted earnings per equity share which takes account of dilution for share options and share awards made under the Employee Share Ownership Plan (ESOP).

The weighted average number of equity shares excludes those held in the ESOP which are treated as cancelled. The effect of this cancellation is to reduce the weighted average number of equity shares to 29.6 million (2000: 29.7 million). For diluted earnings per equity share, the weighted average number of equity shares is adjusted to assume conversion of share options and vesting of share awards granted to employees.

	2001 £m	2000 £m
Profit for the financial year	**15.2**	32.1
Adjustments:		
Exceptional items	**18.9**	5.1
Exceptional interest costs - redemption of debenture	**17.6**	-
Discontinued operations	**(0.8)**	(5.2)
Tax effect of exceptional items and discontinued operations	**(5.9)**	1.6
Adjusted profit for the financial year	**45.0**	33.6

6. Earnings per equity share (continued)	2001	2000
Weighted average number of equity shares - million	**29.6**	29.7
Effect of dilutive share options and awards - million	**-**	-
Diluted weighted average number of equity shares - million	**29.6**	29.7
Adjusted earnings per equity share	**152.0p**	113.1p
Earnings per equity share	**51.4p**	108.1p
Diluted earnings per equity share	**51.4p**	108.1p

7. Fixed asset investments

Other investments include £9.7m (2000: nil) in respect of own shares.

Own shares represent shares held in a separately administered trust for the purposes of the Company's Initial and Annual Share Plans. The difference between the purchase price of the shares and the exercise price of the awards/grants is charged to the profit and loss account over the period of service for which the options and awards are granted.

8. Creditors: amounts falling due after more than one year

	2001 £m	2000 £m
Repayable in five years or more - otherwise than by instalments:		
10 1/8 % Mortgage Debenture Stock 2016	**-**	30.0

On 28 February 2001, an Extraordinary General Meeting of holders of the Company's Stock approved an amendment to the Trust Deed enabling the Company, at its discretion, to redeem the Stock in its entirety at any time. Following execution of amendments to the Trust Deed on 1 March 2001, the Company exercised its rights and redeemed the Stock in full on 8 March 2001.

9. Provisions for liabilities and charges

	Pensions £m	Property £m	Total £m
1 April 2000	1.3	29.7	31.0
Utilised during the year	(0.2)	(3.2)	(3.4)
Interest on discounted provision	-	1.7	1.7
Surplus provision released	-	(4.7)	(4.7)
31 March 2001	**1.1**	**23.5**	**24.6**

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 in accordance with the accounting policy for pension costs.

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 for those properties which are surplus to business requirements. The leases have a maximum term of 13 years to expiry. The surplus provision transferred to the profit and loss account mainly reflects the increase in expected receipts from sub-letting and lower future costs.

NOTES TO THE FINANCIAL STATEMENTS

10. Share capital

		2001	2000
Authorised			
Ordinary shares of 5p each	- number	**40,000,000**	-
	- £	**2,000,000**	-
'A' shares of 5p each	- number	**-**	5,601
	- £	**-**	280
'B' shares of 5p each	- number	**-**	14,399
	- £	**-**	720
Issued, called up and fully paid			
Ordinary shares of 5p each	- number	**29,700,000**	-
	- £	**1,485,000**	-
'A' shares of 5p each	- number	**-**	880
	- £	**-**	44
'B' shares of 5p each	- number	**-**	14,399
	- £	**-**	720

All outstanding 'A' shares were redeemed with effect from 12 April 2000. On 12 April 2000, the 'B' shares held by the share trustee were purchased by the Company for £1 and cancelled, each 'B' share was reclassified as an Ordinary share and there was a bonus issue of 99,999 Ordinary shares for every Ordinary share held. This increased the number of shares in issue to 29.7 million.

11. Reconciliation of movements in shareholders' funds

	2001 £m	2000 £m
Profit for the financial year - (2000 restated)	**15.2**	32.1
Dividend	**(9.5)**	-
Redemption of 'A' shares during the year	**(8.8)**	(25.8)
Net (reduction)/addition to shareholders' funds	**(3.1)**	6.3
Opening shareholders' funds - (2000 restated)	**245.1**	238.8
Closing shareholders' funds	**242.0**	245.1

NOTES TO THE FINANCIAL STATEMENTS

12. Notes to the consolidated cash flow statement

	2001 £m	2000 £m
i) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**39.8**	41.9
Depreciation of tangible assets	**19.9**	22.2
Increase in debtors	**(1.3)**	(7.6)
Decrease in creditors	**(3.2)**	(8.5)
Provisions utilised during the year	**(3.4)**	(3.0)
Amortisation of own shares	**0.3**	-
Net cash inflow from operating activities	**52.1**	45.0
Comprising:		
Ongoing operating activities	**74.5**	46.4
Exceptional items (see note 3)	**(22.4)**	(1.4)
Net cash inflow	**52.1**	45.0

	At 1 April 2000 £m	Cash Flows £m	At 31 March 2001 £m
ii) Analysis of changes in net funds			
Cash in hand and at bank	4.4	0.5	**4.9**
Debt due after more than one year	(30.0)	30.0	**-**
Current asset investments	196.0	(53.0)	**143.0**
Total net funds	170.4	(22.5)	**147.9**

13. Contingent liabilities

In December 2000 the Company received a letter claiming €10 million (£6.2 million) from Deutsche Börse AG (DBAG) for damages in respect of the withdrawal of the proposed merger between DBAG and the Company. DBAG has not commenced any formal legal proceedings and the Company will vigorously defend any action brought by DBAG.

There are other claims against the Company, none of which are considered to be material.

14 Abridged accounts

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