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FINANCIAL OBJECTS PLC
ANNUAL REPORT 2000



The directors present their report and audited consolidated financial statements for the year ended 31 December 2000.

Principal activities and review of the business

The Group is a banking software and services business, which uses IBM AS/400 and Microsoft NT 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, Luxembourg and the Czech Republic. 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 and Operating review.

Results and dividends

The results for the period are set out in the profit and loss account on page 22 and reviewed in the financial review.

The directors recommend the payment of a final dividend of 1.5p (1999: 1.5p) per share, which, if approved by shareholders, will be paid on 16 May 2001 to shareholders registered on 17 April 2001. When added to the interim dividend of 1.0p paid on 28 October 2000, this makes a total dividend payment for the year of 2.5p per share (1999: 2.5p). Payment of these dividends amounts to £965,000 (1999: £948,000).

Acquisitions

On 27 January 2000, the Company acquired the remaining 50% of 9000 Limited. Details of the consideration paid can be found in note 13 to the financial statements.

Share capital

As at 28 February 2001, the Company had been notified that the following persons had an interest of 3% or more in the share capital of the Company:

	Percentage of share capital	Number of 2p Ordinary shares
RK Foster	16.3%	6,330,454
Thompson Clive Funds	11.5%	4,442,522
Henderson	10.8%	4,184,425
Standard Life	3.9%	1,497,220
Fidelity	3.7%	1,441,440

Directors and directors' interests

The directors at the year-end are listed on page 13.

On 1 March 2000 Mr D Carruthers was appointed to the Board and on 21 August Mr I Chester retired from the Board. Mr J Standen and Mr P Walsh retire by rotation and offer themselves for re-election at the annual general meeting.

At 31 December 2000 the following directors had the following beneficial interests in the share capital of the Company:

	2000 Ordinary shares of 2p each	1999 Ordinary shares of 2p each
RK Foster	6,330,454	6,330,454
P Walsh	693,845	693,845
DJ Gutteridge	366,919	346,919
D Carruthers	14,000	nil
RH Thompson	65,218	65,218
J Standen	21,739	21,739

RH Thompson also had an indirect interest in the Company through his involvement with the Thompson Clive funds invested in it.

Details of the directors' share options are included within the Remuneration Report by the Board on pages 19 and 20.

There were no changes in directors' shareholdings between 31 December 2000 and 28 February 2001.

As previously announced by the Company, on 2 January 2001, Roger Foster granted options over 100,000 ordinary shares at 2p each he holds in the capital of the Company as follows:

D Carruthers	50,000 shares
D Gutteridge	50,000 shares

In addition and on the same date, Roger Foster granted similar options over 300,000 ordinary shares of 2p each he holds in the capital of the Company to certain members of the senior executive team.

The option price for each of the above options is 101.5p.

Research and development

The Group regards research and development as essential to its future profitability and invested £4,674,000 on these activities in the year ended 31 December 2000 (1999: £5,426,000), 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 2000, 114 (1999: 163) employees held options under The Financial Objects plc Executive Share Option Scheme.

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 would 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 48 days (1999: 51 days). The Company, being a holding company, had no creditors.

Political and charitable donations

The Group made no political contributions during the year (1999: £nil). Donations to UK charities amounted to £1,095 (1999: £2,186).

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 10 May 2001 at 11.00 a.m. A notice of annual general meeting is set out on page 36 and a form of proxy is enclosed.

At the meeting shareholders will be asked to approve, in addition to the ordinary business of the meeting, the items of special business briefly described as follows:

Authority to allot shares

Your directors are seeking authority under Section 80 of the Companies Act 1985 ("the Act") to allot shares up to an aggregate nominal value of £188,373, being the unissued ordinary share capital of the Company at 28 February 2001, being 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 all previous authorities, which accordingly will be revoked. 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

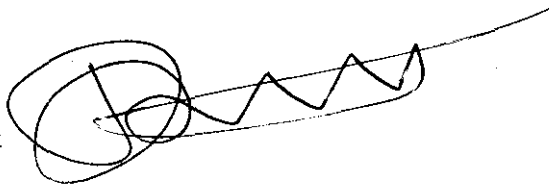
The directors recommend that authority be obtained from the shareholders to allot ordinary shares for cash otherwise than on a pre-emptive basis (as required by Section 89 of the Act) in limited circumstances in respect of the shares which the directors will be authorised to allot pursuant to the resolution 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 or shares of an aggregate nominal amount of up to £38,881, which is equivalent to 5% of the Company's issued share capital at 28 February 2001, being one month prior to the date of the notice of the annual general meeting. The authority sought will expire upon the conclusion of the next annual general meeting.

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 auditor's remuneration.

Approved by order of the Board of directors on 13 March 2001 and signed on its behalf by:

DJ Gutteridge
Company Secretary
Seven Dials Village
45 Monmouth Street
Covent Garden
London WC2H 9DG

A handwritten signature in black ink, consisting of a large, stylized 'D' followed by a series of sharp, upward-pointing peaks, resembling a sawtooth or a stylized 'G'.

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;
- 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.

Auditors' report to the members of Financial Objects plc

We audited the financial statements on pages 22 to 34.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 28 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 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 are properly prepared in accordance with the Companies Act. 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 of the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 18 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, 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 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.

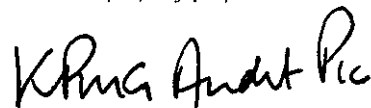
Basis of audit opinion

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. 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 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants and Registered Auditor
2 Cornwall Street, Birmingham B3 2DL
13 March 2001

Consolidated profit and loss account
for the year ended 31 December 2000

	Note	2000 Total £000	1999 Total £000
Turnover – Continuing Operations	2	18,369	22,301
Operating costs	3	(20,052)	(18,612)
Operating profit before amortisation of goodwill and exceptional items		149	4,260
Amortisation of goodwill		(1,162)	(571)
Exceptional operating costs		(670)	–
Operating (loss)/profit	4	(1,683)	3,689
Other interest receivable and similar income		833	1,002
Interest payable and similar charges	5	(37)	(35)
(Loss)/profit on ordinary activities before taxation		(887)	4,656
Tax on (loss)/profit on ordinary activities	8	(156)	(1,195)
(Loss)/profit on ordinary activities after taxation		(1,043)	3,461
Equity minority interests		–	(15)
(Loss)/profit for the financial year		(1,043)	3,446
Dividends	9	(965)	(948)
Retained (loss)/profit for the financial year	18	(2,008)	2,498
<hr/>			
(Loss)/Earnings per share	10	(2.73p)	9.46p
Adjusted earnings per share	10	0.31p	11.03p
Diluted (loss)/earnings per share	10	(2.61p)	8.87p
Dividend per share		2.5p	2.5p

Movements on reserves are shown in note 18.

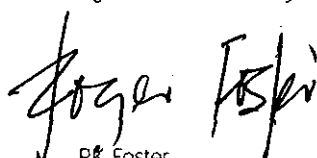
Statement of total recognised gains and losses
for the year ended 31 December 2000

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

Consolidated balance sheet
at 31 December 2000

		2000		1999	
	Note	£000	£000	£000	£000
Fixed assets					
Intangible assets	11		9,848		12,988
Tangible assets	12		453		641
			10,301		13,629
Current assets					
Debtors	14	8,313		7,633	
Cash at bank and in hand		13,835		16,110	
		22,148		23,743	
Creditors: Amounts falling due within one year	15	(7,759)		(8,363)	
Net current assets			14,389		15,380
Total assets less current liabilities			24,690		29,009
Provisions for liabilities and charges	16		(530)		(562)
Net assets			24,160		28,447
Capital and reserves					
Called up share capital	17(a)		774		760
Share premium account	18		19,751		19,695
Share capital to be issued	17(b)		200		3,000
Acquisition reserve	18		4,665		4,760
Profit and loss account	18		(1,230)		232
Equity shareholders' funds	20		24,160		28,447

These financial statements were approved by the Board of directors on 13 March 2001 and were signed on its behalf by:


RK Foster
Chairman

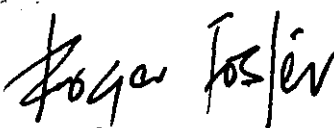

DJ Gutteridge
Director

Company balance sheet
at 31 December 2000

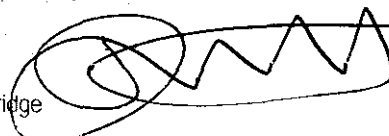
	Note	2000 £000	1999 £000
Fixed assets			
Investment in subsidiary	13	10,527	10,123
Current assets			
Debtors	14	12,519	12,648
Cash at bank and in hand		4,400	-
		16,919	12,648
Creditors: Amounts falling due within one year	15	(5,645)	(570)
Net current assets		11,274	12,078
Net assets		21,801	22,201
Capital and reserves			
Called up share capital	17(a)	774	760
Share premium account	18	19,751	19,695
Share capital to be issued	17(b)	1	23
Profit and loss account	18	1,275	1,723
Equity shareholder's funds		21,801	22,201

These financial statements were approved by the Board of directors on 13 March 2001 and were signed on its behalf by:

RK Foster
Chairman



DJ Gutteridge
Director



Consolidated cash flow statement
for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Cash outflow from operating activities	24(a)	(117)	(922)
Returns on investments and servicing of finance	24(b)	873	913
Taxation		(1,332)	(848)
Capital expenditure	24(c)	(412)	(433)
Acquisition	24(d)	(421)	(4,130)
Equity dividend paid		(954)	(378)
Cash outflow before liquid resources and financing		(2,363)	(5,798)
Management of liquid resources		(423)	5,600
Financing	24(e)	88	(214)
Decrease in cash in the year		(2,698)	(412)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(2,698)	(412)
Increase/(decrease) in liquid resources		423	(5,600)
Change in net funds resulting from cash flows		(2,275)	(6,012)
Movement in net funds in year		(2,275)	(6,012)
Net funds at beginning of year		16,110	22,122
Net funds at end of year	24(f)	13,835	16,110

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company'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 difference between the fair value of the consideration given and the fair value of the separate net assets acquired arising on acquisitions before 1 January 1998 when FRS 10: Goodwill and intangible assets was adopted, was written off to a goodwill write off reserve in the year of acquisition. On adoption of FRS 10 the goodwill write off reserve has been combined with the profit and loss account.

Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised by equal annual instalments over its estimated useful life.

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 provision 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

Revenue represents the amounts charged to external customers for goods and services during the period exclusive of value added tax. 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. For system upgrades and licence extensions, revenue is recognised on signature (signature gives the customer the right to extend the use of the system).

Operating leases

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

Onerous leases

Provision is made for the best estimate of the unavoidable cost, discounted where appropriate, of leasehold properties 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	— 33.3%

Software development costs

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

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. This deferred income is credited to sales on a time apportioned basis.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes to the extent that the directors consider that a liability to taxation is likely to crystallise.

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.

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 and the Czech Republic. The Group's turnover analysed by market destination and type of income is as follows:

	2000 £000	1999 £000
By destination		
United Kingdom	5,461	7,079
Rest of Europe	9,621	11,068
North America	797	1,485
Rest of the world	2,490	2,669
	18,369	22,301
By type of income		
Product licences	3,514	9,734
Product support	6,851	7,070
Product services	8,004	5,497
	18,369	22,301

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

3 Operating costs

	2000 £000	1999 £0
Other operating income	(131)	(12)
Other external charges	875	1,363
Staff costs	11,300	11,160
Depreciation and other amounts written off tangible and intangible fixed assets	1,754	1,145
Other operating charges	6,254	5,072
	20,052	18,612

Included in Operating Costs is £670,000 in respect of reorganisation costs incurred during the year. They are split as follows:

	£000
Staff costs	603
Other operating charges	67
	670

4 Operating profit

	2000 £000	1999 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration in respect of all Group undertakings:		
Audit fees (Company £10,000 (1999: £10,000))	56	55
Other services (Company £Nil (1999: £Nil))	136	123
Exchange (gains)/losses	(17)	5
Operating leases rentals (other assets)	1,262	1,214
Rents receivable	(131)	(128)
Software development	4,674	5,345

5 Interest payable and similar charges

	2000 £000	1999 £000
Notional interest on discounting of provisions	37	35

6 Directors' remuneration

The Remuneration report by the Board on pages 19 and 20 includes details of the directors' emoluments and pensions, which form part of these accounts. Information relating to directors' options can also be found in this 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:

	2000 Number	1999 Number
Technical and administration staff	181	222
Directors	5	4

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

Wages and salaries	9,939	9,710
Social security costs	918	988
Other pension costs	443	462
	11,300	11,160

8 Taxation on profit on ordinary activities

	2000 £000	1999 £000
UK Corporation Tax		
– current tax on income for the year	130	1,644
– adjustment in respect of prior year	(55)	(406)
	75	1,238
Double taxation relief	(15)	(60)
	60	1,178
Foreign tax		
– current tax on income for the year	122	84
– adjustment in respect of prior year	(26)	(67)
	96	17
	156	1,195

The high effective rate of tax arises from the low level of UK Corporation Tax available for double taxation relief.

9 Dividends paid and proposed

	2000 £000	1999 £000
Interim dividend paid – 1.0p per 2p ordinary share (1999: 1.0p)	384	378
Final dividend proposed – 1.5p per 2p ordinary share (1999: 1.5p)	581	570
	965	948

10 Earnings per share

The basic (loss)/earnings per ordinary share have been calculated by dividing the loss after taxation and minority interest for the year of £1,043,000 (1999: profit of £3,446,000) by the weighted average number of shares in issue during the year of 38,238,242 (1999: 36,415,937).

The adjusted earnings per share figures excluding goodwill amortisation provide a more accurate assessment of the ongoing earnings of the group. Accordingly the figures have been given on the face of the profit and loss account and can be reconciled to the basic earnings per share as follows:

	2000 £000	1999 £000
Basic (loss)/earnings	(1,043)	3,446
Goodwill amortisation	1,162	571
Adjusted basic earnings	119	4,017
Adjusted basic earnings per ordinary share	0.31p	11.03p

The diluted (loss)/earnings per share have been calculated by dividing the results after taxation and minority interest for the year, as shown above, by the diluted weighted average number of shares in issue during the year of 40,037,959 (1999: 38,849,670).

The difference between the weighted average number of shares used to calculate the basic and the diluted (loss)/earnings per share is the number of share options deemed to be issued at no consideration.

11 Intangible fixed assets

Group	Goodwill £000
Cost	
At 1 January 2000	13,586
Additions in period	454
Adjustment to investment (see below)	(2,432)
At 31 December 2000	11,608
Provisions for amortisation	
At 1 January 2000	598
Amortisation charged in period	1,162
At 31 December 2000	1,760
Net book value	
At 31 December 2000	9,848
At 1 January 2000	12,988

The additional goodwill recognised during the year relates to the acquisition of the remaining 50% of the share capital of 9000 Limited in January 2000. Adjustment to goodwill relates to the final settlement of the deferred consideration for the Company's 1999 acquisition, Global Financial Systems Ltd which resulted in a payment of £200,000 in cash and the issue of 300,000 ordinary shares of 2p each with a market value of £357,000 compared to the provision for the deferred consideration at 31 December 2000 of £3,000,000.

The goodwill which arose on the acquisition of 9000 Limited and Global Financial Systems Limited is being written off over a period of ten years from the dates of acquisition.

12 Tangible fixed assets

Group	Computer and office equipment £000	Leasehold improvements £000	Total £000
Cost			
At 1 January 2000	1,555	384	1,939
Additions	406	6	412
Disposals	(253)	(56)	(309)
At 31 December 2000	1,708	334	2,042
Depreciation			
At 1 January 2000	1,034	264	1,298
Charge for the year	505	87	592
On disposals	(253)	(48)	(301)
At 31 December 2000	1,286	303	1,589
Net book value			
At 31 December 2000	422	31	453
At 1 January 2000	521	120	641

There were no fixed assets held under finance leases.

13 Fixed asset investments

Company

Investments held by the Company represent shares in subsidiary undertakings

	£000
Cost	
At 1 January 2000	10,123
Additions	404
At 31 December 2000	10,527

Additions to investments include the cost of acquiring the minority interest in 9000 Limited, being £200,000 cash, 14,642 ordinary shares of 2p each and a contingent element dependent on the results over the 36 months post acquisition, which the directors estimate to be 29,284 ordinary shares of 2p each and is stated gross of attributable professional fees.

Also included within additions is the deferred consideration for the company's investment in GFS Limited, which was settled for £200,000 of cash and 300,000 ordinary shares of 2p each.

The Company's subsidiary undertakings are as follows:

Company	Country of Incorporation	Nature of activity	Class of shares	Proportion of shares held
Financial Objects (UK) Limited	Great Britain	Software sale and development	Ordinary	100%
Financial Objects International Limited	Great Britain	Software sale 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%

All classes of ordinary shares carry equal voting rights.

14 Debtors

Group	Company		Group	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade debtors	—	—	6,764	4,378
Amounts owed by subsidiary undertakings	12,383	12,481	—	—
Other debtors	25	—	131	161
Prepayments and accrued income	—	—	1,247	3,094
Corporation tax recoverable	111	167	171	—
	12,519	12,648	8,313	7,633

15 Creditors: Amounts falling due within one year

	Company		Group	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade creditors	—	—	208	197
Amounts due to subsidiary undertakings	5,064	—	—	—
Corporation tax	—	—	—	1,005
Other taxes and social security	—	—	458	761
Other creditors	—	—	777	—
Accruals and deferred income	—	—	5,735	5,830
Proposed dividend	581	570	581	570
	5,645	570	7,759	8,363

16 Provisions for liabilities and charges

Group	
(a) <i>Future lease obligations</i>	2000 £000
At 1 January 2000	562
Net rental expense in year	(67)
Movement in discounting provision	35
At 31 December 2000	530

The provision is calculated by discounting the potential future annual shortfalls on surplus leasehold properties which will expire in March 2012. The discount rate applied was 6%.

(b) *Deferred tax*

The deferred tax asset not recognised is as follows:

	2000 £000	1999 £000
Capital allowances in excess of depreciation	287	233
Other timing differences	164	71
	451	304

17(a) Share capital

	2000		1999	
	Number	£000	Number	£000
Authorised:				
Ordinary shares of 2p each	48,300,005	966	48,300,005	966
Allotted called up and fully paid:				
Ordinary shares of 2p each	38,726,316	774	37,977,452	760

The increase in issued share capital relates to:

- the acquisition of the minority shares in 9000 Limited for 14,642 ordinary shares of 2p each at a market value of £100,000;
- settlement of the GFS deferred consideration, which resulted in the issue of 300,000 ordinary shares of 2p each at a market value of £357,000; and
- the issue of 434,222 ordinary shares in respect of share options exercised for a total consideration of £87,979.

17(b) Share capital to be issued

	Company		Group	
	2000 £000	1999 £000	2000 £000	1999 £000
Share capital to be issued	1	23	200	3,000

Share capital to be issued relates to the directors' estimate of the contingent element of the share consideration for the acquisition of the subsidiary undertaking, 9000 Limited, in the year. At a contracted value of £6.83 per share, this is equivalent to 29,283 ordinary shares of 2p each to be issued. The provision of S131 CA1985 have been applied by the Company and the shares to be issued are recorded at their nominal value.

18 Reserves

Group	Share premium account £000	Acquisition reserve £000	Profit and loss account £000
At 1 January 2000	19,695	4,760	232
Retained loss for the financial year	—	—	(2,008)
Arising on issue of ordinary share capital	80	—	—
Adjustment to share issue costs	(24)	—	—
Increase in reserve	—	451	—
Transfer to profit and loss account	—	(546)	546
At 31 December 2000	19,751	4,665	(1,230)

The premium arising on the issue of ordinary share capital credited to the share premium account relates to the share options exercised, while that credited to the acquisition reserve relates to the shares issued in relation to the GFS and 9000 Limited acquisitions.

The cumulative amount of goodwill resulting from acquisitions of subsidiary undertakings which has been written off against reserves is £4,530,000 (31 December 1999: £4,530,000).

Company	Share premium account £000	Profit and loss account £000
At 1 January 2000	19,695	1,723
Retained profit for the financial year	—	(448)
Arising on issue of ordinary share capital	80	—
Adjustment to share issue costs	(24)	—
At 31 December 2000	19,751	1,275

The Company's profit for the financial year, before dividends, amounted to £517,000 (1999: £1,170,000).

19 Options

Total grant of options to subscribe for ordinary shares of 2p each which remain outstanding at 31 December 2000, including those made during the period under review net of any options which have been exercised or have lapsed, are as follows:

Executive Share Option Scheme (FOESOS) as at 31 December 2000

Date of grant	Period which generally exercisable		Exercise price per share	Number of shares of 2p each
	From	To		
May 1996	May 1999	Aug 2001	10p	262,500
Dec 1996	Dec 1999	Dec 2003	10p	340,000
June 1997	June 2000	June 2004	20p	70,000
July 1997	July 2000	July 2004	20p	115,000
Sept 1997	Sept 2000	Sept 2004	20p	30,000
Oct 1997	June 2000	Oct 2004	20p	205,000
Dec 1997	Nov 2000	Nov 2004	20p	15,000
Jan 1998	Jan 2001	Jan 2005	40p	330,500
Apr 1998	Apr 2001	Apr 2005	40p	112,500
May 1998	May 2001	May 2005	80p	33,000
June 1998	June 2001	June 2005	80p	149,000
July 1998	July 2001	July 2005	80p	37,000
Aug 1998	Aug 2001	Aug 2005	160p	9,000
Sept 1998	Sept 2001	Sept 2005	160p	10,000
Oct 1998	Oct 2001	Oct 2005	160p	45,000
				1,763,500

Details of the Executive Share Option Scheme are included on page 20.

Financial Objects 1998 Share Option Scheme as at 31 December 2000

Apr 2000	Apr 2003	Apr 2007	467p	286,937
May 2000	May 2003	May 2007	190p	60,000
Aug 2000	Aug 2003	Aug 2007	114p	545,000
Sept 2000	Sept 2003	Sept 2007	135p	130,000
Oct 2000	Oct 2003	Oct 2007	156p	20,000
				1,041,937

20 Reconciliation of movements in consolidated equity shareholders' funds

	Company		Group	
	2000 £000	1999 £000	2000 £000	1999 £000
Net proceeds on issue of new share capital	88	106	88	106
Amounts arising on acquisition	(16)	61	(2,343)	8,000
Adjustment to share issue costs	(24)	147	(24)	147
Retained (loss)/profit for the financial year	(448)	223	(2,008)	2,498
Opening equity shareholders' funds	22,201	21,664	28,447	17,696
Closing equity shareholders' funds	21,801	22,201	24,160	28,447

The amounts arising on acquisition represents the difference between the shares previously shown as to be issued as deferred consideration for GFS, compared to those actually issued, along with the shares issued and to be issued as part of the consideration of 9000 Limited.

21 Capital commitments

Capital commitments at 31 December 2000, for which no provision has been made in these financial statements, were as follows:

	2000 £000	1999 £000
Authorised and contracted	nil	4

22 Other financial commitments

Operating leases

At 31 December 2000, the Group had annual commitments under non-cancellable operating leases as follows:

	Land and building		Other		Total	
	2000 £000	1999 £000	2000 £000	1999 £000	2000 £000	1999 £000
Operating leases which expire:						
Within one year	101	11	80	201	181	212
In the second to fifth year inclusive	343	467	144	119	487	586
After five years	501	461	—	—	501	461
	945	939	224	320	1,169	1,259

23 Pensions

The Company provides pension benefits to its employees through two defined contribution Group personal pension plans: the Financial Objects Group Personal Pension Scheme with Sun Life and the IBIS Group Personal Pension Scheme with Scottish Provident (the "Scottish Provident Scheme"). The Scottish Provident Scheme is now closed to new members. The pension charge for the year was £443,000 (1999: £462,000).

24 Cash flow statement

(a) Reconciliation of operating (loss)/profit to operating cash flow

	2000 £000	1999 £000
Operating (loss)/profit	(1,683)	3,689
Depreciation and other amounts written off fixed assets	1,754	1,145
Net rental expense charged against provisions	(69)	(66)
Loss on disposal of tangible fixed assets	10	—
(Increase) in debtors	(551)	(2,214)
Increase/(decrease) in creditors	422	(3,476)
Cash outflow from operating activities	(117)	(922)

(b) Returns on investments and servicing of finance

	2000 £000	1999 £000
Interest received	875	913
Interest paid	(2)	—
Net cash inflow for returns on investments and servicing of finance	873	913

(c) Capital expenditure

	2000 £000	1999 £000
Payments to acquire tangible fixed assets	(412)	(433)
Net cash outflow for capital expenditure	(412)	(433)

(d) Acquisitions

	2000 £000	1999 £000
Net cash outflow for the acquisition of GFS	—	(4,130)
Final settlement for GFS	(212)	—
Acquisition of the remaining 50% of 9000 Ltd	(209)	—
	(421)	(4,130)

24 Cash flow statement continued
(e) *Financing*

	2000 £000	1999 £000
Issue of ordinary share capital for cash	88	106
Share issue costs	—	(320)
	88	(214)

(f) *Analysis of net debt*

	At 1 January 2000 £000	Cash flow £000	At 31 December 2000 £000
Cash at bank and in hand	16,110	(2,275)	13,835

25 Financial instruments

On 31 December 2000, cash at bank and in hand amounted to £13,835,000 (1999: £16,110,000) and can be analysed into the following currencies and maturities.

2000			
	Bank deposits (less than 3 months maturity) £000	Cash £000	Total £000
Sterling	11,500	2,061	13,561
US dollar	—	134	134
Other currencies	—	140	140
Total	11,500	2,335	13,835

1999				
	Bank deposits (less than 3 months maturity) £000	Bank deposits (less than 6 months maturity) £000	Cash £000	Total £000
Sterling	8,324	3,076	4,041	15,441
US dollar	—	—	559	559
Other currencies	—	—	110	110
Total	8,324	3,076	4,710	16,110

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

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

The Group has no undrawn committed banking facilities.

The Group transacts 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.

The Group has taken advantage of the exemption under FRS 13 that short-term debtors and creditors be excluded from the following disclosures.