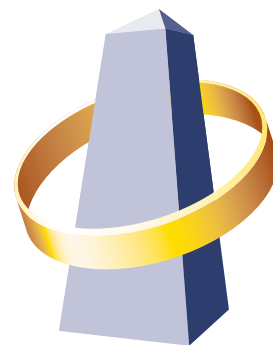
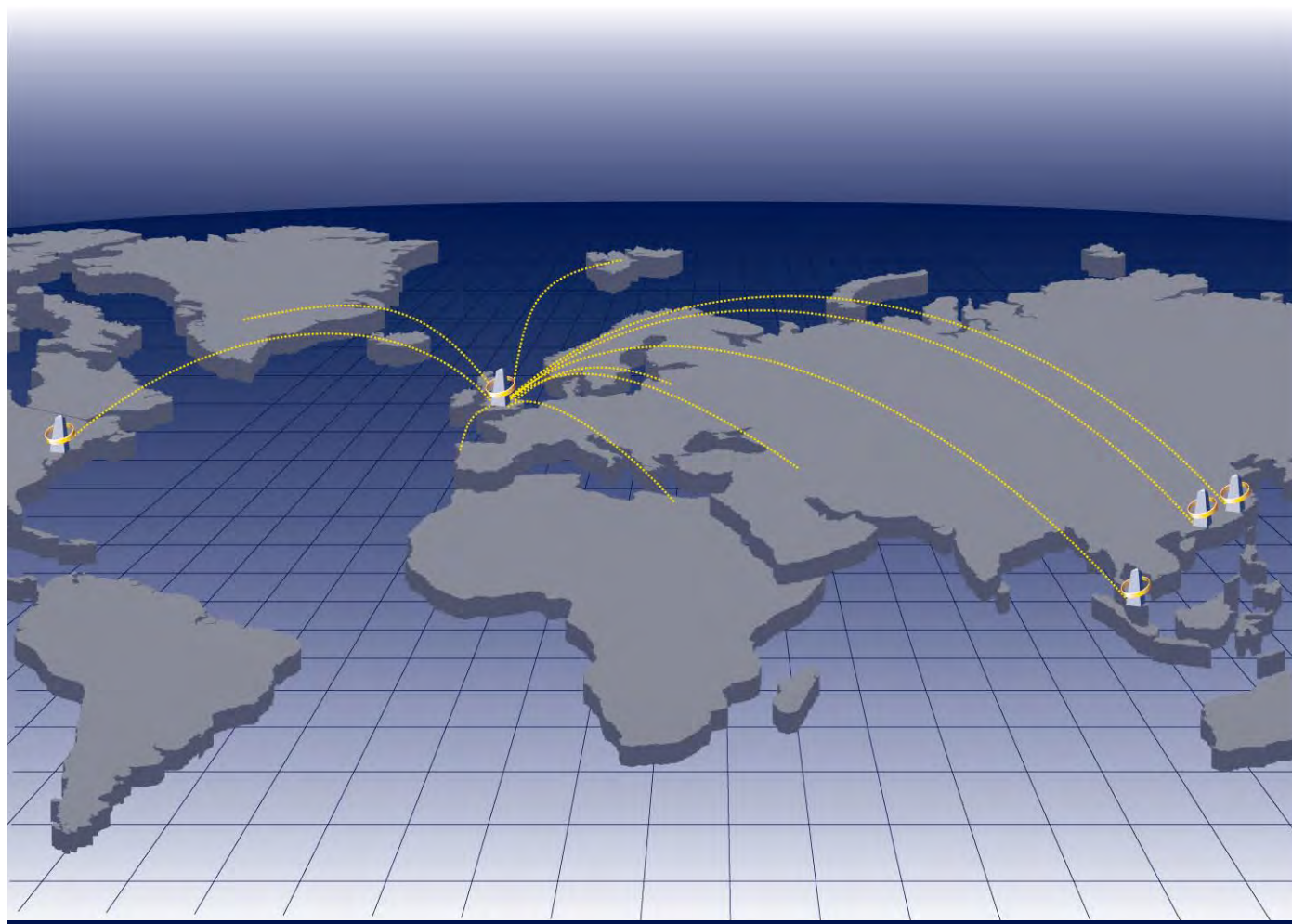

LOMBARD RISK MANAGEMENT PLC

ANNUAL REPORT AND ACCOUNTS 2010



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 operational risk in their businesses. That mission remains unchanged today as Lombard Risk continues to deliver innovative specialised software solutions that help our customers improve the management and reporting of collateralised trading, liquidity and regulatory compliance.

For over 20 years Lombard Risk Management plc ("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 of counterparty risk, collateral risk, trading risk, liquidity risk reporting, financial crime detection and global regulatory reporting, together with excellent MIS reporting.

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HIGHLIGHTS

» Highlights

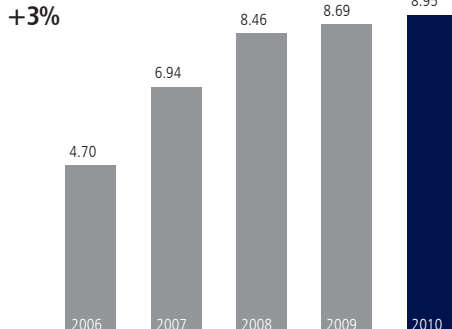
Financial results for the year ended 31 March 2010 prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union.

- » Revenue 3% up on same period last year at £8.95m (2009: £8.69m).
- » Profitability achieved by Risk and Trading division, with both COLLINE® Collateral Management software and Oberon® achieving profitability.
- » More contract wins for COLLINE® and acceptance of the software by a Tier 1 Continental European bank.
- » Multiple contract wins from UK regulatory business driven by Liquidity Standards regulation announced by Financial Services Authority ("FSA") in October 2009 with most of the revenue from these to be earned in year ending 31 March 2011.
- » Loss before interest and tax £1.3m before one off charge relating to prior year bad debts (2009: £1.1m).
- » Fund-raising completed in October 2009 resulting in strengthened Balance Sheet. Cash at year end £0.70m and no debt of any kind (2009: £0.15m cash and Director loans of £1.33m).

REVENUE (£m)

£8.95m

+3%



» Future prospects

- » Strong start to trading in new financial year with over 30% like for like revenue growth and profitability achieved in both the Company's divisions in the first four months of year ending 31 March 2011.
- » Risk and Trading division – ongoing demand for COLLINE®: COLLINE® Collateral Management software has gone live at a high profile Tier 1 Continental European bank thus proving the product's ability to deal with high volume international banks as well as medium sized and smaller clients. In addition demand continues from banks and asset managers for collateral management products.
- » Regulatory Compliance division: Revenue from Liquidity Standards regulations that come into effect by November 2010 proving to be very positive for the Company's Regulatory Compliance division. The Company can expect to continue to benefit from further changes away from "light touch" regulation.
- » Expected revenues from other new products in 2011.

CHAIRMAN'S STATEMENT



I joined Lombard Risk as Chairman on 1 May 2010 with the result that my own direct experience of the Company covers only the current financial year. The year to date has been a period in which the company has been able to reap the benefit of the efforts and investment made in the previous financial year. This has resulted in revenue growth of more than 30% in the first four months of the current financial year, and a return to profitability during that time.

The board and executive team are focused on continued operational improvements and efficiency to accompany the revenue growth being achieved. Costs have been cut but have also been accompanied by investment in those areas which we believe will drive future growth.

I will report in greater detail at the time of the interim financial statements but my first impressions are of a company with considerable potential. I am grateful to the Board, investors and advisors alike for making me feel welcome at Lombard Risk.

A handwritten signature in black ink, appearing to read 'Philip Crawford'. The signature is stylized and fluid.

PHILIP CRAWFORD
CHAIRMAN

PROFITABLE START TO NEW FINANCIAL YEAR...

CHIEF EXECUTIVE OFFICER'S STATEMENT



...CONTINUED GROWTH

SUMMARY

The year saw the Company making steady progress. While we incurred a loss for the year ended 31 March 2010, the board believe that the work done in the year has laid the foundation for growth in future periods. This has subsequently been seen in the first few months of the year ending 31 March 2011, during which we have registered year on year growth of over 30% per annum. In the collateral management software business we continued to win contracts and grow organically, while implementation at the major Tier 1 Continental European bank announced in April 2009 progressed through the year and resulted in acceptance in April 2010. In the regulatory compliance business a lot of work was performed ahead of the major new UK Financial Services Authority ("FSA") regulations on Liquidity Standards, which have provided a major revenue opportunity; however since these regulations

were finalised later than expected, in October 2009, and software was not ready until April 2010, the revenue recognised in the year ending 31 March 2010 was negligible. During the year we raised equity funds that eliminated all our borrowings and strengthened our balance sheet. In the post-financial crisis environment in which customers and investors are more risk averse than usual, these were all events that took us in the right direction.

Revenues for the year increased by 3% to £8.95m (2009: £8.69m). Our loss after tax was £1.58m (2009: £1.16m) but this included £0.11m of interest and, following a thorough review of revenue, one time provision in respect of bad debts from previous periods of £0.18m.

We invested heavily in resource for COLLINE® during the year, although much of that investment was to support a major contract and other large contracts. The Risk and Trading business traded profitably, so that more than

100% of the loss was in the Regulatory Compliance business which represented 47% of revenues. The weakness in the regulatory business in the first half was expected as few final decisions were being taken by UK regulatory customers before the FSA had finalised its policy on liquidity, and the weakness in the second half was primarily an issue of revenue recognition owing to the extended regulatory deadlines. An appreciable number of contracts were won during the second half, but the revenue will be recognised in the year ending 31 March 2011.

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, and there is little if any sign of this changing following the change of UK Government. In the UK this began with a complete reform of Liquidity Reporting and the board believes that this move away from light touch regulation offers

CHIEF EXECUTIVE OFFICER'S STATEMENT

CONTINUED

SUMMARY CONTINUED

considerable opportunity to the Company in the coming years. As well as the Liquidity Standards announced by the FSA, new FSA policy statements on Stress Testing have been published and FSA consultation papers have been published about Capital Standards which are likely to lead to more regulatory change in 2011 and 2012. There are considerable regulatory opportunities in all the countries in which the Company operates, with world regulators seemingly close to an agreement on a "Basel 3" capital regime.

The Board considers that the outlook for our COLLINE® collateral management software remains promising with strong new business demand expected to continue, including switching away from competitor systems to COLLINE® together with likely revenue growth from existing customers. The Company has now proved the scalability and resilience of the product (i.e. its ability to cope with large volumes and to withstand the loss of individual servers without ceasing to

function) through its deployment in a leading Tier 1 Continental European bank operating in an international environment.

Given that most of our revenues come from banks and financial services companies, the Board considers that the Company's products are well placed with an emphasis on collateral management, liquidity and regulatory compliance. We are the global number 2 in both collateral management software and in bank regulatory reporting software.

FINANCIAL

Revenues for the year increased by 3% to £8.95m (2009: £8.69m). Our loss after tax was £1.58m (2009: £1.16m) but this included £0.11m of interest and a one-time provision in respect of bad debts from previous periods of £0.18m following a thorough review. Stripping out these items would have shown a reduced underlying loss of £1.3m and an adjusted cost base of £10.2m for the year. Net cash was £0.7m at 31 March 2010 (2009: £0.15m less £1.33m of director loans).

PROMISING OUTLOOK...

...MAJOR TIER 1 BANK ACCEPTS COLLINE®

The financial highlight of the period was the raising of £2.83m of equity, of which £1.75m was from institutions and investors on AIM, and the balance of £1.08m was in either new money or loan conversions from Directors and former Directors. After deduction of fees and expenses of around £0.2m, this allowed the Company to repay all its Director loans of £1.63m and its overdraft, reduce its creditors to a lower number of creditor days, as well as retain a reserve for working capital.

Recurrent revenue has historically been a healthy proportion of revenues at the Company. Recurrent annual revenues for the Group were at around £4.4m p.a at the year end (2009: £4.3m). In addition, the revenue profile remains fairly well spread. This recurrent number has continued to grow during the current financial period and as a result of contracts already won, the Board expects this to grow throughout the remainder of the current period.

TRADING AND RISK SOFTWARE PRODUCTS

As anticipated in former statements, the financial crisis has been beneficial for our COLLINE® collateral management software product. This product now handles substantially all of 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 year we completed projects with Loomis, Sayles & Co, Pacific Life, ABN-AMRO and began a project with BNP Paribas Securities Services. We also made good progress with implementation of a major contract with a Tier 1 Continental European bank concluded at the end of the financial year ended 31 March 2009, and have demonstrated 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 150 users. This means that the Board has every confidence that our solution is scalable from the smallest collateral user to the largest global bank.

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

During the year we launched our LISA® product and we have now signed up several new customers for it. LISA® will be a risk product which is complementary to our regulatory products, starting with Liquidity Risk and using the most modern technology. Lombard Risk has always been strong on risk management and the Board considers that 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 the Company opportunities to sell additional functionality to existing customers. When the announcement of new regulations is imminent there tends to be a lull in activity before those regulations are actually finalised and this was the case during the year with the FSA's final new regulations on Liquidity Reporting and Liquidity Stress Testing not being published until October 2009. Consequently there was very little revenue in the period under review from this source except from analysis work on the impact of the consultation papers. The Company has now won

CHIEF EXECUTIVE OFFICER'S STATEMENT

CONTINUED

REGULATORY AND COMPLIANCE SOFTWARE PRODUCTS CONTINUED

30 contracts related to this initiative for Liquidity Reporting or Liquidity Stress Testing, and is very busy rolling out the solution to these customers in the current 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 were able to negotiate modifications/waivers to these rules.

The Liquidity Reporting and Stress Testing regulatory regime which comes into effect in the UK in 2010 seems likely to be followed in 2011 by new Capital Standards and Stress Testing and there is a timetable for regulatory change including a new "Basel 3" accord. This opportunity is by no means confined to the UK, although the Board believes that the weight of our customer base gives us more ability to leverage the opportunity in the UK than elsewhere.

The Board considers that the Company's ability to offer global solutions has been greatly enhanced through our now having regulatory offerings available or under production for several EMEA and Asian countries as well as the United States. Our Singapore office 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 AND PREMISES

During the period under review 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 end. 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. The Board intends that costs will continue to be contained overall and that they are reduced as a percentage of any revenue rises as proportionately more work is carried out in Shanghai and we achieve greater efficiency gains. We now have more than half of our Group headcount in Shanghai.

I agreed to split my combined Chairman and Chief Executive Officer role at the time of the institutional fund-raising, and the Board and I were delighted to welcome Philip Crawford as our new Non-executive Chairman from 1 May 2010. At the same time Mike Shinya joined as a Non-executive Director. Both Philip and Mike have very heavyweight experience as senior executives in the IT industry at large companies such as EDS and Oracle and their experience will help take the Company forward to the next level.

While so many people worked hard during the year, special thanks are due to the teams in London and Shanghai led by Nick Davies and Helen Bramley who did so much to ensure the success of major Colline projects. Many late nights were worked by many to ensure that deadlines were met.

At Board level special thanks are due to Ian Peacock, our Non-executive Deputy Chairman, who retires at the AGM. Ian has been with the Company for over ten years in various capacities and I have always valued his wise counsel and incisive questioning over that time. Thanks are also due to Chris Langridge who joined us in April as COO and Finance Director to help us with some of our strategic initiatives including cost cutting. Chris will not be standing for re-election at the AGM and a permanent replacement will be announced shortly.

STRENGTHENED GOVERNANCE...

...30 CONTRACTS WON FOR LIQUIDITY REPORTING

PROSPECTS

The Group has seen more than 30% year on year revenue growth in the first four months of the current financial year, and taking into account recurrent revenue and the contracted revenues which the Board believes should be recognisable by 31 March 2011, this is a promising start to the new financial year. We continue to see a healthy sales pipeline for our COLLINE® collateral management software following the substantial Tier 1 Continental European bank going live. In addition, the Board believes that some of the new regulatory driven industry initiatives on central counterparty and messaging should help us win additional business. 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, albeit that this benefit will continue to come in waves with peaks and troughs in demand around regulatory deadlines. The climate for the next few years is for mandatory additional spend on regulation. The key issue for us is what share of this 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 2 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 Allenby Capital, Grant Thornton UK LLP, Memery Crystal and others, for their hard work and support and further to thank our customers and investors alike for their support of us.



JOHN WISBEY
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS



TOP ROW FROM LEFT TO RIGHT: IAN PEACOCK, MIKE SHINYA, NICK DAVIES
BOTTOM ROW FROM LEFT TO RIGHT: PHILIP CRAWFORD, JOHN WISBEY, BRIAN CROWE

The Group is run by its Board of Directors, which currently has six members including four Non-executive Directors and meets regularly. The Non-executive Directors make a valuable contribution by bringing a breadth of business and relevant professional experience to the Board. The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. It is responsible for the overall Group strategy, acquisition and divestment policy, approval of major capital expenditure and consideration of significant capital matters.

PHILIP CRAWFORD CHAIRMAN

Philip Crawford joined the Board of Lombard Risk in 2010. He has been working in the IT Industry since 1983. Philip has held a number of senior positions in software, hardware and services companies including senior vice president of Oracle Corporation with membership of the executive board and Larry Ellison's Strategy Council, President of EDS International with responsibility for all markets outside the US, chief executive of Bull UK and executive vice president and head of EMEA for i2 Technologies.

Since retiring from full time employment in 2002, Philip has concentrated on his non-executive director portfolio and acts as a 'business angel'. He is currently the chairman of a small number of companies including Avanti Capital Plc and Crimsonwing Plc.

JOHN WISBEY CHIEF EXECUTIVE OFFICER

John Wisbey is the Chief Executive Officer of Lombard Risk, which he has led since its launch in 1989 with the introduction of Oberon, one of the industry's original software systems for financial instrument valuation and risk management. John has guided the Company's organic growth through the creation and development of several successful products, initially Oberon, followed by ValuSpread a credit derivative data service (sold to Fitch in 2005), Colline for collateral management and most recently LISA for liquidity risk management. In addition, John has been the principal architect of the Company's inorganic

growth, which includes the acquisitions of Open Image Systems in 1994 (later floated on AIM as IDOX plc in 2000) and STB Systems (now the core of Lombard Risk's regulatory compliance business) in 2005. Today, under John's leadership, Lombard Risk is an international leader in collateralised trading, liquidity management and regulatory compliance offering a wide range of products and services to multi-national clients.

Prior to establishing Lombard Risk, John was head of option trading and a director in the Swap Group at Kleinwort Benson Limited. John acquired a broad foundation in the world's financial markets and developed specialisations in derivatives and banking technology during his twelve years in the Treasury Division and Banking Division at Kleinwort Benson while based in London, Hong Kong and Singapore. John was also past chairman until 2005 of IDOX plc, a former subsidiary of Lombard Risk and now a leading company in UK e-government.

NICK DAVIES CHIEF TECHNOLOGY OFFICER

Nick Davies joined the Board of Lombard Risk in 2010 having joined the firm in 2008 as the Group's CTO. As CTO, Nick has global responsibility for Lombard Risk's technical vision as well as for the delivery and quality of all software products. At Lombard Risk Nick's achievements include providing the architectural vision for the rearchitecture of the Colline collateral management platform to provide additional business resilience and processing capacity

capabilities. These architecture and design principles contributed to Colline winning its first Tier-1 enterprise client in early 2009.

At JP Morgan he was the head of technology for three global businesses: Globeclear, Collateral Management and Global Trust. He oversaw the technical integration of the Hedge Fund acquisitions into the Alternative Investment group and was responsible for several high profile merger projects. He was responsible for the technical teams that architected and implemented the JP Morgan CommanD product servicing OTC Derivatives.

IAN PEACOCK DEPUTY CHAIRMAN

Ian Peacock joined the Board of Lombard Risk in 2000. He is also the chairman of Mothercare plc, a director of the UK bank C.Hoare & Co (founded in 1672), and chairman of the Family Mosaic Housing Association. Ian Peacock previously held a number of other senior positions including serving on the Barclays Bank Group Credit Committee, and the group board of Kleinwort Benson Group plc as well as chairman of the Kleinwort Benson Credit Committee. He was also chairman of Galiform plc from 2000–2006, a special advisor to the Bank of England from 1998–2000, and was a non-executive director of Norwich and Peterborough Building Society until 2005. On 30 April 2010 it was announced that Ian would be retiring from the Board before the end of 2010.

BRIAN CROWE NON-EXECUTIVE DIRECTOR

Brian Crowe joined the Board of Lombard Risk in 2004 at the time of its IPO on AIM. He was the chief executive of Global Banking & Markets at the Royal Bank of Scotland plc ("RBS") until October 2008. During his tenure at RBS, Brian was a member of the Group ALCO, Credit and Investment Committees of RBS and a member of the Group Executive Management Committee. He was chairman of the Wholesale Committee of the British Bankers Association from 2006 to 2008, and was a member of the Global Banking Issues Committee of the European Banking Federation (or Fédération Bancaire Européenne) from 2005 to 2008. He was also a member of the City of London EU Strategy Group for 2007/8. Prior to joining RBS, he was head of derivatives at Chase Manhattan Bank in London. He is a former board member of the International Swaps and Derivatives Association ("ISDA").

MIKE SHINYA NON-EXECUTIVE DIRECTOR

Mike Shinya joined the Board of Lombard Risk in 2010. Until June 2010 Mike Shinya was the Chief Executive Officer of IBS Group, a Stockholm headquartered Business Applications Software company operating in over 20 countries globally. Prior to this position Mike was chief executive officer at Sherwood International and chief operating officer at Micro Focus plc (both publicly quoted UK software companies). Mike has been in the IT industry for over 30 years having served in senior positions at IBM, Oracle and Baan Company.

LOMBARD RISK'S MANAGEMENT TEAM



Lombard Risk's management team has been constructed from experts in their respective fields. Many have banking backgrounds and have used risk management and regulatory software in previous roles, giving them first hand knowledge of customer needs and desires.

These individuals' skills and experience have been brought together to create a team that now has the ability to respond to and anticipate customer requirements. This gives considerable market advantage when competing for business and delivering to plan.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010

The Directors submit their annual report together with the consolidated financial statements for the year ended 31 March 2010.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP"). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

In so far as each of the Directors is aware:

- » there is no relevant audit information of which the Company's auditor is unaware; and
- » the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is a holding company. The principal activities of the Group are the provision of trading, valuation and risk management systems and regulatory compliance systems to the financial markets. A review of these activities, future developments and financial risk management is provided in the Chairman's statement and note 14 to the consolidated financial statements. This information forms a part of the Directors' report.

KEY PERFORMANCE INDICATORS

The Directors have monitored the performance of the Group with particular reference to the following key performance indicators:

- » turnover by product line compared to prior year;
- » cash management – actual compared to budget; and
- » operating costs by location compared to prior periods.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 March 2010 are set out on pages 15 to 31. The Group's loss for the year after taxation amounted to £1,584,351 (2009: loss £1,098,937). The Directors do not propose a dividend for the year (2009: £Nil).

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their beneficial interests in the Company's ordinary share capital were as follows:

	31 March 2010 Number	31 March 2009 Number
John Wisbey ¹	101,639,562	81,889,562
Ian Peacock	1,588,532	1,088,532
Brian Crowe	5,625,000	625,000
Keith Butcher (resigned 27 April 2010)	1,250,000	Nil
Michael Thomas (resigned 1 July 2009)	5,558,360	4,958,360

¹ 77,939,562 shares are owned directly. In addition John Wisbey is a beneficiary of Advanced Technology Trust which owns a further 23,700,000 shares.

In addition to these shareholdings listed above, the Directors have been granted options over ordinary shares.

In accordance with the Articles of Association, John Wisbey and Brian Crowe are due to retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, will offer themselves for re-election.

Subsequent to the balance sheet date, the following were appointed as Directors:

- » Nicholas Davies, 27 April 2010
- » Chris Langridge, 27 April 2010
- » Philip Crawford, 1 May 2010
- » Mike Shinya, 1 May 2010

CHARITABLE AND POLITICAL DONATIONS

The Group made no charitable donations in the year (2009: £Nil) and no political donations (2009: £Nil).

PAYMENT OF CREDITORS

It is the Group's practice to agree credit terms with all suppliers and to pay all approved invoices within these agreed terms. The average trade creditor days for the year was 49 days (2009: 75 days).

SUBSTANTIAL SHAREHOLDINGS

As at 31 March 2010 the Company was aware of the following interests in 3% or more of its issued share capital:

	Number of shares	% holding
John Wisbey	101,639,562	49.11
Legal & General Group plc	17,280,000	8.35
AMF (NBF) Holdings Inc.	12,222,222	5.90
Gartmore Investment Limited	10,650,000	5.14
Merifin Capital NV	7,525,264	3.63

RESEARCH AND DEVELOPMENT

Research and development expenditure incurred on the Group's suite of products has all been expensed to the income statement in the relevant period.

GOING CONCERN

The financial statements have, as in previous years, been prepared on a going concern basis. The Directors have formally considered this issue in the light of the operating losses in the current and earlier years, and the consequent operating cash outflows during these periods.

In forming an opinion that the Company and the Group is a going concern, the Directors have taken particular note of the positive trading performance in the year to date, both in the signing of new business contracts, and in the realised financial results. These show an up-turn in the Group's performance and, in particular, a backlog of contracted revenue which gives a clear view of revenues through the next three quarters. The level of this revenue is such that the Group is not reliant on substantial forecasted new business to generate sufficient funds for its operations.

The Directors have prepared the cashflow forecasts for the periods ending 31 March 2011 and 31 March 2012 which show that the Company and Group have sufficient facilities for ongoing operations. Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2010.

AUDITOR

A resolution to re-appoint Grant Thornton UK LLP as auditor and to authorise the Directors to agree their remuneration will be placed before the forthcoming AGM of the Company.

On behalf of the Board



JOHN WISBEY
DIRECTOR

REGISTERED OFFICE
7TH FLOOR
LUDGATE HOUSE
245 BLACKFRIARS ROAD
LONDON SE1 9UF
7 SEPTEMBER 2010

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2010

POLICY STATEMENT

The Board is committed to high standards of integrity and corporate governance, consistently seeking to apply the principles set out in the Combined Code ("the Code") although recognising that as an AIM company the Company is not required to comply with the provisions of the Code and, largely because of its size, does not comply with a number of them. This statement, together with the Directors' report and the report of the Board to shareholders on Directors' remuneration, explains how the Group has applied the principles set out in the Code.

INTERNAL CONTROLS

The Directors are responsible for the systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Board considers that there have been no substantial weaknesses in internal financial controls resulting in any material losses, contingencies or uncertainties, and thus disclosable in the accounts. The Board has considered the need for an internal audit function and has concluded that there is no current need for such a function within the Company.

ACCOUNTING POLICIES

The Board considers the appropriateness of its accounting policies on an annual basis. The Board believes that its accounting policies and estimation techniques are appropriate in particular in relation to income recognition, research and development and deferred expenses.

BOARD OF DIRECTORS

The Board, comprising a Non-executive Chairman, two Executive Directors and three Non-executive Directors, is responsible for the overall strategy and direction of Lombard Risk Management plc as well as for approving potential acquisitions, major capital expenditure items and financing matters. The Board has a formal schedule of business reserved to it and meets regularly during the year. Advice from independent sources is available if required. The Board monitors exposure to key business risks, reviews the strategic direction of the Company, the annual budgets and progress against those budgets.

The Board members and their roles are described on page 8. The Executive Directors have service contracts, which are terminable upon periods between three and twelve months' notice. In accordance with the Company's Articles of Association, one third of the Directors are required to retire by rotation at the AGM.

SHAREHOLDER RELATIONS

The Company recognises the importance of dialogue with all of its shareholders. The AGM is an opportunity to communicate with institutional and other shareholders. Additional information is supplied through the circulation of the interim report and the Annual Report and Accounts. Lombard Risk Management plc maintains up to date information on the investor section of its website www.lombardrisk.com.

Every shareholder receives a full Annual Report after each year end and has access to an Interim Report online after each half year end. Care is taken to ensure that any price sensitive information is released to all its shareholders, institutional and private, at the same time in accordance with London Stock Exchange requirements.

AUDIT COMMITTEE

The Audit Committee is a committee of the Board chaired by Ian Peacock and also comprises Brian Crowe and Philip Crawford. The Report of the Audit Committee can be found on page 13.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Mike Shinya and also comprises Brian Crowe, Philip Crawford and John Wisbey. The committee reviews the remuneration structures and performance of the Executive Directors and reviews the remuneration policy for senior management. The Remuneration Committee meets as and when necessary and has access to professional advice from inside and outside the Company. The Executive Directors determine the remuneration arrangements of the Non-executive Directors. No Director may participate in decisions regarding his own remuneration.

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2010

MEMBERSHIP AND MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee is a committee of the Board and is composed entirely of Non-executive Directors, whom the Board considers to be independent. The Audit Committee invites the Executive Directors and other senior managers to attend its meetings as appropriate.

During the year the Audit Committee was chaired by Ian Peacock. John Wisbey remained a committee member. The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions. The Audit Committee invites others, including the external auditor, to attend its meetings as appropriate.

ROLE, RESPONSIBILITIES AND TERMS OF REFERENCE

The Audit Committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting and internal control.

The Audit Committee's responsibilities include:

- ❖ reviewing the integrity of the annual and interim financial statements of the Group ensuring they comply with legal requirements, accounting standards and the AIM rules and any other formal announcements relating to the Group's financial performance;
- ❖ reviewing the Group's internal financial control and risk management systems;
- ❖ monitoring and reviewing the requirement for an internal audit function; and
- ❖ overseeing the relationship with the external auditor, including approval of their remuneration, reviewing the scope of the audit engagement, assessing their independence, monitoring the provision of non-audit services, and considering their reports on the Group's financial statements.

INDEPENDENCE OF EXTERNAL AUDITOR

The Audit Committee keeps under review the relationship with the external auditor including:

- ❖ the independence and objectivity of the external auditor, taking into account the relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services;
- ❖ recommending to the Board and shareholders the re-appointment or otherwise of the external auditor for the following financial period; and
- ❖ the consideration of audit fees and any fees for non-audit services.

The Audit Committee develops and recommends to the Board the Company's policy in relation to the provision of non-audit services by the auditor and ensures that the provision of such services does not impair the external auditor independence.

IAN PEACOCK
CHAIRMAN OF THE AUDIT COMMITTEE
7 SEPTEMBER 2010

REPORT OF THE INDEPENDENT AUDITOR

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD RISK MANAGEMENT PLC

We have audited the Group financial statements of Lombard Risk Management plc for the year ended 31 March 2010 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement set out on page 10, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group 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/UKNP.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; 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 Group financial statements are prepared is consistent with the Group financial statements.

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:

- 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.

OTHER MATTER

We have reported separately on the Parent Company financial statements of Lombard Risk Management PLC for the year ended 31 March 2010.

CHRISTOPHER SMITH

SENIOR STATUTORY AUDITOR

FOR AND ON BEHALF OF GRANT THORNTON UK LLP

STATUTORY AUDITOR, CHARTERED ACCOUNTANTS

LONDON

8 SEPTEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Continuing operations			
Revenue	2	8,949,459	8,694,450
Cost of sales		(174,139)	(43,936)
Gross profit			
Administrative expenses		(10,256,513)	(9,769,510)
(Loss) from operations			
Finance expense	4	(1,481,193)	(1,118,996)
Finance income	5	(108,915)	(139,736)
	6	1,026	5,000
(Loss) before taxation			
Taxation	7	4,731	96,074
(Loss) for the year from continuing operations			
Profit for the year from discontinued activities	8	—	58,721
(Loss) for the year transferred from reserves			
Exchange differences on translating foreign operations			
Total comprehensive income for the year			
(Loss) per share			
Basic (pence)	9	(0.95)	(0.81)
Diluted (pence)	9	(0.95)	(0.81)
(Loss) per share on continuing activities			
Basic (pence)	9	(0.95)	(0.85)
Diluted (pence)	9	(0.95)	(0.85)
Earnings per share on discontinued activities			
Basic (pence)	9	—	0.04
Diluted (pence)	9	—	0.04

The accompanying accounting policies and notes form an integral part of the financial statements.

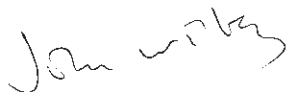
CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2010

COMPANY NUMBER: 03224870

	Note	As at 31 March 2010 £	As at 31 March 2009 £
Non-current assets			
Property, plant and equipment	10	151,753	239,798
Goodwill	11	3,632,680	3,632,680
Other intangible assets	11	10,208	11,441
		3,794,641	3,883,919
Current assets			
Trade and other receivables	12	1,579,833	2,842,226
Cash and cash equivalents		702,194	150,999
		2,282,027	2,993,225
Total assets		6,076,668	6,877,144
Current liabilities			
Trade and other payables	13	(1,953,437)	(3,847,208)
Provisions	15	—	(137,664)
Deferred income		(2,794,698)	(2,580,502)
		(4,748,135)	(6,565,374)
Total liabilities		(4,748,135)	(6,565,374)
Net assets		1,328,533	311,770
Equity			
Share capital	16	1,464,465	1,110,715
Share premium account		4,795,033	2,512,904
Foreign exchange reserves		(63,672)	(9,136)
Other reserves		1,668,923	1,649,152
Profit and loss account		(6,536,216)	(4,951,865)
Total equity		1,328,533	311,770

The financial statements were approved by the Board on 7 September 2010 and signed on its behalf by:



JOHN WISBEY
CHIEF EXECUTIVE OFFICER

The accompanying accounting policies and notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	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
Share-based payment charge	—	—	—	19,771	—	19,771
Issue of share capital	353,750	2,282,129	—	—	—	2,635,879
Transactions with owners	353,750	2,282,129	—	19,771	—	2,655,650
Loss for the year	—	—	—	—	(1,584,351)	(1,584,351)
Other comprehensive income						
Exchange differences on translating foreign operations	—	—	(54,536)	—	—	(54,536)
Total comprehensive income for the year	—	—	(54,536)	—	(1,584,351)	(1,638,887)
Balance at 31 March 2010	1,464,465	4,795,033	(63,672)	1,668,923	(6,536,216)	1,328,533

	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
Share-based payment charge	—	—	—	11,246	—	11,246
Issue of share capital	2,205	22,794	—	—	—	24,999
Transactions with owners	2,205	22,794	—	11,246	—	36,245
Loss for the year	—	—	—	—	(1,098,937)	(1,098,937)
Other comprehensive income						
Exchange differences on translating foreign operations	—	—	21,072	—	—	21,072
Total comprehensive income for the year	—	—	21,072	—	(1,098,937)	(1,077,865)
Balance at 31 March 2009	1,110,715	2,512,904	(9,136)	1,649,152	(4,951,865)	311,770

Other reserves relate to negative goodwill arising on the acquisition of a subsidiary undertaking prior to 1 April 1997 share-based payment and the merger reserve.

The accompanying accounting policies and notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Cash flows from operating activities		
Loss for the period excluding discontinued operations	(1,584,351)	(1,157,658)
Tax credit	(4,731)	(96,074)
Finance income	(1,026)	(5,000)
Finance expense	108,915	139,736
Operating loss	(1,481,193)	(1,118,996)
Profit on discontinued activities (note 8)	—	(58,721)
Adjustments for:		
Depreciation	137,891	157,032
Amortisation	10,960	13,451
Share-based payment charge	19,771	11,246
Provision for onerous lease	—	(9,130)
Decrease/(increase) in trade and other receivables	1,262,393	(521,554)
(Decrease)/increase in trade and other payables	(716,340)	683,059
Increase/(decrease) in deferred income	214,196	(109,693)
Cash used in operations	(552,322)	(953,306)
Tax credit received	4,731	96,074
Net cash outflow from operating activities	(547,591)	(857,232)
Cash flows from investing activities		
Purchase of property, plant and equipment	(88,851)	(235,151)
Purchase of intangible fixed assets	(10,353)	(20,496)
Proceeds from sale of IVRS (note 8)	—	58,721
Net cash used in investing activities	(99,204)	(196,926)
Cash flows from financing activities		
Loans from Directors	300,000	820,000
Repayment of Directors' loans	(600,000)	—
Shares issued, net of issue costs	1,605,879	24,999
Interest received	1,026	5,000
Interest paid	(108,915)	(139,736)
Net cash generated by financing activities	1,197,990	710,263
Net increase/(decrease) in cash and cash equivalents	551,195	(343,895)
Cash and cash equivalents at beginning of period	150,999	494,894
Cash and cash equivalents at end of period	702,194	150,999

Note 22 provides details of major non-cash transactions during the year.

The accompanying accounting policies and notes form an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

These consolidated financial statements are for the year ended 31 March 2010. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations as at 31 March 2010, as adopted by the European Union. They have been prepared under the historical cost convention.

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.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted by the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- IFRS 9 "Financial Instruments" (effective 1 January 2013)
IFRS 9 addresses the classification and measurement of financial assets and will replace IAS 39. The Standard is mandatory for accounting periods commencing on or after 1 January 2013, subject to adoption by the European Union.
- Annual Improvements 2009 (effective 1 July 2009 and later)
The IASB has issued Improvements for International Financial Reporting Standards 2009. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010. The Group has made a preliminary assessment of the proposed amendments and does not believe that the effect on the Group's financial statements will be significant.

(B) CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new Standards, Interpretations, Revisions and Amendments to IFRS issued by the International Accounting Standards Board and adopted by the European Union, which are relevant and effective for the Group's financial statements for the annual period being 1 April 2009:

- IAS 1 (revised) "Presentation of financial statements"
- IFRS 8 "Operating segments"

IAS 1 (revised) "Presentation of financial statements" requires presentation of a comparative balance sheet at the beginning of the first comparative period in some circumstances. Management considers that this is not necessary because the 2008 balance sheet is the same as that previously published.

IFRS 8 "Operating segments" – The standard replaces IAS 14 "Segment Reporting" and requires entities to adopt the "management approach" to report on their operating segments. The Group's accounting policy on operating segments is presented below.

(C) BASIS OF CONSOLIDATION

The Group accounts consolidate the financial statements of the Parent Company (Lombard Risk Management plc) and its subsidiary undertakings over which it has full control (see note 5 to the Parent Company balance sheet). A description of the principal activities and operations of the Group can be found in the Director's report on pages 10 and 11.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2010. 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 statement of comprehensive income from the date of acquisition or up to the date of disposal. All of the Group'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 was written off to reserves prior to 1 April 1999. Goodwill arising after this date is capitalised and 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 down according to the outcome of the impairment test.

(D) SEGMENT REPORTING

In identifying its operating segments, management generally follows the Group's product lines. The Group operates two main product segments: Regulatory compliance software and Risk management and trading software. Regulatory compliance software is for regulatory, anti-money laundering and compliance systems to financial markets. Risk management and trading software provides trading, valuation and risk management systems to the financial markets. Each of these product lines is managed separately as each of these product lines requires different technology and other resources as well as marketing approaches. Corporate overheads, assets and liabilities which are not directly attributable to either product line are not allocated to segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES CONTINUED

(E) GOING CONCERN

The financial statements have, as in previous years, been prepared on a going concern basis. The Directors have formally considered this issue in the light of the operating losses in the current and earlier years, and the consequent operating cash outflows during these periods.

In forming an opinion that the Company and the Group is a going concern, the Directors have taken particular note of the positive trading performance in the year to date, both in the signing of new business contracts, and in the realised financial results. These show an up-turn in the Group's performance and, in particular, a backlog of contracted revenue which gives a clear view of revenues through the next three quarters. The level of this revenue is such that the Group is not reliant on substantial forecasted new business to generate sufficient funds for its operations.

The Directors have prepared cashflow forecasts for the periods ending 31 March 2011 and 31 March 2012 which show that the Company and Group have sufficient facilities for ongoing operations. Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2010.

(F) REVENUE

Revenue represents the value of goods sold and services provided during the year, stated net of Value Added Tax. Revenue and loss before tax are wholly attributable to the principal activities of the Group.

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 on a percentage completion basis. For non-refundable licences revenue is recognised in full on customer acceptance.
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.

(G) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction. Leasehold property is included in property, plant and equipment only where it is held under a finance lease.

The cost of computer hardware, fixtures, fittings and equipment, is written down to the residual value and is depreciated in equal annual instalments over the estimated useful lives of the assets. The residual values of assets or groups of like assets and their useful lives are reviewed annually.

The estimated useful lives of the assets are as follows:

Computer hardware	two years
Fixtures, fittings and equipment	four years

(H) GOODWILL

Goodwill, representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately after acquisition in the Consolidated statement of comprehensive income.

(I) INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT

Expenditure on research is recognised as an expense in the period in which it is incurred.

Development costs incurred are capitalised when all the following conditions are satisfied:

- » completion of the intangible asset is technically feasible so that it will be available for use or sale;
- » 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. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- » there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- » the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

COMPUTER SOFTWARE

The cost of computer software, net of estimated residual value and impairment, is depreciated in equal annual installments over one to two years based on the estimated useful lives of the assets. The residual values of assets or Group of like assets are reviewed annually.

1. ACCOUNTING POLICIES CONTINUED

(J) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group's financial instruments comprise cash, trade receivables and trade and other payables. Derivative instruments are not used by the Group and the Group does not enter into speculative derivative contracts.

LOANS AND RECEIVABLES

Loans and receivables are initially stated at their fair value plus transaction costs, then subsequently at amortised cost using the effective interest method, if applicable, less impairment losses. Provisions against trade receivables are made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the assets' carrying amount and the present value of the estimated future cash flows.

CASH AND CASH EQUIVALENTS

The Group manages short-term liquidity through the holding of cash and highly liquid interest bearing deposits. Only deposits that are readily convertible into cash, with no penalty of lost interest, are shown as cash or cash equivalent.

TRADE PAYABLES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value; all transaction costs are recognised immediately in the Statement of comprehensive income. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re measured at each reporting date at fair value, with changes in fair value being recognised in the Statement of comprehensive income. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the Statement of comprehensive income.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expires. Where debt has been converted into equity, the liability is extinguished at no gain no loss. The equity is measured at the carrying value of the extinguished debt.

(K) FOREIGN EXCHANGE

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of changes in shareholders equity to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of changes in shareholders equity, otherwise such gains and losses are recognised in the Statement of comprehensive income.

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate at the date of transaction. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign exchange reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the Statement of comprehensive income as part of the gain or loss on disposal.

(L) TAXATION

Current tax is the tax currently payable based on taxable profit for the year. The tax credit arises from the UK legislation regarding the treatment of certain qualifying research and development costs, allowing for the surrender of tax losses attributable to such costs in return for a tax rebate.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of comprehensive income, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

(M) LEASED ASSETS

The Group does not hold any finance leases.

All leases referred to are regarded as operating leases and the payments made under them are charged to the Statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Where leased buildings are vacated or under utilised a provision is made for the loss of benefit over the remainder of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES CONTINUED

(N) 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.

(O) SHARE OPTIONS ISSUED TO EMPLOYEES

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date using a Binomial model, taking into account the terms and conditions upon which the options were granted.

All equity settled share-based payments are ultimately recognised as an expense in the Statement of comprehensive income with a corresponding credit to "other reserves".

If vesting periods or other non market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

(P) IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

(Q) KEY JUDGEMENT IN APPLYING THE ENTITY'S ACCOUNTING POLICIES AND GOODWILL IMPAIRMENT

The Group's management makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a reasonable risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

RECOGNITION OF REVENUE

Revenue is recognised according to the accounting policies as stated and is dependent upon the type of income. Where contracts include different elements of revenue, those elements are recognised in line with those policies, with fair values attributed to each component part.

Judgement is used in the recognition of revenue from long term projects.

If work is contracted on a fixed cost basis, revenue is recognised in line with an estimation of the percentage of completion of the project. This estimation is based upon the views of the consultants implementing the projects as to the proportion of the project completed and this is supported by data from a time recording system. There is, however, an element of judgment involved that can impact the recognition of revenue. This process and individual project recognition is reviewed regularly to ensure that, whilst still subjective, the reflection of revenue is the best approximation possible.

Where projects include the up-front delivery of immediately usable software, the element of non-refundable licence revenue is recognised on receipt of the software by the customer, with other revenue being recognised in line with the performance of the contracted services. The unbundling of this contract revenue requires management to exercise judgement as to the relative fair values of the component parts of the contract.

GOODWILL IMPAIRMENT

An impairment loss is recognised if the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

2. BUSINESS SEGMENTATION

Management currently identifies the Group's two product lines as operating segments as further described in the accounting policies. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

Segment information can be analysed as follows for the reporting periods under review.

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Revenue		
Regulatory compliance software	4,201,278	4,840,863
Risk management and trading software	4,748,181	3,853,587
Group unallocated	—	—
Total revenue	8,949,459	8,694,450
Depreciation and amortisation		
Regulatory compliance software	(93,893)	(107,531)
Risk management and trading software	(54,958)	(62,952)
Group unallocated	—	—
Total depreciation and amortisation	(148,851)	(170,483)
Interest expense		
Regulatory compliance software	—	—
Risk management and trading software	—	—
Group unallocated	(107,889)	(134,736)
Total interest expense	(107,889)	(134,736)
Other costs		
Regulatory compliance software	(5,873,633)	(6,630,776)
Risk management and trading software	(3,537,500)	(2,857,392)
Group unallocated	(865,937)	—
Total other costs	(10,277,070)	(9,488,168)
Total costs	(10,533,810)	(9,793,387)
Profit/(loss)		
Regulatory compliance software	(1,766,248)	(1,897,444)
Risk management and trading software	1,155,723	933,243
Group unallocated	(973,826)	(134,736)
Total loss	(1,584,351)	(1,098,937)
Net assets		
Regulatory compliance software	(2,368,557)	(602,309)
Risk management and trading software	3,798,800	2,643,077
Group unallocated	(101,710)	(1,728,998)
Net assets	1,328,533	311,770

The two segments operate independently and there is no inter-segment income or expenditure.

The Group's revenues from customers and its non-current assets are divided into the following geographical areas.

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Revenue		
United Kingdom	3,985,568	4,948,005
Rest of Europe, Middle East and Africa	1,121,372	1,491,944
The Americas	2,738,291	1,586,906
Asia Pacific	1,104,228	667,595
Total revenue	8,949,459	8,694,450
Non-current assets		
United Kingdom	17,178	44,553
The Americas	14,749	26,560
Asia Pacific	130,034	180,126
Non-current assets	161,961	251,239

During the year 13% of the Group revenue depended on a single customer in the Risk management and trading software segment (2009: no customer account for more than 10% of revenue).

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3. DIRECTORS AND EMPLOYEES

	2010 £	2009 £
Directors		
Emoluments	408,131	431,215
Pension costs	1,890	9,326
	410,021	440,541

Included within the emoluments is £50,000 compensation for loss of office.

No share options were exercised by the highest paid Director. There were no pension contributions made in respect of the highest paid Director. During the year one Director accrued benefit under a Company pension scheme (2009: 1).

The Directors of the Company are the key management personnel.

INDIVIDUAL DIRECTOR'S EMOLUMENTS AND COMPENSATION

	2010 £	2009 £
John Wisbey	220,000	200,000
Ian Peacock	25,000	25,000
Brian Crowe	20,000	20,000
Keith Butcher (include £50,000 compensation for loss of office)	116,686	—
Michael Thomas	26,445	152,881
Dan Kochav	—	16,667
Christopher Wright	—	16,667
Total	408,131	431,215

Share options	At start of the year	Price paid	Exercise price	At the end of year	Date from which exercisable	Expire dates
John Wisbey	555,555	—	9p	555,555	14/12/2006	14/12/2011
John Wisbey	1,194,445	—	11p	1,194,445	14/12/2006	14/12/2011
Ian Peacock	300,000	—	9p	300,000	14/12/2006	14/12/2011
Brian Crowe	200,000	—	9p	200,000	14/12/2006	14/12/2011
Michael Thomas	555,555	—	9p	555,555	24/04/2008	24/04/2013
Michael Thomas	444,445	—	11p	444,445	24/04/2008	24/04/2013

	2010 £	2009 £
Staff costs including directors		
Wages and salaries	6,355,573	5,804,417
Social security costs	875,819	820,099
Pension costs	129,110	112,357
Share-based payments charge (note 17)	19,771	11,246
Total staff costs	7,380,273	6,748,119

The average monthly number of employees (excluding Directors) during the year was:

	2010 Number	2009 Number
Office and administration	13	12
Operational	156	146
Total	169	158

4. LOSS FROM OPERATIONS

The loss from operations before taxation is stated after charging/(crediting):

	2010 £	2009 £
Auditor's remuneration – Company audit fee	25,000	25,000
Fees payable to the Company auditor for other services		
Subsidiary company audit fees	20,000	52,150
Tax services	10,500	10,000
Other services	569	—
Depreciation	137,891	157,032
Amortisation	10,960	13,451
Foreign exchange	34,232	(41,610)
Operating leases – land and buildings	815,334	916,891
Research and development expenditure	1,064,607	1,139,528

Fees payable to the Company's auditor, Grant Thornton UK LLP, and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Company's Group financial statements are required by the Companies (Disclosure of Auditor Remuneration) Regulations 2005, regulation 5(1) to disclose such fees on a consolidated basis.

5. FINANCE EXPENSE

	2010 £	2009 £
Interest on bank loans and overdrafts	464	1,348
Other interest payable	108,451	138,388
	108,915	139,736

6. FINANCE INCOME

	2010 £	2009 £
Interest on bank deposits	439	1,807
Other interest receivable	587	3,193
	1,026	5,000

7. TAXATION

The credit for the year is made up as follows:

	2010 £	2009 £
Corporate taxation on the results for the year		
UK	—	—
Non UK	(4,731)	—
	(4,731)	—
Research and development tax credit in respect of prior years	—	(96,074)
Taxation (credit) charge for the year	(4,731)	(96,074)

The Group has received to date research and development tax credits of £816,082 (2009: £816,082) relating to financial years ended 31 March 2002 to 2007. As for all companies that have received these credits, the amounts are subject to potential future HM Revenue & Customs clawback. During the year ended 31 March 2010 no tax losses (2009: £Nil) were surrendered in exchange for the research and development tax credit.

The tax assessed for the period is the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained as follows:

	2010 £	2009 £
(Loss) on ordinary activities before tax	(1,589,082)	(1,253,732)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(444,943)	(351,045)
Effect of:		
Capital allowances for the period in excess of depreciation	12,358	12,000
Increase in tax losses	420,546	309,092
Expenses not deductible for tax purposes	7,308	29,953
Subtotal	(4,731)	—
Relief and refund available in respect of research and development expenditure	—	(96,074)
Current tax (credit)/charge for the period	(4,731)	(96,074)

The Directors have not recognised the deferred tax asset of £1.8m arising primarily on trading losses carried forward (2009: £1.5m).

8. DISCONTINUED OPERATIONS

Independent Valuation and Risk Services Limited ("IVRS") was sold by the Group on 14 February 2008. In the year ended 31 March 2009, the Group received the full and final settlement of contingent consideration from the disposal, totalling £58,721. This was recognised in the Income Statement in the year ended 31 March 2009.

9. LOSS PER SHARE

Basic loss per share has been calculated by dividing the loss 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 the net loss per share, options are not dilutive and therefore diluted and basic losses per share are the same (see note 17).

LOSS PER SHARE

	Year ended 31 March 2010	Year ended 31 March 2009
(Loss) for the year and basic and diluted earnings attributable to ordinary shareholders (pound)	(1,584,351)	(1,098,937)
Weighted average number of ordinary shares	167,190,485	136,118,768
(Loss) per share (pence)	(0.95)	(0.81)
Effect of dilutive share options	—	—
Adjusted weighted average number of ordinary shares	167,190,485	136,118,768
Diluted (loss) per share (pence)	(0.95)	(0.81)

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9. LOSS PER SHARE CONTINUED CONTINUING OPERATIONS

	Year ended 31 March 2010	Year ended 31 March 2009
(Loss) for the year and basic and diluted earnings attributable to ordinary shareholders (pound)	(1,584,351)	(1,157,658)
Weighted average number of ordinary shares	167,190,485	136,118,768
(Loss) per share (pence)	(0.95)	(0.85)
Effect of dilutive share options	—	—
Adjusted weighted average number of ordinary shares	167,190,485	136,118,768
Diluted (loss) per share (pence)	(0.95)	(0.85)

DISCONTINUED OPERATIONS

	Year ended 31 March 2010	Year ended 31 March 2009
Profit for the year and basic and diluted earnings attributable on discontinued operations (pound)	—	58,721
Weighted average number of ordinary shares	—	136,118,768
Earnings per share (pence)	—	0.04
Effect of dilutive share options	—	—
Adjusted weighted average number of ordinary shares	—	136,118,768
Diluted earnings per share (pence)	—	0.04

10. PROPERTY, PLANT AND EQUIPMENT

Group	Computer hardware £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2008	877,686	547,736	1,425,422
Additions	97,066	138,085	235,151
Foreign exchange effect	41,012	33,093	74,105
At 31 March 2009	1,015,764	718,914	1,734,678
1 April 2009	1,015,764	718,914	1,734,678
Additions	88,851	—	88,851
Foreign exchange effect	(35,653)	(7,686)	(43,339)
At 31 March 2010	1,068,962	711,228	1,780,190
Depreciation			
At 1 April 2008	797,653	483,774	1,281,427
Charge for the year	88,049	68,983	157,032
Foreign exchange effect	42,238	14,183	56,421
At 31 March 2009	927,940	566,940	1,494,880
At 1 April 2009	927,940	566,940	1,494,880
Charge for the year	78,191	59,700	137,891
Foreign exchange effect	(3,934)	(400)	(4,334)
At 31 March 2010	1,002,197	626,240	1,628,437
Net book value			
At 31 March 2010	66,765	84,988	151,753
At 31 March 2009	87,824	151,974	239,798
At 31 March 2008	80,033	63,962	143,995

11. INTANGIBLE ASSETS

Group	Goodwill £	Other intangible assets £	Total £
Cost			
At 1 April 2008	3,632,680	230,500	3,863,180
Additions	—	20,496	20,496
Foreign exchange effect	—	2,475	2,475
At 31 March 2009	3,632,680	253,471	3,886,151
At 1 April 2009	3,632,680	253,471	3,886,151
Additions	—	10,353	10,353
Foreign exchange effect	—	(677)	(677)
At 31 March 2010	3,632,680	263,147	3,895,827
Amortisation			
At 1 April 2008	—	226,181	226,181
Provided in the year	—	13,451	13,451
Foreign exchange effect	—	2,398	2,398
At 31 March 2009	—	242,030	242,030
At 1 April 2009	—	242,030	242,030
Provided in the year	—	10,960	10,960
Foreign exchange effect	—	(51)	(51)
At 31 March 2010	—	252,939	252,939
Net book value			
At 31 March 2010	3,632,680	10,208	3,642,888
At 31 March 2009	3,632,680	11,441	3,644,121
At 31 March 2008	3,632,680	4,319	3,636,999

The goodwill relates solely to the acquisition of the STB Systems Limited, since renamed Lombard Risk Compliance, which was acquired in 2005 and which constitutes the Group's regulatory compliance business. An impairment review has therefore been carried out on this cash-generating unit.

In accordance with IAS 36 "Impairment of Assets" the cash-generating unit has been assessed by comparing its carrying value to its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

For the year ended 31 March 2010, the goodwill recoverable amount was determined based on value-in-use calculations, which are based on detailed ten year discounted forecast cash flows. Cash flows for the regulatory compliance business are based on management forecasts, which are approved by the board and reflects management's expectations of sales growth, operating costs and margin based on past experience as well as the current order book. Management has used a ten year period in the cash flow projections as the regulatory compliance business experiences a low level of customer turnover and the technology is based on regulations which, whilst subject to periodic amendment, are unlikely to be withdrawn.

The calculations substantially rely on an existing order book for the year ended 31 March 2011. For the years 2012 to 2015, 5% is forecast for existing recurrent revenue with 0% growth rate used for 2016 to 2020. No annual growth has been taken into account for new business when preparing these value-in-use calculations.

Sensitivity to changes in key assumptions: impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows and the discount rate applied to the cash flows. Management has concluded that no reasonably possible change in the key assumptions would cause the carrying value of goodwill to exceed its recoverable account.

The table below shows the impairment change that would be required if the assumptions in the calculation of the goodwill value in use were changed:

	25% increase in discount rate £	25% decrease in growth rate £
Goodwill impairment charge	—	—

12. TRADE AND OTHER RECEIVABLES

	2010 £	2009 £
Trade receivables	846,224	1,827,243
Other receivables	348,916	511,343
Prepayments and accrued income	384,693	503,640
	1,579,833	2,842,226

The amounts are short term and the Directors consider that the carrying amount of these trade and other receivables approximates to their fair value. All of the Group's trade and other receivables have been reviewed for indications of impairment. As at 31 March 2010, trade receivables of £846,224 (2009: £1,827,243) were fully recoverable. An impairment provision of £224,467 (2009: £52,914) has been made against the invoices of 28 clients (2009: 4 clients). In addition, some of the unimpaired trade receivables are past due as of the reporting date. Trade receivables past due but not impaired are as follows:

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FOR THE YEAR ENDED 31 MARCH 2010

12. TRADE AND OTHER RECEIVABLES CONTINUED

	2010 £	2009 £
Not more than three months	213,074	512,411
More than three months but not more than six months	—	235,224
More than six months but less than a year	3,752	85,144
More than one year	—	74,475
	216,826	907,254

All other receivables (non-trade) are not past due.

Movements in Group provisions for impairment of trade receivables, as included in administrative expenses, are as follows:

	2010 £	2009 £
Opening balance	52,914	78,746
Provision for receivables impairment	171,553	—
Receivables written off in the year	—	(25,832)
Closing balance	224,467	52,914

The Group operates in a global market with income arising in a number of different currencies, principally Sterling, Euros or US Dollars.

The Group does not hedge potential future income, since the existence, quantum and timing of such income cannot be accurately predicted.

13. TRADE AND OTHER PAYABLES

	2010 £	2009 £
Trade payables	346,394	519,566
Other taxes and social security costs	589,200	859,383
Other payables	1,017,843	1,138,259
Shareholder loans (see note 20)	—	1,330,000
	1,953,437	3,847,208

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's multi national operations expose it to financial risks that include market risk, credit risk, operational risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

MARKET RISK

Market risk for the Group encompasses all those market risk factors that impact the value of the Group's assets and liabilities and the expected value in base currency of the Group's revenues and costs. The main risk factors are currency risk, inflation risk, and interest rate risk. The Group's policies for managing these are as follows:

I) CURRENCY RISK

The Group is exposed to translational and transactional foreign exchange risk as it operates in various currencies, including US Dollars, the Euro, Chinese Yuan, Hong Kong Dollars and Singapore Dollars. Although, through its own software, the Group has access to sophisticated models for the management of foreign exchange risk, there has been no use of foreign exchange derivatives to manage this position on the basis that historically the overall effect on the Group's income statement has not been large enough to warrant this activity. Whilst the Group operates in various different currencies, it has low net exposure to any individual currency at the balance sheet date and consequently no sensitivity analysis on currency is provided.

II) INFLATION RISK

The Group has exposure to the inflationary effect of operating in countries in which it operates, offset by its ability to raise prices in those countries in which it sells. The Group's cost base is mainly exposed to the inflation rates and changes in payroll taxes in the United Kingdom, the United States and China. The inflation rate for salaries in specialised parts of the financial sector in a financial centre such as London, New York or Shanghai is often different from the relevant country's overall rate of wage inflation. Most of the Group's software contracts give the Group the ability to raise prices on a formula linked to the inflation rate of the currency of the contract. No specific hedging of inflation risk has been carried out.

III) INTEREST RATE RISK

Interest rate risk arises primarily on the investment of the Group's cash balances or on its borrowings and the present value of the Group's receivables. The Group finances its operations through a mixture of retained cash reserves and Director loans at fixed rates. When the Group is a net depositor of funds, the Group stands to gain if interest rates rise and to lose if interest rates fall, ignoring any possible positive or negative correlation effects with business demand for the firm's products or inflationary pressures on the firm's cost base that might arise from changes in interest rates. When the Group is a net borrower of funds, the opposite is the case. Although through its own Oberon® software the Group has access to sophisticated models for the management of interest rate risk, there has been no use of interest rate derivatives to manage this position on the basis that the amounts are not large enough to warrant this activity. The policy of the Group is to monitor exposure to interest rate risk and take into account potential movements in interest rates as well as liquidity considerations when selecting methods of financing.

CREDIT RISK

Most of the Group's business is with banks, asset management firms and other high quality companies, and the Group's bad debt experience over 15 years has been negligible. The Group consequently has not considered taking out credit insurance and is not likely to do so in the foreseeable future. Deposits are placed with high quality banks.

Although through its own Firmament® software the Group has access to sophisticated models for the management of credit spreads and credit derivatives, there has been no use of credit derivatives to mitigate counterparty risk and no such use is contemplated.

14. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

Classes of financial assets – carrying amounts	2010 £	2009 £
Cash and cash equivalents	702,194	150,999
Trade and other receivables	1,195,140	2,338,588
	1,897,334	2,489,587

OPERATIONAL RISK

The Group has numerous operational risks, ranging from control over bank accounts to its processes for delivering and supporting software to a required level of quality and on a timely basis, and retention and recruitment of key personnel. A key risk, as for any company, is the reputation risk that might arise from poor execution, non-delivery or late delivery of a high profile project or breach of client confidentiality for sensitive data. Further risks may arise where late delivery of software or untimely delivery of related services causes a client to miss regulatory deadlines. A detailed operational risk review is outside the scope of this report, but the Board attaches importance to maintaining appropriate internal controls to identify and limit these risks.

LIQUIDITY RISK

The Group seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely as well as profitably. At 31 March 2010 the Group financial liabilities were as follows:

	2010 £	2009 £
Current liabilities		
Trade and other payables	1,364,237	1,657,825
Categorised as financial liabilities measured at amortised costs	1,364,237	1,657,825

All amounts are short term and payable in 0 to 3 months.

15. PROVISIONS

As at 31 March 2009 the Group had an office provision for space surplus to its needs, which it had been unable to re let because of the current economic conditions. The lease on the office space run until September 2009 and the Group made provision for the contracted cost of the surplus space up to the date of expiry of the lease. As at 31 March 2010, the surplus office lease had expired and the group released all the provision made in the year ended 31 March 2009 in full to the income statement.

	£
Balance at 31 March 2009	137,664
Amount released to income statement	(137,664)
Total provision for future lease costs due within one year	Nil

16. SHARE CAPITAL

	2010 £	2009 £
Authorised		
714,034,085 ordinary shares of 0.5p each	3,570,170	3,570,170
Allotted, called up and fully paid		
206,926,786 ordinary shares of 0.5p each (2009: 136,176,786)	1,034,634	680,884
429,829,575 deferred shares of 0.1p each	429,831	429,831
	1,464,465	1,110,715

The deferred shares carry no rights to receive dividends or to participate in any profits of the Company. The shareholders are not entitled to attend any meetings of the Company or have any rights to participate in any return of capital (except on a winding up). The deferred shares are not transferable other than with the consent of all the Directors of the Company.

SHARE ISSUE

During the year the Company issued 70,750,000 0.5p ordinary shares at the then market value of 4p each. The Company recorded this transaction as £353,750 issuance of Ordinary Share Capital and recognised £2,476,250 as Share Premium, from which was netted of £194,121 of issue costs. Part of the shares issued was to the Company Directors, further details of which are provided in note 20.

17. SHARE OPTIONS**EMPLOYEE SHARE OPTIONS CHARGE**

The fair value is based on a number of assumptions as stated below.

In accordance with the accounting policy stated under note 1(o) on page 22, the volatility of the Company's shares for the relevant period has been estimated at 30%, giving rise to a charge to the income statement for the year ended 31 March 2010 of £19,771, (2009: £11,246), with the same amount being credited to reserves. The expected volatility has been based on historical volatility, using market prices of Lombard Risk Management plc shares between 4 September 2004 and 31 March 2008.

EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme for all employees. Options are granted to employees based on the discretion of the Directors to reward performance. The vesting period is usually five years. The options are settled in equity once exercised. If the options remain unexercised after a period of five years from the date of grant, the options expire. Options are forfeited if the employee leaves the Company.

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FOR THE YEAR ENDED 31 MARCH 2010

17. SHARE OPTIONS CONTINUED

EQUITY SETTLED SHARE-BASED PAYMENTS CONTINUED

The fair values of the options were calculated using a numerical binomial model assuming the inputs shown below:

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price (p)	Exercise date from	Exercise date to
2004 EMI Scheme	1,135,000	—	—	(405,000)	730,000	9.00	March-06	March-11
	2,050,000	—	—	—	2,050,000	9.00	April-08	April-13
	1,260,000	—	—	(390,000)	870,000	9.00	Dec-08	Dec-13
	—	3,900,000	—	—	3,900,000	6.00	Oct-11	Oct-16
	1,600,000	—	—	(600,000)	1,000,000	6.00	June-10	June-15
Unapproved Scheme	1,520,555	—	—	—	1,520,555	9.00	Dec-06	Dec-11
	1,194,445	—	—	—	1,194,445	11.00	Dec-06	Dec-11
	915,555	—	—	—	915,555	9.00	April-08	April-13
	444,445	—	—	—	444,445	11.00	April-08	April-13
	—	100,000	—	—	100,000	6.00	Oct-11	Oct-16
	10,120,000	4,000,000	—	(1,395,000)	12,725,000	—	—	—
Grant date			24 April 2006	24 April 2006	24 April 2006	1 December 2006	20 June 2008	19 October 2009
Share price at grant			6.75p	6.75p	6.75p	7.75p	6.25p	5p
Exercise price			9p	9p	11p	9p	6p	6p
Contractual life (years)			5	5	5	5	5	5
Staff turnover			50%	50%	50%	50%	50%	50%
Risk free rate		Discount curve used for UK on the day of valuation.....					
Expected volatility			30%	30%	30%	30%	30%	30%
Expected dividend yield			—	—	—	—	—	—
Fair value of option			2.09p	2.09p	1.65p	2.20p	2.55p	1.51p

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding during the year are as follows:

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at beginning of the year	10,120,000	8.37p	8,965,000	9.18p
Granted during the year	4,000,000	6p	1,600,000	6p
Exercised during the year	—	—	—	—
Forfeited during the year	(1,395,000)	7.7p	(445,000)	9.00p
Outstanding at end of the year	12,725,000	8.1p	10,100,000	8.37p
Exercisable at the year end	7,250,000	—	8,520,000	—

The share options outstanding at the end of the year have the following exercise prices:

Expiry date	Exercise price	2010 Number	2009 Number
24 April 2013	9p	5,216,110	5,621,110
24 April 2013	11p	1,638,890	1,638,890
1 December 2013	9p	870,000	1,260,000
20 June 2015	6p	1,000,000	1,600,000
19 October 2016	6p	4,000,000	—
		12,725,000	10,120,000

18. COMMITMENTS

The Group had commitments under non cancellable operating leases in respect of land and buildings as follows:

	2010 £	2009 £
On leases which expire in one year or less	126,234	283,662
On leases which expire in one to five years	904,080	1,716,681
On leases which expire over five years	—	—
Total	1,030,314	2,000,343

For the comparative period this includes the lease provision of £137,664 (see note 15).

19. PENSIONS

A Group company contributes to a defined contribution pension scheme on behalf of a limited number of employees of that subsidiary. The assets of the scheme are administered by trustees in a fund independent of the Company. Other defined contribution pension schemes to which the Group makes contributions on behalf of employees are of the stakeholder variety, again totally independent of the Company.

20. RELATED PARTY TRANSACTIONS

John Wisbey made advances to the Company of £20,000 and £600,000 on 29 June 2007 and 31 August 2007 respectively. This loan was subject to review on 31 October 2007 and repayable by 29 February 2008. On 18 February 2008, £150,000 was repaid to John Wisbey, leaving a balance outstanding of £470,000 at the end of the financial year to March 2008. In 2008 John Wisbey made further advances of £200,000 and £420,000 respectively in July and August 2008. The balance outstanding to him at the end of the financial year to March 2009 was therefore £1,090,000. In August 2009 John Wisbey made another advance of £100,000. The total balance outstanding to him of £1,190,000 was settled in October 2009 partially (£790,000) by conversion of 0.5p ordinary shares at 4p per share as the same time and price as the institutional placing and partially (£400,000) by cash payment. The loan carried interest at 1% per month during the outstanding periods.

Ian Peacock advanced an amount of £10,000 to the Company on the 12 July 2007. Michael Thomas advanced a sum of £30,000 on the 29 June 2007. The loan was interest free until 31 March 2008 and thereafter the loan attracted interest of 1% per month. Both Ian Peacock and Michael Thomas loans were settled in October 2009 by conversion of the full outstanding balance to 0.5p ordinary shares at 4p per share. Both loans carried interest at 1% per month before settlement.

In June 2008 Brian Crowe advanced £200,000 to the Company. In July 2009 Brian Crowe made further advance of £200,000. The total balance £400,000 was settled in October 2009 half by conversion to 0.5p ordinary share and half by cash payment. The loan carried interest at 1% per month while outstanding.

There are no outstanding Directors' Loans at the end of the financial year.

21. CONTROLLING RELATED PARTIES

In the opinion of the Directors, there is no ultimate controlling party at 31 March 2010.

22. CASH FLOW STATEMENT – MAJOR NON-CASH TRANSACTIONS

As disclosed under Note 20 above, the Company settled director loans totalling £1.03m during the year through conversion of the debt to equity.

REPORT OF THE INDEPENDENT AUDITOR

PARENT COMPANY FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOMBARD RISK MANAGEMENT PLC

We have audited the parent company financial statements of Lombard Risk Management PLC for the year ended 31 March 2010 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company 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/UKNP.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- » give a true and fair view of the state of the company's affairs as at 31 March 2010;
- » have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- » have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

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.

OTHER MATTER

We have reported separately on the group financial statements of Lombard Risk Management PLC for the year ended 31 March 2010.

CHRISTOPHER SMITH
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
LONDON
8 SEPTEMBER 2010


COMPANY BALANCE SHEET

COMPANY NUMBER: 03224870

AS AT 31 MARCH 2010

	Note	As at 31 March 2010 £	As at 31 March 2009 £
Fixed assets			
Tangible assets	4	11,610	30,022
Investments in subsidiaries	5	12,383,529	12,383,529
		12,395,139	12,413,551
Current assets			
Debtors due within one year	6	4,876,159	6,137,683
Cash at bank and in hand		339	658
		4,876,498	6,138,341
Creditors: amounts falling due within one year	7	(10,896,275)	(13,455,058)
Net current liabilities		(6,019,777)	(7,316,717)
Total assets less current liabilities		6,375,362	5,096,834
Net assets		6,375,362	5,096,834
Capital and reserves			
Called up share capital	8	1,464,465	1,110,715
Share premium	9	4,795,033	2,512,904
Other reserves	9	7,178,728	7,158,957
Profit and loss account	9	(7,062,864)	(5,685,742)
Shareholders' funds		6,375,362	5,096,834

The financial statements were approved by the Board on 7 September 2010 and signed on its behalf by:



JOHN WISBEY
CHIEF EXECUTIVE OFFICER

The accompanying accounting policies and notes form an integral part of these accounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with all applicable United Kingdom accounting standards and on a historical cost basis.

(B) GOING CONCERN

The financial statements have, as in previous years, been prepared on a going concern basis. The Directors have formally considered this issue in the light of the operating losses in the current and earlier years, and the consequent operating cash outflows during these periods.

In forming an opinion that the Company and Group is a going concern, the Directors have taken particular note of the positive trading performance in the year to date, both in the signing of new business contracts, and in the realised financial results. These show an up-turn in the Group's performance and, in particular, a backlog of contracted revenue which gives a clear view of revenues through the next three quarters. The level of this revenue is such that the Group is not reliant on substantial forecasted new business to generate sufficient funds for its operations.

The Directors have prepared cashflow forecasts for the periods ending 31 March 2011 and 31 March 2012 which show that the Company and Group have sufficient facilities for ongoing operations. Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2010.

(C) FOREIGN EXCHANGE

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(D) 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. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(E) LEASED ASSETS

All leases held by the Company are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

(F) FIXED AND INTANGIBLE ASSETS

Depreciation is provided using the following rates and bases so as to write off the cost or valuation of fixed and intangible assets over their useful lives in the Company's business:

Computer software	50% to 100% straight line
Computer hardware	50% straight line
Fixtures, fittings and equipment	25% straight line

(G) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are recorded at cost less any provision for permanent diminution in value.

2. DIRECTORS AND EMPLOYEES

Staff costs including Directors	2010 £	2009 £
Wages and salaries	731,368	713,701
Social security costs	85,877	96,293
Pension costs	354	2,153
Share-based payments charge (note 17 to the Consolidated financial statements)	19,771	11,246
Total staff costs	837,370	823,393

The average monthly number of employees (excluding Directors) during the year was:

	2010 Number	2009 Number
Office and administration	12	10
Operational	—	—
	12	10

3. LOSS FOR THE FINANCIAL YEAR

The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The Parent Company's loss for the year was £1,377,122 (2009: loss £1,734,801).

4. FIXED ASSETS

Company	Computer hardware £	Fixtures, fittings and equipment £	Other intangible assets £	Total £
Cost				
At 1 April 2009	685,813	412,321	232,575	1,330,709
Additions	11,408	—	—	11,408
At 31 March 2010	697,221	412,321	232,575	1,342,117
Depreciation				
At 1 April 2009	662,287	407,497	230,903	1,300,687
Charge for the year	23,324	4,824	1,672	29,820
At 31 March 2010	685,611	412,321	232,575	1,330,507
Net book value				
At 31 March 2010	11,610	Nil	Nil	11,610
At 31 March 2009	23,526	4,824	1,672	30,022

5. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries	2010 £	2009 £
Opening balance at 1 April	12,383,529	11,911,164
New capital investment in Lombard Risk International Limited	—	472,365
Closing balance at 31 March	12,383,529	12,383,529

The Directors have considered the carrying value of the investments in subsidiaries and have concluded, on the basis of forecast financial performance of the subsidiaries, that no impairment in value has taken place and therefore that no provision is currently required.

At 31 March 2010 the undertakings in which the Company held more than 20% of the allotted share capital were as follows:

	Proportion of ordinary share capital held		Country of incorporation	Business
	By parent (%)	By Group (%)		
Lombard Risk Systems Limited	100	100	UK	Software
Lombard Risk Compliance Limited	100	100	UK	Software
Lombard Risk International Limited	100	100	China	Software
Lombard Risk Systems Inc.	—	100	USA	Software
Lombard Risk International (USA) Inc.	—	100	USA	Software
Lombard Risk International (Hong Kong) Limited	—	100	Hong Kong	Software
Lombard Risk International (Singapore) Limited	—	100	Singapore	Software
Lombard Risk Consultants Limited	100	100	UK	Training
Lombard Risk Systems (Pty) Limited	—	100	South Africa	Dormant
Lombard Risk Systems (Asia Pacific) Limited	—	100	Hong Kong	Dormant
Swapval Limited	100	100	UK	Dormant

All of the subsidiary undertakings have been included in the consolidation.

6. DEBTORS DUE WITHIN ONE YEAR

	2010 £	2009 £
Amounts receivable from subsidiary undertakings	4,691,960	6,032,812
Prepayments and accrued income	104,859	104,871
Other debtors	79,340	—
	4,876,159	6,137,683

The amounts due from subsidiary companies are due on demand. However, in the opinion of the Directors, it is unlikely that these amounts will be fully repaid within the next financial year.

7. CREDITORS DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade creditors	204,796	239,819
Other taxes and social security costs	—	7,920
Amounts due to subsidiary undertakings	10,541,810	11,404,636
Accruals	149,669	335,019
Lease provision	—	137,664
Shareholder loans (see note 10)	—	1,330,000
	10,896,275	13,455,058

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 31 MARCH 2010

8. SHARE CAPITAL

	2010 £	2009 £
Authorised		
714,034,085 ordinary shares of 0.5p each	3,570,170	3,570,170
Allotted, called up and fully paid		
206,926,786 ordinary shares of 0.5p each (2009: 136,176,786)	1,034,634	680,884
429,829,575 deferred shares of 0.1p each	429,831	429,831
	1,464,465	1,110,715

The deferred shares carry no rights to receive dividends or to participate in any profits of the Company. The shareholders are not entitled to attend any meetings of the Company or have any rights to participate in any return of capital (except on a winding up). The deferred shares are not transferable other than with the consent of all the Directors of the Company.

SHARE ISSUE

During the year the Company issued 70,750,000 0.5p ordinary shares at the then market value of 4p each. The Company recorded this transaction as £353,750 issuance of Ordinary Share Capital and recognised £2,282,129 as Share Premium, which was net of £194,121 of issue costs. Part of the shares issued was to the company directors, further details of which are provided in note 20 to the Consolidated financial statements.

SHARE OPTIONS

	At start of year	Granted	Exercised	Lapsed	At end of year	Exercise price (p)	Exercise date from	Exercise date to
2004 EMI Scheme	1,135,000	—	—	(405,000)	730,000	9.00	March-06	March-11
	2,050,000	—	—	—	2,050,000	9.00	April-08	April-13
	1,260,000	—	—	(390,000)	870,000	9.00	Dec-08	Dec-13
	1,600,000	—	—	(600,000)	1,000,000	6p	June-10	June-15
	—	3,900,000	—	—	3,900,000	6p	October-11	October-16
Unapproved Scheme	1,520,555	—	—	—	1,520,555	9.00	Dec-06	Dec-11
	1,194,445	—	—	—	1,194,445	11.00	Dec-06	Dec-11
	915,555	—	—	—	915,555	9.00	April-08	April-13
	444,445	—	—	—	444,445	11.00	April-08	April-13
	—	100,000	—	—	100,000	6.00	October-11	October-16
	10,120,000	4,000,000	—	(1,395,000)	12,725,000	—	—	—

9. SHARE PREMIUM AND OTHER RESERVES

	Share capital £	Share premium account £	Other reserves £	Profit and loss account £	Shareholders' funds £
Balance at 1 April 2009	1,110,715	2,512,904	7,158,957	(5,685,742)	5,096,834
Loss for the year	—	—	—	(1,377,122)	(1,377,122)
70,750,000 new shares issued at 0.5p	353,750	2,282,129	—	—	2,635,879
Share-based payment charge	—	—	19,771	—	19,771
Balance at 31 March 2010	1,464,465	4,795,033	7,178,728	(7,062,864)	6,375,362

Other reserves relate to negative goodwill arising on the acquisition of a subsidiary undertaking prior to 1 April 1997, merger reserve and net foreign exchange movements in connection with overseas subsidiaries.

10. RELATED PARTY TRANSACTIONS

John Wisbey made advances to the Company of £20,000 and £600,000 on 29 June 2007 and 31 August 2007 respectively. This loan was subject to review on 31 October 2007 and repayable by 29 February 2008. On 18 February 2008, £150,000 was repaid to John Wisbey, leaving a balance outstanding of £470,000 at the end of the financial year to March 2008. In 2008 John Wisbey made further advances of £200,000 and £420,000 respectively in July and August 2008. The balance outstanding to him at the end of the financial year to March 2009 was therefore £1,090,000. In August 2009 John Wisbey made another advance of £100,000. The total balance outstanding to him of £1,190,000 was settled in October 2009 partially (£790,000) by conversion of 0.5p ordinary shares at 4p per share at the same time and price as the institutional placing and partially (£400,000) by cash payment. The loan carried interest at 1% per month during the outstanding periods.

Ian Peacock advanced an amount of £10,000 to the Company on the 12 July 2007. Michael Thomas advanced a sum of £30,000 on the 29 June 2007. The loan was interest free until 31 March 2008 and thereafter the loan attracted interest of 1% per month. Both Ian Peacock and Michael Thomas loans were settled in October 2009 by conversion of the full outstanding balance to 0.5p ordinary shares at 4p per share. Both loans carried interest at 1% per month before settlement.

In June 2008 Brian Crowe advanced £200,000 to the Company. In July 2009 Brian Crowe made further advance of £200,000. The total balance £400,000 was settled in October 2009 half by conversion to 0.5p ordinary share and half by cash payment. The loan carried interest at 1% per month while outstanding.

There are no outstanding Directors' loans at the end of the financial year.

COMPANY INFORMATION

COMPANY REGISTRATION NUMBER

3224870

DIRECTORS**PHILIP CRAWFORD**

Chairman

JOHN WISBEY

Chief Executive Officer

NICK DAVIES

Chief Technology Officer

IAN PEACOCK

Deputy Chairman

BRIAN CROWE

Non-Executive Director

MIKE SHINYA

Non-Executive Director

COMPANY SECRETARY

LISA TAN

REGISTERED OFFICE

7th Floor Ludgate House
245 Blackfriars Road
London
SE1 9UF

NOMINATED ADVISOR AND BROKER**ALLENBY CAPITAL**

Claridge House
32 Davies Street, Mayfair
London
W1K 4ND

AUDITORS**GRANT THORNTON UK LLP**

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

CORPORATE SOLICITORS**MEMERY CRYSTAL**

44 Southampton Buildings
London
WC2A 1AP

REGISTRARS**COMPUTERSHARE INVESTOR****SERVICES PLC**

PO Box 859
The Pavilions
Bridgwater Road
Bristol
BS99 1XZ

BANKERS**NATIONAL WESTMINSTER BANK PLC**

180 Brompton Road
London
SW3 1HL

HSBC BANK

28 Borough High Street
London
SE1 1YB

DATES**ANNUAL GENERAL MEETING**

30 September 2010

LOMBARD RISK MANAGEMENT PLC

7th Floor Ludgate House
245 Blackfriars Road
London SE1 9UF
UK

tel: +44 (0)20 7593 6700

fax: +44 (0)20 7593 6780

e: investorrelations@lombardrisk.com

www.lombardrisk.com
