

29 November 2005

Financial Objects

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (x)	Yield (%)
12/03	10.4	(1.6)	(5.98)	1.0	N/A	2.5
12/04	9.5	0.3	1.14	0.0	35.1	N/A
12/05e	14.0	0.9	2.50	0.0	16.0	N/A
12/06e	18.0	1.7	4.20	0.0	9.5	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items

Investment summary: Upgraded forecasts

We have increased our pre-tax forecasts by 100k for both 2005 and 2006 on the back of a positive trading update. A strong third quarter fed better underlying trading at all three divisions and there were further reductions in overheads. The outlook is positive, with the momentum maintained and improving opportunities to leverage the enlarged client base and broader product range.

All divisions performing well

Activebank continues to benefit from new contracts such as the Derbyshire Building Society, while IBIS customers are progressively upgrading to IBIS S2. The integration of Wealth Management Services (WMS), acquired in May 2005, has gone particularly well, with the division picking up valuable new business.

WMS acquisition complete

The integration appears to have gone smoothly, although exceptional costs are likely to be £0.4m higher than projected, due to a full provision for the lease on the London office. This will partly be offset by the sales proceeds for Estateman, part of its property management software, for an undisclosed cash sum in November 2005.

Outlook: 2006 on track

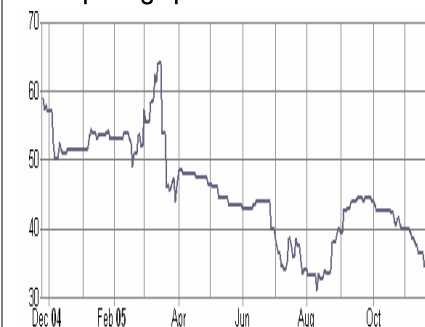
The statement includes an encouraging outlook for 2006. We believe that the group is already benefiting from a better balanced portfolio, which is enabling it to access a broader mix of revenues i.e. smaller product sales as well as enterprise level banking systems. The shift of production to Bangalore also has further to go.

Valuation: Underpinned by positive outlook

We have increased our forecast normalised pre-tax profits for this year and next, by £0.1m in both cases. That results in an undemanding P/E multiple for 2006 of 9.5x, supported by good revenue visibility and a strong balance sheet, with net cash forecast to be higher by the year end.

Price 40p
Market Cap £16m

Share price graph



Share details

Code FIO
Listing AIM
Sector Software & Computer Services
Shares in issue 40.39m

Price

52 week High 64p Low 31p

Balance Sheet

Debt/Equity (%) Nil
NAV per share (p) 16.5
Net borrowings (£m) Nil

Business

The group provides software and related services to financial services organisations, particularly core banking systems for international banks.

Valuation

	2004	2005e	2006e
P/E relative	219%	114%	133%
P/CF	N/A	N/A	N/A
EV/Sales	0.7	N/A	N/A
ROE	21%	N/A	N/A

Geography based on revenues

UK	Europe	US	Other
61%	29%	5%	6%

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