London Stock Exchange plc

Report and Financial Statements

For the year ended 31 December 2016

Company Registration Number: 2075721

MONDAY

A66GWFTL

A08 15/05/2017 #44

COMPANIES HOUSE

LONDON STOCK EXCHANGE PLC
CONTENTS

PAGE

1 ..... Directors and Officers

2 ..... Strategic Report

4 ..... Directors' Report

6 ..... Independent Auditor's Report to the Member of London Stock Exchange plc

8 ..... Income Statement

9 ..... Statement of Comprehensive Income

10 ..... Statement of Financial Position

11 ..... Statement of Changes in Equity

12 ..... Notes to the Financial Statements

LONDON STOCK EXCHANGE PLC
DIRECTORS AND OFFICERS

DIRECTORS

P Heiden
D Warren
D Jenkins
S O'Connor
S Bowles
M Hoban
D Brydon
N Rathi
S Coutu

COMPANY SECRETARY

L Condron

REGISTERED OFFICE

10 Paternoster Square
London
EC4M 7LS

INDEPENDENT AUDITORS

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

BANKERS

HSBC Bank plc
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

The Directors present their Strategic Report for London Stock Exchange plc (the "Company") for the year ended 31 December 2016.

REVIEW OF BUSINESS

The Company has three main areas of business: (i) Capital Markets; (ii) Information Services; and (iii) Technology Services.

The Company is a regulated investment exchange under the supervision of the Financial Conduct Authority ("FCA").

The Company recorded a total income of £388.1 million for the year ended 31 December 2016 (year ended 31 December 2015: £363.2 million) and its net assets were £337.2 million as at 31 December 2016 (31 December 2015: £368.5 million). The key performance indicators of the Company are the number of new issues, which in the year ended 31 December 2016 were 115 (year ended 31 December 2015: 149), the number of companies on our markets, which was 2,269 at 31 December 2016 (31 December 2015: 2,365), average daily orderbook value traded which increased in the year ended 31 December 2016 to £5.1 billion (year ended 31 December 2015: £4.9 billion) and the number of data terminals which decreased to 71,700 at 31 December 2016 (31 December 2015: 74,800). The Directors also have regard for the profitability of the Company. The profit after taxation amounted to £164.6 million for the year ended 31 December 2016 (year ended 31 December 2015: £171.1 million).

FUTURE DEVELOPMENTS

We expect more positive primary market conditions in 2017, albeit in the context of ongoing geopolitical uncertainty. We continue to actively promote equity issuance across our markets, supporting our belief that equity is a primary creator of economic prosperity. Given the high levels of macro-economic uncertainty throughout 2016, we expect the 2017 rate of equity issuance to be higher.

On 16 March 2016, the London Stock Exchange Group plc ("LSEG") Board and the management board of Deutsche Börse AG ("DBAG") announced that they had agreed the terms of a recommended all-share merger of LSEG and DBAG. On 4 July 2016, the Group's shareholder approval had been obtained and on 29 July 2016 the acceptance threshold for the DBAG exchange offer had been reached. Completion remains subject to the fulfilment or waiver of the outstanding conditions, including the receipt of all outstanding required regulatory, merger control and court approvals.

EMPLOYEES

Our people are at the heart of what we do and drive the success of our business. Attracting, developing and retaining the skills we need to deliver on our strategy of being the most trusted market expert is a key imperative for the Company. We are dedicated to unifying our growing company and supporting our employees' talent in an environment built on partnership, integrity, innovation and excellence. 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 appropriate support.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to a variety of foreseeable and unforeseeable risks and uncertainties which may have an impact on the Company's ability to execute its strategy and deliver its expected performance. The identification, assessment and management of these risks are central to the Company's operating framework. The Company's risk management structure is based on the 'three lines of defence' model:

- The First line (Management) is responsible and accountable for identifying, assessing and managing risk.
- The Second line (Risk Management and Compliance), is responsible for defining the risk management process and policy framework and providing challenge to the first line on risk management activities assessing risks and reporting to the Group Board Committees on risk exposure.
- The Third line (Internal Audit) provides independent assurance to the Board and other key stakeholders over the effectiveness of the systems of controls and the Risk Framework.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

In addition to the principal market and operational risks following, the Company is exposed to financial risks that are detailed on pages 16 and 17.

The Company's principal market risks are considered to arise from clients and competition (with client alignment paramount to the successful operation and growth of our business), the changing regulatory environment and the macro economic environment (unfavourable tax regimes or the changing regulatory environment may reduce the attractiveness of London as a major financial centre).

The Company's principal operational risks are considered to arise from change management with the Company having a number of major, complex projects and initiatives underway concurrently, the Company's ability to attract and retain high quality employees, the Company's dependency on having secure premises and uninterrupted operation of its IT systems and infrastructure, and the Company's businesses and major revenue streams being highly dependent on secure and stable technology performing to high levels of availability and throughput.

On 23 June 2016, the UK voted to exit the European Union ("EU"). The Company relies on a number of rights that are available to it to conduct business with EU members. This includes, without limitation, the right for UK trading venues to offer services to members in the EU. The Company has analysed the potential impact and considered contingency plans that it may choose to execute should these rights not be replaced by rights that persist outside EU membership.

By order of the Board

Lisa Condron
Company Secretary
3 March 2017

REGISTERED OFFICE:
10 Paternoster Square, London, EC4M 7LS

LONDON STOCK EXCHANGE PLC
DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

REVIEW OF BUSINESS

The review of the Company's business is set out within the Strategic Report on page 2.

DIVIDENDS

A final dividend of £51.0 million (year ended 31 December 2015: £82.3 million) is recommended to be paid in March 2017. Together with the interim dividend of £86.5 million paid in September 2016 (year ended 31 December 2015: £89.4 million), this produces a total dividend of £137.5 million for the year (year ended 31 December 2015: £171.1 million).

DIRECTORS AND DIRECTORS INTERESTS

The following Directors have held office throughout the year and up to the date of approval of the financial statements, except as noted below:

P Heiden
D Warren
D Jenkins
S O'Connor
S Bowles
M Hoban
D Brydon
N Rathi
S Coutu (appointed 3 March 2016)

None of the Directors had any interest in the shares of the Company. There are no directors' interests requiring disclosure under Companies Act 2006.

DIRECTORS' LIABILITIES

The Company has Directors and Officers insurance which provides an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOING CONCERN

The Directors have reviewed the Company's forecasts and projections, taking into account reasonably possible changes in trading performance, which show that the Company has sufficient financial resources. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the Board

Lisa Condron
Company Secretary
3 March 2017

REGISTERED OFFICE:
10 Paternoster Square, London, EC4M 7LS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LONDON STOCK EXCHANGE PLC

We have audited the financial statements of London Stock Exchange plc (the "Company") for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LONDON STOCK EXCHANGE PLC

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

Ernst & Young LLP

David Canning-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2017

LONDON STOCK EXCHANGE PLC
INCOME STATEMENT
Year ended 31 December 2016

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Revenue	4	353.6	337.4
Other income	4	34.5	25.8
Total income		388.1	363.2
Cost of sales		(3.2)	(2.5)
Gross profit		384.9	360.7
Expenses			
Administrative expenses		(167.0)	(160.4)
Depreciation and amortisation		(14.0)	(12.0)
Total expenses	5	(181.0)	(172.4)
Operating profit		203.9	188.3
Non-recurring income		-	16.6
Finance income		4.9	5.2
Finance expense		(2.7)	(2.6)
Net finance income	8	2.2	2.6
Profit before taxation		206.1	207.5
Taxation	9	(41.5)	(36.4)
Profit for the financial year		164.6	171.1

The transactions in the current year and prior year were derived from continuing operations.

The notes on pages 12 to 32 form an integral part of these financial statements.

LONDON STOCK EXCHANGE PLC
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Profit for the financial year		**164.6**	171.1
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Defined benefit pension scheme remeasurement loss	**16**	**(32.6)**	(2.0)
Tax related to items not recognised in income statement	**9**	**4.7**	0.4
		(27.9)	(1.6)
Items that may be subsequently reclassified to profit or loss:			
Revaluation of available for sale investments	**15**	**2.0**	-
		2.0	-
Other comprehensive loss, net of tax		**(25.9)**	(1.6)
Total comprehensive income for the year		**138.7**	169.5

The notes on pages 12 to 32 form an integral part of these financial statements. The results above relate wholly to continuing operations.

LONDON STOCK EXCHANGE PLC
STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	31 December 2016 £m	31 December 2015 Re-presented[1] £m
Assets			
Non-current assets			
Intangible assets	11	32.5	29.0
Property, plant and equipment	12	50.0	50.6
Investment in subsidiary undertakings	13	-	-
Deferred tax assets	14	12.8	9.7
Available for sale investments	15	6.8	4.8
		102.1	94.1
Current assets			
Trade and other receivables	17	360.4	335.6
Current tax		4.5	23.8
Cash and cash equivalents	18	104.9	107.6
		469.8	467.0
Total assets		571.9	561.1
Liabilities			
Current liabilities			
Trade and other payables	19	161.9	151.7
Provisions	20	0.6	0.6
		162.5	152.3
Non- current liabilities			
Retirement benefit obligations	16	60.0	28.5
Provisions	20	9.4	9.0
Other non-current liabilities	23	2.8	2.8
		72.2	40.3
Total liabilities		234.7	192.6
Net assets		337.2	368.5
Equity			
Share capital	21	14.9	14.9
Share premium	21	4.3	4.3
Retained earnings		318.0	349.3
Total equity		337.2	368.5

[1] - The 31 December 2015 comparatives have been re-presented to reflect the classification of a balance due to a company under common control.

The notes on pages 12 to 32 form an integral part of these financial statements.

The financial statements on pages 8 to 32 were approved by the Board on 1 March 2017 and signed on its behalf by:

Nikhil Rathi
Chief Executive Officer
London Stock Exchange plc
3 March 2017

David Warren
Chief Financial Officer
London Stock Exchange plc
3 March 2017

Registered number: 2075721

LONDON STOCK EXCHANGE PLC
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Notes	Share capital	Share premium	tained earnings	Tota attributa ble to equity holders
		£m	£m	£m	£m
31 December 2014		14.9	4.3	302.7	321.9
Profit for the financial year		-	-	171.1	171.1
Other comprehensive loss for the year		-	-	(1.6)	(1.6)
Final dividend relating to the period ended 31 December 2014	10	-	-	(35.8)	(35.8)
Interim dividend relating to the year 31 December 2015	10	-	-	(89.4)	(89.4)
Employee share scheme expenses, net of tax		-	-	2.3	2.3
31 December 2015		**14.9**	**4.3**	**349.3**	**368.5**
Profit for the financial year		-	-	164.6	164.6
Other comprehensive loss for the year		-	-	(25.9)	(25.9)
Final dividend relating to the year ended 31 December 2015	10	-	-	(82.3)	(82.3)
Interim dividend relating to the year 31 December 2016	10	-	-	(86.5)	(86.5)
Employee share scheme expenses		-	-	(2.6)	(2.6)
Tax in relation to employee share scheme expenses		-	-	1.4	1.4
31 December 2016		**14.9**	**4.3**	**318.0**	**337.2**

The notes on pages 12 to 32 form an integral part of these financial statements.

1. Basis of Preparation and Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006 (the "Act"). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU").

The Company is a qualifying entity for the purposes of FRS 101. Note 25 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS as adopted by the EU may be obtained. The Company's date of transition to FRS 101 was 1 April 2012.

FRS 101 sets out amendments to IFRS that are necessary to achieve compliance with the Act and related regulations. The impact of these amendments to the Company's previously adopted accounting policies in accordance with IFRS as adopted by the EU was not material on the shareholders' equity as at the date of transition and as at 31 December 2016 or on the profit for the year ended 31 December 2016.

The following disclosure exemptions under FRS 101 have been considered and applied where deemed to be applicable:

- cash flow statements and related notes;
- disclosure of key management compensation and related party disclosures for intra-group transactions;
- IFRS 1.134-1.136 disclosure on capital management;
- reduced IFRS 2 disclosure for share-based payment arrangements in a subsidiary's financial statements;
- reduced IFRS 7 disclosure of financial instruments;
- reduced IAS 36 disclosure of impairment review;
- reduced IFRS 13 disclosure relating to fair value measurement; and
- the requirement to present comparatives in roll-forward reconciliations for property, plant and equipment and intangible assets.

The following standards and interpretations have been issued by the Financial Reporting Council ("FRC") and have been adopted in these financial statements:

- Amendments to FRS 101 'Reduced Disclosure Framework' - 2015/16 Cycle (July 2016)
- Amendments to FRS 101 'Reduced Disclosure Framework' and FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' - Notification of Shareholders (December 2016)

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

The following standards and interpretations were issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"), but have not been adopted either because they were not endorsed by the EU at 31 December 2016 or they are not yet mandatory and the Company has not chosen to early adopt. The impact on the Company's financial statements of the above future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

- IFRS 15 'Revenue from contracts' with customers introduces new accounting principles for revenue recognition for all types of sales of goods or services. It is effective from 1 January 2018 and as a result the Company will adopt IFRS 15 in the annual 2018 financial statements. IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers, and replaces the separate models for goods, services and construction contracts currently included in IAS 11 'Construction Contracts' and IAS 18 'Revenue'.

  Based on the provisional assessment, the key areas of judgement expected on initial adoption of IFRS 15 are in relation to the timing of revenue recognition for services provided and how performance obligations are satisfied in contracts providing several services to customers. The Company will continue to assess the impact during 2017.

- IFRS 9 'Financial instruments' is effective for the year ended 31 December 2018 and will simplify the classification of financial assets for measurement purposes. The implementation of IFRS 9 is not currently expected to have a significant impact on the Company's financial statements.

- IFRS 16 'Leases' is effective for the year ended 31 December 2019 (not yet endorsed by the EU) and will require all leases to be recognised on the balance sheet. Currently, IAS 17 'Leases' only requires leases categorised as finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised. In broad terms, the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments set out in note 23.

These financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

These financial statements contain information about London Stock Exchange plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken the exemption from producing consolidated financial statements afforded by section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of London Stock Exchange Group plc ("LSEG") which prepares consolidated financial statements which are publicly available.

The Company is a private limited company, limited by shares and incorporated and domiciled in England and Wales. The address of its registered office is 10 Paternoster Square, London, EC4M 7LS.

Going concern

The Directors have reviewed the Company's forecasts and projections, taking into account reasonably possible changes in trading performance, which show that the Company has sufficient financial resources. On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Accounting Policies

Income statement

Revenue and other income
Revenue and other income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue and other income are recognised in the period when the service or supply is provided. The sources of revenue and other income are:

a) Membership and other fees - revenue is recognised on a straight-line basis over the period to which the fee relates;

b) Admission fees - revenue is recognised at the time of admission to trading;

c) Royalties - revenue is recognised at the date at which they are earned or measurable with certainty;

d) IT products - where there is no significant service obligation, the revenue is recognised upon delivery and acceptance of the software or hardware by the customer, in other circumstances, revenue is recognised on provision of contracted services;

e) IT solutions - where software is sold requiring significant modification, integration or customisation, the consideration is allocated between the different elements on an appropriate basis. Revenue is recognised using a percentage of completion of the transaction at the balance sheet date. The stage of completion is determined by reference to the costs incurred to date as a proportion of the total estimated costs or the services performed to date as a percentage of total services to be performed. Provision is made for all foreseeable future losses in the period in which they are identified;

f) Software and License fees - revenue is recognised when the performance under the contract has occurred and the revenue has been earned; and

g) Other - all other revenue and other income is recognised in the month in which the service is provided.

Cost of sales
Cost of sales comprises data and licence fees, data feed costs, expenses incurred in respect of revenue share arrangements and any other costs linked and directly incurred to generate revenues and provide services to customers.

Pension costs
The Company operates defined benefit and defined contribution pension schemes. For the defined benefit schemes, the service cost representing benefits accruing to employees, is included as an operating expense and the expected return on scheme assets and interest cost from unwinding of the discount on scheme obligations are included within net interest income. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions or differences between actual and expected returns on assets are recognised at each period end net of tax in the statement of comprehensive income. The net asset or liability recognised on the Statement of Financial Position comprises the difference between the present value of pension obligations and the fair value of scheme assets. For defined contribution schemes, the Company pays a core contribution and will match employee contributions up to a maximum of six per cent of pensionable pay. Contributions are charged to the income statement as incurred.

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

Foreign currencies
These financial statements are presented in Pounds Sterling, which is the Company's presentation and functional currency.

Foreign currency transactions are converted into the functional currency using the rate ruling at the date of the transaction or at the monthly average as a proxy. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Finance income and expenses
Finance income and expense comprise interest earned on cash deposited with financial counterparties and interest paid on borrowings which reflect the agreed market-based or contractual rate for each transaction undertaken during the period.

Statement of Financial Position

Property, plant and equipment
Property, plant and equipment are included in the financial statements at cost less accumulated depreciation and any provision for impairment.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful economic lives, as follows:

Freehold buildings - 33 to 50 years;
Fixed plant - three to 20 years; and
Plant and equipment - three to 15 years.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Intangible assets
Intangible assets are held at cost less accumulated amortisation. These assets are amortised on a straight line basis over their useful economic lives which are as follows:

a) Customer and supplier relationships - two to 20 years (material assets are amortised over a life exceeding 15 years); and
b) Software licenses - two to five years (the majority of material assets are amortised over a life not exceeding 5 years).

Internal product development expenditure is capitalised if the costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete the development and to use or sell the asset. Judgement is required as to whether these tests are met. The assets are recorded at cost including labour, directly attributable costs and any third party expenses, and amortised over the useful economic life of three years.

Separately acquired contractual customer relationships are recognised at cost at the acquisition date. Amortisation is calculated using the straight-line method over the expected life of the customer relationships with a maximum of 20 years.

Investments in subsidiary undertakings
Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are stated in the Company's financial statements at cost less impairment, if any. On disposal, the difference between the net disposal proceeds and the investment's carrying amount is included in the income statement. Loans to subsidiaries which are determined as capital contributions are recorded as investments in subsidiary undertakings.

Current and deferred taxation
Income tax on the profit for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in the Statement of Comprehensive Income or directly in equity. In this case, the tax is also recognised in the Statement of Comprehensive Income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Financial assets
The Company classifies its financial assets in the following categories: available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Available-for-sale investments
Investments are designated as available for sale and are recorded on trade date at fair value plus transaction costs with changes in fair value recognised in equity. Where the fair value is not reliably measurable, the investment is held at cost less any provision for impairment. Assets such as shares in clearing and payment transmission operations and long term equity investments that do not qualify as associates or joint ventures are usually classified as available for sale. They are included in fixed assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and comprise "Debtors" and "Cash at bank and in hand" in the Statement of Financial Position.

Financial liabilities
The Company classifies its financial liabilities at fair value at amortised cost. Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest rate method, with gains and losses recognised in finance income and expenses respectively. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Trade receivables
Trade receivables are non-interest bearing and are stated at their fair value which is the original invoiced amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the receivable, probability that the trade receivable will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement.

Cash and cash equivalents
Cash and cash equivalents comprises deposits held at call with banks, short term deposits with a maturity of 3 months or less and investments in money market funds that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as 'Trade and other payables' within current liabilities, if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as 'Other non-current payables' within non-current liabilities.

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.

Share capital
The share capital of the Company consists of only one class of Ordinary Shares and these are classified as equity.

Dividend distributions
Dividend distributions to the Company's equity holders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholder.

2. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and regulatory capital risk. The Company is part of London Stock Exchange Group plc (the "Group") and financial risk management is carried out by the Group through its central treasury function. The Group's risk management approach seeks to minimise the potential adverse effects of these risks on the financial performance of the Company.

On 23 June 2016 the UK voted to exit the EU. The Company relies on a number of rights that are available to it to conduct business with EU members. This includes, without limitation, the right for UK trading venues to offer services to members in the EU. The Company has analysed the potential impact and considered contingency plans that it may choose to execute should these rights not be replaced by rights that persist outside EU membership.

2.1 Market Risk

Foreign exchange risk
The Company operates in the UK and reports its results in Sterling and therefore its exposure to foreign exchange risk is limited to specific foreign currency transactions that it may enter into. Its principal balances are held in Sterling.

Foreign exchange risk is identified by the Group's central treasury function and, if deemed material, is hedged in accordance with a Group's approved policy framework.

Interest rate risk
The Company's interest rate risk arises from the variable interest rates applied to its loan assets and the variable interest rates it earns on the short term cash and cash equivalent investments it is required to maintain. Loans are all internal to related Group companies and include fixed interest margins that reduce the impact of variations in market interest rates.

2.2 Credit Risk

Credit risk is the risk that the Company's counterparties will be unable to meet their obligations to the Company either in part or in full and arises from credit exposures to customers as well as on cash and cash equivalent balances, deposits and derivative financial instruments with financial counterparties.

Credit risk is controlled through policies and procedures developed either at the Group level or by the Company itself in consultation, where appropriate, with its regulator(s).

The Company assesses the credit quality of its customers, based upon the customer's financial position and considering past experience and other factors. Trade receivables, net of impairment, are concentrated in the financial community, and are managed as one class of receivables. There is no material concentration of credit risk with respect to trade receivables as the Company has a large number of customers and a low historic incidence of customer defaults. Given this, the recurring nature of the billing and the largely automated collection arrangements, management assesses the credit quality of the Company's customers as high. As at the balance sheet date, debtors include intercompany receivables and credit risk on those balance is considered not significant.

Credit risk on cash and deposits at banks and other financial institutions is managed at the Group level by limiting the exposure to up to £50m placed for 12 months with counterparties rated long term AAA (or equivalent) through to a maximum of £25m overnight with counterparties rated short term A-2 (or equivalent). For cash held specifically for regulatory purposes, deposits are limited to a maximum tenor of three months unless a formal break clause is agreed with the counterparty.

2.3 Liquidity Risk

The Company is exposed to liquidity risk to the extent that it is unable to meet its daily payment obligations.

The Company is profitable and generates strong positive cash flow. It is required to maintain sufficient cash and cash equivalents (and marketable securities) to meet regulatory standards and can call for repayment of its internal loans at any time. To support this potential requirement, the Group is required, under policy, to maintain significant committed credit facilities to support Group-wide liquidity requirements including those of the Company. The central treasury function of the Group ensures the Company is therefore in a position on a day to day basis to meet all its financial obligations as they fall due.

Free cash flow is generally available to the Company to invest in capital expenditure, make acquisitions, make dividend payments or potentially arrange other returns of capital.

Management monitors forecasts of the Company's cash flow and overlays sensitivities to these forecasts to reflect assumptions about more difficult market conditions. Internal cash management, including the observance of local regulatory requirements, is a key focus of the Group's treasury management.

No separate analyses have been prepared to split the Company's financial liabilities into relevant maturity groupings because all financial liabilities are expected to be paid, based upon their contractual maturity date, within one year, except the non current liability which relates to a rent deposit held, for a lease due to expire in December 2024.

2.4 Capital Risk Management

The Company is required to maintain certain minimum levels of capital and liquidity for regulatory and operational purposes. These requirements are agreed with the Financial Conduct Authority ("FCA"), including an appropriate, additional buffer above these minimum requirements. As at 31 December 2016, the Company held capital and cash and cash equivalents that exceeded its agreed regulatory requirements.

3. Significant Judgements and Estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events. The significant estimates for the year ended 31 December 2016 are as follows:

- Purchased intangible assets: valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised;
- Defined benefit pension asset or liability: determined based on the present value of future pension obligations using assumptions determined by the Company with advice from an independent qualified actuary. Sensitivity analysis is provided in note 16; and
- Property provision: determined taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers.

There were no principal judgements that were applied by management for the year ended 31 December 2016.

4. Revenue and Other Income

Revenue comprises the following:

	Year ended 31 December 2016	Year ended 31 December 2015
	£m	£m
Capital Markets	**166.4**	160.2
Information Services	**166.6**	155.5
Technology Services	**20.6**	21.7
Total	**353.6**	337.4

Included within Information Services above is £27.9m of royalty revenue (year ended 31 December 2015: £23.6m).

Other income of £34.5m for the year ended 31 December 2016 (year ended 31 December 2015: £25.8m) included a recharge of management time and corporate support services across the Group and property rental income.

The principal operations and customers of the Company are in the United Kingdom. Therefore, no further information on business or geographical segments is disclosed.

5. Expenses by Nature

Expenses comprise the following:

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Employee costs	6	59.6	75.7
Depreciation and amortisation	11, 12	14.0	12.0
IT costs		48.4	27.9
Other costs		59.0	56.8
Total		181.0	172.4

Included within Other costs are £18.1m of rent and service charges and £18.9m of professional fees (year ended 31 December 2015: £17.6m and £18.5m, respectively).

Included within depreciation and amortisation is £1.0 m relating to purchased intangible assets (year ended 31 December 2015: £0.7m).

As of 1 January 2016, IT support services were outsourced to LSEG Business Services Limited, a fully owned subsidiary of the ultimate parent of the Company. This involved a transfer of certain staff out of the Company, and an IT service fee being charged in return.

6. Employee Costs

Employee costs comprise of the following:

	Note	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Salaries and other short term benefits		50.4	63.2
Social security costs		7.1	4.7
Pension costs	16	4.7	4.1
Share based compensation		(2.6)	3.7
Total		59.6	75.7

The credit in the current year share scheme compensation relates to the transfer of staff from the Company to another Group company in the prior year.

The number of employees in the Company was:

	Year ended 31 December 2016	Year ended 31 December 2015
At the year end	467	511
Average for the year	452	506

The monthly average number of employees in the Company by category was:

	Year ended 31 December 2016	Year ended 31 December 2015
Capital Markets	58	50
Information Services	91	99
Technology and Property Services	84	165
Corporate and Management Services	219	192
Total	452	506

7. Directors' Remuneration

The Directors' aggregate remuneration in respect of qualifying services were:

	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
Remuneration received	2,172	956
Gains made on share awards	880	2,143
Benefits	44	91
Value of contributions to group personal/money purchase schemes	72	79
Total	3,168	3,269

During the year, two Directors (2015: three) had retirement benefits accruing under group personal pension schemes.

The remuneration of Directors disclosed above includes the following amounts for the highest paid Director:

	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
Remuneration received	414	518
Gains made on share awards	650	1,048
Benefits	5	3
Value of contributions to group personal/money purchase schemes	16	37
Total	1,085	1,606

The highest paid Director and other directors have not exercised any share options of London Stock Exchange Group plc, the parent of the Company, during the year and in the prior year, as shown in the Remuneration Report of the Company's ultimate parent company, London Stock Exchange Group plc.

8. Net Finance Income

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Finance income			
Bank deposit and other interest income		0.6	0.6
Interest on loan to parent		4.1	4.4
Investment income		0.2	0.2
		4.9	5.2
Finance expense			
Unwinding of the discount on property provision	20	(1.2)	(1.2)
Defined benefit pension scheme interest cost	16	(1.1)	(1.0)
Interest payable to subsidiaries		(0.4)	(0.4)
		(2.7)	(2.6)
Net finance income		2.2	2.6

9. Taxation

The standard UK corporation tax rate was 20% for the year ended 31 December 2016 (20.25% for the year ended 31 December 2015).

Taxation charged to the income statement	Note	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Current tax:			
Corporation tax for the year		40.7	38.2
Adjustment in respect of previous years		(0.2)	(3.6)
Total current tax		40.5	34.6
Deferred tax:	14		
Deferred tax for the current year		0.1	1.1
Effect of changes in the UK rate of corporation tax		0.4	0.1
Adjustment in respect of previous years		0.5	0.6
Total deferred tax		1.0	1.8
Tax on profit on ordinary activities		41.5	36.4

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

Taxation on items not (credited)/charged to the income statement	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Current tax credit:		
Tax allowance on shares options/awards in excess of expense recognised	(1.6)	(3.2)
Deferred tax (credit)/charge:		
Tax allowance on defined benefit pension scheme remeasurement	(6.5)	(0.4)
Assets held for sale	0.3	-
Effect of changes in the UK rate of corporation tax	1.5	-
Tax allowance on shares options/awards in excess of expense recognized	0.2	2.9
	(6.1)	(0.7)

Factors affecting the tax charge for the year

The income statement tax charge for the year differs from the standard rate of corporation tax in the UK of 20% (year ended 31 December 2015: 20.25%) as explained below:

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Profit before taxation	206.1	207.5
Profit multiplied by standard rate of corporation tax in the UK	41.2	42.0
Expenses not deductible	-	1.1
Exempt profit on disposal of a subsidiary undertaking	-	(4.4)
Adjustment in respect of previous years	0.3	(3.0)
Share based payment benefit	(0.4)	0.6
Adjustments relating to the change in the UK tax rate	0.4	0.1
Taxation charge	41.5	36.4

The UK Finance Bill 2015 was enacted in November 2015 reducing the standard rate of corporation tax from 20% to 19% effective from 1 April 2017 and the UK Finance Bill 2016 was enacted in September 2016 reducing the standard rate of corporation tax to 17% effective from 1 April 2020. Accordingly, the UK deferred tax balances at December 2015 have been stated at 19% or 17% dependent on when the timing differences are expected to reverse.

10. Dividends

	Year ended 31 December 2016	Year ended 31 December 2015
	£m	£m
Final dividend for period ended 31 December 2014 paid in March 2015: 1.4p per Ordinary share	-	35.8
Interim dividend for year ended 31 December 2015 paid in August 2015: 3.5p per Ordinary share	-	89.4
Final dividend for year ended 31 December 2015 paid in March 2016: 3.2p per Ordinary share	**82.3**	-
Interim dividend for year ended 31 December 2016 paid in September 2016: 3.4p per Ordinary share	**86.5**	-
Total	**168.8**	125.2

The Board has declared a final dividend in respect of the year ended 31 December 2016 of £51.0m, 2.0p per Ordinary Share, to be paid in March 2017. This is not reflected in these financial statements.

11. Intangible Assets

	Software	Customer and supplier relationships	Total
	£m	£m	£m
Cost:			
At 1 January 2016	117.0	16.2	133.2
Additions in the year	8.9	-	8.9
Disposals in the year	(0.2)	-	(0.2)
At 31 December 2016	**125.7**	**16.2**	**141.9**
Accumulated amortisation:			
At 1 January 2016	100.9	3.3	104.2
Amortisation charge for the year	4.4	1.0	5.4
Disposals in the year	(0.2)	-	(0.2)
At 31 December 2016	**105.1**	**4.3**	**109.4**
Net book values:			
At 31 December 2016	**20.6**	**11.9**	**32.5**
At 31 December 2015	16.1	12.9	29.0

12. Property, Plant and Equipment

	Freehold	Leasehold	Fixed plant, other plant and equipment	Total
	£m	£m	£m	£m
Cost:				
At 1 January 2016	44.1	36.7	81.8	162.6
Additions in the year	0.1	-	7.9	8.0
Disposals in the year	-	(1.2)	(0.2)	(1.4)
At 31 December 2016	**44.2**	**35.5**	**89.5**	**169.2**
Accumulated depreciation:				
At 1 January 2016	27.4	32.1	52.5	112.0
Depreciation charge for the year	0.1	0.2	8.3	8.6
Disposals in the year	-	(1.2)	(0.2)	(1.4)
At 31 December 2016	**27.5**	**31.1**	**60.6**	**119.2**
Net book values:				
At 31 December 2016	**16.7**	**4.4**	**28.9**	**50.0**
At 31 December 2015	16.7	4.6	29.3	50.6

13. Investments in Subsidiary Undertakings

	Shares	Loans	Total
	£m	£m	£m
1 January 2015	-	2.3	2.3
Movements during the year	-	(2.3)	(2.3)
31 December 2015	-	-	-
31 December 2016	-	-	-

In the previous year, the Company disposed of its investment in Proquote Limited and certain intangible assets, held at nil value, for total cash proceeds of £21.8m. The gain of £16.6m on the income statement is stated net of a loss of £4.3m in relation to the forgiveness of a loan provided by the Company to Proquote Limited at the point of disposal, and £0.9m transaction costs.

A list of the Company's subsidiaries as at 31 December 2016 is given below. The entire share capital of subsidiaries is held within the Company.

Name of subsidiary undertaking	Registered office address	Country of incorporation and principal operations	Direct or indirect holding	Identity of each class of share held in the subsidiary undertaking	Percentage of class by its immediate direct parent	Ultimate Company percentage
The London Stock Exchange Retirement Plan Trustee Company Limited	10 Paternoster Square, London, England and Wales, EC4M 7LS	UK	Direct	Ordinary	100	100
London Stock Exchange Connectivity Solutions LP	10 Paternoster Square, London, England and Wales, EC4M 7LS	UK	Direct	Ordinary	96.4	96.4

14. Deferred Tax

	Accelerated tax depreciation	Provisions and other temporary differences	Total
	£m	£m	£m
31 December 2014	3.0	11.0	14.0
Tax charged to income statement	(1.8)	-	(1.8)
Tax credited to other comprehensive income:			
- defined benefit pension scheme remeasurement	-	0.4	0.4
Tax included within changes in equity:			
- allowance on share options/awards	-	(2.9)	(2.9)
31 December 2015	1.2	8.5	9.7
Tax charged to income statement	-	(1.0)	(1.0)
Tax charged/(credited) to other comprehensive income:			
- defined benefit pension scheme remeasurement	-	6.5	6.5
- items recorded as available for sale investments	(0.3)	-	(0.3)
Change in UK tax rate	-	(1.9)	(1.9)
Tax included within changes in equity:			
- allowance on share options/awards	-	(0.2)	(0.2)
31 December 2016	**0.9**	**11.9**	**12.8**
Assets at 31 December 2015	1.2	8.5	9.7

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

The deferred tax asset of £11.9m (31 December 2015: £8.5m) is in respect of share based payments £1.6m (31 December 2015: £1.9m), retirement benefits £10.3m (31 December 2015: £6.1m) and other provisions and temporary differences nil (31 December 2015: £0.5m).

There is an unrecognised deferred tax asset in respect of capital losses of £5.6m (31 December 2015: £5.6m). The assets would be recognised in the future only if suitable taxable income were to arise in the Company.

15. Available for Sale Investments

Available for sale financial investments of £6.8m (31 December 2015: £4.8m) represent an investment in Euroclear plc which is held at fair value. Included within retained earnings is £6.6m (31 December 2015: £4.6m) of available-for-sale reserve relating to this asset.

16. Retirement Benefit Obligations

The Company operates separate defined benefit and defined contribution schemes. The assets of the defined benefit and defined contribution schemes in the UK are held separately from those of the Company in funds administered by trustees. The funds are primarily managed by Schroder Investment Management Limited, Legal & General Investment Management Limited, PIMCO Europe Limited and a 'buy in' insurance asset with Pension Insurance Corporation.

The assets of the scheme are held by the trustees who are responsible for the scheme's governance. The scheme is invested in a wide range of assets, which seek to balance risk and investment return, through investment managers appointed by the schemes' trustees.

On 5 September 2016, the London Stock Exchange Retirement Plan and the LCH Pension Scheme in the UK underwent a sectionalised merger into a new London Stock Exchange Group Pension Scheme (LSEGPS). The scheme maintains separate LCH and LSE sections.

Defined benefit schemes

The defined benefit scheme was a non-contributory scheme and closed to new members in 1999. With effect from 31 March 2012, the scheme also closed to accrual of future benefits for active members and it has been agreed that the benefits for affected members will remain linked to their salary within the Company.

Pension scheme obligations and costs are determined by an independent qualified actuary on a regular basis using the projected unit credit method. The obligations are measured by discounting the best estimate of future cash flows to be paid out by the scheme and are reflected in the Company's Statement of Financial Position.

Defined contribution schemes

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

Amounts recognised in the income statement are as follows:

	Notes	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Defined contribution schemes		(3.1)	(3.1)
Defined benefit scheme - current service cost		(1.5)	(1.0)
Total pension charge included in employee costs	6	(4.6)	(4.1)
Net finance expense	8	(1.1)	(1.0)
Total recognised in the income statement		(5.7)	(5.1)

Defined benefit obligation:

	31 December 2016 £m	31 December 2015 £m	31 December 2014 £m	31 March 2014 £m	31 March 2013 £m
Fair value of assets:					
Equities	-	6.7	9.1	8.4	9.4
Bonds	152.9	116.9	126.7	104.2	110.8
Property	4.1	2.1	0.8	4.3	11.4
Cash	1.1	2.3	6.2	4.4	-
Pensioner buy in policy	192.2	167.0	162.0	155.4	142.1
Total fair value of assets	350.3	295.0	304.8	276.7	273.7
Present value of funded obligations	(410.3)	(323.5)	(331.9)	(300.6)	(291.4)
Deficit	(60.0)	(28.5)	(27.1)	(23.9)	(17.7)

The main actuarial assumptions are set out below:

	31 December 2016	31 December 2015
Inflation rate - RPI	**3.3%**	3.1%
Inflation rate - CPI	**2.3%**	2.1%
Rate of increase in salaries	**3.3%**	3.1%
Rate of increase in pensions in payment	**3.6%**	3.4%
Discount rate	**2.7%**	3.9%
Life expectancy from age 60 (Years):		
- Non retired male member	**28.8**	28.7
- Non retired female member	**30.5**	30.6
- Retired male member	**27.4**	27.2
- Retired female member	**29.3**	29.3

The mortality assumptions are based on the standard tables S1NA published by the Institute and Faculty of Actuaries adjusted to take account of projected future improvements in life expectancy from the Self Administered Pension Scheme (SAPS) mortality survey, which was published in 2008. We have used an allowance for CMI 2013 projections and applied a 1.25%/1.00% for male/female long term trend rate in respect of future mortality improvements.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the scheme obligations are:

Assumption	Change in assumption	Impact on scheme obligations 31 December 2016	Impact on scheme obligations 31 December 2015
Inflation rate	Increase by 0.5%	Increase by £9.2m	Increase by £4.2m
Rate of increase in pensions payment	Increase by 0.5%	Increase by £31.7m	Increase by £21.5m
Discount rate	Increase by 0.5%	Decrease by £36.7m	Decrease by £24.1m
Life expectancy	Increase by 1 year	Increase by £16.5m	Increase by £10.1m

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

Movement in defined benefit obligation during the year

	31 December 2016 £m	31 December 2015 £m
At the beginning of the year	323.5	331.9
Interest cost	12.4	12.1
Subtotal included in the income statement	12.4	12.1
Re-measurement (gains) / losses:		
Actuarial losses / (gains) - financial assumptions	91.0	(10.6)
Actuarial (gains) / losses - experience	(5.4)	0.7
Actuarial losses - demographic	1.7	-
Subtotal included in other comprehensive income	87.3	(9.9)
Benefits paid	(12.9)	(10.6)
Benefit obligation as at end of year	410.3	323.5

Movements in fair value of plan assets during the year

	31 December 2016 £m	31 December 2015 £m
At the beginning of the year	295.0	304.8
Interest income	11.3	11.1
Subtotal included in the income statement	11.3	11.1
Re-measurement gains / (losses)l:		
Return on plan assets, excluding interest income	54.7	(11.9)
Subtotal included in other comprehensive income	54.7	(11.9)
Contributions by employer	3.7	2.6
Expenses	(1.5)	(1.0)
Benefits paid	(12.9)	(10.6)
At the end of the year	350.3	295.0

The actual gain on plan assets was £66.0m (year ended 31 December 2015: loss £0.8m).

Defined benefit actuarial gains and losses recognised

The experience adjustments and the effects of changes in actuarial assumptions of the pension scheme during the year are recognised in the statement of comprehensive income:

	31 December 2016 £m	31 December 2015 £m
Recognised at the beginning of the year	(35.3)	(33.3)
Net actuarial loss recognised in the year	(32.6)	(2.0)
Cumulative amount recognised at the end of the year	(67.9)	(35.3)

The last actuarial valuation of the defined benefit scheme was carried out as at 31 March 2015 by an independent qualified actuary. According to the schedule of contributions of this valuation, the Company expects to fund its defined benefit scheme deficit with payments of £2m in 2015, £3m in 2016, £3m in 2017 and £2m p.a. in years 2018 to 2022.

The weighted average duration of the defined benefit obligation at the end of the reporting period is estimated to be 18.8 years.

17. Trade and Other Receivables

	31 December 2016	31 December 2015 Re-presented[1]
	£m	£m
Trade receivables	25.6	25.2
Less: Provision for impairment of receivables	(2.9)	(2.3)
Trade receivables - net	22.7	22.9
Amounts due from parent	117.3	172.7
Amounts due from companies under common control	174.0	108.5
Amounts due from subsidiary undertakings	0.3	0.3
Other receivables	20.2	5.7
Prepayments and accrued income	25.9	25.5
Total trade and other receivables	360.4	335.6

[1] - The 31 December 2015 comparatives have been re-presented to reflect the classification of a balance due to a company under common control.

Amounts due from parent include a GBP denominated loan to London Stock Exchange Group plc of £111.3m (31 December 2015: £170.9m) which is provided under a facility arrangement with a term of 25 years and are repayable in five equal annual instalments commencing on the 21st anniversary of the first drawdown, in May 2027. Interest on this loan is charged at LIBOR plus 2%.

Other amounts due from parent, amounts due from companies under common control and amounts due from subsidiary undertakings are interest free and repayable on demand.

The carrying values less impairment provisions of receivables are reasonable approximations of fair values. All trade and other receivables are denominated in Sterling. Trade receivables not past due are not considered to be impaired; as at 31 December 2016, these balances are spread across a number of high quality counterparties.

The ageing of past due trade receivables is as follows:

	31 December 2016		31 December 2015	
	Impaired	Not impaired	Impaired	Not impaired
	£m	£m	£m	£m
0 to 3 months past due	0.1	13.8	0.2	6.7
Greater than 3 months past due	2.8	5.9	2.1	1.7
	2.9	19.7	2.3	8.4

Movements on the Company's provision for impairment of trade receivables are as follows:

	31 December 2016	31 December 2015
	£m	£m
At the beginning of the year	2.3	1.2
Provision for receivables impairment	1.2	1.4
Receivables written off during the year as uncollectible	(0.6)	(0.1)
Provisions no longer required	-	(0.2)
At the end of the year	2.9	2.3

The creation and release of the provision for impaired receivables are included in operating expenses in the income statement. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The other classes within debtors and the other categories of financial assets do not contain impaired assets.

18. Cash and Cash Equivalents

	31 December 2016	31 December 2015
	£m	£m
Cash at bank	4.3	4.0
Short term deposits	100.6	103.6
Total	104.9	107.6

There are no differences between the book value and fair value of the above balances. Management does not expect any losses from the non-performance by the counterparties holding cash and cash equivalents.

19. Trade and Other Payables

	31 December 2016	31 December 2015 Re-presented[1]
	£m	£m
Trade payables	8.1	2.9
Amounts owed to parent	12.0	7.0
Amounts owed to companies under common control	75.5	73.7
Amounts owed to subsidiary undertakings and partnerships	19.0	17.6
Social security and other taxes	-	0.1
Other payables	-	0.1
Accruals and deferred income	47.3	50.3
Total trade and other payables	161.9	151.7

[1] - The 31 December 2015 comparatives have been re-presented to reflect the classification of a balance due to a company under common control.

Amounts owed to subsidiaries include a GBP denominated loan from London Stock Exchange Connectivity Solutions LP of £18.9m (31 December 2015: £17.5m). Interest on this loan is charged at LIBOR plus 1.5%.

Amounts owed to parent, amounts owed to subsidiary undertakings and partnerships and amounts owed to companies under common control are interest free and repayable on demand.

The carrying value of trade and other payables is a reasonable approximation of fair value.

20. Provisions

	Note	Property £m
1 January 2016		9.6
Utilised during the year		(1.2)
Charged to income statement		0.4
Interest on discounted provision	8	1.2
31 December 2016		**10.0**
Current		0.6
Non-current		9.4
		10.0

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 lease has 12 years to expiry.

21. Share Capital and Share Premium

	31 December 2016			31 December 2015		
	Number of shares	Share capital £	Share premium £	Number of shares	Share capital £	Share premium £
Issued, called up and fully paid						
Ordinary shares of 5 5/6p each	**256,230,499**	**14,946,779**	**4,288,899**	256,230,499	14,946,779	4,288,899

22. Commitments and Contingencies

Contracted capital commitments and other contracted commitments not provided for in the financial statements of the Company were nil (2015: nil) and nil (2015: nil), respectively.

23. Leases

The Company leases various office properties and equipment under non-cancellable operating leases.

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

	31 December 2016	31 December 2015
	£m	£m
Less than one year	**15.2**	15.1
More than one year and less than five years	**52.4**	58.4
More than five years	**48.7**	62.0
	116.3	135.5

Operating lease payments of £14.9m (2015: £15.3m) were charged to the income statement in the year.

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

	31 December 2016	31 December 2015
	£m	£m
Less than one year	**6.6**	6.6
More than one year and less than five years	**21.4**	25.0
More than five years	**4.7**	7.8
	32.7	39.4

Non current liabilities include £2.8m received as a rent deposit (2015: £2.8m), for a lease due to expire in December 2024.

24. Share Schemes

The London Stock Exchange Group Long Term Incentive Plan ("LTIP"), approved at the 2016 AGM, has two elements, a conditional award of Performance Shares and an award of Matching Shares linked to investment by the executive of annual bonus in LSEG shares - the latter element is not applicable to executive directors. Vesting of these awards is dependent upon LSEG total shareholder return ("TSR") performance and adjusted basic earnings per share. Further details are provided in the Remuneration Report in the Annual Report of the London Stock Exchange Group plc for the year ended 31 December 2016, which does not form part of this report.

The Group's Remuneration Committee determines performance targets each year to ensure that the targets are stretching and support value creation for shareholders whilst remaining motivational for management. Vesting of awards is subject to achievement of TSR and financial performance targets. For initial grants under the LTIP, awards are subject to absolute TSR and adjusted earnings per share measures. Measures will normally be equally weighted but in any event, any total shareholder return element will represent at least 50 per cent of the award.

For each performance element, achievement of the threshold performance level will result in no more than 25 per cent of the maximum award paying out. For achievement of the maximum performance level, 100 per cent of the maximum pays out. Normally, there is straight-line vesting between these points.

The SAYE scheme provide for grants of options to employees who enter into a SAYE savings contract and options were granted at 20 per cent below fair market value. Share awards were granted at nil cost to employees and other share options were granted at fair market value or above.

Share options were exercised on a regular basis throughout the year and the weighted average exercise price was as follows:

	31 December 2016		31 December 2015	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Share options	**187,537**	**8.07**	38,419	8.60
SAYE	**270,473**	**6.19**	245,650	5.65
LTIP	**348,879**	**0.00**	369,293	1.85

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

	31 December 2016		31 December 2015	
	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Share options				
Less than £7	100	-	2,425	-
Between £7 and £8	-	-	6,042	-
Between £8 and £9	1,671	-	8,105	-
SAYE				
Less than £10	-	-	73,432	-
Between £10 and £20	82,698	0.2	116,772	0.7
More than £20	114,152	1.1	79,900	0.7
LTIP				
Nil	879,009	1.3	1,071,082	1.2
Total	1,077,630	1.4	1,357,758	1.4

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

	LSEG LTIP Performance Shares	LSEG LTIP Performance Shares	LSEG LTIP Matching Shares	Restricted Share Award Plan	Sharesave Plan
	17-Mar-16	14-Oct-16	18-Mar-16	17-Mar-16	5-May-16
Grant date share price	£28.90	£28.43	£28.92	£28.90	£26.14
Expected life	3 years	3 years	3 years	0.8 years to 3 years	3.16 years
Exercise price	n.a.	n.a.	n.a.	n.a.	£22.38
Dividend yield	1.00%	1.31%	1.00%	1.00%	0.90%
Risk-free interest rate	0.60%	0.22%	0.50%	0.3% to 0.6%	0.6%
Volatility	25%	26%	25%	25%	25%
Fair value	-	-	-	£28.04 to £28.61	£6.11
Fair value TSR	£10.22	£10.43	£10.15	n.a.	n.a.
Fair value EPS	£28.04	£27.33	£28.06	n.a.	n.a.

The approach adopted by the Group in determining the fair value for the Performance and Matching Shares granted during the year was based on a TSR pricing model which incorporates TSR performance conditions and references the vesting schedules of the awards.

For all other share awards, including the Share Save Plan, the Black-Scholes model was used.

The significant inputs into both models are the share price at grant date, expected volatility, dividend yields and annual risk-free interest rate. The volatility assumption is based on the historical 3-year volatility as at the date of grant. The risk-free interest rate represents the yield available on a UK zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the award. The expected life refers to the time from the date of grant to the date the awards vest. Holders of share awards and share options are not entitled to receive dividends declared during the vesting period.

25. Ultimate Parent Company

As at 31 December 2016, the Company's parent and ultimate parent undertaking and the parent that headed the largest group of undertakings for which consolidated financial statements were prepared was London Stock Exchange Group plc, a company incorporated in England and Wales. One hundred per cent of the issued share capital of the Company was beneficially owned by its ultimate parent undertaking.

A copy of the London Stock Exchange Group plc consolidated financial statements can be obtained from London Stock Exchange Group plc, 10 Paternoster Square, London EC4M 7LS.

26. Other Statutory Information

The Company paid the following amounts to its auditors in respect of the audit of the financial statements of the Company.

	Year ended 31 December 2016	Year ended 31 December 2015
	£m	£m
Audit of the Company's financial statements - Ernst & Young LLP	0.2	0.2
Total	**0.2**	0.2

Statutory information in remuneration for other services provided by the Company's auditors for the Group is given in the consolidated financial statements of London Stock Exchange Group plc, which is the largest group into which the results of the Company are consolidated. There were no non-audit services provided to the Company in the current year and in the prior year.

Related undertakings

A list of the Company's subsidiaries as at 31 December 2016 is given in note 13.

Included within total income is £3.3m relating to Curve Global Limited, an associate of the Company's ultimate parent (year ended 31 December 2015: nil). Included within other debtors is £11.3m (2015:nil) of receivable from Curve Global Limited. This is interest free and repayable on demand.