



Lombard Risk Management plc

Interim Report 2007



- » Significant forward momentum with surge of billings towards end of period well ahead of previous year and pointing towards significant year on year revenue growth;
- » Several large deals concluded in period with three new deals each worth in excess of £300,000 and several more worth in excess of £100,000;
- » Revenue £3.88m (excluding disposal group £3.68m), (2006: £3.46m);
- » Loss after tax £1.06m (excluding disposal group £0.86m), (2006: £0.96m) ;
- » Basel 2 regulatory changes will benefit STB Systems in following periods and Software businesses look set for overall profitability in the second half of the year;
- » Shanghai operation now well established and more operational integration of the Group's businesses.





John Wisbey
Chairman & Chief Executive Officer

“The Group has so far seen virtually no signs at all of a slowdown in spending by banks in those areas affecting the Group's core businesses. Looking forward to the rest of the financial year, the main priority for the Group is successfully to keep all its regulatory projects on schedule.”

Summary

The half year demonstrated considerable further forward momentum in our business with a surge of billings towards the end of the period which will largely be recognized as revenue in later periods, mainly aligned with the dates that major regulatory reporting changes become effective. Three new deals were concluded in the period each with a value of more than £300,000, and while the revenue for several of these will be mostly recognized in the second half and beyond, all the indications are that we are in line for appreciable organic revenue growth for the full year on a like for like basis following last year's 50% increase in revenues. Particularly notable this year has been the upgrade programme for our STB-Reporter regulatory reporting product with many existing clients upgrading for Basel 2, and new clients gained in the UK, Ireland, Luxembourg, South Africa, USA and various Asian countries. There is still considerable demand for our Colline® collateral management software, while our Oberon® valuation and risk management product also put on another good performance. Revenue for the first half, including the disposal group, was £3.88m.

The surge in Basel 2 related business in the second half of the period and the need to deliver dozens of projects in parallel inevitably caused strain on a project infrastructure geared to lower levels of business in previous years, and this made increasing our UK cost base and strengthening our management of these projects unavoidable. Some of these costs had to be taken on in advance of our ability to recognize revenue from contracted deals, thus impacting on the income statement in the period, but on the other hand many of these costs are not permanent costs and our clear strategy remains to do work in Shanghai where this is practical.

Overall the Group made a loss of £1.06m for the period. There were promising signs of an upturn in recognized revenue as well as billings towards the end of the financial year with a profit made in the month of September.

With regard to current trading, the Group has had a record second quarter for billings and has so far seen virtually no signs at all of a slowdown in spending by banks in those areas affecting the Group's core businesses.



Financial

Revenue increased to £3.88m against £3.46m in the comparable period last year. Loss after tax was £1.06m. Cash at the end of the period was £0.2m with undrawn banking facilities of £0.25m. Given the strong level of billings from August 2007 onwards and the consequent cashflow from that, we expect the Group's cash position to improve even before the intended sale of the Independent Valuation business.

Recurrent revenue has historically been a high proportion of revenues at Lombard Risk. Recurrent annual revenues for the Group are running at over £4m. In addition, the revenue profile remains well dispersed.

Regulatory and Compliance Software Products

The Group's regulatory and compliance software business STB Systems has made outstanding headway with a growing order book and pipeline ahead of the Basel 2 regulatory changes and important contract wins in other countries. Basel 2 is a very important driver for our growth in this area over the next year.

STB Systems is the market leader for UK Bank Regulatory Reporting with approximately 150 of 350 banks in the UK using the STB-Reporter product for regulatory reporting to the FSA. While implementing so many Basel 2 upgrades at the same time has put pressure on our resources, we now have comprehensive project plans in place with a strong infrastructure capable of implementing much larger projects than STB Systems has been used to in previous years. While there have inevitably been some strains around regulatory deadlines we expect to be well placed by the middle of 2008 and back to the very high average level of customer satisfaction that STB Systems has enjoyed historically. Our new enterprise regulatory product offers an excellent opportunity for the Group to expand its business with many of these clients.

The firm's ability to offer global solutions has been greatly enhanced through it now having regulatory offerings available or under production for several EMEA and Asian countries as well as the United States. In addition, the AML product STB-Detector has seen good revenue growth in several countries, but particularly in the United States. We now have more than 50 clients for the AML product.

Valuation and Risk Management Software Products

Oberon®, the trading and risk management system, saw two significant contract wins in the period and remained our most profitable product. Oberon continues to provide capital to support the development of other products. Functionally the product has made good progress with new pricing models and support for additional instruments such as inflation derivatives.

Colline®, our software for collateral management, had a slower half year than last year, but from September onwards has regained momentum with three new contracts or letters of intent signed. The credit crisis is probably especially beneficial for this product.

Independent Valuation

The Group's Independent Valuation business has achieved several potentially important contracts. As announced in September a number of third parties interested in investing in this business were identified, and we are at an advanced stage of discussions with one of these (see note 5 to the Interim Report).



Personnel

We made some senior level hires during the period aimed at putting in place the senior management team needed to manage a larger business. Jane Fineman joined us as Chief Financial Officer while Steve Jeffrey was appointed as the director responsible for Implementation, Consulting and Support. The appointment of Steve Jeffrey, who has 18 years experience at JP Morgan, places the Group well to move to the next level up in size of regulatory and other implementation projects that we take on.

We now have a headcount of almost 50 in our Shanghai operation against 28 a year ago. Apart from the temporary surge of short-term recruitment in London to deal with the Basel 2 projects, the outlook for costs should remain a favourable one of cost containment as more work proportionately is done in Shanghai.

Prospects

With regard to current trading, the Group has so far seen virtually no signs at all of a slowdown in spending by banks in those areas affecting the Group's core businesses. STB Systems is recording the strongest revenue quarter in its history aided by the changes in banking capital calculations known as Basel 2, while the credit crisis has caused a number of banks to strengthen their credit risk management of which our Colline® collateral management software is a useful part. The board does believe that there could be a downturn in 2008 in banks' technology spending generally, but the evidence so far is that the Group's positioning in the regulatory space and the credit risk/collateral space will make it less vulnerable to any such downturn than most other software companies selling general software to banks.

Looking forward to the rest of the second half, the main priority for the Group is successfully to keep all its regulatory projects on schedule. There are regulatory deadlines at various points in 2008 in January, March and June depending on the type of institution and the jurisdiction. There will also be work associated with the move by the UK regulators to MER (Mandatory Electronic Reporting). The board sees the Group as well placed for continuing revenue growth and a move to profitability in the second half of the year.

I would like to thank all my colleagues, as well as our advisors, for their hard work and support.



John Wisbey
Chairman & CEO



Consolidated interim income statement

	Note	Unaudited 6 months to 30 September 2007 £	Unaudited 6 months to 30 September 2006 £	Unaudited Year ended 31 March 2007 £
Continuing operations				
Revenue	5	3,681,964	3,459,212	6,942,181
Cost of sales	5	(9,090)	(20,752)	(118,014)
Gross profit		3,672,874	3,438,460	6,824,167
Administrative expenses	5	(4,645,632)	(4,419,095)	(8,810,516)
Operating loss		(972,758)	(980,635)	(1,986,349)
(Loss) / profit on disposal of quoted investment or business	5	(40,788)	-	44,800
Finance expense		(4,393)	(1,232)	(2,797)
Finance income		4,461	20,897	26,007
(Loss) before taxation	5	(1,013,478)	(960,970)	(1,915,091)
Tax credit / (charge)		150,000	(1,167)	(2,790)
(Loss) for the period from continuing operations	5	(863,478)	(962,137)	(1,917,881)
(Loss) for the period from disposal group classified as held for sale	5	(199,088)	-	-
(Loss) for the period transferred from reserves	5	(1,062,566)	(962,137)	(1,917,881)
(Loss) per share				
Basic earnings per share from continuing operations (pence)		(0.64)	-	-
Diluted earnings per share from continuing operations (pence)		(0.64)	-	-
Basic earnings per share from disposal group classified as held for sell operations (pence)		(0.15)	-	-
Diluted earnings per share from disposal group classified as held for sell operations (pence)		(0.15)	-	-
Basic earnings per share		(0.79)	(0.74)	(1.44)
Diluted earnings per share		(0.79)	(0.74)	(1.44)



Consolidated interim balance sheet

		Unaudited at 30 September 2007	Unaudited at 30 September 2006	Unaudited year ended 31 March 2007
	Note	£	£	£
Non-current assets				
Property, plant and equipment		168,655	303,647	222,919
Goodwill		3,632,680	3,632,680	3,632,680
Other intangible assets		10,178	31,490	14,461
		3,811,513	3,967,817	3,870,060
Current assets				
Trade and other receivables		2,117,306	1,657,953	1,446,424
Investment		-	343,095	448,000
Cash and cash equivalents		178,025	560,907	284,328
Assets included in disposal group classified as held for sale	5	2,295,331	2,561,955	2,178,752
		78,889	-	-
Total assets		6,185,733	6,529,772	6,048,812
Current liabilities				
Trade and other payables		(2,574,084)	(1,683,069)	(1,607,913)
Deferred income		(2,512,420)	(2,080,477)	(2,509,213)
Liabilities included in disposal group classified as held for sale	5	(5,086,504)	(3,763,546)	(4,117,126)
		(130,456)	-	-
Total liabilities		(5,216,960)	(3,763,546)	(4,117,126)
Net assets		968,773	2,766,226	1,931,686
Equity				
Share capital		1,108,510	1,103,510	1,103,510
Share premium account		2,490,110	2,415,110	2,415,110
Other reserves		1,612,752	1,576,692	1,593,099
Profit and loss account		(4,242,599)	(2,329,086)	(3,180,033)
Total equity		968,773	2,766,226	1,931,686



Consolidated statement of changes in equity

	Share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 April 2006	1,082,510	2,415,110	1,151,029	(979,150)	3,669,499
Loss for the period	-	-	-	(962,137)	(962,137)
Changes in value in IDOX shares	-	-	-	(387,907)	(387,907)
Premium on new shares	-	-	399,000	-	399,000
Shares issued in the period	21,000	-	-	-	21,000
Foreign exchange movements	-	-	26,663	108	26,771
Balance at 30 September 2006	1,103,510	2,415,110	1,576,692	(2,329,086)	2,766,226

	Share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 October 2006	1,103,510	2,415,110	1,576,692	(2,329,086)	2,766,226
Loss for the period	-	-	-	(955,744)	(955,744)
Changes in value in IDOX shares	-	-	-	104,905	104,905
Share based payment charge	-	-	47,266	-	47,266
Foreign exchange movements	-	-	(30,859)	(108)	(30,967)
Balance at 30 March 2007	1,103,510	2,415,110	1,593,099	(3,180,033)	1,931,686

	Share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 April 2007	1,103,510	2,415,110	1,593,099	(3,180,033)	1,931,686
Loss for the period	-	-	-	(1,062,566)	(1,062,566)
Share based payment charge	-	-	20,960	-	20,960
Shares issued in the period	5,000	-	-	-	5,000
Premium on new shares	-	75,000	-	-	75,000
Foreign exchange movements	-	-	(1,307)	-	(1,307)
Balance at 30 September 2007	1,108,510	2,490,110	1,612,752	(4,242,599)	968,773



Consolidated interim cash flow statement

		Unaudited at 30 September 2007 £	Unaudited at 30 September 2006 £	Unaudited year ended 31 March 2007 £
	Note			
Cash flows from operating activities				
Loss for the period	5	(1,062,566)	(962,137)	(1,917,881)
Tax credit / (charge)		(150,000)	1,167	2,790
Finance income		(4,654)	(20,897)	(26,007)
Finance expense		4,408	1,232	2,346
Dividends received				(2,797)
Loss on disposal		40,788		(44,800)
Operating loss		(1,172,024)	(980,635)	(1,986,349)
Adjustments for:				
Depreciation		126,081	159,406	299,489
Amortisation		-	-	-
Share based payment charge		20,960	18,854	47,266
Write down of current asset investment		-	-	-
Increase in trade and other receivables		(761,417)	(454,032)	(242,502)
Increase in trade payables and other payables		1,073,919	152,711	57,388
Increase in deferred income		25,915	80,481	509,217
Foreign exchange difference		(1,307)	-	-
Cash used in operations		(687,873)	(1,023,215)	(1,315,491)
Tax credit received / (income taxes paid)		150,000	(1,167)	-
Net cash outflow from operating activities		(537,873)	(1,024,382)	(1,315,491)
Cash flows from investing activities				
Purchase of property, plant and equipment		(67,534)	(150,156)	(191,839)
Proceeds from sale of Value Spread business		-	-	79,044
Disposal of IDOX shares		407,212	-	-
Net cash generated by / (used in) investing activities		339,678	(150,156)	(112,795)
Cash flows from financing activities				
Proceeds from issue of share capital		80,000	-	-
Payment of finance lease liabilities		-	(7,255)	(36,879)
Interest received		4,655	20,897	26,007
Interest paid		(4,408)	(1,232)	(2,346)
Dividends received		-	-	2,797
Net cash generated by / (used) in financing activities		80,247	12,410	(10,421)
Net decrease in cash and cash equivalents		(117,948)	(1,162,128)	(1,438,707)
Cash and cash equivalents at beginning of period		284,328	1,723,035	1,723,035
Cash and cash equivalents at end of period		166,380	560,907	284,328



1 ACCOUNTING POLICIES

(a) Basis of preparation

The interim report is for the six months ended 30 September 2007. It has been prepared under the historical cost convention, on a basis consistent with anticipated IFRS (International Financial Reporting Standards) accounting policies, which are expected to be endorsed by the European Commission by the time the Group prepares its first set of consolidated financial statements as at 31 March 2008. It does not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2007.

The financial information for the six months ended 30 September 2007 has been neither audited nor reviewed.

The financial statements and statutory accounts for the year ended 31 March 2007 were prepared under UK GAAP (Generally Accepted Accounting Practice) and have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985.

The interim results for the six months ended 30 September 2007 were approved by the Board of Directors on 20 December 2007.

The preparation of financial statements under IFRS requires the Board to make judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of balance sheet items at the period end and the reported amount of revenue and expense during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements that are not readily apparent from other sources. However, the actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below. Lombard Risk Management plc has historically prepared its Group financial statements under UK GAAP. With effect from 1 April 2007 the Group is required to prepare its financial statements in accordance with IFRS. As stated above, the Group's first annual financial statements under IFRS will be for the year ended 31 March 2008, with the first published IFRS results being this interim report for the six months ended 30 September 2007. The Group is required to publish one year of comparative information, which results in a date of transition to IFRS of 1 April 2006. The format and terminology of the primary statements included in this document have been presented in accordance with IAS1 (Presentation of financial statements). It should be noted that the accounts for 31 March 2007 are presented as "unaudited". They have been audited under UK GAAP, but they are not required to be audited under IFRS until 31st March 2008, when the annual accounts are produced.

IFRS does not affect the underlying business performance of Lombard Risk Management plc and has no impact on the cash generated from operations. There is however a change in presentation and disclosure, along with a restatement of the results as explained in the table below. In summary, for the year ended 31 March 2007, the loss after tax, adjusted for IFRS regulatory changes is £1,917,881, a decrease in losses



compared to UK GAAP of £351,810. The equity of the group improved by £160,332 over the same period as a result of IFRS requirements.

IFRS1 (First-time adoption of IFRS) permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These interim financial statements have been prepared on the basis of taking the following exemptions:

- a) Business combinations: Lombard Risk Management plc has taken the exemptions from restating business combinations occurring before the transition date, 1 April 2006.
- b) Fair value or revaluation as cost: Lombard Risk Management plc has not taken the option to restate items of property, plant and equipment to their fair value at 1 April 2006, being the date of transition. For all items, the company has elected to take their cost or revalued amount as shown previously under FRS15 as their cost under IFRS.

Lombard Risk Management plc has reviewed the impact of the IFRS requirements on their reporting and has judged that it will affect the following disclosures:

- i) Holiday pay accrual (IAS19): As a result of specific guidance in IAS19, the Group has recognised an additional accrual for holiday pay. The accrual is £68,120 as at the 31 March 2007. For the six months ended 30 September 2006, £34,060 has been accrued.
- ii) IAS 1 Reclassification: The group is required to reclassify their accruals and deferred income as current liabilities rather than non-current liabilities. This is purely a presentational change.
- iii) Goodwill: Goodwill recognised by the Group upon the acquisition of STB Systems under UK GAAP was amortised over a period of 20 years. Under IFRS 3 goodwill is not amortised, but an impairment test is performed as appropriate, but at least annually. The value of goodwill is to be written according to the outcome of the impairment test. IFRS 3 requires that the amortisation charge recognised in accordance with UK GAAP should be written back to the goodwill value as at 1 April 2006. However, on the 26 September 2006 the final tranche of the consideration for the acquisition of STB Systems was paid. This resulted in a reduction of £80,000 of goodwill as the actual payment for the final tranche was less than the maximum achievable under the earn out which had been provided for. Hence in the period to 30 September 2006, although the movement in Goodwill for the period is £174,134, only £94,134 is recognised as an IFRS amendment, increasing the restated IFRS Goodwill by £80,000.
- iv) IAS 39 Revaluation of shares: The Group has previously valued its IDOX investment according to UK GAAP but under IFRS shares are required to be valued at a 'fair value' which is referred to as the quoted market price. Hence, the IDOX investment has been restated to the market value as at the balance sheet date.

Presented in the following three tables is the reconciliation of UK GAAP to IFRS for all adjustments:



Reconciliation for the 6 months ended 30 September 2006

Reconciliation of (loss) / profit	UK GAAP £	IAS 19 Holiday Accrual £	IAS 1 Reclassific ation £	IFRS 3 Goodwill £	IAS39 Valuation of shares £	Restated Under IFRS £
Revenue	3,459,212	-	-	-	-	3,459,212
Cost of sales	(20,752)	-	-	-	-	(20,752)
Administrative expenses	(4,547,289)	34,060	-	94,134	-	(4,419,095)
Operating loss	(1,108,829)	34,060		94,134	-	(980,635)
Finance income	19,665	-	-	-	-	19,665
Taxation	(1,167)	-	-	-	-	(1,167)
Loss for the period	(1,090,331)	34,060	-	94,134	-	(962,137)
Reconciliation of equity						
Non-current assets						
Property, plant and equipment	335,137	-	(31,490)	-	-	303,647
Goodwill	3,538,546	-	-	94,134	-	3,632,680
Other intangible assets	-	-	31,490	-	-	31,490
	3,873,683	-	-	94,134	-	3,967,817
Current assets						
Trade and other receivables	1,657,953	-	-	-	-	1,657,953
Investments in IDOX shares	571,358	-	-	-	(228,263)	343,095
Cash and cash equivalents	560,907	-	-	-	-	560,907
	2,790,218	-	-	-	(228,263)	2,561,955
Total assets	6,663,901	-	-	94,134	(228,263)	6,529,772
Current liabilities						
Trade and other payables	(1,649,009)	(34,060)	-	-	-	(1,683,069)
Deferred income	-	-	(2,080,477)	-	-	(2,080,477)
	(1,649,009)	(34,060)	(2,080,477)	-	-	(3,763,546)
Non-current liabilities						
Accruals and deferred income	(2,080,477)	-	2,080,477	-	-	-
Total liabilities	(3,729,486)	(34,060)	-	-	-	(3,763,546)
Net assets	2,934,415	(34,060)	-	94,134	(228,263)	2,766,226
Equity						
Share capital	1,103,510	-	-	-	-	1,103,510
Share premium account	2,415,110	-	-	-	-	2,415,110
Revaluation reserve	170,957	-	(170,957)	-	-	-
Other reserves	1,576,692	-	-	-	-	1,576,692
Profit and loss account	(2,331,854)	(34,060)	170,957	94,134	(228,263)	(2,329,086)
Total equity	2,934,415	(34,060)	-	94,134	(228,263)	2,766,226



Reconciliation for the year ended 31 March 2007

Reconciliation of (loss) / profit	UK GAAP £	IAS 19 Holiday Accrual £	IAS 1 Reclassific ation £	IFRS 3 Goodwill £	IAS39 Valuation of shares £	Restated Under IFRS £
Revenue	6,942,181	-	-	-	-	6,942,181
Cost of sales	(118,014)	-	-	-	-	(118,014)
Administrative expenses	(9,162,326)	-	-	187,664	164,146	(8,810,516)
Operating loss	(2,338,159)	-	-	187,664	164,146	(1,986,349)
Finance income	26,458	-	-	-	-	26,458
Taxation	(2,790)	-	-	-	-	(2,790)
Loss from continuing operations	(2,314,491)	-	-	187,664	164,146	(1,962,681)
Profit on disposal of business	44,800	-	-	-	-	44,800
(Loss) / profit for the period	(2,269,691)	-	-	187,664	164,146	(1,917,881)
Reconciliation of equity						
Non-current assets						
Property, plant and equipment	237,380	-	(14,461)	-	-	222,919
Goodwill	3,445,016	-	-	187,664	-	3,632,680
Other intangible assets	-	-	14,461	-	-	14,461
	3,682,396	-	-	187,664	-	3,870,060
Current assets						
Trade and other receivables	1,446,424	-	-	-	-	1,446,424
Investment in IDOX shares	407,212	-	-	-	40,788	448,000
Cash and cash equivalents	284,328	-	-	-	-	284,328
	2,137,964	-	-	-	40,788	2,178,752
Total Assets	5,820,360	-	-	187,664	40,788	6,048,812
Current liabilities						
Trade and other payables	(1,145,931)	(68,120)	(393,862)	-	-	(1,607,913)
Deferred income	-	-	(2,509,213)	-	-	(2,509,213)
	(1,145,931)	(68,120)	(2,903,075)	-	-	(4,117,126)
Non-current liabilities						
Accruals and deferred income	(2,903,075)	-	2,903,075	-	-	-
Total liabilities	(4,049,006)	(68,120)	-	-	-	(4,117,126)
Net assets	1,771,354	(68,120)	-	187,664	40,788	1,931,686
Equity						
Share capital	1,103,510	-	-	-	-	1,103,510
Share premium account	2,415,110	-	-	-	-	2,415,110
Other reserves	1,593,099	-	-	-	-	1,593,099
Profit and loss account	(3,340,365)	(68,120)	-	187,664	40,788	(3,180,033)
Total equity	1,771,354	(68,120)	-	187,664	40,788	1,931,686



Reconciliation as at 1 April 2006

Reconciliation of equity	UK GAAP £	IAS 19 Holiday Accrual £	IAS 1 Reclassific ation £	IFRS 3 Goodwill £	IAS39 Valuation of shares £	Restated Under IFRS £
Non-current assets						
Property, plant and equipment	344,387	-	-	-	-	344,387
Goodwill	3,712,680	-	-	-	-	3,712,680
Other intangible assets	-	-	-	-	-	-
	4,057,067	-	-	-	-	4,057,067
Current assets						
Trade and other receivables	1,203,922	-	-	-	-	1,203,922
Investment in IDOX shares	571,358	-	-	-	159,644	731,002
Cash and cash equivalents	1,723,035	-	-	-	-	1,723,035
	3,498,315	-	-	-	159,644	3,657,959
Total Assets	7,555,382	-	-	-	159,644	7,715,026
Current liabilities						
Trade and other payables	(1,675,017)	(68,120)	(302,394)	-	-	(2,045,531)
Deferred income	-	-	(1,999,996)	-	-	(1,999,996)
	(1,675,017)	-	(2,302,390)	-	-	(4,045,527)
Non-current liabilities						
Accruals and deferred income	(2,302,390)	-	2,302,390	-	-	-
Total liabilities	(3,977,407)	(68,120)	-	-	-	(4,045,527)
Net assets	3,577,975	(68,120)	-	-	159,644	3,669,499
Equity						
Share capital	1,082,510	-	-	-	-	1,082,510
Share premium account	2,415,110	-	-	-	-	2,415,110
Revaluation reserve	170,957	-	(170,957)	-	-	-
Other reserves	1,151,029	-	-	-	-	1,151,029
Profit and loss account	(1,241,631)	(68,120)	170,957	-	159,644	(979,150)
Total equity	3,577,975	(68,120)	-	-	159,644	3,669,499



(b) Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary entity at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill arising before the date of transition to IFRS has been retained at the previous UK GAAP amounts. Goodwill written off to reserves under UK GAAP has not been reinstated.

(d) Revenue recognition

Revenue represents the invoiced amount of goods sold and services provided during the year, stated net of Value Added Tax. Revenue and pre-tax profit are wholly attributable to the principal activities.

The recognition of revenue depends on the type of income.

Licence income	For long term projects which do not include the up-front delivery of immediately usable software, revenue is recognised on both the consultancy and initial licence elements in line with the estimated percentage of completion of the project. That part of licence and maintenance revenue invoiced simultaneously with the initial licence but considered to relate to the period when the licence is deemed to be live is deferred in its entirety until the live date, following which it is released to profit in equal daily instalments over the duration of the relevant licence or maintenance. For other projects which do include the up-front delivery of immediately usable software, revenue is recognised in accordance with the invoicing schedule. For non-refundable licences revenue is recognised at invoicing date.
Customisation income	Recognised once the customisation has taken place.
Maintenance income	Recognised evenly over the term of the maintenance contract.
Rental income	Recognised evenly over the term of the rental contract.
Data subscription income	Recognised evenly over the term of the data contract.
Training income	Recognised when the relevant courses are run.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of property, plant and equipment net of estimated residual value and impairment, is depreciated in equal annual instalments over the estimated useful lives of the assets. The residual values of assets or group of like assets are reviewed annually.



The depreciation periods of the assets are as follows:

Computer software	Between 1 and 2 years
Computer hardware	2 years
Fixtures, fittings and equipment	4 years

The group has previously consolidated all computer software into tangible assets. This has now been reclassified as other intangible assets.

(f) Valuation of investments

Investments held as current assets are classified as available for sale financial asset and are stated at fair value.

(g) Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at the average rate of exchange. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. The exchange differences arising on the retranslation of subsidiary undertakings are, together with differences arising on the translation of long term intra-group funding loans which are not intended to be repaid in the foreseeable future, taken directly to reserves. All other differences are taken to the consolidated income statement.

(h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered and usually when there are actually apparent rather than forecast. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(i) Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

(j) Finance income and finance costs

Interest income and interest payable are recognised in the income statement as it accrues, using the effective interest method.

(k) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal. All of the subsidiary's assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. Profits or losses on intra-group transactions are eliminated in full. Goodwill arising on consolidation is capitalised and impaired as appropriate.



(l) Pension costs

The Group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the income statement represents the contributions payable to the schemes in respect of the accounting period.

(m) Research and development

Expenditure on research is recognised as an expense in the period in which it is incurred. Development costs are capitalised when all of the following conditions are satisfied:

- completion of the intangible asset is technically feasible
- the group intends to complete the intangible asset and use or sell it
- the group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- there are adequate resources available to complete the development and use or sell the asset
- the expenditure attributable to the intangible asset during its development can be reliably measured

(n) Share options issued to employees

The charge to the income statement (and the corresponding credit to reserves) arising under IFRS2 is spread over the period during which share options vest. The charge is calculated using a binomial model and takes into account estimates of the volatility of the underlying shares and of staff turnover.

2 BUSINESS SEGMENTATION

The Group's turnover and loss on ordinary activities are derived solely from the sale of software and associated services to the finance and banking sector. For management purposes the Group had four operating units during the period; the United Kingdom, Rest of Europe, Middle East and Africa, The Americas and Asia Pacific. These units are the primary segments of the Group.



Analysis of turnover by geographical destination

	Unaudited Six months to 30 September 2007 £	Unaudited Six months to 30 September 2006 £	Unaudited Year ended 31 March 2007 £
Revenue			
United Kingdom	2,274,248	1,551,925	3,030,738
Rest of Europe, Middle East and Africa	660,970	456,993	1,212,148
The Americas	575,441	806,395	1,719,446
Asia Pacific	367,421	643,899	979,849
Total revenue	3,878,080	3,459,212	6,942,181
Costs			
United Kingdom	(3,324,984)	(1,994,046)	(3,444,980)
Rest of Europe, Middle East and Africa	(528,216)	(529,795)	(1,621,006)
The Americas	(677,653)	(1,155,202)	(2,596,536)
Asia Pacific	(409,793)	(742,306)	(1,197,540)
Total Costs	(4,940,646)	(4,421,349)	(8,860,062)
Profit / (loss)			
United Kingdom	(1,050,736)	(442,121)	(184,272)
Rest of Europe, Middle East and Africa	132,754	(72,802)	(408,859)
The Americas	(102,212)	(348,807)	(1,078,597)
Asia Pacific	(42,372)	(98,407)	(246,153)
Total profit / (loss)	(1,062,566)	(962,137)	(1,917,881)
Assets			
United Kingdom	968,773	2,766,226	1,931,686
Rest of Europe, Middle East and Africa			
The Americas			
Asia Pacific			
Total assets	968,773	2,766,226	1,931,686

3 TAXATION

The Group has not incurred any taxation in the period due to the losses available for relief.



4 LOSS PER SHARE

Basic earnings per share has been calculated by dividing the loss on ordinary activities after taxation by the weighted average number of ordinary shares in issue during each period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, those share options granted under the Enterprise Management Incentive Plan. When a loss is incurred, since the conversion of potential Ordinary shares to Ordinary shares would decrease net loss per share, options are not dilutive and therefore diluted and basic losses per share are the same.

	Unaudited Six months to 30 September 2007 £	Unaudited Six months to 30 September 2006 £	Unaudited Year ended 31 March 2007 £
Loss for the six months and basic and diluted earnings attributable to ordinary shareholders	(1,062,566)	(962,137)	(1,917,881)
Weighted average number of ordinary shares	135,025,227	130,650,364	132,675,884
Loss per share – (pence)	(0.79)	(0.74)	(1.44)
Effect of dilutive share options	-	-	-
Adjusted weighted average number of ordinary shares	135,025,227	130,650,364	132,675,884
Diluted loss per share – (pence)	(0.79)	(0.74)	(1.44)

There is no dilutive effect of share options in either 2007 or 2006 as the average price of the Company's shares was below the strike price of the options in issue. The dilution in 2006 relates to the deferred consideration for the acquisition of STB Systems Ltd.



5 ASSETS INCLUDED IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The disposal of the Independent Valuation subsidiary is now at an advanced stage and fulfills the criteria to be classified as a disposal group held for sale. In accordance with IFRS 5 the asset has been valued at book value, that being the lower of book value or fair value.

Below is an analysis of the income statement for the disposal group that has been separately identified for the six months to 30 September 2007. This information should be used with the consolidated income statement for period on period comparisons.

Income statement for disposal group classified for sale

	Disposal Group Unaudited Six months to 30 September 2007 £	Remainder of Group Unaudited Six months to 30 September 2007 £	Total Unaudited Six months to 30 September 2007 £
Revenue	196,116	3,681,964	3,878,080
Cost of sales	(46,398)	(9,090)	(55,488)
Gross Profit	149,718	3,672,874	3,822,592
Administrative expenses	(348,984)	(4,645,632)	(4,994,616)
Operating (loss) / profit	(199,266)	(972,758)	(1,172,024)
Loss on disposal of quoted investment		(40,788)	(40,788)
Finance income	178	68	246
(Loss) / profit before taxation	(199,088)	(1,013,478)	(1,212,566)
Tax credit		150,000	150,000
(Loss) for the period transferred to reserves	(199,088)	(863,478)	(1,062,566)



Shareholder information

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