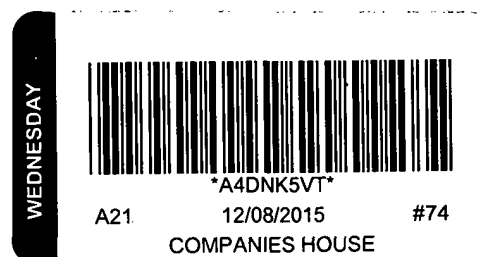


# **Managing collateralised trading. Enabling regulatory compliance.**

**Lombard Risk Management plc**  
**Annual report and accounts 2015**

**Company registration number**  
**03224870**



# Industry-leading risk management and regulatory compliance solutions.

Lombard Risk Management plc is a global technology firm with a special focus on collateral management, regulatory and compliance.

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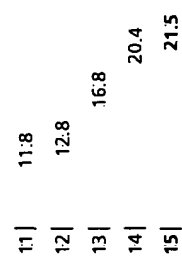
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## 2015 HIGHLIGHTS

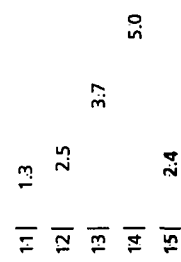
Revenue  
+5.4%

**£21.5m**



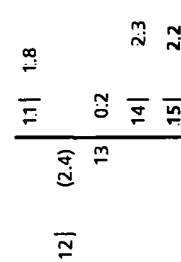
Total comprehensive income  
-52%

**£2.4m**



Adjusted net cash/debt  
-4.3%

**£2.2m**



- Revenue increased by 5.4% to £21.5m (2014: £20.4m)
- Adjusted EBITDA<sup>(1)</sup> £4.3m (2014: £6.0m)
- Profit before tax £2.3m (2014: £4.4m)
- Cash at end of period £2.2m (2014: £2.9m) after repayment of debt
- Strong performance from North American Collateral business
- Number of COREP customers rose to 125
- Good progress made with next generation of regulatory product
- Record order book of £5.9m (2014: £5.2m)
- Further significant progress with Alliances Programme
- Final dividend 0.045p per share (2014: 0.045p per share) recommended to shareholders
- Well placed for future growth

(1) Earnings before interest, tax, depreciation, amortisation and share-based payment charge.

Visit [www.lombardrisk.com](http://www.lombardrisk.com)  
and follow us on Twitter  
@LombardRiskM

Business model  
page 10

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page 12

## AT A GLANCE

# A market leader in collateral management and regulatory compliance

The Lombard Risk Management plc integrated solution suite, together with its collateral, regulatory and financial expertise, enables firms to better monitor and manage risk, and operate efficiently in today's highly regulated environment – contributing to a stable financial services marketplace.

Trusted by financial services institutions and large organisations around the world.

---

**7**

locations all over the world

---

**300+**

worldwide clients

---

**26+**

years of experience in the industry

## Our products

We are committed to providing innovative specialised solutions that stay a step ahead of complex collateralised trading demands, changing market conditions, increasing regulatory challenges, ongoing financial and operational risk pressures and new financial regulatory compliance mandates as they arise. Lombard Risk Management plc has two key divisions: Risk (Collateral) Management and Regulatory Compliance.

## RISK MANAGEMENT DIVISION

Revenue of Risk Management  
+7%

**£11.6m**

**54%** of group revenues in FY 2015

---

**COLLINE®**  
Collateral management, clearing, inventory management and optimisation.

---

**OBERON®**  
Valuation and risk of derivatives and other financial products.

---

Learn more about our products:  
[www.lombardrisk.com/products](http://www.lombardrisk.com/products)

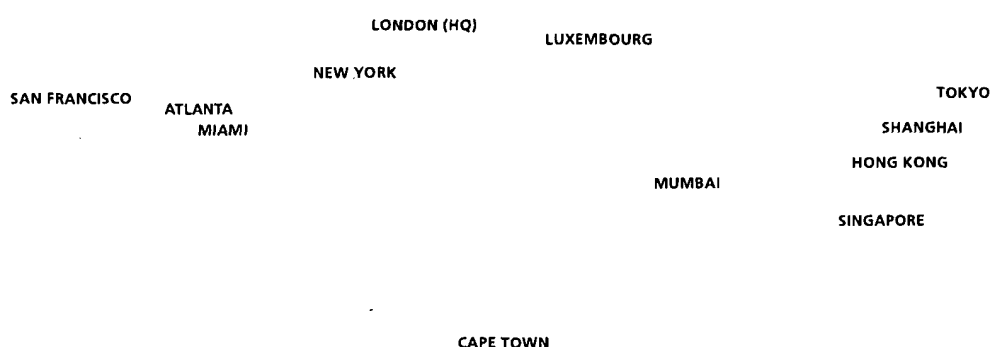
## Worldwide presence

Lombard Risk Management plc is headquartered in London, employs around 300 people and is expanding, and operates globally via subsidiaries who both develop and deliver its products and a range of services, as well as a carefully selected group of alliance partners.

### Offices

### Representation

### Alliance Partners



### Alliance Partners

#### Joint delivery, support and implementation through Alliance Partners.

A team of global partners with complementary skills in risk and regulatory compliance, enable us to deliver enhanced offerings to solve our collective customers' most critical business challenges around the world.

Accenture | Broadridge | CSC | Genpact | NTT Data | Oracle | PWC – [www.lombardrisk.com/partners-alliances](http://www.lombardrisk.com/partners-alliances)

## REGULATORY COMPLIANCE DIVISION

Revenue of Regulatory Compliance  
+4%

**£9.9m**

**46%** of group  
revenues in  
FY 2015

**The REPORTER platform**  
End-to-end, automated global  
regulatory reporting.

**REPORTER MIS**  
Making the most of valuable  
regulatory data.

**ComplianceASSESSOR™**  
Addressing regulatory risk.

**REG-Xperts**  
Software solutions designed  
by experts.

**LISA®**  
Complete solution for liquidity  
scenario analysis.

**REFORM™**  
Real-time, high-volume regulatory  
reporting and connectivity.

## EXECUTIVE CHAIRMAN'S STATEMENT

# Another year of revenue growth

### Strategic report

The Strategic report comprises:

- **Executive Chairman's statement**  
(pages 04 to 05)
- **Business review**  
(pages 06 to 11)
- **Financial review**  
(pages 12 to 13)
- **Principal risks and uncertainties**  
(pages 14 to 15)

The Strategic report was approved by the Board on 20 May 2015 and signed on its behalf by:

**Philip Crawford**  
Executive Chairman  
• 20 May 2015

The Board is pleased to report another year of revenue growth for Lombard Risk Management plc and a number of significant client wins.

#### Highlights

The Group recorded revenue growth in both its Regulatory Compliance and Risk Management divisions but the rate of growth declined on previous years and we updated the market to this effect on 11 March 2015. The decline in revenue growth was largely attributable to regulatory delays which has led to the deferral of opportunities rather than their loss. A number of significant contract wins in the second half of the year reaffirms our belief in the value that our technology solutions provide to our clients.

The Group has made substantial progress with its Alliances programme which has delivered revenues in the year and gives us grounds for optimism over the coming months. We consider the support and engagement of our partners to be further validation of our product and service offerings.

The environment of regulatory change continues apace and we have continued to invest strategically in both our products and our infrastructure to ensure that we remain in a position to provide our customers with the highest quality products, implementation and post-sale support. Following the expiry of our office leases in London, New York and New Jersey, we have taken on new premises for our Group headquarters in London and have combined our US East Coast teams into a consolidated office in Manhattan, New York.

The investment in the Group's infrastructure is reflected in the profits for the year which are down on the prior year, but this is primarily as a result of increasing resources through the recruitment of additional headcount for both the delivery and support of client projects.

#### Dividend

We have pursued a progressive dividend policy for a number of years now and on the back of the Group's performance for the year, the Board proposes a final dividend of 0.045p per share which, if approved, will be paid on 27 July 2015 to those shareholders on the register on 10 July 2015. This brings the dividend for the year to 0.08p per share (2014: 0.075p), an increase of 6.7%.

### Strategy

We stated last year that the Board intended to replicate the strong performance from its direct sales team in Europe in the Americas and Asia Pacific and we are pleased to say that the Group experienced encouraging growth for its collateral management product, particularly in the North American region. The Board continues to have faith in the direct sales function and, following some initial success in the past financial year, expects to see this complemented by increased sales traction through our global network of partners.

The increase in opportunities through our partner network is providing us with exposure to both a broader range of larger clients and opportunities in new territories. It is the Board's intention to proactively invest in these opportunities to serve as a further engine for growth.

### Employees

Our employees remain one of our core assets and their specialist knowledge, commitment, diligence and pride in what they do is a credit to both them and the Group as a whole. We remain proud of the diversity that is evident in our workforce and the Board would like to thank all of our employees for their valued contribution.

### Board of Directors

Since the Annual General Meeting held in 2014 we have appointed Nigel Gurney as Executive Director and Chief Financial Officer, effective 1 September 2014.

On 18 May 2015 John Wisbey informed the Board of his intention to stand down as Chief Executive of the Company with immediate effect. Previously the Company's Non-executive Chairman, Philip Crawford is now the full time Executive Chairman on an interim basis until such time that the Board is in a position to appoint a new Chief Executive. John Wisbey will continue to serve the Company as a Non-executive Director.

### AGM

The Annual General Meeting will be held at the Group's London office at 9.30am on Thursday 9 July 2015. The Directors look forward to meeting shareholders at that time.

The Board is pleased to report another year of revenue growth for Lombard Risk Management plc and a number of significant client wins.

**Philip Crawford**  
Executive Chairman

## BUSINESS REVIEW

# We have continued to invest appreciably during the year, in product development, delivery capability and in further strengthening the sales team

### Summary

- Revenue increased by 5.4% to £21.5m (2014: £20.4m)
- Adjusted EBITDA decreased to £4.3m (2014: £6.0m)
- Profit before tax decreased to £2.3m (2014: £4.4m)
- Strong performance from North American Collateral business
- Number of COREP customers rose to 125
- Good progress made with next generation of regulatory product
- Further significant progress with Alliances Programme
- Well placed for future growth

We enter the new financial year with our recurrent revenues at another all-time high of around £9.5m (2014: £8.6m), our highest ever level of order book at £5.9m and a good sales pipeline.

Philip Crawford  
Executive Chairman

The year was another record year for revenues, although revenue growth was not as strong as we had hoped. Revenue increased by 5.4% to £21.5m, giving a five year compound annual revenue growth rate of 19.2%. Annually recurring revenues made up 42% (2014: 42%) of total revenues. Net cash at 31 March 2015 was almost unchanged from the level twelve months previously at £2.24m (2014: £2.26m).

In line with the Group's usual trading pattern, second half revenue of £12.2m (2014: £13.1m) was higher than the first half of £9.3m (2014: £7.3m) and accounted for 56.9% of the year's total revenue. This compares with an average for second half revenue in the last five years of 55.3% of the year's total revenue. The previous year was a clear outlier with second half revenues making up 64.4% of the full year revenues, the only year in ten years that it had exceeded 60%.

We have continued to invest appreciably during the year, in product development, delivery capability and in further strengthening the sales team, including the appointment of a Managing Director, Americas. Costs were also significantly higher in the second half, reflecting an increase in headcount and this resulted in a fall in EBITDA and also profit before tax. In addition, the proportion of development costs capitalised was lower, which also affected profitability.

Different parts of the business performed with varying degrees of success. The UK regulatory business had an extremely high growth rate in 2014 with the UK regulatory change around the European Banking Authority's ("EBA") COREP and despite continued regulatory change it was hard to repeat that performance for two years in a row.

The Risk Management and Trading business performed well, especially in North America and Japan, and we concluded a number of significant contract wins in the financial year for our COLLINE<sup>®</sup> collateral management software in both North America and Asia, along with the successful deployment of two substantial projects for COLLINE<sup>®</sup> in Europe. There is appreciable regulatory change affecting the collateral management space, including regulations being agreed by the International Organization of Securities Commissioners ("IOSCO"). However, towards the end of the financial year the key regulatory date for IOSCO slipped by nine months, and this reduced the urgency with which our customers are required to make their buying decisions, with resultant deferral of revenue.



## Outlook

The Board looks forward to the forthcoming year with a mix of excitement and optimism. 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. We see the growth in our partner programme as being an important factor in the evolution of the Group over the coming months.

The EBA's initiatives continue to keep us extremely busy, and revenue from this will continue in the current financial year with more revenue from ALMM and LCR reports expected. We concluded our first contract to deliver the new United States Federal Reserve reports FRY-14, and we expect this to be an important contributor to the current financial year along with the IOSCO changes. We also concluded a contract with a major US bank for its Asian regulatory reporting, and this is strategically important to our Asian strategy. Additional growth can also be expected to come from the Compliance area, for example for the new Senior Managers Regime which comes into effect in March 2016. Our proportion of revenue from Alliances is expected to grow quite appreciably this year. As a result of all the above we remain confident of further growth in the new financial year and beyond.

We enter the new financial year with our recurrent revenues at another all-time high of around £9.5m (2014: £8.6m), our highest ever level of order book at £5.9m and a good sales pipeline.

We will continue with our planned investments to support our future growth. Current trading is satisfactory and our expectations for the year as a whole remain broadly unchanged.

## 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.

## Strategy

What we do, what we plan to do and why

Lombard Risk Management plc 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 over 19% that we have achieved in the last five years is indicative of our strategy having worked in that period, and the Board has no current plan to diversify out of this area for now 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 growth rate that we have achieved in the last five 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.

## 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.

## BUSINESS REVIEW continued

Turnover for both operating divisions, being Regulatory Compliance and Risk Management and Trading, were respectively 3.6% and 7.0% higher than the prior year.

**Philip Crawford**  
Executive Chairman

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

Turnover for both operating divisions, being Regulatory Compliance and Risk Management and Trading, were respectively 3.6% and 7.0% higher than the prior year. The increase in revenues was predominantly in Asia Pacific and the Americas (previous year the United Kingdom).

Operating costs have been monitored and have increased consistently across both operating divisions.

### Business model

#### Products

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

#### i) Risk Management and Trading division – 54% of Group revenues in FY 2015 (2014: 53%):

- COLLINE® – OTC Collateral management, Repo, Securities Lending, Cash and Inventory Management, Optimisation. Market-leading position including several Tier 1 banks; and
- OBERON® valuation and risk of derivatives and other financial products.

COLLINE® had a successful year with a number of significant contract wins, some in conjunction with our partners. COLLIN® 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 COLLIN® 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 – 46% of Group revenues in FY 2015 (2014: 47%)

- REPORTER – Regulatory Reporting in multiple countries; market-leading position in UK (eg FCA and PRA reporting);
- 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;
- LISA® – stress testing of liquidity reporting; and
- ComplianceASSESSOR™ – product that allows firms to manage their ongoing compliance with regulations and produce multiple reports around the related compliance risks.

This year saw a further 58 client groups sign up for our COREP solution, with a multiple of that for the exact number of legal entities. We also concluded a contract with a major US bank for its Asian regulatory reporting. In the US we continue to sell 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 2015, 47% of our revenues were from the UK (2014: 59%) and a further 16% from EMEA non-UK (2014: 13%). 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. Revenues from the Americas represented 24% of Group revenue (2014: 20%) as a result of strong COLLIN® revenue.

### Intellectual property

The intellectual property of the Group remains a key asset, enabling Lombard Risk Management plc 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 £5.1m.

# Key performance indicators

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

## Turnover by trading division £m

2015			
2014			
11.6	10.8	9.6	9.9

Regulatory Compliance  
division (47%)  
Risk Management  
division (53%)

## Turnover by geography £m

2015			
2014			
3.0	4.1	12.0	10.0
1.6	2.7		

3.4  
United Kingdom  
Rest of Europe, Middle East  
and Africa  
The Americas  
Asia Pacific

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

Professional services	4.6	5.3	87%	
Support and maintenance	2.2	6.7	33%	
Sales and marketing*	4.3			21.5 20%
Research and development*	5.3			21.5 25%
General and administration (including property costs)*	5.2			21.5 24%

\* Versus total  
revenue

Cost  
Revenue

## Working capital management £m

Trade receivables  
+28%

**£3.7m**

15	3.7
14	2.9

Trade payables  
+29%

**£0.9m**

15	0.9
14	0.7

Administrative expenses  
+19.6%

**£18.9m**

15	18.9
14	15.8

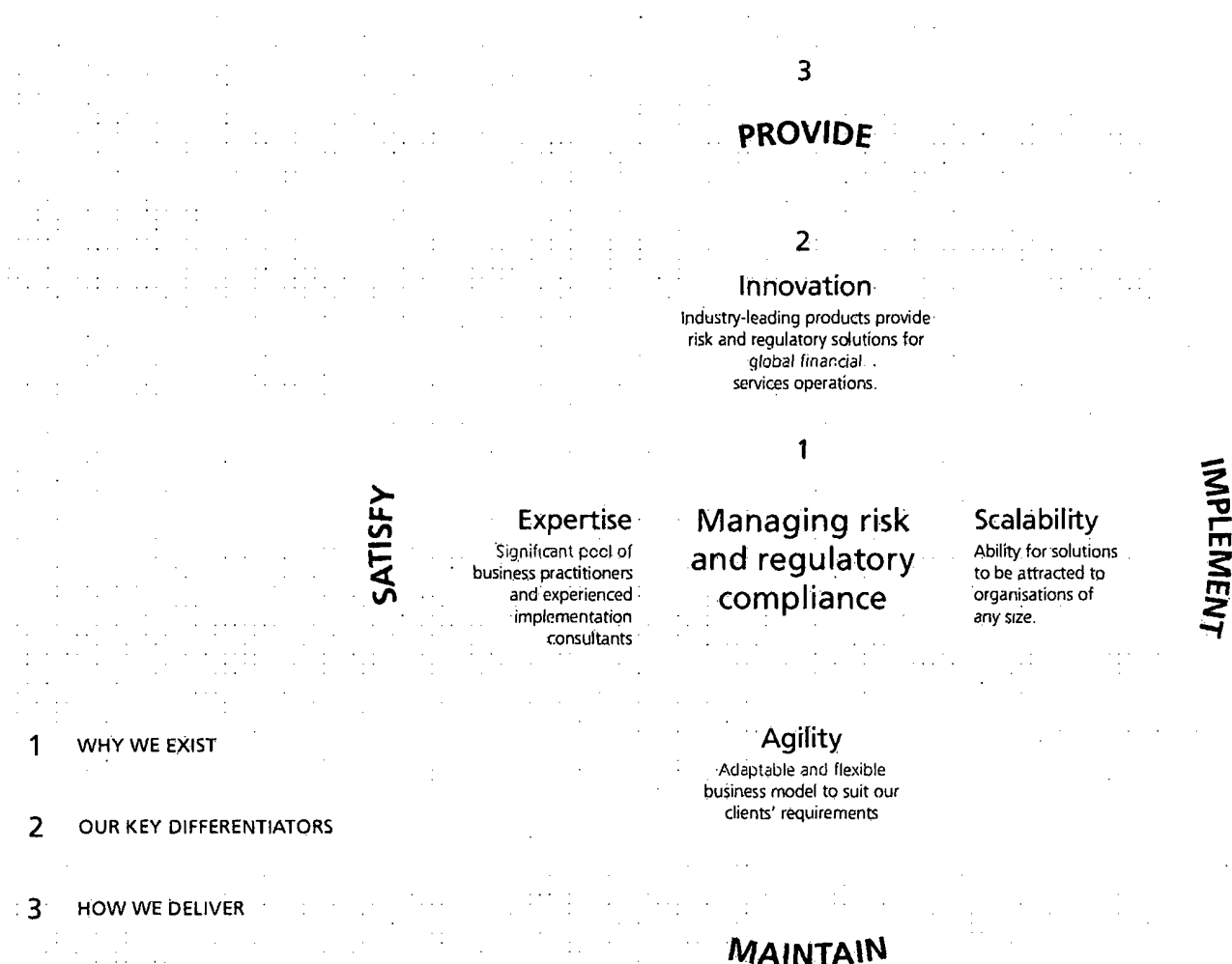
Investment in development  
-3.8%

**£5.1m**

15	5.1
14	5.3

## BUSINESS REVIEW continued

# Our business model



### Personnel

We are headquartered in London, England, but 64% of our 302 employees work outside the UK. Our development and testing centre is in Shanghai, China. We have offices in the US (New York), 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 80% of our cash cost base. Retaining key staff is always very important to us.

We have an extremely diverse employee base with 26 different nationalities employed and 91 female staff members and 211 male staff members, being 30% and 70% of the staff respectively, which we believe compares favourably with technology companies where there are traditionally many more male than female applicants. It is an important principle for us to encourage talent and to recruit 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. Three of our sixteen-person executive leadership team are female, although we do not have any female representation on the Board.

### Environmental issues

UK company law now requires that the Board of fully listed companies comments on environmental issues. 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 undertake air travel and this has an environmental impact.

### Social community and human rights issues

UK company law now requires that the Board of fully listed companies comment on social community and human rights issues. 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 generally 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.

## All stages have opportunities for revenue growth.

### Our products and services cycle

#### PROVIDE

Through a combination of expertise, experience and software, Lombard Risk Management plc PROVIDES solutions that address real business needs.

#### IMPLEMENT

Our professional services team work closely with clients to ensure successful delivery and integration.

#### MAINTAIN

Software and content is updated in line with changing regulatory and market issues, and our client services team are on hand to provide expert support to our clients.

#### SATISFY

We work closely with our clients to ensure that their business and technology needs are met fully.

## We have an extremely diverse employee base with 26 different nationalities employed.

**Philip Crawford**  
Executive Chairman

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, cricket and badminton. HR departments ensure an appropriate level of care for the welfare of employees as well as the implementation of HR policies.

The Company complies with the laws to which it is subject 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 not normally restrict dealings by the Group with such entities or countries unless it became concerned about the reputational risk of not doing so.

#### Risks

The Group's main risks are incorporated in the risk analysis included with this strategic report. 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 15 to the accounts.

## FINANCIAL REVIEW

Group revenue increased by 5% to a record £21.5m compared with £20.4m in the prior year.

Nigel Gurney  
Chief Financial Officer

### Summary

- Revenue increase by 5.4% to £21.5m (2014: £20.4m)
- Adjusted EBITDA<sup>(1)</sup> £4.3m (2014: £6.0m)
- Profit before tax £2.3m (2014: £4.4m)
- Cash at end of period £2.2m (2014: £2.9m) after repayment of debt

(1) Earnings before interest, tax, depreciation, amortisation and share-based payment charges.

### Group results

Group revenue increased by 5% to a record £21.5m compared with £20.4m in the prior year, with growth recorded in both the Regulatory Compliance and Risk Management and Trading software divisions. Licence revenues increased in the year by 1% to £9.5m (2014: £9.4m), representing 44% of revenues (2014: 46%). Recurring revenues totalled £9.1m compared with £8.6m in the prior year and represented approximately 42% of revenue (2014: 42%). Recurring revenues now have a current annual run rate in excess of £9.5m.

Operating profit before share-based payment charges, depreciation and amortisation (adjusted EBITDA) was £4.6m (2014: £6.0m). Profit before tax fell to £2.3m (2014: £4.4m), resulting in a basic earnings per share of 0.87p (2014: 2.07p). The proposed full year dividend per share is an increase of 6.7% to 0.08p in line with the group's progressive dividend policy, which equates to a dividend cover ratio of 10.9 times.

The effective rate of tax for the year was 0.1% (2014: credit of 16.6%). The deferred tax asset was marginally higher at £1.0m (2014: £1.0m) and the unrecognised deferred tax asset was £1.5m (2014: £2.0m).

### Cash flow

Cash generated in operations was £5.7m (2014: £5.2m). Balancing working capital requirements with investing in longer-term growth remains an integral part of the Group's financial responsibilities, as is the case for many growth technology companies. The Group produces weekly cash forecasts which are monitored closely. During the last financial year the Group entered into a £2.5m Revolving Loan Agreement with Barclays Bank Plc at a margin of 3.85%. There were no amounts owing under this agreement at the end of the financial year.

Investment in development expenditure that was capitalised was £5.1m (2014: £5.3m).

The Group raised £0.03m (2014: £0.4m) resulting from the exercise of employee stock options.

Net Group cash, being cash and cash equivalents less borrowings, of £2.2m is marginally down on the prior year (2014: £2.3m) following the repayment of the Sterling bank loan of £2.0m that had been taken out in 2012, against which £0.67m was repaid in the year.

### Balance sheet

Non-current assets at 31 March 2015 increased to £22.6m (2014: £18.0m) primarily as a result of the continued investment in capitalised development costs. This investment was applied across the Group's suite of products and included £1.5m of investment in COLLINE®, £1.3m in European regulatory reporting and £0.9m in the software platform to support its regulatory reporting products. The Directors are confident that this investment will bring future benefits to the business by enabling clients to both continue to meet their regulatory reporting obligations and more effectively *manage risk in an increasingly regulated environment* and by broadening the reach of the Group's products through both direct and indirect sales channels. The carrying value of non-current assets includes £5.9m in respect of goodwill arising on previous acquisitions, £4.5m in respect of the written-down value of the Group's investment in COLLINE®, £3.4m in respect of the Group's regulatory reporting products and £1.9m relating to the development of the software platform that supports these products. During the year the Group's technical team incurred costs of £2.4m that did not meet the criteria for capitalisation and were therefore recorded as an expense in the profit and loss account.

Net Group cash at 31 March 2015 was £2.2m (2014: £2.3m). The Group had no borrowings at the balance sheet date (2014: £0.7m).

Trade receivables were 17% of revenues as at 31 March 2015, compared to 14% and 13% for 2014 and 2013 respectively.

### FRC review

The Group's financial statements for the year ended 31 March 2013 were subject to a review by the Conduct Committee of the Financial Reporting Council ("FRC"). Further information on the outcome of this review can be found in the Report of the Audit Committee and in note 23 to the financial statements.

### Year-on-year trends

The capitalisation of development costs for the last four years has an impact on the interpretation of the financial performance of the Group. Internally the Group's operating budget and monthly management accounts measure financial performance assuming no such capitalisation. The table below allows users to make a more informed assessment of the financial performance of the Group.

### Shareholder information

The Group's website at [www.lombardrisk.com](http://www.lombardrisk.com) contains a wide range of information about our activities and visitors can download copies of the report and accounts in addition to newsletters and other articles of interest.

**Nigel Gurney**  
**Chief Financial Officer**  
 20 May 2015

### Year-on-year trends

	Year ended 31 March		
	2015 £m	2014 £m	2013 £m
Revenue (including pro forma from acquired business for 2012)	21.5	20.4	16.8
Adjusted EBITDA with no capitalisation	(0.5)	0.6	1.0
Adjusted EBITDA including capitalisation	4.6	6.0	5.3
Profit before tax with no capitalisation	(1.1)	0.2	0.7
Profit before tax including capitalisation	2.3	4.4	3.9
Total technology expenditure*	7.5	7.1	6.1
Cash generated in operations with no capitalisation**	(0.5)	0.7	1.0

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

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

## RISKS AND UNCERTAINTIES

Effectively managing risks is an integral part of Lombard Risk Management plc continuing success. The Group has identified its main risks and is taking appropriate action to manage and mitigate these risks.

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 15 to the accounts.

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

Description of risk	Potential impact	Mitigation
<b>Banking sector and financial industry regulation</b>		
There continues to appear to the Group to be a multiple-year surge in regulation, and more firms are now in scope for regulation than before. Increased regulation, whilst representing a significant opportunity for the Group, brings the risk of becoming so onerous that clients close down or reduce the size of the business to which we would sell. In addition, a return to light touch regulation would not be beneficial to the Group.	The withdrawal of clients from the regulated space and a return to light touch regulation would both have a material impact on Group revenues.	Expertise within the Group's product teams allows it to closely monitor the pace of change of financial regulations and make informed and educated decisions on where to focus its investment expenditure to meet new client needs as they come on stream. The Group maintains a clear and detailed roadmap of forthcoming regulatory change allowing it to plan ahead and allocate investment resources accordingly.
<b>Regulatory and market change</b>		
A time of regulatory change increases the risk of clients changing software systems as an obligation to upgrade systems presents an opportunity for clients to review solutions available in the market.	Failure to invest at these times would increase the risk of clients moving to competitor solutions.	The Group has a good track record of benefiting from such regulatory change through winning new clients and in order to maintain this track record, the Group's Account Management and Product teams maintain good market intelligence to identify where client systems reviews are taking place. Targeted campaigns have resulted in some notable successes in bringing new clients as a result of such changes.
<b>Functional and technological innovation</b>		
While it can take several years for clients to replace an ageing product that still functions adequately, new clients will expect to buy products that meet their needs at commencement or that will do so in a near timeframe.	Failure to keep pace with technological change will materially impact the Group's ability to remain competitive in proposals for new business.	Capital planning recognises the need to allocate a proportion of the technical development budget for technical as well as market or regulatory change. The Group is confident that it has a clear view on technical evolution.



Description of risk	Potential impact	Mitigation
<b>Failure to effectively support clients</b>		
Failure to provide timely and effective support to customers.	An inability to support the customer post sale will have a detrimental effect on the Group's reputation and its ability to renew existing licences and sell new products to existing clients.	The Group recognises the importance of ensuring appropriate resources in its support function, through both adequate staffing and suitable and ongoing training. In addition the increased engagement with the Group's alliance partners provides it with an increase in client-facing resources. Client and Product support is an integral part of business and resource planning.
<b>Consolidation of the banking sector</b>		
Significant merger activity in the banking sector would reduce the addressable market and potentially increase the proportion of the market that was of sufficient scale to invest in in-house solutions.	Increased competition from in-house solutions and a reduction in addressable market would have a material impact on both the Group's revenues and its ability to continue to invest in its product suite.	There has been less M&A activity than the Group expected and indeed a number of new names have emerged that have become clients for regulatory reporting. The trend towards both the demerger of operations from existing banks and the grant of new banking licences has materially reduced the level of this risk for the Group. The Group sees no suggestion of increased M&A activity at this time.
<b>Competition risk</b>		
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 impact of increased competition, whether it is due to new entrants or technological innovation is obvious. The Group needs to maintain market awareness and the ability to respond swiftly to competitive pressures.	The Group has focussed its business in areas where it can be one of a handful of market leaders in a niche and has been successful in this with a number of its products.

## **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 are satisfied that the independent Non-executive Directors have business backgrounds that supplement the remaining members of the Board.

In September 2014, Nigel Gurney joined the Board as Group CFO, having joined the Company in July 2014.

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

**Philip Crawford**  
**Executive Chairman**  
20 May 2015

### 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 on page 20 of this annual report.

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

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

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

### Board membership

Steve Rogers	Philip Crawford	
John McCormick	Nigel Gurney	
John Wisbey	Nick Davies	Executive Director
		Non-executive Director

### Audit Committee

Philip Crawford	John McCormick	
		Committee Chairman
		Committee member

### Remuneration Committee

Steve Rogers	Philip Crawford	
		Committee Chairman
	John McCormick	Committee member

## CORPORATE GOVERNANCE REPORT continued

### The role of the Board continued

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 2015 includes:

- strategy and delivery, with a particular focus on the development of the Group's alliances strategy;
- 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, currently being undertaken by the Executive Chairman 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.

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.

### Board length of service

Philip Crawford | 5 years

John McCormick | 1.5 years

Nick Davies | 5 years

Steve Rogers | 1.5 years

Nigel Gurney | 0.5 years

John Wisbey | 26 years

### 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 subject to disclosure 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 Group's financial statements for the year ended 31 March 2013 were subject to a review by the Conduct Committee of the Financial Reporting Council ("FRC"). Further details of this review are set out in the report of the Audit Committee and in note 23 to the consolidated financial statements. Following a review of the Group's policies and processes conducted as part of the FRC review, 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. The Report of the Audit Committee can be found on page 24.

#### 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 to 23.

#### 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

As an alternative to forming a Risk Committee, the Directors consider matters relating to Group risk as part of the meetings of the full Board and a Risk Register is maintained that is reviewed by the full Board. The Risk analysis report can be found on pages 14 to 15.

## BOARD OF DIRECTORS

The Group is run by its Board of Directors, which currently has six members, including the Executive Chairman and three 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 Executive Chairman

**Appointed to the Board**  
May 2010

**Committee membership**  
□OC

#### Background

Philip Crawford joined the Board of Lombard Risk Management plc 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.

### Nigel Gurney Chief Financial Officer

**Appointed to the Board**  
September 2014

**Committee membership**  
None

#### Background

Nigel Gurney joined the Board of Lombard Risk Management plc in September 2014 having joined the Group in July 2014 as Chief Financial Officer. He is a qualified chartered accountant with over 20 years' experience in the financial services, telecommunications and wholesale distribution sectors. He previously served as Chief Financial Officer of WH Ireland Group plc and Merchant Securities Group Plc and was a key member of the management team that oversaw the sale of Merchant Securities to the Sanlam Group.

### Nick Davies Chief Technology Officer

**Appointed to the Board**  
April 2010

**Committee membership**  
None

#### Background

Nick Davies joined the Board of Lombard Risk Management plc in 2010 having joined the firm in 2008 as the Group's CTO. As CTO, Nick has global responsibility for Lombard Risk Management plc's technical vision as well as for the delivery and quality of all software products. At Lombard Risk Management plc Nick's achievements include providing the architectural vision for the re-architecture 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.

- ☐ Audit Committee  
☐ Remuneration Committee  
☒ Chairman of Committee

## John Wisbey

Non-executive Director

**Appointed to the Board**  
January 1989

**Committee membership**  
None

### Background

John Wisbey served as the Chief Executive Officer of Lombard Risk Management plc, which he had 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, until 18 May 2015 when he became Non-executive Director. John 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 Management plc's regulatory compliance business) in 2005 and the REG-Reporter® business of SOFGEN in 2011.

Prior to establishing Lombard Risk Management plc, John was head of option trading and a director in the Swap Group at Kleinwort Benson Limited.

## John McCormick

Senior Non-executive Director

**Appointed to the Board**  
November 2013

**Committee membership**  
☒ ☒

### Background

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

**Appointed to the Board**  
August 2013

**Committee membership**  
☐

### Background

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.

## REPORT OF THE REMUNERATION COMMITTEE

### For the year ended 31 March 2015

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 no earlier than the second anniversary of issue. The vesting period runs for two to ten years from the date the options first vest. There are no other performance conditions other than the vesting period. During the year ended 31 March 2015, options over 15,758,623 shares were awarded to participating staff, of which 8,500,000 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 2015 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 2015 £000	Total for year ended 31 March 2014 £000	Pension contribution for year ended 31 March 2015 £000	Pension contribution for year ended 31 March 2014 £000
<b>Executive</b>								
John Wisbey	222	3	60	—	285	266	—	—
Nigel Gurney	76	1	—	—	77	—	15	—
Nick Davies	142	—	80	—	222	537	24	24
<b>Non-executive</b>								
Philip Crawford	45	—	—	—	45	45	—	—
John McCormick	30	—	—	—	30	13	—	—
Stephen Rogers	30	—	—	—	30	19	—	—
<b>Total</b>	<b>545</b>	<b>4</b>	<b>140</b>	<b>—</b>	<b>689</b>	<b>880</b>	<b>39</b>	<b>24</b>

### Directors' interest in performance share awards

Full details of outstanding performance share awards in the Company held by Executive Directors at 31 March 2015 are shown below:

Share options	At start of year	Price paid	Exercise price	At end of year	Date from which exercisable	Expiry dates
Nick Davies	2,000,000	—	11.0p	2,000,000	27/08/2013	27/05/2017
Nick Davies	2,000,000	—	13.0p	2,000,000	27/08/2015 <sup>(1)</sup>	27/08/2018
Nick Davies	—	—	14.0p	226,415	16/09/2017	16/09/2024
Nick Davies	—	—	14.0p	773,585	16/09/2016 <sup>(2)</sup>	16/09/2019
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
Philip Crawford	500,000	—	13.0p	500,000	24/07/2015 <sup>(1)</sup>	24/07/2018
John McCormick	1,000,000	—	13.0p	1,000,000	01/11/2015 <sup>(2)</sup>	01/11/2018
Stephen Rogers	1,000,000	—	13.0p	1,000,000	15/08/2015 <sup>(2)</sup>	15/08/2018
Nigel Gurney	—	—	13.0p	230,769	01/09/2017	31/08/2024
Nigel Gurney	—	—	13.0p	1,769,231	01/09/2016 <sup>(2)</sup>	31/08/2019
John Wisbey	—	—	14.0p	5,500,000	16/09/2016 <sup>(2)</sup>	16/09/2019

(1) Options exercisable 60% date stated, 20% one year later and 20% two years later.

(2) Options exercisable 50% date stated, 25% one year later and 25% two years later.

## REPORT OF THE AUDIT COMMITTEE For the year ended 31 March 2015

### 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 John McCormick. The Audit Committee is considered to have sufficient, recent and relevant financial experience to discharge its functions. The Audit Committee invites others, including the external auditor, to attend its meetings as appropriate.

### Role, responsibilities and terms of reference

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

The Audit Committee's responsibilities include:

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

### Independence of external auditor

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

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

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

### Consideration of accounting errors

The Company's financial statements for the year ended 31 March 2013 have been subject to a review by the Conduct Committee of the Financial Reporting Council ("FRC"). This review identified that the Company's accounting policy for the capitalisation and amortisation of development costs was not in compliance with IAS 38 "Intangible Assets". A subsequent investigation by the Company identified additional errors in the application of the Company's accounting policies for capitalisation and amortisation of development costs. The Audit Committee, in conjunction with the external auditor, has reviewed the errors identified and the processes through which they arose. As a result of this review, a number of disclosures, including an explanation of how the errors had arisen, were made in the interim report published on 15 October 2014 and these disclosures are included again in these financial statements at note 23.

The Audit Committee has also reviewed the processes surrounding the reporting of capitalisation and amortisation and is satisfied that the enhancements to the processes, along with additional controls that the Company has put in place, are sufficient to prevent further occurrences of these errors.

**John McCormick**  
**Chairman of the Audit Committee**  
20 May 2015

## DIRECTORS' REPORT

### For the year ended 31 March 2015

The Directors submit their annual report together with the consolidated financial statements for the year ended 31 March 2015.

#### 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 16 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 2015 are set out on pages 28 to 53. The Group's profit for the year after taxation amounted to £2.3m (2014: £5.2m). The Directors propose a final dividend for the year of 0.45p (2014: 0.045p) per Ordinary Share of 0.5p for a total dividend of 0.08p (2014: 0.075p).

#### 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 2015 Number	31 March 2014 Number
John Wisbey <sup>1</sup>	100,627,617	100,627,617
Nick Davies	441,176	441,176
Philip Crawford	590,000	590,000
John McCormick	5,076,756	9,176,756
Steve Rogers	—	—
Nigel Gurney	110,281	n/a

<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.

In addition to these shareholdings, 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.

## **DIRECTORS' REPORT continued**

### **For the year ended 31 March 2015**

#### **Substantial shareholdings**

As at 31 March 2015 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	38.1
Liontrust Asset Management	23,763,346	9.0
FIL Limited	19,464,398	7.4
Hargreave Hale Limited	16,241,443	6.2
Herald Investment Trust	11,299,992	4.3
National Bank of Canada	11,032,222	4.2

#### **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. Research and development comprises analysis, design, programming and testing of software solutions in both the Regulatory Compliance and Risk Management and Trading segments of the business. The Group will continue to invest in solutions to address new regulatory requirements as they arise and to take advantage of technological advances in the underlying software platforms. 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 2015. This shows stability in the Group's cash balance and continued generation of Group profits.

The Directors have prepared cash flow forecasts for the period ending 30 June 2016 which show that the Company and Group have sufficient facilities for ongoing operations. Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2015.

#### **Financial risk management**

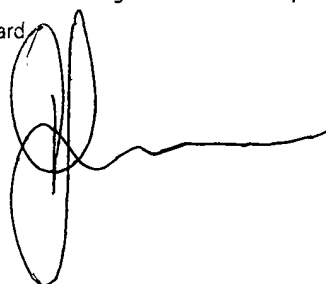
The Group's multinational operations expose it to financial risks that include market risk, credit risk, operational risk and liquidity risk. The Directors review and agree policies for managing each of these risks and details of these risks and policies are set out in note 15 to the consolidated financial statements.

#### **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

**Philip Crawford**  
Director  
20 May 2015



## 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 2015 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 25, 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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### 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 2015 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

### Other matter

We have reported separately on the Parent Company financial statements of Lombard Risk Management plc for the year ended 31 March 2015.

  
**Simon Bevan**  
**Senior Statutory Auditor**  
**for and on behalf of Grant Thornton UK LLP**  
**Statutory Auditor, Chartered Accountants**  
**London**  
**20 May 2015**

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** **For the year ended 31 March 2015**

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>Continuing operations</b>			
Revenue	2	21,491	20,395
Cost of sales		(298)	(164)
<b>Gross profit</b>		<b>21,193</b>	<b>20,231</b>
Administrative expenses		(18,915)	(15,770)
<b>Profit from operations</b>	4	<b>2,278</b>	<b>4,461</b>
Finance expense	5	(24)	(44)
Finance income	6	1	2
<b>Profit before taxation</b>		<b>2,255</b>	<b>4,419</b>
Tax credit / (charge)	7	(2)	735
<b>Profit for the year from continuing operations</b>		<b>2,253</b>	<b>5,154</b>
<b>Other comprehensive income</b>			
<b>Items that may subsequently be reclassified to profit and loss</b>			
Exchange differences on translating foreign operations:			
Owners of the Parent		194	(185)
Non-controlling interest		—	—
<b>Total comprehensive income for the year</b>		<b>2,447</b>	<b>4,969</b>
<b>Profit for the year from continuing operations attributable to:</b>			
Owners of the Parent		2,290	5,199
Non-controlling interest		(37)	(45)
		<b>2,253</b>	<b>5,154</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		2,484	5,014
Non-controlling interest		(37)	(45)
		<b>2,447</b>	<b>4,969</b>
<b>Profit per share</b>			
Basic (p)	8	0.87	2.07
Diluted (p)	8	0.86	2.04

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

# **CONSOLIDATED BALANCE SHEET** **As at 31 March 2015**

Company number: 03224870	Note	As at 31 March 2015 £000	As at 31 March 2014 £000
<b>Non-current assets</b>			
Property, plant and equipment	10	322	206
Goodwill	11	5,881	5,751
Other intangible assets	11	14,361	11,044
Trade and other receivables	12	974	—
Deferred tax asset	7	1,048	997
		<b>22,586</b>	<b>17,998</b>
<b>Current assets</b>			
Trade and other receivables	12	6,791	5,767
Cash and cash equivalents		2,241	2,929
		<b>9,032</b>	<b>8,696</b>
<b>Total assets</b>		<b>31,618</b>	<b>26,694</b>
<b>Current liabilities</b>			
Borrowings	13	—	(667)
Trade and other payables	14	(3,746)	(2,695)
Deferred income		(7,222)	(5,171)
		<b>(10,968)</b>	<b>(8,533)</b>
<b>Total liabilities</b>		<b>(10,968)</b>	<b>(8,533)</b>
<b>Net assets</b>		<b>20,650</b>	<b>18,161</b>
<b>Equity</b>			
Share capital	16	1,750	1,747
Share premium account		9,404	9,375
Foreign exchange reserves		(87)	(281)
Other reserves		1,739	1,537
Profit and loss account		7,963	5,865
Equity attributable to owners of the Parent		<b>20,769</b>	<b>18,243</b>
Non-controlling interest		(119)	(82)
<b>Total equity</b>		<b>20,650</b>	<b>18,161</b>

The financial statements were approved by the Board and authorised for issue on 20 May 2015 and signed on its behalf by:

**Philip Crawford**  
**Executive Chairman**

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

Financial statements

# **CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** **For the year ended 31 March 2015**

	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 2014	1,747	9,375	(281)	1,537	5,865	18,243	(82)	18,161
Issue of share capital	3	29	—	—	—	32	—	32
Previous R&D adjustment (note 23)	—	—	—	—	9	9	—	9
Share-based payment charge	—	—	—	212	—	212	—	212
Share options lapsed or exercised	—	—	—	(10)	10	—	—	—
Share options modification expense	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	(211)	(211)	—	(211)
Transactions with owners	3	29	—	202	(192)	42	—	42
Profit for the year	—	—	—	—	2,290	2,290	(37)	2,253
<b>Other comprehensive income</b>								
Exchange differences on translating foreign operations	—	—	194	—	—	194	—	194
Total comprehensive income for the year	—	—	194	—	2,290	2,484	(37)	2,447
<b>Balance at 31 March 2015</b>	<b>1,750</b>	<b>9,404</b>	<b>(87)</b>	<b>1,739</b>	<b>7,963</b>	<b>20,769</b>	<b>(119)</b>	<b>20,650</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 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>

The share premium account represents amounts subscribed for shares that are in excess of the nominal value of the shares. Foreign exchange reserves represent accumulated exchange differences arising since the transition to IFRS from the translation of subsidiaries with a functional currency other than Sterling. 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 2015

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<b>Cash flows from operating activities</b>		
Profit for the year	2,253	5,154
Tax charge / (credit)	2	(735)
Finance income	(1)	(2)
Finance expense	24	44
<b>Operating profit</b>	<b>2,278</b>	<b>4,461</b>
Adjustments for:		
Depreciation	210	284
Amortisation and impairment	1,906	1,226
Share-based payment charge	212	67
Increase in trade and other receivables	(2,107)	(2,383)
Increase in trade and other payables	1,160	574
Increase in deferred income	2,051	895
Foreign exchange gains	(8)	(17)
<b>Cash generated in operations</b>	<b>5,702</b>	<b>5,107</b>
Tax (paid) / credit received	(43)	125
<b>Net cash inflow from operating activities</b>	<b>5,659</b>	<b>5,232</b>
<b>Cash flows from investing activities</b>		
Interest received	1	2
Purchase of property, plant and equipment and computer software	(369)	(395)
Capitalisation of development costs	(5,109)	(5,333)
<b>Net cash used in investing activities</b>	<b>(5,477)</b>	<b>(5,726)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(24)	(44)
Loans and other consideration paid	(666)	(1,013)
Shares issued, net of issue costs	31	2,908
Share option consideration	—	(130)
Dividend paid	(211)	(172)
<b>Net cash (used in) / generated by financing activities</b>	<b>(870)</b>	<b>1,549</b>
<b>Net increase in cash and cash equivalents</b>	<b>(688)</b>	<b>1,055</b>
Cash and cash equivalents at beginning of period	2,929	1,874
<b>Cash and cash equivalents at end of period</b>	<b>2,241</b>	<b>2,929</b>

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

Financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 March 2015

### 1. Accounting policies

#### (A) Basis of preparation

These consolidated financial statements are for the year ended 31 March 2015. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRIC") interpretations as at 31 March 2015, as adopted by the European Union and also in accordance with those parts of the Companies Act 2006 relevant to companies which prepare financial statements in accordance with IFRS. They have been prepared under the historical cost convention.

The preparation of financial statements in accordance with 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 ongoing 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 2018)

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 2018, 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). In accordance with IFRS 10, the Group considers it has control over its subsidiary undertakings on the grounds that it has: existing rights over them that give it the ability to direct their activities; rights to variable returns from its involvement with them; and the ability to use its power over them to affect the amount of the Group's returns. 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 2015. 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.

#### (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 2015, both in the signing of new business contracts and in the realised financial results. These show continued profitability and stability in the cash balance at 31 March 2015. The Directors have prepared a cash flow forecast for the period to 30 June 2016, which shows that the Company and Group have sufficient facilities for ongoing operations. Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2015.

## 1. Accounting policies continued

### (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 ongoing obligations in respect of such sales.
Customisation income	Recognised once the customisation has taken place.
Maintenance income	Recognised evenly over the term of the maintenance contract.
Rental income	Recognised evenly over the term of the rental contract.
Data subscription income	Recognised evenly over the term of the data contract.
Training income	Recognised when the relevant courses are run.

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

### (F) Property, plant and equipment

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

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

The estimated useful lives of the assets are as follows:

Computer hardware	two years
Fixtures, fittings and equipment	four years

### (G) Goodwill

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

### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

#### 1. Accounting policies continued

##### (H) Intangible assets continued

###### 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.

##### 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 maturities of three months or less from inception, 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.

##### (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 using rates and laws enacted/substantively enacted at the reporting date. 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 using rates and laws enacted/substantively enacted at the reporting date. 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.

## 1. Accounting policies continued

### (K) Taxation continued

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

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

### (L) Leased assets

The Group does not hold any finance leases.

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

### (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 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.

Share options vest no earlier than the second anniversary of issue. The vesting period runs for two to ten years from the date the options first vest. There are no other performance conditions other than the vesting period.

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 2015

#### 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 2015 £000	Year ended 31 March 2014 £000
<b>Revenue</b>		
Regulatory Compliance software	9,916	9,574
Risk Management and Trading software	11,575	10,821
Group unallocated	—	—
<b>Total revenue</b>	<b>21,491</b>	<b>20,395</b>
<b>Depreciation, amortisation and impairment</b>		
Regulatory Compliance software	(1,202)	(545)
Risk Management and Trading software	(914)	(965)
Group unallocated	—	—
<b>Total depreciation, amortisation and impairment</b>	<b>(2,116)</b>	<b>(1,510)</b>
<b>Net interest expense</b>		
Regulatory Compliance software	—	—
Risk Management and Trading software	—	—
Group unallocated	(23)	(42)
<b>Total interest expense</b>	<b>(23)</b>	<b>(42)</b>
<b>Other costs</b>		
Regulatory Compliance software	(9,089)	(7,287)
Risk Management and Trading software	(8,008)	(7,137)
Group unallocated	—	—
<b>Total other costs</b>	<b>(17,097)</b>	<b>(14,424)</b>
<b>Total costs</b>	<b>(19,236)</b>	<b>(15,976)</b>
<b>Profit</b>		
Regulatory Compliance software	(375)	1,742
Risk Management and Trading software	2,653	2,719
Group unallocated	(23)	(42)
<b>Total profit before taxation and dividend</b>	<b>2,255</b>	<b>4,419</b>
<b>Net assets</b>		
Regulatory Compliance software	2,659	3,034
Risk Management and Trading software	13,746	11,093
Group unallocated	4,245	4,034
<b>Net assets</b>	<b>20,650</b>	<b>18,161</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 2015

#### 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 2015 £000	Year ended 31 March 2014 £000
<b>Revenue</b>		
United Kingdom	10,035	12,009
Rest of Europe, Middle East and Africa	3,367	2,692
The Americas	5,069	4,137
Asia Pacific	3,020	1,557
<b>Total revenue</b>	<b>21,491</b>	<b>20,395</b>
<b>Non-current assets</b>		
United Kingdom	14,116	10,726
The Americas	508	468
Asia Pacific	59	56
<b>Non-current assets</b>	<b>14,683</b>	<b>11,250</b>

In the year ended 31 March 2015 10% (2014: 11%) of the revenue depended on a single customer within the Risk Management and Trading software segment.

#### 3. Directors and employees

	2015 £000	2014 £000
<b>Directors</b>		
Emoluments	689	1,236
Social security costs	81	120
Pension costs	39	74
	<b>809</b>	<b>1,430</b>

During the year two Directors accrued benefits under pension schemes (2014: one).

The Directors of the Company are the key management personnel. Details of the remuneration of each Director, pension entitlements and share options are included in the Remuneration report on pages 22 to 23.

	2015 £000	2014 £000
<b>Staff costs including Directors</b>		
Wages and salaries	13,464	11,893
Social security costs	2,467	2,228
Pension costs	147	134
Share-based payments charge (note 17)	212	67
<b>Total staff costs</b>	<b>16,290</b>	<b>14,322</b>
Capitalised costs	(3,203)	(4,109)
<b>Total staff costs included in consolidated statement of comprehensive income</b>	<b>13,087</b>	<b>10,213</b>

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

	2015 Number	2014 Number
Office and administration	18	18
Operational	265	251
<b>Total</b>	<b>283</b>	<b>269</b>



**4. Profit from operations**

The profit from operations before taxation is stated after charging:

	2015 £000	2014 £000
Auditor's remuneration – Company audit fee	25	25
Fees payable to the Company auditor for other services:		
– subsidiary company audit fees	24	24
– tax services	17	18
– other services	2	7
Depreciation	210	185
Amortisation and impairment	1,906	1,325
Foreign exchange loss	12	41
Operating leases – land and buildings	1,440	1,333
Research and development expenditure	2,427	1,796

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**

	2015 £000	2014 £000
Interest on bank loans and overdrafts	24	44

**6. Finance income**

	2015 £000	2014 £000
Interest on bank deposits	1	2

**7. Taxation**

(A) Analysis of charge in the period

	2015 £000	2014 £000
Current tax:		
– UK corporation tax on profits in the period	—	(222)
– foreign tax on profits in the period	53	(5)
Total current tax charge / (credit)	53	(227)
Deferred tax:		
– origination and reversal of timing differences	(51)	(508)
Total deferred tax credit	(51)	(508)
<b>Taxation charge / (credit) on ordinary activities</b>	<b>2</b>	<b>(735)</b>

(B) Research and development tax credits

The Group has received to date research and development tax credits of £1,038,000 (2014: £1,038,000). As for all companies that have received these credits, the amounts are subject to potential future HM Revenue & Customs claw back.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

#### 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 21% (2014: 23%). The difference is explained as follows:

	2015 £000	2014 £000
Profit on ordinary activities before tax	2,255	4,419
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	474	1,016
Effect of:		
– net utilisation of tax losses	(59)	(1,766)
– enhanced R&D relief	(471)	
– expenses not deductible for tax purposes	5	20
– foreign tax credits	53	(5)
<b>Current tax charge / (credit) charge for the period</b>	<b>2</b>	<b>.(735)</b>

##### (D) Unrecognised deferred tax

A deferred tax asset of £1.5m (2014: £2.0m) 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.

	2015 £000	2014 £000
Deferred tax asset	1,048	997

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, 263,491,123 (2014: 251,717,005), is adjusted to assume conversion of all dilutive potential Ordinary Shares under the Group's share option plans, being 3,387,680 (2014: 3,051,314), to give the diluted weighted number of shares of 266,878,803 (2014: 254,768,319).

##### Profit per share

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Profit for the year and basic and diluted earnings attributable to owners of the parent	£2.290m	£5.199m
Weighted average number of Ordinary Shares	263,495,411	251,717,005
Profit per share (p)	0.87	2.07
Adjusted weighted average number of Ordinary Shares	266,914,919	254,768,319
Diluted profit per share (p)	0.86	2.04

### 9. Non-controlling interest

The non-controlling interest relates to 20% of Lombard Risk Compliance Policies Limited, whose principal place of business is in the United Kingdom, that is owned by a third party. The proportion of voting rights held by non-controlling interests is 20%. The loss for the year allocated to the non-controlling interests is £38,000 (2014: £45,000). The accumulated non-controlling interest at the end of the year are £120,000. For the year ended 31 March 2015, Lombard Risk Compliance Policies Limited recorded a net loss before tax of £197,000 and had net liabilities of £600,000.

### 10. Property, plant and equipment

Group	Computer hardware £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost</b>			
At 1 April 2013	1,451	771	2,222
Additions	169	10	179
Foreign exchange effect	(44)	(28)	(72)
At 31 March 2014	1,576	753	2,329
At 1 April 2014	1,576	753	2,329
Additions	192	125	317
Foreign exchange effect	61	34	95
<b>At 31 March 2015</b>	<b>1,829</b>	<b>912</b>	<b>2,741</b>
<b>Depreciation</b>			
At 1 April 2013	1,301	700	2,001
Charge for the year	155	30	185
Foreign exchange effect	(39)	(24)	(63)
At 31 March 2014	1,417	706	2,123
At 1 April 2014	1,417	706	2,123
Charge for the year	174	36	210
Foreign exchange effect	55	31	86
<b>At 31 March 2015</b>	<b>1,646</b>	<b>773</b>	<b>2,419</b>
<b>Net book value</b>			
<b>At 31 March 2015</b>	<b>183</b>	<b>139</b>	<b>322</b>
At 31 March 2014	159	47	206

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

#### 11. Goodwill and other intangible assets

##### Goodwill

Group	Goodwill £000
<b>Cost</b>	
At 1 April 2013	5,848
Additions	—
Foreign exchange effect	(97)
At 31 March 2014	5,751
At 1 April 2014	5,751
Additions	—
Foreign exchange effect	130
<b>At 31 March 2015</b>	<b>5,881</b>
<b>Amortisation</b>	
At 1 April 2013	—
Provided in the period	—
Impairment	—
Foreign exchange effect	—
At 31 March 2014	—
At 1 April 2014	—
Provided in the period	—
Foreign exchange effect	—
At 31 March 2015	—
<b>Net book value</b>	
<b>At 31 March 2015</b>	<b>5,881</b>
At 31 March 2014	5,751

The goodwill at 31 March 2015 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. Both these businesses now represent the Group's regulatory compliance business. An impairment review has therefore been carried out on this cash-generating unit.

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

For the year ended 31 March 2015, 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.

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.

# 11. Goodwill and other intangible assets continued

## Other intangible assets

Group	Other intangible assets £000	Capitalised development costs as previously stated £000	Effect of restatement £000	Capitalised development costs as restated £000	Total as previously stated £000	Total as restated £000
<b>Cost</b>						
At 1 April 2013	1,047	7,596	(568)	7,028	8,643	8,075
Additions	216	5,333	—	5,333	5,549	5,549
Foreign exchange effect	(57)	—	—	—	(57)	(57)
At 31 March 2014	1,206	12,929	(568)	12,361	14,135	13,567
At 1 April 2014	1,206	12,929	(568)	12,361	14,135	13,567
Additions	52	5,109	—	5,109	5,161	5,161
Foreign exchange effect	76	—	—	—	76	76
At 31 March 2015	1,334	18,038	(568)	17,470	19,372	18,804
<b>Amortisation</b>						
At 1 April 2013	460	1,315	(577)	738	1,775	1,198
Provided in the period	160	741	—	741	901	901
Impairment	—	424	—	424	424	424
Foreign exchange effect	(9)	—	—	—	(9)	(9)
At 31 March 2014	611	2,480	(577)	1,903	3,091	2,514
At 1 April 2014	611	2,480	(577)	1,903	3,091	2,514
Provided in the period	187	1,719	—	1,719	1,906	1,906
Foreign exchange effect	23	—	—	—	23	23
At 31 March 2015	821	4,199	(577)	3,622	5,020	4,443
<b>Net book value</b>						
At 31 March 2015	513	13,839	9	13,848	14,352	14,361
At 31 March 2014	595	10,449	9	10,458	11,044	11,053

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 COLLINÉ®, ComplianceASSESSOR, REFORM™, MIS reporting, etc. The COLLINÉ® suite of products is individually significant; the net book value at 31 March 2015 is £4,502,000 (2014: £3,629,000). Amortisation is over a five-year period from the time when each separately identifiable intangible asset within the suite of products reaches its intended use by management. The remaining amortisation period for the COLLINÉ® suite of products varies accordingly and can be summarised as follows: four to five years: £3.9m; two to four years: £0.4m; up to two years: £0.2m.

One of the Risk Management products was identified as impaired following a review of the carrying values of capitalised development costs during the year ended 31 March 2014. The product forms part of the Group's Risk Management and Trading software operating segment. The net carrying value of the product was therefore written down to £300,000, resulting in an impairment charge of £424,000 which was included in the Administrative expenses line of the statement of comprehensive income. The review was carried out as part of the annual review of the carrying value of all intangible assets. This review involved a consideration of the recoverable amount of the asset, being the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Where the recoverable amount was considered to be lower than the net carrying value, an impairment charge has been applied. The result of the review identified that future cash flows anticipated from the aforementioned asset are lower than had previously been expected and hence the asset has been written down to its recoverable amount by reference to value-in-use calculations. These calculations were based on discounted cash flows using a discount rate of 10%.

The restatement of capitalised development costs followed a review by the Conduct Committee of the Financial Reporting Council. Further details of this review are set out in note 23.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

#### 12. Trade and other receivables

	2015 £000	2014 £000
<b>Current</b>		
Trade receivables	3,726	2,936
Other receivables	522	430
Prepayments	835	418
Accrued income	1,708	1,983
	<b>6,791</b>	<b>5,767</b>
<b>Non-current</b>		
Accrued income	974	—
	<b>974</b>	<b>—</b>

The current amounts are short term and the Directors consider that the carrying amount of these trade and other receivables approximates to their fair value. The non-current amounts are due within two to five years and are stated at fair value, determined by discounting future receipts at the rate of interest that discounts the nominal amounts receivable to the current cash sales price of the goods sold. All of the Group's trade and other receivables have been reviewed for indications of impairment. As at 31 March 2015, trade receivables of £3.7m (2014: £2.9m) were fully recoverable. An impairment provision of £0.15m (2014: £0.13m) has been made against the invoices of eleven clients (2014: nineteen 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:

	2015 £000	2014 £000
Not more than three months past due	1,346	167
More than three months but not more than six months past due	392	39
More than six months but less than one year past due	—	139
More than one year past due	—	1
	<b>1,738</b>	<b>346</b>

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:

	2015 £000	2014 £000
Opening balance	134	39
Movement in provision for receivables	16	95
Closing balance	<b>150</b>	<b>134</b>

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.

**13. Borrowings**

	2015 £000	2014 £000
Bank loans payable within one year	—	667

All the borrowings were repaid during the financial year under review and there is no outstanding balance at 31 March 2015. Borrowings at 31 March 2014 comprised a Sterling bank loan.

The Sterling bank loan was repayable in equal quarterly instalments over a three-year term with the first repayment in April 2012. The loan principal was £2.0m and interest was payable at the rate of LIBOR + 4%. There is no balance outstanding at 31 March 2015 (2014: £0.7m).

**14. Trade and other payables**

	2015 £000	2014 £000
Trade payables	904	741
Other taxes and social security costs	1,906	1,305
Accruals and other payables	936	649
	<b>3,746</b>	<b>2,695</b>

**15. Financial risk management and financial instruments**

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

**Market risk**

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

**i) Currency risk**

The Group is exposed to translational and transactional foreign exchange risk as it operates in various currencies, including US Dollars, the Euro, Chinese Yuan, Hong Kong Dollars and Singapore Dollars, which affect the management and levels of working capital.

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 ongoing transactional exposure is to be long of Euro and US Dollars through Euro and US Dollar income exceeding expenditure in those currencies and short of Chinese Yuan through expenditure exceeding income in that currency.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

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

##### 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	2015 £000	2014 £000
Cash and cash equivalents	2,241	2,929
Trade and other receivables	6,930	5,349
Categorised as loans and receivables	9,171	8,378

##### 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 cause 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.

##### 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 2015 the Group's financial liabilities were as follows

	2015 £000	2014 £000
<b>Current liabilities</b>		
Trade and other payables	2,810	1,390
Borrowings	—	667
Categorised as financial liabilities measured at amortised cost	2,810	2,057



## 15. Financial risk management and financial instruments continued

### Maturity analysis

At 31 March 2015 the Group's liabilities have contracted maturities which are summarised below:

	2015		2014	
	Up to one year £000	One to five years £000	Up to one year £000	One to five years £000
Bank borrowings	—	—	667	—
Trade and other payables	4,248	—	1,390	—
Total	4,248	—	2,057	—

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 has limited risk to interest rates ("LIBOR") changes due to less borrowings outstanding during the year under review.

The borrowings are detailed in note 13.

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 2015	2,206	2,218	20,603	20,615

### Capital management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide a 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 has adopted a progressive dividend policy and is proposing a 13% increase in the full year dividend, which is supported by dividend cover of 9.8 times.

The Group had bank borrowings of £Nil as at the year end. During the year the Group entered into a £2.5m Revolving Loan Agreement with Barclays Bank Plc at a margin of 3.85%. There were no amounts owing under this agreement at the end of the financial year. In line with the terms of that facility the Group monitors capital on the basis of two covenants in place over the debt, being:

- total net debt to adjusted EBITDA; and
- adjusted EBITDA to net finance charge.

All covenants were satisfied at 31 March 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued For the year ended 31 March 2015

## 16. Share capital

	2015 £000	2014 £000
<b>Authorised</b>		
714,034,085 Ordinary Shares of 0.5p each (2014: 714,034,085)	3,570	3,570
<b>Allotted, called up and fully paid</b>		
263,911,260 Ordinary Shares of 0.5p each (2014: 263,366,260)	1,320	1,317
429,829,575 deferred shares of 0.1p each (2014: 429,829,575)	430	430
	1,750	1,747

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.

Ordinary Shares of 0.5p each in issue at 1 April 2014	263,366,260
Share options exercised	545,000
<b>Ordinary Shares of 0.5p each in issue at 31 March 2015</b>	<b>263,911,260</b>

There was no movement in the number of deferred shares during the year.

### Share issue

On 8 December 2014, the Company issued 250,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme; further details are provided in note 17. The shares were issued at a premium of 5.0p per share, which has been credited to the share premium account.

On 26 January 2015, the Company issued 145,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme; further details are provided in note 17. The shares were issued at a premium of 5.5p per share, which has been credited to the share premium account.

On 9 February 2015, the Company issued 150,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme; further details are provided in note 17. The shares were issued at a premium of 5.5p per share, which has been credited to the share premium account.

## 17. Share options

### Employee share options charge

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

In accordance with the accounting policy stated under note 1(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 31% to 36% to reflect the current market situation, giving a charge to profit and loss for the year ended 31 March 2015 of £211,667 (2014: £66,906), 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 31% to 36% for various share option issued; for details see below.

### Equity-settled share-based payments

The Company has three 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 exercise period, the options expire. Options are forfeited if the employee leaves the Company.

Under the approved and unapproved option schemes the Remuneration Committee can grant options for employees of the Group. Options are granted with a fixed exercise price which is typically issued at or at a premium to the market price. The contractual life is between five and ten years from the date of grant. Options become exercisable after two or three years. The vesting period runs for two to eight years from the date the options first vest. There are no other performance conditions other than the vesting period.

## 17. Share options continued

Equity-settled share-based payments continued

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

	At start of year	Granted	Reclassified	Exercised	Lapsed/ waived	At end of year	Exercise price (p)	Exercise date from	Exercise date to
<b>2004 EMI Scheme</b>	1,500,000	—	—	(295,000)	—	<b>1,205,000</b>	6.00	October 2011	October 2016
	520,000	—	—	(250,000)	—	<b>270,000</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>	2,400,000	—	—	—	—	<b>2,400,000</b>	4.50	May 2012– May 2014	May 2015
	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	—	2,000,000	—	(913,012)	<b>2,390,000</b>	13.00	July 2015	July 2018
	2,868,676	—	(2,000,000)	—	(608,676)	<b>260,000</b>	13.00	July 2016	July 2018
	1,700,000	—	—	—	—	<b>1,700,000</b>	13.00	August 2015	August 2018
	1,050,000	—	—	—	—	<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	—	—	—	(2,000,000)	—	14.00	January 2016	January 2019
	—	530,422	—	—	—	<b>530,422</b>	12.00	May 2016	May 2019
	—	265,211	—	—	—	<b>265,211</b>	12.00	May 2017	May 2019
	—	265,211	—	—	—	<b>265,211</b>	12.00	May 2018	May 2019
	—	360,844	—	—	—	<b>360,844</b>	12.00	March 2016	March 2019
	—	180,422	—	—	—	<b>180,422</b>	12.00	March 2017	March 2019
	—	180,422	—	—	—	<b>180,422</b>	12.00	March 2018	March 2019
	—	884,615	—	—	—	<b>884,615</b>	13.00	September 2016	August 2019
	—	442,308	—	—	—	<b>442,308</b>	13.00	September 2017	August 2019
	—	442,308	—	—	—	<b>442,308</b>	13.00	September 2018	August 2019
	—	5,320,520	—	—	—	<b>5,320,520</b>	14.00	September 2016	September 2019
	—	2,660,260	—	—	—	<b>2,660,260</b>	14.00	September 2017	September 2019
	—	2,660,260	—	—	—	<b>2,660,260</b>	14.00	September 2018	September 2019
<b>CSOP Scheme</b>	3,428,312	—	—	—	(350,000)	<b>3,078,312</b>	12.00	March 2017	March 2024
	—	589,156	—	—	—	<b>589,156</b>	12.00	April 2017	April 2024
	—	230,769	—	—	—	<b>230,769</b>	13.00	September 2017	August 2024
	—	1,258,960	—	—	—	<b>1,258,960</b>	14.00	September 2017	September 2024
	—	208,623	—	—	—	<b>208,623</b>	14.38	January 2018	January 2025
	23,220,000	16,480,311	—	(545,000)	(3,871,688)	<b>35,283,623</b>			

Financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

#### 17. Share options continued

Equity-settled share-based payments continued

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

	April 2014	May 2014	September 2014	September 2014	September 2014	September 2014	January 2015
Share price at grant	10.21p	10.59p	13.0p	13.0p	13.25p	13.25p	14.38p
Exercise price	12.0p	12.0p	12.0p	12.0p	14.0p	13.0p	14.38p
Contractual life (years)	7	5	5	7	7	5	10
Staff turnover	25%	25%	25%	25%	25%	25%	25%
Risk-free rate	Discount curve used for UK on the day of valuation						
Expected volatility	35.75%	31.71%	33.85%	33.85%	33.93%	33.93%	32.13%
Expected dividend yield	—	—	—	—	—	—	—
Fair value of option	4.37p	2.61p	3.85p	5.14p	5.75p	3.64p	5.55p

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

	2015 Number	2015 WAEP	2014 Number	2014 WAEP
Outstanding at beginning of the year	23,220,000	10.88p	17,750,000	6.16p
Granted during the year	16,480,311	13.60p	15,350,000	12.63p
Exercised during the year	(545,000)	5.77p	(7,320,000)	5.27p
Lapsed during the year	(3,871,688)	13.43p	(2,560,000)	10.17p
Outstanding at end of the year	35,283,623	11.96p	23,220,000	10.88p
Exercisable at the year end	8,075,000		6,420,000	

The weighted average remaining contractual life of share options outstanding at the year end was 5.3 years (2014: 2.3 years).

#### 18. 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:

	2015 £000	2014 £000
Within one year or less	866	1,007
Within one to five years	4,055	390
More than five years	1,347	—
<b>Total</b>	<b>6,268</b>	<b>1,397</b>

During the year, the Group entered into new operating leases in respect of land and buildings in both London and New York. The lease on the London office expires in September 2021 and that on the New York office expires in June 2022.

#### 19. Pensions

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

#### 20. Related party transactions

Other than as stated below, 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. The aggregate dividends paid to Directors in the year were £89,000. Details of the Directors' remuneration are set out in note 3 and in the Remuneration Committee report.

## 21. Controlling personnel related parties

In the opinion of the Directors, there was no ultimate controlling party at 31 March 2015.

## 22. Dividends

During 2015, Lombard Risk Management plc paid a dividend of £210,693 (2014: £171,686) to its equity shareholders. This represents a payment of 0.080p per share (2014: 0.070p).

Also during 2015, the Directors proposed a dividend of 0.045p per share (2014: 0.045p) to be paid on 27 July 2015 to those shareholders on the register on 10 July 2015. 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 2015 consolidated financial statements. No income tax consequences for Lombard Risk Management plc are expected to arise as a result of this transaction.

## 23. Accounting adjustments following review by the Conduct Committee of the Financial Reporting Council ("FRC")

The Group's financial statements for the year ended 31 March 2013 were subject to a review by the Conduct Committee of the Financial Reporting Council ("FRC"). Details of the review were published in the Group's interim report dated 15 October 2014 and are disclosed again in full in this note 23.

The review performed by the FRC identified that the Company's accounting policy for the amortisation of product development costs was not in compliance with IAS 38 "Intangible assets" in that development costs meeting the criteria for capitalisation were previously amortised in equal instalments from the end of the month in which the costs were incurred. By contrast, paragraph 97 of IAS 38 requires amortisation to begin when the asset is available for use.

In conjunction with the review performed by the FRC, the Board also identified that errors had arisen in the application of the Company's accounting policy for the capitalisation and amortisation of product development costs in the years ended 31 March 2012 and 31 March 2013.

The errors identified by the FRC and the Board are summarised as follows:

- Certain product development costs had been capitalised subsequent to the associated products becoming capable of operating in the manner intended by management. As such, these costs should have been expensed as incurred. The effect of this error is to overstate the cost of capitalised product development costs and understate expenditure by £112,000 and £456,000 in the years ended 31 March 2012 and 31 March 2013 respectively.
- The Company had commenced amortisation of a number of products before they had become capable of operating in the manner intended by management. In addition, as noted above, certain product development costs have been capitalised in error and these incorrectly capitalised costs were themselves subject to amortisation which was hence charged in error. The effect of these errors is to overstate the amortisation charge and understate the net book value of capitalised product development costs by £124,000 and £453,000 in the years ended 31 March 2012 and 31 March 2013 respectively.

The net impact of these errors was to understate the net result by £12,000 in the year ended 31 March 2012 and to overstate the net result by £3,000 in the year ended 31 March 2013. Notwithstanding the fact that these amounts are not significant to the consolidated balance sheet, the consolidated statement of comprehensive income and the consolidated statement of changes in equity, the Company acknowledges that this error affected both the cash flow statement and the note disclosing movements in capitalised product development costs published in the financial statements for those two years.

The aforementioned errors were identified in the year ended 31 March 2014 and, as such, the unaudited comparative information to these interim unaudited financial statements has also required restatement. The effect of this restatement is to increase staff costs by £141,000 and reduce amortisation charges by approximately £552,000. Net cash inflows from operating activities have decreased by £141,000 with a corresponding decrease in net cash outflows from investing activities for the unaudited comparative interim financial statements for the six month period ended 30 September 2013. These adjustments have been reflected in the comparative primary statements of these interim unaudited financial statements and the earnings per share figure has likewise been restated.

With respect to product development costs, the table below sets out the correct information for both years and also includes the information which was previously presented, in order to aid comparison.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

#### 23. Accounting adjustments following review by the Conduct Committee of the Financial Reporting Council ("FRC") continued

##### Intangible assets

Group	Goodwill and other intangible assets £000	Capitalised development costs as previously stated £000	Total as previously stated £000	Capitalised development costs restated £000	Total restated £000
<b>Cost</b>					
At 1 April 2011	3,910	—	3,910	—	3,910
Additions	2,830	3,318	6,148	3,206	6,036
Foreign exchange effect	36	—	36	—	36
At 31 March 2012	6,776	3,318	10,094	3,206	9,982
At 1 April 2012	6,776	3,318	10,094	3,206	9,982
Additions	39	4,278	4,317	3,822	3,861
Foreign exchange effect	80	—	80	—	80
At 31 March 2013	6,895	7,596	14,491	7,028	13,923
<b>Amortisation</b>					
At 1 April 2011	266	—	266	—	266
Provided in the year	73	287	360	163	236
At 31 March 2012	339	287	626	163	502
At 1 April 2012	339	287	626	163	502
Provided in the year	114	1,028	1,142	575	689
Foreign exchange effect	7	—	7	—	7
At 31 March 2013	460	1,315	1,775	738	1,198
<b>Net book value</b>					
At 31 March 2013	6,435	6,281	12,716	6,290	12,725
At 31 March 2012	6,437	3,031	9,468	3,043	9,480

Whilst the above errors had no impact on the net cash position of the Company in either year, they resulted in errors in the cash flow statement as operating and investing activities were misstated due to the aforementioned incorrect amortisation and capitalisation of costs respectively. Restated cash flow statements for both years are set out on page 53.

**23. Accounting adjustments following review by the Conduct Committee of the Financial Reporting Council ("FRC") continued**  
**Consolidated cash flow statement**  
**For the year ended 31 March 2013**

	Year ended 31 March 2012		Year ended 31 March 2013	
	As previously stated £000	Restated £000	As previously stated £000	Restated £000
<b>Cash flows from operating activities</b>				
Profit for the period	2,505	2,517	3,714	3,711
Tax (credit) / charge	(18)	(18)	182	182
Finance income	(2)	(2)	—	—
Finance expense	32	32	86	86
<b>Operating profit</b>	<b>2,517</b>	<b>2,529</b>	<b>3,982</b>	<b>3,979</b>
Adjustments for:				
Depreciation	122	122	140	140
Amortisation	360	236	1,142	689
Share-based payment charge	21	21	2	2
(Increase) / decrease in trade and other receivables	(2,504)	(2,504)	825	825
Increase / (decrease) in trade and other payables	315	315	(114)	(114)
Increase / (decrease) in deferred income	1,018	1,018	(173)	(173)
Foreign exchange gains	(84)	(84)	(49)	(49)
Other non-cash credit	—	—	(51)	(51)
<b>Cash generated from operations</b>	<b>1,765</b>	<b>1,653</b>	<b>5,704</b>	<b>5,248</b>
Tax credit received	18	18	53	53
<b>Net cash inflow from operating activities</b>	<b>1,783</b>	<b>1,671</b>	<b>5,757</b>	<b>5,301</b>
<b>Cash flows from investing activities</b>				
Interest received	2	2	—	—
Purchase of property, plant and equipment and computer software	(195)	(195)	(209)	(209)
Purchase of business	(1,963)	(1,963)	(470)	(470)
Capitalisation of development costs	(3,318)	(3,206)	(4,278)	(3,822)
<b>Net cash used in investing activities</b>	<b>(5,474)</b>	<b>(5,362)</b>	<b>(4,957)</b>	<b>(4,501)</b>
<b>Cash flows from financing activities</b>				
Interest paid	—	—	(86)	(86)
Loans from bank	2,000	2,000	329	329
Loans and other consideration paid	—	—	(667)	(667)
Shares issued, net of issue costs	140	140	1,509	1,509
Dividend paid	(103)	(103)	(139)	(139)
<b>Net cash generated from financing activities</b>	<b>2,037</b>	<b>2,037</b>	<b>946</b>	<b>946</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,654)</b>	<b>(1,654)</b>	<b>1,746</b>	<b>1,746</b>
Cash and cash equivalents at beginning of period	1,782	1,782	128	128
<b>Cash and cash equivalents at end of period</b>	<b>128</b>	<b>128</b>	<b>1,874</b>	<b>1,874</b>

Financial statements

## 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 2015 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 25, 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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### 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 2015;
- 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 Strategic report and 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 2015.

  
Simon Bevan

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
20 May 2015



## COMPANY BALANCE SHEET

### As at 31 March 2015

Company number: 03224870	Note	As at 31 March 2015 £000	As at 31 March 2014 £000
<b>Fixed assets</b>			
Tangible assets	4	215	129
Intangible assets	4	61	132
Investments in subsidiaries	5	12,611	12,611
		<b>12,887</b>	<b>12,872</b>
<b>Current assets</b>			
Debtors due within one year	6	7,478	7,417
Cash at bank and in hand		—	88
		<b>7,478</b>	<b>7,505</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(747)</b>	<b>(1,042)</b>
<b>Net current assets</b>		<b>6,731</b>	<b>6,463</b>
<b>Total assets less current liabilities</b>		<b>19,618</b>	<b>19,335</b>
<b>Net assets</b>		<b>19,618</b>	<b>19,335</b>
<b>Capital and reserves</b>			
Called up share capital	9	1,750	1,747
Share premium	10	9,404	9,375
Other reserves	10	7,247	7,047
Profit and loss account	10	1,217	1,166
<b>Shareholders' funds</b>		<b>19,618</b>	<b>19,335</b>

The financial statements were approved by the Board and authorised for issue on 20 May 2015 and signed on its behalf by:

**Philip Crawford**  
Executive Chairman

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

Financial statements

## NOTES TO THE COMPANY FINANCIAL STATEMENTS For the year ended 31 March 2015

### 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 2015, both in the signing of new business contracts and in the realised financial results. These show continued profitability and stability in the cash balance at 31 March 2015. The Directors have prepared a cash flow forecast for the period to 30 June 2016, which shows that the Company and Group have sufficient facilities for ongoing operations. Whilst there will always remain some inherent uncertainty within the aforementioned forecasts, the Directors believe the Company and Group have sufficient resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2015.

#### (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.

#### (H) Share options issued to employees

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.

Share options vest no earlier than the second anniversary of issue. The vesting period runs for two to ten years from the date the options first vest. There are no other performance conditions other than the vesting period.

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

## 2. Directors and employees

Staff costs including Directors	2015 £000	2014 £000
Wages and salaries	2,398	2,190
Social security costs	462	381
Pension costs	36	15
Share-based payments charge (note 17 to the consolidated financial statements)	212	67
<b>Total staff costs</b>	<b>3,108</b>	<b>2,653</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 profit and loss account in these financial statements. The Parent Company's profit for the year was £249,539 (2014: £200,252).

## 4. Fixed assets

Company	Computer hardware £000	Fixtures, fittings and equipment £000	Computer software £000	Total £000
<b>Cost</b>				
At 1 April 2014	1,066	459	548	2,073
Additions	92	123	50	265
<b>At 31 March 2015</b>	<b>1,158</b>	<b>582</b>	<b>598</b>	<b>2,338</b>
<b>Depreciation</b>				
At 1 April 2014	961	435	416	1,812
Charge for the year	110	19	121	250
<b>At 31 March 2015</b>	<b>1,071</b>	<b>454</b>	<b>537</b>	<b>2,062</b>
Net book value				
<b>At 31 March 2015</b>	<b>87</b>	<b>128</b>	<b>61</b>	<b>276</b>
At 31 March 2014	105	24	132	261

## 5. Investments in subsidiaries

Investments in subsidiaries	2015 £000	2014 £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 2015 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.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

### For the year ended 31 March 2015

#### 6. Debtors due within one year

	2015 £000	2014 £000
Amounts receivable from subsidiary undertakings	7,310	7,199
Prepayments and sundry debtors	168	218
	<b>7,478</b>	<b>7,417</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

	2015 £000	2014 £000
Borrowings	—	667
Trade creditors	444	207
Accruals	303	168
	<b>747</b>	<b>1,042</b>

All the borrowings were repaid during the financial year under review and there is no outstanding balance at 31 March 2015. Borrowings at 31 March 2014 comprised a Sterling bank loan.

The Sterling bank loan was repayable in equal quarterly instalments over a three-year term with the first repayment in April 2012. The loan principal was £2.0m and interest was payable at the rate of LIBOR + 4%. There is no balance outstanding at 31 March 2015 was (2014: £0.67m).

#### 8. Taxation

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

#### 9. Share capital

	2015 £000	2014 £000
<b>Authorised</b>		
714,034,085 Ordinary Shares of 0.5p each (2014: 714,034,085)	3,570	3,570
<b>Allotted, called up and fully paid</b>		
263,911,260 Ordinary Shares of 0.5p each (2014: 263,366,260)	1,320	1,317
429,829,575 deferred shares of 0.1p each (2014: 429,829,575)	430	430
	<b>1,750</b>	<b>1,747</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 8 December 2014, the Company issued 250,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme; further details are provided in note 17. The shares were issued at a premium of 5.0p per share, which has been credited to the share premium account.

On 26 January 2015, the Company issued 145,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme; further details are provided in note 17. The shares were issued at a premium of 5.5p per share, which has been credited to the share premium account.

On 9 February 2015, the Company issued 150,000 Ordinary Shares of 0.5p per share as part of the Company's share option scheme; further details are provided in note 17. The shares were issued at a premium of 5.5p per share, which has been credited to the share premium account.

The maximum total number of Ordinary Shares, which may vest in the future in respect the Company share option schemes is 35,283,623 (2014: 23,220,000). These shares will only be issued subject to the rules of the share option schemes and the vesting periods defined at the time of grant (see note 17 to the consolidated financial statements).

## 10. 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 2014	1,747	9,375	7,047	1,166	19,335
Issue of share capital, net of issue costs	3	29	—	—	32
Profit for the year	—	—	—	250	250
Dividend	—	—	—	(211)	(211)
Share-based payment charge	—	—	212	—	212
Share option lapsed or exercised	—	—	(12)	12	—
<b>Balance at 31 March 2015</b>	<b>1,750</b>	<b>9,404</b>	<b>7,247</b>	<b>1,217</b>	<b>19,618</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.

## 11. 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 £256,000 (2014: £145,000) to Lombard Risk Compliance Policies Limited in respect of support services provided. In addition, working capital support was provided totalling £273,000 (2014: £115,000). The balance owed by Lombard Risk Compliance Policies Limited to the Company at 31 March 2015 is £1,052,000 (2014: £523,000). The Company has made provision of £648,000 (2014: £Nil) against the balance owed by Lombard Risk Compliance Policies Limited.

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 2016.

Key management of the Group are the Directors of the Parent Company. The aggregate dividends paid to Directors in the year were £89,000. Details of the Directors' remuneration are set out in note 3 to the consolidated financial statements and in the Remuneration Committee report.

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

## **COMPANY INFORMATION**

**Company registration number**  
03224870

**Directors**

Philip Crawford  
Executive Chairman

Nigel Gurney  
Chief Financial Officer

Nick Davies  
Chief Technology Officer

John Wisbey  
Non-executive Director

John McCormick  
Senior Non-executive Director

Steve Rogers  
Non-executive Director

Company Secretary  
Lisa Tan

**Registered office**

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**Nominated adviser and broker**

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**Auditor**

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Melton Street  
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London NW1 2EP

**Corporate solicitors**

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London WC2A 1AP

**Registrars**

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PO Box 859  
The Pavilions  
Bridgwater Road  
Bristol BS99 1XZ

**Date**

Annual General Meeting  
9 July 2015