LOMBARD RISK MANAGEMENT PLC

INTERIM REPORT 2008

for the six months ENDED 30 SEPTEMBER 2008

(Company No. 3224870)

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Highlights

Financial results for the half year ended 30 September 2008 have been delivered in line with Board expectations and are prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union.

- **Revenue £4.01m, up 9% on same period last year (2007: £3.68m)**
- **Loss after tax £0.83m, improvement of 22% on same period last year (2007: £1.06m loss including £0.2m loss for assets in a disposal group for sale)**
- **Profitability achieved by Trading and Risk business, with COLLINE® Collateral Management software ahead of budget**
- **Regulatory Compliance business STB Systems Limited restructured and renamed Lombard Risk Compliance Limited in December 2008 and rebranding exercise largely completed**
- **Consolidation of London operations into one building, and continued reductions in London headcount; move to larger premises in Shanghai**
- **7 new contract wins for COLLINE®**

Future prospects

- **Continued strong demand by banks for collateral management products and likely further changes in bank regulation in 2009 will create ongoing commercial opportunities despite the global downturn**

- **Cost cutting measures implemented during and after the period, including reduction in board size, should ensure that the business is cash generative again during calendar 2009**

Chairman's statement

For the six months ended 30 September 2008

Summary

During a dramatic period for world financial markets Lombard Risk continues to win contracts and grow organically, especially in the collateral management software business, which has good forward momentum. The challenge continues in 2009 to steer the right course between reducing costs while not damaging the future prospects of a promising company.

As anticipated in the Chairman's statement for the March 2008 Annual Report, the Group made a loss for the half year. Revenues for the six month period ended 30 September 2008 were £4.01m. This is a rise of 9% over the £3.68m in the comparable period last year. The overall loss of £0.83m is due to various issues in the Regulatory Compliance business as described below. The Trading and Risk business achieved overall profitability in the half year of around £0.4m including full apportionment of central overheads. Within the Trading and Risk division the collateral management software product COLLINE® was ahead of budget for the half year, a clear example of how parts of our business are not affected, and indeed are even benefiting, from the liquidity crunch in markets. We recently announced seven contract wins for Colline over the past few months, a good achievement.

The outlook for our COLLINE® collateral management software remains positive with strong demand expected to continue. This is due both to the current market focus on counterparty risk and liquidity, and to the considerable advances in the product in maturity, scalability and resilience. This now makes it an ideal and suitable product for Tier 1 banks, as well as smaller banks.

Our Oberon® product continued to be our most profitable product and saw the completion of the installation at its first client in China as well as satisfactory product advances.

Given that most of our revenues come from banks and financial services companies, it is hard to see that our products could be much better placed for 2009/10 than to have our emphasis on collateral management (as part of risk management) and regulatory compliance. We are the Global Number 2 in both collateral management software and bank regulatory reporting software.

We continue to sign significant contracts in Europe and Asia on the regulatory compliance side for STB-Reporter despite the fact that some projects have been put on hold due to cuts in bank IT spending or bank mergers. With a strong prospect of previously unforeseen regulatory change in 2009 in many countries owing to the demand for reform of the financial system, together with the roll-out in various further countries like the USA and China of Basel 2 (or variants), we believe there will continue to be significant opportunities for our regulatory business.

We have put in place cost actions that should allow us to operate at breakeven or better in the 2009-10 financial year, even if, contrary to our continued expectations, our revenues fail to grow as anticipated.

Financial

Revenue increased to £4.01m against £3.68m in the comparable period last year readjusted for IFRS. Loss before tax was £0.83m against £1.06 m in the previous year. Cash at the end of the period was £0.1m and there were no bank borrowings. Since the year end, loans from directors rose further to £1.33m. As stated in the full year accounts, this is clearly not the long term solution for the Group's capital structure, and it is expected that these loans will in due course be replaced by equity funding or refunded from operational cashflow.

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

Trading and Risk Software Products

As anticipated this time last year, the credit crisis has been beneficial for our COLLINE® collateral management software product. This product now substantially handles all the key requirements of a collateral business including margining, repo and securities lending, trade reconciliation, inventory management, liquidity reporting and stress testing. As announced in December 2008, we secured seven contract wins for COLLINE® in the period March to November 2008. These included contracts with Lombard Odier Darier Hentsch & Cie, Jyske Bank A/S, SBAB, Daiwa Securities and SMBC Europe, as well as with a large U.S. East Coast based asset manager and two U.S. hedge funds. At the same time there has been considerable innovation in the product this year both in functionality, scalability and resilience which now makes COLLINE® a very suitable product for Tier 1 banks with large trading books, as well as for smaller firms. COLLINE® is ahead of budget for this year, and has a large and growing pipeline including opportunities with some of the biggest market participants.

Oberon®, the trading and risk management system, saw the completion of its first installation in China. Oberon® remains our most profitable product and it continues to provide capital to support the development of other products. Functionally the product has made good progress. Support for inflation trades has been much improved which allows inflation based instruments to be managed more effectively in Oberon®. A new yield curve module has been developed that uses a consistent B-Spline methodology for all types of curves and allows users a greater degree of control over the smoothness and accuracy of the curves produced. Finally, performance and scalability of Oberon® has been further improved, with particular emphasis on commonly used functions within Oberon® and on Oberon®'s API.

Overall this division made a contribution for the half year in excess of £1m and a profit of over £0.4m.

Regulatory and Compliance Software Products

Our Regulatory Compliance business underestimated the work effort around the Basel 2 roll-out programme. This caused both increased costs and delayed revenue recognition on a number of fixed price contracts committed in mid-2007 which have consequently in some cases been significantly loss-making. Around 65% of the impact of this has now worked its way through the accounts, and we expect that most of the rest will do so in the Group's current financial year. The Regulatory Compliance business has undergone a reconstruction exercise including a review of management and processes, and the Board now looks forward to the future.

The problems described above in UK Regulatory Compliance contracts committed in 2007 do not apply to UK contracts signed more recently, and we have had some notable successes with large institutions including Bank of Scotland Treasury Services. In addition, we successfully handled the move by UK, Irish and other regulators to MER (Mandatory Electronic Reporting).

Lombard Risk is the market leader for U.K. Bank Regulatory Reporting with approximately 140 of the 350 banks, and approximately 15 investment firms, in the U.K. using the STB-Reporter product for regulatory reporting to the FSA. This depth of customer base clearly gives opportunities to sell additional functionality to existing customers. All the current indications are that there will be more regulation in the next year with appreciable extra focus on liquidity reporting and stress testing.

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

In December 2008 the name of the regulatory compliance business changed from STB Systems Ltd to Lombard Risk Compliance Ltd. We have kept the STB name in the products STB-Reporter and STB-Detector but under the unified brand for the whole firm of Lombard Risk.

Personnel and Premises

We have continued to make senior and middle management hires appropriate to the expected growth of parts of the business, and have also taken cost actions to establish profitability in the business as a whole, and to allow us to re-allocate resources to those parts of the business where we see the best prospects. Costs should continue to be contained, as more work proportionately is done in Shanghai.

As part of our cost reduction measures the board collectively decided to reduce the size of our non-executive board to two, from its present four. Ian Peacock and Brian Crowe will remain on the board, while Christopher Wright and Dan Kochav have volunteered to step down in January 2009. We will be sorry to lose the knowledge, enthusiasm and intellect that Christopher and Dan have brought to the board, and I would like personally to thank them for their useful contribution over several years.

In Shanghai we moved to larger offices in August, having outgrown the previous office. In London we have consolidated our operations into our Curlew Street premises, made possible by a reduced UK headcount. We are trying to let the Earls Court premises out, but in any case the lease expires at the end of September 2009.

Prospects

The Group continues to forecast a buoyant sales pipeline for its COLLINE® collateral management software. There are also a number of regulatory software projects in the pipeline, and we are winning contracts especially in Europe and the Far East. In the regulatory field we have started to see some slowdown of growth in demand. This is primarily in instances where banks have found it harder to get banking licenses than before, or where bank mergers have delayed project rollouts. It is now obvious that there is a downturn in banks' technology spending generally, but the evidence so far is that the Group's positioning in both the regulatory and credit risk/collateral management areas has meant that the Group is less vulnerable to any such downturn than most other software companies supplying banks. We also retain a healthy order book of projects but continue to cut costs which will ensure we do not have idle capacity over the next few months.

In this changing environment, the Board believes that as changes in legislation are adopted and credit risk and liquidity 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, for their hard work and support.

John Wisbey
Chairman & CEO

Consolidated interim income statement
For the 6 months ended 30 September 2008

	Note	Unaudited 6 months to 30 September 2008 £	Unaudited 6 months to 30 September 2007 £	Audited Year ended 31 March 2008 £
Continuing operations				
Revenue		4,011,526	3,681,964	8,460,594
Cost of sales		(19,109)	(9,090)	(52,897)
Gross profit		**3,992,417**	**3,672,874**	**8,407,697**
Administrative expenses		(4,817,929)	(4,645,632)	(9,458,899)
(Loss) from operations		**(825,512)**	**(972,758)**	**(1,051,202)**
(Loss) on disposal of quoted investment		-	(40,788)	(40,788)
Finance expense		(43,392)	(4,393)	(35,218)
Finance income		3,355	4,461	10,652
(Loss) before taxation		**(865,549)**	**(1,013,478)**	**(1,116,556)**
Taxation		33,329	150,000	150,000
(Loss) for the period from continuing operations		**(832,220)**	**(863,478)**	**(966,556)**
Profit / (loss) for the period from discontinued activities		-	(199,088)	293,661
(Loss) for the period transferred from reserves		**(832,220)**	**(1,062,566)**	**(672,895)**
(Loss) per share				
Basic (pence)		(0.61)	(0.79)	(0.50)
Diluted (pence)		(0.61)	(0.79)	(0.50)
(Loss) per share on continuing activities				
Basic (pence)		(0.61)	(0.64)	(0.71)
Diluted (pence)		(0.61)	(0.64)	(0.71)
Earnings / (loss) per share on discontinued activities				
Basic (pence)		-	(0.15)	0.22
Diluted (pence)		-	(0.15)	0.22

Consolidated interim balance sheet
As at 30 September 2008

	Note	Unaudited at 30 September 2008 £	Unaudited at 30 September 2007 £	Audited at 31 March 2008 £
Non-current assets				
Property, plant and equipment		242,750	168,655	143,995
Goodwill		3,632,680	3,632,680	3,632,680
Other intangible assets		12,451	10,178	4,319
		3,887,881	**3,811,513**	**3,780,994**
Current assets				
Trade and other receivables		2,493,101	2,117,306	2,320,672
Cash and cash equivalents		129,201	178,025	494,894
		2,622,302	2,295,331	2,815,566
Assets included in disposal group classified as held for sale		-	78,889	-
Total assets		**6,510,183**	**6,185,733**	**6,596,560**
Current liabilities				
Trade and other payables		(2,209,246)	(1,914,084)	(1,896,181)
Directors loans		(1,330,000)	(660,000)	(510,000)
Provisions		(146,794)	-	(146,794)
Deferred income		(2,281,581)	(2,512,420)	(2,690,195)
		(5,967,621)	(5,086,504)	(5,243,170)
Liabilities included in disposal group classified as held for sale		-	(130,456)	-
Total liabilities		**(5,967,621)**	**(5,216,960)**	**(5,243,170)**
Net assets		**542,562**	**968,773**	**1,353,390**
Equity				
Share capital		1,110,716	1,108,510	1,108,510
Share premium account		2,512,904	2,490,110	2,490,110
Foreign exchange reserves		(38,093)	(5,503)	(30,208)
Other reserves		1,642,183	1,618,255	1,637,906
Retained deficit		(4,685,148)	(4,242,599)	(3,852,928)
Total equity		**542,562**	**968,773**	**1,353,390**

Consolidated statement of changes in equity
For the 6 months ended 30 September 2008

	Share capital	Share premium account	Foreign exchange reserves	Other reserves	Profit and loss account	Total equity
	£	£		£	£	£
Balance at 1 April 2007	1,103,510	2,415,110	(4,196)	1,597,295	(3,180,033)	1,931,686
Foreign exchange movements	-	-	(1,307)	-	-	(1,307)
Income and expense recognised directly in equity	-	-	(1,307)	-	-	(1,307)
Loss for the period	-	-	-	-	(1,062,566)	(1,062,566)
Total recognised income and expense for the year	-	-	(1,307)	-	(1,062,566)	(1,063,873)
Ordinary share capital issued in the period	5,000	75,000	-	-	-	80,000
Share-based payment charge	-	-	-	20,960	-	20,960
Balance at 30 September 2007	**1,108,510**	**2,490,110**	**(5,503)**	**1,618,255**	**(4,242,599)**	**968,773**

	Share capital	Share premium account	Foreign exchange reserves	Other reserves	Profit and loss account	Total equity
	£	£		£	£	£
Balance at 1 October 2007	1,108,510	2,490,110	(5,503)	1,618,255	(4,242,599)	968,773
Foreign exchange movements	-	-	(24,705)	-	-	(24,705)
Income and expense recognised directly in equity	-	-	(24,705)	-	-	(24,705)
Loss for the period	-	-	-	-	389,671	389,671
Total recognised income and expense for the year	-	-	(24,705)	-	389,671	364,966
Ordinary share capital issued in the period	-	-			-	-
Share-based payment charge	-	-		19,651	-	19,651
Balance at 31 March 2008	**1,108,510**	**2,490,110**	**(30,208)**	**1,637,906**	**(3,852,928)**	**1,353,390**

	Share capital	Share premium account	Foreign exchange reserves	Other reserves	Profit and loss account	Total equity
	£	£		£	£	£
Balance at 1 April 2008	1,108,510	2,490,110	(30,208)	1,637,906	(3,852,928)	1,353,390
Foreign exchange movements	-	-	(7,885)	-	-	(7,885)
Income and expense recognised directly in equity	-	-	(7,885)	-	-	(7,885)
Loss for the period	-	-	-	-	(832,220)	(832,220)
Total recognised income and expense for the year	-	-	(7,885)	-	(832,220)	(840,105)
Ordinary share capital issued in the period	2,206	22,794	-	-	-	25,000
Share-based payment charge	-	-	-	4,277	-	4,277
Balance at 30 September 2008	**1,110,716**	**2,512,904**	**(38,093)**	**1,642,183**	**(4,685,148)**	**542,562**

Consolidated interim cash flow statement
For the 6 months ended 30 September 2008

	Note	Unaudited at 30 September 2008 £	Unaudited at 30 September 2007 £	Audited at 31 March 2008 £
Cash flows from operating activities				
Loss for the period excluding discontinued operations		(832,220)	(863,478)	(966,556)
Tax (credit)		(33,329)	(150,000)	(150,000)
Finance income		(3,355)	(4,461)	(10,652)
Finance expense		43,392	4,393	35,218
Loss on disposal of quoted investment / business		-	40,788	40,788
Operating loss		**(825,512)**	**(972,758)**	**(1,051,202)**
Operating loss in discontinued activity			**(199,088)**	**(353,328)**
Adjustments for:				
Depreciation		86,984	126,081	193,908
Amortisation		7,696	-	20,315
Share-based payment charge		4,277	20,960	40,611
Provision for onerous lease		-	-	146,794
Increase in trade and other receivables		(172,429)	(761,417)	(874,248)
Increase in trade and other payables		313,065	1,073,741	296,170
Decrease in deferred income		(408,614)	25,915	180,982
Foreign exchange difference		(7,885)	(1,307)	-
Cash used in operations		**(1,002,418)**	**(687,873)**	**(1,399,998)**
Tax credit received		33,329	150,000	150,000
Net cash outflow from operating activities		**(969,089)**	**(537,873)**	**(1,249,998)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(185,739)	(67,534)	(112,945)
Purchase of intangible fixed assets		(15,828)	-	(10,195)
Proceeds from sale of IVRS		-	-	691,058
Disposal of IDOX shares		-	407,212	407,212
Net cash (used in) / generated by investing activities		**(201,567)**	**339,678**	**975,130**
Cash flows from financing activities				
Loans from directors		820,000	-	660,000
Proceeds from issue of share capital		25,000	80,000	
Repayment of directors' loan		-	-	(150,000)
Interest received		3,355	4,655	10,652
Interest paid		(43,392)	(4,408)	(35,218)
Net cash generated by financing activities		**804,963**	**80,247**	**485,434**
Net (decrease) / increase in cash and cash equivalents		**(365,693)**	**(117,948)**	**210,566**
Cash and cash equivalents at beginning of period		494,894	284,328	284,328
Cash and cash equivalents at end of period		**129,201**	**166,380**	**494,894**

Notes to the interim report
For the 6 months ended 30 September 2008

1 ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements are for the 6 months ended 30 September 2008. They have been prepared in accordance with IFRSs (International Financial Reporting Standards) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as at 30 September 2008, as adopted by the European Union and have been prepared under the historical cost convention.

The financial statements and statutory accounts for the year ended 31 March 2008 were prepared under IFRS and have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain any statement under section 237(2) or (3) of the Companies Act 1985.

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.

(b) Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings over which it has full control.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal. All of the 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.

(c) 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 and operating cash outflows in the period.

(d) Revenue

Revenue represents the invoiced amount of goods sold and services provided during the period, stated net of Value Added Tax. Revenue and pre-tax profit 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. 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.

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

The estimated useful lives of the assets are as follows: -

Computer hardware	2 years
Fixtures, fittings and equipment	4 years

(f) 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 income statement.
Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

(g) 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 instalments 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.

(h) 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 payables. Derivative instruments are not used by the Group and the Group does not enter into speculative derivative contracts.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. An assessment for impairment is undertaken at least at each balance sheet date.

Loans and receivables

Loans and receivables are 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 is 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 income statement. 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 income statement. 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 income statement.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

(i) 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 recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

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. 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 income statement as part of the gain or loss on disposal.

(j) Taxation

Current tax is the tax currently payable based on taxable profit for the period.

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 income statement, 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.

(k) 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 income statement 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.

(l) Pension costs

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

(m) 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 income statement with a corresponding credit to "other reserve".

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.

(n) 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.

(o) **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. The revenue from long term projects which do not include the up front delivery of immediately useable software 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 judgement 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, non-refundable licence revenue is recognised on receipt of the software by the customer, and other revenue is recognised as per the invoicing schedule. Maintenance revenue associated with the licence fee is recognised on a monthly basis. The management believe this to be the most appropriate method of revenue recognition, but it is accepted that there are alternative methods that could be considered and that if implemented could significantly affect the timing of revenue recognition over a number of years.

Trade receivables

Trade receivables are from banks and financials institutions. Past evidence confirms that there is little risk of bad debt, even from those invoices that are overdue. In certain circumstances, however, where there is outstanding negotiation on billable work, the management will provide for any risk to revenue that might, at close of negotiations, not be realised.

Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in variations to the amounts charged to the income statement.

Goodwill impairment

The carrying value of goodwill can be assessed in a number of ways. In this instance, two tests have been applied (value of future earnings and the sales to price ratio), both of which require some judgement on the part of the Board.

The value of future earnings and the sales to price ratio are dependent upon the financial industry retaining a level of stability that will allow continued spending on regulation and risk software. The wider economic climate is a risk to revenues at this time, but this will be common to the industry as a whole. The discount rate assumption is based upon loan agreements already in place with Directors, however, it is possible that the rates could be revised in line with market rates or to reflect changing risks.

At present, there appears to be no material effect on revenue from the economic downturn and therefore the risk to the value of goodwill is not considered to be significant at this stage.

2 **BUSINESS SEGMENTATION**

For management purposes only the Group had four operating units during the period; the United Kingdom, Rest of Europe, Middle East and Africa, The Americas and Asia Pacific. These units are the primary segments of the Group. In addition the Group's Revenue and loss on ordinary activities are derived from trading in valuation and risk management systems and regulatory, anti money laundering and compliance systems to the finance and banking sector. These are the secondary segments of the Group.

Analysis by geographical destination	**Unaudited 6 months to 30 September 2008 £**	**Unaudited 6 months to 30 September 2007 £**	**Audited Year ended 31 March 2008 £**
Revenue			
United Kingdom	1,823,630	2,078,132	4,451,189
Rest of Europe, Middle East and Africa	1,131,365	660,970	2,324,387
The Americas	733,035	575,441	1,030,239
Asia Pacific	323,496	367,421	654,779
Total revenue	**4,011,526**	**3,681,964**	**8,460,594**
Costs			
United Kingdom	(2,854,249)	(2,929,780)	(6,028,169)
Rest of Europe, Middle East and Africa	(962,700)	(528,216)	(1,534,016)
The Americas	(707,754)	(677,653)	(1,176,436)
Asia Pacific	(319,043)	(409,793)	(688,529)
Total Costs	**(4,843,746)**	**(4,545,442)**	**(9,427,150)**
Profit / (loss)			
United Kingdom	(1,030,619)	(851,648)	(1,576,980)
Rest of Europe, Middle East and Africa	168,665	132,754	790,371
The Americas	25,281	(102,212)	(146,197)
Asia Pacific	4,453	(42,372)	(33,750)
Total (loss)	**(832,220)**	**(863,478)**	**(966,556)**
Net assets			
United Kingdom	247,187	968,773	1,087,749
Rest of Europe, Middle East and Africa	-	-	-
The Americas	51,292	-	26,011
Asia Pacific	244,083	-	239,630
Net assets	**542,562**	**968,773**	**1,353,390**

Notes to the interim report

For the 6 months ended 30 September 2008

Analysis by trading activity

	Unaudited 6 months to 30 September 2008 £	Unaudited 6 months to 30 September 2007 £	Audited Year ended 31 March 2008 £
Revenue			
Regulatory compliance software	2,172,680	2,145,460	5,304,332
Risk management and trading software	1,838,846	1,536,504	3,153,457
Software development unallocated	-	-	2,805
Group unallocated	-	-	-
Total revenue	**4,011,526**	**3,681,964**	**8,460,594**
Costs			
Regulatory compliance software	(2,249,805)	(2,074,876)	(4,722,762)
Risk management and trading software	(891,849)	(953,517)	(1,779,776)
Software development unallocated	(725,278)	(461,554)	(997,740)
Group unallocated	(976,814)	(1,055,495)	(1,926,872)
Total costs	**(4,843,746)**	**(4,545,442)**	**(9,427,150)**
Profit / (loss)			
Regulatory compliance software	(77,125)	70,584	581,570
Risk management and trading software	946,997	582,987	1,373,681
Software development unallocated	(725,278)	(461,554)	(994,935)
Group unallocated	(976,814)	(1,055,495)	(1,926,872)
Total profit / (loss)	**(832,220)**	**(863,478)**	**(966,556)**
Net assets			
Regulatory compliance software	1,273,373	706,126	1,362,503
Risk management and trading software	1,277,632	875,111	1,777,202
Software development unallocated	(1,947,399)	(885,974)	(1,540,367)
Group unallocated	(61,044)	273,510	(245,948)
Net assets	**542,562**	**968,773**	**1,353,390**

3 TAXATION

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

Notes to the interim report

For the 6 months ended 30 September 2008

4 **LOSS PER SHARE**

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

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

	Unaudited 6 months to 30 September 2008 £	Unaudited 6 months to 30 September 2007 £	Unaudited Year ended 31 March 2008 £
Loss for the period and basic and diluted earnings attributable to ordinary shareholders	(832,220)	(1,062,566)	(672,895)
Weighted average number of ordinary shares	136,058,657	135,025,227	135,363,007
Loss per share (pence)	(0.61)	(0.79)	(0.50)
Effect of dilutive share options	-	-	-
Adjusted weighted average number of ordinary shares	136,058,657	135,025,227	135,363,007
Diluted loss per share (pence)	(0.61)	(0.79)	(0.50)

There is no dilutive effect of share options in either 2008 or 2007 as the average price of the Company's shares was below the strike price of the options in issue.

Company information

Company registration number:	3224870
Directors:	John Wisbey – Chairman Ian Peacock – Deputy Chairman Michael Thomas Brian Crowe Dan Kochav Christopher Wright
Company Secretary:	Jane Fineman
Registered office:	India House 45 Curlew Street London SE1 2ND
Nominated Advisor and Broker:	Noble & Company Limited 120 Old Broad Street London EC2N 1AR
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