

**LOMBARD RISK SYSTEMS LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2004**

**(Company No. 2322432)**



## **DIRECTORS**

J M Wisbey

C N Rose

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 SYSTEMS LIMITED**

**31 MARCH 2004**

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# **LOMBARD RISK SYSTEMS LIMITED**

**31 MARCH 2004**

## **CHAIRMAN'S STATEMENT**

The following is the text of the Chairman's Report for the year ended 31 March 2004 of Lombard Risk Management plc, the parent company of Lombard Risk Systems Ltd.

### **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.

# **LOMBARD RISK SYSTEMS LIMITED**

**31 MARCH 2004**

## **CHAIRMAN'S STATEMENT (CONTINUED)**

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**

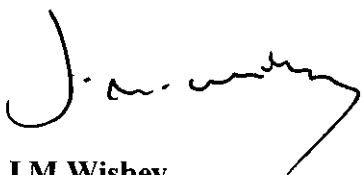
The company continued to sell down its stake in its former subsidiary i-documentsystems group plc (AIM stock symbol "IDOX"). While this is a good company, and I still remain Chairman of it until later in 2004, there is no strategic value in the Group continuing to hold this investment, and it is our 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 SYSTEMS LIMITED**

**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, 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 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 loss for the year, after taxation, amounted to £684,768 (2003: £2,160,202).

The directors do not recommend the payment of a final dividend. The transfer from reserves is £224,760 (2003: £2,160,202).

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company's principal activity is the design, sale and rental of financial software systems, with particular emphasis on the derivatives market. The directors are optimistic about the prospects for the year to March 2005.

### **CLOSE COMPANY**

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

# LOMBARD RISK SYSTEMS LIMITED

31 MARCH 2004

## REPORT OF THE DIRECTORS (CONTINUED)

### DIRECTORS AND THEIR INTERESTS

The directors of the company during the year, and their interests in the share capital of the parent company Lombard Risk Management plc at 31 March 2004, were:

#### Lombard Risk Management plc

	Class of Share	Number of ordinary shares	
		2004	2003
J M Wisbey	Ordinary 10p	4,920,645	1,675,645
R G M L Barclay	Ordinary 10p	20,000	-
C N Rose	-	-	-

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.

No director had, during or at the end of the year, an interest in the share capital of the company or any other group undertakings.

R G M L Barclay resigned as company secretary and director on 24 April 2003.

### 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

13<sup>th</sup> Floor  
21 New Fetter Lane  
London  
EC1A 4AJ

**REPORT OF THE INDEPENDENT AUDITORS**  
**TO THE MEMBERS OF LOMBARD RISK SYSTEMS LIMITED**

We have audited the financial statements of Lombard Risk Systems Limited for the year ended 31 March 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 24. 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 annual report, 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 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 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 as at 31 March 2004 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Em L Thl UK LLP*

**GRANT THORNTON UK LLP**  
**REGISTERED AUDITORS**  
**CHARTERED ACCOUNTANTS**  
**LONDON**  
**17 September 2004**



**LOMBARD RISK SYSTEMS LIMITED**

**YEAR ENDED 31 MARCH 2004**

**PROFIT AND LOSS ACCOUNT**

	Note	2004		2003	
		£	£	£	£
<b>Turnover</b>	<b>1</b>		4,472,383		4,396,780
External charges			(278,532)		(170,303)
			<u>4,193,851</u>		<u>4,226,477</u>
Staff costs	<b>2</b>	3,648,387		4,743,602	
Other operating charges		<u>1,155,064</u>		<u>1,660,497</u>	
			(4,803,451)		(6,404,099)
<b>Operating loss</b>	<b>3</b>		<u>(609,600)</u>		<u>(2,177,622)</u>
Interest receivable	<b>4</b>	4,892		2,102	
Interest payable	<b>5</b>	<u>(80,060)</u>		<u>(94,682)</u>	
			(75,168)		(92,580)
<b>Loss on ordinary activities before taxation</b>			<u>(684,768)</u>		<u>(2,270,202)</u>
Tax on loss on ordinary activities	<b>6</b>		460,008		110,000
<b>Loss for the year transferred from reserves</b>	<b>16</b>		<u>(224,760)</u>		<u>(2,160,202)</u>

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

All operations are continuing.

The accompanying notes form part of these financial statements.


**LOMBARD RISK SYSTEMS LIMITED**

**YEAR ENDED 31 MARCH 2004**

**BALANCE SHEET**

	Note	2004 £	£	2003 £	£
<b>Fixed assets</b>					
Tangible assets	7		92,334		118,048
Investment in group companies	8		<u>1,875</u>		<u>1,875</u>
			94,209		119,923
<b>Current assets</b>					
Debtors due within one year	10	893,704		1,137,767	
Debtors due more than one year	11	128,322		51,426	
Cash at bank and in hand		<u>71,358</u>		<u>28,694</u>	
		1,093,384		1,217,887	
<b>Creditors: Amounts falling due within one year</b>	12	<u>(2,655,217)</u>		<u>(2,229,029)</u>	
<b>Net current liabilities</b>			(1,561,833)		(1,011,142)
<b>Creditors: Amount falling due after one year</b>	13		(347,987)		(699,632)
<b>Total liabilities</b>			<u>(1,815,611)</u>		<u>(1,590,851)</u>
<b>Capital and reserves</b>					
Called up share capital	15	500,000		500,000	
Profit and loss account	16	(2,315,611)		(2,090,851)	
<b>Equity shareholders' deficit</b>	16	<u>(1,815,611)</u>		<u>(1,590,851)</u>	

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 SYSTEMS LIMITED

YEAR ENDED 31 MARCH 2004

## NOTES TO THE FINANCIAL STATEMENTS

### 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 have remained unchanged from the previous year and are set out 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 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.

#### (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	50% to 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 valued at cost 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) 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.

#### (f) Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company 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.

# LOMBARD RISK SYSTEMS LIMITED

31 MARCH 2004

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (g) 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. The schemes are defined contribution schemes.

### (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) Deferred income

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

## 2. DIRECTORS AND EMPLOYEES

	2004 £	2003 £
Directors:		
Aggregate emoluments	384,071	375,778

	2004 £	2003 £
Highest paid director:		
Aggregate emoluments	179,127	174,147

	2004 £	2003 £
Staff Costs including directors:		
Wages and salaries	2,988,434	3,928,298
Social security costs	334,594	495,923
Pension costs	11,371	4,794
Exceptional: -		
Payment for past and future services	299,330	314,587
	3,633,729	4,743,602

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

	2004 Number	2003 Number
Office and administration	6	12
Operational	49	62
	55	74

# **LOMBARD RISK SYSTEMS LIMITED**

**31 MARCH 2004**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **3. OPERATING LOSS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
This is stated after charging:		
Depreciation - Hire purchase	6,048	6,048
- Other	115,449	226,908
Auditors remuneration - Current year	23,500	17,850
Amounts payable to auditors for associated services	45,943	29,226
Operating leases - land and buildings	125,756	255,153
	<u>125,756</u>	<u>255,153</u>

Gains and losses on foreign exchange arise principally from differences between booking and realised rates in respect of purchases and sales.

### **4. INTEREST RECEIVABLE**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Interest on bank deposits	1,690	1,804
Other interest receivable	3,202	298
	<u>4,892</u>	<u>2,102</u>

### **5. INTEREST PAYABLE**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
In respect of:		
Bank loans and overdrafts repayable in 5 years	-	6
Other interest	80,060	94,676
	<u>80,060</u>	<u>94,682</u>

**LOMBARD RISK SYSTEMS LIMITED****31 MARCH 2004****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****6. TAX ON LOSS OF 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

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

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

Loss on ordinary activities before tax	<u>(684,768)</u>	<u>(2,270,202)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%).	(205,430)	(681,061)
Effect of:		
Expenses not deductible for tax purposes	25,779	38,493
Capital allowances in excess of depreciation	(24,746)	-
Other short term timing differences	27,394	-
Adjustment in respect of prior period	(460,008)	(110,000)
Losses set off in other group companies	-	205,758
Movement in unprovided deferred tax	-	(7,777)
Tax losses arising in the year	177,003	444,587
Current tax charge for period	<u>(460,008)</u>	<u>(110,000)</u>

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

# LOMBARD RISK SYSTEMS LIMITED

31 MARCH 2004

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. TANGIBLE FIXED ASSETS

	Computer Hardware	Fixtures Fittings & Equipment	Motor Vehicle	Software	Other	Total
	£	£	£	£	£	£
Cost						
At 1 April 2003	1,604,860	391,664	24,182	672,163	19,266	2,712,135
Additions	75,392	1,023	-	19,368	-	95,783
At 31 March 2004	1,680,252	392,687	24,182	691,531	19,266	2,807,918
Depreciation						
At 1 April 2003	1,521,843	390,281	9,072	653,625	19,266	2,594,087
Charge	85,261	919	6,048	29,269	-	121,497
At 31 March 2004	1,607,104	391,200	15,120	682,894	19,266	2,715,584
Net Book Value						
At 31 March 2004	73,148	1,487	9,062	8,637	-	92,334
At 31 March 2003	83,017	1,383	15,110	18,538	-	118,048

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

### 8. FIXED ASSET INVESTMENTS

	2004 £	2003 £
At 1 April 2003 and 31 March 2004	1,875	1,875

The subsidiary undertakings at the end of the year were Lombard Risk Systems Inc., a company incorporated in Delaware U.S.A, Lombard Risk Systems (Pty) Ltd incorporated in South Africa and Lombard Risk Systems (Asia Pacific) Limited incorporated in Hong Kong.

Name	Proportion of voting rights	Ordinary share capital held	Loss for the year £	Net Liabilities at 31 March 2004 £
Lombard Risk Systems Inc	100%	100%	350,272	1,188,818
Lombard Risk Systems (Pty) Ltd	100%	100%	Not yet trading	
Lombard Risk Systems (Asia Pacific) Ltd	100%	100%	Dormant	

These accounts present information about the company as an individual undertaking and not about its group.

The company is exempt from the requirement to produce group accounts as it is wholly owned by Lombard Risk Management plc, a company incorporated in England and Wales. The financial statements of the company and its subsidiary undertakings are included in the consolidated accounts of the parent company.

# LOMBARD RISK SYSTEMS LIMITED

31 MARCH 2004

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. PURCHASE OF BUSINESS INTEREST

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

The total consideration is £1,054,600 which is charged to the profit and loss account in equal instalments between 1 January 2002 and 31 December 2004 which is the period that the company 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).

Lombard Risk Management plc has guaranteed the performance of the agreement by the company.

### 10. DEBTORS DUE WITHIN ONE YEAR

	2004	2003
	£	£
Trade debtors	719,600	677,131
Other debtors	54,174	343,551
Prepayments and accrued income	68,504	48,517
Deferred expenditure re purchase of business – see note 9	51,426	68,568
	<u>893,704</u>	<u>1,137,767</u>

### 11. DEBTORS DUE MORE THAN ONE YEAR

	2004	2003
	£	£
Amount owed by group company	128,322	-
Deferred expenditure re purchase of business – see note 9	-	51,426
	<u>128,322</u>	<u>51,426</u>



**LOMBARD RISK SYSTEMS LIMITED**

**31 MARCH 2004**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade creditors	458,839	117,469
Other taxes and social security costs	137,253	116,228
Other creditors	325,837	625,166
Finance leases	4,636	4,636
Accruals and deferred income	1,728,652	1,365,530
	<u>2,655,217</u>	<u>2,229,029</u>

**13. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Deferred payable re purchase of business – see note 9	341,031	316,191
Amount owing to parent undertaking	-	371,849
Finance lease	6,956	11,592
	<u>347,987</u>	<u>699,632</u>

**14. AMOUNTS UNDER FINANCE LEASES AND HP AGREEMENTS**

		<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
Amounts payable within	1 Year	4,636	4,636
	2 – 5 Years	6,956	11,592
		<u>11,592</u>	<u>16,228</u>

**15. SHARE CAPITAL**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Authorised		
10,000,000 10p Ordinary	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
5,000,000 10p Ordinary	<u>500,000</u>	<u>500,000</u>

**16. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	<b>Profit and Loss</b>	<b>Share Capital</b>	<b>Shareholders Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 April 2003	(2,090,851)	500,000	(1,590,851)
Loss for the year	(224,760)	-	(224,760)
As at 31 March 2004	<u>(2,315,611)</u>	<u>500,000</u>	<u>(1,815,611)</u>

# LOMBARD RISK SYSTEMS LIMITED

31 MARCH 2004

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. GOING CONCERN

The directors have formally considered the ability of the group to continue its activities in light of the net liabilities of £1,815,611 in the 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.

The directors furthermore take comfort from the fact that the parent company owns two established cash generative businesses each of which has a value considerably higher than the net liability position, a remaining stake in i-documentsystems group plc with a market value of approximately £350,000 at 10 September 2004 and that the net liability position is a direct consequence of the parent company's policy of writing off all investment in software research and development as and when incurred.

### 18. LEASING COMMITMENTS

At 31 March 2004 the company had annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	2004	2003
	Land and	Land and
	Buildings	Buildings
	£	£
On leases which expire in 1 year or less	137,651	291,791

### 19. CAPITAL COMMITMENTS

The company has no material capital commitments at 31 March 2004 or 31 March 2003.

### 20. CONTINGENT LIABILITIES

On 23 March 2004 a cross guarantee securing the bank borrowings of the Lombard Risk Management plc group of £500,000 was extended to 31 December 2004.

### 21. RELATED PARTY TRANSACTIONS

The Group has a trading relationship with i-documentsystems group plc (IDOX), which is controlled by Mr. J. Wisbey, a director. 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. 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.

# **LOMBARD RISK SYSTEMS LIMITED**

**31 MARCH 2004**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **22. CONTROLLING RELATED PARTY**

The company's controlling related party is Lombard Risk Management plc by virtue of its 100% shareholding in Lombard Risk Systems Limited. The only group of undertakings for which group accounts have been drawn up is that headed by Lombard Risk Management plc, incorporated in Great Britain.

As a wholly owned subsidiary of Lombard Risk Management plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Lombard Risk Management plc, on the grounds that the financial statements are publicly available from Companies House.

In 1996, the Lombard Risk Group was reorganised so as to have a plc company as its holding company. During the year to 31 March 2004, Mr. J. Wisbey reorganised his shareholding in Lombard Risk Management plc transferring the shareholdings in trusts to his personal shareholding. As Chairman and Chief Executive Mr. J. Wisbey continues to play a very active part in the management of the group and is therefore considered to be the ultimate controlling related party of the group.

### **23. CASH FLOW STATEMENT**

As a wholly owned subsidiary of a company incorporated in England and Wales, the company is exempt from the requirement to produce a cash flow statement.

### **24. FINANCIAL SUPPORT**

Lombard Risk Management plc has agreed to support the company to ensure it is able to meet its commitments for the foreseeable future.