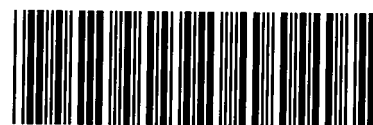


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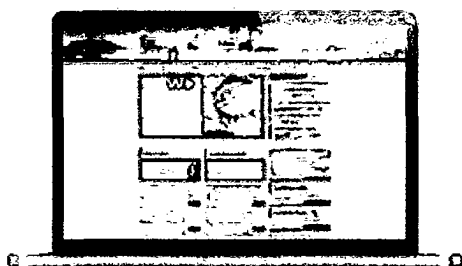
COMPANIES HOUSE

**Lombard Risk Management plc**

Annual report and accounts 2014

For over twenty-five years, Lombard Risk has delivered industry-leading risk management and regulatory compliance solutions to the financial services industry and large corporations around the world.

More recently, Lombard Risk has expanded its portfolio of technology solutions to include collateral optimisation, compliance monitoring and advanced XBRL functionality



Visit [www.lombardrisk.com](http://www.lombardrisk.com)  
for up-to-the-minute news  
and investor information

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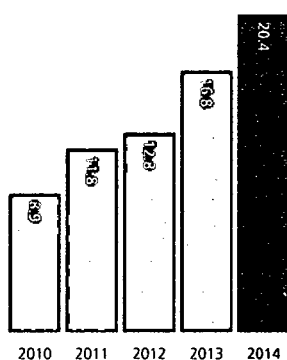
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## Highlights

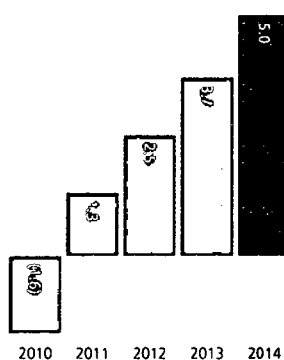
Revenue  
+22%

£20.4m



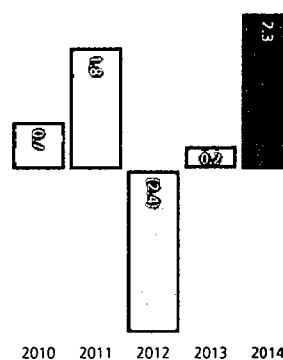
Total comprehensive income  
+35%

£5.0m



Adjusted net cash/(debt)  
+£2.1m

£2.3m



- Revenues £20.4m (2013: £16.8m), of which second half £13.1m (2013: £9.0m)
- EBITDA £6.0m (2013: £5.3m)
- Profit before tax £4.4m (2013: £3.9m)
- Cash at end of period £2.9m (2013: £1.9m) with net cash<sup>(1)</sup> of £2.3m (2013: £0.2m)
- A further 34 contracts signed for COREP, of which 16 are new names
- Significant sale of COLLINE® to a Tier 1 bank in December 2013
- FY 2015 opens with record year-end order book in place
- Final dividend 0.045p per share (2013: 0.040p per share) recommended to shareholders
- The Board continues to view the future with optimism

<sup>(1)</sup> Cash less total bank borrowings. Bank borrowings were £0.7m (2013: £1.7m).

## Overview

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.

## Products

Lombard Risk has two key divisions, namely Risk Management and Regulatory Compliance. The main software products within these divisions are:

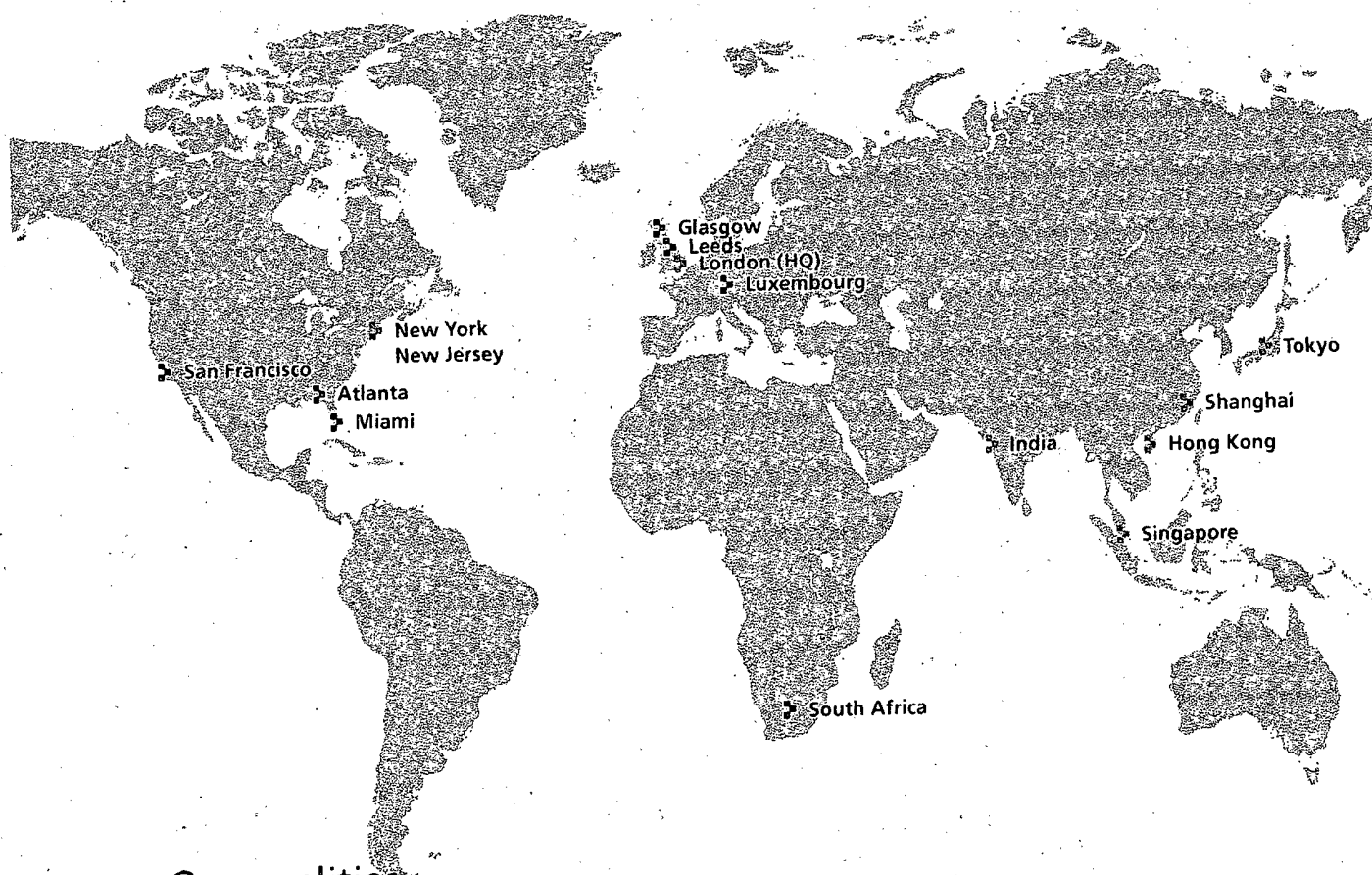
<b>RISK MANAGEMENT DIVISION</b> 53% OF GROUP REVENUES IN FY 2014 (2013: 53%)	<p><b>COLLINE®</b>  Collateral management, clearing and inventory management and optimisation. End-to-end, cross-product collateral management. COLLINE provides a consolidated solution for mitigating exposure risk while satisfying the growing demand for multiple global entities for cross-product margining, clearing, inventory management and optimization on a single platform, master netting, MIS reporting, dispute management and electronic messaging.</p> <p><b>OBERON®</b>  Valuation and risk of derivatives and other financial products.  OBERON® also had a good year and remains a commercially successful product.</p>
<b>REGULATORY COMPLIANCE DIVISION</b> 47% OF GROUP REVENUES IN FY 2014 (2013: 47%)	<p><b>REPORTER</b>  Global regulatory reporting. Scalable regulatory compliance solution for branch or head office, with global coverage. Market-leading position in UK (ie FCA and PRA reporting).</p> <p><b>REG-Reporter</b>  US and Canadian regulatory reporting. Regulatory solution addressing financial reporting requirements by automating compliance with the mandated reports to all US regulatory agencies and the Office for the Superintendent of Financial Institutions (OSFI), Canada. Market leader for reporting by foreign banks in the US.</p>
	<p><b>LISA</b>  Scenario analysis and stress testing. Satisfies the latest liquidity risk management requirements and supports growing regulatory demands for timely and reliable information.</p>
	<p><b>ComplianceASSESSOR</b>  A web-based compliance and audit application that allows firms to manage their on-going compliance with regulations and produce multiple reports around the related compliance risks.</p>
	<p><b>REFORM™</b>  A powerful and configurable platform for real-time, high-volume regulatory transaction reporting – with seamless connectivity to integrate banking, exchange and regulatory systems.</p>

## Our locations

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.

### ✦ Offices

### ✦ Representation



## Our qualities



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

## 1 What makes us different

### 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



## 2 Delivered through our 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 have opportunities for revenue growth:

New and detailed regulations continue to surface, eg FINREP, FR-Y14

New products and modules to current products

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

Further revenue visibility backlog and recurring revenues continue

## 3 To a global 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.

## Chairman's statement



In the year we saw our revenue increase by 22%, giving a four-year compound annual growth rate of 23%."

**Philip Crawford**  
Chairman



#### In summary

- ✦ Revenue £20.4m (2013: £16.8m)
- ✦ Healthy order book and revenue visibility
- ✦ Major contract for COLLINE® to supply a Tier 1 bank
- ✦ Regulatory requirements increasing in the management of collateral risk
- ✦ New senior sales resources recruited
- ✦ The Board remains optimistic for the future outlook of the Group

I am pleased to report another good year for Lombard Risk. The Group posted progressive financial results and further broadened and enhanced its product portfolio.

#### Results

In the year the Group achieved strong financial results in both its Regulatory Compliance and Risk Management divisions. This performance, following a number of years of strong growth, is testament to the continuing expansion of regulation in global financial markets.

In the year we saw our revenue increase by 22%, giving a four-year compound annual growth rate of 23%. Annually recurring revenues made up 42% (2013: 43%) of total revenues. The Company took the opportunity to raise £2.5m net of fees through a placing of new shares to ensure the Group maintained a healthy balance sheet.

Importantly, the Company closed a further 34 new contracts to provide its Common Reporting ("COREP") solution for the European Banking Authority during the twelve month period to 31 March 2014, giving a total of 67 COREP clients. Of these 67, 27 are new clients. A further success was the contract to supply our COLLINE® collateral management software to a Tier 1 bank.

We continued to invest strategically in technology and infrastructure to scale our business to ensure we are best positioned to maximise future revenue opportunities and sustain the Group's growth.

Profits have been realised in line with our expectations; this was despite the sales success resulting in the need for additional resources to satisfy our clients' product implementation needs.

**Chairman's statement**

continued

**Dividend**

On the back of the progressive financial performance, the Board proposes a final dividend of 0.045p per share which, if approved, will be paid on 25 July 2014 to those shareholders on the register on 11 July 2014. This brings the dividend for the year to 0.075p per share (2013: 0.065p per share), an increase of 15%.

**Strategy**

The Group enjoyed a strong performance from its direct sales function in Europe. This year, the Board intends to replicate this growth in the Americas and Asia Pacific. In addition, the Board is focussing on expanding its partner network to increase its indirect sales performance.

The intellectual property of the Group remains a key asset. The Group is perceived as a market leader by many in its core markets. In the future, the Group intends to leverage this market position to drive sales. This objective will be supported by our recent recruitment of further experienced senior sales executives. Additional investment in technology development is being made to support the sales drive.

**Employees**

During the year, I have made a conscious effort to connect with many of the Group's valued employees. The diverse nature of the employees, their market knowledge, enthusiasm, commitment and desire reassure me that the Group possesses a deep level of talent.

On behalf of the Board, I would like to thank all the employees for their valued contribution.

**Board of Directors**

Since the Annual General Meeting held in 2013 we have appointed Steve Rogers and John McCormick as Non-executive Directors, effective August 2013 and November 2013 respectively. These appointments have added considerable relevant experience to the Group.

In February 2014, Paul Tuson, the Company's CFO, resigned. He left in May 2014 after serving three months' notice. On behalf of the Board, I would like to thank Paul for his valued contribution to the growth, governance and well-being of the Group during his three-and-a-half-year tenure. The Board is actively seeking a suitable replacement.

**Outlook**

The Board looks forward to the forthcoming year with continuing optimism. The unrelenting macro-regulatory environment in the financial industry persists. This, together with the addition of the sales drive and the healthy £5.2m order book of contracted licence and professional services, gives the Board comfort of further growth progression.

**AGM**

The Annual General Meeting will be held at the Company's London office at 9.30am on Wednesday 9 July 2014. My fellow Directors and I look forward to meeting shareholders at that time.

**Philip Crawford**

Group Non-executive Chairman  
12 May 2014



## Chief Executive Officer's statement



We have now achieved compound annual revenue growth in the last four years of almost 23% p.a. and it is pleasing to have beaten market expectations on both revenue and profitability."

**John Wisbey**  
Chief Executive Officer



### In summary

- ✦ Revenue increased by 22% to £20.4m (2013: £16.8m), of which £13.1m was in the second half (2013: £9.0m)
- ✦ EBITDA increased to £6.0m (2013: £5.3m)
- ✦ Profit before tax increased to £4.4m (2013: £3.9m)
- ✦ Record revenues both from Regulatory and Collateral businesses
- ✦ 67 UK COREP contracts signed – 27 from new clients – and major COLLINER® deal signed
- ✦ Good foundations laid for Alliances Programme

The year was another record year both for revenue and profits, with 22% revenue growth, all of it organic revenue growth (2013: 31% revenue growth, of which 18% was organic revenue growth). The second half of the year was especially strong, and revenues were 44% higher than our previous record half year with £13.1m of revenue (2013 H2: £9.1m). EBITDA, adjusted for share-based payments, increased from £5.3m last year to £5.9m in the current year and profit before tax increased from £3.9m to £4.4m. Both profit before tax and revenues were ahead of market expectations. In addition to this strong revenue achievement we were also able to build a record revenue backlog/order book going into the new financial year. The drive to gain longevity of contractual commitment started in FY13 has continued with equivalent success in the current year.

The Group continues to benefit from having a strong market position in two important and growing segments of the financial industry, namely regulation and collateral management. The European Banking Authority's initiatives

such as COREP, FINREP and Asset Encumbrance have kept us extremely busy, and revenue from this will continue in the current financial year. Additional growth can also be expected to come from the Compliance area, where we have a new product, and from our increased use of alliances with major global firms or leading regional firms. Our professional services team is extremely busy billing its time to meet the COREP deadlines of seventy clients, but the programme is on track. As a result of all the above we remain confident of further growth in the new financial year and beyond.

We invested appreciably during the year, both in product development and delivery capability and in further strengthening the sales team, including the appointment of a Global Sales Director. We expect research and development costs to reduce in the 2014/15 financial year as a percentage of revenues but at the same time it would be very short sighted not to invest in our future growth. There continue to be significant opportunities in our markets, some with regulatory deadlines associated with them, which demand further investment in product development and which the Board believes will contribute appreciably to future revenues. Indirect sales are expected to become an increasingly important part of our revenue model and again this should contribute to revenue growth.

No company achieves 22% revenue growth in a year without considerable effort by many of its team. I would like particularly to thank all those involved in EMEA regulatory for their efforts in selling and delivering almost 70 COREP projects. With numerous changes in the regulations during the consultation and legislative period, our teams involved have sometimes had to go more than the extra mile and this continues to be the case with key regulatory deadlines in June 2014. They deserve special thanks, although thanks are also due to all who contributed during the year.

During the year we conducted a placing and were able to welcome some exciting new names to our shareholder register. We are particularly pleased that Fidelity has become our largest institutional shareholder.

We enter the new financial year with our recurrent revenues at another all-time high of around £8.6m, our highest ever level of order book at £5.2m, and with a good sales pipeline.

## Strategy and Review of Main Activities

### **Risk and regulatory disclaimer**

*For regulatory reasons the Board does not make external revenue or profit forecasts (although in common with most other quoted companies it does work with analysts who create market guidance) and while the Board clearly does plan to achieve optimum revenue and earnings growth through defining and implementing an appropriate strategy, nothing in this Strategic Report should be construed as the Board making revenue or profit forecasts, nor as any undertaking by the Board that its strategy and plans are in fact optimal in a future market, regulatory or competitive environment or that they will develop as projected.*

### **Principal activities**

The Company is a holding company. The principal activities of the Group are the provision of trading, valuation and risk management systems, regulatory and transaction reporting systems and compliance systems to the financial markets, being banks, fund administrators, investment firms, asset managers, energy companies and other firms operating in financial markets and the wider financial industry.

### **What we do, what we plan to do and why**

Lombard Risk is a global technology firm in the Governance, Risk Management and Compliance ("GRC") space, with a special focus on collateral management, regulatory and compliance. We are a market leader in our chosen niches. With ever-increasing demands from regulators, GRC is one of the fastest growing areas in the financial industry and several investment banks visiting us have used the phrase "sweet spot". The compound revenue growth rate of almost 23% that we have achieved in the last four years is indicative of our strategy having worked in that period, and the Board has no current plan to diversify out of this area as we believe a lot of shareholder value can be obtained from continuing to focus on this area over the next few years. Indeed by achieving a consistently higher level of excellence in all the geographies we cover, leveraging our client relationships, developing our alliances programme further and continuing with our record of investing in winning products in our chosen market space, we believe that the rise in growth rate that we have achieved in the last four years can be continued or even exceeded with the caveat that there will inevitably be swings in growth rate owing to the cycle of regulatory change. Our main strategy at present is to grow through organic growth. We have, however, in the past made successful acquisitions and we hope to do so again in the future. Our appetite to make acquisitions will be a combination of the strategic product and client fit, the revenue and cost synergies, and, importantly, the achievable acquisition price in relation to our own share price. While our share price remains on lower revenue and earnings multiples

than some of our targets' expectations despite our having a higher growth rate, the Board's willingness to dilute our own shareholders by issuing shares at the market price in order to pay a full price to a seller is necessarily limited.

### **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;
- contractual order book 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, were both in excess of 20% higher than the prior year. The increase in revenues was predominantly in the UK and Asia Pacific.

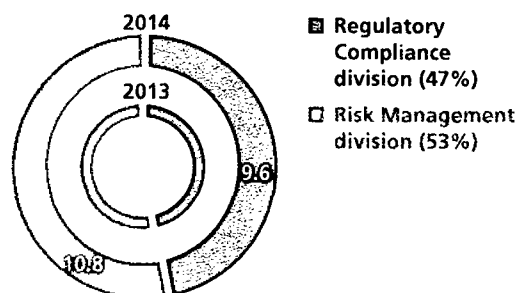
Operating costs have been monitored and have increased consistently across both operating divisions. Resulting profits in the two divisions have both increased.

### **Financial review**

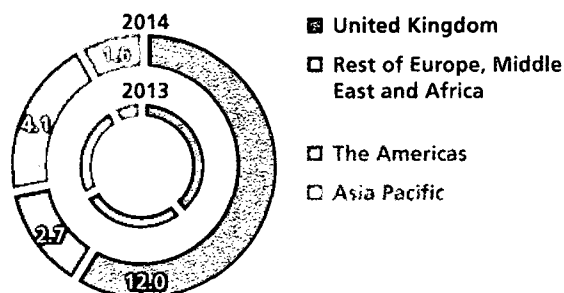
The Group has continued the growth trend that has now been evident for several years. The Group enjoyed good revenue growth, with only Americas revenues falling below management expectations. Costs also increased as additional resources were required to fulfil development and implementation demands of the ever-expanding customer base.

## Key performance indicators

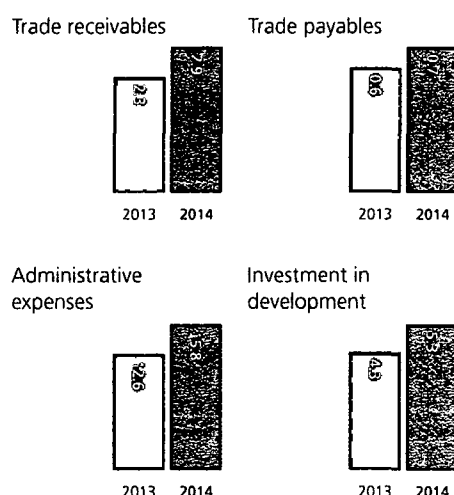
Turnover by trading division (£m)



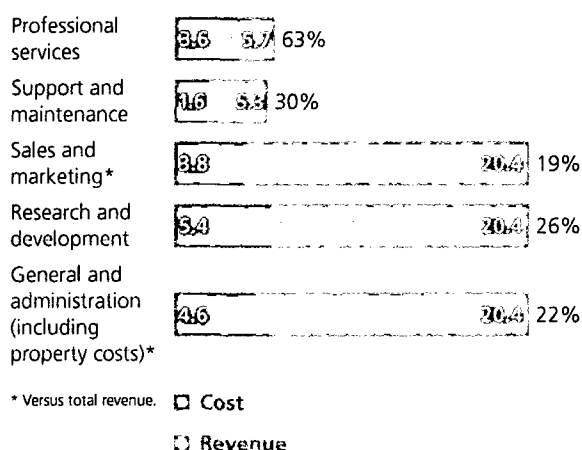
Turnover by geography (£m)



Working capital management (£m)



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



## Year-on-year trends

	Year ended 31 March		
	2014	2013	2012
Revenue (including pro forma from acquired business for 2012)	£20.4m	£16.8m	£14.2m
EBITDA with no capitalisation	£0.6m	£1.0m	£(0.3)m
EBITDA including capitalisation	£6.0m	£5.3m	£3.0m
Profit before tax with no capitalisation	£0.2m	£0.7m	£(0.5)m
Profit before tax including capitalisation	£4.4m	£3.9m	£2.5m
Total technology expenditure*	£7.1m	£6.1m	£4.5m
Cash generated in operations with no capitalisation**	£0.7m	£1.0m	£(1.5)m

\* Includes research, development, testing, support and product maintenance.

\*\* Operating profit less capitalised development costs adding back depreciation, amortisation and share-based payment charge.

## Strategy and Review of Main Activities

continued



We entered the new financial year with our recurrent revenues at another all-time high of around £8.6m, our highest ever level of order book at £5.2m, and with a good sales pipeline.”

**Investment in product development**  
+26%

**£5.4m**  
(2013: £4.3m)

### Profit and loss

Revenues increased by 22% to a record £20.4m for the year, compared with £16.8m in the prior year. Licence revenues increased in the year by 14% to £9.4m (2013: £8.3m), representing 46% of revenues (2013: 49%). Recurring annual revenues totalled £8.6m, approximately 42% of revenue (2013: 43%), and now have a current annual run rate of £8.6m.

Operating profit before share-based charges, depreciation and amortisation and acquisition costs (EBITDA) increased to £6.0m (2013: £5.3m). Profit before tax increased to £4.4m (2013: £3.9m).

The effective rate of tax for the year was a credit of 17% (2013: charge of 5%). The recognised deferred tax asset increased by £0.5m to £1.0m (2013: £0.5m) and the unrecognised deferred tax asset was £2.0m (2013: £0.7m).

### Cash flow

Cash generated in operations was £5.2m (2013: £5.8m). As for many growth technology companies, the pressure on balancing working capital requirements with investing in longer-term growth continues. The Group produces weekly cash forecasts which are monitored closely. The decision to raise £2.6m in July 2013 ensured we were able to service the higher than anticipated new customer numbers and mitigated any risk of delays by regulatory authorities in finalising new reporting requirements.

Investment in research and development expenditure that was capitalised was £5.3m (2013: £4.3m).

The Group raised £2.9m (net) (2013: £1.5m) with £0.4m (2013: £0.1m) resulting from the exercise of employee stock options.

In April 2013, the Group settled the short-term bank loan of €400,000 that had been used for the early repayment of a loan note for US\$550,000 that was repaid approximately one year early in December 2012 at a discount of US\$83,000.

Overall there was a net cash inflow of £1.0m (2013: £1.7m).

### Balance sheet

Non-current assets at 31 March 2014 increased to £18.0m (2013: £13.4m) predominantly the result of an increase in capitalised development costs.

Net cash at 31 March 2014 was £2.3m (2013: £0.2m) after total borrowings of £0.7m (2013: £1.7m).

Trade receivables were 14% of revenues at 31 March 2014, compared to 13% and 20% for 2013 and 2012 respectively.

### Year-on-year trends

The capitalisation of development costs for the last three years inadvertently reduces the transparency of the financial performance of the Group. Internally, the Group's operating budget and monthly management information measure financial performance assuming no capitalisation. The figures on page 9 aid transparency and allow users to make a more informed assessment of the financial performance of the Group.

### Business model

#### Products

Lombard Risk has two key divisions, namely Risk Management and Regulatory Compliance. The main software products within these divisions are:

- i) Risk Management division – 53% of Group revenues in FY 2014 (2013: 53%):
  - a) COLLINE® – OTC Collateral management, Repo, Securities Lending, Cash and Inventory Management, Optimisation. Market-leading position including several Tier 1 banks.
  - b) OBERON® valuation and risk of derivatives and other financial products

COLLINE® had a successful year with many new prospects being worked on at the end of the financial year, some in conjunction with our partners. During the year we signed a major COLLINE® deal with a Tier 1 UK bank, and we also made inroads into the Japanese domestic market by signing

Total revenue  
+22%

**£20.4m**  
(2013: £16.8m)

Average compound revenue  
growth since 2011

**23% p.a.**

Net assets  
+73%

**£18.2m**  
(2013: £10.5m)

a deal with a regional Japanese bank in conjunction with one of our partners. Much progress was made on making the product fully compliant with Dodd-Frank and EMIR and other IOSCO regulations, and with adding Optimisation to the product set. COLLINE® now has modules for OTC Collateral, Clearing, Repo, Securities Lending, Exchange Traded Funds and Optimisation, making it a very comprehensive offering. Not all our existing COLLINE® clients use all this functionality and this is an upsell opportunity and challenge for us.

OBERON® also had a good year and remains a commercially successful product.

ii) Regulatory Compliance division – 47% of Group revenues in FY 2014 (2013: 47%)

- a) REPORTER – Regulatory Reporting in multiple countries; market-leading position in UK (eg FCA and PRA reporting)
- b) REG-Reporter – Regulatory Reporting in the US (eg FDIC, FRBNY reporting) and various countries in Americas; market leader for reporting by foreign banks in the US
- c) LISA – stress testing of liquidity reporting
- d) ComplianceAssessor – Product that allows firms to manage their on-going compliance with regulations and produce multiple reports around the related compliance risks.

This year was an especially strong one for the REPORTER product in the UK. 67 client groups have so far signed up for our COREP solution, with a multiple of that for the exact number of legal entities. This number means that we were able to gain over thirty brand new clients, all of which will help our revenue model in future years. We also had a good year in Asia, with new clients signed up in Hong Kong and Singapore, including some important regional banks. In the US we were busy selling some of the new Federal Reserve reports to our existing REG-Reporter customers.

#### Clients and client geography

Many of the Company's clients have operations across multiple countries. Overall we do business with around thirty of the top fifty banks in the world. In the UK we do business with over 140 separate banking groups, with the number of legal entities using our software considerably higher than that. Altogether we have clients in over 25 countries and in centres such as London and New York we have clients with parent companies or head offices in many more countries.

We regard our client base and the associated relationships as a very important asset of the Group. We have had very few client losses over the past few years other than when a bank closes a UK or US branch and therefore ceases to need our services in that branch.

In FY 2014, 59% of our revenues were from the UK (2013: 39%) and a further 13% from EMEA non-UK (2013: 28%). This is not at all because we are a UK or EMEA focussed firm but because of our very strong position in the regulatory market in the UK and strong COLLINE® revenue from the UK as a result of a Tier 1 contract win and other on-going COLLINE® projects.

We are making major investment in more quality people in the US as we believe that longer term the proportion of our revenues from the Americas could and should be nearer to 40–50% as against the 20% in FY 2014 (2013: 25%). So while we expect the UK and the rest of EMEA to continue to grow this will account for a lower share of revenues as American revenues grow faster. We are also investing in additional sales and delivery resource and product for the Asia Pacific area which the Board recognises as a good opportunity for increased revenue, helped particularly by the credibility for Lombard Risk from a major delivery presence already established in China.

### Intellectual property

The intellectual property of the Group remains a key asset, enabling Lombard Risk to be a market leader in its chosen markets.

To maintain a market-leading position, the Group continues to invest in its intellectual property. The cost of development of innovative, function-rich, new technology is material to the Group's finances. The Group capitalises these development costs, in line with and subject to the conditions of IAS-38. In FY 2014 the Group capitalised £5.3m.

In particular, during the current year, the Group has invested in developing a market-leading solution to satisfy the regulatory requirements of the European Banking Authority's Common Reporting and in the new Optimisation module for the COLLINE® product family. Development costs of £1.3m and £1.5m were capitalised respectively.

### Personnel

We are headquartered in London, England, but 60% of our 270 employees work outside the UK. Our development and testing centre is in Shanghai, China. We have offices in the US (New York and New Jersey), Hong Kong, Singapore and Tokyo with representatives in other centres.

Inevitably people are our greatest asset and also by far our greatest expense with personnel costs being 79% of our cash cost base. Retaining key staff is always very important to us. We have been relatively successful in the UK in recruiting well and then retaining staff who we have identified as key, but we have been less successful in the US where we have made more recruitment mistakes on the non-regulatory side and then suffered higher staff turnover. We are hopeful that some recent leadership changes in the US will reverse this pattern there.

We have an extremely diverse employee base with 29 different nationalities employed and 94 female staff members and 176 male staff members, being 35% and 65% of the staff respectively, which we believe is above average for a technology company where there are traditionally many more male than female applicants. It is an important principle for us to encourage talent and recruitment on merit without consideration of gender, race, age or sexual preference. For this reason we do not set targets for percentages of recruitment as we want to recruit the best candidate who applies for the job. Four of our twelve-person executive leadership team are female, although we do not have any female representation on the Board.

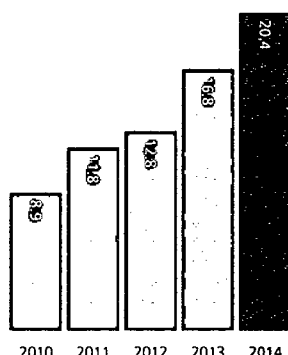
### The main trends and factors likely to affect the future development, performance and position of the Group's business

The key factors affecting the Group's performance are expected to include the following:

- a) The regulation of the banking sector in particular but also of the wider financial industry. Broadly speaking there appears to us to be a multiple-year surge in regulation, and more firms are now in scope for regulation than before. We would expect to make more money with more regulation, unless the regulation becomes so onerous that clients close down or reduce the size of the businesses that we sell to. A return to light touch regulation would not be beneficial to the Group.
- b) The move to greater efficiency in banks. Banks have spent so much on tactical solutions for regulatory change that we believe they will start to look at the area more strategically in order to save money. We are investing to be in a position to take advantage of this.
- c) The speed and effectiveness with which the Group adapts to regulatory or market change. Clients are more likely to change system at a time of regulatory change. We have mostly been able to benefit from such regulatory change through gaining new clients, but if we failed to invest at a time of such regulatory change there would be a risk of the opposite occurring.
- d) Keeping our product set up to date functionally and technically. While it can take several years for clients to replace an ageing product that still does the job, new clients usually prefer to buy a product that meets their needs on day one or is expected to in a near timeframe.
- e) The effectiveness of our direct sales force, our client support and of our alliances strategy. Having the best product is often not enough, and it can be more important to have outstanding ability to support the client after a sale and to have a reputation for delivering as promised.
- f) Consolidation of the banking sector. In 2008 we saw as one of the greatest risks a large number of banks merging. Although this did take place among some of the largest banks, there has been less M&A activity than we expected, and indeed we have seen a number of new names emerging who have become clients for regulatory reporting.
- g) There are inevitably competitors and the identity of such competitors changes over the years as existing competitors rise or fall or are taken over and as new competitors emerge. The Group prefers to be in businesses where it can become one of the two or three market leaders in a niche and has been successful in this with COLLINE® and with REPORTER and REG-Reporter®.

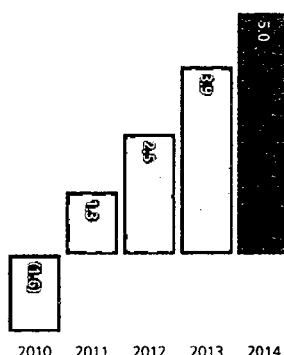
Revenue  
+22%

£20.4m



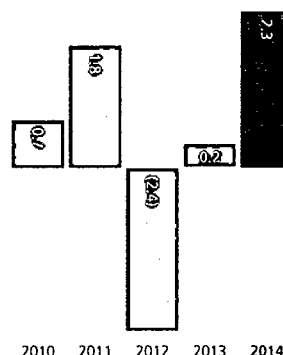
Total comprehensive income  
+35%

£5.0m



Adjusted net cash/(debt)  
+£2.1m

£2.3m



#### Environmental issues

UK company law now requires that the Board of fully listed companies comments on this. Whilst the Group is not fully listed, we comment on this matter as we believe it is best practice to do so. As a financial technology business producing software for the financial industry the environmental impact of the Company is small. We do not pollute the environment and arguably our products save appreciable paper as we help our clients produce reports electronically rather than printing them out. Naturally with offices and clients in multiple countries our staff do take aeroplanes and this has an environmental impact.

#### Social community and human rights issues

UK company law now requires that the Board of fully listed companies comments on this. Whilst the Group is not fully listed, we comment on this matter as we believe it is best practice to do so. The Group has its offices in quite high-quality buildings in the main centres in which it operates, with relatively pleasant working conditions for employees, including dedicated computer equipment and air-conditioning. While the Group encourages a strong work ethic, typical working hours are in line with the norm for the country concerned. Extracurricular activities are proactively encouraged in the larger offices such as London and Shanghai, including, for example, charity runs or cricket or badminton. HR departments ensure an appropriate level of care for the welfare of employees as well as implement HR policies.

The Company complies with the laws it is subject to in not trading in countries where this is prohibited by sanctions, and takes account of Foreign Office warnings on travel to dangerous areas. There will inevitably be cases where the Board or individual employees may disagree with, for example, aspects of the human rights record of the country concerned or the ethical standards, environmental, pollution or health effects of parts of corporations we deal with. The Board feels that such issues are more appropriately dealt with at governmental level or through regulators or the courts and would normally not restrict dealings by the Group with such entities or countries unless it became concerned about the reputational risk of not doing so.

#### Commercial outlook

We entered the new financial year with our recurrent revenues at another all-time high of around £8.6m, our highest ever level of order book at £5.2m, and with a good sales pipeline. There is continued new European regulation in the UK beyond COREP, such as FINREP and Asset Encumbrance, and also regulatory change in several of the countries in which we operate. Our Alliances programme is starting to become interesting with a number of opportunities being worked on. We have a new product, Compliance Assessor, which looks like a potential source of very useful new revenue. We have invested in a Global Sales Director and are strengthening the Americas operation. Taking all these factors into account the Board believes that the commercial outlook is favourable.

#### Risks

The Group's main risks are incorporated in "The main trends and factors likely to affect the future development, performance and position of the Group's business", as detailed on page 12.

In addition 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. These policies have remained unchanged from previous years and are detailed in note 16 to the accounts.

The Strategic Report was approved by the Board on 12 May 2014 and signed on its behalf by:

**John Wisbey**  
Chief Executive Officer and Director  
12 May 2014

## Board of Directors

The Group is run by its Board of Directors, which currently has five members, including a Non-executive Chairman and 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.

### 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.



### 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 ComplianceASSESSOR for Compliance Monitoring. 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 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.





**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.

**John McCormick**

Senior Non-executive Director

John McCormick joined the Board in November 2013. John's career has been mainly in banking, most recently sixteen years at Royal Bank of Scotland Group (RBS) where from 2008 – October 2013 he was chairman and CEO of RBS in Asia Pacific, an organisation of 14,000 people at its peak. John was responsible functionally for markets and international banking activities across Asia Pacific – India, Hong Kong, Taiwan, China, Malaysia, Indonesia, Thailand, Singapore, South Korea, Japan and Australia, with a focus on debt capital markets, risk management and global transaction services. Following the takeover of NatWest in March 2000, John was appointed global head of interest rate derivatives and financial futures. He oversaw the rapid and successful integration of these global business units previously under the corporate umbrellas of RBS, NatWest GFM and Greenwich NatWest. John's earlier career included thirteen years at Bank of America and a period at Bank of Ireland. At Bank of America he managed the Bank of America EMEA derivative business and formed part of a triumvirate which managed the global swaps and derivative business in the 1990s.

**Steve Rogers**

Non-executive Director

Steve Rogers joined the Board in August 2013. He is head of sales for EMEA/LATAM at Microsoft Business Solutions based in the UK and was previously general manager, EMEA-North for Salesforce.com and general manager, EMEA for SAP's business objects division as well as earlier positions at Oracle UK and IBM.



## Corporate governance report

For the year ended 31 March 2014

### 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 do not comply with the UK Corporate Governance Code. However, we have reported on our corporate governance arrangements by drawing upon best practice available, including those components of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

We recognise the importance of diversity on the Board and during the year recruited two independent Non-executive Directors, Steve Rogers and John McCormick, with business backgrounds that supplement the remaining members of the Board. Brian Crowe retired from the Board as a Non-executive Director in July 2013 after serving since 2004.

In February 2014, Paul Tuson, Group CFO, resigned and left the Company in May 2014. The Board is actively seeking a suitable replacement.

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

**Philip Crawford**  
Chairman  
12 May 2014

#### The role of the Board

The Board is responsible for the overall management of the Group, its strategy and long-term objectives, having regard to the interests of shareholders and the protection and enhancement of shareholder value. The Board ensures that the necessary financial and other resources are made available to enable those objectives to be met, and that objectives are only set that are consistent with the anticipated financial and other resources. 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 or to the Executive within clearly defined terms of reference.

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

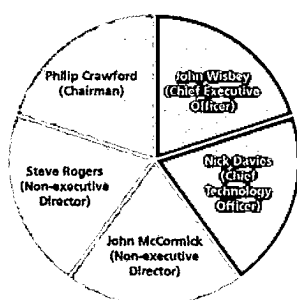
All Directors are subject to election by the shareholders at the next general meeting following appointment to the Board and to annual re-election. The Executive Directors have service contracts, which are terminable upon periods between three and twelve months' notice.

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

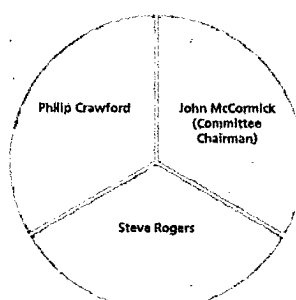
The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary in order for them to carry out their responsibilities.

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.

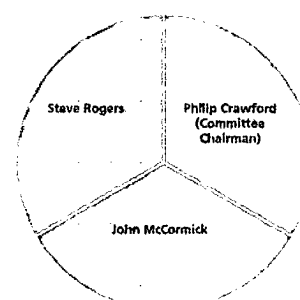
Board membership



Audit Committee



Remuneration Committee



☒ Executive Director  
☐ Non-executive Director

The Board receives appropriate and timely information prior to each meeting, with a formal agenda and Board and committee papers being distributed 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 the year ended 31 March 2014 includes:

- approving a growth strategy including a fundraising to ensure that the Group was able to maximise the opportunity for the European Banking Authority's COREP and related projects;
- restructure of Americas business;
- evaluation of external growth opportunities;
- financial overview; and
- corporate governance and compliance including selection of additional board members.

While the Board seeks to operate collaboratively between Executive and Non-Executive Directors in order to ensure

the effective operation of the Board, there is a clear division between the formal responsibilities of the Directors as set out below.

#### Directors' roles

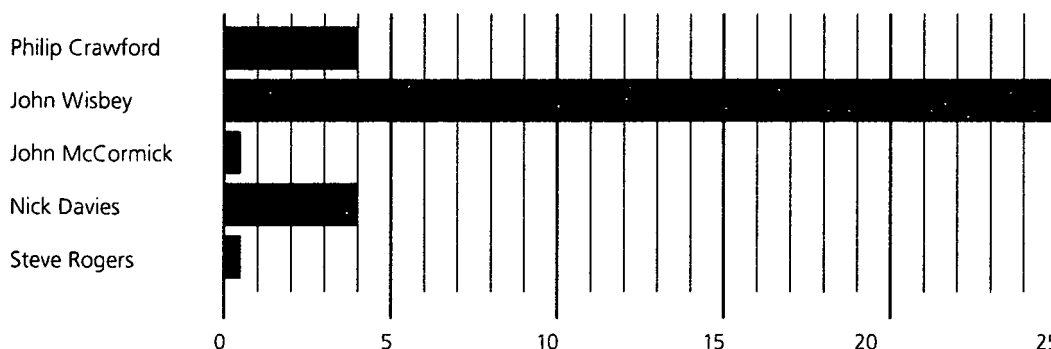
The Chairman's main role is to:

- 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 agenda for Board meetings in conjunction with the Chief Executive Officer and the Company Secretary, 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 main role is to:

- lead the Company and provide the key recommendations to the board on corporate strategy;
- run the Company on a day-to-day basis;
- provide strategic direction to the Company's management team;
- set objectives for and review the performance of the Company's management team;
- play a key role in external client, partner and shareholder relationships;
- 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.

Board length of service (years)



## Corporate governance report continued

For the year ended 31 March 2014

### Directors' roles continued

The Non-executive Directors' main 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;
- play a full part in ensuring good corporate governance;
- 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;
- assist the Executive Directors with high level external contacts where this is possible; and
- ensure that the financial information, controls and systems of risk management within the Group are robust and defensible.

### 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](http://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 John McCormick and also comprises Philip Crawford and Steve Rogers. 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 John McCormick and Steve Rogers. 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.

#### Risk Committee

The Directors plan to form a Risk Committee during 2014 with membership from both Executive and Non-Executive Directors.

# Directors' report

## For the year ended 31 March 2014

The Directors submit their annual report together with the consolidated financial statements for the year ended 31 March 2014.

### 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.

### 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.

### Results and dividends

The audited financial statements for the year ended 31 March 2014 are set out on pages 25 to 51. The Group's profit for the year after taxation amounted to £5.2m (2013: £3.7m). The Directors propose a final dividend for the year of 0.045p (2013: 0.040p) per Ordinary Share of 0.5p for a total dividend of 0.075p (2013: 0.065p).

### 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 2014 Number	31 March 2013 Number
John Wisbey <sup>1</sup>	100,627,617	102,195,117
Paul Tuson (resigned 12 February 2014)	2,960,000	1,760,000
Nick Davies	441,176	441,176
Philip Crawford	590,000	590,000
John McCormick (appointed 12 November 2013)	9,176,756	n/a
Steve Rogers (appointed 14 August 2013)	—	n/a
Brian Crowe (resigned 12 July 2013)	n/a	5,825,000

<sup>1</sup> 77,939,562 shares are owned directly. In addition John Wisbey is a beneficiary of Advanced Technology Trust which owns a further 22,132,500 shares. The balance, 555,555, is held by a third party.

## Directors' report continued

### For the year ended 31 March 2014

#### Directors and their interests continued

In addition to these shareholdings listed on page 21, 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.

#### Substantial shareholdings

As at 31 March 2014 the Company has been notified of the following interests in 3% or more of its issued share capital:

	Number of shares	% holding
John Wisbey	100,627,617	38.2
FIL Limited	22,383,264	8.5
Hargreave Hale Limited	12,160,000	4.6
Herald Investment Trust	11,299,992	4.3
National Bank of Canada	11,032,222	4.2
John McCormick	9,176,756	3.5
Legal & General Group plc	8,292,500	3.2

#### 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 2014. This shows an improvement in the Group's cash balance and stability in the Group's profits.

The Directors have prepared cash flow forecasts for the period ending 30 June 2015 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 2014.

#### 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  
12 May 2014

# Report of the Audit Committee

## For the year ended 31 March 2014

### 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 before his resignation and by John McCormick since his appointment. 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 current year is the sixth that Christopher Smith, the audit partner of the Company's external auditor, Grant Thornton UK LLP, has been in post as Senior Statutory Auditor. In normal course, there would have been a rotation of Senior Statutory Auditor after a five-year period. The Committee felt, however, that given the Finance Director stepped down from the Board shortly before the annual audit, it was important to maintain continuity in Senior Statutory Auditor for a further year. The Committee is satisfied that this extension does not in any way prejudice the objectivity and independence of the Senior Statutory Auditor.

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.

### John McCormick

Chairman of the Audit Committee  
12 May 2014

Overview

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## Report of the Remuneration Committee

### For the year ended 31 March 2014

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 and key management 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, John McCormick, Senior Non-executive Director, and Steve Rogers, Non-executive Director. The committee determines the specific remuneration packages for each of the Executive Directors and key management. 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 and key management, 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 not before 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 2014, options over 12,600,000 shares were awarded to participating staff, of which 2,750,000 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 2014 is detailed in the table below:

	Salary £000	Benefits £000	Bonus £000	Gain on share option exercise and similar benefits £000	Total for year ended 31 March 2014 £000	Total for year ended 31 March 2013 £000	Pension contribution for year ended 31 March 2014 £000	Pension contribution for year ended 31 March 2013 £000
<b>Executive</b>								
John Wisbey	218	3	45	—	266	216	—	—
Paul Tuson	110	—	25	162	297	109	50	50
Nick Davies	140	—	80	317	537	131	24	23
<b>Non-executive</b>								
Philip Crawford	45	—	—	—	45	45	—	—
Brian Crowe	6	—	—	53	59	21	—	—
John McCormick	13	—	—	—	13	—	—	—
Steve Rogers	19	—	—	—	19	—	—	—
<b>Total</b>	<b>551</b>	<b>3</b>	<b>150</b>	<b>532</b>	<b>1,236</b>	<b>522</b>	<b>74</b>	<b>73</b>

### Directors' interest in performance share awards

Full details of outstanding performance share awards in the Company held by Executive Directors at 31 March 2014 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	5.5p	—	14/01/2013	14/01/2016
Paul Tuson	2,400,000	5.5p	5.5p	—	14/01/2013	14/01/2016
Nick Davies	1,000,000	6.0p	6.0p	—	20/06/2010	20/06/2013
Nick Davies	3,600,000	4.5p	4.5p	—	28/05/2012	28/05/2015
Nick Davies	—	—	11.0p	2,000,000	27/08/2013	27/05/2017
Nick Davies	—	—	11.0p	2,000,000	27/08/2015*	27/08/2018
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
John McCormick	—	—	13.0p	1,000,000	01/11/2015*	01/11/2018
Steve Rogers	—	—	13.0p	1,000,000	15/08/2015*	15/08/2018

\* Options exercisable 60% date stated, 20% one year later and 20% two years later.

2,000,000 share options granted to Nick Davies were modified during the year under review; further details are given in note 18.

## 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 2014 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 Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://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 2014 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 Strategic Report and 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 2014.

#### Christopher Smith

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
12 May 2014



# Consolidated statement of comprehensive income

## For the year ended 31 March 2014

	Note	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
<b>Continuing operations</b>			
Revenue	2	20,395	16,768
Cost of sales		(164)	(201)
<b>Gross profit</b>		<b>20,231</b>	<b>16,567</b>
Administrative expenses		(15,770)	(12,585)
<b>Profit from operations</b>	4	<b>4,461</b>	<b>3,982</b>
Finance expense	5	(44)	(86)
Finance income	6	2	—
<b>Profit before taxation</b>		<b>4,419</b>	<b>3,896</b>
Tax credit / (charge)	7	735	(182)
<b>Profit for the year from continuing operations</b>		<b>5,154</b>	<b>3,714</b>
<b>Profit for the year from continuing operations attributable to:</b>			
Owners of the Parent		5,199	3,751
Non-controlling interest		(45)	(37)
		<b>5,154</b>	<b>3,714</b>
<b>Exchange differences on translating foreign operations:</b>			
Owners of the Parent		(185)	28
Non-controlling interest		—	—
<b>Total comprehensive income for the year</b>		<b>4,969</b>	<b>3,742</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		5,014	3,779
Non-controlling interest		(45)	(37)
		<b>4,969</b>	<b>3,742</b>
<b>Profit per share</b>			
Basic (pence)	8	2.07	1.70
Diluted (pence)	8	2.04	1.66

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

Overview

Chairman's statement

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# Consolidated balance sheet

## As at 31 March 2014

Company number: 03224870	Note	As at 31 March 2014 £000	As at 31 March 2013 £000
<b>Non-current assets</b>			
Property, plant and equipment	11	206	221
Goodwill	12	5,751	5,848
Other intangible assets	12	11,044	6,868
Deferred tax asset	7	997	503
		<b>17,998</b>	<b>13,440</b>
<b>Current assets</b>			
Trade and other receivables	13	5,767	3,384
Cash and cash equivalents		2,929	1,874
		<b>8,696</b>	<b>5,258</b>
<b>Total assets</b>		<b>26,694</b>	<b>18,698</b>
<b>Current liabilities</b>			
Borrowings	14	(667)	(1,013)
Trade and other payables	15	(2,695)	(2,223)
Deferred income		(5,171)	(4,276)
		<b>(8,533)</b>	<b>(7,512)</b>
<b>Long-term liabilities</b>			
Borrowings	14	—	(667)
<b>Total liabilities</b>		<b>(8,533)</b>	<b>(8,179)</b>
<b>Net assets</b>		<b>18,161</b>	<b>10,519</b>
<b>Equity</b>			
Share capital	17	1,747	1,592
Share premium account		9,375	6,622
Foreign exchange reserves		(281)	(96)
Other reserves		1,537	1,687
Profit and loss account		5,865	751
Equity attributable to owners of the Parent		<b>18,243</b>	<b>10,556</b>
<b>Non-controlling interest</b>		<b>(82)</b>	<b>(37)</b>
<b>Total equity</b>		<b>18,161</b>	<b>10,519</b>

The financial statements were approved by the Board on 12 May 2014 and signed on its behalf by:

  
**John Wisbey**  
 Chief Executive Officer

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

## Consolidated statement of changes in shareholders' equity

### For the year ended 31 March 2014

	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 2013	1,592	6,622	(96)	1,687	751	10,556	(37)	10,519
Issue of share capital	155	2,846	—	—	—	3,001	—	3,001
Share issue costs	—	(93)	—	—	—	(93)	—	(93)
Share-based payment charge	—	—	—	67	—	67	—	67
Share options lapsed or exercised	—	—	—	(87)	87	—	—	—
Share options modification expense	—	—	—	(130)	—	(130)	—	(130)
Dividends	—	—	—	—	(172)	(172)	—	(172)
Transactions with owners	155	2,753	—	(150)	(85)	2,673	—	2,673
Profit for the year	—	—	—	—	5,199	5,199	(45)	5,154
<b>Other comprehensive income</b>								
Exchange differences on translating foreign operations	—	—	(185)	—	—	(185)	—	(185)
Total comprehensive income for the year	—	—	(185)	—	5,199	5,014	(45)	4,969
<b>Balance at 31 March 2014</b>	<b>1,747</b>	<b>9,375</b>	<b>(281)</b>	<b>1,537</b>	<b>5,865</b>	<b>18,243</b>	<b>(82)</b>	<b>18,161</b>

	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
<b>Other comprehensive income</b>								
Exchange differences on translating foreign operations	—	—	28	—	—	28	—	28
Total comprehensive income for the year	—	—	28	—	3,751	3,779	(37)	3,742
<b>Balance at 31 March 2013</b>	<b>1,592</b>	<b>6,622</b>	<b>(96)</b>	<b>1,687</b>	<b>751</b>	<b>10,556</b>	<b>(37)</b>	<b>10,519</b>

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 2014

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
<b>Cash flows from operating activities</b>		
Profit for the period	5,154	3,714
Tax (credit) / charge	(735)	182
Finance income	(2)	—
Finance expense	44	86
<b>Operating profit</b>	<b>4,461</b>	<b>3,982</b>
Adjustments for:		
Depreciation	284	140
Amortisation and impairment	1,226	1,142
Share-based payment charge	67	2
(Increase) / decrease in trade and other receivables	(2,383)	825
Increase / (decrease) in trade and other payables	574	(114)
Increase / (decrease) in deferred income	895	(173)
Foreign exchange gains	(17)	(49)
Other non-cash credit	—	(51)
<b>Cash generated in operations</b>	<b>5,107</b>	<b>5,704</b>
Tax credit received	125	53
<b>Net cash inflow from operating activities</b>	<b>5,232</b>	<b>5,757</b>
<b>Cash flows from investing activities</b>		
Interest received	2	—
Purchase of property, plant and equipment and computer software	(395)	(209)
Purchase of business (see note 10)	—	(470)
Capitalisation of development costs	(5,333)	(4,278)
<b>Net cash used in investing activities</b>	<b>(5,726)</b>	<b>(4,957)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(44)	(86)
Loans from bank	—	329
Loans and other consideration paid	(1,013)	(667)
Shares issued, net of issue costs	2,908	1,509
Share option consideration	(130)	—
Dividend paid	(172)	(139)
<b>Net cash generated by financing activities</b>	<b>1,549</b>	<b>946</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,055</b>	<b>1,746</b>
Cash and cash equivalents at beginning of period	1,874	128
<b>Cash and cash equivalents at end of period</b>	<b>2,929</b>	<b>1,874</b>

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 2014

### 1. Accounting policies

#### (A) Basis of preparation

These consolidated financial statements are for the year ended 31 March 2014. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRIC") interpretations as at 31 March 2014, 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 2014. 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 2014

#### 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 2014, 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 2014. The Directors have prepared a cash flow forecast for the period to 30 June 2015, 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 2014.

##### (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



## 1. Accounting policies continued

### (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.

### (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 annual instalments over a period of five years from when the separately identifiable intangible asset is available for use in the manner intended by management. Enhancements to a separately identifiable intangible asset that is already available for use in the manner originally intended by management are expensed as incurred.

#### Computer software

The cost of computer software, net of estimated residual value and impairment, is depreciated in equal annual instalments over one to 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 groups 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.

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 1. Accounting policies continued

##### (I) Financial instruments continued

##### 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 equivalents.

##### 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. All 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.

##### (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.

## 1. Accounting policies continued

### (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.

### (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.

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

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 1. Accounting policies continued

(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 below.

#### Recognition of revenue

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

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

If work is contracted on a fixed-cost basis, revenue is recognised in line with an estimation of the percentage of completion of the project. This estimation is based upon the views of the consultants implementing the projects as to the proportion of the project completed and this is supported by data from a time recording system. There is, however, an element of 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 asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable 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.

Some judgement is used to determine which activities constitute development that should be capitalised. Likewise, some judgement is required in assessing when a product has reached its intended use and hence when capitalisation of associated costs should cease. In addition, judgement is used to determine future profitability of the products and timing thereof.

#### 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 2014 £000	Year ended 31 March 2013 £000
<b>Revenue</b>		
Regulatory Compliance software	9,574	7,834
Risk Management and Trading software	10,821	8,934
Group unallocated	—	—
<b>Total revenue</b>	<b>20,395</b>	<b>16,768</b>
<b>Depreciation, amortisation and impairment</b>		
Regulatory Compliance software	(545)	(599)
Risk Management and Trading software	(965)	(683)
Group unallocated	—	—
<b>Total depreciation, amortisation and impairment</b>	<b>(1,510)</b>	<b>(1,282)</b>
<b>Net interest expense</b>		
Regulatory Compliance software	—	—
Risk Management and Trading software	—	—
Group unallocated	(42)	(86)
<b>Total interest expense</b>	<b>(42)</b>	<b>(86)</b>
<b>Other costs</b>		
Regulatory Compliance software	(7,287)	(5,306)
Risk Management and Trading software	(7,137)	(5,940)
Group unallocated	—	(258)
<b>Total other costs</b>	<b>(14,424)</b>	<b>(11,504)</b>
<b>Total costs</b>	<b>(15,976)</b>	<b>(12,872)</b>
<b>Profit</b>		
Regulatory Compliance software	1,742	1,929
Risk Management and Trading software	2,719	2,311
Group unallocated	(42)	(344)
<b>Total profit before taxation and dividend</b>	<b>4,419</b>	<b>3,896</b>
<b>Net assets</b>		
Regulatory Compliance software	3,034	1,292
Risk Management and Trading software	11,093	8,374
Group unallocated	4,034	853
<b>Net assets</b>	<b>18,161</b>	<b>10,519</b>

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

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 2. Business segmentation continued

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

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
<b>Revenue</b>		
United Kingdom	12,009	6,541
Rest of Europe, Middle East and Africa	2,692	4,777
The Americas	4,137	4,155
Asia Pacific	1,557	1,295
<b>Total revenue</b>	<b>20,395</b>	<b>16,768</b>
<b>Non-current assets</b>		
United Kingdom	10,726	6,439
The Americas	468	576
Asia Pacific	56	74
<b>Non-current assets</b>	<b>11,250</b>	<b>7,089</b>

In the year ended 31 March 2014 11% (2013: 10%) of the revenue depended on a single customer.

#### 3. Directors and employees

	2014 £000	2013 £000
Directors		
Emoluments	1,236	522
Social security costs	120	78
Pension costs	74	73
	<b>1,430</b>	<b>673</b>

During the year, three Directors have exercised their share options. During the year one Director accrued benefits under a Company pension scheme (2013: two).

The Directors of the Company are the key management personnel.

Individual Directors' emoluments and compensation

	2014 £000	2013 £000
John Wisbey	266	216
Paul Tuson	347	159
Nick Davies	561	154
Philip Crawford	45	45
Brian Crowe	59	21
John McCormick	13	—
Steve Rogers	19	—
<b>Total</b>	<b>1,310</b>	<b>595</b>

### 3. Directors and employees continued

#### Individual Directors' emoluments and compensation continued

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	5.5p	—	14/01/2013	14/01/2016
Paul Tuson	2,400,000	5.5p	5.5p	—	14/01/2013	14/01/2016
Nick Davies	1,000,000	6.0p	6.0p	—	20/06/2010	20/06/2013
Nick Davies	3,600,000	4.5p	4.5p	—	28/05/2012	28/05/2015
Nick Davies	—	—	11.0p	2,000,000	27/08/2013	27/05/2017
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
John McCormick	—	—	13.0p	1,000,000	01/11/2015	01/11/2018
Steve Rogers	—	—	13.0p	1,000,000	15/08/2015	15/08/2018

2,000,000 share options granted to Nick Davies were modified during the year under review; further details are given in note 18.

Staff costs including Directors	2014 £000	2013 £000
Wages and salaries	11,893	10,080
Social security costs	2,228	1,906
Pension costs	134	172
Share-based payments charge (note 18)	67	2
<b>Total staff costs</b>	<b>14,322</b>	<b>12,160</b>
Capitalised costs	(4,109)	(3,704)
<b>Total staff costs included in consolidated statement of comprehensive income</b>	<b>10,213</b>	<b>8,456</b>

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

	2014 Number	2013 Number
Office and administration	18	17
Operational	251	244
<b>Total</b>	<b>269</b>	<b>261</b>

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 4. Profit from operations

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

	2014 £000	2013 £000
Auditor's remuneration – Company audit fee	25	25
Fees payable to the Company auditor for other services:		
– subsidiary company audit fees	24	15
– tax services	18	12
– other services	7	5
Depreciation	185	140
Amortisation and impairment	1,325	1,142
Foreign exchange loss / (gain)	41	(92)
Operating leases – land and buildings	1,333	1,289
Research and development expenditure	1,796	1,869

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

	2014 £000	2013 £000
Interest on bank loans and overdrafts	44	86

#### 6. Finance income

	2014 £000	2013 £000
Interest on bank deposits	2	—

#### 7. Taxation

(A) Analysis of charge in the period

	2014 £000	2013 £000
Current tax:		
– UK corporation tax on profits in the period	(222)	—
– foreign tax on profits in the period	(5)	(53)
Total current tax credit	(227)	(53)
Deferred tax:		
– origination and reversal of timing differences	(508)	235
Total deferred tax (credit) / charge	(508)	235
<b>Taxation (credit) / charge on ordinary activities</b>	<b>(735)</b>	<b>182</b>

(B) Research and development tax credits

The Group has received to date research and development tax credits of £1,038,000 (2013: £816,000) relating to financial years ended 31 March 2002 to 2010. As for all companies that have received these credits, the amounts are subject to potential future HM Revenue & Customs claw back.



## 7. Taxation continued

### (C) Tax on profit on ordinary activities

The tax assessed for the period is the standard rate of corporation tax in the UK of 23% (2013: 24%). The difference is explained as follows:

	2014 £000	2013 £000
Profit on ordinary activities before tax	4,419	3,896
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	1,016	935
Effect of:		
– net utilisation of tax losses	(1,766)	(718)
– expenses not deductible for tax purposes	20	18
– foreign tax credits	(5)	(53)
<b>Current tax (credit) / charge for the period</b>	<b>(735)</b>	<b>182</b>

### (D) Unrecognised deferred tax

A deferred tax asset of £2.0m (2013: £0.7m) 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.

	2014 £000	2013 £000
Deferred tax asset	997	503

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.

## 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, 251,717,005 (2013: 227,991,541), is adjusted to assume conversion of all dilutive potential Ordinary Shares under the Group's share option plans, being 3,051,314 (2013: 6,755,180), to give the diluted weighted number of shares of 253,341,143 (2013: 234,746,721).

### Profit per share

	Year ended 31 March 2014	Year ended 31 March 2013
Profit for the year and basic and diluted earnings attributable to Ordinary Shareholders	£5.199m	£3.896m
Weighted average number of Ordinary Shares	251,717,005	227,991,541
Profit per share (pence)	2.07	1.70
Adjusted weighted average number of Ordinary Shares	254,768,319	234,746,721
Diluted profit per share (pence)	2.04	1.66

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 9. Non-controlling interest

Non-controlling interest relates to 20% of Lombard Risk Compliance Policies Limited that is owned by a third party.

#### 10. December 2011 acquisition

On 15 December 2011, the Group acquired the assets of the regulatory business of SOFGEN, including clients, 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 ended 31 March 2013 for an adjusted amount of £296,000.

#### 11. Property, plant and equipment

Group	Computer hardware £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>			
At 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
1 April 2013	1,451	771	2,222
Additions	169	10	179
Foreign exchange effect	(44)	(28)	(72)
<b>At 31 March 2014</b>	<b>1,576</b>	<b>753</b>	<b>2,329</b>
<b>Depreciation</b>			
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
At 1 April 2013	1,301	700	2,001
Charge for the year	155	30	185
Foreign exchange effect	(39)	(24)	(63)
<b>At 31 March 2014</b>	<b>1,417</b>	<b>706</b>	<b>(2,123)</b>
<b>Net book value</b>			
<b>At 31 March 2014</b>	<b>159</b>	<b>47</b>	<b>206</b>
At 31 March 2013	150	71	221

## 12. Intangible assets

Group	Goodwill £000	Capitalised development costs £000	Other intangible assets £000	Total £000
<b>Cost</b>				
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
At 1 April 2013	5,848	7,596	1,047	14,491
Additions	—	5,333	216	5,549
Foreign exchange effect	(97)	—	(57)	(154)
<b>At 31 March 2014</b>	<b>5,751</b>	<b>12,929</b>	<b>1,206</b>	<b>19,886</b>
<b>Amortisation and impairment</b>				
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
At 1 April 2013	—	1,315	460	1,775
Provided in the year	—	741	160	901
Impairment charge	—	424	—	424
Foreign exchange effect	—	—	(9)	(9)
<b>At 31 March 2014</b>	<b>—</b>	<b>2,480</b>	<b>611</b>	<b>3,091</b>
<b>Net book value</b>				
<b>At 31 March 2014</b>	<b>5,751</b>	<b>10,449</b>	<b>595</b>	<b>16,795</b>
At 31 March 2013	5,848	6,281	587	12,716

The goodwill at 31 March 2014 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.

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 12. Intangible assets continued

For the year ended 31 March 2014, 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 10%). 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 2015 to 2019 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 2015 to 2019.

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 amount.

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). The Group's development costs relate to the Group's products, including COLLINE®, ComplianceASSESSOR, REFORM™, MIS reporting, etc. The COLLINE® suite of products is individually significant; the net book value at 31 March 2014 is £3,629,000 (2013: £2,405,000). Amortisation is over a five-year period from the time when each separately identifiable intangible asset reaches its intended use by management.

One of the Risk Management products has been identified as impaired following a review of the carrying values of capitalised development costs. The net carrying value of this product has therefore been written down to £300,000, resulting in an impairment charge of £424,000.

**13. Trade and other receivables**

	2014 £000	2013 £000
Trade receivables	<b>2,936</b>	2,261
Other receivables	<b>430</b>	525
Prepayments and accrued income	<b>2,401</b>	598
	<b>5,767</b>	3,384

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 2014, trade receivables of £2.9m (2013: £2.3m) were fully recoverable. An impairment provision of £0.13m (2013: £0.04m) has been made against the invoices of nineteen clients (2013: twelve 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:

	2014 £000	2013 £000
Not more than three months	<b>167</b>	593
More than three months but not more than six months	<b>39</b>	45
More than six months but less than one year	<b>139</b>	1
More than one year	<b>1</b>	8
	<b>346</b>	647

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:

	2014 £000	2013 £000
Opening balance	<b>39</b>	239
Movement in provision for receivables	<b>95</b>	(200)
Closing balance	<b>134</b>	39

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.

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 14. Borrowings

	2014 £000	2013 £000
Bank loans payable within one year	667	1,013
Bank loans payable after one year	—	667
	<b>667</b>	<b>1,680</b>

Borrowings at 31 March 2014 is a Sterling bank loan. 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 2014 is £0.7m (2013: £1.3m).

The Euro bank loan was repaid in one payment on 30 April 2013. The loan principal was €0.4m and interest was payable at a rate of LIBOR + 4.25%. The balance outstanding at 31 March 2014 was £Nil (2013: £0.3m).

#### 15. Trade and other payables

	2014 £000	2013 £000
Trade payables	741	608
Other taxes and social security costs	1,305	843
Accruals and other payables	649	772
	<b>2,695</b>	<b>2,223</b>

#### 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:

##### 1) 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.

Mitigation: 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.

## 16. Financial risk management and financial instruments continued

### Market risk continued

#### II) Inflation risk

The Group has exposure to the inflationary effect 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.

Mitigation: 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.

Mitigation: 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.

#### 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.

Mitigation: 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.

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	2014 £000	2013 £000
Cash and cash equivalents	2,929	1,874
Trade and other receivables	3,366	2,786
Categorised as loans and receivables	6,295	4,660

#### 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.

Mitigation: The Group's Audit Committee regularly reviews controls over certain aspects of the operations of the Group. In addition, the Audit Committee maintains an operational risk register. Such 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.

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 16. Financial risk management and financial instruments continued

##### Liquidity risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands.

Mitigation: 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 2014 the Group's financial liabilities were as follows:

	2014 £000	2013 £000
<b>Current liabilities</b>		
Trade and other payables	1,390	1,380
Borrowings	667	1,013
<b>Non-current liabilities</b>		
Borrowings	—	667
<b>Categorised as financial liabilities measured at amortised cost</b>	<b>2,057</b>	<b>3,060</b>

##### Maturity analysis

At 31 March 2014 the Group's liabilities have contracted maturities which are summarised below:

	2014		2013	
	Up to one year £000	One to five years £000	Up to one year £000	One to five years £000
Bank borrowings	667	—	1,066	684
Trade and other payables	1,390	—	1,380	—
<b>Total</b>	<b>2,057</b>	<b>—</b>	<b>2,446</b>	<b>684</b>

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

##### Interest rate sensitivity

The Group is exposed to changes in market interest rates (LIBOR) through the bank borrowings as set at in note 14.

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 2014	5,147	5,161	18,154	18,168



## 16. Financial risk management and financial instruments continued

### 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 £0.67m 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 2014.

## 17. Share capital

	2014 £000	2013 £000
<b>Authorised</b>		
714,034,085 Ordinary Shares of 0.5p each (2013: 714,034,085)	3,570	3,570
<b>Allotted, called up and fully paid</b>		
263,366,260 Ordinary Shares of 0.5p each (2013: 232,409,897)	1,317	1,162
429,829,575 deferred shares of 0.1p each (2013: 429,829,575)	430	430
	<b>1,747</b>	<b>1,592</b>

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 28 May 2013, the Company issued 120,000 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 12 June 2013, the Company issued 120,000 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 17 July 2013, the Company issued 19,090,909 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 10.5p per share, which has been credited to the share premium account, net of issue costs of £93,000.

On 17 July 2013, the Company also issued further 4,545,454 Ordinary Shares of 0.5p per share to a then-prospective new Director. The shares were issued at premium of 10.5p per share, which has been credited to the share premium account.

On 16 August 2013, the Company issued 1,000,000 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 5.5p per share, which has been credited to the share premium account.

## Notes to the consolidated financial statements continued

### For the year ended 31 March 2014

#### 17. Share capital continued

##### Share issue continued

On 16 August 2013, the Company issued 1,600,000 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 22 August 2013, the Company issued 2,400,000 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 October 2013, the Company issued 800,000 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 3 December 2013, the Company issued 80,000 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 8.5p per share, which has been credited to the share premium account.

On 5 December 2013, the Company issued 200,000 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 8.5p per share, which has been credited to the share premium account.

On 30 January 2014, the Company issued 1,000,000 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.

#### 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% historically, and for the year under review between 34% to 38% to reflect the current market situation, giving a charge to the profit and loss account for the year ended 31 March 2014 of £66,906 (2013: £2,445), with the same amount being credited to reserves. The expected volatility has been based on historical volatility, historically using market prices of Lombard Risk Management plc shares between 4 September 2004 and 31 March 2010, giving 30%. For the year under review, volatility is calculated using past year share price at the date of share option issued, giving a volatility between 34% to 38% for various share option issued; for details see below.

##### 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.

**18. Share options continued**

Equity-settled share-based payments continued

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

	At start of year	Granted	Modified	Exercised	Lapsed/ waived	At end of year	Exercise price (p)	Exercise date from	Exercise date to
<b>2004 EMI Scheme</b>	1,720,000	—	—	(280,000)	(1,440,000)	—	9.00	April 2008	April 2013
	300,000	—	—	—	(300,000)	—	9.00	December 2008	December 2013
	1,500,000	—	—	—	—	<b>1,500,000</b>	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
	4,160,000	—	—	(3,640,000)	—	<b>520,000</b>	5.50	January 2013	January 2016
	—	1,000,000	—	—	—	<b>1,000,000</b>	12.00	April 2015	April 2018
<b>Unapproved Scheme</b>	70,000	—	—	—	(70,000)	—	9.00	April 2008	April 2013
	4,585,635	—	(2,000,000)	(185,635)	—	<b>2,400,000</b>	4.50	May 2012– May 2014	May 2015
	1,600,000	—	—	(800,000)	—	<b>800,000</b>	5.50	January 2013	January 2016
	500,000	—	—	—	—	<b>500,000</b>	12.00	April 2014	April 2017
	900,000	—	—	—	—	<b>900,000</b>	12.00	May 2014	May 2017
	—	—	2,000,000	—	—	<b>2,000,000</b>	11.00	August 2013	July 2017
	—	1,303,012	—	—	—	<b>1,303,012</b>	13.00	July 2015	July 2018
	—	2,868,676	—	—	—	<b>2,868,676</b>	13.00	July 2016	July 2018
	—	2,150,000	—	—	(450,000)	<b>1,700,000</b>	13.00	August 2015	August 2018
	—	1,350,000	—	—	(300,000)	<b>1,050,000</b>	13.00	August 2016	August 2018
	—	250,000	—	—	—	<b>250,000</b>	13.00	August 2017	August 2018
	—	500,000	—	—	—	<b>500,000</b>	13.00	November 2015	November 2018
	—	250,000	—	—	—	<b>250,000</b>	13.00	November 2016	November 2018
	—	250,000	—	—	—	<b>250,000</b>	13.00	November 2017	November 2018
	—	2,000,000	—	—	—	<b>2,000,000</b>	14.00	January 2016	January 2019
<b>CSOP Scheme</b>	—	3,428,312	—	—	—	<b>3,428,312</b>	12.00	March 2017	March 2024
	17,750,000	15,350,000	—	(7,320,000)	(2,560,000)	<b>23,220,000</b>			

2,000,000 share options were modified during the year under review. Details of the inputs into the modified options are set out in the table below. The cost of the modification has been calculated as the difference between the fair value of the original share option price and the fair value of the re-priced options, both measured at the modification date. The cost of the modification is £130,000 and this amount has been debited directly to the other reserves within equity.

# Notes to the consolidated financial statements continued

## For the year ended 31 March 2014

### 18. Share options continued

Equity-settled share-based payments continued

Details of share options granted during the year are as follows:

Grant date	April 2013	July 2013	July 2013	August 2013	August 2014	November 2014	January 2014	March 2014	March 2014
Share price at grant	8.3p	10.8p	11.5p	12.1p	12.3p	12.5p	13.3p	10.4p	10.4p
Exercise price	12.0p	13.0p	13.0p	13.0p	13.0p	13.0p	14.0p	12.0p	12.0p
Contractual life (years)	3	3	3	3	3	3	3	3	7
Staff turnover	50%	50%	50%	50%	50%	50%	50%	50%	50%
Risk-free rate	Discount curve used for UK on the day of valuation								
Expected volatility	36.1%	38.2%	38.0%	38.0%	38.0%	37.7%	35.3%	34.7%	34.7%
Expected dividend yield	—	—	—	—	—	—	—	—	—
Fair value of option	1.62p	2.93p	3.27p	3.64p	3.77p	3.94p	3.92p	2.72p	4.35p

Details of share options modified during the year are as follows.

Modification date	August 2013
Share price at modification	11.22p
Exercise price	11p
Contractual life (years)	4
Value at the date of modification	0.22p

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

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding at beginning of the year	17,750,000	6.16p	19,170,000	5.54p
Granted during the year	15,350,000	12.63p	1,400,000	12.00p
Exercised during the year	(7,320,000)	5.27p	(1,600,000)	4.84p
Lapsed during the year	(2,560,000)	10.17p	(1,220,000)	4.84p
Outstanding at end of the year	23,220,000	10.88p	17,750,000	6.16p
Exercisable at the year end	6,420,000		12,350,000	

The weighted average remaining contractual life of share options outstanding at the year end was 2.3 years (2013: 2.1 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:

	2014 £000	2013 £000
Within one year or less	1,007	1,220
Within one to five years	390	933
<b>Total</b>	<b>1,397</b>	<b>2,153</b>

### 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 was no ultimate controlling party at 31 March 2014.

### 23. Dividends

During 2014, Lombard Risk Management plc paid a dividend of £171,686 (2013: £139,166) to its equity shareholders. This represents a payment of 0.070p per share (2013: 0.060p).

Also during 2014, the Directors proposed a dividend of 0.045p per share (2013: 0.040p) to be paid on 25 July 2014 to those shareholders on the register on 11 July 2014. 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 2014 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 2014 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 19, 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 Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://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 2014;
- 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 2014.

#### Christopher Smith

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
12 May 2014



# Company balance sheet

## As at 31 March 2014

Company number: 03224870	Note	As at 31 March 2014 £000	As at 31 March 2013 £000
<b>Fixed assets</b>			
Tangible assets	4	129	109
Intangible assets	4	132	10
Investments in subsidiaries	5	12,611	12,611
		<b>12,872</b>	<b>12,730</b>
<b>Current assets</b>			
Debtors due within one year	6	7,417	5,957
Cash at bank and in hand		88	90
		<b>7,505</b>	<b>6,047</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(1,042)</b>	<b>(1,648)</b>
<b>Net current assets</b>		<b>6,463</b>	<b>4,399</b>
<b>Total assets less current liabilities</b>		<b>19,335</b>	<b>17,129</b>
Creditors: amounts falling due after more than one year	8	—	(667)
<b>Net assets</b>		<b>19,335</b>	<b>16,462</b>
<b>Capital and reserves</b>			
Called up share capital	10	1,747	1,592
Share premium	11	9,375	6,622
Other reserves	11	7,047	7,197
Profit and loss account	11	1,166	1,051
<b>Shareholders' funds</b>		<b>19,335</b>	<b>16,462</b>

The financial statements were approved by the Board on 12 May 2014 and signed on its behalf by:

  
**John Wisbey**  
 Chief Executive Officer

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

Overview

Chairman's statement

Strategic report

Governance

Financial statements

## Notes to the Company financial statements

### For the year ended 31 March 2014

#### 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 2014, 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 2014. The Directors have prepared a cash flow forecast for the period to 30 June 2015, 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 2014.

##### (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	2014 £000	2013 £000
Wages and salaries	2,190	1,535
Social security costs	381	252
Pension costs	15	9
Share-based payments charge (note 18 to the consolidated financial statements)	67	2
<b>Total staff costs</b>	<b>2,653</b>	<b>1,798</b>

## 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 £200,252 (2013: £145,000).

## 4. Fixed assets

Company	Computer hardware £000	Fixtures, fittings and equipment £000	Computer software £000	Total £000
<b>Cost</b>				
At 1 April 2013	960	450	334	1,744
Additions	106	9	214	329
<b>At 31 March 2014</b>	<b>1,066</b>	<b>459</b>	<b>548</b>	<b>2,073</b>
<b>Depreciation</b>				
At 1 April 2013	879	422	324	1,625
Charge for the year	82	13	92	187
<b>At 31 March 2014</b>	<b>961</b>	<b>435</b>	<b>416</b>	<b>1,812</b>
Net book value				
<b>At 31 March 2014</b>	<b>105</b>	<b>24</b>	<b>132</b>	<b>261</b>
At 31 March 2013	81	28	10	119

# Notes to the Company financial statements continued

## For the year ended 31 March 2014

### 5. Investments in subsidiaries

Investments in subsidiaries	2014 £000	2013 £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 2014 the undertakings in which the Company held more than 20% of the allotted share capital were as follows:

	Proportion of Ordinary Share capital held		Country of incorporation	Business
	By Parent (%)	By Group (%)		
Lombard Risk Systems Limited	100	100	UK	Software
Lombard Risk Compliance Limited	100	100	UK	Software
Lombard Risk International Limited	100	100	China	Software
Lombard Risk Systems Inc.	—	100	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	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**

	2014 £000	2013 £000
Amounts receivable from subsidiary undertakings	7,199	5,861
Prepayments and sundry debtors	218	96
	<b>7,417</b>	<b>5,957</b>

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

**7. Creditors due within one year**

	2014 £000	2013 £000
Borrowings	667	1,013
Trade creditors	207	287
Accruals	168	348
	<b>1,042</b>	<b>1,648</b>

**8. Creditors due after one year**

	2014 £000	2013 £000
Borrowings	—	667

Borrowings at 31 March 2014 is a Sterling bank loan. 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 2014 was £0.67m (2013: £1.3m).

The Euro bank loan was repaid in one payment on 30 April 2013. The loan principal was €0.4m and interest was payable at a rate of LIBOR + 4.25%. The balance outstanding at 31 March 2014 was £Nil (2013: £0.3m).

**9. Taxation**

There is no recognised or unrecognised deferred tax asset or liability in the balance sheet.

# Notes to the Company financial statements continued

## For the year ended 31 March 2014

### 10. Share capital

	2014 £000	2013 £000
<b>Authorised</b>		
714,034,085 Ordinary Shares of 0.5p each (2013: 714,034,085)	3,570	3,570
<b>Allotted, called up and fully paid</b>		
263,366,260 Ordinary Shares of 0.5p each (2013: 232,409,897)	1,317	1,162
429,829,575 deferred shares of 0.1p each (2013: 429,829,575)	430	430
	<b>1,747</b>	<b>1,592</b>

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 28 May 2013, the Company issued 120,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 5.0p per share, which has been credited to the share premium account.

On 12 June 2013, the Company issued 120,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 5.0p per share, which has been credited to the share premium account.

On 17 July 2013, the Company issued 19,090,909 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 10.5p per share, which has been credited to the share premium account, net of issue costs of £93,000.

On 17 July 2013, the Company also issued further 4,545,454 Ordinary Shares of 0.5p per share to a then prospective new director. The shares were issued at premium of 10.5p per share, which has been credited to the share premium account.

On 16 August 2013, the Company issued 1,000,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 5.5p per share, which has been credited to the share premium account.

On 16 August 2013, the Company issued 1,600,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 4.0p per share, which has been credited to the share premium account.

On 22 August 2013, the Company issued 2,400,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 5.0p per share, which has been credited to the share premium account.

On 7 October 2013, the Company issued 800,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 5.0p per share, which has been credited to the share premium account.

On 3 December 2013, the Company issued 80,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 8.5p per share, which has been credited to the share premium account.

On 5 December 2013, the Company issued 200,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. The shares were issued at a premium of 8.5p per share, which has been credited to the share premium account.

On 30 January 2014, the Company issued 1,000,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme. 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	Modified	Exercised	Lapsed/ waived	At end of year	Exercise price (p)	Exercise date from	Exercise date to
<b>2004 EMI Scheme</b>	1,720,000	—	—	(280,000)	(1,440,000)	—	9.00	April 2008	April 2013
	300,000	—	—	—	(300,000)	—	9.00	December 2008	December 2013
	1,500,000	—	—	—	—	<b>1,500,000</b>	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
	4,160,000	—	—	(3,640,000)	—	<b>520,000</b>	5.50	January 2013	January 2016
	—	1,000,000	—	—	—	<b>1,000,000</b>	12.00	April 2015	April 2018
<b>Unapproved Scheme</b>	70,000	—	—	—	(70,000)	—	9.00	April 2008	April 2013
	4,585,635	—	(2,000,000)	(185,635)	—	<b>2,400,000</b>	4.50	May 2012– May 2014	May 2015
	1,600,000	—	—	(800,000)	—	<b>800,000</b>	5.50	January 2013	January 2016
	500,000	—	—	—	—	<b>500,000</b>	12.00	April 2014	April 2017
	900,000	—	—	—	—	<b>900,000</b>	12.00	May 2014	May 2017
	—	—	2,000,000	—	—	<b>2,000,000</b>	11.00	August 2013	July 2017
	—	1,303,012	—	—	—	<b>1,303,012</b>	13.00	July 2015	July 2018
	—	2,868,676	—	—	—	<b>2,868,676</b>	13.00	July 2016	July 2018
	—	2,150,000	—	—	(450,000)	<b>1,700,000</b>	13.00	August 2015	August 2018
	—	1,350,000	—	—	(300,000)	<b>1,050,000</b>	13.00	August 2016	August 2018
	—	250,000	—	—	—	<b>250,000</b>	13.00	August 2017	August 2018
	—	500,000	—	—	—	<b>500,000</b>	13.00	November 2015	November 2018
	—	250,000	—	—	—	<b>250,000</b>	13.00	November 2016	November 2018
	—	250,000	—	—	—	<b>250,000</b>	13.00	November 2017	November 2018
	—	2,000,000	—	—	—	<b>2,000,000</b>	14.00	January 2016	January 2019
<b>CSOP Scheme</b>	—	3,428,312	—	—	—	<b>3,428,312</b>	12.00	March 2017	March 2024
	17,750,000	15,350,000	—	(7,320,000)	(2,560,000)	<b>23,220,000</b>			

2,000,000 share options were modified during the year under review. The cost of the modification has been calculated as the difference between the fair value of the original share option price and the fair value of the re- share options, both measured at the modification date. The cost of the modification is £130,000 and this amount has been debited directly to the other reserves within equity.

## Notes to the Company financial statements continued

### For the year ended 31 March 2014

#### 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 2013	1,592	6,622	7,197	1,051	16,462
Issue of share capital, net of issue costs	155	2,753	—	—	2,908
Profit for the year	—	—	—	200	200
Dividend	—	—	—	(172)	(172)
Share-based payment charge	—	—	67	—	67
Share option modification expense	—	—	(130)	—	(130)
Share option lapsed or exercised	—	—	(87)	87	—
<b>Balance at 31 March 2014</b>	<b>1,747</b>	<b>9,375</b>	<b>7,047</b>	<b>1,166</b>	<b>19,335</b>

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 £145,000 (2013: £64,000) to Lombard Risk Compliance Policies Limited in respect of support services provided. In addition, working capital support was made total of £115,000 (2013: £199,000). The balance owed by Lombard Risk Compliance Policies Limited to the Company at 31 March 2014 is £523,000 (2013: £263,000).

Lombard Risk Management plc has provided a letter of guarantee to Lombard Risk Compliance Policies Limited confirming that it will provide it with working capital support, if required, until 31 May 2015.

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

Nick Davies  
Chief Technology Officer

John McCormick  
Senior Non-executive Director

Steve Rogers  
Non-executive Director

Company Secretary  
Lisa Tan

**Registered office**

7th Floor  
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245 Blackfriars Road  
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**Nominated adviser and broker**

Charles Stanley Securities  
131 Finsbury Pavement  
London EC2A 1NT

**Auditor**

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Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

**Corporate solicitors**

Memery Crystal  
44 Southampton Buildings  
London WC2A 1AP

**Registrars**

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PO Box 859  
The Pavilions  
Bridgwater Road  
Bristol BS99 1XZ

**Date**

Annual General Meeting  
9 July 2014