

LOMBARD RISK MANAGEMENT PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

(Company No. 3224870)



LOMBARD RISK MANAGEMENT PLC

DIRECTORS

J M Wisbey - Chairman
N J Duxbury (resigned 5.5.2000)
I Peacock (appointed 9.8.2000)

SECRETARY

N J Duxbury (resigned 5.5.2000)
J Withers (appointed 5.5.2000, resigned 23.6.2000)
M Warren (appointed 9.8.2000)

REGISTERED OFFICE

13th Floor
21 New Fetter Lane
London
EC4A 1AJ

AUDITORS

Grant Thornton
Ashdown House
125 High Street
Crawley
West Sussex
RH10 1DQ

SOLICITORS

Bird & Bird
90 Fetter Lane
London
EC4A 1JP

PRINCIPAL BANKERS

National Westminster Bank Plc
P.O. Box 2341
55 Kensington High Street
London
W2 1JA

LOMBARD RISK MANAGEMENT PLC
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YEAR ENDED 31 MARCH 1999

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LOMBARD RISK MANAGEMENT PLC

CHAIRMAN'S STATEMENT

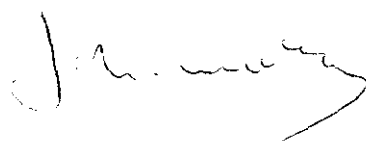
YEAR ENDED 31 MARCH 1999

The year to 31 March 1999 marked a further stage in the transition from a one product company to one which has a number of different business lines, each capable of earning meaningful revenues. Our core businesses are now financial trading systems, risk management systems, valuation data services, consulting and training, and internet document management.

Just as the group was one of the earliest movers in the field of document management for local councils on the internet, so it has been one of the first firms to recognise the importance of an enterprise risk architecture in which software components co-operate with each other as internet services. Thus the firm is now one of the first to have meaningful risk management capabilities across the internet through its Firmrisk product, which is capable of treating various trading systems as internet services. It is to be hoped and expected that this will lead to commercial success as banks come to recognise the benefits of this more modern approach. Such an architecture will, we believe, be able to offer considerable advantages to banks against the alternative data centric architecture in use at many institutions.

Several months in the year to 31 March 1999 were dominated by banks preparing for the Euro, just as the rest of 1999 was dominated by Y2K issues. Although our systems were Y2K compliant, and therefore there was negligible development expenditure on Y2K compliance, the net impact of system freezes was to defer expenditure. This impacted quite substantially on upgrade revenue from Oberon 5.

Subsequent to the year end, the valuation data services division was successfully able to launch its Valuspread service. This provides a price verification service for credit spreads, a market in which even the largest banks have difficulty in verifying their traders' prices.



John Wisbey
Chairman

21.4.2000

LOMBARD RISK MANAGEMENT PLC

REPORT OF THE DIRECTORS

YEAR ENDED 31 MARCH 1999

The directors present their report and the audited financial statements for the year ended 31 March 1999.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, 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 accounts;

Prepare the accounts 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 accounts 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 profit for the period, after taxation, amounted to £3,993 (1998: £2,699 loss).

The directors do not recommend the payment of a dividend (1998: nil) and the profit has therefore been retained.

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 software systems for banking and e-government, valuation data services and the provision of financial training and consultancy with emphasis on derivatives and risk management.

A detailed review of business and future developments is given in the Chairman's statement on page 4.

The directors are optimistic about the prospects of the group for the year to March 2000.

LOMBARD RISK MANAGEMENT PLC

REPORT OF THE DIRECTORS (Continued)

YEAR ENDED 31 MARCH 1999

DIRECTORS AND THEIR INTERESTS

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

	<u>Class of Share</u>	<u>Number of shares</u>	
		<u>1999</u>	<u>1998</u>
J M Wisbey	Ordinary 10p	1,661,993	1,661,993
N J Duxbury (resigned 5.5.2000)	Ordinary 10p	200	200

Trusts in which J M Wisbey had a beneficial interest held 3,245,000 shares at 31 March 1999 (1998: 3,245,000).

All directors served throughout the year.

YEAR 2000 COMPLIANCE

The company suffered no impact from the year 2000 date change nor did any of its major customers, suppliers or trading partners.

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 19 days (1998: 32 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.

LOMBARD RISK MANAGEMENT PLC

REPORT OF THE DIRECTORS (Continued)

YEAR ENDED 31 MARCH 1999

POST BALANCE SHEET EVENTS

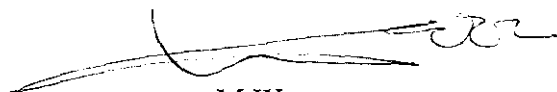
As part of a Group reorganisation on 31 March 2000, the Company acquired from Lombard Risk Systems Limited 196,696 £1 ordinary shares in Lombard Document Systems Limited, 499,002 £1 ordinary shares in Lombard Teknos Systems Limited and 10,000 £1 ordinary shares in Lombard Risk Consultants Limited for a total consideration of £206,696.

On 22 May 2000 the company acquired a further 141,000 ordinary shares of £1 each in Lombard Document Systems Limited, an associated company, for £5 per share. The aggregate consideration of £705,000 was credited against the loan to Lombard Document Systems Limited as part repayment of the loan.

AUDITORS

A resolution to reappoint Grant Thornton as auditors will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



M Warren
Secretary

As at September 2000
13th Floor
21 New Fetter Lane
London EC4A 1AJ

LOMBARD RISK MANAGEMENT PLC

YEAR ENDED 31 MARCH 1999

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

We have audited the financial statements on pages 9 to 21 which have been prepared under the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

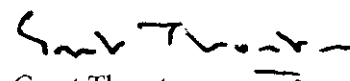
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ashdown House
125 High Street
Crawley
West Sussex
RH10 1DQ


Grant Thornton
Chartered Accountants
Registered Auditors

22 Sept 2000

LOMBARD RISK MANAGEMENT PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1999

	Note	1999		1998	
		£	£	£	£
TURNOVER	1		6,653,456		7,028,277
External charges			(187,487)		(452,197)
			<u>6,465,969</u>		<u>6,576,080</u>
Staff costs	2	4,203,921		4,295,784	
Other operating charges		<u>2,262,542</u>		<u>2,289,560</u>	
			(6,466,463)		(6,585,344)
OPERATING LOSS	3		(494)		(9,264)
Interest receivable	4	6,112		13,847	
Interest payable	5	<u>(1,625)</u>		<u>(2,214)</u>	
			4,487		11,633
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>3,993</u>		<u>2,369</u>
Tax on ordinary activities	6		<u>0</u>		<u>(5,068)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			<u>3,993</u>		<u>(2,699)</u>
Dividends			<u>0</u>		<u>0</u>
PROFIT/(LOSS) FOR THE YEAR	14		<u><u>3,993</u></u>		<u><u>(2,699)</u></u>
TRANSFERRED TO/(FROM) RESERVES					

There were no recognised gains and losses other than the profit for the financial year.

The notes on pages 13 to 21 form part of these financial statements.

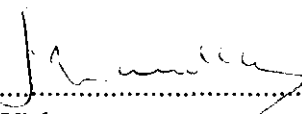
LOMBARD RISK MANAGEMENT PLC

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 1999

	Note	1999	1998
		£	£
FIXED ASSETS			
Tangible assets	8	228,831	308,489
CURRENT ASSETS			
Debtors due within one year	10	1,309,176	1,759,187
Debtors due after more than one year	11	0	16,528
Cash at bank and in hand		109,522	2,315,847
		<u>1,418,698</u>	<u>4,091,562</u>
CREDITORS: Amounts falling due within one year	12	<u>(1,322,752)</u>	<u>(4,082,867)</u>
Net current assets		95,946	8,695
		<u>324,777</u>	<u>317,184</u>
CAPITAL AND RESERVES			
Called up share capital	13	500,220	500,000
Share premium	14	6,380	0
Profit and loss account	14	(301,528)	(305,521)
Other Reserve	14	119,705	122,705
EQUITY SHAREHOLDERS' FUNDS	15	<u>324,777</u>	<u>317,184</u>

The financial statements were approved by the board on 9th August 2000 and signed on its behalf by:

 Director
J M Wisbey

The notes on pages 13 to 21 form part of these financial statements.

LOMBARD RISK MANAGEMENT PLC

COMPANY BALANCE SHEET

AS AT 31 MARCH 1999

	Note	1999		1998	
		£	£	£	£
FIXED ASSETS					
Investment in group companies	9		15,000,000		15,000,000
CURRENT ASSETS					
Debtors due within one year	10	9,078		0	
Cash at bank and in hand		2,561		17,671	
		<u>11,639</u>		<u>17,671</u>	
CREDITORS: Amounts falling due within one year	12	<u>0</u>		<u>(13,980)</u>	
Net current assets			11,639		3,691
			<u><u>15,011,639</u></u>		<u><u>15,003,691</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		500,220		500,000
Share premium	14		6,380		0
Other reserve	14		14,501,000		14,501,000
Profit and loss account	14		4,039		2,691
EQUITY SHAREHOLDERS' FUNDS			<u><u>15,011,639</u></u>		<u><u>15,003,691</u></u>

The financial statements were approved by the board on *9th August* 2000 and signed on its behalf by:

.....*J M Wisbey*..... Director
J M Wisbey

The notes on pages 13 to 21 form part of these financial statements.

LOMBARD RISK MANAGEMENT PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 1999

	Note	1999		1998	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	16		(1,994,970)		2,412,319
Returns on investments and servicing of finance					
Income received		6,112		13,847	
Interest paid		(1,625)		(2,214)	
Net cash inflow from returns on investments and servicing of finance			4,487		11,633
Taxation			0		(88,734)
Capital Expenditure and Financial Investment					
Proceeds from sale of fixed assets		0		1,553	
Payments to acquire tangible fixed assets		(219,442)		(234,931)	
Net cash outflow from capital expenditure and financial investment			(219,442)		(233,378)
Acquisitions and Disposals					
Investment in subsidiary undertaking		(3,000)		0	
Net cash outflow from acquisitions and disposals			(3,000)		0
Financing					
Issue of ordinary share capital		6,600		0	
Net cash inflow from financing			6,600		0
(DECREASE)/INCREASE IN CASH	17		<u>(2,206,325)</u>		<u>2,101,840</u>

The notes on pages 13 to 21 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1999

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention 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 apart from the adoption of FRS 10 goodwill and intangible assets as noted below.

(b) Turnover

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

(c) 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 company's business:-

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

(d) Valuation of investments

Investments held as fixed assets are stated at cost or valuation less any provision for a permanent diminution in value. Investments held as current assets are valued at the lower of cost and market value.

(e) Work in progress

Work in progress on long-term contracts is stated at cost, including an appropriate proportion of overheads, plus attributable profit, less foreseeable losses and applicable payments on account.

(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. All differences are taken to the profit and loss account.

(g) Deferred taxation

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

(h) Operating leases

Rentals paid under operating leases are charged against income systematically over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

(i) Deferred income

Where services are invoiced in advance that proportion of revenue relating to future periods is deferred.

(j) Pension costs

The company contributes from time to time to employees own personal pension schemes. The pensions cost charge represents contributions payable by the company to these schemes.

(j) Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 9) drawn up to 31 March 1999. 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 which exist 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.

2. DIRECTORS AND EMPLOYEES

	1999 £	1998 £
Directors:		
Aggregate emoluments	271,853	274,497
Highest paid director:		
Aggregate emoluments	185,054	188,425

	1999 £	1998 £
Staff costs:		
Wages and salaries	3,814,267	3,918,291
Social security costs	377,469	366,699
Pension costs	12,185	10,794
	4,203,921	4,295,784

The average weekly number of employees during the year was:

	1999 Number	1998 Number
Office and Administration	15	13
Sales & Sales Support	19	23
Software Development & Maths	45	41
Product Support	2	14
Directors	7	8
	88	99

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

3. OPERATING LOSS

	1999 £	1998 £
This is stated after charging/(crediting):		
Profit on sale of fixed assets	0	(1,553)
Depreciation	299,212	346,968
Auditors remuneration - audit services	15,695	15,330
- non audit services	20,048	5,500
(Gain)/loss on foreign exchange	(6,235)	33,692
Operating leases – land and buildings	345,819	327,615

4. INTEREST RECEIVABLE

	1999 £	1998 £
Interest on bank and building society deposits	5,836	7,942
Other interest receivable	276	5,905
	<u>6,112</u>	<u>13,847</u>

5. INTEREST PAYABLE

	1999 £	1998 £
In respect of:		
Bank loans and overdrafts repayable in 5 years	1,591	6
Other interest	34	2,208
	<u>1,625</u>	<u>2,214</u>

6. TAXATION

	1999 £	1998 £
The tax charge represents:		
Corporation tax @ 21% (1998 21%)	0	5,068

7. PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes £ 1,348 which is dealt with in the financial statements of the company.

LOMBARD RISK MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

8. TANGIBLE FIXED ASSETS

	Computer Hardware	Fixtures Fittings & Equipment	Motor Vehicles	Software	Other	Total
The Group	£	£	£	£	£	£
Cost						
At 1st April 1998	1,335,323	443,642	14,249	103,328	19,266	1,915,808
Gain/Loss on Exchange	1,180	43	0	0	0	1,223
Additions	100,626	4,800	0	114,016	0	219,442
At 31st March 1999	1,437,129	448,485	14,249	217,344	19,266	2,136,473
Depreciation						
At 1st April 1998	1,162,054	372,190	14,249	39,560	19,266	1,607,319
Gain/Loss on Exchange	1,083	28	0	0	0	1,111
Charge	171,898	46,786	0	80,528	0	299,212
At 31st March 1999	1,335,035	419,004	14,249	120,088	19,266	1,907,642
Net Book Values						
At 31st March 1999	102,094	29,481	0	97,256	0	228,831
At 31st March 1998	173,269	71,452	0	63,768	0	308,489

9. FIXED ASSET INVESTMENTS

	The Company	
	1999	1998
	£	£
Investment in subsidiary undertakings	15,000,000	15,000,000

At 31st March 1999 the undertakings in which the group held more than 20% of the allotted share capital were as follows:

	Proportion of share capital held		Country of incorporation	Business
	By Parent	By Group		
Subsidiary undertakings				
Lombard Risk Systems Limited	100%	100%	UK	Software
Lombard Risk Systems Inc.	0%	100%	USA	Software
Lombard Document Systems Limited	0%	100%	UK	Software
Lombard Risk Consultants Limited	0%	100%	UK	Training
Lombard Teknos Systems Limited	0%	100%	UK	Software
Lombard Risk Systems (Asia Pacific) Limited	0%	100%	Hong Kong	Dormant

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

9. FIXED ASSET INVESTMENTS (CONTINUED)

All of the subsidiary undertakings have been included in the consolidation. All are subsidiary undertakings by virtue of the company having a controlling interest in their share capital.

The company's investment in Lombard Risk Systems Limited was valued by the directors in the period ended 31 March 1997. There has been no significant change to the directors' view as to the value of this investment since then.

10. DEBTORS DUE WITHIN ONE YEAR

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	953,073	1,425,608	0	0
Amount owed by group companies	0	0	9,078	0
Corporation tax	15,743	15,498	0	0
Other debtors	135,330	72,246	0	0
Other taxes and social security costs	0	4,099	0	0
Prepayments and accrued income	205,030	241,736	0	0
	<u>1,309,176</u>	<u>1,759,187</u>	<u>9,078</u>	<u>0</u>

11. DEBTORS DUE AFTER MORE THAN ONE YEAR

	The Group	
	1999	1998
	£	£
Other debtors	0	16,528

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1999	1998	1999	1998
	£	£	£	£
Trade creditors	293,631	454,949	0	0
Other taxes and social security costs	198,173	207,043	0	0
Other creditors	74,687	2,281,877	0	0
Amounts owed to group companies	0	0	0	13,980
Accruals and deferred income	756,261	1,138,998	0	0
	<u>1,322,752</u>	<u>4,082,867</u>	<u>0</u>	<u>13,980</u>

LOMBARD RISK MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

13. SHARE CAPITAL

	1999	1998
	£	£
Authorised 10,000,000 10p Ordinary	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid 5,002,200 10p Ordinary	<u>500,220</u>	<u>500,000</u>

14. MOVEMENT IN RESERVES

	Share Premium £	Profit and Loss £	Other Reserve £
The Group			
As at 1st April 1998	0	(305,521)	122,705
Profit for the year	0	3,993	0
Minority interest purchase	0	0	(3,000)
Premium on share issue	6,380	0	0
As at 31st March 1999	<u>6,380</u>	<u>(301,528)</u>	<u>119,705</u>

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

	Share Premium £	Profit and Loss £	Other Reserve £
The Company			
As at 1st April 1998	0	2,691	14,501,000
Profit for the year	0	1,348	0
Premium on share issue	6,380	0	0
As at 31st March 1999	<u>6,380</u>	<u>4,039</u>	<u>14,501,000</u>

Other reserves relate to valuation of acquired subsidiary undertakings in the period ended 31 March 1997.

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1999	1998
	£	£
Profit/(Loss) for the financial period	3,993	(2,699)
Issue of shares	6,600	0
Purchase of minority interest	(3,000)	0
Net increase in shareholders' funds	<u>7,593</u>	<u>(2,699)</u>
Shareholders' funds at 1st April 1998	317,184	319,883
Shareholders' funds at 31st March 1999	<u>324,777</u>	<u>317,184</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (Continued)

The company made an allotment of 2,200 ordinary 10p shares at £3.00 per share during the year. The difference between the total consideration of £6,600 and the total nominal value of £220 has been credited to the share premium account.

16. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1999	1998
	£	£
Operating loss	(494)	(9,264)
Revaluation of overseas assets at closing rate of exchange	(112)	69
Profit on sale of tangible fixed assets	0	(1,553)
Depreciation	299,212	346,968
Decrease in debtors	466,539	237,528
(Decrease)/increase in creditors	(2,760,115)	1,838,571
Net cash (outflow)/inflow from operating activities	<u>(1,994,970)</u>	<u>2,412,319</u>

In March 1998 a client paid funds in error to the Group of \$3,645,000 (£2,173,005), which was immediately repaid in April 1998. This resulted in a corresponding positive cashflow in the year ended 31 March 1998 and an equivalent negative cashflow in the year ended 31 March 1999.

17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS AND ANALYSIS OF CHANGES IN NET FUNDS

	1999	1998
	£	£
Cash at bank and in hand at 1 April 1998	2,315,847	214,007
Net cash (outflow)/inflow	<u>(2,206,325)</u>	<u>2,101,840</u>
Cash at bank and in hand at 31 March 1999	<u>109,522</u>	<u>2,315,847</u>

18. COMMITMENTS

At 31 March 1999 the group had annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	1999	1998
	Land and Buildings	Land and Buildings
	£	£
On leases which expire:		
Between one and five years	<u>279,000</u>	<u>206,600</u>

Neither the group nor the company had any material capital commitments at 31 March 1999 or 31 March 1998.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

19. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 1999 or 31 March 1998.

20. PENSIONS

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

21. RELATED PARTY TRANSACTIONS

On 11 June 1998 the company made an allotment of 2,200 ordinary 10p shares at £3.00 per share to Dr. R. Flavell, a director of Lombard Risk Consultants Limited.

22. CONTROLLING RELATED PARTIES

The only group of undertakings for which group accounts have been drawn up is that headed by Lombard Risk Management plc.

In 1996, and with a view to future growth and development, the Lombard Risk Group was reorganised so as to have a plc company as its holding company. As well as his 33.1% shareholding in the company, Mr. John Wisbey is also a beneficiary of trusts, which control a large further shareholding in the company. As Chairman and Chief Executive Mr. Wisbey continues to play a very active part in the management of the group.

23. POST BALANCE SHEET EVENTS

In order to finance continued new product development and ongoing business activities, Lombard Risk Management plc has secured further funding. Through the Group's associate, Lombard Document Systems Limited, two share funding rounds, the first from private individuals and the second from a group of institutions with a prominent investment bank as the lead investor, have already injected finance of £1,970,000 into the Group, of which, £1,072,140 has been used by Lombard Document Systems Limited to repay in full its loan from Lombard Risk Systems Limited, a subsidiary of Lombard Risk Management plc.

The directors are extremely pleased with the interest shown for the Lombard Document Systems Limited private share placing and believe the Group will be well positioned to fund further business developments.

On 31 March 2000 the company acquired from Lombard Risk Systems Limited 196,696 £1 ordinary shares in Lombard Document Systems Limited, 499,002 £1 ordinary shares in Lombard Teknos Systems Limited and 10,000 £1 ordinary shares in Lombard Risk Consultants Limited for a total consideration of £206,696.

LOMBARD RISK MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED 31 MARCH 1999

On 22 May 2000 the company acquired a further 141,000 ordinary shares of £1 each in Lombard Document Systems Limited, an associated company, for £5 per share. The aggregate consideration of £705,000 was credited against the loan to Lombard Document Systems Limited as part repayment of the loan.