



FINANCIAL
OBJECTS

Results for the year ended 31st December 2006

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Date: 13th March 2007

Agenda

1. Introduction and highlights
2. Financial summary
3. Operational summary
4. Outlook and strategy



The Financial Objects Group

Financial Objects is focused on providing software solutions for:

- **Banking**
- **Wealth management**
- **Energy**

The Group has a client base of large international companies; it employs over 300 people and operates globally through offices in the UK, Europe, the USA and Asia



Introduction and Highlights

- Revenues increased by 43% to £19.9 million (2005 : £13.9m)
- Organic sales growth
 - Banking : 6%
 - Wealth Management : 42%
 - Energy : acquired in March 2006
- Operating profit increased to £2.3 million (2005 : £1.0 million)
- Operating margins improved to 12% (2005 : 7%)
- Adjusted EPS increased to 5.3 pence (2005 : 2.9 pence)



Introduction and Highlights

- Successful integration of Raft International plc
- Wholly-owned development centre in Bangalore : 50% of total workforce
- Order backlog : £13.1 million (2005: £10.4 million)
- Net funds at year end £2.8 million (after acquisition costs of £2.1 million)
- Return to dividend payment 1p per share



Financial Summary

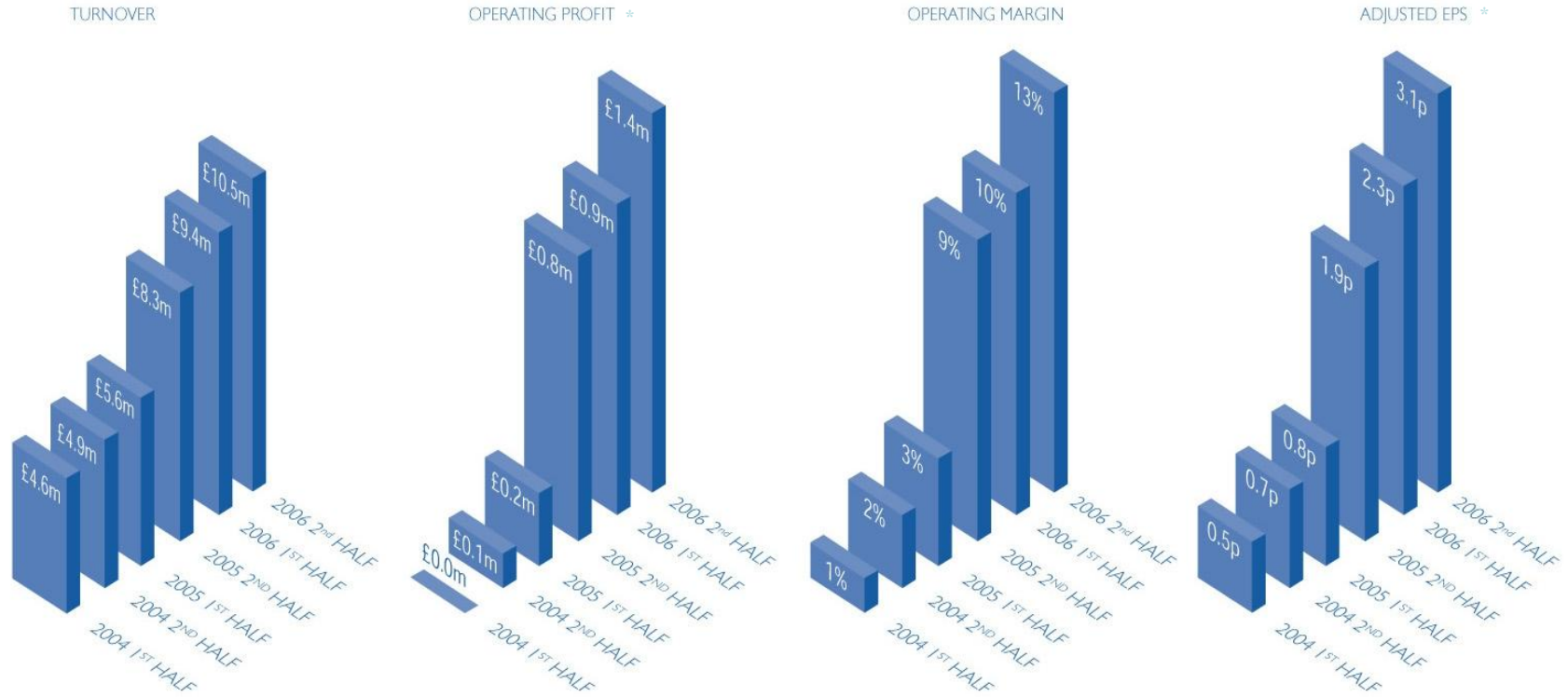


Financial summary - profit & loss account

£ million	2006	2005
Sales	<u>19.9</u>	<u>13.9</u>
Operating profit	2.3	0.9
Exceptional items	0.1	(0.8)
Goodwill amortisation	(1.0)	(0.4)
Interest	<u>-</u>	<u>0.1</u>
Profit before tax	1.4	(0.2)
Deferred tax credit	<u>0.9</u>	<u>-</u>
Profit after tax	<u>2.3</u>	<u>(0.2)</u>
EPS – basic (pence)	5.4	(0.5)
EPS – adjusted (pence)	5.3	2.9



Growth in trading and margins



* excluding, goodwill and exceptional items



Segmental Analysis

Year ended 31 December	2006		2005	
£ million	Sales	Profit	Sales	Profit
Banking	11.4	2.5	10.4	1.2
Wealth management	2.4	0.1	1.2	0.1
Energy	1.9	-	-	-
Other software products	4.2	0.7	2.3	0.5
	<u>19.9</u>	<u>3.3</u>	<u>13.9</u>	<u>1.8</u>
Unallocated central costs		(1.0)		(0.9)
Operating profit		<u>2.3</u>		<u>0.9</u>



Cash flow

	2006	2005
Net funds at start of year	2.6	4.2
Operating cash flow	2.5	0.8
Exceptional items	(0.4)	(1.4)
Interest / share issue	-	0.1
Capital expenditure	(0.1)	(0.3)
Acquisitions / disposals	(1.8)	(0.8)
Net funds at end of year	<u>2.8</u>	<u>2.6</u>



Other financial highlights

- Operating cash flow is anticipated to continue to be in line with operating profit
- Remaining tax losses of circa £11m, worth 7p per share
- Dividend payment of 1p – EPS cover of 5.4
- Recurring revenue is 42%



Conversion to IFRS

Reconciliation of 2006 results : UK GAAP and IFRS

<u>£m</u>	<u>UK GAAP</u>	<u>IFRS</u>
Operating profit ⁽¹⁾	2.3	2.3
Development costs expensed	-	0.4
Amortisation of development costs	-	(0.3)
Restated operating profit ⁽¹⁾	2.3	2.4
Amortisation of goodwill / acquired intangibles	(1.0)	(0.3)
Exceptional items	0.1	0.1
Deferred tax	0.9	0.9
Profit after tax	2.3	3.1
Earnings per share – Adjusted (pence)	5.3	5.6
– Basic (pence)	5.4	7.3

⁽¹⁾ Before exceptional items and goodwill amortisation



Operational Summary



Operational summary: Banking

- The Banking division (*activebank* and *ibis*) provides software solutions for wholesale and retail banks
- Accounts for 57% of Group turnover (2005 : 74%).
- Now includes Operational Risk software acquired with Raft
- Margins of 22% (2005 : 12%) – helped by an above normal first half on licences
- Organic sales growth was 6%
- Costs under tight control, with all development work undertaken in Bangalore
- The *activebank* system is focused on UK and Scandinavia; *ibis* is more internationally spread
- Good sales pipeline going into 2007



Operational summary: Wealth Management

- **The Wealth Management division provides software solutions to portfolio managers, pension administrators and investment managers**
- **Accounts for 12% of Group turnover (2005 : 9%)**
- **Organic sales growth was 30% (acquired May 2005)**
- **Margins of 2% (2005 : 13%) after weak first half. Second half margin of 14%**
- **11 new contracts (5 came from cross-selling to banking customers)**
- **Strong sales pipeline : prospects for 2007 are encouraging, with a number of new clients signed or close to signature**



Operational summary: Energy

- **The Energy division provides credit risk software to energy companies**
- **Accounts for 10% of Group turnover (acquired in March 2006)**
- **Margins in the second half improved to 10% (break even in full year)**
- **Contract with Shell International Trading signed in autumn 2006**
- **Investment continues in product functionality and sales resource**
- **The market for credit risk systems is buoyant, and there is a strong pipeline of sales prospects**



Operational summary: Other Software Products

- **Products include software for property asset management, document management, and Independent Financial Advisors**
- **Sales accounted for 21% of Group turnover (2005 : 17%)**
- **Now includes UK consultancy business acquired with Raft**
- **Margins were 18% (2005 : 19%)**
- **Success in cross-selling these products into the wider client base**



Strategy and Outlook



Key areas of strategy

- **Market sector focus**
 - Banking
 - Wealth Management
 - Energy

- **Geographical focus**
 - UK
 - Nordic
 - Middle East (Wealth Management)
 - USA (Energy)

- **Financial**
 - Organic sales growth of 10%+
 - Improving operating margins
 - Progressive dividend policy

- **M&A**
 - Dispose of non-core assets
 - Acquisitions



Key areas of strategic focus

- **Client base** - **Identify selling opportunities within our large blue chip client base**
- **Management** - **Strong team with long term incentive plan in place**
- **Competitive position** - **Bangalore development centre, now 50% of group personnel**
- **Product development** - **Increased investment**
- **Sales and marketing** - **Building on the investment in 2006**



Outlook

- **Delivering on strategy outlined in March - a three year focus on driving earnings growth by:**
 - Continued organic revenue growth
 - Improvement in operating profit margin
 - Operating profit matched by operating cash flow
 - Selected acquisitions (earning enhancing in first full year of ownership)
- **Progressive dividend policy**

Thank you

