



The small company specialists

COMPANY INFORMATION

Financial Objects plc (LSE:FIO)

Info sheet compiled November 2006

Company Eye Ranking

34/50

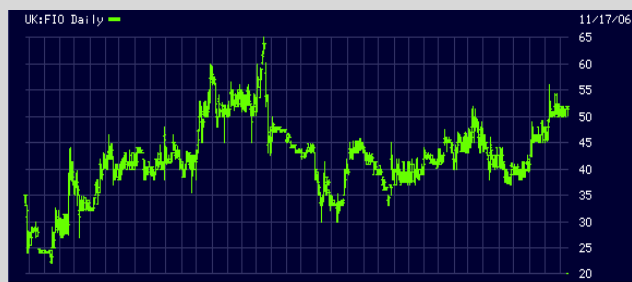
EDITOR'S NOTE

Financial Objects plc is a software company that supplies solutions and services for banking and financial services, property asset management and document management. These solutions are based on IBM and Microsoft server technologies. The company has continued to expand through acquisition in the last six months, and the turnover

of the group has grown in this period.

It is our opinion that the company is building on recent successes in a positive way and collaborates well with its partners to provide new updates to their software. We believe that the company would make a useful addition to a mid term portfolio.

3 YEARS CHART



FUNDAMENTALS

Company Name	Financial Objects plc
Current Price	51.5
Status	AIM
Market Cap	20.57[m]
Shares in Issue	39.95[m]
Activities	providing technology solutions and services for banking and financial services, property asset management and document management.
Sector	Technology - Software
Corporate advisor	Evolution Securities Ltd
Registrar	Lloyds TSB Registrars

HISTORY

The group was founded in late 1995 on the belief that mission-critical systems would be built from internet-enabled, reusable software components using Microsoft server technology. Today this is a reality and Financial Objects is at the forefront of that technology.

In 1996, Financial Objects acquired IBIS Ltd, the international wholesale banking systems company, and subsequently integrated the IBIS business with its own established operations. The enlarged group now offered banking software and services on two major platforms: IBM iSeries and Microsoft Windows 2000/XP.

In July 1999, Financial Objects acquired the international retail banking systems supplier, Global Financial Systems Ltd (GFS). The acquisition extended Financial Objects' range of new generation banking solutions, providing an established retail product to complement its existing product suite.

The Group acquired 9000 Ltd in early 2000 and with it, its leading edge technology front office treasury and risk

management products. This allowed Financial Objects to offer its customers the solutions for the integrated front, middle and back office functions that they increasingly require.

Financial Objects further enhanced its product development capabilities with the acquisition of Afrocom Technologies pvt Ltd, an Indian company based in Bangalore, specialising in developing technology based around the Microsoft .Net platform. The acquisition established a base for the Group in one of the top development environments in the world.

In May 2005, the Group acquired Wealth Management Software plc (WMS), a provider of a range of investment, property, healthcare and financial adviser management services, and cross-industry document and business management solutions and bespoke service capabilities. The acquisition extends the Group's presence within the financial services sector and will facilitate cross-selling opportunities across both client bases.

THE BUSINESS

Financial Objects was founded as a banking software and services group dedicated to the development and support of solutions for international and retail banks. With over 150 active client sites in banks around the world, Financial Objects has one of the largest installed bases in the banking packaged software industry. Recent extensions in product range have led to the company being able to provide investment management, property asset

management and risk management solutions.

Financial Objects operates from London headquarters in Covent Garden and has an advanced technology centre in Birmingham, UK. Regional UK offices are also located in Leeds and Newcastle. Regional overseas offices are located in New York, Houston, Singapore, Hong Kong, Denmark, Luxembourg, Prague and Bangalore.



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ACTIVITIES

The Company is a holding company for a group of companies involved in the provision of technology solutions and services for banking and financial services, property asset management and document management, using IBM and Microsoft technologies. The Group's core products are **activebank**, a component-based solution suite offering banking and wealth management solutions to banks and financial services organisations, and **ibis s2**, an international banking system. These products are sold by the Group on an international basis from the UK and branches in the USA, Singapore, Hong Kong, Luxembourg, the Czech Republic and India to banks and other financial services organisations. Other products include **fairs**, **genisys**, **GVAS**, **LISA®** and **energycredit**.

activebank

activebank is Financial Objects' market leading advanced technology solution. In addition to the **activebank** Banking Application Suite, **activebank** is a proven 'component platform' for 'bespoke banking applications' which can be built using its comprehensive library of business components. A wider range of front, back and middle office packaged application suites are now available within **activebank** including: **activebank** Banking, **activebank** Wealth Management and **activebank** Risk Management.

ibis s2

ibis s2 is the latest version of Financial Objects' commercial banking system designed to serve the needs of banks running international retail, commercial and private banking operations. **ibis s2** provides in depth business functionality to meet the requirements for complex banking transactions. And, applications from the **activebank** solution suite integrate directly with **ibis s2**, enabling customers to benefit from advanced technology expertise, within the **ibis s2** banking system environment.

fairs

fairs IFA Software comprises a complete set of modules, addressing a wide range of business and administrative requirements: from point of sale to portfolio management. These modules can be implemented individually, bundled, or as a complete package, depending on your specific business requirements.

genisys

genisys is an intelligent software application designed as a cost effective way to manage paper and electronic documents more efficiently. It reduces the tedious

administration entailed in managing large volumes of paper documents enabling busy staff to focus on more value-creating tasks. Packed with useful features, it remains simple to use and manage either as a standalone or networked system. Users scan documents either individually or by batch mode into the system where they are stored and indexed intelligently for fast retrieval. When implementing **genisys**, organisations can expect to see an immediate impact on the efficiency of their day-to-day businesses. Many customers have experienced savings of over 50% in operational costs and time spent handling paper processes.

LISA®

LISA® Property Asset Manager (PAM) is a fully comprehensive property management software solution designed for the property professional rather than the IT specialist and has been developed with ease of use at the forefront of its design.

LISA® PAM has been developed using the very latest three-tier open technology and is fully compatible with Microsoft SQL and Oracle databases. Designed to replace traditional systems that have remained somewhat static over the years, it transforms old disparate databases into sharp, informative, responsive solutions that achieve new levels of user-friendliness.

The software is unique in that it has been designed around key business processes common to the large-scale property management operation. Users are able to identify property related activities common to their department or organisation and define the underlying processes involved with these tasks. **LISA®** PAM can therefore be tailored exactly to the overall business objectives and goals of an organisation.

energycredit

energycredit is Financial Objects market leading enterprise-wide energy credit risk management solution that is both comprehensive and scalable.

More energy companies use **energycredit** than any other specialist credit risk management application to manage their credit limits and exposures. **energycredit** is the result of joint development with some of the leading players in the industry and allows companies to measure, monitor and report their credit exposure.

The Company has also set up a **Development centre**, in Bangalore, covered in more detail below.

OVERSEAS DEVELOPMENT CENTRE (ODC)

Financial Objects has established a base in Bangalore, India, one of the top development environments in the world. The extension of development capabilities to an overseas facility delivers significant competitive advantage, bringing cost efficiencies and productivity benefits that enable the company to compete in a global market. Since its inception in September 2003, the ODC grew from 14 staff to a 100+ strong team in just 18 months.

Initially established to assist the UK development team, the ODC has expanded its operations from software development to include complete QA services and to support Financial Objects plc in achieving new business ventures. Today the ODC is home to a team constituting more than 100 members of dedicated business analysts, project engineers, software developers and testers.



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PARTNERS

Financial Objects develops partnerships with organisations that help make the product set even more technologically advanced and who provide access to global market places. Partners include:

Accenture, City Networks, EDS, HP, IBM, Intersystems, In2itive, Microsoft, The NCC Group, Oracle, Sapient, Siemens Business Services, Sirius Solutions, Solidans, Weblin

DEVELOPMENT HIGHLIGHTS

2nd March 2006 – Acquisition of Raft International plc

1st November 2005 – Disposal of Estateman from the property asset management division.

1st April 2005 – Acquisition of Wealth management software.

DIRECTORS

Roger Foster - Chairman

Founder of Financial Objects, Roger has responsibility for overall strategy and business development. After qualifying as a chartered accountant he founded and was Chief Executive of the ACT Group plc (ACT) from 1965-1995. During this period Roger oversaw the growth of ACT into one of the world's largest packaged software companies before heading the sale of the company to Misys in 1995.

Karim Peermohamed - Chief Executive Officer

Karim joined the Board in May 2005 and was appointed as Chief Operating Officer in November 2005 with overall responsibility for the operating divisions of the Group. Karim has more than 18 years experience in the financial services industry and has held various roles within Financial Objects over a period of eight years, including Global Sales Director, International Director and Director of the Americas region. Previously Karim worked at a number of financial services companies, including Kindle Banking Systems, Kapiti and National Westminster Bank plc.

David Carruthers - Director, IBIS Division

David is responsible for the Group's wholesale and international banking business worldwide, focusing predominantly on the ibis s2 product set. David was a founder director of IBIS Ltd and was the principal designer of the original IBIS banking system, which was acquired by Financial Objects in 1996. David then ran the international operation of the business for three years before managing the Advanced Systems Division of the Company where he focused on the Group's activebank product business.

Stewart Foster - Director, Activebank Division

Stewart is responsible for the operational and commercial development of the Activebank division. Stewart joined the Board in May 2005 and has been at Financial Objects for more than eight years. He has worked across the business, starting as one of the original business designers of the activebank product. He has extensive experience of managing complex implementations and has been responsible for setting up the Offshore Development Centre in Bangalore. Stewart has an MBA and spent his early career at JP Morgan.

Peter Youngs - Finance Director and Company Secretary

Peter Youngs joined Financial Objects in September 2005 and was appointed to the Board as Finance Director in March 2006. Peter came from The Body Shop International plc where he was Group Finance Director; having joined as Group Financial Controller in 1999. Prior to this, he spent 12 years with De La Rue plc in a variety of senior financial roles, including Group Financial Controller, Divisional Finance Director, and Finance Director of the Brazilian subsidiary. He qualified with KPMG.

Paul Fullagar - Deputy Chairman and Independent Non-Executive Director

Paul joined the Board in May 2004 and was appointed Deputy Chairman in October 2005. Paul has considerable experience in the software industry, having worked in the sector for 18 years. He was Chairman of Staffware plc for 12 years, during which time he oversaw a period of rapid growth for Staffware as the company grew into a successful publicly quoted international software house. Paul is a business graduate and Chartered Management Accountant.

John Standen - Senior Independent Non-Executive Director

John, who is Chairman of the Audit Committee, was appointed in December 1998. He is a Durham graduate and a Member of the Securities Institute. He was Chief Executive of Corporate Finance for BZW from 1993 to 1995. He is Non-Executive Chairman of Chapelthorpe plc and Z Group plc, and the Senior Non-Executive Director of Lavendon plc. He is a Vice Chairman and Chairman of the Audit Committee of Leonard Cheshire.

Martin Hayman - Independent Non-Executive Director

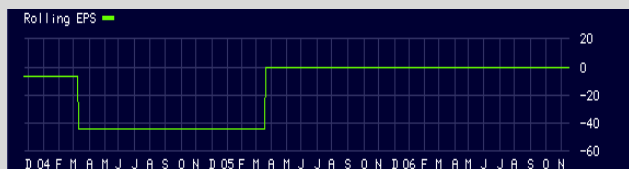
Martin, who is Chairman of the Remuneration Committee, joined the Board in January 2002. He is a Cambridge graduate and a solicitor. He was head of legal services and Company Secretary at Cadbury Schweppes plc, before taking on similar roles at Standard Chartered plc. He was a member of the senior management team of both companies. Martin is a consultant and a Trustee of Care International UK and the Institute of Business Ethics.



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ROLLING EPS



SHAREHOLDINGS

	Number	%
Slater Investments Ltd	4,975,000	12.32
Roger Foster	4,300,203	10.65
Paul Fullagar	3,300,000	8.17

	Number	%
Barclays, Private Clients	1,849,165	4.58
Third Advance Value	1,707,239	4.23
Realisation Company Limited		

FINANCIAL HISTORY

Profit and loss account for six months to 30th June 2006

£000	Six months to 30 th June 2006	Year ended 31 st Dec 2005
Turnover	10,452	13,916
Operating costs	(9,823)	(14,165)
Operating profit / (loss) before amortisation of goodwill and exceptional items	985	952
Amortisation of goodwill	(465)	(361)
Exceptional items	109	(840)
Operating profit / (loss)	629	(249)
Net interest receivable	20	66
Profit / (loss) on ordinary activities before taxation	649	(183)
Tax on profit / (loss) on ordinary activities	-	-
Profit / (loss) on ordinary activities after taxation	649	(183)
Basic and diluted profit / (loss) per share	1.51p	(0.52p)

Balance Sheet as at 30th June 2006

£000	30 th June 2006	31 st Dec 2005
Intangible assets - goodwill	10,058	5,838
Tangible assets	450	343
Fixed assets	10,508	6,181
Debtors	7,630	4,822
Cash at bank and in hand	1,332	3,392
Current assets	8,962	8,214
Creditors: Amounts falling due within one year	(9,959)	(6,766)
Net current (liabilities) / assets	(997)	1,448
Total assets less current liabilities	9,511	7,629
Creditors: Amounts falling due after more than one year - secured bank loans	(412)	(481)
Provisions for liabilities and charges	(114)	(521)
Net assets	8,985	6,627
Capital and reserves		
Called up share capital	888	808
Share premium account	11	6,066
Acquisition reserve	6,356	4,738
Capital redemption reserve	240	240
Special reserve	5,240	5,240
Profit and loss account	(3,750)	(10,465)
Equity shareholders' funds	8,985	6,627



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RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

CONTACT

Seven Dials Village
45 Monmouth Street
Covent Garden
London
WC2H 9DG

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	35
Customers	35
Low cost	21
Management	40
- corporate governance	
- quality	
- shareholding	
Product	40
Sector	36
Financial evaluation	
Early and profitable exit potential	
Financial strength	35
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	
Risk	30
Overall average rating	34



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

Sector

Is the company in an attractive sector that is profitable and adds value?

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