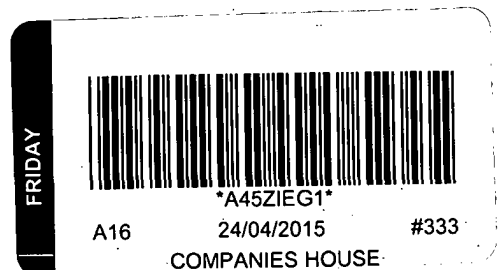


Registered number: 04150127

ESECLENDING (EUROPE) LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2014

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ESECLENDING (EUROPE) LIMITED

CONTENTS

	Page
Company information page	1
Directors' report	2
Directors' responsibilities statement	3
Strategic report	4
Independent auditor's report	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 18

ESECLENDING (EUROPE) LIMITED

COMPANY INFORMATION

Directors	S G B Young E J Oliver
Company secretary	S G B Young
Registered number	04150127
Registered office	1st Floor 10 King William Street London EC4N 7TW
Independent auditor	Blick Rothenberg LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH

ESECLENDING (EUROPE) LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Results

The profit for the year, after taxation, amounted to £90,694 (2013 - loss £1,401,551).

Directors

The directors who served during the year were:

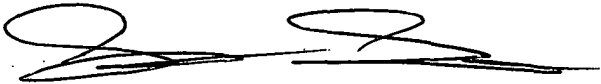
S G B Young
E J Oliver

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf.



S G B Young
Director

Date:

21st April 2015

ESECLENDING (EUROPE) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

ESECLENDING (EUROPE) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report on the company for the year ended 31 December 2014.

Principal activity

The principal activity of the company during the year continued to be that of the marketing, administration and distribution of financial intermediary services, acting as agent to its sole client, Securities Finance Trust Company ("SFTCo").

Business review

The company incurred a profit after tax of £90,694 during the year (2013: loss after tax of £1,401,551 which included the write off of an intercompany loan of £1,523,625 following the restructuring of the group).

Company expenses were reduced by 18%. Revenue is earned from SFTCo on a cost plus basis. Revenue decreased in line with expenses, and operating profit similarly decreased compared to the previous year.

Principal risks and uncertainties

The company's primary business risks are directly related to the risks of SFTCo and market risks associated with the securities lending industry. The results of the year and the financial position at the year end are as anticipated by the directors.

Financial key performance indicators

The company's largest expenses are staff costs, which were reduced by 18% in comparison to the previous year. This was the principal reason for the resulting decrease in revenue of 18%.

Financial risk management objectives and policies

The company does not engage in hedge accounting and receives all income from its parent. As a result, the company only has minimal, not material, exposure to price, credit, liquidity, or cash flow risks that would affect the financial position and profits or loss of the company.

This report was approved by the board and signed on its behalf.


S G B Young
Director

Date:

26th April 2015

ESECLENDING (EUROPE) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ESECLENDING
(EUROPE) LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of eSecLending (Europe) Limited for the year ended 31 December 2014, set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements:

ESECLENDING (EUROPE) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ESECLENDING
(EUROPE) LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2014

Matters on which we are required to report by exception

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

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



Simon Mayston (senior statutory auditor)

for and on behalf of

Blick Rothenberg LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

22 April 2015

ESECLENDING (EUROPE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Turnover	1,2	2,067,221	2,540,327
Administrative expenses		(1,951,680)	(3,902,877)
Profit/(loss) on ordinary activities before taxation		115,541	(1,362,550)
Tax on profit/(loss) on ordinary activities	6	(24,847)	(39,001)
Profit/(loss) for the financial year	15	90,694	(1,401,551)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 10 to 18 form part of these financial statements.

ESECLENDING (EUROPE) LIMITED

REGISTERED NUMBER: 04150127

**BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	7		34,595		26,229
Investments	8		16,504		16,504
			<u>51,099</u>		<u>42,733</u>
Current assets					
Debtors	9	368,679		280,404	
Cash at bank		15,275		25,215	
		<u>383,954</u>		<u>305,619</u>	
Creditors: amounts falling due within one year	10	(189,079)		(174,850)	
Net current assets			<u>194,875</u>		<u>130,769</u>
Total assets less current liabilities			<u>245,974</u>		<u>173,502</u>
Creditors: amounts falling due after more than one year	11		(9,686)		(32,908)
Provisions for liabilities					
Other provisions	12		(42,916)		(37,916)
Net assets			<u>193,372</u>		<u>102,678</u>
Capital and reserves					
Called up share capital	13		1,376,398		1,376,398
Other reserves	15		-		37,607
Profit and loss account	15		(1,183,026)		(1,311,327)
Shareholders' funds	16		<u>193,372</u>		<u>102,678</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



S G B Young
Director

Date:

21st April 2015

The notes on pages 10 to 18 form part of these financial statements.

ESECLENDING (EUROPE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	17	49,855	56,252
Taxation	18	(39,042)	(39,001)
Capital expenditure and financial investment	18	(20,753)	(1,610)
(Decrease)/Increase in cash in the year		(9,940)	15,641

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
(Decrease)/Increase in cash in the year	(9,940)	15,641
Movement in net debt in the year	(9,940)	15,641
Net funds at 1 January 2014	25,215	9,574
Net funds at 31 December 2014	15,275	25,215

The notes on pages 10 to 18 form part of these financial statements.

ESECLENDING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied. It is stated at the fair value of the consideration receivable exclusive of Value Added Tax.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Property	-	10% straight line
Fixtures & fittings	-	20% straight line
Office equipment	-	20% straight line

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

ESECLENDING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting Policies (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.10 Share-based payments

Employees of this entity have been granted options over shares in eSec Holdings LP, the parent company of eSec Inc. (US). The company is recognising fair value of these grants over the vesting period. The cost of these grants has been recognised in the profit and loss account in accordance with FRS 20 and as capital contributions in accordance with UITF 44.

1.11 Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. Turnover

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

ESECLENDING (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. Profit/(loss)

The profit/(loss) is stated after charging/(crediting):

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	12,387	10,715
Auditor's remuneration	6,500	20,000
Operating lease rentals:		
- plant and machinery	38,408	38,450
- land and buildings	197,318	205,171
Difference on foreign exchange	(334)	1,087
Equity-settled share-based payments	11,623	-
Write-off of intercompany loan	-	1,523,625
	<u> </u>	<u> </u>

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	1,191,529	1,436,144
Social security costs	144,311	184,390
Other pension costs	86,779	119,937
	<u>1,422,619</u>	<u>1,740,471</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2014 No.	2013 No.
	<u>16</u>	<u>18</u>

5. Directors' remuneration

	2014 £	2013 £
Remuneration	<u>236,193</u>	<u>274,060</u>
Company pension contributions to defined contribution pension schemes	<u>18,824</u>	<u>21,064</u>

During the year retirement benefits were accruing to 2 directors (2013 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £122,893 (2013 - £150,593).

ESECLENDING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6. Taxation

	2014 £	2013 £
Analysis of tax charge in the year		
UK corporation tax charge on profit/loss for the year	24,847	39,042
Adjustments in respect of prior periods	-	(41)
Tax on profit/loss on ordinary activities	24,847	39,001

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Profit/loss on ordinary activities before tax	115,541	(1,362,550)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	24,841	(316,793)
Effects of:		
Expenses not deductible for tax purposes	4,394	5,438
Expenses not deductible for tax purposes:		
- intercompany loan write off	-	354,243
Capital allowances for year in excess of depreciation	(2,655)	(725)
Adjustments to tax charge in respect of prior periods	-	(41)
Rate differences leading to decrease in taxation	(1,733)	(3,121)
Current tax charge for the year (see note above)	24,847	39,001

Factors that may affect future tax charges

The UK corporation tax rate was reduced to 21% effective from 1 April 2014 and 20% effective from 1 April 2015 on 2 July 2013. The relevant deferred tax balances have been re-measured where appropriate.

ESECLENDING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

7. Tangible fixed assets

	Leasehold property £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 January 2014	13,957	69,119	91,925	175,001
Additions	-	101	20,652	20,753
At 31 December 2014	13,957	69,220	112,577	195,754
Depreciation				
At 1 January 2014	8,136	67,844	72,792	148,772
Charge for the year	1,395	621	10,371	12,387
At 31 December 2014	9,531	68,465	83,163	161,159
Net book value				
At 31 December 2014	4,426	755	29,414	34,595
At 31 December 2013	5,821	1,275	19,133	26,229

8. Fixed asset investments

	Other fixed asset investments £
Cost or valuation	
At 1 January 2014 and 31 December 2014	16,504
Net book value	
At 31 December 2014	16,504
At 31 December 2013	16,504

9. Debtors

	2014 £	2013 £
Other debtors	272,382	199,110
Prepayments and accrued income	96,297	81,294
	368,679	280,404

ESECLENDING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. Creditors: Amounts falling due within one year

	2014 £	2013 £
Trade creditors	33,209	18,754
Corporation tax	24,847	39,042
Other taxation and social security	50,604	52,767
Other creditors	44,068	1,210
Accruals and deferred income	36,351	63,077
	<u>189,079</u>	<u>174,850</u>

11. Creditors: Amounts falling due after more than one year

	2014 £	2013 £
Other creditors	<u>9,686</u>	<u>32,908</u>

12. Provisions

	Provision for dilapidations £
At 1 January 2014	37,916
Additions	<u>5,000</u>
At 31 December 2014	<u>42,916</u>

13. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
1,376,398 Ordinary shares of £1 each	<u>1,376,398</u>	<u>1,376,398</u>

ESECLENDING (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

14. Share based payments

During the year ended December 31, 2014, eSec Holdings LP issued 76, 22, and 22 Class P1, P2, and P3 co-invest units, respectively, to certain employees of eSecLending (Europe) Limited for total proceeds of \$491. The weighted average exercise price of the co-invest units, which are fully vested are as follows: Class P1 \$6.406, Class P2: \$0.1911 and Class P3: \$0.0124. The Class P units are intended to be profit interests.

The fair value of the co-invest units is estimated as of the date of the grant using the Monte Carlo simulation with 250,000 trials. Expected volatilities are based on implied volatilities of peer group companies and other factors. Significant assumptions used in the simulation include the following:

	2014
Expected volatility	40.0%
Term (in years)	3.85
Risk-free rate	1.0%
Dividend yield	0.0%

Included in the compensation and related expenses in the profit and loss account is £11,623 relating to the co-invest units for the year ended December 31, 2014.

15. Reserves

	Other reserves £	Profit and loss account £
At 1 January 2014	37,607	(1,311,327)
Profit for the financial year		90,694
Transfer between reserves	(37,607)	37,607
At 31 December 2014	<u>-</u>	<u>(1,183,026)</u>

16. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	102,678	1,504,229
Profit/(loss) for the financial year	90,694	(1,401,551)
Closing shareholders' funds	<u>193,372</u>	<u>102,678</u>

ESECLENDING (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

17. Net cash flow from operating activities

	2014 £	2013 £
Operating profit/(loss)	115,541	(1,362,550)
Depreciation of tangible fixed assets	12,385	10,715
(Increase)/decrease in debtors	(88,274)	1,427,090
Increase/(decrease) in creditors	5,203	(24,003)
Increase in provisions	5,000	5,000
Net cash inflow from operating activities	49,855	56,252

18. Analysis of cash flows for headings netted in cash flow statement

	2014 £	2013 £
Taxation		
Corporation tax	(39,042)	(39,001)
	2014 £	2013 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(20,753)	(1,610)

19. Analysis of changes in net funds

	1 January 2014 £	Cash flow £	Other non-cash changes £	31 December 2014 £
Cash at bank and in hand	25,215	(9,940)	-	15,275
Net funds	25,215	(9,940)	-	15,275

20. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £86,779 (2013 - £119,937). Contributions totalling £nil (2013 - £nil) were payable to the fund at the balance sheet date and are included in creditors

ESECLENDING (EUROPE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

21. Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
Expiry date:		
Between 2 and 5 years	109,675	109,675

22. Related party transactions

The company has taken advantage of the exemption contained in FRS8 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

Transactions with (other) related parties are as follows:

Name (relationship)	Transaction	Amount		Amount due (to)/from related parties	
		2014	2013	2014	2013
		£	£	£	£
Securities Finance Trust Company (previous affiliate company)	Sales	2,067,221	2,540,327	249,377	167,576

23. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is eSecLending UK Holdings LLC, a company registered in the United States. eSec Inc. (US), the immediate parent of Securities Finance Trust Company, owns a call option on all of the shares of eSecLending (Europe) Limited. In the opinion of the directors the ultimate controlling party is Mr C Starble.