

# **Securities Lending Services Group Limited**

Directors' report and financial statements

For the year ended 30 June 2011

Registered number 06097517

THURSDAY



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29/03/2012  
COMPANIES HOUSE

## **Company Information**

<b>Directors</b>	D T Smith M C Faulkner B K Cuthbert C T M Ind D R Calam M K P Grassby L Olesky
<b>Company secretary</b>	L G Berry
<b>Company number</b>	06097517
<b>Registered office</b>	2 Seething Lane London EC3N 4AT
<b>Auditors</b>	KPMG LLP Chartered Accountants & Registered Auditors 15 Canada Square London E14 5GL

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## Directors' report

The directors present their report and the financial statements for the year ended 30 June 2011

### Principal activities

The principal activity of the group was 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

### Business review

The financial year to 30 June 2011 was another successful year for the group

The primary focus continues to be on delivering innovative solutions to clients. New product launches and proprietary content enhancements have increased the ability of our clients to generate increased returns and manage risk throughout their portfolios. The Group received two awards in recognition of our continued investment in our service offering, Global/ISF 'Most Innovative Technology Provider/Platform' for the 2<sup>nd</sup> year running as voted for by industry professionals, and the Investorside Research 'Best Provider of Quantitative Analysis for Short Sellers'

The means by which our clients can access our proprietary content was enhanced by the launch of our service on the Bloomberg Professional Service, and similarly on Thomson Reuters Quantitative Analytics' and Standard & Poor's Capital IQ platforms

In May, the Company announced a co-branded partnership with Nasdaq OMX, with the launch of the Nasdaq-100 Data Explorers optimised index which enhances liquidity through the use of the Company's stock loan information

Our News and research coverage has grown to include published daily and weekly research reports, articles and videos covering a broad array of topics including key changes in sector and company short interest, global regulation, academic research including proprietary papers and sources of alpha generation and risk mitigation on Data Explorers.com

In September 2010, our Asia office was opened in Hong Kong. The Group also hosted one of the three successful Data Explorers Securities Financing Forums in the territory which along with events in London and New York, continue to be the events to attend for insightful analysis on the challenges and opportunities facing the securities financing market

Financially the Group grew Revenue, EBITDA and EBITDA margins, and was ranked amongst the Top 30 fastest growing UK private equity-backed companies in the latest Sunday Times Deloitte Buyout Track 100

### *Future Developments*

Further opportunities exist to allow clients to integrate the service within their preferred workflow tools, and to that end the Group is working on expanding the range of strategic partnerships that give clients that opportunity. Additionally, new content and analytical tools to improve decision support for clients which will be rolled out over the next 12 months

### *Principal risks and uncertainties*

The financial services industry, which the Group serves, continues to be impacted by the aftermath of the financial crisis of 2007/08. Sovereign debt issues are the latest manifestation of the problems and will influence industry profitability and structure until fully resolved

The Company's cash is deposited with HSBC who are also the Company's lender. Receivables are due primarily from global financial institutions and similar entities

### *Key performance indicators*

The group is focused on growing both revenue and profitability (EBITDA). Revenue has grown 22% year on year, with EBITDA growing 39%. EBITDA margins also improved by 5%

## Results

The loss for the period, after taxation, amounted to £3,728,908 (2010 £5,950,929)

The directors do not recommend the payment of a dividend (2010 nil)

### Directors and directors' interests

The directors who held office during the year were as follows

DR Calam  
BK Cuthbert  
MC Faulkner  
CTM Ind  
MKP Grassby  
DT Smith  
L Olesky

### Going concern and liquidity

The group and company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1

The group has an £8m term loan of which £4.8m is outstanding at the year end and a £4.75m rolling credit facility taken out in January 2011, both of which mature in June 2014. The bank facility is subject to three covenants: the ratio of EBITDA to total debt, the ratio of interest to EBITDA, and the ratio of cash available for debt service to total debt service costs. The Company's forecasts and projections show that the Company should be able to operate within these covenants and to repay the term loan on or before the maturity date.

At 30 June 2011, the total loan due to HSBC was £9.6m (2010: £6.2m) and is subject to these covenants, and loans to shareholders was £40.4m (2010: £45.3m). Repayments against the HSBC loans during the year totalled £1.4m (2010: £1.75m). Repayments against the loans to shareholders during the year amounted to £8.4m (2010: £6.2m).

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Charitable and political contributions

The Group made charitable donations of £1,000 during the year (2010: £nil). The Group made no political donations or incurred any political expenditure during the year (2010: £nil).

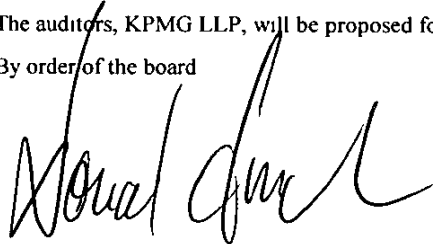
### Disclosure of information to auditors

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

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

By order of the board



DT Smith  
Director

2 Seething Lane  
London  
EC3N 4AT

14 September 2011

## **Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements**

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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## **Independent auditor's report to the members of Securities Lending Services Group Limited**

We have audited the financial statements of Securities Lending Services Group Limited for the year ended 30 June 2011 set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**Independent auditor's report to the members of Securities Lending Services Group Limited** *(continued)*

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

*W Southwood*

*20 September 2011*

**W Southwood (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL



**Consolidated profit and loss account**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>Year ended 30 June 2011 £</b>	<b>Year ended 30 June 2010 £</b>
<b>Turnover</b>	<i>1,2</i>	<b>21,381,073</b>	17,489,592
Cost of sales		<b>(10,301,649)</b>	(8,596,291)
<b>Gross profit</b>		<b>11,079,424</b>	8,893,301
Administrative expenses		<b>(9,828,056)</b>	(9,889,064)
<b>Operating profit/(loss)</b>	<i>3</i>	<b>1,251,368</b>	(995,763)
Interest receivable		<b>3,611</b>	6,542
Interest payable	<i>7</i>	<b>(3,875,960)</b>	(4,408,846)
<b>Loss on ordinary activities before taxation</b>		<b>(2,620,981)</b>	(5,398,067)
Tax on loss on ordinary activities	<i>8</i>	<b>(1,107,927)</b>	(552,862)
<b>Loss on ordinary activities after taxation</b>		<b>(3,728,908)</b>	(5,950,929)

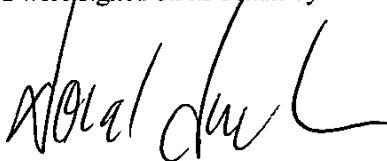
All amounts relate to continuing operations

There were no recognised gains and losses in the current and prior year other than those included in the profit and loss account

**Consolidated balance sheet**  
**at 30 June 2011**

	Note	2011	2010
		£	£
<b>Fixed assets</b>			
Intangible assets	9	32,963,643	38,614,603
Tangible fixed assets	10	223,434	304,714
		<u>33,187,077</u>	<u>38,919,317</u>
<b>Current assets</b>			
Debtors	12	4,693,619	4,254,103
Cash at bank and in hand		3,946,531	677,355
		<u>8,640,150</u>	<u>4,931,458</u>
<b>Creditors</b> amounts falling due within one year	13	(17,040,277)	(13,967,370)
<b>Net current liabilities</b>		<u>(8,400,127)</u>	<u>(9,035,912)</u>
<b>Total assets less current liabilities</b>		<u>24,786,950</u>	<u>29,883,405</u>
<b>Creditors:</b> amounts falling due after more than one year	14	(48,340,571)	(49,919,032)
<b>Net liabilities</b>		<u>(23,553,621)</u>	<u>(20,035,627)</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,610,001	1,600,001
Profit and loss account		(25,163,622)	(21,635,628)
<b>Equity Shareholders' deficit</b>	16	<u>(23,553,621)</u>	<u>(20,035,627)</u>

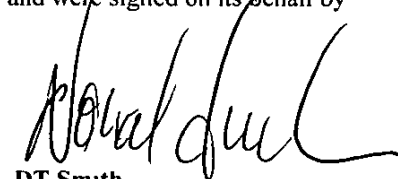
These financial statements were approved and authorised for issue by the board of directors on ~~14 September~~ 2011 and were signed on its behalf by

  
**DT Smith**  
Director

**Company balance sheet**  
*at 30 June 2011*

	<i>Note</i>	<b>2011</b>	<b>2010</b>
		£	£
<b>Fixed assets</b>			
Fixed asset investment	11	45,794,992	45,794,992
<b>Current assets</b>			
Debtors	12	91,274	124,886
Cash at bank and in hand		60,003	78,259
		<u>151,277</u>	<u>203,145</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(14,332,010)</u>	<u>(7,153,934)</u>
<b>Net current liabilities</b>		<u>(14,180,733)</u>	<u>(6,950,789)</u>
<b>Total assets less current liabilities</b>		<u>31,614,259</u>	<u>38,844,203</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(48,340,571)</u>	<u>(49,919,032)</u>
<b>Net liabilities</b>		<u>(16,726,312)</u>	<u>(11,074,829)</u>
<b>Capital and reserves</b>			
Called up share capital	15	1,610,001	1,600,001
Profit and loss account		(18,336,313)	(12,674,830)
<b>Equity Shareholders' deficit</b>	16	<u>(16,726,312)</u>	<u>(11,074,829)</u>

These financial statements were approved and authorised for issue by the board of directors on 14 September 2011 and were signed on its behalf by



**DT Smith**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>Year ended 30 June 2011 £</b>	<b>Year ended 30 June 2010 £</b>
Net cash flow from operating activities	17	9,662,514	7,443,264
Returns on investments and servicing of finance	18	(2,436,290)	(1,846,743)
Taxation		(722,085)	(177,679)
Capital expenditure and financial investment	18	(93,178)	(84,192)
Cash inflow before financing		<b>6,410,961</b>	<b>5,334,650</b>
Financing outflow	18	(3,107,975)	(6,741,114)
Effect of exchange rate fluctuations on cash held	19	(33,810)	16,374
Increase/(decrease) in cash in the year	19	<b>3,269,176</b>	<b>(1,390,090)</b>

**Reconciliation of net cash flow to movement in net debt**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>Year ended 30 June 2011 £</b>	<b>Year ended 30 June 2010 £</b>
Increase/(decrease) in cash in the year	19	3,269,176	(1,390,090)
Cash outflow from change in debt and lease financing	18	3,107,975	6,741,114
Change in net debt resulting from cash flows		<b>6,377,151</b>	<b>5,351,024</b>
Other non-cash changes in debt	19	(1,457,064)	(2,597,236)
Movement in net debt in the year		<b>4,920,087</b>	<b>2,753,788</b>
Net Debt Brought Forward		<b>(50,584,670)</b>	<b>(53,338,458)</b>
Net debt at 30 June 2011	19	<b>(45,664,583)</b>	<b>(50,584,670)</b>

## **Notes** *(forming part of the financial statements)*

### **1 Accounting policies**

#### ***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 group and company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review on page 1

The group meets its day-to-day working capital requirements through an £8m term loan and £4 75m rolling credit facility which both mature in 2014. The current economic conditions create uncertainty particularly over the level of demand for the Company's products and the availability of bank finance in the foreseeable future

The bank facility is subject to three covenants: the ratio of EBITDA to total debt, the ratio of interest to EBITDA, and the ratio of cash available for debt service to total debt service costs. The Company's forecasts and projections, taking account of reasonably probable changes in trading performance, show that the Company should be able to operate within the level of its current facility. The Company has no reason to suggest that renewal of the facility may not be forthcoming on acceptable terms.

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### ***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.

#### ***Turnover***

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover is generally recognised on a straight line basis over the contract term, other than turnover for consulting services, which is recognised on a percentage completion basis when the services are performed.

#### ***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:

Short term leasehold property	-	over term of the lease
Fixtures and fittings	-	33% straight line
Computer equipment	-	33% straight line

#### ***Investments***

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

#### ***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.

#### ***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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pensions*

The pension cost charge represents contributions payable by the Company into individuals own pension funds

#### *Share Based Payments*

The share options programme allows group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an evaluation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to or reimbursed by the subsidiary are recognised as a reduction in the cost of investment in the subsidiary.

#### *Goodwill*

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

#### *Taxation*

On 23 March 2011 the UK Government announced the reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 and a further reduction to 25% with effect from 1 April 2012. This change became substantively enacted on 29 March 2011 and 7 July 2011, respectively. The UK Government also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted. The impact of the future rate reductions will be accounted for to the extent that they are enacted at the balance sheet date. This will not have a material effect on the Company. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date.

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.

#### *Deferred commissions*

Commissions are capitalised and charged to expenses over the life of the related contract where the expenditure is incremental, clearly linked to the contract and the outcome of the contract can be assessed with reasonable certainty.

## Notes (continued)

### 2 Turnover

A geographical analysis of turnover split by destination is as follows

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
United Kingdom	5,898,086	6,052,274
Rest of world	15,482,987	11,437,318
	<u>21,381,073</u>	<u>17,489,592</u>

### 3 Operating profit/(loss)

*Operating profit/(loss) is arrived at, after charging/(crediting)*

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Amortisation – intangible fixed assets	5,650,960	5,650,959
Depreciation of tangible fixed assets		
- owned by the group	172,367	170,301
Operating lease rentals		
- other operating leases	551,755	440,925
Foreign exchange (gains)/losses	(957)	44,584
	<u></u>	<u></u>

### 4 Auditor's remuneration

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
<i>Amounts receivable by auditors and their associates in respect of:</i>		
Audit of these financial statements	13,500	12,000
Audit of financial statements of subsidiaries pursuant to legislation	32,000	30,000
Other services relating to taxation	102,012	81,696
	<u></u>	<u></u>

## Notes (continued)

### 5 Staff costs

Staff costs, including directors' remuneration, were as follows

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Wages and salaries	7,820,018	6,733,369
Social security costs	860,824	713,881
Other pension costs	479,277	513,564
	<u>9,160,119</u>	<u>7,960,814</u>

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

	Number of employees Year ended 30 June 2011	Year ended 30 June 2010
Admin	78	76
Sales	26	24
	<u>104</u>	<u>100</u>

### 6 Remuneration of directors

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Directors' emoluments	455,750	345,667
Company pension contributions to money purchase pension schemes	117,315	160,277

During the year retirement benefits were accruing to 3 (2010 3) directors in respect of money purchase pension schemes

The highest paid director received remuneration of £400,000 (2010 £286,667)



## Notes (continued)

### 7 Interest payable

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
On bank loans and overdrafts	323,009	512,209
On other loans	3,463,292	3,839,630
Amortisation of loan issuance costs	89,659	57,007
	<u>3,875,960</u>	<u>4,408,846</u>

### 8 Taxation

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Corporation tax charge on loss for the year	1,107,927	552,862
Total current tax charge	<u>1,107,927</u>	<u>552,862</u>

#### Factors affecting the tax charge for the period

The tax assessed for the period is different (2010 different) than the standard rate of corporation tax in the UK of 27.5% (2010 28%). The differences are explained below

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Loss on ordinary activities before tax	(2,620,981)	(5,398,067)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.5% (2010 28%)	(720,770)	(1,511,459)
Effects of		
Expenses not deductible for tax	1,839,644	2,065,225
Capital allowances for period in excess of depreciation	(38,950)	(24,080)
Higher overseas tax rate	28,003	23,176
Total current tax charge	<u>1,107,927</u>	<u>552,862</u>

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods after taking into account expenditure not deductible for taxation and any non-taxable income. The statutory rate of UK corporation tax was reduced to 26% with effect from 1 April 2011.

## Notes (continued)

### 9 Intangible fixed assets

<b>Group</b>	<b>Year ended 30 June 2011</b>
<b>Goodwill</b>	
<i>Cost</i>	<i>£</i>
At beginning of year	56,492,855
	<hr/>
At end of year	56,492,855
	<hr/>
<i>Amortisation</i>	
At beginning of year	17,878,252
Charged in year	5,650,960
	<hr/>
At end of year	23,529,212
	<hr/>
<i>Net book value</i>	
At 30 June 2011	32,963,643
	<hr/>
At 30 June 2010	38,614,603
	<hr/>

During the year an impairment review was not considered necessary. In the year ended 30 June 2009 the directors reviewed the carrying value of the goodwill for impairment as it was the first full year following acquisition. No impairment was considered necessary.

### 10 Tangible fixed assets

<b>Group</b>	<b>Land and buildings</b>	<b>Fixtures, fittings and equipment</b>	<b>Total</b>
<i>Cost</i>	<i>£</i>	<i>£</i>	<i>£</i>
At beginning of year	185,904	721,132	907,036
Foreign exchange differences	-	(3,781)	(3,781)
Additions	12,266	80,912	93,178
	<hr/>	<hr/>	<hr/>
At end of year	198,170	798,263	996,433
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	57,760	544,562	602,322
Foreign exchange differences	-	(1,689)	(1,689)
Charge for year	33,786	138,581	172,367
	<hr/>	<hr/>	<hr/>
At end of year	91,546	681,454	773,000
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 2011	106,624	116,809	223,434
	<hr/>	<hr/>	<hr/>
At 30 June 2010	128,144	176,570	304,714
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 11 Fixed asset investments

The shares of Data Explorers (Hong Kong) Limited, Securities Finance Systems Limited and Data Explorers Incorporated are held by Data Explorers Limited and the shares of Data Explorers Limited and Data Explorers Consulting Limited are held by the Company

Company	Year ended 30 June 2011 £	Year ended 30 June 2010 £
<i>Cost or valuation</i>		
At beginning and end of year	<b>45,794,992</b>	45,794,992

Details of the principal subsidiaries can be found under note 25

### 12 Debtors

Group	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Trade debtors	<b>2,811,979</b>	2,821,495
Other debtors	<b>81,459</b>	166,223
Prepayments and accrued income	<b>1,800,181</b>	1,266,385
	<b>4,693,619</b>	4,254,103

Company	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Amounts owed by group undertakings	<b>43,549</b>	87,100
Other debtors	<b>21,636</b>	7,914
Prepayments and accrued income	<b>26,089</b>	29,872
	<b>91,274</b>	124,886

All amounts are due within one year

## Notes (continued)

### 13 Creditors: amounts falling due within one year

Group	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Bank loans and overdrafts	1,270,543	1,342,993
Trade creditors	260,769	322,439
Corporation tax	913,455	527,613
Social security and other taxes	670,160	555,617
Other creditors	914,019	643,726
Accruals and deferred income	13,011,331	10,574,982
	<u>17,040,277</u>	<u>13,967,370</u>

Company	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Bank loans and overdrafts	1,270,543	1,342,993
Trade creditors	23,503	55,282
Corporation tax	70,000	70,000
Amounts owed to group undertakings	11,993,647	4,789,205
Social security and other taxes	52,605	172,513
Other creditors	100,421	35,315
Accruals and deferred income	821,291	688,626
	<u>14,332,010</u>	<u>7,153,934</u>

**Notes (continued)**

**14 Creditors amounts falling due after more than one year**

<b>Group and company</b>	<b>Year ended 30 June 2011 £</b>	<b>Year ended 30 June 2010 £</b>
Bank loans	7,916,086	4,625,477
Other loans	40,424,485	45,293,555
	<u>48,340,571</u>	<u>49,919,032</u>

Included within the above are amounts due as follows

<b>Group and company</b>	<b>Year ended 30 June 2011 £</b>	<b>Year ended 30 June 2010 £</b>
<b>Between one and five years</b>		
Bank loans	7,916,086	4,625,477
	<u>7,916,086</u>	<u>4,625,477</u>
<b>Over five years</b>		
Other loans	40,424,485	45,293,555
	<u>40,424,485</u>	<u>45,293,555</u>

Creditors include amounts not wholly repayable within 5 years as follows

<b>Group and company</b>	<b>Year ended 30 June 2011 £</b>	<b>Year ended 30 June 2010 £</b>
Repayable by instalments	-	-
Repayable other than by instalments	40,424,485	45,293,555
	<u>40,424,485</u>	<u>45,293,555</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 2011 Securities Lending Services Group Limited had a bank facility with HSBC Bank plc. Included within this facility is an £8m term loan which is repayable by semi-annual instalments over the period to June 2014. In January 2011 the Company has taken out a new rolling credit facility of £4.75m which is repayable in full in 2014. There are cross guarantees in place to guarantee this loan from the Company and from group companies Data Explorers Limited, Data Explorers Consulting Limited and Data Explorers Incorporated.

## Notes (continued)

### 15 Called up share capital

	Year ended 30 June 2011	Year ended 30 June 2010
	£	£
<b>Authorised</b>		
20,000,000 Ordinary A shares of £0.10 each (2010 25,000,000 of £0.10 each)	2,000,000	2,500,000
20,000,000 Ordinary B shares of £0.10 each (2010 25,000,000 of £0.10 each)	2,000,000	2,500,000
20,000,000 Ordinary C shares of £0.10 each (2010 25,000,000 of £0.10 each)	2,000,000	2,500,000
20,000,000 Ordinary D shares of £0.10 each (2010 25,000,000 of £0.10 each)	2,000,000	2,500,000
20,000,000 Ordinary E shares of £0.10 each (2010 nil)	2,000,000	-
	<b>10,000,000</b>	<b>10,000,000</b>
<b>Allotted, called up and fully paid</b>		
8,038,160 Ordinary A shares of £0.10 each (2010 8,038,160 of £0.10 each)	803,860	803,860
4,005,320 Ordinary B shares of £0.10 each (2010 4,005,320 of £0.10 each)	400,532	400,532
1,560,060 Ordinary C shares of £0.10 each (2010 1,560,060 of £0.10 each)	156,006	156,006
2,396,030 Ordinary D shares of £0.10 each (2010 2,396,030 of £0.10 each)	239,603	239,603
100,000 Ordinary E shares of £0.10 each (2010 £nil)	10,000	-
	<b>1,610,001</b>	<b>1,600,001</b>

The Ordinary A, B, C & D shares rank pari passu

On 16 February 2011, the Company allotted 100,000 E shares to Donal Smith at par value, being the sum of £10,000. The directors consider that the Company is a close company, as defined by section 439 Corporation Tax Act 2010.

### 16 Reconciliation of movement in shareholders' deficit

Group	Year ended 30 June 2011	Year ended 30 June 2010
	£	£
Opening shareholders' deficit	(20,035,627)	(14,109,444)
Loss for the year	(3,728,908)	(5,950,929)
Share based payments	169,271	93,392
Issue of Ordinary E shares	10,000	-
Foreign exchange	(11,907)	18,454
Sale/Purchase of own shares by Employee Share Ownership Trust	43,550	(87,100)
Closing shareholders' deficit	<b>(23,553,621)</b>	<b>(20,035,627)</b>
<b>Company</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>
	£	£
Opening shareholders' funds	(11,074,829)	(6,929,914)
Loss for the year	(5,641,740)	(4,178,832)
Issue of Ordinary E shares	10,000	-
Share based payments	(19,743)	33,917
Closing shareholders' deficit	<b>(16,726,312)</b>	<b>(11,074,829)</b>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the period dealt with in the accounts of the Company was £5,641,740 (2010 £4,178,832).

During the year, the group sold 80,000 of its shares for £43,550 which were held in an Employee Benefit Trust.

**Notes (continued)**

**17 Net cash flow from operations**

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Operating profit/(loss)	1,251,368	(995,763)
Amortisation of intangible fixed assets	5,650,960	5,650,959
Depreciation of tangible fixed assets	172,367	170,301
Share based payment charge	169,270	93,392
Increase in debtors	(395,965)	(765,866)
Increase in creditors	2,814,514	3,290,241
Net cash inflow from operations	9,662,514	7,443,264

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

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
<b>Return of investments and servicing of finance</b>		
Interest received	3,611	6,542
Interest paid	(2,439,901)	(1,853,285)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(2,436,290)</b>	<b>(1,846,743)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(93,178)	(84,192)
<b>Financing</b>		
Issue of ordinary E shares	10,000	-
New secured loans	4,528,500	-
Repayment of loans	(1,400,000)	(1,775,000)
Issue of loan notes	-	-
Redemption of loan notes	(6,246,475)	(4,966,114)
<b>Net cash out flow from financing</b>	<b>(3,107,975)</b>	<b>(6,741,114)</b>

## Notes (continued)

### 19 Analysis of changes in net debt

	30 June 2010 £	Cash flow £	Other Non-cash changes £	30 June 2011 £
Cash at bank and in hand	677,355	3,302,986	(33,810)	3,946,531
<b>Debt</b>				
Debts due within one year	(1,342,993)	162,109	(89,659)	(1,270,543)
Debts falling due after more than one year	(49,919,032)	2,945,866	(1,367,405)	(48,340,571)
<b>Net debt</b>	<u>(50,584,670)</u>	<u>6,410,961</u>	<u>(1,490,874)</u>	<u>(45,664,583)</u>

### 20 Major non-cash transactions

Non-cash changes consist of capitalised interest on loan notes

### 21 Pension commitments

The pension cost charge represents contributions payable by the Company into individuals own pension funds. Contributions payable by the Company for the period were £479,277 (2010 £513,564)

### 22 Operating lease commitments

The Group had annual commitments under non-cancellable operating leases as follows

Group	Year ended 30 June 2011 Land and buildings £	Year ended 30 June 2010 Land and Buildings £
Expiry date		
Within 1 year	286,570	128,481
Within 2-5	241,024	241,024
After more than 5 years	-	-

The company itself has no operating lease commitments



## Notes (continued)

### 23 Related party transactions

On 29 June 2010 M C Faulkner transferred his shares and loan notes plus interest to Roe Investment Management Limited

On 29 October 2010, Securities Finance Systems Limited and D Smith jointly, as trustees of the Data Explorers Employee Benefit Trust sold 48,000 D shares for a consideration of £26 130

On 16 February 2011, the Company allotted 100,000 E shares to Donal Smith at par value, being the sum of £10,000

On 19 April 2011, Securities Finance Systems Limited and D Smith jointly, as trustees of the Data Explorers Employee Benefit Trust sold 32,000 D shares for a consideration of £17,420

The movement in the loan note balances during the year are as follows

Holder of Relevant Loan Notes At end of year	Capital & Interest	Interest accrued	Capital & Interest Redeemed	Capital & Interest
	At beginning of year £	During year £	During year £	At end of year £
Ventry Nominees Limited	26,580,231	1,991,554	(4,837,975)	23,733,810
Dr B K Cuthbert	1,895,300	142,140	(344,971)	1,692,469
A Cuthbert	2,583,647	193,763	(470,260)	2,307,150
Roe Investment Management Limited	11,499,395	858,099	(2,093,049)	10,264,445
D Smith	109,188	8,148	(19,874)	97,462
Other Loan Note Holders	3,274,421	244,347	(595,989)	2,922,779
	<u>45,942,182</u>	<u>3,438,051</u>	<u>(8,362,118)</u>	<u>41,018,115</u>

The Company is ultimately controlled by funds managed by Bowmark Capital LLP

## Notes (continued)

### 24 Employee Share Schemes

#### Share based payments – Group

Option Plan	Date of Grant	Number of Options Granted at Year End	Strike Price	Expected Life of Option (at time of grant)	Share price at grant	Method of Settlement Accounting
			£	Years	£	
Outstanding at 1 July 2010	Various	1,420,668	7.97	2.97	3.37	Equity
6 <sup>th</sup> Grant	1 Jul 10	307,056	8.75	1.31	3.37	Equity
7 <sup>th</sup> Grant	7 Sep 10	88,889	8.75	1.12	3.37	Equity
Leavers in year to 30 June 2011		(314,168)	8.75	2.91	3.37	Equity
Total Number of Options Granted		1,502,445				

The number and weighted average exercise prices of share options in are as follows

	Weighted average Exercise Price	2011 Number of Options	Weighted average Exercise Price	2010 Number of Options
	£		£	
Outstanding at the beginning of the year	7.97	1,420,668	8.47	1,519,168
Granted during the year	8.75	395,945	-	-
Forfeited during the year	8.75	(314,168)	8.75	(98,500)
Outstanding at the end of the year	8.02	1,502,445	8.45	1,420,668
Exercisable at the end of the year	-	-	-	-

## Notes (continued)

### 24 Employee Share Schemes (continued)

The weighted average share price at the date of exercise of share options outstanding at the year end is £8.02 (2010 £8.45)

The options outstanding at the year end have an exercise price in the range of £4.00 to £8.75 and a weighted average contractual life of 2 years

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted

And (for grants or modifications of equity instruments occurring in either the current or comparative year)

Fair value at measurement date

	Year ended 30 June 2011	Year ended 30 June 2010
Weighted average share price	£3.37	£3.37
Exercise price	£8.75	£8.47
Expected volatility (expressed as % used in the modelling under the Black Scholes Model)	38%	38%
Option life	1.27 years	3 years
Expected dividends	-	-
Risk free interest rate (based on national government bonds)	3.73%	3.73%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information

The total expenses recognised for the year are as follows. All schemes are equity settled

Fair value at measurement date

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Equity settled share based payments	169,270	93,392

### 25 Principal subsidiaries

Company name	Country	Percentage Share - holding	Description
Data Explorers Limited	England and Wales	100	Provision of securities financing data
Securities Finance Systems Limited	England and Wales	100	Corporate Trustee
Data Explorers Consulting Limited	England and Wales	100	Provision of consultancy services
Data Explorers Incorporated	USA	100	Provision of securities financing data
Data Explorers (Hong Kong) Limited	Hong Kong	100	Provision of securities financing data