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Lombard Risk Management plc has continued to deliver industry-leading risk management and regulatory compliance software for over twenty years.

More recently, Lombard Risk has expanded its portfolio of technology solutions to include stress testing, transaction reporting and management reporting

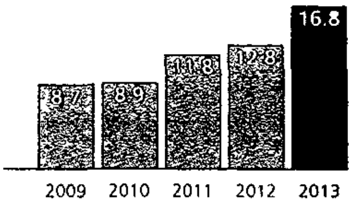
Our award-winning solutions enable the financial industry to improve the management of counterparty risk, collateral risk, trading risk, liquidity risk reporting, global regulatory reporting, transaction reporting and the provision of internal management information.

In this report

Highlights

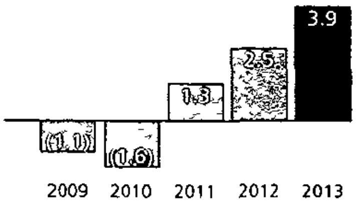
Revenue

£16.8m
+31%



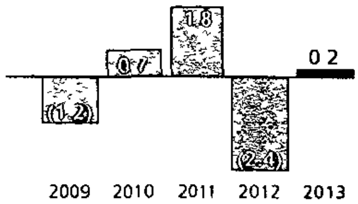
Total comprehensive income

£3.9m
+56%

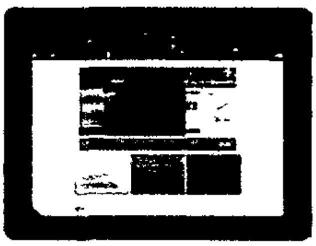


Adjusted net cash / (debt)

£0.2m
+£2.6m



- Revenue £16 8m (2012 £12 8m) of which second half £9 0m (2012 £6 4m)
- Licence revenues £8 2m (2012 £6 0m)
- EBITDA increased 77% to £5 3m (2012 £3 0m)
- Profit before tax £3 9m (2012 £2 5m)
- Cash at end of period £1 9m (2012 £0 1m) with net cash of £0 2m (2012 net debt of £2 4m)
- 33 contracts signed for COREP, of which eleven are new names
- Significant sale of REFORM platform to satisfy DFA and EMIR reporting requirements
- FY 2014 opens with record revenue backlog in place
- Final dividend 0.040p per share (2012 0 035p per share) recommended to shareholders
- The Board continues to view the future with optimism



Discover our website at www lombardrisk com for up-to-the-minute news and investor information

Eleven with new customers

Lombard Risk
At a glance

The Lombard Risk integrated product suite enables financial institutions to meet risk and regulatory requirements now and as they continue to evolve.

We are committed to providing innovative specialised products that stay a step ahead of complex collateralised trading demands, changing market conditions, increasing regulatory challenges, on-going financial and operational risk pressures, and a host of other financial compliance mandates

REPORTER and REG-Reporter
Regulatory compliance

- Basel III, EBA / European common reporting – COREP and FINREP – and transaction reporting, as well as Solvency II for the insurance marketplace
- Regulatory computation from raw data with comprehensive capital, liquidity and large exposures engines as well as detailed statistical computations

COLLINE®
Integrated collateral management and clearing

[illegible]

MIS
Dynamic management information suite

- Highly visible management information in a moment
- Easily scalable to fit business growth, in any direction
- Not restricted to any one data model
- High performance, instance report viewing

OBERON® and FIRMAMENT®
Trade valuation and risk management

- Mature, high margin product
  Target clients include Tier 1 and Tier 2 banks, service providers and asset managers
  Sales in the UK, US and Asia
- Functional and performance enhancements

REFORM®
Adaptable transactional reporting

- Event engine based on core technology building blocks
- Satisfies reporting requirements under Title VII of The Dodd-Frank Act
- Technology suitable for EMIR and similar Asian reporting requirements as well as MiFID2

LISA
[illegible]

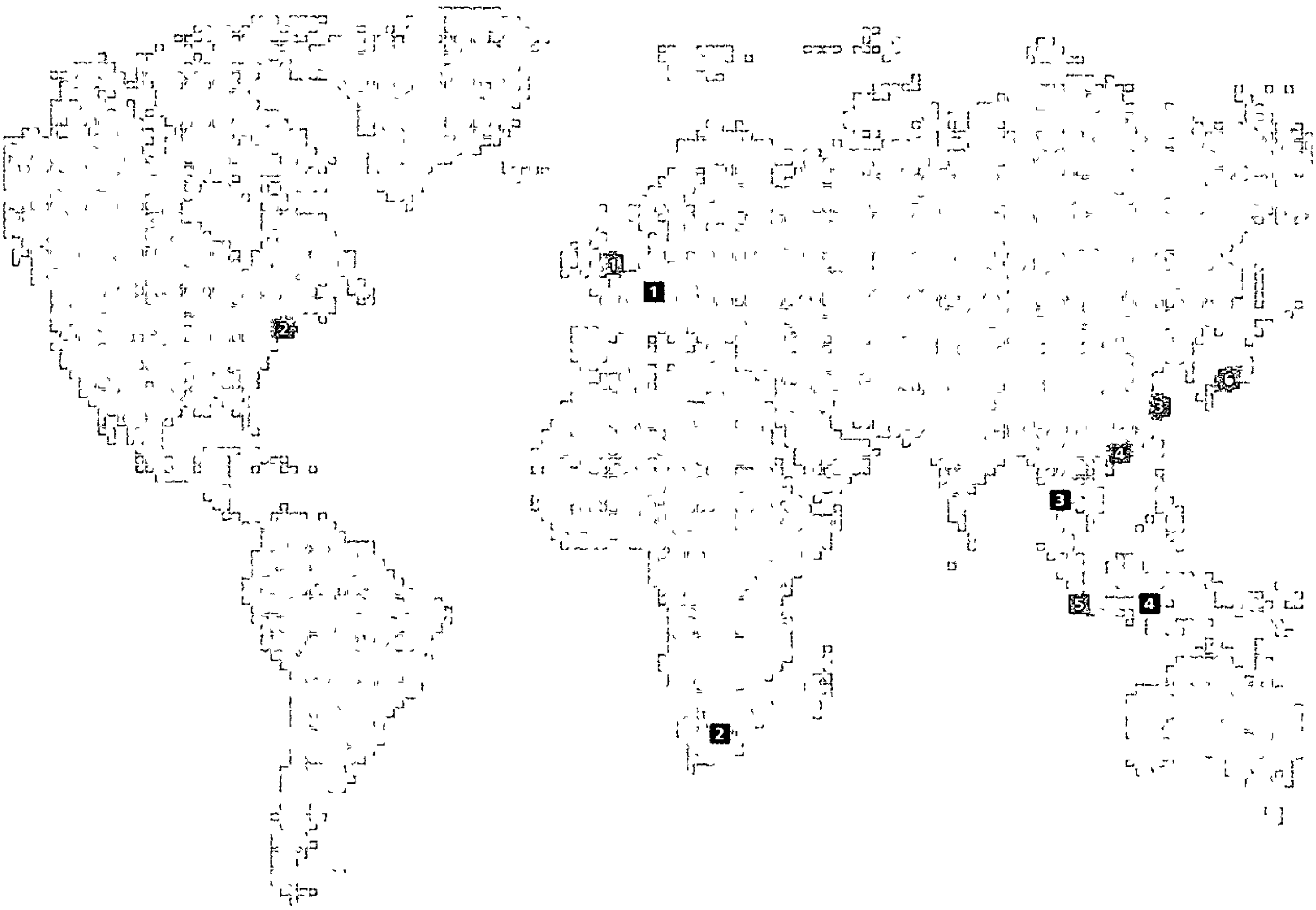
ComplianceASSESSOR™
Addressing regulatory risk

- Off the shelf, plug and play facilitates same day set-up, yet can be tailored to accommodate specific requirements
- Ability to load multi jurisdictional regulations to address cross border requirements
- Searchable, centralised library provides "one stop shopping" when seeking applicable regulations

Worldwide presence
Lombard Risk employs over 270 people across the globe and has customers in the UK, mainland Europe, Africa, the Middle East, the Americas, Asia and Oceania.

Talent
Every staff member [illegible] talent [illegible] their contribution to Lombard Risk's ability to deliver the very best [illegible] and services [illegible] customers.

Service selection
Lombard Risk also offers services in the form of training, support, consulting and implementation and deployment related to our products.



Our locations

Offices

- 1 London (headquarters)
- 2 New York and New Jersey
- 3 Shanghai
- 4 Hong Kong
- 5 Singapore
- 6 Japan

Partners/associates

- 1 Luxembourg
- 2 South Africa
- 3 Thailand
- 4 Indonesia

Lombard Risk is headquartered in London, employs over 270 people and is rapidly expanding, and operates globally via subsidiaries, who both develop and deliver its products and a range of services

How we work

Our business model

For over 23 years Lombard Risk has delivered industry-leading global risk management and regulatory compliance solutions. Today, Lombard Risk is one of the world's recognised leading providers of collateral management and clearing, liquidity stress testing and analysis, regulatory reporting and compliance, and event-driven workflow solutions to financial organisations and large corporations around the world. Our proven global solutions reduce the risk inherent in collateralised trading operations and the derivatives market, enable firms to measure and manage liquidity and meet the demands of global regulators.

Innovation

Industry-leading products provide risk and regulatory solutions for global financial services operations

Scalability

Ability for solutions to be attractive to organisations of any size, significant data processing is NOT an issue

Agility

Adaptable and flexible business model to suit our clients requirements (eg term licence or annual subscription)

Expertise

Significant pool of business practitioners and experienced implementation consultants

Product and services cycle

Our model is to **provide** high quality technology solutions, either directly or through our partners; **implement** solutions, usually alongside the customer; **provide** on-going support; and **maintain** the product to a high technical specification and, where applicable, to **satisfy** up-to-date regulatory requirements. All stages are revenue opportunities.

The market

Lombard Risk delivers industry-leading risk management and regulatory compliance solutions to the financial services industry and large corporations around the world.

Our proven global solutions reduce the risk inherent in collateralised trading operations, enable firms to measure and manage liquidity and meet the demands of global regulators.

Our 300+ clients include over 30 of the world's "Top 50" banks, nearly half of the banks operating in the UK (where our corporate headquarters is located), as well as industry-leading banking businesses, investment firms, asset managers, hedge funds, fund administrators and large corporations worldwide.

Dedicated to managing risk and regulatory compliance

The mission at Lombard Risk is to provide specialised software solutions and domain expertise to safeguard financial institutions and global enterprises around the world by improving the management of risk and regulatory compliance.

We do this by taking care of our customers first and foremost with a proven client service approach and in-depth domain expertise. The partnership approach we take with our customers and partners has enabled us to achieve a customer retention rate that is consistently high.

Opportunities for growth

New and detailed regulations continue to surface eg FINREP, FR-Y 14

New products and modules to current products, eg we are investing in ComplianceASSESSOR™ and COLLINE® Optimisation

Convergence of risk and regulation – increased value added from our industry practitioners

Further revenue visibility – backlog and recurring revenues continue at record levels

Our strategy

Our strategy has allowed us to create award-winning global solutions

Build

- Enhance optimisation functionality in COLLINE to meet developing demands
- Improve product design, integration and performance
- Develop, with key customers, next-generation regulatory reporting solution
- Execute efficient global operation
- Extend partner base

Grow

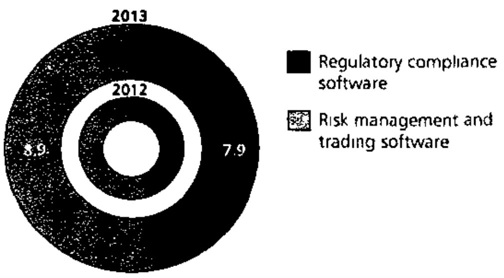
- Client base, especially for newer products (eg REFORM for transaction reporting and messaging)
- Targeted global presence
- Addressable market using current technology platforms
- Company organically and, if appropriate, through acquisition

Maintain

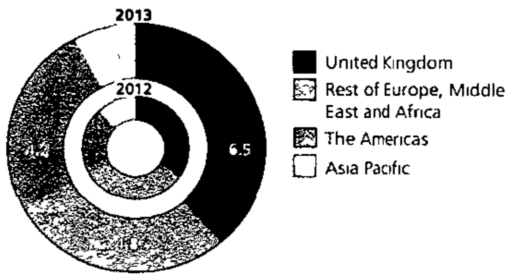
- Market-leading position in regulatory compliance
- Industry-leading position in OTC derivative risk management
- Strong relationships with our clients
- Understanding of regulatory waves and benefits therefrom

Key performance indicators

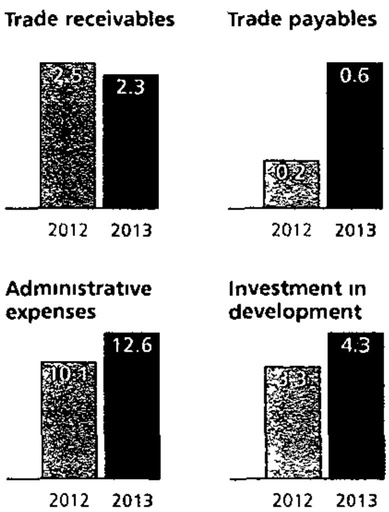
Turnover by trading division (£m)



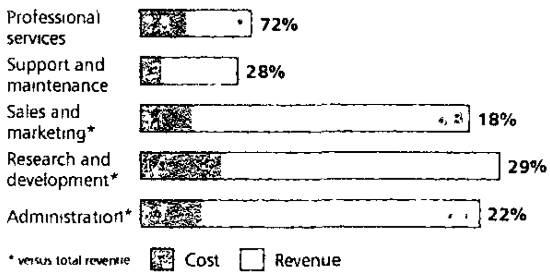
Turnover by geography (£m)



Working capital management (£m)



Functional costs (fully expensed) as a proportion of functional revenue (£m)



Further information on how the Directors monitor key performance indicators in the Directors' report starting on page 19

Chairman's statement
Philip Crawford

CMII-D 3 Accreditation
In January 2013 Lombard achieved accreditation from the CMMI Institute in recognition of its high-quality software design, development and implementation processes

In summary

- Revenue £16 8m (2012 £12 8m)
- Improvement in future revenue visibility
- Global regulatory reporting requirements continue to expand
- Major contract to provide transactional reporting using REFORM
- CMMI-D Level 3 accreditation achieved
- The Board remains optimistic for the future outlook of the Group

I am pleased to report a progressive year at Lombard Risk The financial performance has met our growth expectations Sales of COREP, our solution for European Banking Authority Common Reporting, and of our transactional reporting platform, REFORM®, have been at the forefront of this growth As well as recording top line growth in excess of 30% (18% organic), we finished the year with a record revenue backlog and appreciable visibility of future revenues as a result of an improvement in the longevity of contractual commitments

Last year I highlighted the Group's strategy of building a high-quality business based upon intellectual property This strategy of continual innovation and product development within both new regulatory reporting solutions and repeatable platforms ensures that we remain at the forefront of providing regulatory reporting and risk management in our chosen global markets

Our progress has been achieved against the continuing backdrop of a global economic environment dominated by key economies unable to drag themselves out of recession, worldwide inflationary pressures and the instability of the Euro On a micro level, financial institutions are seeking to retain cash and either cancelling or postponing many technology initiatives In addition, regulatory reporting deadlines are regularly being delayed causing delivery difficulties for both our customers and the Group These challenges also present opportunities, with the increasing waves of regulation in financial markets showing no signs of abating Our target customer base continues to have many mandatory technology requirements, for which budget remains available Lombard Risk's technology predominantly satisfies mandatory needs

The trading highlight was the sale of our REFORM® platform to a major global bank to satisfy its DFA (Dodd-Frank Act) and EMIR (European Market Infrastructure Regulation) transactional reporting requirements

Operationally, I am delighted that the Group achieved CMMI-D Level 3 accreditation from the CMMI Institute This is in recognition of its high-quality software design, development and implementation processes This, together with the ISO 9001 certification, is a prestigious achievement for our technology division We have defined CMMI-D Level 3 processes which increase delivery efficiency and team effectiveness and are consistent and repeatable across all projects and products This further enhances our reputation with clients and partners and confirms our ability, if required, to scale up development work on multiple projects

The Board continues to review acquisition opportunities where strong synergies exist with the Group and where our development expertise can enhance functionality and profitability to the products acquired

As the Group's results have indicated, turnover growth has proved to be more than resilient to economic challenges and we remain optimistic for the future

Philip Crawford
Chairman
13 May 2013

Chief Executive Officer's statement
John Wisbey

"The Group continues to benefit from a compelling combination of a growing market, a healthy mix of long-standing and new customers, record recurring and committed revenues, good forward visibility and a leading competitive position."

In summary

- 18% organic growth, 31% total revenue growth
- EBITDA increased to £5 3m from prior year of £3 0m
- Many COREP and FINREP opportunities exist
- ComplianceASSESSOR launched
- Multiple of REFORM already evident
- Well placed for future growth

Summary

The year was a record both for revenue and profits, with over 30% headline growth and like for like revenue growth of 18% after taking into account the impact of acquisitions EBITDA increased from £3 0m last year to £5 3m in the current year, a 77% rise While this rise was expected it was nevertheless pleasing that, at the same time, we were able to build a record revenue backlog going into the new financial year All this was achieved in spite of the European regulatory deadlines slipping by nine months or more, which inevitably affected our revenue for the year The second half of the year was especially strong We have now grown revenues by a compound 20% per annum over the last four years

The Group continues to benefit from a compelling combination of a growing market, a healthy mix of long-standing and new customers, record recurring and committed revenues, good forward visibility and a leading competitive position As a result we remain confident of further growth in the new financial year and beyond At a time when many companies in the software sector are struggling, we believe that in the near future the market will recognise that we not only have a strong positioning in the growing areas of regulation and risk but that we are executing well in those markets

We invested appreciably during the year, both in product development and in strengthening the sales team, including the appointment of a Head of Global Alliances There are significant opportunities in our markets, particularly at present, which demand further investment in product development and which the Board believes will contribute appreciably to future revenues Indirect sales will become an increasingly important part of our revenue model and again this should contribute to revenue growth

We enter the new financial year with our recurrent revenues at an all-time high, our highest ever level of contractual backlog, with a boost from the remaining COREP deals that we anticipate would have closed before March 2013 had the regulations not been delayed

Financial

Revenue for the year increased by 31% to £16 8m (2012 £12 8m) Profit before taxation was £3 9m (2012 £2 5m) and profit after taxation was £3 7m (2012 £2 5m) EBITDA was £5 3m (2012 £3 0m) We built up cash during the year to £1 9m at the same time as repaying debt and ended the year with a positive net cash position of £0 2m versus net debt in the previous year of £2 4m, an improvement of £2 6m

To put these numbers into full context

i) We only owned the REG-Reporter® business for three months of the previous financial year The pro forma revenue number for FY 2012 would have been £14 2m rather than £12 8m had we owned it for the full year That gives a like for like revenue growth number for the Group of 18%

ii) We raised equity during the year of £1 5m after costs, so that we were cash positive by £0 8m from our operations post-investing activities, despite heavy investment in our products and in our sales team

Total revenue

£16.8m +31%

(2012 £12 8m)

Average revenue growth since 2010

24% p.a.

Regulatory and Compliance software products
Lombard Risk is the market leader for UK bank regulatory reporting software in the UK through its REPORTER product Lombard Risk is also the largest supplier by far of regulatory reporting software to foreign banks in the US

Regulatory change is always one of the main revenue drivers for a regulatory business 2014 is now the key deadline for common reporting ("COREP") and common financial reporting ("FINREP") at European Union level to the European Banking Authority ("EBA") Originally COREP had been expected to come into force by the end of March 2013 We have been successful in the UK in selling REPORTER COREP software to 33 clients (with many more to go) It is very encouraging that so far eleven of these clients have been new names for us Interesting statistics are that of these eleven, seven were won from competitors, two were start-ups and two had previously used manual systems

Revenues for Regulatory Compliance in EMEA were inevitably affected by the nine month delay in COREP as there were further delays at European level in finalising the regulations Banks also saw no need to accelerate implementation projects when it was increasingly apparent that quite a lot of the work might need to be redone when the regulations were finalised Obviously at the same time as adversely affecting revenues for the year ending March 2013, regulatory delays have been helpful for our opening contractual backlog going into the year ending March 2014 and for our sales pipeline for the year ending March 2014 In addition it was not clear last year whether FINREP would apply in the UK It now seems most likely that it will and this should bring an additional stream of revenue in the current financial year

Financial regulation continues much as before at UK level despite European EBA initiatives and the recent split of the FSA into the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") is likely to give a stable UK regulatory environment for the next few years It will not affect the appreciable regulatory change to be introduced in the next few years, and we expect this to keep us very busy

Our regulatory reporting acquisition in America has been well integrated All client contracts were novated and we lost no clients other than a foreign bank branch which closed down in the US We now have over 75 regulatory clients in the US, many of them Tier 1 foreign banks In Asia work continued satisfactorily on Chinese regulatory reporting and in finishing a number of regulatory projects in Hong Kong and Singapore We expect Asia to perform strongly in the new financial year thanks to investment in the past year

We made strong headway with our REFORM® product in the area around transaction reporting and reporting to trade repositories like the DTCC to comply with US CFTC and SEC requirements derived from the Dodd-Frank Act A major development in global markets is the development of trade repositories such as the DTCC, CME and REGIS The Dodd-Frank Act in the US, and the EMIR and REMIT regulations in the EU, as well as similar developments in Hong Kong, Japan, Singapore and other countries, compel Swap Dealers and other market participants to report derivative transactions to trade repositories in minutes in the US and at least daily in other jurisdictions The technology in REFORM® is highly reusable for message transformation generally and we have also used it for message transformation in the collateral space as described below

We also launched our ComplianceASSESSOR™ product This product puts good process around compliance with regulations and creates a clear view and audit trail of how an institution is complying with individual parts of its regulatory environment At a time when there is increasing focus by UK regulators on conduct, and when some banks have faced very heavy fines for not complying with regulations (eg making payments in US$ to Iranian entities), this product is in the right place at the right time There should be good upside from this product in the next year

Other EMEA opportunities for our traditional regulatory business over the next few years after COREP, FINREP and EMIR will come from Basel 3 and MIFID 2, with opportunities to expand our client base for Solvency 2 The need to report transactions to trade repositories should generate additional business for us

Investment in product development

£4.3m +29%

(2012 £3 3m)

Net assets

£10.5m +95%

(2012 £5 4m)

As well as our new REFORM® and ComplianceASSESSOR™ products, we have made, and continue to make, some important technology and product enhancements to our regulatory product set This will be a focus for investment in the coming year, designed to make our regulatory product set more attractive to global Tier 1 banks at regional or head office level as well as enhancing the experience and providing additional modules to our wider client set Our REPORTER Analysis Centre was launched during the year and has already generated revenue

Risk Management and Trading products

We have made strong progress with COLLINE®, our collateral, clearing and repo platform We now have just under fifty direct clients for COLLINE® and many more indirect clients During the year we signed up another top German bank, adding to our existing German bank wins and Société Générale in the previous year Several clients were gained for our COLLINE® CCP clearing and repo modules

Almost all our clients are affected by either Dodd-Frank or EMIR regulatory requirements This has been helpful to us by forcing banks and other large market participants to review systems where their legacy system is not built with these regulatory changes in scope Our COLLINE® clearing module has been built with this in mind and we have made many other changes to COLLINE® to ensure that it is compliant with the new regulations

Much work has been done on opening up COLLINE® through APIs and allowing even greater automation through connectivity to other infrastructure We used a combination of our COLLINE® API and our REFORM® platform to create two way real-time links with a collateral market messaging system called Marginsphere from AcadiaSoft, Inc This is now almost in full production at a Tier 1 German bank Greater automation and straight through processing is important to most large bank clients, we anticipate more initiatives in this regard

OBERON®, our most established product, which has the ability to value and risk manage many different types of financial instrument, is profitable and continues to move forward with functional and performance enhancements

Technology

We continue to see our technology as an increasingly positive part of our commercial story and a key driver for growth Our IP is a major corporate asset During the year we have invested heavily in developing software, particularly to handle our clearing and repo/sec lending initiatives for COLLINE® but also to develop our new REFORM® product mentioned above and to prepare for our REPORTER COREP module

Our model is to do much of the business analysis in London, New York and other financial centres but to handle the majority of development and testing in Shanghai, China Efficiency and good process is very important to us During the year our Development and Testing Centre was awarded the CMMI-D Level 3 award This is a very significant external validation of a well-managed operation with good processes

Much progress has continued to be made on moving our technology's look and feel to a new platform and in building components that can work across our various products Client reaction to the look and feel of the new platform has been extremely positive Functionally, our products continued to make great progress

COLLINE®'s scalability, resilience and performance is proven at our largest client using active-active clustering in multiple data centres, user locations in three continents and over 300 users This means we now have every confidence that our solution is scalable from the smallest collateral user to the largest global bank Similar technology is being deployed for our other products where performance is a key issue

We have invested in greatly upgrading the software tools which we use ourselves to monitor software project costs, project progress and individual productivity and quality

Personnel and premises

During the period we continued to make new hires appropriate to the expected growth of the business Headcount increased to 273 at 31 March 2013 from 252 at the prior year end About 150 of our Group headcount are in our Development and Testing Centre in Shanghai

"COLLINE®'s scalability, resilience and performance is proven at our largest client using active-active clustering in multiple data centres, user locations in three continents and over 300 users."

Prospects
We enter the new financial year with a good level of optimism Firstly, our recurrent revenue is well up and we have a record contractual backlog to start the year Secondly, our product strategy means that we are well placed to benefit from the considerable opportunity in the regulatory and risk areas in which we operate Thirdly, we have made great headway with our partnership module and see the likelihood of more revenue through third parties than in the past Finally, COREP is a greater opportunity for this year than we expected as a result of the regulatory delays

We clearly continue to operate in an environment where there is little discretionary spending and where many major banks and the countries in which they operate are far from financial health There also remains the risk of high government debt levels leading to inflationary pressures for many G20 countries including the main ones in which we operate While no company can be immune to the overall macroeconomic situation, we do believe that Lombard Risk is very well placed in its target markets

We anticipate a year of further encouraging growth I would like to thank all my colleagues as well as our advisers for their hard work and commitment and our customers and investors for their continued support

John Wisbey
Chief Executive
13 May 2013

Financial review
Paul Tuson

"Must-have technology solutions create a much-desired compelling sales event but also reduce flexibility on the timing of investment in development, as missing regulatory deadlines is not an option for our customers. We therefore need to remain agile and meet our customers' delivery expectations."

Key messages

- Organic revenue growth of 18% (2012 4%)
- Organic licence revenue growth of 31% (2012 42%)
- Growth is still challenged by difficult macroeconomic market conditions
- Strong performance in Europe partially offset bv underperformance in Americas and Asia Pacific
- At 31 March 2013, contracted backlog for licence and professional services totalled £4 4m (2012 £2 6m)
- Average committed term of EBA COREP contracts (annual licence and support and maintenance) signed to 31 March 2013 is 4.7 years
- Capitalisation of development costs added £3 2m (2012 £3 0m) to profit for the year
- US regulatory business acquired in FY 2012 met operating expectations

This Finance review expands the information on financial performance contained within the Chairman's statement and the Chief Executive Officer's statement and seeks to give a clear picture of year-on-year progress

Users of the annual report should be able to make a candid assessment of the financial performance of the Group The FY 2012 acquisition and capitalisation of development costs for the last two years inadvertently reduce the transparency of the financial performance of the Group The Group's operating budget and monthly management information measures financial performance assuming no capitalisation The figures below help enable users of the annual report to enjoy the same comparable information

	Year ended 31 March		
	2013 £m	2012 £m	2011 £m
Revenue including pro forma acquired business for all years	**16 8**	14 2	13 8
EBITDA including acquired business with no capitalisation	**1 0**	(0 3)	0 7
EBITDA including acquired business and capitalisation*	**5 3**	3 0	2 6
Profit before tax including acquired business with no capitalisation	**0 7**	(0 5)	0 5
Profit before tax including acquired business and capitalisation*	**3 9**	2 5	2 4
Total technology expenditure**	**6 1**	4 5	2 7
Cash generated from operations with no capitalisation	**1 0**	(1 5)	1 2

* Capitalisation assumed at 73% of research and development costs in FY 2011
** Includes research, development, testing, support and product maintenance

The Group has experienced respectable revenue growth, with only professional service revenues falling below expectations, which resulted from clients' implementation delays

Must-have technology solutions create a much-desired compelling sales event but also reduce flexibility on the timing of investment in development, as missing regulatory deadlines is not an option for our customers We therefore need to remain agile and meet our customers' delivery expectations This has, in turn, resulted in technology costs increasing year-on-year by 35% (2012 66%)

Financial review continued

Over the past two years, the Group has focussed on increasing contract longevity The commitment shown by our customers implies a high level of satisfaction with the Group's products and levels of support and maintenance In addition, it provides solid foresight and predictability to a strong level of future revenues

Profit and loss
Revenues increased by 31% to a record £16 8m for the year, compared with £12 8m in the prior year Licence revenues increased in the year by 37% to £8 2m (2012 £6 0m), representing 49% of revenues (2012 47%) Recurring annual revenues totalled £7 2m, approximately 43% of revenue (2012 43%) and now have a current annual run rate of in excess of £8 0m

Operating profit before share-based charges, depreciation and amortisation and acquisition costs increased to £5 3m (2012 £3 1m) Profit before tax increased to £3 9m (2012 £2 5m)

The effective rate of tax for the year was 4 7% (2012 0 0%) The recognised deferred tax asset decreased by £0 2m to £0 5m (2012 £0 7m) and the unrealised deferred tax asset is £0 7m (2012 £1 3m)

Cash flow
Cash generated in operations was £5 8m (2012 £1 8m) As for many growth technology companies, the pressure on balancing working capital requirements with investing in longer-term growth continues The Group produces cash forecasts close to real time which are monitored closely The decision to raise £1 5m in June 2012 mitigated any risk of delays by regulatory authorities in introducing new reporting requirements causing an extension to the pay back on new product developments

Investment in research and development expenditure that was capitalised was £4 3m (2012 £3 3m)

The Group raised £1 5m (net) (2012 £0 1m) with £0 1m (2012 £0 1m) resulting from the exercise of employee stock options

The Group had cash outflows of £1 2m to partially satisfy the debt incurred to finance the FY12 acquisition In December 2012, the Group settled the loan note for $550,000 due for repayment by 31 December 2013 at a discount of $83,000 This was partially financed by a short-term bank loan of €400,000 The loan was taken in Euros to mitigate foreign exchange exposure on contractual payments due in Euros

Overall there was a net cash inflow of £1 7m (2012 outflow £1 7m)

Balance sheet
Non-current assets at 31 March 2013 increased to £13 4m (2012 £10 4m), predominantly caused by the increase in capitalised development costs

Net cash at 31 March 2013 is £0 2m (2012 net debt £2 4m)

Trade receivables were 13% of revenues at 31 March 2013, compared to 20% and 5% for 2012 and 2011 respectively The decrease this year partially offset the working capital squeeze caused by the increase at the end of the prior year

Shareholder information
The Group's website at www lombardrisk com contains a wide range of information about our activities and visitors can download copies of the report and accounts as well as newsletters and matters of interest

Paul Tuson
Chief Finance Officer
13 May 2013

For further details on our financial position, turn to the financial statements starting on page 25

Risk analysis

The Group's multinational 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 and they are summarised below. These policies have remained unchanged from previous years.

Risk area	Mitigation
1 Market risk. Market risk includes 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	
i Currency risk The Group is exposed to translational and transactional foreign exchange risk as it operates in various currencies, including US Dollars, the Euro, Chinese Yuan, Hong Kong Dollars and Singapore Dollars which affect the management and levels of working capital	Although, through its own software, the Group has access to sophisticated models for the management of foreign exchange risk, there has historically been no use of foreign exchange derivatives to manage this position on the basis that the overall effect on the Group's income statement has not been large enough to warrant the management, costs and margin requirements of this activity The Group does use natural hedges where the appropriate opportunity arises In addition, the Group prepares working capital forecasts that incorporate sensitivity analysis on exchange rate fluctuations. The Company's main on-going transactional exposure is to be long of Euro and US Dollars and short of Chinese Yuan
ii Inflation risk The Group has exposure to the inflationary effect of operating in countries in which it operates, offset by its ability to raise prices in those countries in which it sells The Group's cost base is mainly exposed to the inflation rates and changes in payroll taxes in the UK, the US and China	The inflation rate for salaries in specialised parts of the financial sector in a financial centre such as London, New York or Shanghai is often different from the relevant country's overall rate of wage inflation Salary inflation in these markets and internally is monitored No specific hedging of inflation risk has been carried out
iii Interest rate risk Interest rate risk arises primarily on the investment of the Group's cash balances or on its borrowings and the present value of the Group's receivables In particular, interest on the Group's borrowings is affected by LIBOR	The Group finances its operations through retained cash reserves and overdraft facilities 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
2 Credit risk Credit risk is the risk that a third party might fail to fulfil its performance obligations under the terms of a financial instrument For cash and cash equivalents and trade and other receivables, credit risk represents the carrying amount on the balance sheet, net of any overdraft positions	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 fifteen 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
3 Operational risk. This includes control over bank accounts, processes for delivering and supporting software to a required level of quality and on a timely basis and retention and recruitment of key personnel Reputational risk might arise from poor execution, non-delivery or late delivery of a project or breach of client confidentiality Further risks may arise where late delivery of software or related services causes a client to miss regulatory deadlines	A detailed operational risk review is outside the scope of this report but the Board attaches importance to maintaining appropriate internal controls to identify and limit these risks This includes integrated project management across all functions of the business The Group's Audit Committee regularly reviews controls over certain aspects of the operations of the Group
4 Liquidity risk Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands	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 The Group's working capital report, produced each month, shows forecast monthly movements in working capital and cash for the following year When required the Group has a short-term overdraft facility which at the year end has not been used

Board of Directors

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The Group is run by its Board of Directors, which currently has five members, including two 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, corporate policies, approval of major capital expenditure and consideration of significant capital matters

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

Since retiring from full time employment in 2002, Philip has concentrated on his Non-executive Director portfolio and acts as a "business angel" He is currently the chairman of Avanti Capital Plc and Crimsonwing Plc as well as being chairman and investor in a small number of private companies, mainly in the technology space

2 John Wisbey
Chief Executive Officer
John Wisbey is the Chief Executive Officer of Lombard Risk, which he has led since its launch in 1989 with the introduction of OBERON®, one of the industry's original software systems for financial instrument valuation and risk management John has guided the Company's organic growth through the creation and development of several successful products, initially OBERON®, followed by ValuSpread, a credit derivative data service (sold to Fitch in 2005), COLLINE® for collateral management and, most recently, LISA® for liquidity risk management and REFORM® for event reporting In addition, John has been the principal architect of the Company's inorganic growth, which includes the acquisitions of Open Image Systems in 1994 (later floated on AIM as IDOX plc in 2000) and STB Systems (now the core of Lombard Risk's regulatory compliance business) in 2005 and the REG-Reporter® business of SOFGEN in 2011 Today, under John's leadership, Lombard Risk is an international leader in collateralised trading, liquidity management and regulatory compliance offering a wide range of products and services to multinational clients

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

3 Paul Tuson
Chief Finance Officer
Paul Tuson is a Chartered Accountant with over twenty years' post-qualification experience gained in both the profession at KPMG and in industry and commerce in senior finance roles He joined the Board in 2011

Paul's experience has been gained within a broad range of businesses, with emphasis on AIM listed companies He has particular experience in the media and technology sectors, with additional experience in telecoms and retail He has led two IPOs (one being IPO of the Year) and has experience of rapid growth, business re-engineering, turnaround, MBO and acquisitions and disposals

4 Nick Davies
Chief Technology Officer
Nick Davies joined the Board of Lombard Risk in 2010 having joined the firm in 2008 as the Group's CTO As CTO, Nick has global responsibility for Lombard Risk's technical vision as well as for the delivery and quality of all software products At Lombard Risk Nick's achievements include providing the architectural vision for the rearchitecture of the COLLINE® Collateral Management platform to provide additional business resilience and processing capacity capabilities These architecture and design principles contributed to COLLINE® winning its first Tier 1 enterprise client in early 2009

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

5 Brian Crowe
Non-executive Director
Brian Crowe joined the Board of Lombard Risk in 2004 at the time of its IPO on AIM He was the chief executive of Global Banking & Markets at the Royal Bank of Scotland plc ("RBS") until October 2008 During his tenure at RBS, Brian was a member of the group ALCO, credit and investment committees and a member of the group executive management committee He was chairman of the wholesale committee of the British Bankers' Association from 2006 to 2008 and was a member of the global banking issues committee of the European Banking Federation (or Fédération Bancaire Européenne) from 2005 to 2008 He was also a member of the City of London EU Strategy Group for 2007/8 Prior to joining RBS, he was head of derivatives at Chase Manhattan Bank in London He is a former board member of the International Swaps and Derivatives Association ("ISDA")

Note The Board has previously announced Brian Crowe's intention to resign as soon as a suitable replacement can be appointed

Corporate governance report

For the year ended 31 March 2013

Note from the Chairman

Dear Shareholder,
The Board is committed to high standards of integrity and corporate governance and consistently seeks to apply the principles set out in the UK Corporate Governance Code ("the Code") as judged appropriate by the Board for an AIM listed company

We recognise the importance of diversity on the Board and are currently seeking to replace Brian Crowe, who has announced his intention to resign after nine years' committed, valuable service, with two independent Non-executives with business backgrounds that supplement the remaining members of the Board

The Company is seeking to ensure it has an appropriate balance of Executive and Non-executive elements on its Board

On making the anticipated appointments, the Board will be assessing the independence of its Non-executive Directors and will subsequently make arrangements to have its effectiveness assessed as set out in the Code

Philip Crawford
Chairman
13 May 2013

The role of the Board
The Company is controlled through its Board of Directors Ultimately, the Board's role is the protection and enhancement of shareholder value The Board provides overall strategy and direction for the Group and ensures that the necessary financial and other resources are made available to enable those objectives to be met It has a schedule of matters reserved for its approval including, but not limited to, decisions on strategy and risk management, approval of budgets, acquisitions and disposals, major capital expenditure, legal and insurance issues, Board structure and the appointment of advisers In some areas responsibility is delegated to committees of the Board within clearly defined terms of reference

Once the strategic and financial objectives of the Company have been set by the Board it is the role of the Chief Executive to ensure that through the day-to-day management of the Group's business they are achieved

All Directors are subject to election by the shareholders at the next general meeting following appointment to the Board and to annual re-election The Executive Directors have service contracts, which are terminable upon periods between three and twelve months' notice

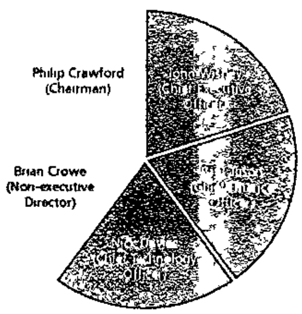
The names of the current Directors together with their biographical details are set out in the "About us" page within the Lombard Risk website

The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary in order for them to carry out their responsibilities

The Board meets at least six times a year and the Audit Committee and Remuneration Committee normally meet on a formal basis twice a year

The Board receives appropriate and timely information prior to each meeting, with a formal agenda and Board and committee papers being distributed several days

Board membership

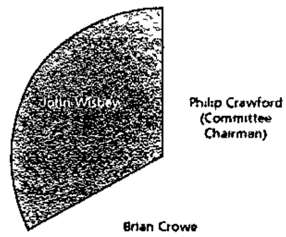


Audit Committee

Philip Crawford

Brian Crowe
(Committee
Chairman)

Remuneration Committee



Executive Director
Non executive Director

before meetings take place Any Director may challenge Group proposals and decisions are taken democratically after discussion Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting Any specific actions arising from such meetings are agreed by the Board and then followed up by management

The Group maintains, for its Directors and officers, liability insurance for any claims against them in that capacity

The Group has effective procedures in place to deal with conflicts of interest The Board is aware of other commitments of its Directors and changes to these commitments are reported to the Board

A summary of the Board's main work in year ended 31 March 2013 includes

- strategy and delivery, with a particular focus on the development of the EBA common reporting solution and the REFORM platform,
- evaluation of external growth opportunities,
- financial overview, and
- corporate governance and compliance

In order to ensure the effective co-operation of the Board, there is a clear division between the responsibilities of the Directors as set out below

Directors' roles
The Chairman's role is to

- ensure good corporate governance,
- lead the Board, ensuring the effectiveness of the Board in all aspects of its role,
- ensure effective communication with shareholders, and
- set the Board's agenda and ensure that all Directors are encouraged to participate fully in the activities and decision-making process of the Board

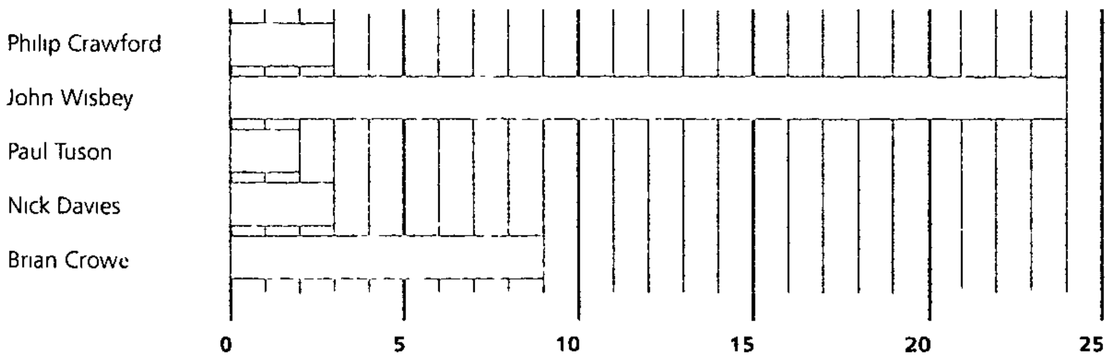
The Chief Executive Officer's role is to

- lead and provide strategic direction to the Company's management team,
- run the Company on a day-to-day basis,
- be responsible, along with the executive team, for implementing the decisions of the Board and its committees, and
- be the Company spokesperson, communicating with external audiences, such as investors, analysts and the media

The Non-executive Directors' role is to

- challenge the opinions of the Executive Directors, provide fresh insight in terms of strategic direction and bring their diverse experience and expertise to the benefit of the leadership of the Group,
- assess the performance of the Chairman,
- provide a sounding board for the Chairman and serve as an intermediary for the other Directors as necessary,
- scrutinise the performance of the Executive Directors in terms of meeting agreed goals and objectives,
- be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve or for which such contact is inappropriate,
- monitor the reporting of performance,
- ensure that the financial information, controls and systems of risk management within the Group are robust and defensible, and
- appoint or remove Executive Directors to or from the Board, when necessary

Board length of service (years)



Corporate governance report continued
For the year ended 31 March 2013

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

Information
Board reports and papers are circulated to the Directors in advance of the relevant Board or committee meeting These papers are supplemented by information specifically requested by the Directors from time to time Minutes of Board and committee meetings are circulated to all Board members

The Non-executive Directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives

Shareholder relations and Annual General Meeting ("AGM")
The Company recognises the importance of dialogue with all of its shareholders The AGM is an opportunity to communicate with institutional and other shareholders The outcome of the voting on AGM resolutions is disclosed by means of an announcement on the London Stock Exchange

Additional information is supplied through the circulation of the interim report and the annual report and accounts Lombard Risk Management plc maintains up-to-date information on the investor section of its website, www lombardrisk com

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

Board committees
Audit Committee
The Audit Committee is a committee of the Board chaired by Brian Crowe and also comprises Philip Crawford The Report of the Audit Committee can be found on page 21

Remuneration Committee
The Remuneration Committee is a committee of the Board chaired by Philip Crawford and also comprises Brian Crowe and John Wisbey The Report of the Remuneration Committee can be found on page 22

Nominations Committee
The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a Nomination Committee However, this will be kept under regular review by the Board

Directors' report
For the year ended 31 March 2013

The Directors submit their annual report together with the consolidated financial statements for the year ended 31 March 2013

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Parent Company financial statements in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period In preparing these financial statements, the Directors are required to

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

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

Insofar as each of the Directors is aware

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

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

Principal activities and Business review
The Company is a holding company The principal activities of the Group are the provision of trading, valuation and risk management systems and regulatory compliance and transaction reporting systems to the financial markets A review of these activities, future developments and financial risk management is provided in the Chief Executive Officer's statement and note 16 to the consolidated financial statements This information forms a part of the Directors' report

Principal risks and uncertainties
The management of the business and the nature of the Group's strategy are subject to a number of risks

The Directors have set out in note 16 the principal risks facing the business

The Directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all risks identified in note 16 Where possible, processes are in place to monitor and mitigate such risks

Capital management
The Group generally seeks to finance all operational financing requirements through cash flows generated from operating activities, although this may be supplemented through capital injections if mutually beneficial to the Group, current shareholders and prospective investors The Company's equity structure is set out in note 17 to the financial statements

Management's objectives with respect to managing capital include maintaining sufficient capital to enable the Group to implement its strategy going forward with an optimal level of external debt Part of this strategy is to generate a positive return to investors, both through dividend income and capital growth

Directors' report continued
For the year ended 31 March 2013

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

- turnover by product line and geography compared to prior year,
- backlog and contract longevity,
- utilisation and profitability of professional services against budgets and market norms,
- cash management – actual compared to budget, and
- operating costs by function as an absolute measure and as a proportion of revenues compared to prior periods, forecasts and market norms

Turnover for both operating divisions, being Regulatory Compliance and Risk Management and Trading, were both in excess of 25% higher than the prior year The increase in revenues was predominantly in the UK and the Americas

Operating costs have been monitored and have increased consistently across both operating divisions Resulting profits in the two divisions have both increased

Results and dividends
The audited financial statements for the year ended 31 March 2013 are set out on pages 25 to 45 The Group's profit for the year after taxation amounted to £3 7m (2012 £2 5m) The Directors propose a final dividend for the year of 0 040p (2012 0 035p) per Ordinary Share of 0 5p for a total dividend of 0 065p (2012 0 055p)

Directors and their interests
The Directors who served during the year and/or up to the date of this report and their beneficial interests in the Company's Ordinary Share capital were as follows

	31 March 2013 Number	31 March 2012 Number
John Wisbey[1]	**102,195,117**	102,195,117
Paul Tuson	**1,760,000**	1,500,000
Nick Davies	**441,176**	441,176
Philip Crawford	**590,000**	590,000
Brian Crowe	**5,825,000**	5,825,000

1 77,939 562 shares are owned directly In addition John Wisbey is a beneficiary of Advanced Technology Trust which owns a further 23,700 000 shares The balance 555,555 is held by a third party

In addition to these shareholdings listed above, the Directors have been granted options over Ordinary Shares

In accordance with best practice, all Directors will retire at the forthcoming Annual General Meeting ("AGM") and, being eligible, will offer themselves for re-election

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 creditors' days outstanding for the year was 26 days (2012 35 days)

Substantial shareholdings
As at 31 March 2013 the Company has been notified of the following interests in 3% or more of its issued share capital

	Number of shares	% holding
John Wisbey	102,195,117	44 0
Legal & General Group plc	19,110,000	8 2
National Bank of Canada	11,032,222	4 7
Herald Investment Trust	7,880,000	3 4

Research and development
Research and development expenditure incurred on the Group's suite of products has been capitalised in line with the Group's accounting policy in the relevant period Amounts not capitalised have been expensed to the Consolidated statement of comprehensive income

Going concern
The financial statements have, as in previous years, been prepared on a going concern basis

The Directors are required by the Companies Act 2006 to prepare annual accounts that give a true and fair view and, as part of this, to decide if it is appropriate to prepare them on a going concern basis In forming an opinion that the Company and the Group is a going concern, the Directors have taken particular note of the trading performance in the year ended 31 March 2013 This shows an improvement in the Group's profits and cash balance

The Directors have prepared cash flow forecasts for the period ending 30 June 2014 which show that the Company and Group have sufficient facilities for on-going operations Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2013

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

On behalf of the Board

John Wisbey
Director
13 May 2013

Report of the Audit Committee
For the year ended 31 March 2013

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

During the year the Audit Committee was chaired by Brian Crowe The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions The Audit Committee invites others, including the external auditor, to attend its meetings as appropriate

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

The Audit Committee's responsibilities include

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

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

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

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

Brian Crowe
Chairman of the Audit Committee
13 May 2013

Report of the Remuneration Committee
For the year ended 31 March 2013

Companies quoted on AIM are not required to provide a formal remuneration report Therefore this report is provided for information purposes to give greater transparency to the way Directors are remunerated

Composition and role of the Remuneration Committee
The Board has established a Remuneration Committee which currently consists of Philip Crawford, Non-executive Chairman, who chairs the committee, Brian Crowe, Non-executive Director, and John Wisbey The committee determines the specific remuneration packages for each of the Executive Directors and no Director is involved in any decisions as to his own remuneration

Framework and policy on Executive Directors' remuneration
The Group's remuneration policy is designed to provide competitive rewards for its Executive Directors, taking into account the performance of the Group and individual Executives, together with comparisons of pay conditions throughout the markets in which the Group operates It is the aim of the committee to attract, retain and motivate high calibre individuals with a competitive remuneration package It is common practice in the industry for total remuneration to be influenced by bonuses and long-term incentives

The remuneration packages are constructed to provide a balance between fixed and variable rewards Therefore remuneration packages for Executive Directors normally include basic salary, discretionary bonuses, long-term incentive awards and benefits in kind In agreeing the level of basic salaries and annual bonuses the committee takes into consideration the total remuneration that Executive Directors could receive

Basic salary
Basic salaries are reviewed on an annual basis The committee seeks to establish a basic salary for each position, determined by individual responsibilities and performance taking into account comparable salaries for similar positions in companies of a similar size in the same market

Incentive arrangements
Annual discretionary bonuses
These are designed to reflect the Group's performance taking into account the performance of its peers, the markets in which the Group operates and the Executive Directors' contribution to that performance

Long-term incentive awards
The Group operates an option scheme for qualifying staff, including Executive Directors Options are granted over the Company's shares that are capable of vesting on the second anniversary of issue The vesting period runs for three to five years from the date the options first vest During the year ended 31 March 2013, options over 1,400,000 shares were awarded to participating staff, none of which were awarded to Executive Directors

Other benefits
Depending on the terms of their contracts, Executive Directors are entitled to contributions to pension plans, private medical insurance, permanent health insurance and life assurance

Service contracts and notice periods
All Executive Directors have employment contracts which are subject to between three and twelve months' notice from either the Executive or the Group, given at any time

Non-executive Directors
All Non-executive Directors have a remuneration agreement for an initial period of twelve months and thereafter on a rolling basis subject to three months' notice by either the Non-executive Director or the Group, given at any time

In the event of termination of their appointment they are not entitled to any compensation

Non-executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed and comparative fees paid in the market in which the Group operates They are not eligible for pensions They may be invited to participate in the Group's option scheme

Directors' emoluments

The remuneration of each Director during the year ended 31 March 2013 is detailed in the table below

	Salary £000	Benefits £000	Bonus £000	Total for year ended 31 March 2013 £000	Total for year ended 31 March 2012 £000	Pension contribution for year ended 31 March 2013 £000	Pension contribution for year ended 31 March 2012 £000
Executive							
John Wisbey	**215**	**1**	—	**216**	209	—	—
Paul Tuson	**108**	**1**	—	**109**	107	**50**	50
Nick Davies	**131**	—	—	**131**	116	**23**	23
Non-executive							
Philip Crawford	**45**	—	—	**45**	45	—	—
Brian Crowe	**21**	—	—	**21**	20	—	—
Total	**520**	**2**	—	**522**	472	**73**	73

Directors' interest in performance share awards

Full details of outstanding performance share awards in the Company held by Executive Directors at 31 March 2013 are shown below

Share options	At start of year	Price paid	Exercise price	At end of year	Date from which exercisable	Expiry dates
Brian Crowe	800,000	—	5 5p	**800,000**	14/01/2013	14/01/2016
Paul Tuson	2,400,000	—	5 5p	**2,400,000**	14/01/2013	14/01/2016
Nick Davies	1,000,000	—	6 0p	**1,000,000**	20/06/2010	20/06/2013
Nick Davies	3,600,000	—	4 5p	**3,600,000**	28/05/2012	28/05/2015
Mike Shinya	1,050,000	—	4 5p	—	28/05/2012	31/08/2012
Philip Crawford	2,400,000	—	4 5p	**2,400,000**	28/05/2012	28/05/2015
Philip Crawford	600,000	—	5 5p	**600,000**	14/01/2013	14/01/2016

Independent auditor's report
Consolidated financial statements

Independent auditor's report to the members of Lombard Risk Management plc

We have audited the consolidated financial statements of Lombard Risk Management plc for the year ended 31 March 2013 which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in shareholders' equity, the Consolidated cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 19, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the Parent Company financial statements of Lombard Risk Management plc for the year ended 31 March 2013

Grant Thornton UK LLP

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
13 May 2013

Consolidated statement of comprehensive income
For the year ended 31 March 2013

	Note	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Continuing operations			
Revenue	2	**16,768**	12,758
Cost of sales		**(201)**	(123)
Gross profit		**16,567**	12,635
Administrative expenses		**(12,585)**	(10,118)
Profit from operations	4	**3,982**	2,517
Finance expense	5	**(86)**	(32)
Finance income	6	**—**	2
Profit before taxation		**3,896**	2,487
Tax (charge) / credit	7	**(182)**	18
Profit for the year from continuing operations		**3,714**	2,505
Profit for the year from continuing operations attributable to			
Owners of the Parent		**3,751**	2,505
Non-controlling interest		**(37)**	—
		3,714	2,505
Other comprehensive income			
Exchange differences on translating foreign operations		**28**	(40)
Total comprehensive income for the year		**3,742**	2,465
Total comprehensive income attributable to			
Owners of the Parent		**3,779**	2,465
Non-controlling interest		**(37)**	—
		3,742	2,465
Profit per share			
Basic (pence)	8	**1 63**	1 20
Diluted (pence)	8	**1 58**	1 16

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

Consolidated balance sheet
As at 31 March 2013

Company number 03224870	Note	As at 31 March 2013 £000	As at 31 March 2012 £000
Non-current assets			
Property, plant and equipment	11	**221**	186
Goodwill	12	**5,848**	5,799
Other intangible assets	12	**6,868**	3,669
Deferred tax asset	7	**503**	721
		13,440	10,375
Current assets			
Trade and other receivables	13	**3,384**	4,210
Cash and cash equivalents		**1,874**	128
		5,258	4,338
Total assets		**18,698**	14,713
Current liabilities			
Borrowings	14	**(1,013)**	(667)
Trade and other payables	15	**(2,223)**	(2,512)
Deferred income		**(4,276)**	(4,449)
		(7,512)	(7,628)
Long-term liabilities			
Borrowings	14	**(667)**	(1,333)
Other deferred consideration	10	**—**	(347)
		(667)	(1,680)
Total liabilities		**(8,179)**	(9,308)
Net assets		**10,519**	5,405
Equity			
Share capital	17	**1,592**	1,484
Share premium account		**6,622**	5,221
Foreign exchange reserves		**(96)**	(124)
Other reserves		**1,687**	1,685
Profit and loss account		**751**	(2,861)
Equity attributable to owners of the Parent		**10,556**	5,405
Non-controlling interest		**(37)**	—
Total equity		**10,519**	5,405

The financial statements were approved by the Board on 13 May 2013 and signed on its behalf by

John Wisbey
Chief Executive Officer

Paul Tuson
Chief Finance Officer

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

Consolidated statement of changes in shareholders' equity
For the year ended 31 March 2013

	Share capital £000	Share premium account £000	Foreign exchange reserves £000	Other reserves £000	Profit and loss account £000	Total attributable to the owners of the Company £000	Non-controlling interest £000	Total equity £000
Balance at 1 April 2012	1,484	5,221	(124)	1,685	(2,861)	5,405	—	5,405
Issue of share capital	108	1,470	—	—	—	1,578	—	1,578
Share issue costs	—	(69)	—	—	—	(69)	—	(69)
Share-based payment charge	—	—	—	2	—	2	—	2
Dividends	—	—	—	—	(139)	(139)	—	(139)
Transactions with owners	108	1,401	—	2	(139)	1,372	—	1,372
Profit for the year	—	—	—	—	3,751	3,751	(37)	3,714
Other comprehensive income								
Exchange differences on translating foreign operations	—	—	28	—	—	28	—	28
Total comprehensive income for the year	—	—	28	—	3,751	3,779	(37)	3,742
Balance at 31 March 2013	**1,592**	**6,622**	**(96)**	**1,687**	**751**	**10,556**	**(37)**	**10,519**

	Share capital £000	Share premium account £000	Foreign exchange reserves £000	Other reserves £000	Profit and loss account £000	Total attributable to the owners of the Company £000	Non controlling interest £000	Total equity £000
Balance at 1 April 2011	1,464	4,795	(84)	1,664	(5,263)	2,576	—	2,576
Issue of share capital	20	426	—	—	—	446	—	446
Share-based payment charge	—	—	—	21	—	21	—	21
Dividends	—	—	—	—	(103)	(103)	—	(103)
Transactions with owners	20	426	—	21	(103)	364	—	364
Profit for the year	—	—	—	—	2,505	2,505	—	2,505
Other comprehensive income								
Exchange differences on translating foreign operations	—	—	(40)	—	—	(40)	—	(40)
Total comprehensive income for the year	—	—	(40)	—	2,505	2,465	—	2,465
Balance at 31 March 2012	1,484	5,221	(124)	1,685	(2,861)	5,405	—	5,405

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

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

Consolidated cash flow statement

For the year ended 31 March 2013

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Cash flows from operating activities		
Profit for the period	**3,714**	2,505
Tax charge / (credit)	**182**	(18)
Finance income	**—**	(2)
Finance expense	**86**	32
Operating profit	**3,982**	2,517
Adjustments for		
Depreciation	**140**	122
Amortisation	**1,142**	360
Share-based payment charge	**2**	21
Decrease / (increase) in trade and other receivables	**825**	(2,504)
(Decrease) / increase in trade and other payables	**(114)**	315
(Decrease) / increase in deferred income	**(173)**	1,018
Foreign exchange gains	**(49)**	(84)
Other non-cash credit	**(51)**	—
Cash generated in operations	**5,704**	1,765
Tax credit received	**53**	18
Net cash inflow from operating activities	**5,757**	1,783
Cash flows from investing activities		
Interest received	**—**	2
Purchase of property, plant and equipment and computer software	**(209)**	(195)
Purchase of business (see note 10)	**(470)**	(1,963)
Capitalisation of research and development costs	**(4,278)**	(3,318)
Net cash used in investing activities	**(4,957)**	(5,474)
Cash flows from financing activities		
Interest paid	**(86)**	—
Loans from bank	**329**	2,000
Loans and other consideration paid	**(667)**	—
Shares issued, net of issue costs	**1,509**	140
Dividend paid	**(139)**	(103)
Net cash generated by financing activities	**946**	2,037
Net increase / (decrease) in cash and cash equivalents	**1,746**	(1,654)
Cash and cash equivalents at beginning of period	**128**	1,782
Cash and cash equivalents at end of period	**1,874**	128

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

Notes to the consolidated financial statements
For the year ended 31 March 2013

1 Accounting policies
(A) Basis of preparation
These consolidated financial statements are for the year ended 31 March 2013 They have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRIC") interpretations as at 31 March 2013, as adopted by the European Union They have been prepared under the historical cost convention

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

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

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

- IFRS 9 "Financial instruments" (effective 1 January 2015)
  IFRS 9 addresses the classification and measurement of financial assets and will replace IAS 39 The standard is mandatory for accounting periods commencing on or after 1 January 2015 subject to adoption by the European Union

(B) Basis of consolidation
The Group accounts consolidate the financial statements of the Parent Company (Lombard Risk Management plc) and its subsidiary undertakings over which it has control (see note 5 to the Parent Company balance sheet) A description of the principal activities and operations of the Group can be found in the Directors' report

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2013 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the Consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal All of the Group's assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date Profits or losses on intra Group transactions are eliminated in full Goodwill is capitalised and under IFRS 3 goodwill is not amortised but an impairment test is performed as appropriate, at least annually The value of goodwill is to be written down according to the outcome of the impairment test

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interest based on their respective ownership interest

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

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

1 Accounting policies continued

(D) Going concern

The financial statements have, as in previous years, been prepared on a going concern basis

In forming an opinion that the Company and the Group is a going concern, the Directors have taken particular note of the trading performance in the year ended 31 March 2013, both in the signing of new business contracts and in the realised financial results These show an improvement in profitability and an increase in the cash balance at 31 March 2013 The Directors have prepared a cash flow forecast for the period to 30 June 2014, which shows that the Company and Group have sufficient facilities for on-going operations Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2013

(E) Revenue

Revenue represents the fair value of goods sold and services provided during the year, stated net of value added tax Revenue and profit before tax are wholly attributable to the principal activities of the Group

The recognition of revenue depends on the type of income

Licence income	For long-term projects which do not include the up-front delivery of immediately usable software, revenue is recognised on both the consultancy and initial licence elements in line with the estimated percentage of completion of the project 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 Annual licence/usage fees 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 on a percentage completion basis For non-refundable licences, revenue is recognised in full on customer acceptance as there are no on-going obligations in respect of such sales
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

Multiple element transactions are allocated to relevant revenue categories based on typical revenue splits for transactions which are contracted separately and by using industry best practice

(F) Property, plant and equipment

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

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

The estimated useful lives of the assets are as follows

Computer hardware	two years
Fixtures, fittings and equipment	four years

(G) Goodwill

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

1 **Accounting policies** continued
(H) 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 of 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 Capitalised development costs are amortised in equal monthly instalments over a period of five years from the end of the month in which the costs were incurred The residual values of the development assets are reviewed annually

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

Customer relationships
The cost of customer relationships, net of estimated residual value and impairment, is amortised in equal annual instalments over nineteen years based on the estimated useful lives of the assets The residual values of assets or group of like assets are reviewed annually

Trademarks
The cost of trademarks, net of estimated residual value and impairment, is amortised in equal annual instalments over seven years based on the estimated useful lives of the assets The residual values of assets or group of like assets are reviewed annually

(I) 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, borrowings and trade and other payables Derivative instruments are not used by the Group and the Group does not enter into speculative derivative contracts

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

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

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

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

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

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

1 Accounting policies continued

(J) Foreign exchange

Transactions in foreign currencies are translated into the functional currency of the individual entity 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

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 The assets and liabilities in the financial statements of foreign subsidiaries are translated into the Parent Company's presentation currency at the rate of exchange ruling at the balance sheet date Income and expenses are translated at the actual rate at the date of transaction The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised in other comprehensive income and taken 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 profit or loss as part of the gain or loss on disposal

(K) Taxation

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

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

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

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity

(L) Leased assets

The Group does not hold any finance leases

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

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

(M) 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 profit or loss represents the contributions payable to the schemes in respect of the accounting period

(N) Share options issued to employees

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

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

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

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

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

1 **Accounting policies** continued

(O) 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 assets 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

(P) Key judgements 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 overleaf

Recognition of revenue

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

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

If work is contracted on a fixed-cost basis, revenue is recognised in line with an estimation of the percentage of completion of the project This estimation is based upon the views of the consultants implementing the projects as to the proportion of the project completed and this is supported by data from a time recording system There is, however, an element of 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, the element of non-refundable licence revenue is recognised on receipt of the software by the customer, with other revenue being recognised in line with the performance of the contracted services The unbundling of this contract revenue requires management to exercise judgement as to the relative fair values of the component parts of the contract

Goodwill impairment

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

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

Capitalisation of development costs

Development costs are capitalised when all of the criteria (see accounting policy note above) have been met Employees' time is recorded by product and activity and valued by reference to salaries and directly attributable overheads Values by product are reviewed with reference to future profitability

Judgement is used to determine which activities constitute development that should be capitalised In addition, judgement is used to determine future profitability of the products and timing thereof

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

1 Accounting policies continued

(P) Key judgements in applying the entity's accounting policies and goodwill impairment continued

Deferred tax assets

The assessment of the probability of future taxable income on which deferred tax assets can be utilised is based on the Group's latest approved budget forecasts, which is adjusted for significant non-taxable income and expense If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in respect of the period for which future profits can be confidently foreseen The recognition of deferred tax assets that are subject to certain legal or economic limit or uncertainties is assessed individually by management based on the specific facts and circumstances

2 Business segmentation

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

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

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Revenue		
Regulatory Compliance software	**7,834**	5,690
Risk Management and Trading software	**8,934**	7,068
Group unallocated	**—**	—
Total revenue	**16,768**	12,758
Depreciation and amortisation		
Regulatory Compliance software	**(599)**	(216)
Risk Management and Trading software	**(683)**	(266)
Group unallocated	**—**	—
Total depreciation and amortisation	**(1,282)**	(482)
Interest expense		
Regulatory Compliance software	**—**	—
Risk Management and Trading software	**—**	—
Group unallocated	**(86)**	(30)
Total interest expense	**(86)**	(30)
Other costs		
Regulatory Compliance software	**(5,306)**	(4,408)
Risk Management and Trading software	**(5,940)**	(4,976)
Group unallocated	**(258)**	(375)
Total other costs	**(11,504)**	(9,759)
Total costs	**(12,872)**	(10,271)
Profit		
Regulatory Compliance software	**1,929**	1,066
Risk Management and Trading software	**2,311**	1,826
Group unallocated	**(344)**	(405)
Total profit before taxation and dividend	**3,896**	2,487
Net assets		
Regulatory Compliance software	**1,292**	(637)
Risk Management and Trading software	**8,374**	6,063
Group unallocated	**853**	(21)
Net assets	**10,519**	5,405

The two segments operate independently and inter-segment income or expenditure is cross charged at arm's length

2 Business segmentation continued

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

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Revenue		
United Kingdom	**6,541**	4,426
Rest of Europe, Middle East and Africa	**4,777**	4,440
The Americas	**4,155**	2,364
Asia Pacific	**1,295**	1,528
Total revenue	**16,768**	12,758
Non-current assets		
United Kingdom	**6,439**	3,175
The Americas	**576**	598
Asia Pacific	**74**	82
Non-current assets	**7,089**	3,855

In this year ended 31 March 2013 10% (2012 10%) of the revenue depended on a single customer

3 Directors and employees

Directors	2013 £000	2012 £000
Emoluments	**522**	524
Social security costs	**78**	61
Pension costs	**73**	56
	673	641

No share options were exercised by the Directors There were no pension contributions made in respect of the highest paid Director During the year two Directors accrued benefits under a Company pension scheme (2012 two)

The Directors of the Company are the key management personnel

Individual Director's emoluments and compensation

	2013 £000	2012 £000
John Wisbey	**216**	209
Paul Tuson	**159**	157
Nick Davies	**154**	139
Philip Crawford	**45**	45
Brian Crowe	**21**	20
Mike Shinya	**—**	10
Total	**595**	580

Share options	At start of year	Price paid	Exercise price	At end of year	Date from which exercisable	Expiry dates
Brian Crowe	800,000	—	5 5p	**800,000**	14/01/2013	14/01/2016
Paul Tuson	2,400,000	—	5 5p	**2,400,000**	14/01/2013	14/01/2016
Nick Davies	1,000,000	—	6 0p	**1,000,000**	20/06/2010	20/06/2013
Nick Davies	3,600,000	—	4 5p	**3,600,000**	28/05/2012	28/05/2015
Mike Shinya	1,050,000	—	4 5p	**—**	28/05/2012	31/08/2012
Philip Crawford	2,400,000	—	4 5p	**2,400,000**	28/05/2012	28/05/2015
Philip Crawford	600,000	—	5 5p	**600,000**	14/01/2013	14/01/2016

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

3 Directors and employees continued
Individual Director's emoluments and compensation continued

Staff costs including Directors	2013 £000	2012 £000
Wages and salaries	**10,080**	7,877
Social security costs	**1,906**	1,436
Pension costs	**172**	135
Share-based payments charge (note 18)	**2**	21
Total staff costs	**12,160**	9,469

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

	2013 Number	2012 Number
Office and administration	**17**	16
Operational	**244**	197
Total	**261**	213

4. Profit from operations
The profit from operations before taxation is stated after charging / (crediting)

	2013 £000	2012 £000
Auditor's remuneration – Company audit fee	**25**	25
Fees payable to the Company auditor for other services		
– subsidiary company audit fees	**15**	15
– tax services	**12**	12
– other services	**5**	5
Depreciation	**140**	122
Amortisation	**1,142**	360
Foreign exchange (gain) / loss	**(92)**	46
Operating leases – land and buildings	**1,289**	1,148
Research and development expenditure	**1,869**	1,226

Fees payable to the Company's auditor, Grant Thornton UK LLP, and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Company's Group financial statements are required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, Regulation 5(1) to disclose such fees on a consolidated basis

5 Finance expense

	2013 £000	2012 £000
Interest on bank loans and overdrafts	**86**	32

6 Finance income

	2013 £000	2012 £000
Interest on bank deposits	**—**	2

7 Taxation

(A) Analysis of charge in the period

	2013 £000	2012 £000
Current tax		
– UK corporation tax on profits in the period	—	—
– foreign tax on profits in the period	(53)	(18)
Total current tax credit	(53)	(18)
Deferred tax		
– origination and reversal of timing differences	235	—
Total deferred tax charge	235	—
Taxation charge / (credit) on ordinary activities	**182**	(18)

(B) Research and development tax credits

The Group has received to date research and development tax credits of £816,082 (2012 £816,082) relating to financial years ended 31 March 2002 to 2008 As for all companies that have received these credits, the amounts are subject to potential future HM Revenue & Customs claw back

(C) Tax on profit on ordinary activities

The tax assessed for the period is the standard rate of corporation tax in the UK of 24% (2012 26%) The difference is explained as follows

	2013 £000	2012 £000
Profit on ordinary activities before tax	3,896	2,487
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012 26%)	935	647
Effect of		
– depreciation in excess of capital allowance for the period	—	27
– net utilisation of tax losses	(718)	(546)
– expenses not deductible for tax purposes	18	28
– tax deductibles	—	(156)
– foreign tax credits	(53)	(18)
Current tax charge / (credit) for the period	**182**	(18)

(D) Unrecognised deferred tax

A deferred tax asset of £0 7m (2012 £1 3m) is unrecognised and relates principally to trading losses carried forward

(E) Deferred tax asset

The deferred tax asset included in the balance sheet relates principally to the carry forward of tax losses

	2013 £000	2012 £000
Deferred tax asset	503	721

The Directors have recognised a deferred tax asset in respect of carried forward trading tax losses as, based on current estimates, the Group is forecast to make sufficient trading tax profit in the future against which these losses can be offset The recognised deferred tax asset is based on expected profits in the next financial year The movement in the deferred tax asset in the year is recognised in full in the profit for the year, no amount is recognised directly in equity

The deferred tax asset is expected to crystallise in full in the next financial year

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

8 Profit per share
Basic profit per share has been calculated by dividing the profit after taxation by the weighted average number of Ordinary Shares in issue during each period

For diluted earnings per share, the weighted average number of shares, 227,991,541 (2012 207,946,233), is adjusted to assume conversion of all dilutive potential Ordinary Shares under the Group's Enterprise Management Incentive Plan, being 6,755,180 (2012 7,480,024), to give the diluted weighted number of shares of 234,746,721 (2012 215,426,257)

Profit per share

	Year ended 31 March 2013	Year ended 31 March 2012
Profit for the year and basic and diluted earnings attributable to ordinary shareholders (pounds)	**3 714m**	2 505m
Weighted average number of Ordinary Shares	**227,991,541**	207,946,233
Profit per share (pence)	**1 63**	1 20
Adjusted weighted average number of Ordinary Shares	**234,746,721**	215,426,257
Diluted profit per share (pence)	**1 58**	1 16

9 Minority interest
Swapval Limited, a previously wholly owned subsidiary of the Parent Company, changed its name to Lombard Risk Compliance Policies Limited on 7 August 2012 and the company has since commenced trading 20% of the issued share capital of the company was transferred to a third party during the year under review for £Nil consideration

Prior to trading Lombard Risk Compliance Policies Limited had net assets of £2

10 Acquisition
On 15 December 2011, the Group acquired the assets of the regulatory business of SOFGEN, including customers, REG-Reporter® software and trademarks together with the on-going business for a consideration of £2 8m, primarily to expand its regulatory compliance business geographically

The main part of the business acquired, which in the past was known in the US regulatory market as IDOM USA, is the US and Canada regulatory reporting product REG-Reporter® REG-Reporter® has a strong client base in North America

The purchase price for the SOFGEN business included cash of £1 963m, the issue of Ordinary Shares with a fair value of £305,000 and the issue of loan notes, of which £174,000 was due to be settled on 31 December 2012 and £347,000 on 31 December 2013 The loan note due for settlement on 31 December 2013 was settled during the year under review for an adjusted amount of £296,000

Further details of the SOFGEN business acquisition are provided in note 9 to the 2012 Group financial statements, which are publicly available and which are also available on the Lombard Risk Management plc website

11 Property, plant and equipment

Group	Computer hardware £000	Fixtures fittings and equipment £000	Total £000
Cost			
At 1 April 2011	1,140	706	1,846
Additions	124	71	195
Retired assets	—	(68)	(68)
Foreign exchange effect	22	12	34
At 31 March 2012	1,286	721	2,007
1 April 2012	1,286	721	2,007
Additions	138	32	170
Foreign exchange effect	27	18	45
At 31 March 2013	**1,451**	**771**	**2,222**
Depreciation			
At 1 April 2011	1,063	679	1,742
Charge for the year	84	38	122
Retired assets	—	(68)	(68)
Foreign exchange effect	15	10	25
At 31 March 2012	1,162	659	1,821
At 1 April 2012	1,162	659	1,821
Charge for the year	116	24	140
Foreign exchange effect	23	17	40
At 31 March 2013	**1,301**	**700**	**2,001**
Net book value			
At 31 March 2013	**150**	**71**	**221**
At 31 March 2012	124	62	186

12 Intangible assets

Group	Goodwill £000	Capitalised development costs £000	Other intangible assets £000	Total £000
Cost				
At 1 April 2011	3,633	—	277	3,910
Additions	2,166	3,318	664	6,148
Foreign exchange effect	—	—	36	36
At 31 March 2012	5,799	3,318	977	10,094
At 1 April 2012	5,799	3,318	977	10,094
Additions	—	4,278	39	4,317
Foreign exchange effect	49	—	31	80
At 31 March 2013	**5,848**	**7,596**	**1,047**	**14,491**
Amortisation				
At 1 April 2011	—	—	266	266
Provided in the year	—	287	73	360
At 31 March 2012	—	287	339	626
At 1 April 2012	—	287	339	626
Provided in the year	—	1,028	114	1,142
Foreign exchange effect	—	—	7	7
At 31 March 2013	—	**1,315**	**460**	**1,775**
Net book value				
At 31 March 2013	**5,848**	**6,281**	**587**	**12,716**
At 31 March 2012	5,799	3,031	638	9,468

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

12 Intangible assets continued
The goodwill at 31 March 2013 relates to the acquisition of STB Systems Limited, since renamed Lombard Risk Compliance Limited, which was acquired in 2005 and which constituted the Group's regulatory compliance business, and to goodwill arising in 2011 relating to the acquisition of the regulatory reporting business of SOFGEN, further details of which are provided in note 10 Both these businesses now represent the Group's regulatory compliance business An impairment review has therefore been carried out on this cash-generating unit

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

For the year ended 31 March 2013, the cash-generating unit recoverable amount was determined based on value-in-use calculations, which are based on detailed five year discounted forecast cash flows (using a discount rate of 12%) Cash flows for the regulatory compliance business are based on management forecasts, which are approved by the Board and reflect management's expectations of sales growth, operating costs and margin based on past experience as well as the current order book Management has used a five year period in the cash flow projections as the regulatory compliance business experiences a low level of customer turnover and the technology is based on regulations which, whilst subject to periodic amendment, are unlikely to be withdrawn

For the years 2014 to 2018 no new business is forecast with retention levels of recurring revenues averaging 90% per annum In view of this, no sales and marketing or research and development costs are forecast for the years 2014 to 2018

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

Capitalised development costs reflect the expenditure attributable to the development of new technology that will provide economic benefit in future periods as set out in note 1(H)

13 Trade and other receivables

	2013 £000	2012 £000
Trade receivables	**2,261**	2,539
Other receivables	**525**	793
Prepayments and accrued income	**598**	878
	3,384	4,210

The amounts are short term and the Directors consider that the carrying amount of these trade and other receivables approximates to their fair value All of the Group's trade and other receivables have been reviewed for indications of impairment As at 31 March 2013, trade receivables of £2 3m (2012 £2 5m) were fully recoverable An impairment provision of £0 04m (2012 £0 24m) has been made against the invoices of twelve clients (2012 seventeen clients) In addition, some of the unimpaired trade receivables are past due as of the reporting date Trade receivables past due but not impaired are as follows

	2013 £000	2012 £000
Not more than three months	**593**	985
More than three months but not more than six months	**45**	179
More than six months but less than one year	**1**	23
More than one year	**8**	4
	647	1,191

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

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

	2013 £000	2012 £000
Opening balance	**239**	202
Movement in provision for receivables	**(200)**	37
Closing balance	**39**	239

The Group operates in a global market with income arising in a number of different currencies, principally Sterling, Euros or US Dollars Other than natural opportunities to hedge, the Group does not hedge potential future income, since the existence, quantum and timing of such income cannot be accurately predicted

14 Borrowings

	2013 £000	2012 £000
Bank loans payable within one year	**1,013**	667
Bank loans payable after one year	**667**	1,333
	1,680	2,000

Borrowings at 31 March 2013 comprise a Sterling bank loan and a Euro bank loan

The Sterling bank loan is repayable in equal quarterly instalments over a three year term with the first repayment in April 2012 The loan principal is £2 0m and interest is payable at the rate of LIBOR + 4% The balance outstanding at 31 March 2013 was £1 3m (2012 £2 0m)

The Euro bank loan is repayable in one payment on 30 April 2013 The loan principal is €0 4m and interest is payable at a rate of LIBOR + 4 25% The balance outstanding at 31 March was £0 3m (2012 £Nil)

15 Trade and other payables

	2013 £000	2012 £000
Trade payables	**608**	195
Other taxes and social security costs	**843**	889
Accruals and other payables	**772**	1,254
Loan notes (see note 10)	**—**	174
	2,223	2,512

16 Financial risk management and financial instruments

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

Market risk

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

i) Currency risk

The Group is exposed to translational and transactional foreign exchange risk as it operates in various currencies, including US Dollars, the Euro, Chinese Yuan, Hong Kong Dollars and Singapore Dollars, which affect the management and levels of working capital Although, through its own software, the Group has access to sophisticated models for the management of foreign exchange risk, there has historically been no use of foreign exchange derivatives to manage this position on the basis that the overall effect on the Group's income statement has not been large enough to warrant the management, costs and margin requirements of this activity The Group does use natural hedges where the appropriate opportunity arises In addition, the Group prepares working capital forecasts that incorporate sensitivity analysis on exchange rate fluctuations The Group's main on-going transactional exposure is to be long of Euro and US Dollars and short of Chinese Yuan

ii) Inflation risk

The Group has exposure to the inflationary effect of operating in countries in which it operates, offset by its ability to raise prices in those countries in which it sells This exposure could affect the Group's cost base The Group's cost base is mainly exposed to the inflation rates and changes in payroll taxes in the UK, the US and China The inflation rate for salaries in specialised parts of the financial sector in a financial centre such as London, New York or Shanghai is often different from the relevant country's overall rate of wage inflation Salary inflation in these markets and internally is monitored No specific hedging of inflation risk has been carried out

iii) Interest rate risk

Interest rate risk arises primarily on the investment of the Group's cash balances or on its borrowings and the present value of the Group's receivables In particular, interest on the Group's borrowings is affected by LIBOR The Group finances its operations through retained cash reserves and overdraft facilities 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

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

16 Financial risk management and financial instruments continued

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 fifteen 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 The Group closely monitors its credit risk

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

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

Classes of financial assets – carrying amounts	2013 £000	2012 £000
Cash and cash equivalents	**1,874**	128
Trade and other receivables	**2,786**	3,332
Categorised as loans and receivables	**4,660**	3,460

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 group, is the reputational risk that might arise from poor execution, non-delivery or late delivery of a high profile project or breach of client confidentiality for sensitive data Further risks may arise where late delivery of software or untimely delivery of related services causes a client to miss regulatory deadlines A detailed operational risk review is outside the scope of this report but the Board attaches importance to maintaining appropriate internal controls to identify and limit these risks, this includes integrated project management across all functions of the business The Group's Audit Committee regularly reviews controls over certain aspects of the operations of the Group

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 The Group's working capital report, produced each month, shows forecast monthly movements in working capital and cash for the following year When required the Group has a short-term overdraft facility which at the year end has not been used At 31 March 2013 the Group's financial liabilities were as follows

	2013 £000	2012 £000
Current liabilities		
Trade and other payables	**1,380**	1,449
Borrowings	**1,013**	667
Loan notes	—	174
Non-current liabilities		
Borrowings	**667**	1,333
Loan notes	—	347
Categorised as financial liabilities measured at amortised cost	**3,060**	3,970

Maturity analysis

At 31 March 2013 the Group's liabilities have contracted maturities which are summarised below

	2013		2012	
	Up to one year £000	One to five years £000	Up to one year £000	One to five years £000
Bank borrowings	**1,066**	**684**	750	1,399
Trade and other payables	**1,380**	—	1,449	—
Loan notes	—	—	174	347
Total	**2,446**	**684**	2,373	1,746

The above contractual maturities reflect the payment obligations which may differ from the carrying value of the liabilities at the balance sheet date

16 Financial risk management and financial instruments continued

Interest rate sensitivity

The Group is exposed to changes in market interest rates (LIBOR) through the bank borrowings obtained during the current and prior year at a variable interest rate

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates (LIBOR) of +1% or −1% These changes are considered to be reasonably possible based on observations of current market conditions These calculations are based on a change in the average market interest rate for each period and the financial instruments held at each reporting date that are sensitive to changes in interest rates All other variables are held constant

	Profit for the year		Equity	
	£000	£000	£000	£000
LIBOR	+1%	−1%	+1%	−1%
31 March 2013	3,697	3,731	10,502	10,536

Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders The Group monitors capital in proportion to risk and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt

The Group had bank borrowings of £1 7m as at the year end In line with the terms of that debt the Group monitors capital on the basis of three covenants in place over the debt, being

– total net debt to adjusted EBITDA,

– EBITDA to net finance charge, and

– cash flow to debt service

All covenants were satisfied at 31 March 2013

17 Share capital

	2013 £000	2012 £000
Authorised		
714,034,085 Ordinary Shares of 0 5p each (2012 714,034,085)	**3,570**	3,570
Allotted, called up and fully paid		
232,409,897 Ordinary Shares of 0 5p each (2012 210,809,897)	**1,162**	1,054
429,829,575 deferred shares of 0 1p each (2012 429,829,575)	**430**	430
	1,592	1,484

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

Share issue

On 6 June 2012, the Company issued 20,000,000 Ordinary Shares of 0 5p per share in order to accelerate growth, to recruit certain key staff and to provide cash for potential acquisition opportunities The shares were issued at a premium of 7 0p per share, which has been credited to the share premium account, net of issue costs of £69,000

On 19 July 2012, the Company issued 1,050,000 Ordinary Shares of 0 5p per share as part of the Company's share option scheme, further details are provided in note 18 The shares were issued at a premium of 4 0p per share, which has been credited to the share premium account

On 31 January 2012, the Company issued 250,000 Ordinary Shares of 0 5p per share as part of the Company's share option scheme, further details are provided in note 18 The shares were issued at a premium of 5 0p per share, which has been credited to the share premium account

On 7 March 2013, the Company issued 300,000 Ordinary Shares at 0 5p per share as part of the Company's share option scheme, further details are provided in note 18 The shares were issued at a premium of 5 0p per share, which has been credited to the share premium account

Notes to the consolidated financial statements continued
For the year ended 31 March 2013

18 Share options
Employee share options charge
The fair value is based on a number of assumptions as stated below

In accordance with the accounting policy stated under note 1(N), the volatility of the Company's shares for the relevant period has been estimated at 30%, giving a charge to the profit and loss account for the year ended 31 March 2013 of £2,445 (2012 £21,000), with the same amount being credited to reserves The expected volatility has been based on historical volatility, using market prices of Lombard Risk Management plc shares between 4 September 2004 and 31 March 2010

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 options are settled in equity once exercised If the options remain unexercised after the end of the exercising period, the options expire Options are forfeited if the employee leaves the Company

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

	At start of year	Granted	Exercised	Lapsed/ waived	At end of year	Exercise price (p)	Exercise date from	Exercise date to
2004 EMI Scheme	1,790,000	—	—	(70,000)	**1,720,000**	9 00	April 2008	April 2013
	300,000	—	—	—	**300,000**	9 00	December 2008	December 2013
	1,500,000	—	—	—	**1,500,000**	6 00	October 2011	October 2016
	1,000,000	—	—	—	**1,000,000**	6 00	June 2010	June 2015
	1,414,365	—	—	—	**1,414,365**	4 50	May 2012–May 2014	May 2015
	4,710,000	—	(550,000)	—	**4,160,000**	5 50	January 2013	January 2016
Unapproved Scheme	70,000	—	—	—	**70,000**	9 00	April 2008	April 2013
	6,685,635	—	(1,050,000)	(1,050,000)	**4,585,635**	4 50	May 2012–May 2014	May 2015
	1,700,000	—	—	(100,000)	**1,600,000**	5 50	January 2013	January 2016
	—	500,000	—	—	**500,000**	12 00	April 2014	April 2017
	—	900,000	—	—	**900,000**	12 00	May 2014	May 2017
	19,170,000	1,400,000	(1,600,000)	(1,220,000)	**17,750,000**			

Details of share options granted during the year are as follows

Grant date	15 May 2012	26 April 2012
Share price at grant	**8 20p**	7 95p
Exercise price	**12 00p**	12 00p
Contractual life (years)	**3**	3
Staff turnover	**50%**	50%
Risk-free rate	Discount curve used for UK on the day of valuation	
Expected volatility	**30%**	30%
Expected dividend yield	—	—
Fair value of option	**1 61p**	1 07p

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

	2013 Number	2013 WAEP	2012 Number	2012 WAEP
Outstanding at beginning of the year	**19,170,000**	**5 54p**	24,955,000	6 01p
Granted during the year	**1,400,000**	**12 00p**	—	—
Exercised during the year	**(1,600,000)**	**4 84p**	(1,555,555)	9 00p
Lapsed during the year	**(1,220,000)**	**4 84p**	(4,229,445)	7 29p
Outstanding at end of the year	**17,750,000**	**6 16p**	19,170,000	5 54p
Exercisable at the year end	**12,350,000**		4,660,000	

18 Share options continued

Equity-settled share-based payments continued

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

Expiry date	Exercise price	2013 Number	2012 Number
24 April 2013	9 0p	**1,790,000**	1,860,000
28 May 2013	4 5p	**2,000,000**	2,700,000
1 December 2013	9 0p	**300,000**	300,000
28 May 2014	4 5p	**2,000,000**	2,700,000
28 May 2015	4 5p	**2,000,000**	2,700,000
20 June 2015	6 0p	**1,000,000**	1,000,000
14 January 2016	5 5p	**5,760,000**	6,410,000
19 October 2016	6 0p	**1,500,000**	1,500,000
26 April 2017	12 0p	**500,000**	—
15 May 2017	12 0p	**900,000**	—
		17,750,000	19,170,000

The weighted average remaining contractual life of share options outstanding at the year end was 2 1 years (2012 2 8 years)

19 Operating leases

The Group had commitments under non-cancellable operating leases in respect of land and buildings The Group's future minimum operating lease payments are as follows

	2013 £000	2012 £000
Within one year or less	**1,220**	1,218
Within one to five years	**933**	2,130
Total	**2,153**	3,348

20 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

21 Related party transactions

There are no related party transactions in this reporting year or comparative period

Key management of the Group are the Directors of the Parent Company Details of the Directors' remuneration are set out in note 3 and in the Remuneration Committee report

22 Controlling personnel related parties

In the opinion of the Directors, there is no ultimate controlling party at 31 March 2013

23 Dividends

During 2013, Lombard Risk Management plc paid a dividend of £139,000 (2012 £103,000) to its equity shareholders This represents a payment of 0 06p per share (2012 0 04p)

Also during 2013, the Directors proposed a dividend of 0 040p per share (2012 0 035p) As the distribution of the dividends by Lombard Risk Management plc requires the approval at the shareholders' meeting, no liability in this respect is recognised in the 2013 consolidated financial statements No income tax consequences for Lombard Risk Management are expected to arise as a result of this transaction

Independent auditor's report
Parent Company financial statements

Independent auditor's report to the members of Lombard Risk Management plc
We have audited the Parent Company financial statements of Lombard Risk Management plc for the year ended 31 March 2013 which comprise the Parent Company balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' responsibilities statement set out on page 7, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's ('APBs") Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the Parent Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2013,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter
We have reported separately on the Group financial statements of Lombard Risk Management plc for the year ended 31 March 2013

Grant Thornton UK LLP

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
13 May 2013

Company balance sheet
As at 31 March 2013

Company number 03224870	Note	As at 31 March 2013 £000	As at 31 March 2012 £000
Fixed assets			
Tangible assets	4	**109**	61
Intangible assets	4	**10**	22
Investments in subsidiaries	5	**12,611**	12,611
		12,730	12,694
Current assets			
Debtors due within one year	6	**5,957**	5,142
Cash at bank and in hand		**90**	—
		6,047	5,142
Creditors amounts falling due within one year	7	**(1,648)**	(1,558)
Net current assets		**4,399**	3,584
Total assets less current liabilities		**17,129**	16,278
Creditors amounts falling due after more than one year	8	**(667)**	(1,333)
Net assets		**16,462**	14,945
Capital and reserves			
Called up share capital	10	**1,592**	1,484
Share premium	11	**6,622**	5,221
Other reserves	11	**7,197**	7,195
Profit and loss account	11	**1,051**	1,045
Shareholders' funds		**16,462**	14,945

The financial statements were approved by the Board on 13 May 2013 and signed on its behalf by

John Wisbey
Chief Executive Officer

Paul Tuson
Chief Finance Officer

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

Notes to the Company financial statements
For the year ended 31 March 2013

1 Accounting policies

(A) Basis of preparation
The separate financial statements of the Company are presented as required by the Companies Act 2006 As permitted by that Act, the separate financial statements have been prepared in accordance with all applicable United Kingdom Accounting Standards and on a historical cost basis

(B) Going concern
The financial statements have, as in previous years, been prepared on a going concern basis

In forming an opinion that the Company and the Group is a going concern, the Directors have taken particular note of the trading performance in the year ended 31 March 2013, both in the signing of new business contracts and in the realised financial results These show continued profitability and an increase in the cash balance at 31 March 2013 The Directors have prepared a cash flow forecast for the period to 30 June 2014, which shows that the Company and Group have sufficient facilities for on-going operations Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2013

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

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

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

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

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

(G) Investments in subsidiaries
Investments in subsidiaries are recorded at cost less any provision for permanent diminution in value

2 Directors and employees

Staff costs including Directors	2013 £000	2012 £000
Wages and salaries	**1,535**	1,237
Social security costs	**252**	208
Pension costs	**9**	—
Share-based payments charge (note 18 to the consolidated financial statements)	**2**	21
Total staff costs	**1,798**	1,466

3 Profit for the financial year
The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements The Parent Company's profit for the year was £145,000 (2012 £172,000)

4 Fixed assets

Company	Computer hardware £000	Fixtures fittings and equipment £000	Computer software £000	Total £000
Cost				
At 1 April 2012	878	427	308	1,613
Additions	82	23	26	131
At 31 March 2013	**960**	**450**	**334**	**1,744**
Depreciation				
At 1 April 2012	829	415	286	1,530
Charge for the year	50	7	38	95
At 31 March 2013	**879**	**422**	**324**	**1,625**
Net book value				
At 31 March 2013	**81**	**28**	**10**	**119**
At 31 March 2012	49	12	22	83

5 Investments in subsidiaries

Investments in subsidiaries	2013 £000	2012 £000
At 1 April and 31 March	**12,611**	12,611

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

At 31 March 2013 the undertakings in which the Company 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 Limited	100	100	UK	Software
Lombard Risk Compliance Limited	100	100	UK	Software
Lombard Risk International Limited	100	100	China	Software
Lombard Risk Systems Inc	—	100	US	Software
Lombard Risk International (USA) Inc	—	100	US	Software
Lombard Risk International (Hong Kong) Limited	—	100	Hong Kong	Software
Lombard Risk International (Singapore) Limited	—	100	Singapore	Software
Lombard Risk Consultants Limited	100	100	UK	Services
Lombard Risk Systems (Asia Pacific) Limited	—	100	Hong Kong	Dormant
Lombard Risk Compliance Policies Limited (formerly Swapval Limited)	80	80	UK	Software

All of the subsidiary undertakings have been included in the consolidation Swapval Limited changed its name to Lombard Risk Compliance Policies Limited on 7 August 2012 and the company has since commenced trading 20% of the issued share capital of the company was transferred to a third party during the year under review

6 Debtors due within one year

	2013 £000	2012 £000
Amounts receivable from subsidiary undertakings	**5,861**	4,976
Prepayments and sundry debtors	**96**	108
Other debtors	—	25
Deferred tax asset (note 9)	—	33
	5,957	5,142

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

The deferred tax asset in 2012 crystallised in full during the year under review

Notes to the Company financial statements continued
For the year ended 31 March 2013

7 Creditors due within one year

	2013 £000	2012 £000
Borrowings	**1,013**	667
Trade creditors	**287**	168
Accruals	**348**	723
	1,648	1,558

8 Creditors due after one year

	2013 £000	2012 £000
Borrowings	**667**	1,333

Borrowings at 31 March 2013 comprise a Sterling bank loan and a Euro bank loan

The Sterling bank loan is repayable in equal quarterly instalments over a three year term with the first repayment in April 2012 The loan principal is £2 0m and interest is payable at the rate of LIBOR + 4% The balance outstanding at 31 March 2013 was £1 3m

The Euro bank loan is repayable in one payment on 30 April 2013 The loan principal is €0 4m and interest is payable at a rate of LIBOR + 4 25% The balance outstanding at 31 March 2013 was £0 3m

9 Taxation
The deferred tax asset in the balance sheet relates to the carry forward of tax losses

	2013 £000	2012 £000
Deferred tax asset	**—**	33

The Directors previously recognised a deferred tax asset in respect of carried forward trading tax losses as, based on current estimates at 31 March 2012, the Company was forecast to make sufficient trading tax profit in the future against which these losses could be offset The deferred tax asset was utilised in full during the year under review There are no unrecognised tax losses carried forward at 31 March 2013 (2012 £Nil)

10 Share capital

	2013 £000	2012 £000
Authorised		
714,034,085 Ordinary Shares of 0 5p each (2012 714,034,085)	**3,570**	3,570
Allotted, called up and fully paid		
232,409,897 Ordinary Shares of 0 5p each (2012 210,809,897)	**1,162**	1,054
429,829,575 deferred shares of 0 1p each (2012 429,829,575)	**430**	430
	1,592	1,484

Share issue
On 6 June 2012, the Company issued 20,000,000 Ordinary Shares of 0 5p per share in order to accelerate growth, to recruit certain key staff and to provide cash for potential acquisition opportunities The shares were issued at a premium of 7 0p per share, which has been credited to the share premium account, net of issue costs of £69,000

On 19 July 2012, the Company issued 1,050,000 Ordinary Shares of 0 5p per share as part of the Company's share option scheme, further details are provided overleaf The shares were issued at a premium of 4 0p per share, which has been credited to the share premium account

On 31 January 2012, the Company issued 250,000 Ordinary Shares of 0 5p per share as part of the Company's share option scheme, further details are provided overleaf The shares were issued at a premium of 5 0p per share, which has been credited to the share premium account

On 7 March 2013, the Company issued 300,000 Ordinary Shares at 0 5p per share as part of the Company's share option scheme, further details are provided overleaf The shares were issued at a premium of 5 0p per share, which has been credited to the share premium account

10 Share capital continued

Share options

	At start of year	Granted	Exercised	Lapsed/ waived	At end of year	Exercise price (p)	Exercise date from	Exercise date to
2004 EMI Scheme	1,790,000	—	—	(70,000)	**1,720,000**	9 00	April 2008	April 2013
	300,000	—	—	—	**300,000**	9 00	December 2008	December 2013
	1,500,000	—	—	—	**1,500,000**	6 00	October 2011	October 2016
	1,000,000	—	—	—	**1,000,000**	6 00	June 2010	June 2015
	1,414,365	—	—	—	**1,414,365**	4 50	May 2012	May 2015
	4,710,000	—	(550,000)	—	**4,160,000**	5 50	January 2013	January 2016
Unapproved Scheme	70,000	—	—	—	**70,000**	9 00	April 2008	April 2013
	6,685,635	—	(1,050,000)	(1,050,000)	**4,585,635**	4 50	May 2012	May 2015
	1,700,000	—	—	(100,000)	**1,600,000**	5 50	January 2013	January 2016
	—	500,000	—	—	**500,000**	12 00	April 2014	April 2017
	—	900,000	—	—	**900,000**	12 00	May 2014	May 2017
	19,170,000	1,400,000	(1,600,000)	(1,220,000)	**17,750,000**			

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

11 Share premium and other reserves

	Share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Shareholders' funds £000
Balance at 1 April 2012	1,484	5,221	7,195	1,045	14,945
Issue of share capital, net of issue costs	108	1,401	—	—	1,509
Profit for the year	—	—	—	145	145
Dividend	—	—	—	(139)	(139)
Share-based payment charge	—	—	2	—	2
Balance at 31 March 2013	**1,592**	**6,622**	**7,197**	**1,051**	**16,462**

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

12 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures" and has not disclosed transactions with wholly owned Group undertakings

The Company charged £64,000 (2012 £Nil) to Lombard Risk Compliance Policies Limited in respect of support services provided The balance owed by Lombard Risk Compliance Policies Limited to the Company at 31 March 2013 was £263,000 (2012 £Nil)

There are no other related party transactions in this reporting year or comparative period

Company information

Company registration number
03224870

Directors
Philip Crawford
Chairman

John Wisbey
Chief Executive Officer

Paul Tuson
Chief Finance Officer

Nick Davies
Chief Technology Officer

Brian Crowe
Non-executive Director

Company Secretary
Paul Tuson

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Date
Annual General Meeting
12 July 2013

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