



London
STOCK EXCHANGE

London Stock Exchange Group plc

(Registered number 5369106, incorporated with limited liability under the laws of England and Wales)

as issuer of
£250,000,000 5.875% Notes due 2016

Issue price of Notes: 99.679%

London Stock Exchange Group plc (the “**Issuer**”) is issuing £250,000,000 aggregate principal amount of 5.875 per cent Notes due 2016 (the “**Notes**”). Interest on the Notes will be payable semi-annually in arrear in equal amounts on 7 January and 7 July of each year, at the rate of £2,937.50 per £50,000 principal amount, the first such payment to be made on 7 January 2007. The Notes may be redeemed by the Issuer in whole but not in part at 100 per cent of their principal amount, plus accrued and unpaid interest, if the Issuer becomes obliged to pay certain additional amounts and otherwise as described under “Terms and Conditions — Redemption and Purchase — Redemption for Taxation Reasons”. The Notes may be redeemed by the Issuer, at its option, in whole but not in part at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield of the relevant United Kingdom government stock, together with accrued and unpaid interest as described under “Terms and Conditions — Redemption and Purchase — Redemption at option of the Issuer”. Upon the occurrence of certain events as described under “Terms and Conditions — Redemption and Purchase — Redemption at option of Noteholders on a change of control”, the holder of any Notes may, at its option, require the Issuer to redeem such Notes in whole but not in part at a price which shall be the higher of its principal amount and an amount calculated by reference to the yield of the relevant United Kingdom government stock plus an additional 1.18 per cent, together with accrued and unpaid interest. Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 7 July 2016.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 6.

The Notes will be unsecured and unsubordinated obligations of the Issuer and will rank equally in right of payment with the Issuer’s existing and future unsecured and unsubordinated obligations (save in certain circumstances as described under “Terms and Conditions — Negative Pledge”).

Application has been made to the Financial Services Authority (the “**UK Listing Authority**”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “**FSMA**”) for the Notes to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to London Stock Exchange plc (the “**Exchange**”), a wholly owned subsidiary of the Issuer, for the Notes to be admitted to trading on the Exchange’s Gilt Edged and Fixed Interest Market (the “**Market**”). The Market is a regulated market for the purposes of Directive 93/22/EC (the “**Investment Services Directive**”). The listing of the Notes is expected to be granted on or around 6 July 2006, subject only to the issue of the Temporary Global Note (as defined below).

The Notes will be initially represented by a temporary global Note in bearer form (the “**Temporary Global Note**”). The Temporary Global Note will be deposited with a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) on or about 7 July 2006 (the “**Closing Date**”). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global Note (the “**Permanent Global Note**”) and, together with the Temporary Global Note, the “**Global Notes**”), on or after a date which is expected to be 16 August 2006 upon certification as to non-U.S. beneficial ownership as described herein. The Permanent Global Note will be exchangeable for definitive Notes in bearer form in the limited circumstances set out in the Permanent Global Note. See “Summary of Provisions relating to the Notes while in Global Form”. No payment will be made on the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused.

The Notes are expected to be rated “Baa1” by Moody’s Investors Service Limited (“**Moody’s**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

This prospectus (the “**Prospectus**”) constitutes a prospectus for the purposes of Directive 2003/71/EC.

Barclays Capital

The Royal Bank of Scotland

JPMorgan Cazenove

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee (as defined below) or the Managers (as defined below). The delivery of this Prospectus at any time does not imply that the information contained herein is correct as at any time subsequent to its date.

Neither the Managers nor the Trustee have separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Managers or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Notes. Each person receiving this Prospectus acknowledges that such person has not relied on any of the Managers or the Trustee in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Notes.

Market data and certain industry forecasts (where applicable) used throughout this Prospectus have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Issuer nor the Managers nor the Trustee make any representation as to the accuracy of that information.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (“**U.S. Securities Act**”) or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act (“**Regulation S**”)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

This Prospectus does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Laws in certain jurisdictions may restrict the distribution of this Prospectus and the offer and sale of the Notes. Persons into whose possession this Prospectus or any of the Notes are delivered must inform themselves about, and observe, any such restrictions. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Prospectus. In addition, each prospective purchaser must obtain any consent, approval or permission required under the regulations in force in any jurisdiction to which it is subject or in which it purchases, offers or sells the Notes. The Issuer shall not have any responsibility for obtaining such consent, approval or permission. In particular there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States (or to or for the account or benefit of U.S. persons) and the United Kingdom. For a description of these further restrictions on offers and sales of the Notes and distribution of this Prospectus, see “Subscription and Sale” beginning on page 40.

In connection with the issue of the Notes, Barclays Bank PLC (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

Currencies

In this Prospectus, references to “Euro”, “euro” or “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to “pound sterling”, “sterling” or “£” are to the lawful currency of the United Kingdom and references to “US dollars” or “US\$”, are to the lawful currency of the United States.

Definitions

Certain words and expressions used in this Prospectus shall have the meanings set out in “Definitions” on page 43.

Forward-Looking Statements

Certain statements contained in this Prospectus, including those under the captions “Risk Factors”, “Overview”, “Use of Proceeds”, “Description of the Issuer” and “Description of the Group” constitute “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimate”, “anticipate”, “intend”, “may”, “will” or “should” or in each case their negative, or other variations or comparable terminology. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, general economic and business conditions, industry trends, competition, changes in government regulation, currency fluctuations, changes in business strategy or development, political and economic uncertainty and other risks described in “Risk Factors”. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will, in fact, occur.

These forward-looking statements speak only as at the date of this Prospectus. The Issuer will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus except as required by law or by any appropriate regulatory authority. Any statements made in this Prospectus with regard to the competitive position of the Group are based on the Group’s own internal assessments.

Financial information

The audited historical financial information of the Issuer and of the Exchange is incorporated into this Prospectus by reference as described on page 5. The audited financial statements of the Issuer for the period ended 31 March 2006 and the audited consolidated financial statements of the Exchange for the year ended 31 March 2006 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The audited consolidated financial statements of the Exchange for the year ended 31 March 2005 have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles (“UK GAAP”) and the special purpose restated consolidated financial information for the Exchange for the year ended 31 March 2005 has been prepared under IFRS for the purposes of the Equity Prospectus. The adjustments between UK GAAP and IFRS relevant to the Exchange are explained in the special purpose restated consolidated financial information for the Exchange for the year ended 31 March 2005.

TABLE OF CONTENTS

	<u>Page</u>
Documents Incorporated by Reference	5
Risk Factors	6
Overview	12
Use of Proceeds	15
Terms and Conditions of the Notes	16
Summary of Provisions relating to the Notes while represented by the Global Notes	30
Description of the Issuer	33
Description of the Group	34
Taxation	39
Subscription and Sale	40
General Information	42
Definitions	43

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in, and form part of, this Prospectus:

- (a) the audited consolidated financial statements (including the auditor's report thereon and notes thereto) and the financial record of London Stock Exchange plc in respect of the years ended 31 March 2006 and 2005 (set out on pages 39 to 66 and 37 to 55, respectively, of the 2006 and 2005 annual reports of London Stock Exchange plc);
- (b) the special purpose restated consolidated financial information for London Stock Exchange plc (including the accountant's report thereon and notes thereto) in respect of the year ended 31 March 2005 prepared under IFRS (set out in Part 8 of the Equity Prospectus on pages 40 to 67); and
- (c) the audited financial statements (including the accountant's report thereon and notes thereto) of the Issuer in respect of the period ended 31 March 2006 (set out in Part 9 of the Equity Prospectus on pages 68 to 72),

and have been previously published or are published simultaneously with this Prospectus and have been approved by the Financial Services Authority or filed with it. Such documents shall be incorporated in, and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained from (i) the registered office of the Issuer and/or (ii) the Issuer's website at www.londonstockexchange-ir.com.

The financial statements of the Issuer and the Exchange incorporated by reference herein have been audited without qualification by PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London, SE1 9SY. The Issuer has not yet prepared consolidated financial statements.

RISK FACTORS

An investment in the Notes involves certain risks. In addition to the other information in this Prospectus and any documents incorporated by reference, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment in the Notes. If any of the following risks actually occur, the market value of the Notes may be adversely affected. The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

Words and expressions defined in the sections headed “Terms and Conditions of the Notes” and “Definitions” shall have the same meanings in this section.

Risks relating to the industry

Economic environment

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

Structure of the industry

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

Risks relating to the business

Market activity

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

RIE regulation

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

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

Competitive pressure

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

Liquidity shift

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

IT infrastructure

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

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

External service providers

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

Clearing services

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

LCH.Clearnet is currently proposing to migrate all the cash equity markets that it clears onto a single clearing system. If implemented as planned, such a migration will make it more difficult for the Exchange to make alternative arrangements for clearing through other providers. However, as announced by the Issuer on 24 May 2006, the Exchange has entered into a letter of intent with SIS x-clear AG ("**SIS**") setting out terms on which SIS would provide clearing services to customers of the Exchange and therefore providing customers of the Exchange with a choice of clearing partner for equity trades.

Intellectual property rights

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

Capital

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

Competition risk

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

Property

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

Employees

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

Borrowings

The Issuer has existing borrowings with obligations to meet regular interest payments and comply with associated covenants. If the Group's earnings fall substantially from current levels, this may result in restrictions being placed on future financing and operating activities.

The Group may require additional funds in the future if its current position changes and the Group may attempt to raise additional funds through equity or debt financings or from other sources. Any additional

equity financing may be dilutive to holders of ordinary shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities.

Risks related to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Intra Group payment of dividends and distributions

The Issuer is a holding company with no material assets other than its equity interests in its subsidiaries. Almost all of the Issuer's operations are carried out through the Exchange and its subsidiaries. The Issuer's principal source of income is, and its ability to meet its financial obligations is therefore dependent on the level of, dividends, loan repayments, distributions and other intercompany transfers of funds it receives from the Exchange and its subsidiaries. There is no contractual obligation for the Exchange and its subsidiaries to make regular dividend payments to the Issuer. In addition, the ability of the directors of the Exchange or a subsidiary of the Exchange to declare dividends or the amount of dividends they may pay will depend on the relevant company's operating results and will be subject to applicable laws and regulations. Claims of creditors of the Issuer's subsidiaries have priority as to the assets of such subsidiaries to the claims of the Issuer. Consequently, the claims of the holders of Notes issued by the Issuer are structurally subordinated, in the event of the insolvency of the Exchange and its subsidiaries, to the claims of the creditors of the Exchange and its subsidiaries.

The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any amendment to or change in the laws or regulations of a Relevant Jurisdiction or change in an official interpretation or application of such laws or regulations, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

The Issuer has the option to redeem the Notes in whole but not in part at any time at a price which shall be the higher of their principal amount and an amount calculated by reference to the yield on the relevant United Kingdom government stock, together with accrued and unpaid interest as described under Condition 6.3. This optional redemption feature is likely to limit the market value of the Notes since the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

Modification and waivers

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Conditions of the Notes also provide that the Trustee may, without

the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or provisions of the Trust Deed or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment is to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax is to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. For so long as any Note is outstanding, the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union that does not impose an obligation to withhold or deduct tax pursuant to this Directive.

Change of law

The Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in English law or administrative practice after the date of this Prospectus.

Trading in the clearing systems

The Notes have a denomination of £50,000 and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it. As such, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of £50,000.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Risks related to the market

Liquidity of the Notes

The Notes will be new securities for which there currently is no established trading market. No assurance can be given that a liquid market will develop for the Notes, that the Notes can be sold at a particular time or that the price received on the sale of the Notes will be favourable. The Notes are subject to restrictions

on transfer, which are described under the “Subscription and Sale” section of this Prospectus. The liquidity of any market for the Notes will depend on a number of factors, including:

- the number of holders of the Notes;
- the Group’s operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market for the Notes; and
- prevailing interest rates.

An active market for the Notes may not develop and, if it develops, it may not continue. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in sterling. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of the pound sterling or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the pound sterling would decrease (1) the Investor’s Currency-equivalent yield on the Notes, (2) the Investor’s Currency-equivalent value of the principal payable on the Notes and (3) the Investor’s Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

OVERVIEW

*The following is an overview of the terms of the Notes. This overview is derived from, and should be read in conjunction with, the full text of the Terms and Conditions of the Notes (the “**Conditions**”) and the Trust Deed constituting the Notes, which prevail to the extent of any inconsistency with the terms set out in this overview. Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the relevant Conditions.*

Notes being offered	£250,000,000 5.875% Notes due 2016 (the Notes)										
Issuer	London Stock Exchange Group plc (the Issuer)										
Managers	Barclays Bank PLC The Royal Bank of Scotland plc J.P. Morgan Securities Ltd.										
Issue price	99.679%										
Maturity date	7 July 2016										
Interest rate	The Notes will bear interest at the rate of 5.875 per cent per annum from and including 7 July 2006.										
Interest rate adjustment	<p>The interest payable on the Notes will be adjusted from and including the next succeeding Interest Payment Date in the event of a change in the credit rating assigned to the Notes on a solicited basis as set out in the table below:</p> <table><thead><tr><th><u>Credit Rating</u></th><th><u>Interest Rate</u></th></tr></thead><tbody><tr><td>Baa1/BBB+ or equivalent or above</td><td>5.875%</td></tr><tr><td>Baa2/BBB or equivalent</td><td>6.125%</td></tr><tr><td>Baa3/BBB – or equivalent</td><td>6.375%</td></tr><tr><td>Ba1/BB+ or equivalent or below (or no credit rating currently assigned)</td><td>6.875%</td></tr></tbody></table>	<u>Credit Rating</u>	<u>Interest Rate</u>	Baa1/BBB+ or equivalent or above	5.875%	Baa2/BBB or equivalent	6.125%	Baa3/BBB – or equivalent	6.375%	Ba1/BB+ or equivalent or below (or no credit rating currently assigned)	6.875%
<u>Credit Rating</u>	<u>Interest Rate</u>										
Baa1/BBB+ or equivalent or above	5.875%										
Baa2/BBB or equivalent	6.125%										
Baa3/BBB – or equivalent	6.375%										
Ba1/BB+ or equivalent or below (or no credit rating currently assigned)	6.875%										
Interest payment dates	Interest on the Notes will be payable semi-annually in arrear in equal amounts on 7 January and 7 July of each year commencing 7 January 2007.										
Ranking	The Notes will constitute direct, unconditional and (subject to the Negative Pledge) unsecured obligations of the Issuer. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation, and subject to the Negative Pledge, at all times rank equally with all its other present and future unsecured and unsubordinated obligations.										
Use of proceeds	It is anticipated that the net proceeds from the issue and sale of the Notes will be approximately £248,000,000 and will be applied by the Issuer in order to refinance indebtedness and for the Group’s general corporate purposes.										
Further issues	The Issuer may from time to time, without the consent of the holders of the Notes, create and issue further notes or bonds either ranking pari passu in all respects (or in all respects save for the first payment of interest thereon) so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or upon such terms as the Issuer may determine at the										

time of their issue. See “Terms and Conditions of the Notes — Further Issues.”

Additional amounts

In the event that withholding taxes are required to be withheld or deducted from payments on any of the Notes, the Issuer will, subject to certain exceptions described in this Prospectus, pay such additional amounts as will result, after deduction or withholding of such taxes, in the payment of the amounts which would have been payable in respect of such Notes had no such withholding or deduction been required. See “Terms and Conditions of the Notes — Taxation — Payment without Withholding.”

Optional redemption for tax reasons

The Notes may be redeemed at the option of the Issuer, in whole but not in part, at any time at 100 per cent. of the principal amount thereof plus accrued interest and any additional amounts due on the date fixed for redemption if certain events occur that would require the Issuer to pay additional amounts, as described under “Terms and Conditions of the Notes — Redemption for Taxation Reasons”.

Redemption at option of Issuer

The Notes may be redeemed at the option of the Issuer in whole but not in part at any time at a price which shall be the higher of the principal amount thereof and an amount calculated by reference to the yield of the 4.75 per cent U.K. Government Treasury Stock 2015, being the relevant United Kingdom government stock, together with accrued and unpaid interest, as described under “Terms and Conditions of the Notes — Redemption at option of the Issuer”.

Redemption on Change of Control

If a Change of Control (as defined in Condition 6.4) of the Issuer occurs and, within 120 days thereafter, the credit rating of the Notes is downgraded from an investment grade credit rating (Baa3/BBB or equivalent or better) to a non-investment grade credit rating (Ba1/BB+ or equivalent or worse) or withdrawn, or at the time of occurrence of a Change of Control the Notes carry a non-investment grade or no credit rating, then each Noteholder shall have the option to require the Issuer to redeem any Note held by the Noteholder at a price which shall be the higher of the principal amount thereof and an amount calculated by reference to the yield of the 4.75 per cent U.K. Government Treasury Stock 2015, plus 1.18 per cent, together with accrued and unpaid interest, as described under “Terms and Conditions of the Notes — Redemption at option of Noteholders on a change of control”.

Form and denomination

The Notes will be initially issued in the form of a bearer form Temporary Global Note exchangeable for a Permanent Global Note. The Notes will be in the denomination of £50,000, but while the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable in principal amounts of £50,000 and integral multiples of £1,000 above £50,000.

Definitive Notes will only be available in the limited circumstances specified in the relevant Global Note.

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to London Stock

	Exchange plc, a wholly owned subsidiary of the Issuer, for the Notes to be admitted to trading on the Market.
Negative Pledge	The terms and conditions of the Notes contain a negative pledge provision as described further in “Terms and Conditions — Negative Pledge.”
Events of Default	The terms and conditions of the Notes contain events of default (including a cross-acceleration provision) as described further in “Terms and Conditions — Events of Default.”
Trustee	HSBC Trustee (C.I.) Limited is the trustee under the Trust Deed dated as of 7 July 2006.
Principal Paying Agent	HSBC Bank plc.
Governing law	The Notes and the Trust Deed will be governed by English law.
Risk factors	Prospective purchasers of the Notes should consider carefully all of the information set forth in this Prospectus and, in particular, the information set forth under “Risk Factors — Risks related to the Notes” before making an investment in the Notes.
Ratings of the Notes	“Baa1”, Moody’s.

USE OF PROCEEDS

The net proceeds from the issue of the Notes, expected to amount to approximately £248,000,000, will be used by the Issuer in order to refinance indebtedness and for the Group's general corporate purposes. The total expenses of the issue of the Notes including the combined management, underwriting and selling commission and issue expenses, are expected to amount to approximately £1,000,000.

TERMS AND CONDITIONS OF THE NOTES

The following (except for the paragraph in italics) is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £250,000,000 5.875 per cent. Notes due 2016 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) of London Stock Exchange Group plc (the “**Issuer**”) are constituted by a Trust Deed dated 7 July 2006 (the “**Trust Deed**”) made between the Issuer and HSBC Trustee (C.I.) Limited (the “**Trustee**”, which expression shall include its successor(s)) as trustee for the holders of the Notes (the “**Noteholders**”) and the holders of the interest coupons appertaining to the Notes (the “**Couponholders**” and the “**Coupons**” respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 7 July 2006 (the “**Agency Agreement**”) made between the Issuer, HSBC Bank plc as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor or additional principal paying agent appointed from time to time in connection with the Notes), the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any successor or additional paying agent appointed from time to time in connection with the Notes) and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. Form, Denomination and Title

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of £50,000, with Coupons attached on issue.

So long as the Notes are represented by the Temporary Global Note and/or the Permanent Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable in principal amounts of £50,000 and integral multiples of £1,000 above £50,000.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. Status

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other outstanding unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. Negative Pledge

3.1 Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed) the Issuer shall not create or permit to be outstanding any mortgage, charge, lien (other than a lien arising by operation of law), pledge or other security interest (each a “**Security Interest**”), upon the whole or

any part of its undertaking or assets, present or future (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by a Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than two thirds of the votes cast thereon) of the Noteholders.

3.2 Interpretation

For the purpose of this Condition 3, “**Relevant Indebtedness**” means (i) any indebtedness for borrowed money having an original maturity of more than one year, which is evidenced by bonds, notes, debentures or other securities which, with the consent of the Issuer, are, or are intended to be, listed or traded on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness.

4. Interest

4.1 Initial Interest Rate and Interest Payment Dates

Subject as provided in Condition 4.4, the Notes bear interest from and including 7 July 2006 (the “**Issue Date**”) at the rate of 5.875 per cent. per annum, (the “**Initial Interest Rate**”) payable semi-annually in arrear in equal amounts on 7 January and 7 July of each year (each, an “**Interest Payment Date**”). The first payment (amounting to £2,937.50 per £50,000 principal amount of Notes) shall be made on 7 January 2007. The period commencing on and including one Interest Payment Date (or in the case of the first such period, commencing on and including the Issue Date) and ending on but excluding the immediately following Interest Payment Date is referred to in these Conditions as an “**Interest Period**”.

4.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full Interest Period, it shall be calculated on the basis of the rate of interest then applicable to the Notes and (a) the actual number of days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date and (c) divided by two.

4.4 Step Down Rating Change or Step Up Rating Change

- (a) The rate of interest payable on the Notes will be subject to adjustment from time to time in the event, *inter alia*, of a Step Up Rating Change or a Step Down Rating Change, as follows:
 - (i) for so long as the Notes are assigned a credit rating from any Rating Agency of Baa1/BBB+ (or equivalent) or better, and from and including the first Interest Payment Date following the date of a Step Down Rating Change to a credit rating of Baa1/BBB+ (or equivalent) or better, the rate of interest payable on the Notes shall be the Initial Interest Rate. For the avoidance of doubt, the rate of interest payable on the Notes shall remain at the Initial Interest Rate, notwithstanding any further increase in the rating assigned to the Notes above Baa1/BBB+ (or equivalent);

- (ii) from and including the first Interest Payment Date following the date of a Step Down Rating Change or a Step Up Rating Change to a credit rating of Baa2/BBB (or equivalent), the rate of interest payable on the Notes shall be the Initial Interest Rate plus 0.25 per cent per annum, being 6.125 per cent per annum;
 - (iii) from and including the first Interest Payment Date following the date of Step Down Rating Change or a Step Up Rating Change to a credit rating of Baa3/BBB – (or equivalent), the rate of interest payable on the Notes shall be the Initial Interest Rate plus 0.50 per cent per annum, being 6.375 per cent per annum; and
 - (iv) from and including the first Interest Payment Date (1) following the date of a Step Down Rating Change or a Step Up Rating Change to a credit rating of Ba1/BB+ (or equivalent) or worse or (2) on which there is no credit rating assigned to the Notes by any Rating Agency, the rate of interest payable on the Notes shall be the Initial Interest Rate plus 1.00 per cent per annum, being 6.875 per cent, per annum. For the avoidance of doubt, the rate of interest payable on the Notes shall remain at 6.875 per cent per annum notwithstanding any further decrease in the rating of the Notes below Ba1/BB+ (or equivalent), but shall be determined in accordance with the provisions of this Condition 4.4(a) from and including any Interest Payment Date on which there is once more a rating assigned to the Notes by any Rating Agency.
- (b) The Issuer shall use its reasonable endeavours to maintain a credit rating for the Notes assigned by one or more Rating Agencies. If, notwithstanding such reasonable efforts, such Rating Agency or Rating Agencies fail to or cease to assign a rating to the Notes, the Issuer shall use its reasonable endeavours to obtain a rating of the Notes from another Rating Agency, and references in this Condition 4.4 to a Rating Agency, or the ratings assigned thereby, shall be to such Rating Agency or, as the case may be, the equivalent ratings thereof.
 - (c) Notwithstanding any other provision of this Condition 4.4, there shall be no adjustment in the rate of interest applicable to the Notes (1) on the basis of any rating assigned to the Notes by any rating agency other than on a basis solicited by or on behalf of the Issuer even if at the relevant time such rating is the only rating then assigned to the Notes and (2) at any time after notice of redemption has been given by the Issuer pursuant to Condition 6.3.
 - (d) There shall be no limit on the number of times that adjustments to the rate of interest payable on the Notes may be made pursuant to this Condition 4.4 during the term of the Notes, provided always that at no time during the term of the Notes will the rate of interest payable on the Notes be less than the Initial Interest Rate or more than the Initial Interest Rate plus 1.00 per cent per annum.
 - (e) The Issuer will cause the occurrence of an event giving rise to an adjustment in the rate of interest payable on the Notes pursuant to this Condition 4.4 to be notified to the Trustee and the Principal Paying Agent and notice thereof to be given in accordance with Condition 12 as soon as possible after the occurrence of the relevant event but in no event later than the fourth London Banking Day thereafter.
 - (f) In these Conditions:
 - “**Fitch**” means Fitch Ratings Ltd, or its successor;
 - “**Moody’s**” means Moody’s Investor Service Limited, or its successor;
 - “**Rating Agencies**” means Moody’s, Fitch, S&P or any other rating agency selected by the Issuer from time to time with the prior written approval of the Trustee to assign a credit rating to the Notes and “**Rating Agency**” means any one of them;
 - “**S&P**” means Standard and Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., or its successor;
 - “**Step Down Rating Change**” means the public announcement by any Rating Agency assigning a credit rating to the Notes of an increase in, or confirmation of, the rating of the Notes, provided that at any time where there is a rating assigned to the Notes by more than one Rating Agency a Step Down Rating Change shall occur upon the relevant public announcement by the last Rating Agency to announce an increase in the rating assigned to the Notes; and

“**Step Up Rating Change**” means the public announcement by any Rating Agency assigning a credit rating to the Notes of a decrease in, or confirmation of, the rating of the Notes, provided that at any time where there is a rating assigned to the Notes by more than one Rating Agency a Step Up Rating Change shall occur upon the relevant public announcement by the first Rating Agency to announce an decrease in the rating assigned to the Notes.

5. Payments

5.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

5.2 Method of Payment

Payments will be made by credit or transfer to a sterling account (or any other account to which sterling may be credited or transferred) specified by the payee or, at the option of the payee, by sterling cheque.

5.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8).

5.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date.

“**Presentation Date**” means a day which (subject to Condition 8):

- (a) is or falls after the Relevant Date (as defined below);
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a sterling account as referred to above, is a day (other than a Saturday or Sunday) on which commercial banks are open for business in London.

In these Conditions, “**Business Day**” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

5.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Notes are listed on the official list of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on London Stock Exchange's Gilt Edged and Fixed Interest Market, shall be London; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent (which may be the Principal Paying Agent) in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

6. Redemption and Purchase

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their nominal amount on 7 July 2016.

6.2 Redemption for Taxation Reasons

Unless the Issuer has previously given notice of redemption under Condition 6.3 or a Put Event Notice (as defined in Condition 6.4) has been given pursuant to Condition 6.4, if the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the Issue Date, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7; and

(b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date for redemption), redeem all the Notes, but not some only, at any time at their nominal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be required to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the requirement referred to in (i) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

6.3 Redemption at option of the Issuer

Unless a Put Event Notice has been given pursuant to Condition 6.4, the Issuer may at any time, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")) redeem all, but not some only, of the Notes at a redemption price

per Note equal to the greater of the following, in each case together with interest accrued to but excluding the Optional Redemption Date:

- (a) 100 per cent. of the nominal amount of the Note; and
- (b) the price (as reported in writing to the Issuer and the Trustee by a financial adviser appointed by the Issuer and approved by the Trustee) expressed as a percentage at which the Gross Redemption Yield on the Notes on the Calculation Date is equal to the Gross Redemption Yield at 11.00 a.m. (London time) on the Calculation Date of the 4.75 per cent. U.K. Government Treasury Stock 2015 (or, where such financial adviser advises the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such financial adviser may recommend). For such purposes, "**Calculation Date**" means the date which is the second London Business Day prior to the Optional Redemption Date and "**Gross Redemption Yield**" means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee by such financial adviser.

6.4 Redemption at option of Noteholders on a change of control

- (a) A "**Put Event**" will be deemed to occur if:
 - (i) any of the following events occur (any such event being a "**Change of Control**"):
 - (A) any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers in force on the Issue Date), or any persons acting on behalf of such persons (each a "**Relevant Person**"), is/are or becomes/become interested (within the meaning of Part VI of the Companies Act 1985) in more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or such number of shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or
 - (B) the Issuer enters into a transaction pursuant to which the Issuer issues shares in the Issuer to the shareholders (or equivalent) of another entity in circumstances such that those persons who immediately prior to completion of such transaction held the entire issued or allotted ordinary share capital of the Issuer or such number of shares in the capital of the Issuer carrying all of the voting rights normally exercisable at a general meeting of the Issuer, immediately following completion of such transaction, hold less than 50 per cent of the issued or allotted ordinary share capital of the Issuer or such number of shares in the capital of the Issuer carrying less than 50 per cent of the voting rights normally exercisable at a general meeting of the Issuer; or
 - (C) London Stock Exchange plc (the "**Exchange**") or any successor thereto ceases to be a direct or indirect subsidiary (within the meaning of section 736 of the Companies Act 1985) of the Issuer,

provided that a Change of Control shall be deemed not to have occurred if (i) all or substantially all of the shareholders of the Relevant Person immediately after the event which would otherwise have constituted a Change of Control were the shareholders of the Issuer with the same (or substantially the same) pro rata economic interests in the share capital of the Relevant Person as such shareholders had in the share capital of the Issuer immediately prior to such event provided that such event is not part of a pre-determined series of events which, taken together, will constitute a Change of Control or (ii) the event which would otherwise have constituted a Change of Control occurs or is carried out for the purposes of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; and

- (ii) at the time of the occurrence of a Change of Control, the Notes carry from any Rating Agency an investment grade credit rating (Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within a period ending 120 days after announcement of the Change of Control having occurred (or such longer period as the Notes are under consideration, announced publicly within such 120 day period, for rating review) either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn; and

- (iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

Further, (a) if at the time of the occurrence of the Change of Control the Notes carry either a non-investment grade credit rating from each Rating Agency then assigning a credit rating to the Notes or no credit rating from any Rating Agency, a Put Event will be deemed to occur upon the occurrence of a Change of Control alone; and (b) if at the time of the occurrence of the Change of Control the Notes carry a rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (ii) will apply.

- (b) If a Put Event occurs, the holder of each Note will have the option (unless prior to the giving of the relevant Put Event Notice (as defined in paragraph (c) below) the Issuer has given notice of redemption under Condition 6.2 or 6.3) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Put Date (as defined below) at its Special Redemption Amount. Such option (the "**Put Option**") shall operate as set out below.
- (c) Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall, and at any time following the occurrence of a Put Event the Trustee shall, if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders (subject in each case to being indemnified to its satisfaction), give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 12 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 6.4.
- (d) To exercise the Put Option, if the relevant Notes are held outside Euroclear and Clearstream, Luxembourg, the holder of the Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Put Period**") of 30 days after a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**"). The Notes should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Put Period (the "**Put Date**"), failing which the Paying Agent will require payment of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefore issued pursuant to Condition 11) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition shall be treated as if they were Notes. The Issuer shall redeem or, as the case may be, purchase or procure the purchase of the relevant Notes on the Put Date unless previously redeemed or purchased and cancelled.

If the relevant Notes are held through Euroclear or Clearstream, Luxembourg, to exercise the Put Option the Noteholder must, within the Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Noteholder's instruction by Euroclear and Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

- (e) If the rating designations employed by any of Moody's, S&P or Fitch are changed from those which are described in paragraph (a)(ii) above, or if a rating is procured from any other rating agency selected by the Issuer from time to time with the prior written approval of the Trustee

to assign a credit rating to the Notes (a “**Substitute Rating Agency**”), the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody’s or S&P or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody’s or S&P or Fitch and paragraph (a)(ii) shall be read accordingly.

- (f) The Trustee is under no obligation to ascertain whether a Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Put Event or Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or Change of Control or other such event has occurred.

“**Special Redemption Amount**” means, in respect of each Note, the greater of the following, in each case together with interest accrued to but excluding the Put Date:

- (a) 100 per cent of the nominal amount of the Note; and
- (b) the price (as reported in writing to the Issuer and the Trustee by a financial adviser appointed by the Issuer and approved by the Trustee) expressed as a percentage at which the Gross Redemption Yield on the Notes on the Calculation Date (assuming for the purpose of calculating the Gross Redemption Yield that the rate of interest then applicable to the Notes is the Initial Interest Rate) is equal to the Gross Redemption Yield at 11.00 a.m. (London time) on the Calculation Date of the 4.75 per cent. U.K. Government Treasury Stock 2015 (or, where such financial adviser advises the Trustee in writing that, for reasons of liquidity or otherwise, such stock is not appropriate for such purpose, such other government stock as such financial adviser may recommend) plus 1.18 per cent. For such purposes, “**Calculation Date**” means the date which is the second London Business Day prior to the Put Date and “**Gross Redemption Yield**” means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee in writing by such financial adviser.

6.5 Purchases

The Issuer, or any of its subsidiaries (within the meaning of section 736 of the Companies Act 1985) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. All Notes purchased pursuant to this Condition 6.5 may be cancelled or held, reissued or resold at the discretion of the relevant purchaser. The Notes so purchased, while held by or on behalf of the Issuer or any subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9 and 10.

6.6 Cancellations

All Notes which are redeemed will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be held, reissued or resold.

6.7 Notices Final

Upon the expiry of any relevant notice period as is referred to in Conditions 6.2, 6.3 or 6.4 above the Issuer shall be bound to redeem or, as the case may be, purchase or procure the purchase of the Notes to which the notice refers in accordance with the terms of such Condition.

7. Taxation

7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the

case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Relevant Jurisdiction or the jurisdiction in which the Note or Coupon is presented for payment other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (f) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 5).

7.2 Interpretation

In these Conditions:

“**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and

“**Relevant Jurisdiction**” means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

7.3 Additional Amounts

Any reference in these Conditions to any amounts of principal or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

8. Prescription

Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5.

9. Events of Default

9.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of the events described in subparagraphs (b) to (h) below (other than paragraph (f) as it relates to the Issuer), only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith

become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (“**Events of Default**”):

- (a) default is made in the payment of (i) any principal due in respect of the Notes or any of them; or (ii) interest due in respect of the Notes or any of them and the default continues for a period of 7 days; or
- (b) the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Trustee may permit); or
- (c) (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any Material Subsidiary is accelerated by reason of an event of default (however described) and such acceleration has not been rescinded or annulled, except where the Issuer is contesting such default in good faith; (ii) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or within any originally applicable grace period; (iii) any security given by the Issuer or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and the holder thereof shall have appointed a receiver, manager or similar officer to take steps to enforce the same; or (iv) default is made by the Issuer or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, except where the Issuer is contesting its liability under such guarantee and/or indemnity in good faith; provided that no Event of Default shall occur pursuant to this subparagraph 9.1(c) unless the aggregate amount of Indebtedness for Borrowed Money or other relative liability due and unpaid to which any of sub-paragraphs (i) to (iv) above apply is at least £10,000,000 (or its equivalent in any other currency); or
- (d) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any Material Subsidiary, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or in the case of a Material Subsidiary, a solvent winding up of such Material Subsidiary; or
- (e) the Issuer or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (f) (i) proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Subsidiary or, as the case may be, in relation to the whole or any substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 30 days; or
- (g) the Issuer or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of its creditors generally (or any class of its creditors) save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

- (h) any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in sub-paragraphs (d) to (g) (inclusive) above.

9.2 Interpretation

For the purposes of this Condition 9:

"Indebtedness for Borrowed Money" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of borrowed money or any liability under or in respect of any acceptance or acceptance credit.

"Material Subsidiary" means any Subsidiary:

- (i) whose net revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated net revenues, or, as the case may be, the consolidated total net assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries (and until publication of the first audited consolidated accounts of the Issuer and its Subsidiaries, the only Material Subsidiary shall be the Exchange or any successor thereto); provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer and its Subsidiaries relate, the reference to the latest audited financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Issuer after consultation with the Issuer; or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

A report by two of the directors of the Issuer that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders.

"Subsidiary" means any entity whose financial statements at any time are required by law or in accordance with the then generally accepted accounting principles in the United Kingdom to be fully consolidated with those of the Issuer.

10. Enforcement

10.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured to its satisfaction.

10.2 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

11. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

12. Notices

12.1 Notices to the Noteholders

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve (it is expected that publication will normally be made in the *Financial Times*) or if published on a Recognised Information Service. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If the Notes are held in a clearing system, notice may also be given through the clearing system as set out in the Notes, in accordance with the standard rules and procedures of such clearing system. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

12.2 Notices from the Noteholders

Save as otherwise provided in these Conditions, notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

13. Substitution

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any other company being a subsidiary (within the meaning of section 736 of the Companies Act 1985), holding company or subsidiary of such holding company, of the Issuer, subject to:

- (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and
- (b) certain other conditions set out in the Trust Deed being complied with.

14. Meetings of Noteholders, Modification, Waiver, Authorisation and Determination

14.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them. An Extraordinary Resolution

passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

14.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

14.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

14.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution in accordance with these Conditions shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

15. Indemnification of the Trustee and its Contracting with the Issuer

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

15.2 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's subsidiaries (within the meaning of section 736 of the Companies Act 1985) and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series

(including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

17. Governing Law

The Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

18. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions while the Notes are represented by the Global Notes.

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Conditions as Events of Default;
- (b) if both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, “**Exchange Date**” means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 16 August 2006, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may

be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 12. Any such notice shall be deemed to have been given to the Noteholders on the day which is one business day, being a day on which banks are generally open, in Brussels or Luxembourg, as the case may be, after the date on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 9) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.4 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depository for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

8. Meetings

At any meeting of Noteholders the holder of a Global Note will be treated as having one vote in respect of each £1,000 in principal amount of Notes for which such Global Note may be exchanged.

9. Trading amounts

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 above £50,000.

10. Euroclear and Clearstream, Luxembourg

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee in which the Notes are held from time to time.

DESCRIPTION OF THE ISSUER

The Issuer is the holding company of London Stock Exchange plc.

Corporate information

London Stock Exchange Group plc was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act as a private company limited by shares with registered number 5369106 and with the name Milescreen Limited. On 16 November 2005 it changed its name to London Stock Exchange Group Limited. On 7 December 2005 it re-registered as a public limited company pursuant to section 43 of the Companies Act and changed its name to London Stock Exchange Group plc. On 15 May 2006 it became the holding company of London Stock Exchange plc pursuant to a scheme of arrangement made under section 425 of the Companies Act and replaced London Stock Exchange plc as the listed entity.

The registered and head office of London Stock Exchange Group plc is 10 Paternoster Square, London, EC4M 7LS. Its telephone number is +44 (0) 20 7797 1000.

The principal legislation under which London Stock Exchange Group plc operates is the Companies Act.

At the date hereof, the directors of London Stock Exchange Group plc (in such capacities, each having their business address at 10 Paternoster Square, London, EC4M 7LS) are as follows:

Directors

Christopher Shaw Gibson-Smith	Chairman
Clara Hedwig Frances Furse	Chief Executive
Jonathan Anton George Howell	Director of Finance
Gary James Allen CBE	Non-Executive Director
Baroness (Janet) Cohen	Non-Executive Director
Oscar Fanjul	Non-Executive Director
Peter Richard Meinertzhagen	Non-Executive Director
Nigel John Stapleton	Non-Executive Director
Robert Stopford Webb Q.C.	Non-Executive Director

The principal activities of the Directors performed outside the Issuer are as follows:

Chris Gibson-Smith is also Senior Independent Non-Executive Director of British Land Company plc and Non-Executive Director of Qatar Financial Centre Authority.

Clara Furse is a Non-Executive Director of LCH.Clearnet Group Limited, a Non-Executive Director of Euroclear plc and a Non-Executive Director of Fortis N.V.

Jonathan Howell is a Non-Executive Director of FTSE International Limited.

Gary Allen CBE is a Non-Executive Director of N V Bekaert SA, Belgium, the National Exhibition Centre Ltd and Temple Bar Investment Trust plc.

Janet Cohen is a Life Peer and Non-Executive Chairman of BPP Holdings plc and Non-Executive Director of MCG plc.

Oscar Fanjul is Vice-Chairman and Chief Executive of Omega Capital, Non-Executive Director of Acerinox, Marsh & McLennan Companies, Lafarge and Areva (Conseil de Surveillance) and trustee of the International Accounting Standards Committee (IASC) Foundation.

Peter Meinertzhagen is Non-Executive Chairman of Hoare Govett Ltd.

Nigel Stapleton is Chairman of Uniq plc and Chairman Postal Services Commission.

Robert Webb Q.C. is General Counsel of British Airways plc.

By virtue of her position as Chief Executive of the Exchange, Clara Furse was invited to be a director of LCH.Clearnet Group Limited and Euroclear plc, both of which provide services to the Exchange. Peter Meinertzhagen is Non-Executive Chairman of Hoare Govett Limited, one of the Exchange's customers. No Director has any potential conflict of interest between his or her duties to the Issuer and any private interests or other duties.

DESCRIPTION OF THE GROUP

The financial information discussed below has been extracted without material adjustment from the consolidated financial information for the Exchange in respect of the years ended 31 March 2006 and 31 March 2005 incorporated by reference herein, see page 5.

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

1. History and development

- 1.1 The Issuer became the holding company of the Exchange on 15 May 2006 pursuant to a scheme of arrangement made under section 425 of the Companies Act 1985 and replaced the Exchange as the listed entity. The Exchange is the Issuer's principal operating subsidiary. It is one of the world's leading stock exchanges and, based in London, is at the heart of global financial markets. On 26 May 2006, the Issuer completed the return of approximately £510 million to its shareholders, as described more fully in the Equity Prospectus. The Issuer has also announced a share buy-back programme of up to £50 million per annum. The Issuer seeks to satisfy obligations arising under its Employee Share Ownership Plans by purchasing shares in the market through a discretionary trust. However, during the past two years, due to extended prohibited periods where market purchases have not been possible, obligations have also been satisfied by means of issue of new shares. Going forwards, market purchases remain the preferred alternative.
- 1.2 The Group's principal business is: providing a market for the issuing and trading of securities by assisting companies to raise capital through the issue of securities; providing platforms for investors and intermediaries to trade these and other financial investments; and collecting and distributing market information.
- 1.3 The Exchange's success in building liquidity is exemplified by: its long-term success in capturing the majority of admission to trading by Western European companies; the sustained growth in trading volumes on SETS and SETSmm, its order books for capturing and executing orders; and the breadth of data distribution to investors and traders.
- 1.4 The Group's core business areas, as reported under IFRS are:
- **Issuer Services** – which facilitates the raising of capital through the issuing of securities by companies from around the world and the dissemination of regulatory news;
 - **Broker Services** – which provides a forum for investors and intermediaries to trade securities via a range of robust electronic trading systems, an effective regulatory environment and a high level of price and trade transparency;
 - **Information Services** – which distributes high quality, real-time price, news and other information relating to trading on the Exchange's platforms; and
 - **Derivatives Services** – which provides services for trading derivatives through the Exchange's covered warrants market for retail investors and the Exchange's subsidiary EDX London Limited ("EDX London").
- 1.5 The turnover of the Exchange for the last two financial years ended 31 March is as follows:

	2005 Audited IFRS	2006 Audited IFRS
	£m	£m
Issuer Services	43.3	56.9
Broker Services	100.6	125.5
Information Services – ongoing	86.7	94.1
Information Services – exceptional	—	6.4
Derivatives Services	6.8	7.7
Other income	7.0	6.9
Net revenue	244.4	297.5

2. Strategy

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

2.2 The strategy has three key elements:

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

2.3 In December 2004, the Exchange received two proposals, from Deutsche Börse AG and Euronext N.V., for a possible combination. These proposals were referred to the Competition Commission and in March 2006, the Competition Commission announced that undertakings had been agreed with Deutsche Börse AG and Euronext N.V. which would allow them to proceed with an offer for the Exchange. Both of these proposals were subsequently withdrawn, as announced by Deutsche Börse on 15 March 2006 and Euronext N.V. on 3 May 2006. In December 2005, the Exchange received an approach from Macquarie London Exchange Investments Limited ("**Macquarie**"). The Exchange rejected the offer of 580 pence per share from Macquarie as substantially undervaluing the Exchange given its unique franchise, attractive long-term growth prospects and pivotal position in global capital markets. The offer from Macquarie lapsed on 28 February 2006. In March 2006, the Exchange received a proposal from The Nasdaq Stock Market, Inc. ("**NASDAQ**") with a view to a possible combination. The Exchange rejected the indicative offer from NASDAQ of 950 pence per share on the basis that it substantially undervalued the company, its unique position and the very significant synergies that would be achievable from the combination of the Exchange with any major exchange group. NASDAQ subsequently announced it no longer intended to make an offer for the Exchange. NASDAQ first announced that it had acquired an interest in the Exchange on 11 April 2006 and on 19 May 2006 announced that it had increased its holding to approximately 25.1% of the issued share capital of the Exchange.

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

3. Issuer Services

- 3.1 Issuer Services provides a range of markets for companies issuing debt and equity securities to raise money by selling those securities to investors.
- 3.2 The main sources of revenue for Issuer Services are admissions, further issues and annual fees. Annual fee income, the revenue the Exchange receives from companies on its markets, contributed 36% of Issuer Services' turnover in the year to March 2006 (2005: 40%). During 2006, new and further issues (both domestic and international) together raised £34 billion (2005: £19 billion) across the Exchange's markets.

3.3 The Exchange operates three primary markets:

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

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

- admission to trading on the Exchange's markets enables securities to be freely traded. This increases the pool of investors that can invest in an issuer's securities;
- the operation of trading platforms which facilitates price formation and trading in an issuer's securities; and
- RNS, the UK's leading Primary Information Provider ("PIP") distributing 75% of the UK's regulatory disclosure announcements by listed companies and serving 90% of FTSE 100 companies (as at 31 December 2005). It provides a facility for regulatory and non-regulatory news disclosure and focused capital markets news distribution on behalf of issuers.

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

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

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

3.7 New Products and Services

The Exchange has developed a number of new products and services including "Professional Securities Market" ("PSM") which allows issuers to list debt securities or depository receipts of any denomination on PSM on production of a prospectus aimed at a wholesale or professional audience.

4. Broker Services

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

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

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

- SETSmm – a hybrid trading service introduced in 2003. Currently 704 securities are traded on SETSmm, including all FTSE 250 securities not traded on SETS and all FTSE Small Cap Index companies. Since its introduction, average spreads for (small caps) stocks transferring from the SEAQ platform have reduced by 35%;
 - SEAQ – a screen based service displaying competing offer prices;
 - SEATS PLUS – a hybrid system for less liquid securities;
 - International Order Book – an electronic order book service for international securities; and
 - International Bulletin Board – a screen-based trading service displaying competing bid and offer prices for international securities.
- 4.3 In all, the Exchange provides and maintains the underlying electronic platforms on which shares, bonds and other products are traded by more than 350 member firms in 38 countries worldwide, with over 15,000 securities tradable on the Exchange's platforms.
- 4.4 The total value of equity bargains for the year ended 31 March 2006 increased 23% over the same period last year to £5.8 trillion (2005: £4.7 trillion), attributable to an increase in order book trading, with average SETS bargains per day increasing 31% to 223,000 in the year ended 31 March 2006 (2005: 170,000). In the same period the total value of off book bargains also increased although the average number of such bargains reduced by two per cent to 47,000 bargains per day (March 2005: 48,000) and SETSmm saw an average of approximately 36,000 bargains per day (2005: 16,000).
- 4.5 Technology
- A key aspect of the Exchange's core business is the technological excellence of its trading platforms. The Technology Roadmap ("**TRM**") is the Exchange's programme of work which seeks to provide a step change in the capability of the Exchange's IT systems. TRM includes Infolect, the Exchange's new Information Dissemination Platform implemented in September 2005, and a new Trading System, expected to be delivered in the first half of 2007.
- 4.6 Regulation
- The Exchange recognises the importance to the quality of its markets of transparency and accuracy of information on issuers and of trading taking place on its platform. In relation to both secondary market trading and admission to its primary markets, the Exchange imposes high regulatory standards. The Exchange also has its own admission and disclosure standards for issuers admitted to trading on London Stock Exchange's Main Market and AIM companies are subject to the AIM rules written and administered by the Exchange.
- As a RIE, the Exchange is responsible for ensuring the fairness and transparency of activity on its trading platforms and the adequate and timely disclosure of information required by investors to make informed investment decisions. The Exchange monitors trading in real time with sophisticated surveillance technology so that action could be taken immediately if a breach of its rules were to occur.
- 4.7 Regulatory Strategy
- The Exchange recognises the importance of shaping the regulatory environment, by influencing and driving policy at the earliest stage of its formulation and has a dedicated Regulatory Strategy team. Much of the work carried out by the Exchange in this area involves analysing new regulatory developments and engaging with the relevant parties to ensure that any legislation that materialises is as effective and successful as possible both at a UK and EU level. In particular, the Exchange has focused on influencing the EU's key Financial Services Action Plan directives (the Markets in Financial Instruments Directive, Market Abuse Directive, Transparency Directive and Prospectus Directive) and is engaged in the development of the Company Law and Corporate Governance Action Plan.
- 4.8 New Products and Services
- New products and services include the addition of a new segment on the SETSmm hybrid platform (SETSmm Small Caps) in July 2005. This significantly increased the number of stocks being traded on an order driven platform, bringing the total number of securities being traded on the SETSmm platform to 704, including the constituents of the FTSE AIM UK 50 transferred to SETSmm in December 2005.

5. Information Services

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

5.2 Information Services' principal products and sources of revenue include:

- Infolect – the Exchange's recently introduced proprietary information service. Infolect data includes an order book and trade prices and sizes from the Exchange's markets. Subscribers are able to choose between different levels of information to meet their specific requirements. As at 31 March 2006, the total number of terminals supplied with the Exchange's real-time market data increased to 104,000, compared with 95,000 at 31 March 2005. Of this total, approximately 88,000 terminals were attributable to professional users, compared with 83,000 at 31 March 2005;
- Extranex – the Exchange's proprietary high performance private network which provides speed, capacity and reliability for communications solutions tailored to the needs of the Exchange's different customer segments;
- Historical and reference data services – including SEDOL Masterfile, the Exchange's expanding securities identification service, providing unique identification codes for global securities and enabling greater efficiency in the processing of trades. At 31 March 2006 1,100 licences had been taken for the use of the SEDOL Masterfile service and the number of instruments covered by the service had grown to over 1,200,000 from 450,000 at 31 March 2005; and
- Proquote – the Exchange's wholly owned subsidiary, which provides financial market software and data services to a wide range of buy-side, sell-side, retail and private client market professionals. Proquote's data and trading functionality is available over the internet and therefore provides a cost efficient alternative source of real-time financial information.

5.3 New Products and Services

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

- Planned geographic expansion of the SEDOL Masterfile (including current focus on the Asian market, where there is no single securities identifier) and expansion of instrument types covered; and
- Continued improvement of the Proquote product. An international version of Proquote was launched in April 2005 and an order management system for Proquote's retail and institutional clients was launched in March 2006.

6. Derivatives Services

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

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

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

TAXATION

UK taxation

The following is a general description of certain UK tax considerations relating to the Notes based on current law and practice in the UK. It does not purport to be a complete analysis of all tax considerations relating to the Notes. It relates to the position of persons who are the absolute beneficial owners of Notes and some aspects do not apply to certain classes of taxpayer (such as dealers and Noteholders who are connected or associated with the Issuer for relevant tax purposes). Prospective Noteholders should seek their own professional advice on their tax position having regard to their own particular facts and circumstances.

UK withholding tax on interest

If interest on the Notes is treated as having a United Kingdom source, payments of such interest can still be made without withholding or deduction for or on account of United Kingdom income tax as long as the Notes are and continue to be “quoted Eurobonds” within the meaning of section 349 of the Income and Corporation Taxes Act 1988 (the “Act”). In the case of Notes to be traded on London Stock Exchange which is a “recognised stock exchange” within the meaning of section 841 of the Act, this condition will be satisfied if the Notes are admitted to listing on the Official List of the UK Listing Authority, and to trading on London Stock Exchange.

If interest on the Notes is treated as having a United Kingdom source and the “quoted Eurobond” exemption does not apply, it may fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 percent), subject to any direction to the contrary by HM Revenue and Customs (“HMRC”) under the provisions of an applicable double taxation treaty, except that the withholding obligation is disapplied in respect of a Noteholder, who belongs in the United Kingdom for United Kingdom tax purposes, and who the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes), at the time the payment is made, is either a United Kingdom resident company or a non-United Kingdom resident company carrying on a trade in the United Kingdom through a permanent establishment which is within the charge to corporation tax, or who falls within one of the categories of exempt bodies or persons set out in section 349B of the Act (including charities and pension funds) or is a partnership consisting of such persons (unless HMRC directs otherwise).

Payments of interest on the Notes may be made without withholding on account of UK tax provided the interest is not treated as having a UK source.

Provision of information

Any Paying Agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to HMRC. HMRC may communicate such information to the tax authorities of other jurisdictions.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment is to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax is to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. For so long as any Note is outstanding, the Issuer undertakes to maintain a Paying Agent in a Member State of the European Union that does not impose an obligation to withhold or deduct tax pursuant to this Directive.

SUBSCRIPTION AND SALE

Barclays Bank PLC, The Royal Bank of Scotland plc and J.P. Morgan Securities Ltd. (together, the “**Managers**”) have, pursuant to a Subscription Agreement dated 4 July 2006, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at 99.679 per cent. of their principal amount.

The Issuer has agreed to pay to the Managers a combined management, underwriting and selling commission of 0.325 per cent. of such principal amount less certain amounts already paid to the Managers in connection with arranging Exchange Group banking facilities. In addition, the Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer has in the Subscription Agreement agreed to indemnify the Managers against certain liabilities incurred in connection with the issue of the Notes.

Certain of the Managers and their respective affiliates have, in the past, performed investment banking and advisory services for the Issuer and the Group for which they have received customary fees and expenses. Each of the Managers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer and the Group in the ordinary course of their respective businesses.

General

No action has been or will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Manager will comply to the best of its knowledge and belief with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers the Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any amendment or supplement thereto or any such other material, in all cases at its own expense. Each Manager will also ensure to the best of its knowledge and belief that no obligations are imposed on the Issuer or any other Manager in any such jurisdiction as a result of any of the foregoing actions.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Authorisation and consent

The Issuer has obtained all necessary consents, approvals and authorisations in England in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolution passed on or about 3 July 2006 by a committee of the Board of the Issuer duly authorised by resolution of the Board of the Issuer passed on 24 May 2006.

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to London Stock Exchange plc for such Notes to be admitted to trading on the Market. The listing and admission to trading of the Notes is expected to be granted on or about 6 July 2006, subject only to the issue of the Temporary Global Note. The Issuer estimates the total expenses related to the admission to trading to be approximately £1,000,000.

Yield

The yield of the Notes is 5.918 per cent on a semi-annual basis.

Clearing

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg. The International Security Identification Number (ISIN) is XS0259294469. The Common Code is 025929446. The address of Euroclear is Euroclear Bank S.A./NV, 1 Boulevard du Roi Albert II, B-1210, Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855, Luxembourg.

Significant or material change

Save as noted as post balance sheet events in the notes to the Exchange's audited consolidated financial statements for the year ended 31 March 2006 and the notes to the Issuer's audited financial statements for the year ended 31 March 2006, there has been no significant change in the financial or trading position of the Group since 31 March 2006 and there has been no material adverse change in the financial position or prospects of the Group since 31 March 2006.

Legal proceedings

Neither the Issuer nor any member of the Group is or has been engaged in nor, so far as the Issuer or any member of the Group is aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Issuer's or the Group's financial position or profitability.

Documents available for inspection

For the period of 12 months starting on the date on which this Prospectus is made available to the public as required by the prospectus rules of the FSA, copies of the following documents may be inspected free of charge at the offices of the Principal Paying Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- (a) the memorandum and articles of association of the Issuer;
- (b) the annual reports of London Stock Exchange plc for the financial years ended 31 March 2006 and 31 March 2005, respectively;
- (c) the Equity Prospectus;
- (d) this Prospectus;
- (e) the Paying Agency Agreement; and
- (f) the Trust Deed.

This Prospectus can also be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

DEFINITIONS

AIM	the Alternative Investment Market operated by the Exchange
Board	the board of directors of London Stock Exchange Group plc from time to time, including a duly constituted committee thereof
Business Day	a day (excluding Saturday or Sunday) on which banks generally are open for business in the City of London for the transaction of normal banking business
Companies Act	the Companies Act 1985, including any statutory modification or re-enactment thereof for the time being in force
Conditions	the terms and conditions of the Notes set out on pages 16 to 29 of this Prospectus
Directors	the directors of the Issuer
Equity Prospectus	the prospectus published on 5 May 2006 by the Issuer in relation to the introduction to the Official List of the ordinary shares and B shares issued by the Issuer
Exchange	London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 2075721 and a wholly owned subsidiary of the Issuer
Executive Directors	the executive directors of the Issuer, and “ Executive Director ” shall mean any one of them
Group	the Issuer and its subsidiary undertakings
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
Issuer	London Stock Exchange Group plc, a public limited company incorporated in England and Wales with registered number 5369106
Markets in Financial Instruments Directive or MiFID	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EC
Non-Executive Directors	the non-executive directors of the Issuer including the Chairman, and “ Non-Executive Director ” shall mean any one of them
Recognition Requirements	Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001, incorporated in the FSA’s sourcebook for Recognised Investment Exchanges
RIE	Recognised Investment Exchange
RNS	Regulatory News Service, the Exchange’s Primary Information Provider, for dissemination of regulatory and non-regulatory news to the market

REGISTERED OFFICE OF THE ISSUER

London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS
United Kingdom

TRUSTEE

HSBC Trustee (C.I.) Limited
P.O. Box 88
1 Grenville Street
St Helier
Jersey JE4 9PF
Channel Islands

PRINCIPAL PAYING AGENT

HSBC Bank plc
8 Canada Square
London
E14 5HQ
United Kingdom

LEGAL ADVISERS

To the Issuer

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS
United Kingdom

To the Managers and the Trustee

Linklaters
One Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS

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

