



FINANCIAL OBJECTS

Financial Objects specialises in providing core banking solutions to the financial services industry. With over 100 client site installations around the globe, the Group is one of the largest suppliers of banking software solutions.

Our founding vision was that the mission-critical systems used by financial services organisations, would in future be built from Internet-enabled, reusable software components. Today this is a reality and Financial Objects is at the forefront of that technology.



Contents

02	Chairman's statement
04	Financial review
06	Board of Directors
07	Directors' report
09	Corporate governance
12	Directors' remuneration report
17	Statement of Directors' responsibilities
18	Independent auditors' report
19	Consolidated profit and loss account
19	Statement of total recognised gains and losses
20	Consolidated balance sheet
21	Company balance sheet
22	Consolidated cash flow statement
23	Notes forming part of the financial statements
33	Group financial record
34	Notice of AGM
36	Advisers and Company details

Chairman's statement

Roger Foster

2004 was a year of progress for the Group, as we continued our transition to the new business model.

I am pleased to be able to announce a return to profitability (before exceptionals) for the Group in respect of the year to 31 December 2004. This return to profitability marks an important milestone in the turnaround of the Group's trading after the problems of the past two years. After taking into account exceptional items, the Group achieved a break-even result for the year.

Revenues fell year-on-year due to difficult trading conditions, particularly in the first half-year. The second half of 2004 saw Group revenues increase on the comparable period for 2003. The Group's order backlog also improved during the second half-year, increasing confidence that the Group's turnaround continues.

A cornerstone of our new business model was the establishment of an overseas development centre in Bangalore, with the primary intention of reducing our existing cost base and making us significantly more competitive in winning new business. I am pleased to be able to report that achievement of both objectives is progressing well, and the software manufacturing facility in Bangalore is operating very successfully. It currently employs in excess of 70 people, with the intention to increase this to over 100 during the course of the next 12 months.

With regard to our Partner Programme, which we announced over a year ago, I can report that we have achieved further success in 2005 in winning a major ActiveBank contract with the Swedish National Debt Office in conjunction with our local partner.

Overall, therefore, I am pleased to note that whilst there remains much to do, we have started to deliver on the key objectives that I set out in last year's statement, in particular:

- Establishing a sustainable and competitive cost base.
- Initiating the programme for existing IBIS clients to upgrade to IBIS/S2.
- Building a strong reference base for activebank.
- Developing our Partner Programme in order to expand our international presence.

We believe the market, which has been very difficult in recent years, now shows signs of having at least stabilised, providing us with an improved environment in which to sell our financial software products and services.

Financial results

Despite a decline in revenues of 9 per cent to £9.5 million (2003: £10.4 million), the Group returned to a break-even result (2003 loss before tax: £12.1 million). This improvement was achieved principally as a result of the restructuring measures put in place during 2004. Before exceptional items and goodwill amortisation, this represents a profit of £0.3 million compared to a loss of £1.6 million in the previous year. As stated in the trading statement made on 1 March 2005, the exceptional items relate to redundancy costs of £0.1 million and provision of £0.2 million against the costs of two properties which are surplus to requirements.

ActiveBank revenues declined to £3.3 million (2003: £4.1 million) primarily due to the focus on completion of onerous contracts. IBIS revenues were stable at £6.2 million (2003: £6.3 million).

The basic loss per share was 0.16p (2003: 43.96p), which when adjusted to exclude exceptional costs and goodwill amortisation ("Adjusted EPS") was a 1.14p profit (2003 loss: 5.98p). The Group has a shortfall in distributable reserves and therefore the Directors are unable to recommend a dividend for the year. The Group's net cash balances at the end of the year were £4.2 million.

The Board has reviewed the areas of impact of IFRS on the Group's results and considers the treatment of development spend as the key relevant area. The Board is monitoring industry best practice in this area as it emerges.

Trading IBIS Division

2004 was another profitable year for our IBIS Division. The rollout of IBIS/S2 continues apace, with all S2 modules now delivered to end users.

Chairman's statement continued

We initiated the programme to upgrade clients to IBIS/S2 with two major upgrades successfully completed during the year and over 50 per cent of the customer base now signed up for the new product.

Our main focus during 2005 is to continue this upgrade programme. At the same time, as we can now demonstrate the full capability of IBIS/S2 and with the growing number of reference users, we are now looking to generate business with a number of new name accounts.

We have also developed software to support the new International Financial Reporting Standards which has already been licensed to a number of banks. Work on developing software to handle the new regulatory controls, which is often referred to as Basel II, is under way and we see both of these areas generating additional revenue streams in the future.

Following the success of our offshore development centre for the ActiveBank Division, we are now setting up an IBIS team in Bangalore which will allow us to deliver a better and more cost-effective service to our customers and to be more competitive when quoting for new business. All interaction with our customers will continue to be handled by our staff through the international offices.

Overall, the outlook for the IBIS Division remains positive.

ActiveBank Division

2004 has been a year of considerable progress for ActiveBank. We now have a number of ActiveBank client implementations, which are live and providing excellent reference sites. During the past six months, we have also signed two important new name clients which has enabled us to enter the new financial year with an increased order book.

The vast majority of our ActiveBank* software manufacturing has been successfully transferred to our offshore development centre.

There is now increased activity amongst the user base for additional enhancements to their ActiveBank core systems. Overall, this activity in conjunction with the strengthened order book and reduced development costs, gives us confidence that 2005 will be a year of revenue growth and improved trading for the ActiveBank Division.

The Board

During the past year, two new external Board appointments have been made. Paul Fullagar was appointed Non-Executive Director immediately following our AGM on 6 May 2004. Paul was Chairman of Staffware plc for some 12 years until May 2000. During this time, he oversaw a period of rapid growth, as the Company grew into an international software house.

Simon Frumkin was appointed to the Board as Finance Director on 4 January 2005. Simon comes to Financial Objects from Orange SA where he had worked in its International division in senior finance roles since 1999. Prior to joining Orange, Simon had spent seven years at KPMG working in both London and Berlin.

We believe that both the Board and the management team are now stronger as a result of these appointments and will be better positioned to manage the next phase of the Group's development.

Employees

Our employees have once again shown considerable resilience in a year in which there have been reductions in the overall numbers at our London-based development centre. We have retained a core number of talented and committed business analysts and software architects who work on our financial products, and who are capable of seeing the Group through the next period of development. I would like to thank all our employees on behalf of the Board for their efforts during the difficult period of transition to our new business model.

Outlook

The new financial year will see Financial Objects remain focused on its new business model. By the end of 2005, the transition of our software manufacturing to our overseas development centre in Bangalore will be largely complete. We anticipate the financial benefits of this becoming significant by the second half of this year. Thereafter, our results should see the benefits of a full year of what will be a substantial reduction in our cost base.

These developments mean that the Group has started 2005 in a stronger position than in any recent year.

Roger Foster

Chairman
16 March 2005

*activebank is a proprietary trademark of Financial Objects plc, protected by registration

Operating results

Revenues for the year ended 31 December 2004 reduced by 9 per cent to £9.5 million (2003: £10.4 million). The result before taxation was break-even (2003 loss: £12.1 million), which before amortisation of goodwill and operating exceptional items was a £0.3 million profit (2003 loss: £1.6 million). The loss per share was 0.16p (2003: 43.96p), which adjusted to exclude exceptional operating costs goodwill amortisation and impairment ("Adjusted EPS") was a 1.14p profit (2003 loss: 5.98p). The operating exceptional items amounted to £0.3 million (2003: £3.1 million) and included a £0.1 million charge in respect of reorganisation costs and a £0.2 million provision in respect of vacant property leases.

Cash balances closed at £4.2 million. There was an operating cash outflow in the year of £2.6 million and an overall cash outflow of £2.5 million.

Revenue profile

Revenues derived from our ActiveBank products represented 35 per cent of total revenues (2003: 39 per cent). Revenues from the ActiveBank Division reduced to £3.3 million (2003: £4.1 million). On the IBIS side of the business, revenues were £6.2 million (2003: £6.3 million), with licence orders falling to £0.5 million (2003 : £1.1 million).

Group revenues are analysed into three categories: licences, support and professional services.

Licences

		2004	2003
Revenues	-8%	£1.2m	£1.3m

Licence revenue is generated when the Group sells and delivers software packages, additional modules or upgrade rights to new or existing clients. In certain circumstances, where the software requires significant

modification to meet the clients' needs, this licence revenue is recognised on a percentage completion basis. Although the number of licence sales increased over last year, they were primarily to existing clients for additional software or upgrade rights, which tend to be sold at a lower value than licences to new clients.

Product support

		2004	2003
Revenues	-13%	£4.6m	£5.3m

Product support revenue is primarily generated from the technical support, upgrades and enhancement releases supplied to our customer base under annually recurring contracts. The revenue earned each year is between 15 and 22 per cent of the initial product licence value. The decrease was a result of a normal level of attrition, and few new support contracts coming into effect as a result of the low level of new implementations completed.

Product services

		2004	2003
Revenues	-3%	£3.7m	£3.8m

All the services work performed by the Group is linked directly to our own products and as such is subject to the same market restraints. The services provided were Custom Development and Professional Services (Business Consultancy, Implementation and Training).

Order backlog

We define order backlog as signed orders not yet delivered which will fall to revenue within a 12 month period. This includes licences, services and recurring support revenues. The total order book at the year-end was £8.0 million, the same level as last year.

Financial review continued

Cost base

Operating costs before operating exceptional items fell by 23 per cent to £9.4 million in 2004 (2003: £12.3 million). These are before £1.1 million of costs charged directly to the onerous contracts provision created in 2003. 67 per cent of our total 2004 costs (but before exceptional items) were staff related (2003: 70 per cent) and the average number of employees during 2004 was 123 (2003: 120) including 34 in India (2003: 5). Staffing costs fell by 24 per cent to £6.3 million (2003: £8.3 million), excluding £0.1 million reorganisation costs (2003: £0.8 million). Costs are expected to fall further in 2005 as a result of further savings to be made towards the end of the year and the increase in the proportion of staff offshore.

Exceptional operating costs

During the year, the Group incurred exceptional operating costs as follows:

- A number of employees were made redundant during the year, at a cost of £0.1 million (2003: £0.8 million).
- A leasehold property became surplus to requirements in 2003 and a provision was created in that year to cover the likely cost of outstanding results and related costs not mitigated by anticipated rent receivable. Whilst since the year-end the property has been successfully sublet for the remainder of the lease term, this was later than envisaged in 2003. As a consequence the provision has been augmented such that full provision has now been made for the rent and related costs, less the rent receivable through to the end of the lease. The cost in the accounts is £0.1 million (2003: £0.6 million).
- A second leasehold property became surplus to requirements during the year. The full amount of the outstanding rents and related costs on the property has been provided for. The cost in the accounts is £0.1 million (2003: £nil).

Geographical coverage

The nature of our products and the composition of our customer base, require us to locate staff internationally. In particular, our strategy is to move software development to our offshore centre in Bangalore.

49 per cent of the 2004 revenues were generated from our customers outside of the UK (2003: 59 per cent).

Cash flow

Closing cash balances at the end of the year were £4.2 million (2003: £6.7 million). The Group had a cash outflow from trading operations of some £2.6 million in 2004. This outflow was due to the operating loss during the year, and costs incurred to fulfil onerous contracts in respect of which provisions had been created in 2003.

The Group is fortunate that almost all of its clients are large international financial institutions and are largely prompt in settling invoices.

Apart from small current account balances all the Group's funds are held on deposit accounts within the UK. The Group's general policy is to maintain a conservative balance sheet to support our projected growth aspirations.

Interest

The net interest earned on our cash balances in 2004 was £187,000 (2003: £272,000).

Taxation

Although there was a small tax charge incurred by the overseas branches during the year, this was offset by prior year credits.

The Group pays corporate tax in six countries and its exposure is carefully monitored and proactively managed. It is anticipated that the tax charge will continue to be below the standard rate in future, as a result of tax losses being carried forward to offset against future profits.

Dividend

The Directors do not propose a final dividend for the year ended 31 December 2004. No interim dividend was paid.

Equity base

During the year 362,000 shares were issued as a result of share options being exercised. The number of shares in issue at the end of 2004 had risen to 28,143,897 (2003: 27,781,897).

International Financial Reporting Standards

These financial statements have been prepared in accordance with applicable UK accounting standards (UK GAAP). For reporting periods beginning on or after 1 January 2005, the consolidated financial statements of the Group must comply with International Financial Reporting Standards (IFRS), adopted for use in the European Union.

The most significant potential impact on the Group from the move to IFRS is in the treatment of software development costs. IAS 38 Intangible Assets is more prescriptive than the corresponding standards under UK GAAP and requires that development costs meeting certain criteria set out in the standard must be capitalised. This is a sensitive area for the software sector and as yet no formal practice under IFRS has been established. The Board will monitor how normal practice evolves in the sector before determining an accounting policy in this area. At this stage the Directors do not consider that the adoption of the standard would have a material impact on the Group's results.

No other material differences between UK GAAP and IFRS have to date been identified as potentially having a significant effect on the consolidated accounts. The Group's process of identifying all disclosure, presentation or classification of differences that would affect the manner in which transactions or events are presented remains ongoing.

Simon Frumkin
Finance Director
16 March 2005

Board of Directors

Roger Foster FCA✦

Executive Chairman and Acting Chief Executive

Founder of Financial Objects, Roger has responsibility for overall strategy and business development. Formerly Chairman of ACT Group plc, Roger founded ACT as a computer bureau in 1965 and built it into one of the world's largest packaged software companies before heading the sale of the company to Misys in 1995. Aged 64.

John Standen ACIB*†✦

Senior Independent Non-Executive Director

John, who is Chairman of the Audit Committee, was appointed on 1 December 1998. A Durham graduate, he is a Member of the Securities Institute and an Associate Member of the Chartered Institute of Bankers. He has extensive experience of mergers, acquisitions and public share offerings and was Chief Executive of Corporate Finance worldwide for BZW from 1993 to 1995. His other quoted company appointments are as Non-Executive Chairman of Reg Vardy plc and Chapelthorpe plc. Also, he is a Trustee, and Chairman of the Audit Committee, of Leonard Cheshire. Aged 56.

Martin Hayman*†✦

Independent Non-Executive Director

Martin, who is Chairman of the Remuneration Committee, joined the Board on 1 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. At the end of 2000, Martin retired and is now a consultant and a trustee of Care International UK and the Institute of Business Ethics. Aged 62.

Paul Fullagar ACMA*†

Independent Non-Executive Director

Paul joined the Board on 6 May 2004, and has considerable experience in the software industry, having worked in the sector for 17 years. He was Chairman of Staffware plc for 12 years. In May 2000 he stepped down to the non-executive role of Deputy Chairman then retired from the board in 2003. Paul is also currently a Non-Executive Director at Marlborough Stirling plc. Aged 54.

David Carruthers

Director – IBIS Division

David has responsibility for the development and growth of the Group's IBIS business worldwide, with particular focus on the implementation of Group strategy to maintain revenues and expand use of its software and services in the international and wholesale banking market. 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. Aged 57.

Peter Watts

Director – ActiveBank Division

Peter joined the Board on 30 June 2003. He is responsible for the global commercial and sales activities of ActiveBank. During his early career he worked for a number of international investment banks in the operations and risk management areas, moving across into the sales and marketing side of the financial software industry. He now has over 15 years' experience in leading business development teams providing innovative business solutions to the wholesale and commercial banking sectors around the globe. Aged 42.

Simon Frumkin ACA

Finance Director and Company Secretary

Simon is responsible for Finance and Administration. He joined the Board on 4 January 2005. Simon comes to Financial Objects from Orange SA. He joined Orange in 1999 and held senior finance positions in its international division. Prior to joining Orange, Simon spent seven years at KPMG, in London and Berlin. Aged 34.

* Member of the Audit Committee

† Member of the Remuneration Committee

✦ Member of the Nominations Committee

Directors' report

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2004.

Principal activities and review of the business

The Company is a holding company for a group of companies involved in the banking software and services business, which uses IBM and Microsoft technologies. The Group's core products are international banking systems, ActiveBank and IBIS, which are sold by the Group on an international basis to banks and other financial services organisations from the UK and branches in the USA, Singapore, Hong Kong, Luxembourg, Czech Republic and India. The majority of the Group's current product range is focused on providing software solutions for the front, middle and back office processing requirement of such institutions. In addition to providing software products, the Group offers its customers a range of associated services including business consultancy, implementation, training and support.

A review of the Group's activities is contained in the Chairman's statement.

Dividends

The Directors do not recommend the payment of a final dividend (2003: £nil). No interim dividend has been paid.

Share capital

As at 28 February 2005, the Company had been notified that the following persons had an interest of 3 per cent or more in the share capital of the Company:

	Percentage of share capital	Number of 2p ordinary shares
R Foster	15.3%	4,300,203
Slater Investments Ltd	14.5%	4,075,000
Mr P Fullagar	9.9%	2,800,000
Barclays, Private Clients	7.6%	2,003,289
Jupiter Asset Management	3.2%	902,075

Directors and Directors' interests

The Directors who held office during the year and subsequently, and their beneficial interests in the share capital of the Company at 31 December 2004 were as follows:

	2004 ordinary shares of 2p each	2003 ordinary shares of 2p each
R Foster	4,300,203	4,325,203
P Fullagar (appointed 6 May 2004)	2,800,000	Nil
D Carruthers	109,758	109,758
J Standen	34,850	34,850
M Hayman	25,689	25,689
P Watts	Nil	Nil
S Frumkin (appointed 4 January 2005)	Nil	Nil
S Lane (resigned 30 January 2004)	Nil	Nil

In accordance with the Company's Articles of Association, Martin Hayman and Roger Foster retire by rotation and offer themselves for re-election at the Annual General Meeting. Biographical details of those Directors offering themselves for re-election are included on page 06.

In addition Simon Frumkin and Paul Fullagar, who have been appointed as Directors since the last Annual General Meeting, resign in accordance with the articles of association and offer themselves for reappointment at the Annual General Meeting.

Details of the Directors' share options are included within the remuneration report by the Board on pages 12 to 16. The Directors' share options are in addition to the interests in shares set out above.

No changes in Directors' shareholdings took place between 31 December 2004 and 28 February 2005.

Research and development

The Group regards research and development as essential to its future profitability and invested £1,385,000 on these activities in the year ended 31 December 2004 (2003: £891,000), all of which has been charged against profits.

Employees

The Group's policy is to consult and discuss with the employees on matters likely to affect employee interests, including information about the Group's achievements and plans. This is accomplished through individual performance reviews and team briefings. Participation by employees in the progress and profitability of the Group is encouraged, where appropriate through annual performance-related bonus payments. Additionally, at 31 December 2004, 46 employees (2003: 71) and former employees held options under The Financial Objects plc Executive Share Option Scheme.

Directors' report continued

It is the Group's policy to ensure equal opportunity for employment, training, career development and promotion, irrespective of sex, race, religion or disability. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Group continues and that appropriate training is arranged.

Creditor payment policy

The Group has not adopted any formal code or standards on supplier payment practice. The Group's policy is to settle payments having negotiated and advised terms and conditions with suppliers on an individual basis prior to trading.

The creditor payment period for the Group is 60 days (2003: 70 days). The Company, being a holding company, had no trade creditors.

Political and charitable donations

The Group made no political contributions during the year (2003: £nil). Donations to UK charities amounted to £1,500 (2003: £2,000).

Annual General Meeting

The Company's Annual General Meeting will be held at the offices of Financial Dynamics Limited, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on 5 May 2005 at 11.00 a.m. A notice of Annual General Meeting is set out on pages 34 and 35, and a form of proxy is enclosed. The following special business will be proposed:

Authority to allot shares (Resolution 8)

The Directors are seeking authority under Section 80 of the Companies Act 1985 ("the Act") to allot shares up to an aggregate nominal value of £188,446, being one-third of the issued share capital at 16 March 2005 (being a date less than one month prior to the date of the notice of the Annual General Meeting) in the event that they consider it appropriate to do so. The authority will be in substitution for the previous authority taken at last year's Annual General Meeting. The authority sought will expire at the conclusion of the next Annual General Meeting.

The Directors have no present intention to make any such issue of shares, other than in respect of shares that may be issued pursuant to the Company's share option schemes, but consider it desirable for them to be given this opportunity by shareholders.

Disapplication of pre-emption rights (Resolution 9)

The Directors recommend that authority be obtained from the shareholders to allot ordinary shares for cash otherwise than on a pre-emptive basis (as required by Section 89 of the Act) in limited circumstances in respect of some of the shares which the Directors will be authorised to allot pursuant to Resolution 8 described above. The Directors recommend that Section 89 of the Act should not apply to any allotment of shares in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders in accordance with normal practice in the United Kingdom, nor to an issue for cash of shares of an aggregate nominal value of up to £28,267, which is equivalent to 5 per cent of the Company's issued share capital at 16 March 2005 (being a date less than one month prior to the date of the notice of the Annual General Meeting). The authority sought will expire upon conclusion of the next Annual General Meeting.

Authority to make market purchases of shares (Resolution 10)

The Directors are seeking authority to make market purchases of shares up to an aggregate nominal value of £28,267, being 5 per cent of the current issued share capital of the Company, on such terms and in such manner as the Directors may determine, provided that the amount paid for each share (exclusive of expenses) will not be more than 5 per cent above the average middle market quotation for ordinary shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, and in any event not less than 2p per share. The authority sought will expire at the conclusion of the next Annual General Meeting.

The Directors have no present intention to make any such market purchases but consider it desirable for them to be given this opportunity above shareholders. The authority will only be exercised if to do so would result in an increase in earnings per share and is in the best interest of shareholders generally.

The Company currently has 820,317 ordinary shares of 2p each under option pursuant to its share option schemes, representing 2.90 per cent of the current issued share capital. These options would represent 2.76 per cent of the Company's issued share capital if the authorities sought in Resolution 10 were exercised in full.

Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting. In accordance with normal practice, the Directors will be authorised to determine the auditors' remuneration.

Approved by order of the Board of Directors on 16 March 2005 and signed on its behalf by:

Roger Foster
Chairman

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

Corporate governance

Code of best practice

The Listing Rules of the Financial Services Authority require companies to state how they have applied the revised Combined Code issued by the Financial Reporting Council in July 2003 ("the revised Code"). The purpose of this statement is to describe the Company's approach to corporate governance and, in particular, to explain how the Company has applied the principles set out in Section 1 of the revised Code.

The Directors are satisfied that for the period ended 31 December 2004, the Company complied with the requirements of the revised Code, except that no formal training programme existed for new and existing Directors and the roles of Chairman and Chief Executive were not separated. These are seen as interim measures and will be reconsidered as part of the Board's ongoing review of corporate governance procedures in 2005.

The Board

The Board's main roles are to create value for shareholders, provide entrepreneurial leadership of the Group, to approve strategic objectives and to ensure that the necessary financial and other resources are made available to meet those objectives. The Board normally meets monthly and has adopted a schedule of matters specifically reserved for its decision.

This schedule includes:

- approval of interim and final financial statements;
- approval of all circulars to shareholders, listing particulars, prospectuses and preliminary announcements of results;
- approval of press releases concerning matters decided by the Board;
- approval of the Group's overall strategy and annual operating budget;
- capital expenditure in excess of £25,000;
- material contracts of the Company or any subsidiary in the ordinary course of business and contracts of the Company or any subsidiary not in the ordinary course of business including loans, foreign currency transactions and major acquisitions or disposals;
- major investments;
- risk management strategy and internal control arrangements; and
- major changes in employee share schemes and allocation of share options.

The Board has also delegated appropriate responsibilities to the Executive Management Team and to the Audit, Remuneration and Nominations Committees, all of which have detailed terms of reference.

The Board includes individuals with many years' experience of the responsibilities of being Directors of a listed company; however no formal training programme exists. The Company supplements Directors' knowledge of regulatory and other such matters by organising presentations from suitable professionals. The Directors are supplied with regular information of a quality and form which the Company believes is suitable to enable the Board to discharge its duties. Throughout their period in office the Directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry in which it operates as a whole, by written briefings, meetings with Senior Executives and review of monthly management accounts and regular management reports.

The roles of Chairman and Chief Executive were combined in 2003 to provide the Group with clarity and direction in its move to a new business model. The transition is progressing well against this background and the Board considers the combined role to be acceptable for the next 12 to 24 months but it is intended to revert to split responsibilities thereafter.

Certain responsibilities of the Board are dealt with through appropriately delegated committees as set out below.

Senior Independent Director

The Board has appointed Mr J Standen as Senior Independent Director. Mr Standen is available to meet shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through the existing mechanisms for shareholder communication.

Directors and Directors' independence

In January 2004, the Board consisted of four Executive and two Non-Executive Directors. From February until May 2004 the Board consisted of three Executive and two Non-Executive Directors. On 6 May 2004 a third Non-Executive Director, Mr P Fullagar, was appointed.

The Board considers that all of the Non-Executive Directors are independent. In particular, the Board considers that notwithstanding Mr P Fullagar's significant shareholding in the Company, his individual skills, considerable knowledge of the industry and independence of management in the manner in which his responsibilities are discharged demonstrates his independence. All of the independent Directors are of sufficient calibre that their views carry significant weight in the Board's decision making.

Corporate governance continued

No one individual or small group is able to dominate Board decision-making. All Directors have access to the advice and service of the Company Secretary and may also take independent professional advice, at the expense of the Company. Directors are expected to bring an independent judgement to bear on issues of strategy, performance, resource and standards of conduct.

Under the Articles of Association of the Company each Director is required to retire by rotation once every three years. In addition Simon Frumkin and Paul Fullagar, who have been appointed as Directors since the last Annual General Meeting, resign in accordance with the articles of association and offer themselves for reappointment at the Annual General Meeting.

Performance evaluation

The Board has clearly defined performance evaluation procedures. These are performed annually and involve each Director's performance being appraised against an agreed set of criteria by two other Directors. The completed appraisals are discussed and agreed with each Director and are held by the Company Secretary.

Re-election

Subject to the Company's Articles of Association, the Companies Acts and satisfactory performance evaluation, Non-Executive Directors are appointed for an initial period of three years. Subsequently, Non-Executive Directors retire by rotation and submit themselves for re-election every three years.

The Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. The Company's Articles of Association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

With effect from 4 January 2005, Mr S Frumkin replaced Mr D Garston as Company Secretary.

Relations with shareholders

In fulfilment of the Chairman's obligations under the revised Code, the Chairman gives feedback to the Board on issues raised with him by major shareholders. This is supplemented by feedback to the Board on all meetings between management and investors.

The Company provides constantly available information to shareholders through its website at www.finobj.com. The Annual General Meeting is also used to communicate with private investors and their participation is welcomed by the Board. All of the Executive and Non-Executive Directors are available to answer questions at the Annual General Meeting. An announcement is made, after the vote on a show of hands, of proxy votes lodged for each resolution at the Annual General Meeting. The senior Non-Executive Director is available to meet with institutional shareholders.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness and confirms that this review has been conducted during the period. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which was in place for 2004 and up to the date of approval of the Annual Report and Accounts, and that this process is regularly reviewed by the Board and accords with the guidance.

The key elements of the internal control system may be described as the control environment which is represented by the following:

- The key business objectives which are clearly specified at all levels within the business.
- An organisational structure which sets out details of reporting lines and appropriate limits of authority for different processes.
- A range of corporate policies which deal with control issues in respect of corporate governance, management accounting, financial reporting and risk management.
- A management team which operates on the basis of regular performance reports and dialogue with the Board.

The management of all forms of risk continues to be an important part of ensuring that the Group creates and protects value for its shareholders. Given the size of the Group the executive members of the Board are closely involved in the day-to-day management of the business and are directly responsible for key risk areas. They report regularly through a self-assessment process to the rest of the Board on significant changes in risks in their parts of the business and how these risks are being managed. A member of the Board has responsibility, on behalf of the Board, for overseeing these processes, for providing a degree of assurance as to the operation and validity of the system of internal control and for ensuring planned corrective actions and improvements are independently monitored for timely completion. They report their findings to the Audit Committee and the Board on a biannual basis.

Corporate governance continued

In line with many companies of its size, the Group does not have an internal audit function. The Board considers that given the size of the Group and the active day-to-day involvement of the Executive Directors, such a function would not add sufficient value.

Going concern

The Directors confirm that on the basis of the latest forecasts and after making appropriate enquiries, the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, they have continued to adopt the going concern basis in preparing the financial statements.

Board committees

The number of full Board meetings and committee meetings attended by each Director during the year was as follows:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nominations Committee meetings
Mr R Foster (Executive Chairman and acting Chief Executive)	13 (15)	n/a	n/a	2 (2)
Mr J Standen (Senior Independent Non-Executive Director)	11 (15)	4 (4)	2 (4)	2 (2)
Mr M Hayman (Independent Non-Executive Director)	15 (15)	4 (4)	4 (4)	2 (2)
Mr P Fullagar (Independent Non-Executive Director)	7 (9)	2 (2)	3 (4)	n/a
Mr D Carruthers (Executive Director)	14 (15)	n/a	n/a	n/a
Mr P Watts (Executive Director)	12 (15)	n/a	n/a	n/a

The figure in brackets denotes the maximum number of meetings that each Director could have attended in their period in office.

Audit Committee

The Audit Committee comprises the three independent Non-Executive Directors and is chaired by Mr J Standen. The Committee has written terms of reference and met four times during the year.

The duties of the Audit Committee are to make recommendations to the Board on the appointment of the external auditors and the audit fee; to keep the nature and extent of non-audit services provided by the auditors under review ensuring a balance is maintained between objectivity and value for money and providing prior approval for any non-audit services, the fees for which are disclosed on page 25 of the notes to the financial statements; to review the interim and final reports of the Group prior to their gaining Board approval; to review the findings of external auditors and to ensure appropriate follow-up action is taken; to review the Group's statement on internal control prior to its endorsement by the Board; to review the Group's requirement for an internal audit function and to review the statements in the annual report concerning internal audit; and to review the Group's statement on going concern. The external auditors are entitled to attend meetings of the Audit Committee, and a representative from the finance department is invited to attend where appropriate. The Committee has the discretionary power to invite others to its meetings. In assessing the objectivity of the auditors, the committee is mindful of four key criteria. These are that the auditor should not audit its own work, make management decisions for the Group, have a mutuality of financial interest with the Group, or be put in the role of advocate for the Group.

The Audit Committee also monitors the Group's whistleblowing procedures, ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, with suitable subsequent follow-up action.

Remuneration Committee

The Remuneration Committee comprises the three Independent Non-Executive Directors and is chaired by Mr M Hayman. The Committee has written terms of reference and met four times during the year.

The main duties of the Remuneration Committee are to make recommendations to the Board on the Company's framework of executive remuneration and to award appropriate remuneration packages to individual Executive Directors including pension rights, share options and any compensation payments. The Committee also recommends and monitors the level and structure of remuneration for senior management. The Company's remuneration policy, summary of remuneration and details of service contracts are included in the Directors' remuneration report set out on pages 12 to 16.

Nominations Committee

The Nominations Committee comprises Mr R Foster, Mr J Standen and Mr M Hayman and is chaired by Mr R Foster. The Committee has written terms of reference and meets as necessary to evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment, assess the suitability of persons for appointment as Executive Directors and Non-Executive Directors and, if appropriate, nominate new candidates for the approval of the full Board.

During the period, Paul Fullagar was appointed as Non-Executive Director. As discussed above, it was felt by the committee that Mr Fullagar would act independently notwithstanding his shareholding in the Company. Towards the end of 2004 it was decided that the appointment of a Finance Director was important to assist the Group through its next phase of development and a consultant was employed to source suitable candidates. Following a competitive process, and in view of his experience at Orange and KPMG, it was felt that Simon Frumkin would make an invaluable contribution to the Group.

Directors' remuneration report

Remuneration policy

The remuneration policy is set by the Board and is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy. Directors who were members of the Remuneration Committee during the period relevant to the year ending 31 December 2004 were Mr J Standen, Mr M Hayman and Mr P Fullagar, from his appointment.

The Board of Directors is responsible for determining the Group's remuneration policy. The Remuneration Committee makes recommendations to the Board, which aims to ensure that the remuneration packages offered are competitive and capable of attracting, retaining and motivating Executive Directors and other senior executives of the appropriate calibre. This is achieved through significant bonus schemes, share option schemes and salary levels based on performance. The Committee takes account of remuneration payments made by companies of a similar nature, principally in the technology sector. It will aim to implement a consistent policy, taking into account the nature and age of the business. The components of remuneration of the Executive Directors are annual salary, a performance-based bonus scheme, health insurance, car and other benefits and membership of a pension scheme.

All Executive Directors have 12 month rolling service contracts with the Company, except for Mr P Watts and Mr S Frumkin which are for three months.

Mr R Foster, Mr D Carruthers, Mr P Watts and Mr S Frumkin all receive performance based remuneration in addition to their annual salary. This is set by the Remuneration Committee and is calculated for 2005 as follows:

- a) Mr R Foster's bonus is calculated with reference to the Group's profit before tax and before exceptional items, and the maximum amount payable is 100 per cent of the current basic salary. It is split into two parts:
 - i) 21.7 per cent of amounts earned in excess of the budgeted profit before tax and before exceptional items, up to a maximum amount of 50 per cent of his current basic salary; and
 - ii) 5.7 per cent of amounts earned in excess of a figure which is £230,000 above the budgeted profit before tax and before exceptional items, up to a maximum amount of 50 per cent of his current basic salary.
- b) Mr D Carruthers' bonus is calculated with reference to the Group's profit before tax and before exceptional items, and the maximum amount payable is 71.4 per cent of the current basic salary. It is split into two parts:
 - i) 17.4 per cent of amounts earned in excess of the budgeted profit before tax and before exceptional items, up to a maximum amount of 28.6 per cent of his current basic salary; and
 - ii) 6.8 per cent of amounts earned in excess of a figure which is £230,000 above the budgeted profit before tax and before exceptional items, up to a maximum amount of 42.8 per cent of his current basic salary.
- c) Mr P Watts' bonus is calculated with reference to the Group's profit before tax and before exceptional items and to new business generated by the ActiveBank Division. The maximum amount payable is 120 per cent of the current basic salary.
It is split into three parts:
 - i) 21.7 per cent of amounts earned in excess of the budgeted profit before tax and before exceptional items, up to a maximum amount of 40 per cent of his current basic salary;
 - ii) 6.8 per cent of amounts earned in excess of a figure which is £230,000 above the budgeted profit before tax and before exceptional items; and
 - iii) 2.5 per cent of all new ActiveBank business signed up during the year.iv) ii) and iii) above are payable up to a combined maximum amount of 80 per cent of his current basic salary.
- d) Mr S Frumkin's bonus is calculated with reference to the Group's profit before tax and before exceptional items, and the maximum amount payable is 40 per cent of the current basic salary. It is split into two parts:
 - i) 13.0 per cent of amounts earned in excess of the budgeted profit before tax and before exceptional items, up to a maximum amount of 30 per cent of his current basic salary; and
 - ii) 1.1 per cent of amounts earned in excess of a figure which is £230,000 above the budgeted profit before tax and before exceptional items, up to a maximum amount of 10 per cent of his current basic salary.

These performance conditions were considered appropriate as it was felt that the condition of paying a bonus only after the budgeted profit before tax and before exceptional items has been met ensures that the Directors are motivated to exceed the Company's budget, rather than simply achieving it.

Directors' remuneration report continued

Summary of remuneration

Annual salary and benefits

The salary and benefits of each Director, which are reviewed annually, take into account the performance of the individual and comparable market rates.

Pensions

The Group pays a total of 15 per cent of basic salary, which the Remuneration Committee considers reasonable and fair when compared with similar companies' arrangements. These payments are made as employer contributions into the Group's defined contribution plans. Mr S Frumkin receives 10 per cent of base salary, and Mr P Watts does not receive any pension contributions.

Share option schemes

Share options are granted at the discretion of the Remuneration Committee. The Committee considers this discretion an important part of its ability to reward Directors for their performance. Directors have share options under two Company schemes – The Financial Objects plc Executive Share Option Scheme ("FOESOS") and the 1998 Financial Objects plc Share Option Scheme ("1998 Scheme"). Details of the Directors' interests in these schemes are shown on page 15.

Non-Executive Directors

The remuneration of the Non-Executive Directors is determined by the Board with regard to market practice and subject to the Company's Articles of Association. The Board has the power to pay additional remuneration for services outside the scope of the ordinary duties of a Non-Executive Director. Non-Executive Directors are appointed on specified terms without an automatic right of re-appointment. All Non-Executive Directors have agreements, which can be terminated by the Company on six months' notice.

Service contracts

The Company has 12 month rolling service contracts, except as noted below, with Directors who served during the year as follows:

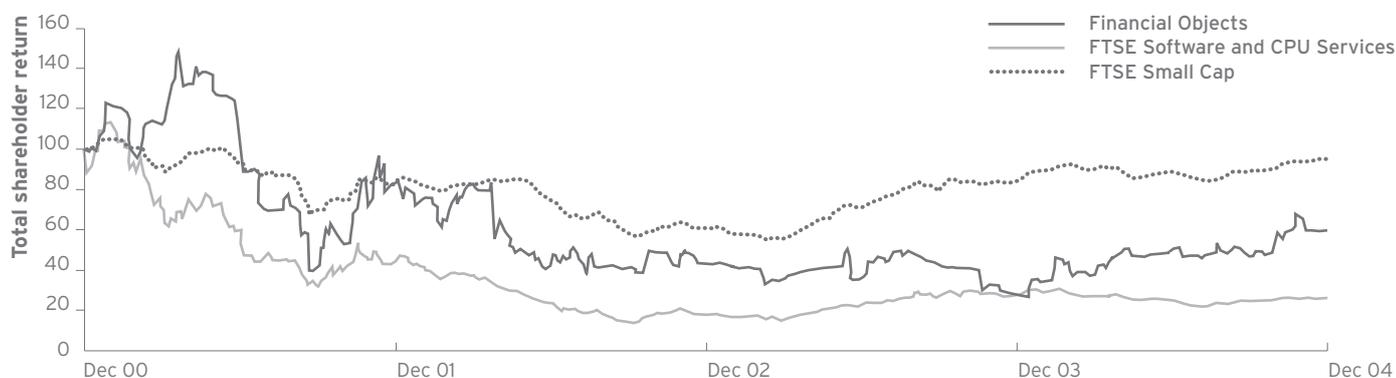
Mr R Foster, dated 2 November 1995
Mr D Carruthers, dated 1 January 2000
Mr P Watts, dated 1 July 2003 (3 month rolling contract)
Mr S Frumkin dated 10 December 2004 (3 month rolling contract)
Mr S Lane (resigned 30 January 2004) dated 1 October 2001

These contracts are updated as required on a periodic basis by letter or other formal written communication.

The contracts contain notice periods of not more than 12 months with provisions for termination payments limited to payments in lieu of notice set at one year's salary and benefits (in respect of Mr P Watts and Mr S Frumkin – 3 months' salary and benefits).

Total shareholder return

The following graph charts the total shareholder return of the Company from December 2000 compared to the total shareholder return for the shares comprised in the FTSE Small Cap and the FTSE Software and Computer Services Sectors.



The FTSE Software and Computer Services Index was chosen as that is the market sector in which the Company operates, while the FTSE Small Cap Index was selected as it was considered to be a broad representation of the Company's peer group in terms of its size and stage of development.

Directors' remuneration report continued

The auditors are required to report on the information contained in the subsequent sections of this report.

Details of individual emoluments and compensation

The emoluments and compensation in respect of qualifying services of each person who served as a Director during the year were as follows:

	Note	Salary £000	Benefits £000	2004 Total £000	Total emoluments £000	Compensation for loss of office £000	2003 Total £000
Executive							
D Carruthers		140	14	154	169	–	169
S Lane	1	10	1	11	135	158	293
P Watts	2	125	36	161	63	–	63
R Foster		97	21	118	40	–	40
Sub Total		372	72	444	407	158	565
Non-Executive							
R Foster		–	–	–	40	–	40
J Standen		30	–	30	30	–	30
M Hayman		30	–	30	30	–	30
P Fullagar	3	16	–	16	–	–	–
Sub Total		76	–	76	100	–	100
Total		448	72	520	507	158	665

No Directors made gains on the exercise of share options in 2004. In 2003 Mr D Carruthers exercised 100,000 options. The gain on this exercise was £31,000.

- 1 Mr S Lane ceased to be a Director on 30 January 2004. The compensation for loss of office, which included basic salary, pension and benefit entitlements, was approved by the Board on 30 January 2004.
- 2 Mr P Watts' benefits included sales commission to the value of £35,187.
- 3 Mr P Fullagar was appointed to the Board on 6 May 2004.

Benefits receivable consist primarily of car allowance, commission payable, health care and insurance.

Directors' interests and share options

The interests of the Directors holding office at the end of the year in the 2p ordinary shares in the Company according to the register maintained in compliance with the Companies Act 1985 are set out in the Directors' report on page 07.

No Directors currently hold options under the FOESOS. The performance criteria in respect of the 1998 Scheme are that the growth in earnings per share (compounded annually) must equal or exceed 12.5 per cent per annum over the period of three consecutive financial years, commencing with the financial year in which the option is granted. The exercise period for all options is normally three to seven years after the date of grant.

Directors' remuneration report continued

Details of movements in Directors' share options are set out below:

1998 Financial Objects plc Share Option Scheme ("The 1998 Scheme")

	Date of grant	Exercise period	Exercise price	At 31 December 2003	Granted during year	Cancelled during year	Exercised during year	At 31 December 2004
D Carruthers	6/4/00	6/4/03–6/4/07	£4.67	92,077	–	(92,077)	–	–
D Carruthers	11/4/01	11/4/04–11/4/08	£1.28	120,000	–	(120,000)	–	–
D Carruthers	15/3/02	15/3/05–15/3/09	£0.69½	124,317	–	–	–	124,317
S Lane ¹	29/8/00	29/8/03–29/8/07	£1.14	75,000	–	(75,000)	–	–
S Lane ¹	11/4/01	11/4/04–11/4/08	£1.28	50,000	–	(50,000)	–	–
S Lane ¹	15/3/02	30/1/04–30/1/05	£0.69½	150,000	–	–	–	150,000
S Lane ¹	30/9/02	30/1/04–30/1/05	£0.39	100,000	–	–	(100,000)	–
P Watts	26/8/04	26/8/04–26/8/11	£0.46½	–	440,000	–	–	440,000

1 Mr S Lane was relieved of his responsibilities in December 2003 and ceased to be a Director on 30 January 2004. On that date the options over 75,000 and 50,000 shares at £1.14 and £1.28 respectively were cancelled. The exercise period for the option over 150,000 and 100,000 shares were amended as per the above table. The original exercise period was from 15 March 2005 to 15 March 2009 and 30 September 2005 to 30 September 2009 respectively.

No further grants of options have been made up to and including 28 February 2005.

The share price on 31 December 2004 was 51p (2003: 24p). During the year the price ranged between 23¼p and 59p.

Financial Objects plc Executive Share Option Scheme ("FOESOS")

Options under the FOESOS may be exercised between three and seven years of the anniversary of the date of the grant. All unexercised options lapse on the seventh anniversary of the date of grant. Where an option holder ceases to be an employee before the third anniversary of the date of grant, the option will lapse unless and to the extent that the Board in its discretion otherwise determines. If an option holder dies or otherwise ceases to be employed within the Group on or after the third anniversary of the date of grant (otherwise than in circumstances justifying his summary dismissal), he or his personal representatives may exercise his option at any time or from time to time within a period of three months after ceasing to be so employed.

Options can be exercised on a takeover, liquidation or scheme of reconstruction. Options may be adjusted at the discretion of the Board following certain variations in the share capital of the Company, including a capitalisation or rights issue, subdivision or consolidation of share capital, provided that no adjustment to the subscription price should be made which would result in the shares subject to any option being issued at a discount to their nominal value and provided that the auditors have reported in writing to the Board that such adjustment is in their opinion fair and reasonable.

Any shares allocated on the exercise of options under the FOESOS rank pari passu in all respects with shares in issue at that date of exercise of such options and participate in all dividend or other distributions which may be declared, made or paid by reference to a record date after such date.

Directors' remuneration report continued

1998 Financial Objects Share Option Scheme ("The 1998 Scheme")

This Scheme, part II of which is Inland Revenue approved, was established at the time of the Company's flotation in December 1998, and has the same terms as for FOESOS above, except for the provisions with respect to option holders leaving. If an option holder leaves due to death, ill-health, injury, disability, redundancy, early retirement, retirement on or after the second anniversary of the date of grant or because the business or subsidiary by which he is employed is sold, he may exercise his option within a limited period after leaving. If an employee gives or is given notice, or leaves otherwise without notice, his option will lapse 30 days later, unless the Board in its discretion allows him to exercise to the extent and in such period as it may determine. Whatever the reason for leaving (except in the case of death), the Board has discretion to extend the period of exercise to no longer than 12 months after the third anniversary of the cessation of employment or if later, the earliest date on which the option holder can exercise his approved options in a tax-advantaged way.

Pensions

The Company provides pension entitlements that are defined contribution in nature. Details of the entitlements of those who served as Directors during the year are as follows:

	2004 £000	Group contributions to defined contribution pension schemes 2003 £000
R Foster	–	–
D Carruthers	25	25
S Lane	2	18
P Watts	–	–
Total	27	43

Approved by Order of the Board of Directors on 16 March 2005 and signed on its behalf by:

Simon Frumkin
Company Secretary

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

Statement of Directors' responsibilities

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 the Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Financial Objects plc

We have audited the financial statements on pages 19 to 32. We have also audited the information in the Directors' remuneration report that is described as having been audited.

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 Directors and auditors

The Directors are responsible for preparing the Annual Report and the Directors' remuneration report. As described on page 17, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been 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 group is not disclosed.

We review whether the corporate governance statement on pages 9 to 11 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the Directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 and the part of the Directors' remuneration report to be audited. 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 Group'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 and the part of the Directors' remuneration report to be audited 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 and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the loss of the Group for the year then ended; and
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
2 Cornwall Street,
Birmingham B3 2DL
16 March 2005

Consolidated profit and loss account

For the year ended 31 December 2004

	Note	2004 £000	2003 £000
Turnover – continuing operations	2	9,509	10,427
Operating costs		(9,741)	(22,754)
Operating profit/(loss) before amortisation of goodwill and exceptional items		130	(1,833)
Amortisation of goodwill		–	(1,140)
Exceptional impairment of goodwill		–	(6,255)
Exceptional operating costs	3	(362)	(3,099)
Operating loss – continuing operations		(232)	(12,327)
Other interest receivable and similar income		188	276
Interest payable and similar charges		(1)	(4)
Loss on ordinary activities before taxation		(45)	(12,055)
Tax on loss on ordinary activities	8	–	(91)
Loss on ordinary activities after taxation		(45)	(12,146)
Dividends on equity shares	9	–	(276)
Retained loss for the financial year		(45)	(12,422)
Basic loss per share	10	(0.16p)	(43.96p)
Adjusted profit/(loss) per share	10	1.14p	(5.98p)
Diluted loss per share	10	(0.16p)	(43.96p)
Dividend per share	9	–	1.0p

Movements on reserves are shown in note 18.

Statement of total recognised gains and losses

For the year ended 31 December 2004

There are no recognised gains or losses in either the current or prior period other than those reflected in the profit and loss account above.

Consolidated balance sheet

At 31 December 2004

	Note	£000	2004 £000	£000	2003 £000
Fixed assets					
Intangible assets – goodwill	11		–		–
Tangible assets	12		247		309
			247		309
Current assets					
Debtors	14	3,156		2,207	
Cash at bank and in hand		4,204		6,669	
		7,360		8,876	
Creditors: Amounts falling due within one year	15	(5,562)		(7,109)	
Net current assets			1,798		1,767
Total assets less current liabilities			2,045		2,076
Provision for liabilities and charges	16		(559)		(651)
Net assets			1,486		1,425
Capital and reserves					
Called up share capital	17		563		556
Share premium account	18		6,019		5,920
Capital redemption reserve	18		240		240
Special reserve	18		7,716		7,716
Profit and loss account	18		(13,052)		(13,007)
Equity shareholders' funds	20		1,486		1,425

These financial statements were approved by the Board of Directors on 16 March 2005 and were signed on its behalf by:

R Foster
Chairman

D Carruthers
Director

Company balance sheet

At 31 December 2004

	Note	2004 £000	2003 £000
Fixed assets			
Investment in subsidiaries	13	4,503	4,503
Current assets			
Debtors	14	4,461	
Cash at bank and in hand		2,490	5,052
		6,951	5,052
Creditors: Amounts falling due within one year	15	(5,549)	(4,058)
Net current assets		1,402	994
Net assets		5,905	5,497
Capital and reserves			
Called up share capital	17	563	556
Share premium account	18	6,019	5,920
Capital redemption reserve	18	240	240
Special reserve	18	7,716	7,716
Profit and loss account	18	(8,633)	(8,935)
Equity shareholders' funds		5,905	5,497

These financial statements were approved by the Board of Directors on 16 March 2005 and were signed on its behalf by:

R Foster
Chairman

D Carruthers
Director

Consolidated cash flow statement

For the year ended 31 December 2004

	Note	£000	2004 £000	£000	2003 £000
Cash outflow from operating activities	25(a)		(2,565)		(988)
Returns on investments and servicing of finance	25(b)		187		272
Taxation			(5)		276
Capital expenditure	25(c)		(188)		(229)
Equity dividends paid			–		(690)
Cash outflow before liquid resources and financing			(2,571)		(1,359)
Management of liquid resources	25(d)		751		3,404
Financing	25(e)		106		21
(Decrease)/increase in cash in the year			(1,714)		2,066
Reconciliation of net cash flow to movement in net funds					
(Decrease)/increase in cash in the year		(1,714)		2,066	
Decrease in liquid resources		(751)		(3,404)	
Change in net funds resulting from cash flows			(2,465)		(1,338)
Movement in net funds in year			(2,465)		(1,338)
Net funds at beginning of year			6,669		8,007
Net funds at end of year			4,204		6,669

Notes forming part of the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The Company is exempt by virtue of Section 230 of the Companies Act 1985, from the requirement to present its own profit and loss account.

Basis of consolidation

The Group's financial statements consolidate those of the Company and all its subsidiary undertakings made up to the end of the Company's financial period. A list of the subsidiary undertakings can be found in note 13.

(a) Merger accounting

On 21 February 1997 the Company acquired the entire share capital of Financial Objects (UK) Limited with the consideration being satisfied by the issue of ordinary shares in the Company. In accordance with UK accounting standards the combination was accounted for as a Group reconstruction using the principles of merger accounting.

(b) Acquisition accounting

All other acquisitions have been accounted for using the principles of acquisition accounting. Under this method the results and cash flows of the subsidiary companies acquired are included in the Group profit and loss account and the Group cash flow statement respectively from the dates of acquisition. Fair values are attributed to the Group's share of the identifiable net assets acquired.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual installments over its estimated useful life, unless there is any greater permanent diminution in value.

On the sale of an acquired business the related goodwill, previously written off or taken to reserves will be included in the calculation of the profit or loss on disposal.

Investments

In the Company's accounts, investments in subsidiary undertakings are stated at cost less amounts provided for any diminution in value. Where the consideration for the acquisition of shares in a subsidiary undertaking is satisfied by the issue of equity shares and the provisions of Section 131 of the Companies Act 1985 apply, cost is taken as the nominal value of the shares issued together with the fair value of any other consideration given.

Revenues

Turnover represents the revenue from external customers for goods and services provided during the period and is exclusive of value added tax and comprises product licences, services and support.

Product licence revenue is recognised on delivery for new systems and additional modules unless, in the case of new systems, more specific and onerous acceptance criteria are contracted. In certain circumstances, where the software purchased requires significant modification to meet the client's needs, the licence revenue is recognised on a percentage completion basis. For system upgrades and licence extensions, revenue is recognised on signature (signature gives the customer the right to extend the use of the system).

Product support revenue is recognised in equal installments over the period of the support contract, and product services revenue is recognised on the basis of work completed.

Software development costs

All costs arising from developing and enhancing software are expensed as incurred.

Operating lease commitments

Other than for onerous leases, rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Notes forming part of the financial statements continued

1. Accounting policies continued

Onerous leases

Provision is made for the best estimate of the unavoidable cost, discounted where appropriate, of leasehold properties and other contracts which are surplus to the Group's operating requirements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on the cost, less estimated residual value, over their expected useful lives, as follows:

Computer and office equipment	–	50%
Fixtures and fittings	–	50%
Leasehold improvements	–	20%–33.3%

Pension costs

The Group's pension contributions in respect of defined contribution pension schemes are charged to the profit and loss account on the basis of contributions payable.

Deferred income

Deferred income is calculated to provide for the anticipated direct and indirect costs of services and goods supplied for the remaining term of each contract. The deferred income is credited to sales on a time apportioned basis.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing difference between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currency translation

Transactions in foreign currencies are recorded at the rates ruling at the dates of the respective transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand.

Liquid resources are cash deposits which have a maturity longer than one day.

2. Segmental information

The Group has a single class of business and operates from the United Kingdom and from branches in the USA, Singapore, Luxembourg, the Czech Republic and India. The Group's turnover analysed by market destination and type of income is as follows:

	2004 £000	2003 £000
By destination		
United Kingdom	4,910	4,227
Rest of Europe	3,557	4,132
North America	542	636
Rest of the world	500	1,432
	9,509	10,427
By type of income		
Product licences	1,203	1,343
Product support	4,647	5,289
Product services	3,659	3,795
	9,509	10,427

A segmental analysis by origin is not presented on the basis that the substantial majority of the Group's activity originates in the UK.

Notes forming part of the financial statements continued

3. Operating costs – continuing operations

	2004 £000	2003 £000
Other operating income	(76)	(76)
Staff costs	6,297	8,253
Depreciation and other amounts written off tangible and intangible fixed assets	250	7,723
Other operating charges	3,270	6,854
	9,741	22,754

Operating costs include £362,000 (2003: £3,099,000) of exceptional operating items as follows:

	2004 £000	2003 £000
Reorganisation costs – staff costs	124	808
Net movement in provision for surplus leasehold properties		
– other operating charges	238	562
– depreciation and other amounts written off fixed assets	–	36
Provision for contract losses – other operating charges	–	1,693
	362	3,099

4. Operating loss

	2004 £000	2003 £000
Operating loss is stated after charging/(crediting):		
Auditors' remuneration in respect of all Group undertakings:		
Audit fees (Company £ 10,000 (2003: £ 10,000))	63	60
Other services (Company £ 1,000 (2003: £ 1,000))		
UK tax compliance	13	14
UK tax advisory	7	21
Overseas tax	60	49
Operating leases rental (other assets)	840	982
Rents receivable	(76)	(76)
Software development	1,385	891
Profit on sale of fixed assets	–	(6)

5. Interest payable and similar charges

	2004 £000	2003 £000
Other interest payable	1	4

6. Directors' remuneration

The Remuneration report by the Board on pages 12 to 16 includes details of the Directors' emoluments and pensions, which form part of these accounts. Information relating to Directors' options can also be found in the remuneration report.

7. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	2004 Number	2003 Number
Technical staff	105	95
Sales and administration staff	15	22
Directors	3	3
	123	120

The aggregate payroll costs of all these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	5,467	7,248
Social security costs	582	675
Other pension costs	248	330
	6,297	8,253

Notes forming part of the financial statements continued

8. Taxation on loss on ordinary activities

	2004 £000	2003 £000
UK corporation tax		
– current tax on income for the year	–	–
– adjustment in respect of prior years	(10)	–
	(10)	–
Foreign Tax		
– current tax on income from the year	24	108
– adjustment in respect of prior years	(14)	(17)
	10	91
Total current tax and tax on ordinary activities	–	91

Current tax reconciliation

	2004 £000	2003 £000
Loss on ordinary activities before tax	(45)	(12,055)
Current tax at 30% (2003: 30%)	(14)	(3,616)
Effects of:		
Expenses not deductible for corporation tax purposes		
– Goodwill amortisation	–	342
– Exceptional impairment of goodwill	–	1,877
– Depreciation on assets not qualifying for capital allowances	–	8
– Other	34	64
Capital allowances for the period less than/(in excess of) depreciation	51	(63)
Adjustments on other timing differences	(108)	69
Foreign tax not available as a credit	–	89
Losses brought forward utilised	(28)	–
Tax losses carried forward	89	1,338
Adjustment to tax charge in respect of previous periods	(24)	(17)
Total current tax charge	–	91

Future tax charges may be lower than the current tax rate as a result of deferred tax assets carried forward for relief against suitable future trading profits not recognised:

	2004 £000	2003 £000
Depreciation in excess of capital allowances	414	257
Short-term timing differences	189	83
Losses	1,192	1,475
	1,795	1,815

9. Dividends paid and proposed

	2004 £000	2003 £000
Interim dividend paid – 0.0p per 2p ordinary share (2003: 1.0p)	–	276

Notes forming part of the financial statements continued

10. Loss per share

The basic loss per ordinary share has been calculated by dividing the loss after taxation for the year of £45,000 (2003 loss: £12,146,000) by the weighted average number of shares in issue during the year of 27,905,730 (2003: 27,632,048).

The adjusted earnings per share figure excludes exceptional operating costs goodwill amortisation and impairment to provide a more accurate assessment of the ongoing earnings of the Group. Adjusted earnings per share can be reconciled to the basic earnings per share as follows:

	2004 £000	2003 £000
Basic loss	(45)	(12,146)
Goodwill amortisation	–	1,140
Goodwill impairment	–	6,255
Operating exceptionals	362	3,099
Adjusted basic profit/(loss)	317	(1,652)
Adjusted basic profit/(loss) per ordinary share	1.14p	(5.98p)*

*Comparative restated to exclude exceptional operating costs.

There is no difference between basic and fully diluted earnings per share.

11. Intangible fixed assets

Group	Goodwill £000
Cost as at 1 January 2004 and 31 December 2004	11,408
Amortisation as at 1 January 2004 and 31 December 2004	11,408
Net book value	
At 31 December 2004	–
At 1 January 2004	–

12. Tangible fixed assets

Group	Computer and office equipment £000	Leasehold improvements £000	Total £000
Cost			
At 1 January 2004	1,881	565	2,446
Additions	177	11	188
Disposals	(751)	–	(751)
At 31 December 2004	1,307	576	1,883
Depreciation			
At 1 January 2004	1,681	456	2,137
Charge for the year	159	91	250
On disposals	(751)	–	(751)
At 31 December 2004	1,089	547	1,636
Net book value			
At 31 December 2004	218	29	247
At 1 January 2004	200	109	309

Notes forming part of the financial statements continued

13. Fixed asset investments

Company

Investments held by the Company represent shares in subsidiary undertakings.

	2004 £000	2003 £000
Cost	10,526	10,526
Diminution in value	6,023	6,023
Net book value	4,503	4,503

The Company's subsidiary undertakings, all of which are included in the consolidated financial statements, are as follows:

Company	Country of incorporation	Nature of activity	Class of shares	Proportion of shares held
Financial Objects (UK) Limited	Great Britain	Software sales and development	Ordinary	100%
Financial Objects International Limited	Great Britain	Software sales and development	Ordinary	100%
FINO Software Services Limited	Great Britain	Software sales and support	Ordinary	100%
9000 Limited	Great Britain	Software sales and support	Ordinary	100%
Global Financial Systems Limited	Great Britain	Software sales and support	Ordinary	100%
Financial Objects Software (India) Pvt. Ltd*	India	Software development	Ordinary	100%

* Owned by FINO Software Services Limited

14. Debtors

	Company		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade debtors	–	–	2,094	1,315
Amounts owed by subsidiary undertakings	4,461	–	–	–
Corporation tax recoverable	–	–	167	131
Other debtors	–	–	22	20
Prepayments and accrued income	–	–	873	741
	4,461	–	3,156	2,207

15. Creditors: Amounts falling due within one year

	Company		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade creditors	–	–	220	251
Amounts owed to subsidiary undertakings	5,449	4,044	–	–
Corporation tax	–	–	182	151
Other taxes and social security	–	–	367	283
Other creditors	–	–	669	1,913
Accruals and deferred income	14	14	4,124	4,511
	5,463	4,058	5,562	7,109

16. Provisions for liabilities and charges

Group	Property £000	Licence commitments £000	Total £000
At 1 January 2004	488	163	651
Charged in the year	238	–	238
Net rental expense in year	(267)	(63)	(330)
At 31 December 2004	459	100	559

The provision in respect of property relates to future commitments on vacated properties and is expected to be incurred over the next two years. The provision in respect of licence commitments is also expected to be incurred over the next two years.

Notes forming part of the financial statements continued

17. Share capital

	Number	2004 £000	Number	2003 £000
Authorised:				
Ordinary shares of 2p each	48,300,005	996	48,300,005	966
Allotted called up and fully paid:				
Ordinary shares of 2p each	28,143,897	563	27,781,897	556

The movement of shares relates to 362,000 ordinary shares issued in respect of share options exercised for a total consideration of £106,000. The nominal value was £7,000.

18. Reserves

Group	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Profit and loss account £000
At 1 January 2004	5,920	240	7,716	(13,007)
Retained loss for the financial year	–	–	–	(45)
Arising on issue of ordinary share capital	99	–	–	–
At 31 December 2004	6,019	240	7,716	(13,052)

The premium arising on the issue of ordinary share capital credited to the share premium account relates to the share options exercised.

The cumulative amount of positive goodwill resulting from acquisitions of subsidiary undertakings in earlier financial years which has been written off against reserves is £4,530,000 (31 December 2003: £4,530,000).

Company	Share premium account £000	Capital redemption reserve £000	Special reserve £000	Profit and loss account £000
At 1 January 2004	5,920	240	7,716	(8,935)
Retained profit for the financial year	–	–	–	302
Arising on issue of ordinary share capital	99	–	–	–
At 31 December 2004	6,019	240	7,716	(8,633)

The Company's profit on ordinary activities after taxation for the financial year amounted to £302,000 (2003 loss: £9,414,000).

19. Options

Total grants of options to subscribe for 2p ordinary shares, which remain outstanding at 31 December 2004, including those made during the period under review, net of any options which have been exercised or have lapsed, are as follows:

Financial Objects plc Executive Share Option Scheme ("FOESOS") as at 31 December 2004

Date of grant	Period which generally exercisable		Exercise price per share	Number of shares of 2p each
	From	To		
Jan 1998	Jan 2001	Jan 2005	40p	126,000
Apr 1998	Apr 2001	Apr 2005	40p	34,500
May 1998	May 2001	May 2005	80p	10,000
Jun 1998	Jun 2001	Jun 2005	80p	21,500
Jul 1998	Jul 2001	Jul 2005	80p	7,500
Aug 1998	Aug 2001	Aug 2005	160p	5,000
Sept 1998	Sept 2001	Sept 2005	160p	14,000
				218,500

Details of the FOESOS are included on page 15.

Notes forming part of the financial statements continued

19. Options continued

1998 Financial Objects Share Option Scheme ("the 1998 Scheme") as at 31 December 2004

Date of grant	Period which generally exercisable		Exercise price per share	Number of shares of 2p each
	From	To		
Sept 2000	Sept 2003	Sept 2007	135.0p	40,000
Oct 2000	Oct 2003	Oct 2007	156.0p	20,000
Aug 2001	Aug 2004	Aug 2008	75.0p	25,000
Mar 2002	Mar 2005	Mar 2009	69.5p	284,317
Aug 2002	Aug 2003	Aug 2009	42.0p	10,000
Sept 2002	Sept 2005	Sept 2009	39.0p	110,000
Aug 2004	Aug 2007	Aug 2011	46.5p	440,000
				929,317

Details of the 1998 scheme are included on page 16.

20. Reconciliation of movements in equity shareholders' funds

	Company		Group	
	2004 £000	2003 £000	2004 £000	2003 £000
Profit/(loss) on ordinary activities after taxation	302	(9,414)	(45)	(12,146)
Dividends	-	(276)	-	(276)
Retained loss for the financial year	302	(9,690)	(45)	(21,422)
Net proceeds on issue of new share capital	106	21	106	21
Opening equity shareholders' funds	5,497	15,166	1,425	13,826
Closing equity shareholders' funds	5,905	5,497	1,486	1,425

21. Capital commitments

The Group and Company had no capital commitments at 31 December 2004 (2003: £nil).

22. Other financial commitments

At 31 December 2004, the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other		Total	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
Operating leases which expire:						
Within one year	44	71	20	12	64	83
In the second to fifth years inclusive	393	400	122	96	515	496
After five years	340	340	-	63	340	403
	777	811	142	171	919	982

23. Contract dispute

The Group is in dispute with one of its clients, who has claimed for a refund of amounts paid to date by submitting the Group to arbitration. The Group has taken legal advice which indicates that there are no contractual grounds for such a refund, and the Group is vigorously defending the case and has submitted a counterclaim. The Directors do not believe that this will result in any additional unprovided liabilities.

24. Pensions

The Company provides pension benefits to its employees through the Financial Objects plc Group Personal Pension Scheme with Norwich Union. This scheme was set up in August 2004, and replaces the two schemes that were in existence previously: The Financial Objects Group Pension Scheme with Sun Life and the IBIS Group Personal Pension Scheme with Scottish Provident. Both the Sun Life scheme and the Scottish Provident scheme are now closed to new members. The pension charge for the year was £248,000 (2003: £330,000). The amount accrued at the year end, and included in accruals and deferred income is £25,000 (2003: £34,000).

Notes forming part of the financial statements continued

25. Cash flow statement

(a) Reconciliation of operating loss to operating cash outflow

	2004 £000	2003 £000
Operating loss	(232)	(12,327)
Provision for exceptional impairment of goodwill	–	6,255
Depreciation and other amounts written off fixed assets	250	1,468
Net rental expense charged against provisions	(267)	(266)
Profit on disposal of tangible fixed assets	–	(6)
(Increase)/decrease in debtors	(913)	1,832
(Decrease)/increase in creditors	(1,578)	1,458
Increase in provisions	175	598
Cash outflow from operating activities	(2,565)	(988)

(b) Returns on investments and servicing of finance

	2004 £000	2003 £000
Interest received	188	276
Interest paid	(1)	(4)
Net cash inflow from returns on investments and servicing of finance	187	272

(c) Capital expenditure

	2004 £000	2003 £000
Payments to acquire tangible fixed assets	(188)	(235)
Proceeds from sales of tangible fixed assets	–	6
Net cash outflow – capital expenditure	(188)	(229)

(d) Management of liquid resources

	2004 £000	2003 £000
Decrease in liquid resources	(751)	(3,404)

(e) Financing

	2004 £000	2003 £000
Net proceeds on issue of ordinary share capital for cash	106	21
Net cash inflow – financing	106	21

(f) Analysis of net funds

	At 1 January 2004 £000	Cash flow £000	At 31 December 2004 £000
Cash at bank and in hand	5,918	(1,714)	4,204
Short-term cash deposits	751	(751)	–
	6,669	(2,465)	4,204

Notes forming part of the financial statements continued

26. Financial instruments

On 31 December 2004, cash at bank and in hand amounted to £4,204,000 (2003: £6,669,000) and can be analysed into the following currencies and maturities:

	2004			2003		
	Bank deposits (less than 3 months maturity) £000	Cash £000	Total £000	Bank deposits (less than 3 months maturity) £000	Cash £000	Total £000
Sterling	–	3,665	3,665	751	5,148	5,899
US dollar	–	116	116	–	278	278
Other currencies	–	423	423	–	492	492
Total	–	4,204	4,204	751	5,918	6,669

Interest rates on all cash balances are variable based on LIBOR.

Surplus funds are placed on fixed term deposits of one to three months with a panel of clearing banks.

The Group has no undrawn committed banking facilities.

The Group transacts the substantial majority of its sales contracts in sterling, thus there are no material foreign currency exposures.

Treasury policies and procedures are regularly monitored by the Board and will be developed to respond to business requirements and risks.

There is no difference between the book value and the fair value of the bank deposits.

Group financial record

	31 December 2000 £000	31 December 2001 £000	31 December 2002 £000	31 December 2003 £000	31 December 2004 £000
Turnover	18,369	17,526	12,841	10,427	9,509
Operating costs	(20,052)	(17,151)	(16,289)	(22,754)	(9,741)
Operating profit/(loss) before amortisation of goodwill and exceptional items	149	2,179	(1,599)	(1,833)	130
Amortisation of goodwill	(1,162)	(1,164)	(1,089)	(7,395)	-
Exceptional operating costs	(670)	(640)	(760)	(3,099)	(362)
Operating (loss)/profit	(1,683)	375	(3,448)	(12,327)	(232)
(Loss)/profit on ordinary activities before taxation	(887)	1,046	(2,839)	(12,055)	(45)
Taxation	(156)	(712)	284	(91)	-
(Loss)/profit on ordinary activities after taxation	(1,043)	334	(2,555)	(12,146)	(45)
Dividends	(965)	(989)	(810)	(276)	-
Retained loss	(2,008)	(655)	(3,365)	(12,422)	(45)
(Loss)/earnings per share	(2.73p)	0.85p	(6.72p)	(43.96p)	(0.16p)
Adjusted (loss)/earnings per share*	2.06p	5.46p	(1.85p)	(5.98p)	1.14p
Fully diluted (loss)/earnings per share	(2.61p)	0.84p	(6.72p)	(43.96p)	(0.16p)
Dividend per share	2.5p	2.5p	2.5p	1.0p	-
Fixed assets	10,301	9,469	7,797	309	247
Net current assets	14,389	14,681	6,348	1,767	1,798
Provision for liabilities and charges	(530)	(495)	(319)	(651)	(559)
Net assets	24,160	23,655	13,826	1,425	1,486
Cash (outflow)/inflow from operating activities	(117)	2,808	(352)	(988)	(2,565)

*Comparative restated to exclude exceptional operating costs.

Notice of AGM

Notice is hereby given that the Annual General Meeting of the Members of the Company will be held at Financial Dynamics Ltd, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB on 5 May 2005 at 11.00 a.m. to transact the following business; with resolutions 1 to 8 being proposed as ordinary resolutions and resolutions 9 and 10 as special resolutions.

Ordinary business – ordinary resolutions

1. To receive and consider the financial statements for the year ended 31 December 2004 together with the Directors' report and auditors' report thereon.
2. To reappoint KPMG Audit Plc as auditors and to authorise the Directors to agree their remuneration.
3. To reappoint Mr P Fullagar as a Director of the Company.
4. To reappoint Mr S Frumkin as a Director of the Company.
5. To re-elect Mr R Foster who retires by rotation and offers himself for re-election in accordance with the Articles of Association, as a Director of the Company.
6. To re-elect Mr M Hayman who retires by rotation and offers himself for re-election in accordance with the Articles of Association, as a Director of the Company.
7. To approve the Directors' remuneration report for the year ended 31 December 2004.
To transact any other ordinary business of the Company.

Special business – ordinary resolution

8. That the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985, in substitution for all subsisting authorities (save to the extent exercised prior to the passing of this resolution) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £188,446 which authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special business – special resolutions

9. That the Directors be and they are hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred upon the Directors by the previous resolution as if subsection (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment PROVIDED THAT this power shall be limited to:
 - (i) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever); and
 - (ii) the allotment (otherwise than pursuant to (i) above) of equity securities to an aggregate nominal value of £28,267, and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of AGM

continued

10. That the Company be generally and unconditionally authorised, pursuant to Article 7 of the Articles of Association of the Company and pursuant to Section 166 of the Companies Act 1985, to make market purchases (as defined in Section 163 of the Companies Act 1985) of up to 1,413,345 ordinary shares of 2p each in the capital of the Company (being approximately 5 per cent of the current issued ordinary share capital of the Company) on such terms and in such manner as the directors of the Company may from time to time determine, provided that:
- (i) the amount paid for each share (exclusive of expenses) shall not be more than 5 per cent above the middle market quotation for ordinary shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made and in any event not less than 2p per share; and
 - (ii) the authority herein contained shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired.

By Order of the Board

Simon Frumkin
Company Secretary
16 March 2005

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

Notes

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote in his/her place. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting at the meeting. A form of proxy is enclosed which you are invited to complete and return. To be effective, it must be completed and be received at the Company's registrar's office not less than 48 hours before the time fixed for the meeting.
2. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 11.00 a.m. on 3 May 2005, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 11.00 a.m. on 3 May 2005, shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. The register of Directors' share interests and copies of the Directors' service contracts are available for inspection at the registered office of the Company during normal business hours and at the general meeting from 10.45 a.m. to its conclusion.
4. The registrars shall be notified without delay of any change in address of a shareholder.

Advisers and Company details

Board Directors

R Foster, FCA
Executive Chairman and
Acting Chief Executive

D Carruthers
Director – IBIS Business

P Watts
Director – ActiveBank Business

S Frumkin, ACA
Finance Director and
Company Secretary

J Standen, ACIB
Non-Executive

M Hayman
Non-Executive

P Fullagar, ACMA
Non-Executive

Registered Office
45 Monmouth Street
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Registered number 3268748

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2 Cornwall Street
Birmingham B3 2DL

Solicitors
Eversheds
115 Colmore Row
Birmingham B3 3AL

Bankers
NatWest Bank
City of London Office
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Brokers
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