LOMBARD RISK MANAGEMENT PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

(Company No. 3224870)

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A56 0382
COMPANIES HOUSE 01/10/04

DIRECTORS

J M Wisbey – Chairman
I R Peacock
C N Rose
C Wright
R G M L Barclay (resigned 24 April 2003)

SECRETARY

R G M L Barclay (resigned 24 April 2003)
S N Backhouse (appointed 3 September 2003)

REGISTERED OFFICE

13th Floor
21 New Fetter Lane
London
EC4A 1AJ

AUDITORS

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

LOMBARD RISK MANAGEMENT PLC

31 MARCH 2004

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LOMBARD RISK MANAGEMENT PLC

31 MARCH 2004

CHAIRMAN'S STATEMENT

Summary

The year to 31 March 2004 was an encouraging one. After a difficult year for the entire industry in the previous year, it was good to see evidence of demand returning. The Group gained a significant number of new customers in the hedge fund space on both the managed services and the software side of the business, and ended the year with both higher revenues and recurrent revenues than at the end of the previous year despite having reduced costs significantly in the first half of 2003. The Group is poised to conclude an IPO on the London AIM market in September 2004 (stock symbol LRM), which will open up many opportunities for the years ahead.

Financial

Overall the Group's revenues rose by 1% to £4.53 million, and the Group made a loss before interest, tax and exceptionals of £673,000. The Group received tax refunds of £0.57 million in respect of R&D tax credits, which covered over two years' worth of such credits. As in previous years, R&D was fully expensed as incurred, but this accounting policy will change for the year to March 2005 as the Group will be adopting a policy more in line with the IAS38 policy which will become mandatory for AIM companies in the year to March 2007.

The Oberon software product showed its 15th year of profitability, while the Valuspread managed service for credit derivative price verification showed satisfactory revenue growth and profit and continues to gain clients. Firmament is the company's new flagship software product, initially focused on credit trading and equity trading and collateral management but moving into fixed income, and is expected to create a major new and recurring revenue stream for the Group this year and in future years.

The loss for the year is in large part due to a conscious board decision to invest heavily in the Firmament product and to reinvest much of the revenue from the ValuSpread Credit service in further internet based managed services for data and valuations. When comparing the Group with other software companies that have similar revenues, major distinguishing factors are the existence of very significant upside from the Firmament software product and from the managed services area's ability to provide valuation services using both our Firmament software and our ValuSpread credit derivative data. There are also, in the board's view, significant extra opportunities from the Basel 2 regulations and from the fair value accounting for derivatives required by accounting standard IAS39.

We had cut the cost base back appreciably in the previous year, and the effect of the former cost base still rippled through into the early months of the financial year. This increased the workload on all those remaining, and it is creditable that in those circumstances we managed to achieve a revenue rise given a fall in average headcount from 72 to 56 (excluding directors).

Software Products

Oberon, the Group's core software product, recorded its 15th year of profitability, maintaining its position as a provider of cashflow for LRM's other product initiatives. By the end of the year all of the customer base had been upgraded to Oberon 5. Extra functionality was added to Oberon in the areas of emerging market bonds and derivatives, adding a range of potential new customers.

Firmament, initially focused on credit trading, has made good further progress with an equity module due to be delivered to its first half of the year to March 2005. Initially handling credit default swaps and default baskets, the product is being written to address the needs of the asset swap market and the credit linked note market. Firmament is being produced with a modern and open service based architecture. Some of the best technologies available today are being used to build Firmament, and it is designed to interoperate with our other systems including Oberon and FirmRisk, as well as customers' own algorithms and software and software produced by other vendors. FirmRisk, which was installed at its first two sites in the summer of 2000, continued to make progress, with support for credit spreads being added towards the end of the financial year.

Managed Services and Data

The Valuation Services division continued to build up its client base for the Valuspread data service. One part of this is a closing price verification service for credit spreads, a market in which even the largest banks have difficulty in verifying their traders' prices. As at March 2004 the client list included most of the largest trading firms in the credit derivatives market, including JP Morgan Chase, Deutsche Bank, Goldman Sachs, Citigroup, Lehman Brothers, Morgan Stanley and BNP Paribas. Another part, which has grown rapidly, is the ability to sell the resulting data to third parties. Finally we made headway with services to provide independent third party valuations using both our credit derivative data and our Firmament software, and we believe this has considerable potential for the years ahead.

Investments

The company continued to sell down its stake in its former subsidiary i-documentsystems group plc (AIM stock symbol "IDOX"). While this is a good company, and I still remain Chairman of it until later in 2004, there is no strategic value in the Group continuing to hold this investment, and it is our expectation that we will in time sell the remaining holding. IDOX made two acquisitions in the past year, and the Group sold shares in the associated placings in August 2003 and April 2004. The remaining shareholding is of 2,968,212 shares with a current market value of around £350,000.

Financing

The Group ended the year with bank borrowings of £196,000, a very sharp reduction from the previous year end borrowings of £1.535 million. This reduction was achieved through a combination of further reducing our investment in IDOX, cost reductions and favourable terms of trade owing to prepaid subscription revenues.

Prospects

The directors expect the year to 31st March 2005 to see promising revenue growth, particularly in the second half with the additional strength and opportunity for investment in sales resources that an IPO will give us. 2004 is the 15th anniversary of the Group commencing trading, and should be a significant year for the Group.

J M Wisbey
Chairman and Group CEO
17 September 2004

LOMBARD RISK MANAGEMENT PLC

31 MARCH 2004

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2004.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The group loss for the year after taxation amounted to £769,347 (2003: £2,584,011).

The directors do not recommend the payment of an equity dividend (2003: £Nil).

Due to the fact that the company does not have sufficient distributable reserves, a Preference 'A' (£17,225) and Preference 'B' (£4,263) appropriation was made from the profit and loss account (2003: Preference 'A' £7,950).

RESEARCH AND DEVELOPMENT

Research and development expenditure incurred on the group's suite of software products is expensed to the profit and loss account in the period incurred.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company operates principally as a holding company. The principal activities of the Group are the design and sale of derivative trading and risk management software systems for the banking and hedge fund industries, and the operation of managed services especially in the area of credit derivative. A review of the group's trading for the year is included in the Chairman's statement.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year, and their interests in the share capital of the company, were: -

		Number of shares	
	Class of Share	**2004**	**2003**
J M Wisbey	Ordinary 10p	4,920,645	1,675,645
I R Peacock	Ordinary 10p	29,971	29,971
R G M L Barclay (resigned 24 April 2003)	Ordinary 10p	20,000	-
C N Rose		-	-
C Wright	'A' Preference	120,000	120,000

On 31 March 2004 J. M. Wisbey restructured his personal shareholding transferring 3,245,000 Lombard Risk Management plc shares from trust to his private holding.

As part of their past remuneration, C. Wright and I. R. Peacock have, at 31 March 2004, the right to subscribe for £30,000 and £22,500 of ordinary share capital of the company respectively.

PAYMENT PRACTICE

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to make every effort to abide by them. Trade creditors at the year end amount to 66 days (2003: 40 days) of average supplies for the year.

CLOSE COMPANY

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

POST BALANCE SHEET EVENTS

On 13 May 2004 Group disposed of 4,000,000 shares representing 2.6% of in i-documentsystems group plc (IDOX) share capital for £393,024.

On 26 May 2004, 20,974 ordinary shares were issued at nominal value.

AUDITORS

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By Order of the Board

Spencer Backhouse

S N Backhouse
Secretary
17 September 2004

13th Floor
21 New Fetter Lane
London
EC1A 4AJ

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LOMBARD RISK MANAGEMENT PLC

We have audited the financial statements of Lombard Risk Management plc for the year ended 31 March 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the accounting policies and notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report and the chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2004 and of the loss for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON

17 SEPTEMBER 2004

LOMBARD RISK MANAGEMENT PLC

YEAR ENDED 31 MARCH 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	£	2004 £	£	2003 £
Turnover			4,525,652		4,468,363
External charges			(241,170)		(155,497)
			4,284,482		4,312,866
Staff costs	2	3,636,148		4,828,589	
Other operating charges		1,321,319		1,968,516	
Exceptional costs	12	384,975		396,010	
			(5,342,442)		(7,193,115)
Operating loss					
Before exceptional items			(672,985)		(2,484,239)
Exceptional costs	12		(384,975)		(396,010)
Total operating loss	3		(1,057,960)		(2,880,249)
Share of operating loss of associate:					
i-documentsystems group plc			-		(147,136)
Exceptional items					
Profit on disposal of current asset investment	11		2,340		505,138
Interest receivable	4	4,892		2,777	
Interest payable	5,12	(157,139)		(166,591)	
			(152,247)		(163,814)
Loss on ordinary activities before taxation			(1,207,867)		(2,686,061)
Tax on loss on ordinary activities	6		460,008		110,000
Non equity appropriation	7		(21,488)		(7,950)
Loss for the year transferred from reserves	18		(769,347)		(2,584,011)

All operations are continuing.

The accompanying notes form part of these financial statements.

LOMBARD RISK MANAGEMENT PLC

31 MARCH 2004

CONSOLIDATED BALANCE SHEET

			2004		2003
	Note	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	**9**		93,496		120,860
			93,496		120,860
Current assets					
Debtors due within one year	**13**	915,087		1,164,242	
Debtors due after one year	**14**	-		51,426	
Current asset investment	**11**	599,250		2,072,645	
Cash at bank and in hand		72,887		29,670	
		1,587,224		3,317,983	
Creditors: Amounts falling due within one year	**15**	(3,010,323)		(4,080,280)	
Net current liabilities			(1,423,099)		(762,297)
Creditors: Amounts falling due after one year	**16**		(355,937)		(335,732)
			(1,685,540)		(977,169)
Capital and reserves					
Called up share capital	**17**		867,881		865,881
Share premium	**18**		486,610		448,610
Revaluation reserve	**18**		408,151		1,411,661
Other reserves	**18**		119,193		119,705
Profit and loss account	**18**		(3,567,375)		(3,823,026)
Shareholders' deficit			(1,685,540)		(977,169)
Equity shareholders' deficit			(2,415,027)		(1,687,168)
Non equity shareholders' funds			731,487		709,999
Shareholders' deficit			(1,685,540)		(977,169)

The financial statements were approved by the board on 17 September 2004 and signed on its behalf by:

J M Wisbey
Director

The accompanying notes form part of these financial statements.

LOMBARD RISK MANAGEMENT PLC

31 MARCH 2004

COMPANY BALANCE SHEET

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Investments in subsidiaries	**10**		7,000,000		10,200,000
			7,000,000		10,200,000
Current assets					
Debtors	**13**	5,000		2,111	
Current asset investment	**11**	599,250		2,072,645	
Cash at bank and in hand		132		17	
		604,382		2,074,773	
Creditors: Amounts falling due within one year	**15**	(271,634)		(1,799,266)	
Net current assets			332,748		275,507
Creditors: amounts falling due after one year	**16**		(136,272)		(7,950)
			7,196,476		10,467,557
Capital and reserves					
Called up share capital	**17**		867,881		865,881
Share premium	**18**		486,610		448,610
Revaluation reserve	**18**		413,192		1,429,125
Other reserves	**18**		5,757,048		9,146,954
Profit and loss account	**18**		(328,255)		(1,423,013)
Equity shareholders' funds			7,196,476		10,467,557
Equity shareholders' funds			6,464,989		9,757,558
Non equity shareholders' funds			731,487		709,999
Shareholders' funds			7,196,476		10,467,557

The financial statements were approved by the board on 17 September 2004 and signed on its behalf by:

J M Wisbey
Director

The accompanying notes form part of these financial statements.

LOMBARD RISK MANAGEMENT PLC

YEAR ENDED 31 MARCH 2004

CONSOLIDATED CASH FLOW STATEMENT

	Note	2004 £	2004 £	2003 £	2003 £
Net cash outflow from operating activities	**20**		(410,861)		(2,495,224)
Returns on investments & servicing of finance					
Interest received		4,892		2,777	
Interest paid		(156,038)		(63,694)	
Finance lease interest		(1,101)		(1,101)	
Net cash outflow from returns on *investments and servicing of finance*			(152,247)		(62,018)
Taxation			570,008		-
Capital expenditure & *financial investment*					
Payments to acquire tangible fixed assets		(95,782)		(140,156)	
Disposal of current asset investment	**11**	1,475,735		-	
Net cash inflow / (outflow) from capital expenditure and financial investment			1,379,953		(140,156)
Acquisitions and disposals					
Disposal of Investment in associated company		-		1,124,756	
Net cash inflow from acquisitions and disposals			-		1,124,756
Financing					
Issue of shares		-		288,490	
Capital element of finance lease		(4,636)		(4,636)	
Net cash (outflow) / inflow from financing			(4,636)		283,854
Increase / (decrease) in cash	**21**		1,382,217		(1,288,788)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2004 £	2003 £
Loss for the year	(769,347)	(2,584,011)
Revaluation gain on current asset investment	-	1,681,189
Currency differences on foreign currency net investments	(512)	-
Total losses recognised since last financial statements	(769,859)	(902,822)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2004 £	2003 £
Reported loss on ordinary activities before taxation	(1,207,867)	(2,686,061)
Realisation of revaluation gains of previous years	1,003,510	269,528
Historical cost loss on ordinary activities before taxation	(204,357)	(2,416,533)

The accompanying notes form part of these financial statements.

1 ACCOUNTING POLICIES

(a). Accounting convention

The financial statements are prepared under the historical cost convention as amended by the revaluation of certain investments, and in accordance with applicable accounting standards.

The principal accounting policies of the group are set out below and have remained unchanged from the previous period.

(b). Going Concern

The directors have formally considered the ability of the group to continue its activities in light of the net liabilities of £1,685,540 in the consolidated balance sheet at 31 March 2004 and the losses and cash outflows in the period then ended.

The directors have prepared detailed forecasts for a three year period to March 2007 as part of a proposed IPO in September 2004. The group currently has an agreed banking facility that is due for renewal in December 2005.

Taking account of these forecasts and the agreed proceeds arising on the inclusion of the Company's ordinary shares on the AIM list the directors are confident that the group is able to meet its commitments as they fall due for the foreseeable future.

(c). Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of value added tax. Turnover and pre-tax loss are wholly attributable to the principal activities. Analysis of turnover by geographical market is not disclosed because in the opinion of the directors disclosure would not be in the interests of the company.

The recognition of revenue depends on the type of income.

Licence income	recognised either as soon as it is accepted by the client or in stage payments on contract signing, delivery and client acceptance, dependent upon the percentage completion of the company's contractual obligations.
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.
Training income	recognised when the relevant courses are run.

(d). Depreciation

Depreciation is provided using the following rates and bases so as to write off the cost or valuation of tangible fixed assets over their useful lives in the group's business: -

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

(e). Valuation of investments

Investments held as current assets are stated at cost or directors' valuation less any provision for a permanent diminution in value. Purchased goodwill is capitalised and amortised on a straight line basis over its estimated useful economic life between three and five years.

(f). Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Exchange differences arising from the retranslation of the opening net investment in subsidiary undertakings are taken to reserves.

(g). Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by 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 date.

(h). Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

(i). Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 10) drawn up to 31 March. The results of subsidiary undertakings acquired during the period have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities existing at the date of acquisition are recorded at their fair values reflecting their condition at that date. Goodwill arising on consolidation has been written off to reserves in accounting periods ending 31 March 1999. Goodwill arising after this date is capitalised and amortised over its useful economic life.

(j). Pension costs

Contributions to a defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

(k). Research and development

Research and development expenditure is charged to profits in the year in which it is incurred.

2 DIRECTORS AND EMPLOYEES

	2004 £	2003 £
Directors:		
Aggregate emoluments	421,571	482,645

No pension contributions were made in respect to the directors (2003: £nil)

Highest paid director:		
Aggregate emoluments	179,127	179,219

	2004 £	2003 £
Staff costs including directors:		
Wages and salaries	3,272,488	4,334,943
Social security costs	352,289	488,852
Pension costs	11,371	4,794
Total staff costs - ongoing	3,636,148	4,828,589
Exceptional staff costs (see note 12)	299,330	314,587
	3,935,478	5,143,176

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

	2004 Number	2003 Number
Office and administration	7	12
Operational	49	60
	56	72

3 OPERATING LOSS

		2004 £	2003 £
This is stated after charging:			
Depreciation	- Finance lease	6,048	6,048
	- Other	117,098	229,292
Auditors' remuneration	- Audit	23,500	17,850
	- Other services	13,800	9,395
Foreign exchange		10,610	5,590
Operating leases - land and buildings		286,938	367,470
Goodwill amortisation - associated undertaking		-	9,717

4 INTEREST RECEIVABLE

	2004	2003
	£	£
Interest on bank deposits	1,690	2,479
Other interest receivable	3,202	298
	4,892	2,777

5 INTEREST PAYABLE

	2004	2003
	£	£
In respect of:		
Bank loans and overdrafts repayable in less than 5 years	44,590	59,311
Other interest	112,549	107,280
	157,139	166,591

Other interest includes £74,236 (2003: £78,755) payable in the year to 31 March 2004 in respect of exceptional costs (see note 12).

6 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no charge to tax for the year (2003: £nil) because of the availability of losses within the group. A research and development tax credit has been applied for and received relating to the year ended 31 March 2003 totalling £223,106 which has been credited to the profit and loss account. In addition, the remaining element of the research and development tax credit for the two years ended 31 March 2002 was released to the profit and loss account during the year.

The company has received to date R&D tax credits of £570,008. As for all companies that have received these credits, the amounts are subject to potential future Revenue clawback.

	2004	2003
	£	£
Adjustment in respect of prior periods – R&D tax credit	(460,008)	(110,000)

The tax assessed for the period is the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained as follows:

	2004	2003
	£	£
Loss on ordinary activities before tax	(1,207,867)	(2,686,061)

	2004	2003
	£	£
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%).	(362,360)	(805,818)
Effect of:		
Expenses not deductible for tax purposes	30,669	309,683
Capital allowances for the period in excess of depreciation	(26,237)	(2,070)
Movement on investment value in consolidation	-	(115,138)
Movement on intra group balances on consolidation	-	(289,798)
Other short term timing differences	27,395	-
Movement on unprovided deferred tax	-	280,081
Losses available to carry forward	330,533	623,060
Adjustment in respect of prior period	(460,008)	(110,000)
Current tax charge for period	(460,008)	(110,000)

The directors have not recognised the deferred tax amount of £1,650,026 (2003: £1,319,493) arising on trading losses carried forward.

7 NON EQUITY APPROPRIATION

	2004	2003
	£	£
A Preference appropriation at 6% from 1 April 2003	11,925	7,950
A Preference appropriation at 8% from 1 January 2004	5,300	-
B Preference appropriation at 6% from 1 July 2003	4,263	-
	21,488	7,950

8 PROFIT FOR THE FINANCIAL YEAR

The company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The company's profit for the year (before non-equity appropriations) was £57,337 (2003: loss £(1,177,168)).

9 TANGIBLE FIXED ASSETS

The Group	Computer Hardware £	Software £	Motor Vehicle £	Fixtures Fittings and Equipment £	Total £
Cost at 1 April 2003	1,683,053	672,161	24,182	392,784	2,772,180
Additions	75,449	19,370	-	963	95,782
At 31 March 2004	1,758,502	691,531	24,182	393,747	2,867,962
Depreciation					
At 1 April 2003	1,597,284	653,624	9,072	391,340	2,651,320
Charge	86,909	29,270	6,048	919	123,146
At 31 March 2004	1,684,193	682,894	15,120	392,259	2,774,466
NBV at 31 March 2004	74,309	8,637	9,062	1,488	93,496
NBV at 31 March 2003	85,769	18,537	15,110	1,444	120,860

The motor vehicle included in fixed assets has been purchased under a finance lease.

10 FIXED ASSETS

The Company
Total fixed assets comprise:

	2004 £	2003 £
Investments in subsidiaries	10,200,000	10,200,000

At 31 March 2004 the undertakings in which the group 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 Ltd	100	100	UK	Software
Lombard Risk Systems Inc.	-	100	USA	Software
Lombard Risk Systems (Pty) Ltd	-	100	South Africa	Software
Lombard Risk Consultants Ltd	100	100	UK	Training
Lombard Risk Systems (Asia Pacific) Ltd	-	100	Hong Kong	Dormant
Swapval Ltd	100	100	UK	Dormant

All of the subsidiary undertakings have been included in the consolidation. The company's investment in its subsidiaries was valued by the directors in the period ended 31 March 1997. A review of this valuation was undertaken during 2003 and the investment was written down to £10,200,000. The historical cost of the subsidiaries referred to above is £507,865.

11 CURRENT ASSET INVESTMENT

The Company and Group

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	£	**£**	**£**	**£**
Current asset investment	599,250	2,072,645	599,250	2,072,645

All current asset investments relate to the company's investment in i-documentsystems group plc (IDOX) an AIM listed UK company.

	Jun Disposal	Sep Disposal	Total
	£	**£**	**£**
Proceeds	730,622	745,113	1,475,735
Carrying Value	(811,195)	(662,200)	(1,473,395)
Profit / (loss) on Disposal	(80,573)	82,913	2,340

On 27 June 2003, the group disposed of 9,432,500 shares representing 6.7% of IDOX share capital for £755,725 (£730,622 net of costs).

On 9 September 2003, the group disposed of a further 7,700,000 shares representing 5.0% of IDOX share capital for £770,000 (£745,113 net of costs).

These part disposals give rise to a transfer amounting to £1,003,510 from the group revaluation reserve to group profit and loss account and a £1,015,933 transfer from the Company revaluation reserve to the Company profit and loss account.

At 31 March 2003 the group held 24,100,712 shares representing 17.1% of the share capital of i-documentsystems Group plc (IDOX), an AIM listed UK company. At that date, the current asset investment was revalued from 12p to 8.6p per share, being the directors' valuation based on subsequent share disposals.

At 31 March 2004 the group held 6,968,212 shares, held at a Directors' valuation of 8.6p, representing 4.5% of the share capital of i-documentsystems Group plc.

The stock exchange value of the Group's holding in i-documentsystems Group plc at 31 March 2004 was £679,401 (2003: £ 2,349,819).

12 EXCEPTIONAL COSTS IN RESPECT OF PURCHASE OF A BUSINESS INTEREST

On 6 February 2002 the company became a party to an agreement entered into by Lombard Risk Systems Ltd to purchase a third party's interest in one of its operating divisions which is an important business activity of the group, and for the third party to perform future services to the group.

The total consideration of £1,054,600 is charged to the profit and loss account in instalments between 1 January 2002 and 31 December 2004, being the period that the group will benefit from the agreement.

£854,600 of the consideration is payable in monthly instalments from 6 February 2002 to 31 December 2004 and £200,000 is payable in monthly instalments from 31 December 2004 to 31 December 2006. The differences between the charge to the profit and loss account over three years and the payments over five years are accounted for as a deferred creditor, or deferred debtor as appropriate.

Interest is charged on the outstanding balance at 10% per annum.

For the year ended 31 March 2004, a total of £459,211 (2003: £474,765) was charged to the profit and loss account. This comprised £265,888 gross salary (2003: £281,872) and £33,442 employers NIC (2003: £32,716); interest of £74,236 (2003: £78,755) and other operating costs of £85,645 (2003: £81,426).

The company has guaranteed the performance of the agreement by Lombard Risk Systems Ltd.

13 DEBTORS

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	726,910	609,468	-	2,111
Other debtors	72,121	350,230	-	-
Prepayments	64,630	135,976	5,000	-
Deferred expenditure (see note 12)	51,426	68,568	-	-
	915,087	1,164,242	5,000	2,111

14 DEBTORS DUE AFTER ONE YEAR

	The Group	
	2004	2003
	£	£
Deferred expenditure (see note 12)	-	51,426

15 CREDITORS DUE WITHIN ONE YEAR

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
Bank overdraft (secured)	196,000	1,535,000	196,000	1,535,000
Trade creditors	483,486	150,239	16,166	32,770
Other taxes and social security costs	160,368	228,311	342	988
Other creditors	408,308	739,444	36,392	181,907
Finance lease	4,636	4,636	-	-
Accruals and deferred income	1,749,791	1,399,608	15,000	25,559
Accrued interest	7,734	23,042	7,734	23,042
	3,010,323	4,080,280	271,634	1,799,266

The bank overdraft is secured by a fixed and floating charge over the assets of the group. Under the repayment terms of the facility a warrant was issued for £1 such that a right exists for the lender to subscribe, at par value, for 2.25% of the ordinary share capital in issue as enlarged by such subscription.

On 23 March 2004 the company extended its borrowing facility of £500,000 to 31 December 2005. J. M. Wisbey has entered into a guarantee for a maximum of £500,000 in relation to this loan and the company and its subsidiaries by way of cross guarantee have, in turn, indemnified J. M. Wisbey for the same amount.

Group
Amounts due under finance leases and HP agreements

		2004	2003
		£	£
Amounts payable within:	1 year	4,636	4,636
	2 – 5 years	6,956	11,592
		11,592	16,228

16 CREDITORS DUE AFTER ONE YEAR

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
Deferred creditor (see note 12)	341,031	316,190	-	-
Finance lease	6,956	11,592	-	-
Non equity appropriation	7,950	7,950	7,950	7,950
Amount due to group companies	-	-	128,322	-
	355,937	335,732	136,272	7,950

17 SHARE CAPITAL

	2004	2003
	£	£
Authorised		
20,000,000 10p Ordinary (2003: 20,000,000 10p ordinary)	2,000,000	2,000,000
1,000,000 50p 'A' Convertible Preference	500,000	500,000
3,000,000 50p 'B' Convertible Preference	1,500,000	1,500,000
	4,000,000	4,000,000
Allotted, called up and fully paid		
5,081,441 10p Ordinary (2003: 5,061,441 10p ordinary)	508,146	506,146
530,000 50p 'A' Convertible Preference	265,000	265,000
189,470 50p 'B' Convertible Preference	94,735	94,735
	867,881	865,881

The 'A' Preference shares have the right to receive a dividend of 6% per annum for the period 1 January 2003 to 31 December 2003 and 8% per annum from 1 January 2004 and 'B' Preference shares have the right to receive a dividend of 6% per annum for the period 1 July 2003 to 30 June 2004 and 8% from 1 July 2004. The shares also have the right to conversion to ordinary shares on the occurrence of certain events related to the financing of the company. On a winding up or other return of capital the 'A' and 'B' Preference shares are paid in priority to ordinary shares.

On 26 March 2004, 20,000 ordinary shares with aggregate nominal value of £2,000 were issued for consideration of £40,000, which was in lieu of remuneration previously expensed.

The group holds both an approved and an unapproved employee share option scheme, both open to all employees. No options were issued or exercised during the year. Options under the schemes are exercisable at £4.20 per share and expire between 31 October 2005 and 20 August 2007.

At 31 March 2004, 112,640 (2003: 146,640) shares under the approved scheme and 104,787 (2003: 106,447) shares under the unapproved scheme remained unexercised.

As referred to in note 15 under the repayment terms of the bank facility a warrant issued for £1 gives the right to the lender to subscribe, at par value, for 2.25% ordinary share capital of the company in issue as enlarged by such subscription.

18 MOVEMENT IN RESERVES

The Group	Share Premium £	Revaluation Reserve £	Other Reserves £	Profit and Loss £
As at 1 April 2003	448,610	1,411,661	119,705	(3,823,026)
Loss for the year	-	-	-	(769,347)
Premium on 20,000 Ordinary shares (see note 17)	38,000	-	-	-
Non equity appropriation	-	-	-	21,488
Foreign exchange reserve	-	-	(512)	-
Part disposal of current asset investment	-	(1,003,510)	-	1,003,510
As at 31 March 2004	486,610	408,151	119,193	(3,567,375)

Other reserves relate to negative goodwill arising on the acquisition of subsidiary undertakings in the period ended 31 March 1997 and net foreign exchange movements.

The Company	Share Premium £	Revaluation Reserve £	Other Reserves £	Profit and Loss £
As at 1 April 2003	448,610	1,429,125	9,146,954	(1,423,013)
Profit for the year	-	-	-	57,337
Revaluation of investment in subsidiaries	-	-	(3,200,000)	-
Premium on 20,000 Ordinary shares (see note 17)	38,000	-	-	-
Non equity appropriation	-	-	-	21,488
Foreign exchange reserve	-	-	(189,906)	-
Part disposal of current asset investment	-	(1,015,933)	-	1,015,933
As at 31 March 2004	486,610	413,192	5,757,048	(328,255)

Other reserves relate to valuation of subsidiary undertakings acquired in the period ended 31 March 1997 and exchange differences on loans to fund overseas subsidiaries.

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Loss for the financial year	(769,347)	(2,584,011)
Revaluation of fixed asset investments	-	1,681,189
Foreign exchange reserve	(512)	-
Issue of 189,470 'B' Preference shares at 50p per share	-	94,735
Issue of Ordinary shares at 10 p per share	2,000	5,425
Premium of 45p on 189,470 'B' Preference shares	-	85,264
Premium on Ordinary shares	38,000	142,908
Share issue costs	-	(39,841)
Non equity appropriation	21,488	-
	(708,371)	(614,331)
Shareholders' deficit at 1 April	(977,169)	(362,838)
Shareholders' deficit at 31 March	(1,685,540)	(977,169)

20 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£	£
Operating loss	(1,057,960)	(2,880,249)
Depreciation	123,146	235,340
Goodwill amortisation	-	9,717
Increase in debtors	(29,419)	(330,231)
Increase in creditors	553,372	470,199
Net cash outflow from operating activities	(410,861)	(2,495,224)

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004	2003
	£	£
Increase / (decrease) in cash in the year	1,382,217	(1,288,788)
Cash outflow from finance leases	4,636	4,636
Change in net debt resulting from cashflows	1,386,853	(1,284,152)
Net debt at 1 April	(1,521,558)	(237,406)
Net debt at 31 March	(134,705)	(1,521,558)

22 ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 03	Cashflow	At 31 Mar 04
	£	£	£
Cash at bank and in hand	29,670	43,217	72,887
Overdrafts	(1,535,000)	1,339,000	(196,000)
	(1,505,330)	1,382,217	(123,113)
Finance Leases	(16,228)	4,636	(11,592)
	(1,521,558)	1,386,853	(134,705)

23 COMMITMENTS

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

	2004	2003
	£	£
On leases which expire in 1 year or less	125,756	188,394

Neither the group nor the company had any material capital commitments at 31 March 2004 or 31 March 2003.

24 CONTINGENT LIABILITIES

The company has agreed to provide continuing financial support to the following group companies: Lombard Risk Consultants Ltd, Lombard Risk Systems Ltd and Lombard Risk Systems Inc. The company has guaranteed the performance by a subsidiary of an agreement to purchase a third party's interest in a business of the group (note 12).

25 PENSIONS

The company contributes to a defined contribution pension scheme. The assets of the scheme are administered by trustees in a fund independent from those of the company

26 POST BALANCE SHEET EVENTS

Subsequent to the financial year end the Group disposed of 4,000,000 shares on 13 May 2004 representing 2.6% of IDOX share capital for £393,024.

On 26 May 2004, 20,974 ordinary shares were issued at nominal value.

27 RELATED PARTIES TRANSACTIONS

A loan facility has been provided to the group from J. M. Wisbey, a director. During the year the facility was partially repaid with a closing balance at 31 March 2004 of £36,395 (2003: £181,908). For the duration of the loan period interest is charged at 11% per annum and interest payable on this loan amounted to £9,683 (2003: £8,438). The principal amount is repayable at £15,000 per quarter.

J. M. Wisbey has guaranteed the group's overdraft facility from Singer & Friedlander, which facility amounted to £500,00 at 31 March 2004.

A commission of 3.5% is payable by the company to J. M. Wisbey in respect of the guarantee.

The Group has a trading relationship with i-documentsystems group plc (IDOX), a company of which J. M. Wisbey, is Chairman. During the year to 31 March 2004 the group charged rent, rates, insurance and service charges to IDOX for their occupancy of London and Brighton office space amounting to £6,203 (2003: £95,845). At 31 March 2004 IDOX owed the group £4,713 (2003: £25,927). No amounts were written off during the period and there was no provision for bad debts.

28 CONTROLLING RELATED PARTIES

The only group of undertakings for which group accounts have been drawn up is that headed by Lombard Risk Management plc. As Chairman and Chief Executive J. M. Wisbey continues to play a very active part in the management of the group and he is the majority holder of ordinary shares and is therefore considered to be the ultimate controlling related party of the group.