LOMBARD RISK SYSTEMS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2005

(Company No. 2322432)

DIRECTORS

John Wisbey (Chairman)
Christopher Rose (Resigned 3 October 2005)
Cliff van Tonder (Appointed 3 October 2005)
Lee Wakeman (Appointed 3 October 2005)

SECRETARY

Spencer Backhouse

REGISTERED OFFICE

21st Floor
Empress State
Empress Approach
Lillie Road
London
SW6 1TR

AUDITORS

Grant Thornton UK LLP
Grant Thornton House
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London
NW1 2EP

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The following is the text of the Chairman's Report for the year ended 31 March 2005 of Lombard Risk Management plc, the parent company of Lombard Risk Systems Ltd.

Summary
In trading conditions on par with last year, and with competition remaining strong, Lombard Risk continued to see consistent demand for its products and services over the past year. Customer gains were particularly notable in the business areas of Independent Valuation Services and credit derivatives pricing.

The Company's parent (Lombard Risk Management plc) was successfully floated on the AIM section of the London Stock Exchange in September 2004 at 8p per share, and in November 2004 received an additional £1.1 million investment at 9p per share from Putnam Lovell, a subsidiary of National Bank of Canada.

Financial
Revenue increased to £4.59m against £4.47m for the previous year, with a reduced loss before tax of £0.50m, versus a comparable figure of £0.69m for 2004. The operating loss was £ 0.44m (2004 £0.61m).

Revenue was impacted by the timing of several large transactions which failed to close by the year end, or which were transacted on a rental/subscription basis rather than a licence basis. The sales mix was different from expectations; software rental and data revenues were at a higher level, while licence sales were at a lower level than expected.

Recurrent revenue was at a higher level than expected and contributed over 75% of total revenue. In addition, the revenue profile remained well dispersed, with no single client accounting for more than 6% of total revenue.

Costs were increased post IPO by the addition of several new members of staff in sales and marketing together with ongoing listing costs and the addition of two non-executive directors. There is a growing sales pipeline owing to the sales team's efforts, but it has taken longer than expected for the new team to reach full productivity.

Oberon, the trading and risk management system, remained profitable for the sixteenth consecutive year and made two key new customer wins during the year, while Firmament's revenue contribution has increased, and the product continues to be expanded and enhanced in the areas of credit trading and collateral management.

The Independent Valuation Service business continues to see demand growth as the marketplace increasingly recognises the importance of independent valuations, and our ValuSpread data business is benefiting from continued growth in the volume of credit derivatives traded.

The Company ended the year with cash and marketable securities of £0.3m. In addition the Company has the ability to reclaim R&D tax credits totalling several hundred thousand pounds; however the Board believes that, as a result of trading and corporate activity, it may be able to make use of a large proportion of its tax losses in the next financial period, and has consequently for the first time in four years not applied to surrender any of its tax losses against payment for R&D tax credits.

Software Products
Oberon continues to provide capital to support the development of other products, as well as gaining new customers. Work has continued to make Oberon a very open system using our OBI utility. Functionally the product has made good progress with new pricing models and support for additional instruments. All Oberon customers are now using Oberon 5, thus streamlining the product support function.

Firmament, the Company's latest software platform for trading and risk management, continues to gain ground and has benefited particularly this year from a new development partnership with Banca IMI in Milan, Italy. This is for the further enhancement of Firmament Collateral, the software platform for collateral trading and risk management. Client wins for Firmament Credit Trading have included hedge funds and a prominent Fund Administrator.

Managed Services and Data
The continued strong growth in the hedge fund and alternative investment markets have heightened the awareness of, and demand for, independent valuations by both asset managers and their investors. In addition, there has been increasing focus by regulators on independent valuation and the IAS 39 directive on fair value accounting for derivatives, which will be significant drivers for the Independent Valuation Services business. These factors have already been reflected in a healthy growth in sales leads for the business as well as new customers.

The growth in the credit derivatives market has continued at over 40% per annum, and the British Bankers Association estimated that the total market size as measured by notional amount had reached US$5.5 trillion by the end of 2004. The volume of instruments traded has also continued to rise, and this has been reflected in the significant growth in credits handled by the ValuSpread data business.

Personnel

We welcomed two very experienced directors to the Board in the last year, Brian Crowe and Dan Kochav, both of whom are current practitioners in very relevant businesses. Brian Crowe joined at the time of our IPO, and is Deputy Chief Executive of Royal Bank of Scotland's Corporate Banking and Financial Markets division. Dan Kochav joined our Board following the investment by Putnam Lovell and is Managing Director of Alternative Investments there, having previously been a Managing Director of Toronto Dominion Bank. This association with Putnam Lovell and its network of contacts has already brought significant additional benefits to the Company, particularly as it seeks to expand its North American customer base and activities.

At the beginning of March Ian Hopkins, who had previously founded and headed up the ValuSpread business during a six year tenure with the Company, rejoined as Managing Director of ValuSpread after a two year absence.

Investments

Lombard Risk still holds a stake of 3% (5.6 million shares) in its former subsidiary IDOX plc, which is quoted on AIM. The Board's position remains that it will retain or dispose of this holding based on investment considerations alone.

IDOX is an example of a business bought by Lombard Risk, successfully incubated and then spun out at an appropriate time. This is a model that the Board feels comfortable with, and over the next few years it can be anticipated that the Company will engage in further similar corporate activity.

Prospects

At the time of writing, the Company was at an advanced stage of negotiations to sell its ValuSpread business. This disposal has the potential substantially to improve the balance sheet of the Company and to create a very strong cash position for a company of our size. It will also provide additional capability to execute on the Company's strategic plan to be a specialist supplier of risk and valuation products and services to the financial services market place.

The Board believes that the high level of recurrent revenues of the business overall provides a sound foundation for growth. The Board is confident that market demand in our focus areas of credit derivatives and hedge fund management will continue to grow, as will the area of independent valuations. In addition, the Board remains positive about the growth story and prospects for the Company over the next few years.

The year in which we made the transition to quoted status was a significant year for the Company. In addition owing to our former head office building being redeveloped by our landlords, the company had to move office in October 2004. Inevitably both the IPO and the office move meant that many of our team had to go the extra mile over and above their normal jobs, and I would like to thank all my colleagues in London and our other offices, as well as our advisors, for their hard work and support.

John Wisbey
Chairman & Group CEO
9 August 2005

The directors present their report and the audited financial statements for the year ended 31 March 2005.

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 £504,018 (2004: £224,760).

The directors do not recommend the payment of a final dividend. The transfer from reserves is £504,018 (2004: £224,760).

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. Following the sale of the ValuSpread business in August 2005, the continuing profitability of Oberon and a strong pipeline for the Colline product, the directors are optimistic about the prospects for the year to March 2006.

CLOSE COMPANY

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

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 2005, were:

Lombard Risk Management plc

		Number of ordinary shares	
	Class of Share	**2005**	**2004**
John Wisbey	Ordinary 0.5p	81,024,562	76,762,062
Christopher Rose	Ordinary 0.5p	125,000	-

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.

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

Spencer Backhouse
Secretary
26 January 2006

21st Floor
Empress State
Empress Approach
Lillie Road
London
SW6 1TR

We have audited the financial statements of Lombard Risk Systems Ltd for the year ended 31 March 2005 which comprise the consolidated profit and loss account, the balance sheet, the accounting policies 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 annual 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 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 the company's affairs as at 31 March 2005 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON
26 January 2006

Profit and loss account
For the year ended 31 March 2005

	Note	2005 £	2004 £
Turnover	**1**	4,591,604	4,472,383
External charges		(288,466)	(278,532)
		4,303,138	4,193,851
Staff costs	**2**	3,710,208	3,648,387
Other operating charges		1,030,161	1,155,064
		(4,740,369)	(4,803,451)
Operating loss	**3**	(437,231)	(609,600)
Interest receivable	**4**	5,793	4,892
Interest payable	**5**	(72,580)	(80,060)
		(66,787)	(75,168)
Loss on ordinary activities before taxation		(504,018)	(684,768)
Tax on loss on ordinary activities	**6**	-	460,008
Loss for the year transferred from reserves	**16**	(504,018)	(224,760)

All operations are attributable to continuing operations.

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

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

Balance sheet
As at 31 March 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	**7**	285,061	92,334
Investment in group companies	**8**	1,875	1,875
		286,936	94,209
Current assets			
Debtors due within one year	**10**	1,177,206	893,704
Debtors due in more than one year	**11**	-	128,322
Cash at bank and in hand		323,435	71,358
		1,500,641	1,093,384
Creditors: Amounts falling due within one year	**12**	(1,224,901)	(1,154,436)
Net current assets / (liabilities)		275,740	(61,052)
Total assets less current liabilities		562,676	33,157
Creditors: Amount falling due after one year	**13**	(1,286,968)	(347,987)
Deferred income		(1,595,337)	(1,500,781)
Total liabilities		(2,319,629)	(1,815,611)
Capital and reserves			
Called up share capital	**15**	500,000	500,000
Profit and loss account	**16**	(2,819,629)	(2,315,611)
Shareholders' deficit	**16**	(2,319,629)	(1,815,611)

The financial statements were approved by the board on 26 January 2006 and signed on its behalf by:

John Wisbey
Director

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

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 sheet date.

(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

	2005 £	2004 £
Directors:		
Aggregate emoluments	336,000	384,071
Highest paid director:		
Aggregate emoluments	178,500	179,127
Staff costs including directors:		
Wages and salaries	3,134,204	2,988,434
Social security costs	333,757	334,594
Pension costs	9,404	11,371
Exceptional: -		
Payment for past and future services	232,843	299,330
	3,710,208	3,633,729

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

	2005 Number	2004 Number
Office and administration	6	6
Operational	50	49
	56	55

3. OPERATING LOSS

		2005 £	2004 £
This is stated after charging:			
Depreciation	- Hire purchase	-	6,048
	- Other	128,057	115,449
Auditors remuneration	- Current year	28,000	23,500
Amounts payable to auditors for associated services		21,157	45,943
Operating leases	- land and buildings	256,788	125,756

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

4. INTEREST RECEIVABLE

	2005 £	2004 £
Interest on bank deposits	5,793	1,690
Other interest receivable	-	3,202
	5,793	4,892

5. INTEREST PAYABLE

	2005 £	2004 £
In respect of:		
Bank loans and overdrafts repayable in 5 years	1	-
Other interest	72,579	80,060
	72,580	80,060

6. TAX ON LOSS OF ORDINARY ACTIVITIES

There is no charge to tax for the year (2004: £nil) because of the availability of losses within the group. A research and development tax credit has not been applied for relating to the year ended 31 March 2004 or 31 March 2005. 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

	2005 £	2004 £
Adjustment in respect of prior periods – R&D tax credit	-	(460,008)

The tax assessed for the period is different than at the standard rate of corporation tax in the UK 30% (2004: 30%). The differences are explained as follows:

Loss on ordinary activities before tax	(504,018)	(684,768)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%).	(151,205)	(205,430)
Effect of:		
Expenses not deductible for tax purposes	27,791	25,779
Capital allowances in excess of depreciation	(37,005)	(24,746)
Other short term timing differences	1,135	27,394
Adjustment in respect of prior period	-	(460,008)
Tax losses arising in the year	159,284	177,003
Current tax charge for period	-	(460,008)

The directors have not recognised the deferred tax amount of £1,093,945 (2004: £1,650,026) arising on trading losses carried forward.

7. TANGIBLE FIXED ASSETS

	Computer Hardware £	Fixtures Fittings & Equipment £	Motor Vehicle £	Software £	Other £	Total £
Cost						
At 1 April 2004	1,680,252	392,687	24,182	691,531	19,266	2,807,918
Additions	166,574	149,183	-	15,197	-	330,954
Disposals	-	(128,023)	(24,182)	-	-	(152,205)
At 31 March 2005	1,846,826	413,847	-	706,728	19,266	2,986,667
Depreciation						
At 1 April 2004	1,607,104	391,200	15,120	682,894	19,266	2,715,584
Charge	90,408	21,280	-	16,369	-	128,057
Disposals	-	(126,915)	(15,120)	-	-	(142,035)
At 31 March 2005	1,697,512	285,565	-	699,263	19,266	2,701,606
Net Book Value						
At 31 March 2005	149,314	128,282	-	7,465	-	285,061
At 31 March 2004	73,148	1,487	9,062	8,637	-	92,334

Included within fixtures and fittings as at 31 March 2005 are finance lease assets with a net book value of £43,218 (2004:£nil). Depreciation of £6,154 (2004: £6,048) was charged on those assets during the year.

8. FIXED ASSET INVESTMENTS

	2005 £	2004 £
At 1 April 2004 and 31 March 2005	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 Mar 05 £
Lombard Risk Systems Inc	*100%*	*100%*	*559,425*	*1,684,486*
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.

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 2005, a total of £368,481 (2004: £459,211) was charged to the profit and loss account. This comprised £199,416 gross salary (2004: £265,888) and £33,427 employers NIC (2004: £33,442); interest of £71,404 (2004: £74,236) and other operating costs of £ 64,234 (2004: £85,645).

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

10. DEBTORS DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade debtors	990,712	719,600
Other debtors	48,893	54,174
Prepayments and accrued income	137,601	68,504
Deferred expenditure re purchase of business – see note 9	-	51,426
	1,177,206	893,704

11. DEBTORS DUE MORE THAN ONE YEAR

	2005 £	2004 £
Amount owed by group company	-	128,322
Deferred expenditure re purchase of business – see note 9	-	-
	-	128,322

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade creditors	463,242	458,839
Other taxes and social security costs	140,821	137,253
Other creditors	372,257	325,837
Finance leases	14,511	4,636
Accruals	234,070	227,871
	1,224,901	1,154,436

13. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2005 £	2004 £
Deferred payable re purchase of business – see note 9	182,247	341,031
Amount owing to parent undertaking	1,067,842	-
Finance lease	36,879	6,956
	1,286,968	347,987

14. AMOUNTS UNDER FINANCE LEASES AND HP AGREEMENTS

		2005 £	2004 £
Amounts payable within	1 Year	14,511	4,636
	2 – 5 Years	36,879	6,956
		51,390	11,592

15. SHARE CAPITAL

	2005 £	2004 £
Authorised		
10,000,000 10p Ordinary	1,000,000	1,000,000
Allotted, called up and fully paid		
5,000,000 10p Ordinary	500,000	500,000

16. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Profit and Loss £	Share Capital £	Shareholders Funds £
As at 1 April 2004	(2,315,611)	500,000	(1,815,611)
Loss for the year	(504,018)	-	(504,018)
As at 31 March 2005	(2,819,629)	500,000	(2,319,629)

17. GOING CONCERN

The directors have formally considered the ability of the company to continue its activities in the light of the net liabilities of £2,319,629 in the balance sheet at 31 March 2005 and the losses and cash outflows in the period then ended.

The directors have prepared forecasts for the period to March 2007 and are satisfied that the company will continue to work within its available resources.

The directors furthermore take comfort from the fact that the company sold its ValuSpread business in August 2005 for up to £6m (see note 21).

18. LEASING COMMITMENTS

At 31 March 2005 the company had annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	2005 Land and Buildings £	2004 Land and Buildings £
On leases which expire in 1 year or less	256,788	137,651

19. CAPITAL COMMITMENTS

The company has no material capital commitments at 31 March 2005 or 31 March 2004.

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 2005.

21. POST BALANCE SHEET EVENTS

On 26 August 2005, the Company disposed of its ValuSpread business to Fitch Ratings Ltd. The maximum consideration payable amounted to £6m in cash plus a further £540,000 of deferred income. As at the date of approval of the financial statements, £5.9m of the consideration had been received less 10% placed in escrow and expenses paid.

22. RELATED PARTY TRANSACTIONS

The Group's trading relationship with i-documentsystems plc (IDOX) ceased during the year to 31 March 2004. During the year to 31 March 2005, £4,713 was written off in respect of rent, rates and service charges outstanding at 31 March 2004.

23. 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 England and Wales.

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.

The Chairman and Chief Executive J M Wisbey is interested in shares to the value of 62% of the issued share capital of Lombard Risk Management plc and is therefore considered to be the ultimate controlling related party of the group.

24. 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.