

Company Registration No. 06097517

**SECURITIES LENDING SERVICES
GROUP LIMITED**

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

**FOR THE PERIOD
ENDED 30 JUNE 2008**

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SECURITIES LENDING SERVICES GROUP LIMITED

COMPANY INFORMATION

Directors	D.T. Smith (appointed 04/03/08) M.C. Faulkner (appointed 25/04/07) B.K. Cuthbert (appointed 20/03/07) C.T.M. Ind (appointed 25/04/07) D.R. Calam (appointed 25/04/07) K.M.P. Grassby (appointed 25/04/07) Waterlow Secretaries Limited (appointed 12/02/07 & resigned 20/03/07)
Company secretary	L.G. Berry
Company number	06097517
Registered office	2 Seething Lane London EC3N 4AT
Auditors	KPMG LLP Chartered Accountants & Registered Auditors PO Box 695 8 Salisbury Square London EC4Y 8BB
Accountants	Creaseys LLP 12 Lonsdale Gardens Tunbridge Wells Kent TN1 1PA
Bankers	HSBC Plc Canada Place Canary Wharf London E14 5AH
Solicitors	Cooper Burnett Napier House 14/16 Mount Ephraim Road Tunbridge Wells Kent TN1 1EE

SECURITIES LENDING SERVICES GROUP LIMITED

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SECURITIES LENDING SERVICES GROUP LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2008

The directors present their report and the financial statements for the period ended 30 June 2008.

Statement of directors' responsibilities

The directors are responsible for preparing 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Principal activities

The principal activity of the group is that of the provision of securities lending data and services.

The company was incorporated on 12 February 2007 and commenced trading on 25 April 2007. These accounts present the results for the group for the period from incorporation to 30 June 2008.

Business review

The group has made significant progress since it commenced trading in April 2007. There has been a steady increase in Annual Contract Revenue, a key indicator of performance. Gross profit margins and earnings before interest, tax, depreciation and amortisation (EBITDA) continue to be in line with target.

The group believes it is well positioned to continue its growth plans. Recent events have highlighted the need for transparency and information on securities lending and the group continues to see significant interest and revenue growth from its Hedge Fund customers and other investment management practitioners. Its core Securities Lending customer base continues to operate robustly.

The impact of current market conditions and the worldwide temporary short selling bans on total lendable volumes has been limited so far. Group's proprietary data (DESLI Index) indicates an actual increase in stock lending activity of almost 15% and only a 10% reduction in total global volumes lent since September 1st, 2008.

SECURITIES LENDING SERVICES GROUP LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2008

Results

The loss for the period, after taxation, amounted to £9,100,708. The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period were:

D.R. Calam (appointed 25/04/07)
B.K. Cuthbert (appointed 20/03/07)
M.C. Faulkner (appointed 25/04/07)
K.M.P. Grassby (appointed 25/04/07)
C.T.M. Ind (appointed 25/04/07)
D.T. Smith (appointed 04/03/08)
Waterlow Secretaries Limited (appointed 12/02/07 & resigned 20/03/07)

Going concern

The directors have reviewed the group's projected working capital requirements and fixed asset expenditure and believe that the company has sufficient funding for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

Provision of information to auditors

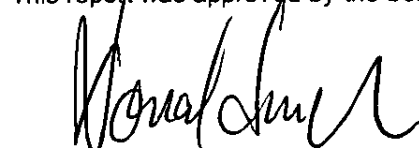
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

On 19 June 2008 Creaseys LLP resigned as auditors and KPMG LLP were appointed to fill the casual vacancy arising.

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31 October 2008 and signed on its behalf.



.....
D.T. Smith
Director

SECURITIES LENDING SERVICES GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SECURITIES LENDING SERVICES GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Securities Lending Services Group Limited for the period ended 30 June 2008, which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

SECURITIES LENDING SERVICES GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SECURITIES LENDING SERVICES GROUP LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2008 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

KPMG LLP

Chartered Accountants
Registered Auditors

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

31 October 2008

SECURITIES LENDING SERVICES GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 JUNE 2008

	Note	16 months ended 30 June 2008 £
Turnover	1,2	12,536,928
Cost of sales		(5,843,169)
		<hr/>
Gross profit		6,693,759
Administrative expenses		(10,610,689)
		<hr/>
Operating loss	3	(3,916,930)
Interest receivable		436,930
Interest payable	7	(5,500,676)
		<hr/>
Loss on ordinary activities before taxation		(8,980,676)
Tax on loss on ordinary activities	8	(120,032)
		<hr/>
Loss on ordinary activities after taxation		<u>(9,100,708)</u>

All amounts relate to acquired operations.

There were no recognised gains and losses for 2008 other than those included in the profit and loss account.

The notes on pages 9 to 23 form part of these financial statements.

SECURITIES LENDING SERVICES GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	Note	£	2008 £
Fixed assets			
Intangible fixed assets	9		49,848,262
Tangible fixed assets	10		260,494
			<u>50,108,756</u>
Current assets			
Debtors	12	4,205,849	
Cash at bank and in hand		3,681,144	
		<u>7,886,993</u>	
Creditors: amounts falling due within one year	13	<u>(8,161,832)</u>	
Net current liabilities			<u>(274,839)</u>
Total assets less current liabilities			<u>49,833,917</u>
Creditors: amounts falling due after more than one year	14		<u>(57,334,625)</u>
Net liabilities			<u><u>(7,500,708)</u></u>
Capital and Reserves			
Called up share capital	15		1,600,000
Profit and loss account			<u>(9,100,708)</u>
Shareholders' deficit	16		<u><u>(7,500,708)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 October 2008.


.....
D.T. Smith
Director

The notes on pages 9 to 23 form part of these financial statements.

SECURITIES LENDING SERVICES GROUP LIMITED

COMPANY BALANCE SHEET AS AT 30 JUNE 2008

	Note	£	2008 £
Fixed assets			
Fixed asset investments	11		45,746,147
Current assets			
Debtors	12	11,116,841	
Cash at bank		98,509	
		<u>11,215,350</u>	
Creditors: amounts falling due within one year	13	<u>(2,485,434)</u>	
Net current assets			<u>8,729,916</u>
Total assets less current liabilities			<u>54,476,063</u>
Creditors: amounts falling due after more than one year	14		<u>(57,334,625)</u>
Net liabilities			<u><u>(2,858,562)</u></u>
Capital and Reserves			
Called up share capital	15		1,600,000
Profit and loss account			<u>(4,458,562)</u>
Shareholders' deficit	16		<u><u>(2,858,562)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 October 2008.


.....
D.T. Smith
Director

The notes on pages 9 to 23 form part of these financial statements.

SECURITIES LENDING SERVICES GROUP LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008

	Note	16 months ended 30 June 2008 £
Net cash flow from operating activities	17	4,255,384
Returns on investments and servicing of finance	18	(1,663,839)
Taxation		(34,752)
Capital expenditure and financial investment	18	(249,993)
Acquisitions and disposals	18	(24,753,977)
Cash outflow before financing		(22,447,177)
Financing	18	26,128,321
Increase in cash in the period		3,681,144

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE PERIOD ENDED 30 JUNE 2008

	16 months ended 30 June 2008 £
Increase in cash in the period	3,681,144
Cash inflow from increase in debt and lease financing	(25,198,692)
Change in net debt resulting from cash flows	(21,517,548)
Other non-cash changes	(32,885,933)
Movement in net debt in the period	(54,403,481)
Net debt at 30 June 2008	(54,403,481)

The notes on pages 9 to 23 form part of these financial statements.

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

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.

The directors have reviewed the group's projected working capital requirements and fixed asset expenditure and believe that the company has sufficient funding for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Securities Lending Services Group Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the period are included from the effective date of acquisition.

The results of subsidiaries sold are included up to the effective date of disposal.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

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:

S/Term Leasehold Property	-	33%	straight line
Fixtures & fittings	-	33%	straight line
Computer equipment	-	33%	straight line

1.5 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.6 Operating leases

Rentals under operating leases are charged 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.

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

1. Accounting policies (continued)

1.7 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.

1.8 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 period.

1.9 Goodwill

Acquired goodwill is valued at the fair value of consideration received less the fair value of assets acquired by the group (see note 27). It is written off in equal annual installments over its estimated useful economic life of 10 years.

2. Turnover

A geographical analysis of turnover is as follows:

	16 months ended 30 June 2008 £
United Kingdom	6,097,619
Rest of world	6,439,309
	<hr/>
	12,536,928
	<hr/>

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

3. Operating loss

The operating loss is stated after charging:

	16 months ended 30 June 2008 £
Amortisation - intangible fixed assets	6,584,060
Depreciation of tangible fixed assets:	
- owned by the group	79,160
Operating lease rentals:	
- other operating leases	197,566
Difference on foreign exchange	6,005
	<hr/>

4. Auditors' remuneration

	16 months ended 30 June 2008 £
Fees payable to the company's auditor for the audit of the company's annual accounts	12,000
Fees payable to the company's auditor and its associates in respect of:	
The auditing of accounts of subsidiaries of the company pursuant to legislation	30,000
	<hr/>

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

5. Staff costs

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

	16 months ended 30 June 2008 £
Wages and salaries	3,472,441
Social security costs	345,847
Other pension costs	180,566
	<hr/>
	3,998,854
	<hr/>

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

16 months ended 30 June 2008 No.
45
<hr/>

6. Directors' remuneration

	16 months ended 30 June 2008 £
Emoluments	664,104
	<hr/>
Company pension contributions to money purchase pension schemes	19,616
	<hr/>

During the period retirement benefits were accruing to 3 directors in respect of money purchase pension schemes.

The highest paid director received remuneration of £290,550.

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

7. Interest payable

	16 months ended 30 June 2008 £
On bank loans and overdrafts	579,998
On other loans	4,920,678
	<u>5,500,676</u>

8. Taxation

	16 months ended 30 June 2008 £
UK corporation tax charge on loss for the period	<u>120,032</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	16 months ended 30 June 2008 £
Loss on ordinary activities before tax	<u>(8,980,676)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(2,694,203)
Effects of:	
Expenses not deductible for tax purposes	2,987,336
Capital allowances for period in excess of depreciation	(12,118)
Utilisation of tax losses	(160,983)
Current tax charge for the period (see note above)	<u>120,032</u>

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

9. Intangible fixed assets

	Goodwill £
Group	
Cost	
On acquisition of subsidiaries	56,432,322
At 30 June 2008	<u>56,432,322</u>
Amortisation	
Charge for the period	6,584,060
At 30 June 2008	<u>6,584,060</u>
Net book value	
At 30 June 2008	<u><u>49,848,262</u></u>

10. Tangible fixed assets

	Land and buildings £	Furniture, fittings and equipment £	Total £
Group			
Cost			
At 12 February 2007	-	-	-
Additions	101,807	148,186	249,993
Disposals	(46,669)	-	(46,669)
On acquisition of subsidiaries	47,061	298,855	345,916
	<u>102,199</u>	<u>447,041</u>	<u>549,240</u>
At 30 June 2008			
Depreciation			
At 12 February 2007	-	-	-
Charge for the period	11,444	67,716	79,160
On acquisition of subsidiaries	40,390	214,405	254,795
On disposals	(45,209)	-	(45,209)
	<u>6,625</u>	<u>282,121</u>	<u>288,746</u>
At 30 June 2008			
Net book value			
At 30 June 2008	<u><u>95,574</u></u>	<u><u>164,920</u></u>	<u><u>260,494</u></u>

11. Fixed asset investments

The shares of all companies except DataExplorers Limited and Spitalfields Advisors Limited are held via DataExplorers Limited.

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

11. Fixed asset investments (continued)

Company	Shares in group undertakings £
Cost or valuation	
At 12 February 2007	-
Additions	57,950,000
Disposals	(12,203,853)
	<u>45,746,147</u>
At 30 June 2008	<u>45,746,147</u>

Details of the principal subsidiaries can be found under note number 26.

On 25 April 2007 the company acquired interests in the following companies pursuant to sale and purchase agreements that were entered into with the various vendors, for a total consideration of £56,500,000 plus fees of £1,450,000:

Company	Interest acquired
DataExplorers Limited	100%
Performance Explorer Limited	30%
IndexExplorer Limited	32.5%
Spitalfields Advisors Limited	100%

On 26 April 2007 the interests acquired in Performance Explorer Limited and IndexExplorer Limited were transferred to DataExplorers Limited pursuant to an inter group transfer agreement. DataExplorers Limited already owned majority stakes in these companies.

On 30 June 2008 the trade and assets of Performance Explorer Limited, IndexExplorer Limited and Risk Explorer Limited were hived up into DataExplorers Limited and these companies ceased to trade.

12. Debtors

	Group 2008 £	Company 2008 £
Trade debtors	2,994,933	-
Amounts owed by group undertakings	-	9,677,838
Other debtors	8,230	863,851
Prepayments and accrued income	1,202,686	575,152
	<u>4,205,849</u>	<u>11,116,841</u>

All amounts are due within one year.

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

13. Creditors: Amounts falling due within one year

	Group 2008 £	Company 2008 £
Bank loans and overdrafts	750,000	750,000
Trade creditors	254,860	12,732
Amounts owed to group undertakings	-	871,854
Corporation tax	126,164	-
Social security and other taxes	441,511	61,675
Other creditors	272,795	13,938
Accruals and deferred income	6,316,502	775,235
	<u>8,161,832</u>	<u>2,485,434</u>

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

	Group 2008 £	Company 2008 £
Bank loans	13,150,000	13,150,000
Other loans	44,184,625	44,184,625
	<u>57,334,625</u>	<u>57,334,625</u>

Included within the above are amounts falling due as follows:

	Group 2008 £	Company 2008 £
Between one and two years		
Bank loans	<u>12,087,500</u>	<u>12,087,500</u>
Over five years		
Bank loans	1,062,500	1,062,500
Loan notes	<u>44,184,625</u>	<u>44,184,625</u>

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

14. Creditors: Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows:

	Group 2008 £	Company 2008 £
Repayable by instalments	1,062,500	1,062,500
Repayable other than by instalments	44,184,625	44,184,625
	<u>45,247,125</u>	<u>45,247,125</u>

Loan notes are repayable in full in the event of a sale or listing or, if earlier, 25 April 2017. Interest is accrued daily at a rate of 8% per annum. See note 23 for loan notes held by related parties.

At 30 June 2008 Securities Lending Services Group Limited had a bank facility with Kaupthing Singer and Friedlander Limited. There are cross guarantees in place to guarantee this loan from other group companies, DataExplorers Limited and Spitalfields Advisors Limited.

15. Share capital

	2008 £
Authorised	
2,500,000 Ordinary - A shares of £1 each	2,500,000
2,500,000 Ordinary - B shares of £1 each	2,500,000
2,500,000 Ordinary - C shares of £1 each	2,500,000
2,500,000 Ordinary - D shares of £1 each	2,500,000
	<u>10,000,000</u>
Allotted, called up and fully paid	
815,860 Ordinary - A shares of £1 each	815,860
400,532 Ordinary - B shares of £1 each	400,532
156,005 Ordinary - C shares of £1 each	156,005
227,603 Ordinary - D shares of £1 each	227,603
	<u>1,600,000</u>

One share was issued for cash at par on the date of incorporation, 12 February 2007. The remaining shares were issued on 25 April 2007 at par either as cash or as part of a share for share exchange on acquisition of shares in DataExplorers Limited, Spitalfields Advisors Limited, Performance Explorer Limited and IndexExplorer Limited.

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

16. Reconciliation of movement in shareholders' deficit

	2008 £
Group	
Opening shareholders' funds	-
Loss for the period	(9,100,708)
Shares issued during the period	1,600,000
	<hr/>
Closing shareholders' deficit	(7,500,708)
	<hr/>
 Company	 2008 £
Opening shareholders' funds	-
Loss for the period	(4,458,562)
Shares issued during the period	1,600,000
	<hr/>
Closing shareholders' deficit	(2,858,562)
	<hr/>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The loss for the period dealt with in the accounts of the company was £4,458,562.

17. Net cash flow from operations

	16 months ended 30 June 2008 £
Operating loss	(3,916,930)
Amortisation of intangible fixed assets	6,584,060
Depreciation of tangible fixed assets	79,160
Increase in debtors	(2,200,901)
Increase in creditors	3,709,995
	<hr/>
Net cash inflow from operations	4,255,384
	<hr/>

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

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

	16 months ended 30 June 2008 £
Returns on investments and servicing of finance	
Interest received	436,930
Interest paid	(2,100,769)
	<u>(1,663,839)</u>
Net cash outflow from returns on investments and servicing of finance	
	16 months ended 30 June 2008 £
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(249,993)
	<u>(249,993)</u>
	16 months ended 30 June 2008 £
Acquisitions and disposals	
Purchase of fixed asset investments	(27,663,597)
Cash acquired from subsidiaries	2,909,620
	<u>(24,753,977)</u>
Net cash outflow from acquisitions and disposals	
	16 months ended 30 June 2008 £
Financing	
Issue of ordinary shares	929,629
New secured loans	15,000,000
Repayment of loans	(1,100,000)
Issue of loan notes	32,827,523
Redemption of loan notes	(21,528,831)
	<u>26,128,321</u>
Net cash inflow from financing	

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

19. Analysis of changes in net debt

	12 February 2007 £	Cash flow £	Other non-cash changes £	30 June 2008 £
Cash at bank and in hand:	-	3,681,144	-	3,681,144
Debt:				
Debts due within one year	-	(750,000)	-	(750,000)
Debts falling due after more than one year	-	(24,448,692)	(32,885,933)	(57,334,625)
Net debt	-	(21,517,548)	(32,885,933)	(54,403,481)

20. Major non-cash transactions

Non-cash changes consist of capitalised interest on loan notes and loan notes issued in exchange for shares in subsidiaries.

21. Pension commitments

The pension cost charge represents contributions payable by the group into individuals own pension funds. Contributions payable by the group for the period were £180,566.

22. Operating lease commitments

At 30 June 2008 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2008 £
Group	
Expiry date:	
Within 1 year	116,065
After more than 5 years	180,290

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

23. Related party transactions

Following incorporation on 12 February 2007, the company acquired the entire share capital of DataExplorers Limited and Spitalfields Advisors Limited together with the minority shareholdings in Performance Explorer Limited and IndexExplorer Limited not already owned by DataExplorers Limited from M C Faulkner and B K Cuthbert and other vendors. The total acquisition cost for these transactions, including fees of £1,450,000, was £57,950,000 as set out in note 11.

The amounts paid to M C Faulkner and B K Cuthbert were £22,210,994 and £12,939,300 respectively together with an amount of £5,333,333 paid to a trust of which B K Cuthbert's dependent children are beneficiaries. The amount paid to the trust was all in cash whilst the amounts paid to M C Faulkner and B K Cuthbert were a combination of £7,666,667 and £1,333,333 in cash, £14,143,795 and £5,508,924 in unsecured loan notes, £400,532 in B Ordinary shares to M C Faulkner and £156,005 in C Ordinary Shares to B K Cuthbert and in the case of B K Cuthbert £5,941,038 in A Loan Notes.

During the year all of the A Loan Notes were redeemed and a total of £250,911 interest was paid on these A Loan Notes.

During the year the company redeemed an element of the unsecured loan notes which are held by its shareholders and also paid some interest in cash on redemption of those loan notes. Details of accrued interest and interest capitalised are shown below together with the amount of the original capital outstanding at 30 June 2008.

	Interest accrued 30 June 2008 £	Interest capitalised 30 June 2008 £	Capital outstanding 30 June 2008 £
Ventry Nominees Limited	365,967	1,880,178	23,418,648
Dr B.K. Cuthbert	28,600	288,867	1,688,249
A. Cuthbert	33,713	29,753	2,300,817
M.C. Faulkner	160,006	819,332	10,241,661
J.C.E. Pittam	39,351	201,504	2,518,812
W.A.L. Duff Gordon	10,904	49,598	704,169
P. Menzies	244	1,247	15,593
A. Moore	325	1,663	20,791
T. Knox	54	277	3,466
	<u>639,164</u>	<u>3,272,419</u>	<u>40,912,206</u>

24. Post balance sheet events

On 21 August 2008 the existing bank facility was refinanced with HSBC for £14 million made up of Facility A loan of £8m and Facility B loan of £6 m. The amount of the facility with Kaupthing Singer and Friedlander Limited as at 30 June 2008 was £13.9 million.

25. Controlling party

There is no one ultimate controlling party.

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

26. Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
DataExplorers Limited	England and Wales	100	Developing software for use in the securities lending industry
Spitalfields Advisors Limited	England and Wales	100	Provision of consultancy services
Performance Explorer Limited	England and Wales	100	Provision of securities lending transaction data
IndexExplorer Limited	England and Wales	100	Web-based data vending service
Risk Explorer Limited	England and Wales	100	Providing service to measure risk in securities lending programs
Report Explorer Limited	England and Wales	100	Provision of information relating to securities lending exposure
DataExplorers Inc	USA	100	Provision of information relating to securities lending exposure

27. Acquisitions and Disposals

Acquisitions

	Vendors' book value £	Fair value to the group £
Assets and liabilities acquired		
Tangible fixed assets	93,038	93,038
Debtors	1,458,998	1,458,998
Cash at bank	2,909,620	2,909,620
Loans and finance leases	(2,943,978)	(2,943,978)
Net assets acquired	1,517,678	1,517,678
Satisfied by		
Consideration:		
Cash		26,216,114
Shares and loan notes		30,283,886
Acquisition costs		1,450,000
		57,950,000
Goodwill arising on consolidation (see note 9)		56,432,322

SECURITIES LENDING SERVICES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2008

Pre-aquisition results for substantial acquisitions were as follows:

Results for the period from 1 July 2006 to 25 April 2007

	Turnover £	Operating profit £	Profit before taxation £	Taxation £
DataExplorers Limited and its subsidiaries	4,397,983	568,606	633,725	263
Spitalfields Advisors Limited	821,015	294,030	300,134	31,673

There is no difference between profit after tax and the recognised gains and losses for the period.

Results for the year ended 30 June 2006

	Profit/(loss) after taxation and minority interests £
DataExplorers Limited and its subsidiaries	(377,750)
Spitalfields Advisors Limited	75,601