
**LOMBARD RISK
MANAGEMENT PLC**
INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2009

**MANAGING COLLATERALISED TRADING
ENABLING REGULATORY COMPLIANCE**



CORPORATE STATEMENT

The mission at Lombard Risk has always been to help the financial industry to improve the approach to managing the risks in its businesses. That mission remains unchanged today as Lombard Risk continues to deliver innovative specialised software solutions that help our customers improve the management of collateralised trading and regulatory compliance, and to navigate the changing world of financial regulation.

For over 20 years Lombard Risk has delivered industry leading global risk management and regulatory compliance software. Today, Lombard Risk is one of the world's recognised leading providers of collateral management and regulatory compliance solutions to financial organisations and large corporations around the world. Our award-winning global solutions enable the financial industry to improve the management and reporting of counterparty risk, collateral risk, trading risk, liquidity risk and to comply with fast changing global regulatory reporting requirements.

HIGHLIGHTS

» Highlights

- » Revenue increased by 8% to £4.32m (2008: £4.01m)
- » Profitability achieved by Trading and Risk businesses, with both COLLINE® Collateral Management software and Oberon® valuation software profitable
- » More contract wins for COLLINE® and good progress on implementation at Tier 1 Continental European bank
- » Loss before interest and tax reduced to £0.63m before bad debt charge relating to prior year revenues (2008: £0.83m)

» Future prospects

- » **Ongoing demand for COLLINE®:** good progress with the implementation of COLLINE® Collateral Management software at a high profile Tier 1 bank won against main competitors demonstrating the product's ability to deal with high volume international banks as well as medium sized and smaller clients, while strong demand continues from banks and asset managers
- » **Regulatory market continues to grow:** Liquidity Standards regulation announced by FSA in October 2009 to come into effect during 2010 should be positive for the Group's Regulatory business, as should further proposals on Capital Standards expected to come into effect in 2011
- » **Strengthened Balance Sheet:** Fund-raising completed after end of period has strengthened the Balance Sheet. Combined with good commercial prospects this leaves the Company well placed for the next few years

IFC CORPORATE STATEMENT
HIGHLIGHTS

01 CHAIRMAN'S STATEMENT

04 CONSOLIDATED UNAUDITED INTERIM
STATEMENT OF COMPREHENSIVE INCOME

05 CONSOLIDATED UNAUDITED INTERIM
STATEMENT OF FINANCIAL POSITION

06 CONSOLIDATED UNAUDITED INTERIM
STATEMENT OF CHANGES IN EQUITY

07 CONSOLIDATED UNAUDITED INTERIM
STATEMENT OF CASH FLOW

08 NOTES TO THE INTERIM REPORT

IBC COMPANY INFORMATION

CHAIRMAN'S STATEMENT

SUMMARY

The six month period saw the Company making steady progress and laying the foundations for growth in future periods. Our COLLINE® collateral management software business continued to win contracts and grow organically, while implementation at the major Tier 1 Continental European bank announced in April 2009 has progressed well. On the regulatory side a lot of work was done ahead of the major new UK FSA regulations on Liquidity Standards, which should provide a major revenue opportunity, however since these regulations were finalised later than expected, in October 2009, the revenues will not be apparent until the second half of the current financial year and mainly in the next financial year. We appointed Keith Butcher as Finance Director, and we raised equity funds that eliminated all of our borrowings and strengthened our Balance Sheet. In the post-crisis environment in which customers and investors alike are more risk averse than usual, these were all events that took us in the right direction.

Revenues for the six month period increased by 8% to £4.32m (2008: £4.01m). Our loss after tax was £0.82m (2008: £0.83m) but this included £0.09m of interest and a bad debt provision in respect of revenue from previous periods of £0.10m following a thorough review by the incoming Finance Director. If these are excluded, the underlying loss was reduced to £0.63m.

We have invested heavily in resource for COLLINE® during 2009, but various cost actions that we took at the end of 2008 should allow us to operate in FY2010 on a similar cost base to that in FY2009 even though revenues have increased.

The Trading and Risk businesses, comprising COLLINE® and Oberon®, traded profitably, so that more than 100% of the Group loss was in the Regulatory Compliance business which represented 45% of total revenues. However some of this first half weakness in the regulatory business was expected as few buying decisions were being taken by UK regulatory customers before the FSA had finalised its policy on the new regulations for liquidity.

In the post-crisis international financial environment, there is a move away from a light touch regulatory regime in the UK and in many other countries. In the UK this has begun with a complete reform of Liquidity Reporting and it offers considerable opportunity to the Group in the coming year and years ahead. As well as the Liquidity Standards announced by the FSA, a new FSA policy statement on Stress Testing has now been published and FSA consultation papers have been published about Capital Standards likely to lead to more regulatory change in 2011. There are considerable regulatory opportunities in all the countries in which we operate.

The outlook for our COLLINE® collateral management software remains very positive with strong new business demand expected to continue, including switching away from competitor systems to COLLINE®, and likely revenue growth from existing customers. We have now demonstrated the scalability and resilience of the product in a leading Tier 1 bank in an international environment, and its superior performance to the main competitors. We are announcing today an important new contract with ABN-AMRO for COLLINE® (for further details please refer to the separate announcement).

Given that most of our revenues come from banks and financial services companies, it is hard to see that our products could be much better placed than to have our emphasis on collateral management and regulatory compliance. We are the global number two in both collateral management software and in bank regulatory reporting software.

FINANCIAL

Revenues for the six month period increased by 8% to £4.32m (2008: £4.01m). Our loss after tax was £0.82m (2008: £0.83m) but this included £0.09m of interest and a bad debt provision in respect of revenue from previous periods of £0.10m following a thorough review by the incoming Finance Director. Stripping out these items would have shown a reduced underlying loss of £0.63m for the six months.

CHAIRMAN'S STATEMENT

CONTINUED

The financial highlight of the period was the raising of £2.83m of equity, of which £1.75m was from institutions and external investors on AIM, and the balance of £1.08m was in either new money or loan conversions from Directors and former Directors. After fees of around £0.2m, this allowed the Company to repay its overdraft and the unconverted balance of the Director loans, reduce its creditors and retain some reserve for working capital.

Recurrent revenue has historically been a significant proportion of revenues at Lombard Risk. Recurrent annual revenues for the Group are running at around £4.4m per annum and revenues generally are well spread among our customer base.

TRADING AND RISK SOFTWARE PRODUCTS

As anticipated in former statements, the credit crisis has been beneficial for our COLLINE® collateral management software product. This product now substantially handles all the key requirements of a collateral business including margining, repo and securities lending, trade reconciliation, inventory management and reporting including regulatory reporting (e.g. for Fed-15 reports and outputs to regulatory liquidity reporting). During the period we completed projects with National Bank of Greece, Loomis Sayles & Co and Pacific Life, as well as starting a proof of concept with ABN-AMRO (contract now signed and announced on 21 December 2009). We also made good progress with implementation

of a major contract with a Tier 1 Continental European bank concluded at the end of the previous financial year, and have proven COLLINE®'s scalability, resilience and performance in that bank's own environment using active-active clustering in multiple data centres, user locations in three continents, and well over 100 users. This means we now have every confidence that our solution is scalable from the smallest collateral user to the largest global bank. COLLINE® is ahead of budget for this year, and has a large and growing pipeline including opportunities with some of the biggest market participants.

Oberon®, our most established product, continues to move forward with functional and performance enhancements and remains profitable.

We have recently announced the launch of our LISA® product. LISA® will be a risk product which is complementary to our regulatory products, starting with Liquidity Risk, and using advanced technology. Lombard Risk has always been strong on risk management, and the convergence of risk and regulation plays to our strengths.

REGULATORY AND COMPLIANCE SOFTWARE PRODUCTS

Lombard Risk is the market leader for UK Bank Regulatory Reporting with approximately 130 of the 350 banks in the UK and approximately 15 investment firms in the UK using the STB-Reporter product for regulatory reporting to the FSA.

This depth of customer base clearly gives opportunities to sell additional functionality to existing customers, but equally when announcement of new regulations is imminent there tends to be a lull in activity before those regulations are actually finalised. So it was this year, with the FSA's final new regulations on Liquidity Reporting and Liquidity Stress Testing not published until October 2009, later than expected, and consequently little revenue in the period from this source except from analysis work on the impact of the consultation papers. We do believe we are now well placed to roll out our solutions for Liquidity Reporting and Liquidity Stress Testing to many of our customers later in this financial year. The FSA has also ended up changing its originally stated plans to subject all foreign bank branches to UK Liquidity Reporting, and many such firms are now negotiating modifications/waivers to these rules. However the opportunity from UK banks and investment firms remains appreciable.

The Liquidity Reporting and Stress Testing regulatory regime which comes into effect in the UK in 2010 looks like being followed in 2011 by new Capital Standards and rules on capital buffers. This opportunity is by no means confined to the UK, although the weight of our customer base gives us more ability to leverage the opportunity in the UK than elsewhere. There are however clearly strategic decisions to be made about whether we want to and if so how best to take advantage of the wider international opportunity in these areas.

The Group's ability to offer global solutions has been greatly enhanced by now having regulatory offerings available or under production for several EMEA and Asian countries as well as the United States. Our Singapore office has made a number of worthwhile product wins including business in Singapore won away from our main competitor, and we obtained our first two customers for Japanese reporting.

PERSONNEL

During the period we continued to make new hires appropriate to the expected growth of parts of the business, but we also benefited from cost actions taken before the financial year. We continue to take actions designed to establish profitability in all parts of the business, and to re-allocate resources to those parts of the business where we see the best prospects. Costs should continue to be contained overall and to reduce as a percentage of any revenue rises as more work proportionately is done in Shanghai. We now have more than half of our Group headcount in Shanghai.

In September 2009 Keith Butcher joined us as Finance Director of the Group. Keith had previously been Finance Director of two other AIM listed technology companies.

PROSPECTS

The Group continues to forecast a buoyant sales pipeline for its COLLINE® collateral management software following the major contract win with a substantial Tier 1 European bank. In addition the Board foresees no end to the increase in bank and securities firm regulation and is optimistic that this will have a positive effect on the Group's regulatory compliance business. The climate for the next few years is for mandatory additional spend on regulation although, for new regulations beyond 2010, precise dates have yet to be confirmed. The key issue for us is what share of this additional spend the Group can achieve and the scale of investment required to make this a major international profit opportunity for us, rather than whether that opportunity exists.

In this changing environment, the Board continues to believe that as changes in legislation are adopted and credit risk and liquidity risk management are ever more tightly controlled, risk and regulatory software will be in demand. Lombard Risk, as the global number two in both collateral management software and bank regulatory reporting software, should be well positioned to take advantage of this.

I would like to thank all my colleagues, as well as our advisors, for their hard work and support, and further to thank our customers and investors alike for their support of us.



JOHN WISBEY
CHAIRMAN & CHIEF EXECUTIVE OFFICER
21 DECEMBER 2009

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Note	Unaudited Six months to 30 September 2009 £	Unaudited Six months to 30 September 2008 £	Audited Year ended 31 March 2009 £
Continuing operations			
Revenue	4,318,998	4,011,526	8,694,450
Cost of sales	(65,569)	(19,109)	(43,936)
Gross profit	4,253,429	3,992,417	8,650,514
Administrative expenses before exceptional bad debt charge	(4,887,761)	(4,817,929)	(9,769,510)
Exceptional bad debt charge relating to prior years	(99,400)	—	—
Administrative expenses	(4,987,161)	(4,817,929)	(9,769,510)
(Loss) from operations	(733,732)	(825,512)	(1,118,996)
Finance expense	(86,493)	(43,392)	(139,736)
Finance income	475	3,355	5,000
(Loss) before taxation	(819,750)	(865,549)	(1,253,732)
Taxation	(197)	33,329	96,074
(Loss) for the period from continuing operations	(819,947)	(832,220)	(1,157,658)
Profit for the period from discontinued activities	—	—	58,721
(Loss) for the period transferred from reserves	(819,947)	(832,220)	(1,098,937)
Other comprehensive income:			
Exchange differences on translation of overseas operations	(30,954)	(7,885)	21,072
Total comprehensive income for the period	(850,901)	(840,105)	(1,077,865)
(Loss) per share			
Basic (pence)	2 (0.60)	(0.61)	(0.81)
Diluted (pence)	(0.60)	(0.61)	(0.81)
(Loss) per share on continuing activities			
Basic (pence)	(0.60)	(0.61)	(0.85)
Diluted (pence)	(0.60)	(0.61)	(0.85)
Earnings per share on discontinued activities			
Basic (pence)	—	—	0.04
Diluted (pence)	—	—	0.04

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Unaudited As at 30 September 2009 £	Unaudited As at 30 September 2008 £	Audited As at 31 March 2009 £
Non-current assets			
Property, plant and equipment	174,608	242,750	239,798
Goodwill	3,632,680	3,632,680	3,632,680
Other intangible assets	13,829	12,451	11,441
	3,821,117	3,887,881	3,883,919
Current assets			
Trade and other receivables	1,839,953	2,493,101	2,842,226
Cash and cash equivalents	—	129,201	150,999
	1,839,953	2,622,302	2,993,225
Total assets	5,661,070	6,510,183	6,877,144
Current liabilities			
Cash (bank overdraft)	(79,746)	—	—
Trade and other payables	(3,769,822)	(3,539,246)	(3,847,208)
Provisions	—	(146,794)	(137,664)
Deferred income	(2,356,128)	(2,281,581)	(2,580,502)
	(6,205,696)	(5,967,621)	(6,565,374)
Total liabilities	(6,205,696)	(5,967,621)	(6,565,374)
Net assets	(544,626)	542,562	311,770
Equity			
Share capital	1,110,715	1,110,715	1,110,715
Share premium account	2,512,904	2,512,904	2,512,904
Foreign exchange reserves	(40,090)	(38,093)	(9,136)
Other reserves	1,643,657	1,642,184	1,649,152
Retained deficit	(5,771,812)	(4,685,148)	(4,951,865)
Total equity	(544,626)	542,562	311,770

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Share capital £	Share premium account £	Foreign exchange reserves £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 April 2008	1,108,510	2,490,110	(30,208)	1,637,906	(3,852,928)	1,353,390
Foreign exchange movements	—	—	(7,885)	—	—	(7,885)
Income and expense recognised directly in equity	—	—	(7,885)	—	—	(7,885)
Loss for the period	—	—	—	—	(832,220)	(832,220)
Total recognised income and expense for the period	—	—	(7,885)	—	(832,220)	(840,105)
Ordinary share capital issued in the period	2,205	22,794	—	—	—	24,999
Share-based payment charge	—	—	—	4,278	—	4,278
Balance at 30 September 2008	1,110,715	2,512,904	(38,093)	1,642,184	(4,685,148)	542,562

	Share capital £	Share premium account £	Foreign exchange reserves £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 October 2008	1,110,715	2,512,904	(38,093)	1,642,184	(4,685,148)	542,562
Foreign exchange movements	—	—	28,957	—	—	28,957
Income and expense recognised directly in equity	—	—	28,957	—	—	28,957
Loss for the period	—	—	—	—	(266,717)	(266,717)
Total recognised income and expense for the period	—	—	28,957	—	(266,717)	(237,760)
Ordinary share capital issued in the period	—	—	—	—	—	—
Share-based payment charge	—	—	—	6,968	—	6,968
Balance at 31 March 2009	1,110,715	2,512,904	(9,136)	1,649,152	(4,951,865)	311,770

	Share capital £	Share premium account £	Foreign exchange reserves £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 April 2009	1,110,715	2,512,904	(9,136)	1,649,152	(4,951,865)	311,770
Foreign exchange movements	—	—	(30,954)	—	—	(30,954)
Income and expense recognised directly in equity	—	—	(30,954)	—	—	(30,954)
Loss for the period	—	—	—	—	(819,947)	(819,947)
Total recognised income and expense for the period	—	—	(30,954)	—	(819,947)	(850,901)
Ordinary share capital issued in the period	—	—	—	—	—	—
Share-based payment charge	—	—	—	(5,495)	—	(5,495)
Balance at 30 September 2009	1,110,715	2,512,904	(40,090)	1,643,657	(5,771,812)	(544,626)

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Unaudited Six months ended 30 September 2009 £	Unaudited Six months ended 30 September 2008 £	Audited Year ended 31 March 2009 £
Cash flows from operating activities			
Loss for the period excluding discontinued operations	(819,947)	(832,220)	(1,157,658)
Tax charge/(credit)	197	(33,329)	(96,074)
Finance income	(475)	(3,355)	(5,000)
Finance expense	86,493	43,392	139,736
Operating loss	(733,732)	(825,512)	(1,118,996)
Operating loss in discontinued activity	—	—	(58,721)
Adjustments for:			
Depreciation	72,393	86,984	157,032
Amortisation	5,662	7,696	13,451
Share-based payment charge	(5,495)	4,277	11,246
Provision for onerous lease	—	—	(9,130)
Decrease/(increase) in trade and other receivables	1,002,273	(172,429)	(521,554)
Increase/(decrease) in trade and other payables	(515,050)	313,066	683,059
Increase/(decrease) in deferred income	(224,374)	(408,614)	(109,693)
Foreign exchange difference	(16,798)	(7,885)	—
Cash used in operations	(415,121)	(1,002,417)	(953,306)
Tax (paid)/credit received	(197)	33,329	96,074
Net cash outflow from operating activities	(415,318)	(969,088)	(857,232)
Cash flows from investing activities			
Purchase of property, plant and equipment	(20,924)	(185,739)	(235,151)
Purchase of intangible fixed assets	(8,485)	(15,828)	(20,496)
Proceeds from sale of IVRS	—	—	58,721
Net cash used in investing activities	(29,409)	(201,567)	(196,926)
Cash flows from financing activities			
Loans from Directors	300,000	820,000	820,000
Proceeds from issue of share capital	—	24,999	24,999
Interest received	475	3,355	5,000
Interest paid	(86,493)	(43,392)	(139,736)
Net cash generated by financing activities	213,982	804,962	710,263
Net decrease in cash and cash equivalents	(230,745)	(365,693)	(343,895)
Cash and cash equivalents at beginning of period	150,999	494,894	494,894
Cash and cash equivalents at end of period	(79,746)	129,201	150,999

NOTES TO THE INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1. BASIS OF PREPARATION

This interim report was approved by the Board on 18 December 2009.

These consolidated financial statements are for the six months ended 30 September 2009. They have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations as at 30 September 2009, as adopted by the European Union.

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.

The comparative figures for the financial year ended 31 March 2009 are not the Company's statutory accounts for that financial year as defined in Section 435 of the Companies Act 2006. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2. LOSS PER SHARE

Basic loss 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, share options granted under the Enterprise Management Incentive Plan and Unapproved Scheme. 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 2009 £	Unaudited Six months to 30 September 2008 £	Audited Year ended 31 March 2009 £
Loss for the period and basic and diluted earnings attributable to ordinary shareholders	(819,947)	(832,220)	(1,098,937)
Weighted average number of ordinary shares	136,118,768	136,058,657	136,118,768
Loss per share (pence)	(0.60)	(0.61)	(0.81)
Effect of dilutive share options	—	—	—
Adjusted weighted average number of ordinary shares	136,118,768	136,058,657	136,118,768
Diluted loss per share (pence)	(0.60)	(0.61)	(0.81)

There is no dilutive effect of share options in either 2008 or 2009 as the average price of the Company's shares was below the strike price of the options in issue.

3. TAXATION

UK based companies have not incurred any taxation in the period due to the losses available for relief. Tax paid and tax credit received all relate to overseas companies.

4. POST BALANCE SHEET EVENTS

On 23 October 2009 the Company issued 70,750,000 new ordinary shares of 0.5p each to raise £2.83m of equity (being £1.8m in new equity and a further £1.03m in conversions of existing loans into equity). The shares commenced trading on 23 October 2009 on AIM, part of the London Stock Exchange.

Following the issue of the 70,750,000 new ordinary shares above, the total number of ordinary shares of 0.5p each in issue is 206,926,786.

COMPANY INFORMATION

COMPANY REGISTRATION NUMBER

3224870

DIRECTORS

JOHN WISBEY

Chairman and CEO

KEITH BUTCHER

Finance Director

IAN PEACOCK

Deputy Chairman

BRIAN CROWE

COMPANY SECRETARY

Keith Butcher

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