LOMBARD RISK MANAGEMENT PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

(Company No. 3224870)

INDEX TO THE FINANCIAL STATEMENTS

Highlights
For the year ended 31 March 2007

- Year of significant advancement including
  - Strong Revenue Growth owing to contract wins in all parts of the Group
  - Major growth in the capabilities of the Shanghai operation

- Results for the 2007 financial year in line with market expectations
  - Loss before tax £2 27m (2006 Profit £3 22m including £5 97m gain on ValuSpread disposal)
  - Turnover up 48% to £6 94m (2006 £4 70m)

- Strong outlook for revenues, particularly in second half of the 2008 financial year, and promising outlook for cost savings as the Shanghai operation moves forward

Chairman's statement
For the year ended 31 March 2007

Chairman's Statement

Summary
The year demonstrated considerable forward momentum in our business, with meaningful new contracts being concluded in all parts of the Group In addition the new business won during the period generated an appreciable forward order book and deferred revenue, much of which should be recognized in the year ending 31 March 2008 ("FY2008") There was considerable and growing demand for our Colline® collateral management software and for our STB-Reporter regulatory reporting software product, while our Oberon® valuation and risk management product also performed well

Revenues at £6 94m grew by 48% against the £4 70m recorded in the previous year While the Group made an operating loss of £2 34m, it is particularly relevant that the loss in the core software business (excluding Shanghai start up costs and goodwill amortisation) narrowed to £0 49m Indeed, had it not been for implementation delays on two contracts, largely due to regulatory delay, the software business would nearly have broken even This is a very appreciable turn-round from the previous year

Very good progress has been made with building up our software development capability in Shanghai with corresponding cost savings in the UK Our investment in Shanghai places us very well to contain development costs going forward, and to achieve greater cost synergies from acquisitions

We anticipate the past year's strong revenue growth will continue in FY2008, although revenue will be weighted towards the second half of the financial year STB Systems should enjoy particularly strong growth from regulatory change, especially Basel II Although costs will rise owing to the pressure to meet our customers' regulatory deadlines, our ability to control costs with the Shanghai operation makes it highly likely that the software businesses and the Group as a whole will break through to profitability in the second half of FY2008

We continue to explore accretive acquisition opportunities The disposal of the Independent Valuation subsidiary is now at an advanced stage, although as with all M & A transactions there is always an element of uncertainty until the transaction is completed

Financial
Revenues at £6 94m grew by 48% against the £4 70m recorded in the previous year Cash and marketable securities at the end of the period were £0 69m Loss before tax was £2 27m and was made up as follows

Continuing software businesses	(£0 49m)
Independent valuation business (being spun out)	(£1 14m)
Goodwill amortisation - STB Systems	(£0 19m)
Writedown of IDOX investment (sold since year end)	(£0 16m)
One off start up costs in Shanghai	(£0 33m)
Final proceeds – ValuSpread disposal	£0 04m

In line with previous years' accounting policies, all software development and R&D expenditure was expensed in full when incurred

Recurrent revenue has historically been a high proportion of revenues at Lombard Risk We have more than replaced the recurrent revenues lost with the sale of ValuSpread in 2005 with recurrent revenues from STB Systems, with the definition of such revenue being that we continue to receive it unless we lose the customer Recurrent annual revenues for the Group are running at over £4m In addition, the revenue profile remains well dispersed, with no single client site last year accounting for more than 6% of total revenue

Valuation and Risk Management Software Products
Oberon, the trading and risk management system, saw three significant contract wins in the period and remained our most profitable product Oberon continues to provide capital to support the development of other products Work has continued to make Oberon a very open system using our OBI utility, and this work is now being carried out largely in our Shanghai operation Functionally the product set has made good progress with new pricing models and support for additional instruments such as inflation derivatives and equity variance swaps

Colline, our software for collateral management, enjoyed a very promising year with ten contract wins, some of them on a recurring revenue model rather than a licence model We are hopeful that this trend will continue aided by the credit crunch in financial markets, although the sales of Colline in the first few months of the FY2008 financial year have been below our expectations We have recorded exceptionally high customer satisfaction levels from our Colline clients Bank of New York, Northern Trust and LaCrosse Global Fund Services, part of the Cargill group, are among the North American names we have won Raiffeisenbank in Austria, Landwirtschaftliche Rentenbank in Germany and British Gas Trading Ltd (part of Centrica plc) are among the European names We now have good client reference sites in our chosen target markets of banking, asset management firms, hedge funds and energy companies An ASP service for Colline has also successfully gone live with three clients now using the service Drivers for Colline's growth include the need for many entities to free up credit lines and reduction of economic capital We obtained a rating for the product in Risk Magazine for the second year

Chairman's statement (continued)

For the year ended 31 March 2007

Regulatory and Compliance Software Products

The Group's regulatory and compliance software business, STB Systems, has continued to make good progress with a growing pipeline ahead of the Basel II regulatory changes and important contract wins in other countries Some significant contracts were signed with banks for UK and non-UK regulatory reporting, while UK regulatory changes gave us good opportunities in the UK with new deals signed with several securities firms Basel II is the most important driver for our growth in this area over the next year, with many existing clients needing upgrades

STB Systems has good penetration of the UK banking market with approximately 150 of 350 banks in the UK using the STB-Reporter product for regulatory reporting to the FSA We believe that the high average level of customer satisfaction offers an excellent opportunity for the Group to expand its business with many of these clients

The Group's ability to offer global solutions has been greatly enhanced through it now having regulatory offerings available or under production for several EMEA and Asian countries as well as the United States In addition, the AML product STB-Detector has seen good revenue growth in several countries, but particularly in the United States Outside the UK, the STB Systems subsidiaries have all been re-named as Lombard Risk International The STB product branding is being retained In this way the profile of Lombard Risk is raised without losing the worldwide reputation of the STB name

Independent Valuation and Risk Services

The Group's Independent Valuation business, which from 2005 has operated as a separate subsidiary, is progressing well with a significant contract with a large international banking group, as well as other clients especially in the field of structured credit valuations There are a number of other good opportunities in prospect The Board believes there is a clear and important opportunity, in conjunction with partners, to position this business to provide an industry solution for independent valuations This transition will require a high level of additional investment and the Board believes it is prudent and appropriate that the Independent Valuation subsidiary attracts third party investors to assist with the funding of this further expansion rather than for the Group itself to fund all that investment A number of interested parties were identified, and the Group is now at an advanced stage of discussions with one of these

Personnel

The last year has seen a significant build up in our Shanghai operation, with a headcount there now of around 45 We have been very pleased with the quality of the people that we have recruited so far Although costs rose in the first half of the year owing to the establishment of our Shanghai operation and an initial duplication of costs between London and Shanghai, it has been possible to make some consequent reductions in costs in London, and the outlook for costs is now a very favourable one of cost containment as a progressive migration of software development and other functions to Shanghai takes place

Investments

Lombard Risk disposed in May 2007 of its remaining £0 4m stake in its former subsidiary IDOX plc Over time that investment has realized over £4m for Lombard Risk based on a total investment of £1 1m The residual stake had a higher book value than the disposal amount, and we decided to make an appropriate write-down of £0 16m in the accounts, so that there will be no further P&L effect in the FY2008 accounts

Prospects

The Board believes that the high level of recurrent revenues of the business overall and the product positioning of Lombard Risk provides a strong foundation for growth of the Group's software revenues The Board is especially optimistic about the prospects for STB-Reporter in the period of Basel II The Board is confident that market demand in our focus areas of regulation, collateral management, derivatives and compliance will continue to grow Moreover if the current liquidity crisis in the banking sector does affect technology spending, the Board believes that the core growth areas of regulatory reporting and collateral management software are unlikely to be adversely affected, indeed we have seen a pick up in enquiries about collateral management since the beginning of the sub-prime crisis Backed up by the fast revenue growth experienced in FY2007 including deals done for which much of the revenue has not yet been recognized, and the very significant opportunity with existing clients from Basel II, the Board is very positive on revenue growth and profitability for the second half of FY2008 and over the next few years – subject to the Board's normal caveat that there will inevitably be some volatility of earnings arising from the exact timing of the Group's larger software licence deals

The Shanghai operation should allow revenues to grow much faster than costs from now on The Board believes that Shanghai's re-emergence as a major financial centre also presents Lombard Risk with significant local revenue opportunities over coming years in addition to the cost benefits of offshore development The ability to develop software efficiently and at a reasonable cost in Shanghai will also allow us to achieve greater cost synergies from future acquisitions than would otherwise have been the case

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

John Wisbey
Chairman & CEO

Board of Directors

For the year ended 31 March 2007

Directors

The Group is run by its Board of Directors, which currently has seven 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

Directors' profiles

John Wisbey (b 1956) Chairman and Chief Executive Officer
John Wisbey founded Lombard Risk in 1989, and has led the company from start-up, when the only product was Oberon, to its current international and multi-product status He is responsible for the main strategic issues of the Group and plays a major part in the firm's client relationships

John Wisbey is also a non-executive director of IDOX plc, a former subsidiary of Lombard Risk and now a leading company in UK e-government IDOX plc is quoted on the London AIM market

Prior to establishing Lombard Risk, John Wisbey was Head of Option Trading and a Director in the Swap Group at Kleinwort Benson Limited Before that he spent eight years at Kleinwort Benson in the banking division where he acquired his initial experience in the area of credit risk This period included several years based in Hong Kong and Singapore

Ian Peacock (b 1947) Non-executive Deputy Chairman
Ian Peacock joined the Lombard Risk Board in 2000, having previously been an advisor to the Group He is also Chairman of Mothercare plc and a Trustee of the WRVS

Ian Peacock previously held a number of senior positions in the banking industry based in London, New York and Asia During this time he served as a member of both the Barclays Bank Group Credit Committee, and the Group Board of Kleinwort Benson Group plc He was also Chairman of the Kleinwort Benson Credit Committee He acted as 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

Christopher Rose (b 1957) CEO of Independent Valuation and Risk Services Ltd
Christopher Rose is CEO of Independent Valuation and Risk Services Ltd, a Lombard Risk company Christopher joined Lombard Risk in 2000, where he was initially COO and CEO of the Group's software business In 2003 he assumed responsibility for the Group's Valuation Services business, and in 2005 moved across to become founding CEO of the Group's independent valuations company

Prior to joining Lombard Risk, Christopher Rose was COO of ANZ Investment Bank Before that, he spent 18 years at Barclays and its investment banking business BZW, where he was based predominantly in Hong Kong and New York His last role in Hong Kong was as Barclays/BZW Regional Director for Asia

Michael Thomas (b 1953) CEO of STB Systems Ltd, which became part of the Group in August 2005
Michael Thomas is CEO of STB Systems Ltd, which became part of the Lombard Risk group in August 2005 He was a co-founder of STB Systems in 1984 and has led the company since 1985 He took STB into the regulatory reporting market in 1993, and it has since achieved market leadership in the UK

Prior to establishing STB, Michael Thomas worked in the IT units of several international banks, including Societe Generale, Chemical Bank and Chase Manhattan, where he managed the bank's regional computer audit group He is continuing to manage the STB Systems subsidiary and is key to maximising the growth potential of this unit through the opportunities presented by the forthcoming period of significant regulatory change

Board of Directors (continued)
For the year ended 31 March 2007

Brian Crowe (b 1957) Non-executive Director
Brian Crowe joined the board of Lombard Risk in September 2004 at the time of its IPO on AIM He is also Chief Executive of Global Banking & Markets ("GBM") at the Royal Bank of Scotland plc ("RBS")

GBM embraces all the wholesale banking and fixed income activities with large corporates and Financial Institutions worldwide The fixed income business conducts all the Bank's trading activities including Currencies, Interest Rates, Credit Markets and Equity Derivatives Brian Crowe is a member of the Group ALCO, Credit and Investment Committees of RBS and is a member of the Group Executive Management Committee

Brian Crowe has had considerable personal involvement with the FSA in getting RBS's internal models approved for capital purposes Prior to joining RBS, he was Head of Derivatives at Chase Manhattan Bank in London He is a former member of the International Swaps and Derivatives Association board

Dan Kochav (b 1958) Non-executive Director
Dan Kochav joined the board in December 2004 following an investment by Putnam Lovell NBF in Lombard Risk's equity Dan is now the Chief Operating Officer of Tenor Capital Management, an event driven convertible and capital structure arbitrage fund manager which he was responsible for incubating while he was at Putnam Lovell NBF

Previously, Dan Kochav was a Managing Director of Alternative Investments at Putnam Lovell NBF, part of the National Bank Financial Group, and a subsidiary of National Bank of Canada Prior to this, Dan Kochav was a Managing Director at TD Securities in New York (part of Toronto Dominion Bank) Here he was responsible for starting up and managing a number of business initiatives, including Convertible Arbitrage, Index Arbitrage, Corporate Equity Derivatives, Structured Tax Transactions, and a cross-border Structured Private Placement business In this position, and in a previous position at Paine Webber Inc , he was responsible for originating, structuring, selling, and closing over $3 billion in structured financings, including leveraged leases, mortgage backed securities, energy project financing, leveraged buyouts and recapitalisations

Christopher Wright (b 1957) Non-executive Director
Christopher Wright was a personal investor in the Group before becoming a director in March 2002 He became involved with the Group in 2000 when the Dresdner Bank group led a private equity pre-IPO investment in one of the Group's then subsidiaries

Christopher Wright's prior role was CEO of Dresdner Kleinwort Capital and Group Board Member of Dresdner Kleinwort, overseeing approximately Euro 5bn of alternative asset investments

Christopher Wright is currently a director of Merifin Capital Group, Hansa Capital, EMAlternatives LLC, Aletheia Capital Partners LLP, Campbell Lutyens & Co Ltd, Noble Venture Finance LLP, Roper Industries Inc (NYSE), Maxcess International Corporation and IDOX plc (AIM) He has also chaired several Advisory Boards of third party managed LBO and venture capital funds in the USA and Europe

Directors' report
For the year ended 31 March 2007

The Directors submit their annual report together with the consolidated financial statements for the year ended 31 March 2007

Directors' representations

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 elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 judgments and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper 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 1985 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 the directors are aware

- There is no relevant audit information of which the company's auditors are 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 auditors are 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, anti money laundering and 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 20

Results and dividends
The audited financial statements for the year ended 31 March 2007 are set out on pages 14 to 31 The Group's loss for the year after taxation amounted to £2,269,691 (2006 profit £3,222,618) The directors do not propose a dividend for the year (2006 £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 2007	31 March 2006
John Wisbey[1]	81 174,562	81,024,562
Ian Peacock	1 088,532	890,532
Christopher Rose	125,000	125,000
Michael Thomas	4,808 360	3,811,700
Brian Crowe	625,000	625,000
Dan Kochav	375,000	375,000
Christopher Wright	1,205,066	1,205,066

[1] 77 224 562 shares are owned directly In addition John Wisbey is a beneficiary of Advanced Technology Trust which owns a further 3 950 000 shares

In addition to these shareholdings listed above, the Directors have been granted options over ordinary shares Full details of these options are given in the Report on Remuneration on page 9

Details of the Directors' service contracts can be found in the Report on Remuneration on page 9

Directors' report (continued)

For the year ended 31 March 2007

In accordance with the articles of association, John Wisbey, Michael Thomas and Brian Crowe are due to retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election

Charitable and political donations

The Group made charitable donations totalling £327 (2006 £1,273) and no political donations during the year (2006 £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 72 days (2006 39 days)

Substantial shareholdings

As at 31 March 2007 the Company was aware of the following interests in 3% or more of its issued share capital

	Number of shares	% Holding
John Wisbey	77,224,562	57 32
AMF (NBF) Holdings Inc	12,222,222	9 07
Merifin Capital NV	7,525,264	5 59
Royal Bank Ventures Investments Ltd	5,608,824	4 16
Michael Thomas	4,808,360	3 57
Anthony Brown	4,808,360	3 57

Research and development

Research and development expenditure incurred on the Group's suite of products has all been expensed to the profit and loss account in the relevant period

Post balance sheet events

In May 2007 the Company disposed of its entire shareholding in IDOX plc, an AIM listed UK company, for £407,212

The company has entered into a loan with John Wisbey, Chairman and Chief Executive Officer, for £620,000 (the 'Loan') These funds have been used to repay the Company's existing bank borrowings in full and to provide the Company with additional working capital The Loan, which initially bears interest at Alliance & Leicester base rate plus 2 25% and is subject to review on 31 October 2007, is repayable by 29 February 2008, although is repayable earlier in certain circumstances or at the Company's option It is expected that the loan will be repaid by the end of February 2008 out of the Company's operating cash flow

In addition to this Loan John Wisbey has provided a guarantee of a short term demand bank facility entered into by the Company in July 2007, presently not drawn, with National Westminster Bank plc in the amount of £250,000 The company is currently in discussions with the bank to extend the period of this arrangement

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors and to authorise the Directors to agree their remuneration will be placed before the forthcoming Annual General Meeting of the Company

On behalf of the Board

John Wisbey
Director

Christopher Rose
Director

Registered Office

21st Floor
Empress State
Empress Approach
Lillie Road
London
SW6 1TR

27th September 2007

Report on remuneration

For the year ended 31 March 2007

Constitution and responsibility of the Remuneration Committee

The Remuneration Committee consists of Non-executive Directors Brian Crowe and Ian Peacock (who is Chairman of the Committee), and Executive Director John Wisbey Its principal function is to determine the remuneration packages of Executive Directors It also reviews the performance of the Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due consideration for the interests of shareholders No Executive Director may participate in decisions regarding his own remuneration

Remuneration policy

The Group's policy on Executive Directors' remuneration is to determine remuneration packages which are competitive within its markets in order to attract, retain and motivate high calibre executives The Remuneration Committee recognises the importance of providing both short and long term rewards to the Executive Directors in recognition of achieving performance related targets with the aim of enhancing shareholder value

Summary of emoluments

	Salary/Fee	Bonus	Benefits	Pension	Total 2007	Total 2006
	£	£	£	£	£	£
Executive Directors						
John Wisbey	178,500	-	-	-	178 500	289,113
Christopher Rose	157,500	-	976	-	158,476	188,448
Michael Thomas	100,000	-	18,829	7,560	126,389	16,795
Non-Executive Directors						
Brian Crowe	20,000	-	-	-	20,000	20,000
Dan Kochav	20,000	-	-	-	20,000	6,667
Ian Peacock	25,000	-	-	-	25 000	25,000
Christopher Wright	20,000	-	-	-	20,000	20,000
	521,000	-	19,805	7,560	548,365	566,023

The Directors, management and staff are eligible to participate in the Group Stakeholder Pension Scheme Payments in respect of Michael Thomas were paid into the defined contribution scheme to which the Group contributes 7 56% of basic earnings The remuneration shown above relates only to the period of appointment for each respective director

Service contracts

The Executive Directors have entered into service contracts with the Company that are terminable by either party on various notice periods, none of which is greater than twelve months

Directors' share interests

The Directors' shareholdings in the Company are listed in the Directors' report on page 8

Share options

The interests of the Directors in the share option schemes are as follows

Director	1 April 06	Number granted	Number exercised	Number lapsed	31 March 07	Date granted	Exercise price	Dates between which options may be exercised	
John Wisbey	555,555	-	-	-	555,555	Dec-04	9p	Dec-06	Dec-11
John Wisbey	1,194,445	-	-	-	1,194,445	Dec-04	11p	Dec-06	Dec-11
Ian Peacock	300,000	-	-	-	300,000	Dec-04	9p	Dec-06	Dec-11
Christopher Rose	555,555	-	-	-	555,555	Dec-04	9p	Mar-06	Mar-11
Christopher Rose	555,556	-	-	-	555,556	Dec-04	11p	Mar-06	Mar-11
Christopher Rose	388,889	-	-	-	388,889	Dec-04	11p	Dec-06	Dec-11
Brian Crowe	200,000	-	-	-	200,000	Dec-04	9p	Dec-06	Dec-11
Dan Kochav	200,000	-	-	-	200,000	Dec-04	9p	Dec-06	Dec-11
Christopher Wright	200,000	-	-	-	200,000	Dec-04	9p	Dec-06	Dec-11
Michael Thomas	-	555,555	-	-	555,555	Apr-06	9p	Apr-08	Apr-13
Michael Thomas	-	444,445	-	-	444,445	Apr-06	11p	Apr-08	Apr-13

No options were exercised during the year or during the previous year The Directors' interests in the share options at 31 March 2007 are in respect of options granted under the Lombard Risk Management plc 2004 Enterprise Management Incentive scheme and 2004 Unapproved Company Share Option plan The mid market price of the Company's shares was 8 25p at close of business on 31 March 2007 and the high and low share prices during the year were 10 38p and 5 00p respectively

Corporate Governance Report
For the year ended 31 March 2007

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 recognizing that as an AIM company the Company is not required to comply with the provisions of the Combined 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

International Financial Reporting Standards
The Directors have identified the following areas which may potentially affect the results of the Group when it adopts International Financial Reporting Standards, which will be as from 1 April 2007

Business combinations
In accordance with IFRS3 there will be no amortisation of goodwill An annual impairment review of the carrying value of goodwill will be required Any subsequent acquisition will involve the identification and recognition of all assets This would include intangible assets other than goodwill if their fair value can be measured reliably

Intangible assets (research and development)
In accordance with IAS38 development expenditure that meets certain criteria must be capitalised, amortised over its useful economic life, and subject to annual impairment reviews This contrasts with current practice, which is to write off all such expenditure as incurred

Deferred tax
In accordance with IAS12 the corporate tax charge comprises both current tax and deferred tax Deferred tax has to be recognised on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base at tax rates that are expected to apply when the asset is realised or the liability settled, regardless of whether this creates an asset or a liability

It is anticipated that the impact on the opening balance sheet for the Group, as at 31 March 2006, of the restatements under IFRS is a reduction in net assets of less than £100,000 (due to the accrual of holiday pay previously not recognised)

Corporate governance report (continued)

For the year ended 31 March 2007

Board of Directors

The Board, comprising an Executive Chairman, two Executive Directors and four 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 pages 5, 6 and 10 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 Annual General Meeting

Shareholder relations

The Company recognises the importance of dialogue with all of its shareholders The Annual General Meeting 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 an interim report 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 Christopher Wright and also comprises Ian Peacock and John Wisbey The report of the Audit Committee can be found on page 12

Remuneration Committee

The Remuneration Committee is chaired by Ian Peacock and also comprises Brian Crowe 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 Report on Directors' Remuneration is set out on page 9 No Executive Director may participate in decisions regarding his own remuneration The Board as a whole determines the remuneration arrangements of the Non-Executive Directors

Going concern

The Accounts 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

The Directors have reviewed forecasts and are satisfied that the Group will continue to operate within its available facilities (see note 33) The directors have taken into account the level and quality of billings achieved by STB Systems from August 2007 onwards reflecting, in part, the major changes in banking regulations known as Basel II The Directors expect that this level of billings by STB Systems will continue at comparable levels until at least the middle of 2008, with resultant net cash inflows during the next 12 months The Group has announced previously that it intends to spin out one of its businesses, and this process is now at an advanced stage While there is inevitable uncertainty about the final outcome of any M&A transaction until it is completed, the Directors are also satisfied that the Group will have access to sufficient funding should that disposal not take place as contemplated

Report of the Audit Committee

For the year ended 31 March 2007

Membership and meetings of the Audit Committee

The Audit Committee is a committee of the Board and is majority composed 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 Christopher Wright and also comprised Ian Peacock and John Wisbey 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 auditors, to attend its meetings as appropriate

During the period under review, the Audit Committee met twice

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 listing 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
- Overseeing the relationship with the external auditors, 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 auditors

The Audit Committee keeps under review the relationship with the external auditors including

- The independence and objectivity of the external auditors, 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 reappointment or otherwise of the external auditors for the following financial period
- 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 auditors, and ensures that the provision of such services does not impair the external auditor independence

Christopher Wright

Chairman of the Audit Committee
27th September 2007

Report of the Independent Auditor
To the shareholders of Lombard Risk Management plc

We have audited the group and parent company financial statements (the "financial statements") of Lombard Risk Management plc for the year ended 31 March 2007 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and notes 1 to 33 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross referred from the Principal activities and business review section of the Directors' Report

In addition, we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements This other information comprises only the Chairman's Statement, the Directors' Report, the Report on Remuneration, the Corporate Governance Report and the Report of the Audit Committee We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
LONDON
27th September 2007

Consolidated profit and loss account

For the year ended 31 March 2007

	Note	2007 £	2006 £
Turnover	2	6,942,181	4,701,573
External charges		(118,014)	(102,379)
Gross profit		6,824,167	4,599,194
Staff costs	3	(6,289,967)	(5,135,015)
Other operating charges		(2,872,359)	(2,218,190)
		(9,162,326)	(7,353,205)
Operating loss			
- Before exceptional items and goodwill amortisation		*(1,986,349)*	*(2,624,028)*
- Goodwill amortisation		*(187,664)*	*(108,514)*
- Revaluation of current asset investment		*(164,146)*	*-*
- Exceptional staff costs	3	-	*(21,469)*
- Total operating loss	4	(2,338,159)	(2,754,011)
Profit on disposal of business		44,800	5,971,447
Dividend received from current asset investment		2 797	-
Interest receivable	5	26,007	43,296
Interest (payable)	6	(2,346)	(38,114)
(Loss) / profit on ordinary activities before taxation		(2,266,901)	3,222,618
Tax on (loss) / profit on ordinary activities	7	(2,790)	-
(Loss) / profit for the year transferred (from) / to reserves	22	(2,269 691)	3,222,618
(Loss) / earnings per share			
Basic (pence)	9	(1 71)	2 60
Diluted (pence)	9	(1 71)	2 50

All operations are continuing

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

Consolidated balance sheet
As at 31 March 2007

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	**10**	3,445,016	3,712,680
Tangible assets	**11**	237 380	344,387
		3,682,396	4,057,067
Current assets			
Debtors due within one year	**15**	1,313,979	1,126,024
Debtors due after one year	**16**	132,445	77,898
Investment	**13**	407,212	571,358
Cash at bank and in hand	**26**	284,328	1,723,035
		2,137,964	3,498,315
Creditors: amounts falling due within one year	**17**	(1,145,931)	(1,650,331)
Net current assets		992,033	1,847,984
Total assets less current liabilities		4,674 429	5,905,051
Creditors: amounts falling due after one year	**18**	-	(24,686)
Accruals and deferred income	**19**	(2,903,075)	(2,302,390)
Net assets		1,771,354	3,577,975
Capital and reserves			
Called up share capital	**21**	1,103,510	1,082,510
Share premium account	**22**	2,415,110	2,415,110
Revaluation reserve	**22**	-	170,957
Other reserves	**22**	1,593 099	1,151,029
Profit and loss account	**22**	(3,340,365)	(1,241,631)
Shareholders' funds	**23**	1 771,354	3,577,975

The financial statements were approved by the board on 27th September 2007 and signed on its behalf by

John Wisbey
Chairman & CEO

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

Company balance sheet

As at 31 March 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	**11**	156,742	326,564
Investments in subsidiaries	**12**	11,911,165	9,814,334
		12,067,907	10,140,898
Current assets			
Debtors due within one year	**15**	3,250,741	126,509
Debtors due after one year	**16**	1,354	-
Investment	**13**	407,212	571,358
Cash at bank and in hand		3,906	117,137
		3 663,213	815,004
Creditors: Amounts falling due within one year	**17**	(6,478,946)	(673,833)
Net current liabilities		(2,815,733)	141,171
Total assets less current liabilities		9 252,174	10,282,069
Creditors: amounts falling due after one year	**18**	-	(24,686)
Accruals and deferred income	**19**	(102,493)	(146,829)
Net assets		9,149 681	10,110,554
Capital and reserves			
Called up share capital	**21**	1,103,510	1,082,510
Share premium	**22**	2,415 110	2,415,110
Revaluation reserve	**22**	-	170,957
Other reserves	**22**	7 113 315	6,944,543
Profit and loss account	**22**	(1,482,254)	(502,566)
Shareholders' funds		9 149,681	10,110,554

The financial statements were approved by the board on 27th September 2007 and signed on its behalf by

John Wisbey
Chairman & CEO

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

Consolidated cash flow statement

For the year ended 31 March 2007

	Note	2007 £	2006 £
Net cash outflow from operating activities	**24**	(1,315,491)	(2,580,974)
Returns on investments & servicing of finance			
Interest received		26,007	43,296
Interest paid		(2,346)	(35,976)
Finance lease interest		-	(2,138)
Dividend received		2,797	-
Net cash inflow from returns on investments and servicing of finance		26,458	5,182
Acquisitions and disposals			
Purchase of subsidiary		-	(1,382,033)
Net cash balances acquired within purchased subsidiary		-	31,002
Disposal of ValuSpread business	**14**	79,044	5,596,554
Net cash inflow from acquisitions and disposals		79 044	4,245,523
Capital expenditure & financial investment			
Payments to acquire tangible fixed assets	**11**	(191,839)	(259,604)
Net cash outflow from capital expenditure and financial investment		(191,839)	(259,604)
Financing			
Capital element of finance leases		(36,879)	(14,511)
Net cash outflow from financing		(36,879)	(14,511)
(Decrease) / increase in cash	**25**	(1,438,707)	1,395,616

Consolidated statement of total recognised gains and losses
For the year ended 31 March 2007

	2007	2006
	£	£
(Loss) / profit for the year	(2,269,691)	3,222,618
Currency differences on foreign currency net investments	(4,196)	(38,286)
Total (losses) / profits recognised since last financial statements	(2,273,887)	3,184,332

Notes to the financial statements
For the year ended 31 March 2007

1 **ACCOUNTING POLICIES**

(a) Basis of preparation
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention except for the valuation of investments held as current assets

The principal accounting policies of the Group are set out below and have remained unchanged from the previous period, except for the adoption of FRS20 (see notes 3 and 27)

(b) Going concern
The Accounts 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

The Directors have reviewed forecasts and are satisfied that the Group will continue to operate within its available facilities (see note 33) The directors have taken into account the level and quality of billings achieved by STB Systems from August 2007 onwards reflecting, in part, the major changes in banking regulations known as Basel II The Directors expect that this level of billings by STB Systems will continue at comparable levels until at least the middle of 2008, with resultant net cash inflows during the next 12 months The Group has announced previously that it intends to spin out one of its businesses, and this process is now at an advanced stage While there is inevitable uncertainty about the final outcome of any M&A transaction until it is completed, the Directors are also satisfied that the Group will have access to sufficient funding should that disposal not take place as contemplated

(c) Basis of consolidation
The Group accounts consolidate the financial statements of the Company and its subsidiary undertakings (see Note 12)

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

The recognition of revenue depends on the type of income

Licence income	For long term projects which do not include the up-front delivery of immediately usable software, revenue is recognised on both the consultancy and initial licence elements in line with the estimated percentage of completion of the project That part of licence and maintenance revenue invoiced simultaneously with the initial licence but considered to relate to the period when the licence is deemed to be live is deferred in its entirety until the live date, following which it is released to profit in equal daily instalments over the duration of the relevant licence or maintenance For other projects which do include the up-front delivery of immediately usable software, revenue is recognised in accordance with the invoicing schedule For non-refundable licences of over one years duration revenue is recognised at invoicing date, for those licences under 1 year revenue is recognised immediately
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) Depreciation
Depreciation is provided using the following rates and bases so as to write off the cost or valuation of tangible fixed assets over their useful lives in the Group's business -

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

(f) Goodwill
Purchased goodwill representing the excess of the fair value of the consideration given over the fair values of identifiable net assets acquired, is capitalised and amortised on a straight line basis over a period of 20 years The depreciation period of 20 years is based on the fact that the acquisitions have provided the Group with a market position in the regulatory and compliance industry which is expected to be capable of exploitation for more than 20 years Goodwill is reviewed for impairment at the end of the first full financial year after acquisition and in other periods if events or changes in circumstances indicate that carrying values may not be recoverable

(g) Valuation of investments
Investments held as current assets are stated at cost or directors' valuation less any provision for a permanent diminution in value

(h) Foreign exchange
Company 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 Group The assets and liabilities of the subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date The profit and loss account is translated at the average rate of exchange The exchange differences arising on the retranslation of subsidiary undertakings are, together with differences arising on the translation of long term intra-group funding loans which are not intended to be repaid in the foreseeable future, taken directly to reserves All other differences are taken to the profit and loss account

(i) 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

(j) Leased assets
Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease All other leases 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

(k) Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 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 profit & loss account from the date of acquisition or up to the date of disposal All of the subsidiary's assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date Profits or losses on intra-group transactions are eliminated in full Goodwill arising on consolidation was written off to reserves prior to 1 April 1999 Goodwill arising after this date is capitalised and amortised over its useful economic life

(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 profit and loss account represents the contributions payable to the schemes in respect of the accounting period

(m) Research and development
Research and development expenditure is charged to the profit and loss account in the year in which it is incurred

(n) Share options issued to employees
The charge to profit and loss account (and the corresponding credit to reserves) arising under FRS20 is spread over the period during which share options vest The charge is calculated using a binomial model and takes into account estimates of the volatility of the underlying shares and of staff turnover

2 SEGMENTAL ANALYSIS

Turnover is derived solely from the sale of software and associated services to the finance and banking sector

Analysis of turnover by geographical destination	2007 £	2006 £
United Kingdom	3.030,738	1,831,057
Rest of Europe, Middle East and Africa	1,212,148	1,122,433
The Americas	1 719,446	1,286,385
Asia Pacific	979 849	461,698
	6,942,181	**4,701,573**

Notes to the financial statements (continued)
For the year ended 31 March 2007

3 DIRECTORS AND EMPLOYEES

	2007 £	2006 £
Directors:		
Emoluments	540,805	564,763
Pension costs	7,560	1,260
	548,365	566,023
Highest paid director		
Aggregate emoluments	178,500	289,113

Michael Thomas is the only director accruing benefits under a money purchase pension scheme There were no pension contributions made in respect of the highest paid director See summary of emoluments within the Directors' Report

	The Group		The Company	
	2007 £	2006 £	2007 £	2006 £
Staff costs including directors				
Wages and salaries	5,375,002	4,537,341	630,096	425,111
Social security costs	753,369	504,705	129 265	45,497
Pension costs	114,330	71,500	4 740	228
Share based payments charge (note 27)	47,266	-	47,266	
Total staff costs – ongoing	6,289,967	5,113,546	811,367	470,836
Exceptional staff costs	-	21,469	-	-
	6,289 967	5,135,015	811 367	470,836

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

	2007 Number	2006 Number	2007 Number	2006 Number
Office and administration	14	12	8	6
Operational	85	67	-	-
	99	79	8	6

4 OPERATING LOSS

		2007 £	2006 £
This is stated after charging / (crediting)			
Depreciation	- Finance lease	104	12,343
	- Other	299,385	217,432
Amortisation		187,664	108,514
Auditors' remuneration	- Audit	27,458	40,144
	- Tax services	37,316	14,200
	- Other*	50,036	79,925
Foreign exchange		88,045	(27,696)
Operating leases - land and buildings		439,889	508,101

* Other services include the fees for the audits of subsidiary undertakings and due diligence during corporate activity An amount of £29,535 was paid in respect of the acquisition of STB Systems Ltd and was capitalised in the year to 31 March 2006

5 INTEREST RECEIVABLE

	2007 £	2006 £
Interest on bank deposits	8,858	42,077
Other interest receivable	17,149	1,219
	26,007	43,296

Notes to the financial statements (continued)
For the year ended 31 March 2007

6 INTEREST PAYABLE

	2007 £	2006 £
Bank loans and overdrafts repayable in less than 5 years	48	1,917
Other interest payable	2,298	36,197
	2,346	38,114

Other interest includes £Nil (2006 £20,473) payable in the year to 31 March 2007 in respect of exceptional costs (see note 14)

7 TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

The £2,790 tax charge for the year (2006 £Nil) arises because of overseas subsidiaries' corporation tax charge

The Group has received to date R&D tax credits of £570,008 relating to financial years ended 31 March 2002 and 2003 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 2007 no tax losses (2006 £2,120,986) 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 30% (2006 30%) The differences are explained as follows

	2007 £	2006 £
(Loss) / profit on ordinary activities before tax	(2,266,901)	3,222,618
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(680,070)	966,785
Effect of		
Capital allowances for the period in excess of depreciation	33,413	(6,928)
Other short term timing differences	-	6,245
Increase / (utilisation) of tax losses	597,147	(1,003,222)
Expenses not deductible for tax purposes	53,510	37,120
Effect of overseas tax rate differences	(1,210)	-
Current tax charge for the period	2,790	-

The directors have not recognised the deferred tax amount of £1,746,127 (2006 £1,448,173) arising primarily on trading losses carried forward

8 LOSS FOR THE FINANCIAL YEAR

The parent Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements The parent Company's loss for the year was £1,150,645 (2006 profit £1,253,647)

9 (LOSS) / EARNINGS PER SHARE

The earnings per ordinary share is calculated by reference to the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during each period, as follows

	2007	2006
(Loss) / profit for the year	(£2,269,691)	£3,222,618
Weighted average number of ordinary shares in issue	132,675,884	123,840,622
(Loss) / earnings per share – basic (pence)	(1 71)	2 60
Dilutive effect of share options and deferred contingent earn-out shares	-	5,000,000
Diluted weighted average number of ordinary shares	132,675,884	128,840,622
(loss) / earnings per share – diluted (pence)	(1 71)	2 50

There is no dilutive effect of share options in either 2007 or 2006 as the average price of the Company's shares was below the strike price of the options in issue (see note 21) The dilution in 2006 relates to the deferred consideration for the acquisition of STB Systems Ltd (see notes 21)

Notes to the financial statements (continued)
For the year ended 31 March 2007

10 INTANGIBLE FIXED ASSETS

The Group	Purchased Goodwill £
Cost	
At 1 April 2006	3,821,194
Adjustment in respect of final consideration for STB Systems group (see note 12)	(80,000)
At 31 March 2007	3,741,194
Amortisation	
At 1 April 2006	108,514
Provided in the year	187,664
At 31 March 2007	296,178
NBV at 31 March 2007	**3,445,016**
NBV at 31 March 2006	3,712,680

11 TANGIBLE FIXED ASSETS

The Group	Computer hardware £	Software £	Fixtures, fittings and equipment £	Total £
Cost at 1 April 2006	726,711	402,971	431,982	1,561,664
Additions	134,561	29,550	27,728	191,839
Adjustment of acquired assets, previously reported net	79,544	-	48,390	127,934
Disposals	(148,173)	(212,742)	-	(360,915)
Foreign exchange effect	(1,281)	-	4,434	3,153
At 31 March 2007	791,362	219,779	512 534	1,523,675
Depreciation at 1 April 2006	536,008	356,209	325,060	1,217,277
Adjustment of acquired assets, previously reported net	79,544	-	48,390	127,934
Charge	188,722	61,851	48,916	299,489
Disposals	(148,173)	(212,742)	-	(360,915)
Foreign exchange effect	(2,344)	-	4,854	2,510
At 31 March 2007	653,757	205 318	427 220	1 286,295
NBV at 31 March 2007	**137,605**	**14,461**	**85,314**	**237,380**
NBV at 31 March 2006	190,703	46,762	106,922	344,387

The Company	Computer hardware £	Software £	Fixtures, fittings and equipment £	Total £
Cost at 1 April 2006	703,126	402,971	415,764	1,521,861
Additions	115,426	29,550	24,327	169,303
Disposals	(121,861)	(212,742)	(340)	(334,943)
Transfers to subsidiary	(66,645)	(5,534)	(27,430)	(99,609)
At 31 March 2007	630,046	214,245	412 321	1,256,612
Depreciation at 1 April 2006	520,220	356,209	318,868	1,195,297
Charge	175,172	61,851	41,340	278,363
Disposals	(121,861)	(212,742)	(340)	(334,943)
Transfers to subsidiary	(28,634)	(3,404)	(6,809)	(38,847)
At 31 March 2007	544 897	201,914	353,059	1,099,870
NBV at 31 March 2007	**85,149**	**12,331**	**59,262**	**156,742**
NBV at 31 March 2006	182,906	46,762	96,896	326,564

12 INVESTMENTS IN SUBSIDIARIES

The Company	2007	2006
Investments in subsidiaries	£	£
Opening balance at 1 April	9,814,334	7,000,000
Acquisition of subsidiary	-	3,014,334
New investment in subsidiaries	2,176,831	-
Write down in value of investment	-	(200,000)
Adjustment in respect of final consideration for STB Systems group (see note 21)	(80,000)	-
Closing balance at 31 March	11,911,165	9,814 334

At 31 March 2007 the undertakings in which the Group held more than 20% of the allotted share capital were as follows

	Proportion of ordinary share capital held			
	By Parent (%)	By Group (%)	Country of incorporation	Business
Lombard Risk Systems Ltd	100	100	UK	Software
STB Systems Ltd	100	100	UK	Software
Lombard Risk International Ltd	-	100	China	Software
Independent Valuation and Risk Services Ltd	100	100	UK	Valuation
Lombard Risk Systems Inc	-	100	USA	Software
Lombard Risk International (USA) Inc, *formerly* STB Systems Inc	-	100	USA	Software
Lombard Risk International (Hong Kong) Ltd, *formerly* STB Systems (Asia Pacific) Ltd	-	100	Hong Kong	Software
Lombard Risk International (Singapore) Ltd, *formerly* STB Systems Solutions Pte Ltd	-	100	Singapore	Software
Lombard Risk Consultants Ltd	100	100	UK	Training
Lombard Risk Systems (Pty) Ltd	-	100	South Africa	Dormant
Lombard Risk Systems (Asia Pacific) Ltd	-	100	Hong Kong	Dormant
Swapval Ltd	100	100	UK	Dormant

All of the subsidiary undertakings have been included in the consolidation

The consideration in deferred contingent earn-out shares was dependent on the directors of STB Systems Ltd meeting revenue and profit targets during the periods from 1 June 2005 to both 30 September 2005 and 31 March 2006 and was subject to a maximum payout of £1,000,000 in ordinary shares in the Company The first earn out consideration was met and a total of £500,000 was paid in shares Of the remaining £500,000, shares to the value of £420,000 were issued in September 2006 (see note 21) and the balance of £80,000 was released, resulting in a corresponding adjustment to the goodwill figure as shown above The results of STB Systems Ltd have been consolidated with effect from 1 September 2005

The Company's investment in its subsidiaries was valued by the directors during the year ended 31 March 2006 and a write down of £200,000 was agreed The historical cost of the relevant subsidiaries is £3,522,199 The directors expect the group to return to profitability

13 INVESTMENT

	2007	2006
The Company and Group	£	£
Current asset investment	407 212	571,358

The current asset investment relates to the Company's shareholding in IDOX plc, an AIM listed UK company The stock exchange value of the holding at 31 March 2007 was £448,000 (2006 £731,002) The value recorded at 31 March 2007 represents the net sale proceeds received when this investment was sold in May 2007 The difference between the previous book value and the net sales proceeds, £164,146, is shown in the 2007 profit and loss account under the rubric 'revaluation of current asset investment'

Notes to the financial statements (continued)
For the year ended 31 March 2007

14 DISPOSAL OF VALUSPREAD

Following the disposal of the ValuSpread business to Fitch Ratings Ltd on 26 August 2005, as per the terms of the agreement, £278,044 of the outstanding balance was paid during October 2005, with a final payment of £79,044 paid in April 2006

15 DEBTORS DUE WITHIN ONE YEAR

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	1 107,034	789,470	-	-
Other debtors	167 363	151,450	3,187,401	78,395
Prepayments and accrued income	39,582	185,104	63,340	48,114
	1,313,979	1,126,024	3,250,741	126,509

16 DEBTORS DUE AFTER ONE YEAR

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Other debtors	132 445	77,898	1,354	-

17 CREDITORS DUE WITHIN ONE YEAR

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	290 675	267,424	159,616	137,685
Other taxes and social security costs	347,747	277,495	(10 978)	-
Other creditors	457,509	1,093,219	6,280,308	536,148
Shareholder loan (see note 31)	50,000	-	50,000	-
Finance lease	-	12,193	-	-
	1 145,931	1,650,331	6 478,946	673,833

18 CREDITORS DUE AFTER ONE YEAR

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Finance lease	-	24,686	-	24,686

19 ACCRUALS AND DEFERRED INCOME

	The Group		The Company	
	2007	2006	2007	2006
	£	£	£	£
Accruals	393,862	302,394	102,493	146,829
Deferred Income	2,509,213	1,999,996	-	-
	2,903,075	2,302,390	102,493	146,829

Notes to the financial statements (continued)
For the year ended 31 March 2007

20 FINANCIAL RISK MANAGEMENT

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 price risk on financial assets including equities, currency risk, inflation risk, and interest rate risk The company's policies for managing these are as follows

i) Price risk on financial assets
Where the Group owns quoted investments, their price may go up or down Such movements may be due either to specific issues affecting the investment or movements in the stock market as a whole or in the stock market sector relevant to the investment Movements in the market as a whole could be hedged by equity derivatives such as index futures or options or CFDs Since equity investment is not a large activity for the Group, no use has been made of equity derivatives

In future years the Group will, under IFRS, need to review the value of acquired assets annually for any impairment in value as there is no longer an annual amortisation charge While the most likely source of such impairment is the commercial performance of acquired businesses, there is also a risk that the valuation of businesses as a whole may have been adversely affected by changes in valuation of comparable businesses, and that impairment could result from such overall market change rather than from underperformance by the acquired business The Group does not intend to attempt any hedging of changes in market valuations as the Board believes that shareholders investing in the Company do so intending to take this type of risk

ii) Currency risk
The Group is exposed to translational and transactional foreign exchange risk Overall the firm has receivables in US Dollars and in Euros in excess of its payables in those currencies, and has payables in Chinese Yuan, Hong Kong Dollars and Singapore Dollars in excess of its revenues in those currencies 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 P&L has not been large enough to warrant this activity In relation to translation risk, as far as possible the assets held in the foreign currency are matched to expenses in the same currency

iii) 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 specialized 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

iv) Interest rate risk
Interest rate risk arises primarily on the investment of the Group's cash balances or on its borrowings and to a much lesser extent the present value of the Group's receivables The Group finances its operations through a mixture of retained cash reserves, and floating rate loans 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

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 or 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 There are times, for example during the current Basel 2 regulatory changes, where such risks can be higher than others 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 2007 the Group had no financial liabilities other than short term creditors and accruals Some adjustments have been made to the Group's processes as a result of the opening of the Shanghai operation since China remains a country with exchange controls, meaning that liquidity cannot be redeployed as quickly there as in other countries in which the Group operates

21 SHARE CAPITAL

	2007 £	2006 £
Authorised		
714,034,085 ordinary shares of 0 5p each	3,570 170	3,570,170
Allotted, called up and fully paid		
134,735,610 ordinary shares of 0 5p each (2006 130,535,610)	673,679	652,679
429,829,575 deferred shares of 0 1p each	429,831	429,831
	1,103,510	1,082,510

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

Movements in issued share capital in the year

On 26 September 2006, a total of 4,200,000 new ordinary 0 5p shares were issued to the vendors of STB Systems Limited, as the final tranche of earn-out consideration in respect of the acquisition of STB Systems Limited The difference between the final total consideration £420,000 and the relevant shares' nominal value of £21,000, £399,000, has been credited to the merger reserve The new ordinary shares rank *pari passu* with the existing ordinary shares of the Company and represented 3 22 per cent of the enlarged issued share capital of the Company at that time The new shares started trading on 26 September 2006 on the AIM Market of the London Stock Exchange

Share Options

As at 24 April 2006 and 1 December 2006 4,540,000 new share options at a strike price of 9p each were issued under the Company's 2004 EMI scheme to Group employees Additionally as at 24 April 2006, 955,555 options were issued under the 2004 unapproved scheme at the same strike price and a further 444,445 options were issued under this scheme at a strike price of 11p See note 27 for the charge under FRS20 relating to these options

At start of year	Granted during year	Exercised	Lapsed	At end of year	Exercise price (p)	Exercise date from	Exercise date to
1997 Revenue Approved Share Option Scheme							
36,504	-	-	(36,504)	-	26 92	May-04	May-06
282,048	-	-	(282,048)	-	26 92	Jul-04	Jul-06
26,052	-	-	(26,052)	-	26 92	Feb-05	Feb-07
180,492	-	-	(24,180)	156,312	26 92	Jun-05	Jun-07
26,052	-	-	(26,052)	-	26 92	Aug-05	Aug-07
1997 Unapproved Share Option Scheme							
118,326	-	-	(118,326)	-	26 92	Jan-05	Jan-07
295,308	-	-	(295,308)	-	26 92	Jan-05	Jan-07
156,000	-	-	-	156,000	26 92	Aug-05	Aug-07
2004 EMI Scheme			-				
4,706,110	-	-	(1,500,000)	3,206,110	9 00	Mar-06	Mar-11
2,111,112	-	-	-	2,111,112	11 00	Mar-06	Mar-11
-	2,520,000	-		2,520,000	9 00	Apr-08	Apr-13
-	2,020,000	-	(40,000)	1,980,000	9 00	Dec-08	Dec-13
2004 Unapproved Scheme			-				
1,720,555	-	-	-	1,720,555	9 00	Dec-06	Dec-11
1,722,223	-	-	-	1,722,223	11 00	Dec-06	Dec-11
-	955,555	-	(20,000)	935,555	9 00	Apr-08	Apr-13
-	444,445	-	-	444,445	11 00	Apr-08	Apr-13
11,380,782	**5,940,000**	-	**(2,368,470)**	**14,952,312**			

22 MOVEMENT IN RESERVES

The Group	Share premium £	Revaluation reserve £	Other reserves £	Profit and loss £
As at 1 April 2006	2,415,110	170,957	1,151,029	(1,241,631)
Loss for the year	-	-	-	(2,269,691)
Premium on 4,200,000 new ordinary shares (see note 21)	-	-	399,000	-
Transfer on impairment of current asset investment	-	(170,957)	-	170,957
Share based payment charge (see note 27)	-	-	47,266	-
Other reserves arising from foreign exchange movements	-	-	(4,196)	-
As at 31 March 2007	**2,415,110**	-	**1,593,099**	**(3,340,365)**

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

The Company	Share premium £	Revaluation reserve £	Other reserves £	Profit and loss £
As at 1 April 2006	2,415,110	170,957	6,944,543	(502,566)
Loss for the year	-	-	-	(1,150,645)
Premium on 4,200,000 new ordinary shares (see note 21)	-	-	399,000	-
Transfer on impairment of current asset investment	-	(170,957)	-	170,957
Share based payment charge (see note 27)	-	-	47,266	-
Foreign exchange reserve	-	-	(277,494)	-
As at 31 March 2007	**2,415,110**	-	**7,113,315**	**(1,482,254)**

Other reserves relate to valuation of subsidiary undertakings acquired prior to 1 April 1997, merger reserves and exchange differences on loans to fund overseas subsidiaries

Notes to the financial statements (continued)
For the year ended 31 March 2007

23 RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS / (DEFICIT)

	2007 £	2006 £
(Loss) / profit for the financial year	(2,269 691)	3,222,618
Other reserves arising from foreign exchange movements	(4,196)	(38,286)
Issue of 0 5p new ordinary shares (see note 21)	21,000	61,635
Share based payment charge (see note 27)	47,266	-
Premium on new ordinary shares (see note 21)	399,000	1,070,667
	(1,806,621)	4,316,634
Shareholders' funds / (deficit) at 1 April	3,577,975	(738,659)
Shareholders' funds at 31 March	1,771,354	3,577,975

24 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating loss	(2,338 159)	(2,754,011)
Depreciation	299,489	229,775
Goodwill amortisation	187,664	108,514
Share based payment charge (see note 27)	47,266	-
Write down of current asset investment	164,146	-
(Increase) / decrease in debtors	(242,502)	442,661
Increase / (decrease) in creditors	57,388	(1,012,573)
Increase in deferred income	509,217	404,660
Net cash outflow from operating activities	(1,315,491)	(2,580,974)

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007 £	2006 £
(Decrease) / increase in cash in the year	(1,438 707)	1,395,616
Cash outflow from finance leases	36,879	14,511
Change in net funds resulting from cashflows	(1 401 828)	1,410,127
Net funds at 1 April	1 686,156	276,029
Net funds at 31 March	**284,328**	**1,686,156**

26 ANALYSIS OF CHANGES IN NET FUNDS

	1 Apr 06 £	Cash flow £	Non cash movements £	31 Mar 07 £
Cash at bank and in hand	1,723,035	(1,438,707)	-	284,328
Finance leases	(36,879)	36,879	-	-
	1,686,156	**(1,401,828)**	-	**284,328**

27 EMPLOYEE SHARE OPTIONS CHARGE

For share options that had not vested by 31 March 2006 (as detailed in note 21), FRS20 requires that a charge be calculated representing the cost to the Group of those options

In accordance with the accounting policy stated under note 1(n) above, the volatility of the Company's shares for the relevant period has been estimated at 30%, giving rise to a charge to the profit and loss account for the year to 31 March 2007 of £47,266, with the same amount being credited to reserves (2006 not applicable), see also notes 21 and 22

Notes to the financial statements (continued)
For the year ended 31 March 2007

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 exercise period is usually 5 years The options are settled in equity once exercised If the options remain unexercised after a period of 5 years from the date of grant, the options expire Options are forfeited if the employee leaves the company

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

Grant date	24/04/2006	24/04/2006	24/04/2006	01/12/2006
Share price at grant	6 75	6 75	6 75	7 75
Exercise price	9	9	11	9
Contractual life (years)	5	5	5	5
Staff turnover	50%	50%	50%	50%
Risk free rate		Discount curve used for UK on the day of valuation		
Expected volatility	30%	30%	30%	30%
Expected dividend yield	-	-	-	-
Fair value of option	2 18	2 2	1 75	2 89

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

	2007 Number	2007 WAEP
Outstanding at beginning of the year	0	
Granted during the year	5,940,000	9 15p
Exercised during the year	-	
Forfeited during the year	(20,000)	9 00p
Outstanding at end of the year	5,920,000	9 15p
Exercisable at the year end	Nil	

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

Expiry Date	Exercise price	2007 Number
24/04/2013	9p	3,455,555
24/04/2013	11p	444,555
01/12/2013	9p	2,020,000
		5,920,110

The weighted average share price during the period was 9 15p and nil options were exercised during the year

28 COMMITMENTS

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

	2007 £	**2006** £
On leases which expire in 1 year or less	11,158	508,101
On leases which expire in 1 to 2 years	113 164	-
On leases which expire in 3 to 5 years	354,299	-
Total	478 621	508,101

Neither the Group nor the Company had any material capital commitments at 31 March 2007 or 31 March 2006

Notes to the financial statements (continued)
For the year ended 31 March 2007

29 CONTINGENT LIABILITIES

The Company has agreed to provide continuing financial support to the following Group companies Lombard Risk Consultants Ltd, Lombard Risk Systems Inc and Lombard Risk International Ltd

30 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

31 RELATED PARTIES TRANSACTIONS

John Wisbey had guaranteed the Group's overdraft facility from Singer & Friedlander The facility and the guarantee expired on 31 December 2005 A commission of 3 5% p a was payable by the Company to John Wisbey in respect of the guarantee and commission paid on this guarantee amounted to £Nil (2006 £13,125)

In February 2007 John Wisbey advanced £50,000 to the Company as a short-term interest-free loan This amount was repaid during May 2007

32 CONTROLLING RELATED PARTIES

The only group of undertakings for which group accounts have been drawn up is that headed by Lombard Risk Management plc The Chairman and Chief Executive, John Wisbey, is the majority holder of ordinary shares and is therefore considered to be the ultimate controlling related party of the Group

33 POST BALANCE SHEET EVENTS

In May 2007 the Company disposed of its entire shareholding in IDOX plc, an AIM listed UK company, for £407,212

The company has entered into a loan with John Wisbey, Chairman and Chief Executive Officer, for £620,000 (the 'Loan') These funds have been used to repay the Company's existing bank borrowings in full and to provide the Company with additional working capital The Loan, which initially bears interest at Alliance & Leicester base rate plus 2 25% and is subject to review on 31 October 2007, is repayable by 29 February 2008, although is repayable earlier in certain circumstances or at the Company's option It is expected that the loan will be repaid by the end of February 2008 out of the Company's operating cash flow

In addition to this Loan John Wisbey has provided a guarantee of a short term demand bank facility entered into by the Company in July 2007, presently not drawn, with National Westminster Bank plc in the amount of £250,000 The company is currently in discussions with the bank to extend the period of this arrangement

Shareholder information

Company registration number	3224870
Directors	John Wisbey – Chairman Ian Peacock – Deputy Chairman Christopher Rose Michael Thomas Brian Crowe Dan Kochav Christopher Wright
Registered office	21st Floor Empress State Empress Approach Lillie Road London SW6 1TR
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
Dates	Annual General Meeting 30th November 2007