Proxy Statement and 2003 Annual Report to Shareholders

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Flexi™

FlexiInternational Software, Inc.

"Accounting Solutions That Power Business™"

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SECTION

In order to save your company money, we encourage shareholders to take advantage of telephonic or Internet voting if available to you.

In order to ensure your representation at the annual meeting, please complete, sign and date the enclosed proxy card and return it as promptly as possible in the enclosed envelope. If telephonic or Internet voting methods are available to you, you will find instructions on your proxy card.

If you hold your Flexi shares through a bank, broker or other holder of record, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet. If you choose to view future proxy statements and annual reports over the Internet, you will receive an e-mail message next year containing the Internet address to access Flexi's proxy statement and annual report.

Message to Shareholders

We are pleased to report that Flexi has continued its turnaround in 2003 which we were able to achieve due to the continued support of our clients and partners and the exceptional effort of the FlexiTeam.

The fourth quarter of 2003 was our ninth consecutive quarter of profitability and our fifteenth out of the last sixteen. Our license revenue showed a 125% growth over 2002, our balance sheet continued to strengthen, and we generated cash from operations.

Our business strategy is focused on providing "Accounting Solutions That Power Business™" and building a network of partners who will private label our products and market them as part of their total solution.

Our long-term partner in the healthcare industry, McKesson, reported strong improvements in the licensing of Pathways Financial Management, its private labeled version of FlexiFinancials. McKesson also expanded its partnership agreement with us to add FlexiAssets and FlexiProjects to FlexiLedger and FlexiPayables which McKesson has been reselling since 1996. McKesson was awarded the important Best in KLAS recognition as the best financial solution in the healthcare industry in 2003 ahead of Peoplesoft and Oracle among others.

We entered into a very exciting partnership with Unisys which will integrate Flexi accounting modules into its Healthcare Payer Administration Solution (Health PAS) and thus enhance Health PAS' ability to manage and generate payments in a high-volume claims processing environment for Medicaid. Unisys has been a business process outsourcing (BPO) provider to various Medicaid programs in the USA for over 25 years.

One of our BPO partners, Core3, which we helped launch in 2001, was acquired in 2003 by Ephinay, a much larger BPO provider, resulting in a substantial return to Flexi as well as a much larger partner.

We continued to invest in our products and technology releasing several product upgrades during 2003.

We introduced FlexiPortal, a secure, web-based gateway to organize and present financial information and reports to authorized users over the Internet. FlexiPortal can manage all periodic reports, such as monthly financial statements, inquiries and ad-hoc reporting.

We developed our .Net architecture for the use of key functions of FlexiFinancials in a remote office environment over the Internet. Companies with geographically distributed locations and functional responsibilities for invoice entry, payment processing or purchasing, for example, would be able to use this. This extended capability is equally important to our partners offering finance and accounting outsourcing.

In summary, 2003 was an important year in the rebuilding of Flexi and gives us confidence for the future. At the same time, we still have much to accomplish and recognize that our full recovery is not yet assured. We are committed to achieving our goals and improving shareholder value.

With the support of our clients, partners and the entire FlexiTeam, we are prepared to take on the task and to report to you on our progress again next year.

Stefan R. Bothe
Chairman, CEO and President

FlexiInternational Software, Inc.
Two Enterprise Drive
Shelton, Connecticut 06484

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON FRIDAY, MAY 14, 2004

MAIL PROCESSING RECEIVED APR 19 2004 SECTION

To the Stockholders of FlexiInternational Software:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of FlexiInternational Software, Inc. (the "Company") will be held on Friday, May 14, 2004, at the offices of the Company located at 3541 Bonita Bay Boulevard, Suite 200, Bonita Springs, Florida 34134, at 10:00 a.m., Florida time, to consider and act upon the following matters:

1. To elect one Class I Director to serve for the ensuing three years;

2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on Friday, April 2, 2004 will be entitled to notice of, and to vote at, the Annual Meeting of Stockholders or any adjournment thereof. A list of the Company's stockholders will be open for examination ten days prior to the meeting by any stockholder at the executive offices of the Company, Two Enterprise Drive, Shelton, Connecticut 06484 and will be available at the meeting.

A copy of the Company's Annual Report to Stockholders for the year ended December 31, 2003 and Proxy Statement, which contains financial statements and other information of interest to stockholders, accompanies this Notice.

All stockholders are cordially invited to attend the Annual Meeting of Stockholders.

By Order of the Board of Directors,

Stefan R. Bothe
Secretary

Shelton, Connecticut
April 12, 2004

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING OF STOCKHOLDERS, PLEASE VOTE BY PROXY VIA TELEPHONE OR INTERNET, IF AVAILABLE TO YOU, OR MAIL IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE PROXY CARD. IF YOU VOTE BY MAIL, YOU SHOULD COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

FlexiInternational Software, Inc.
Two Enterprise Drive
Shelton, Connecticut 06484

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON FRIDAY, MAY 14, 2004

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board of Directors") of FlexiInternational Software, Inc. (the "Company"), for use at the 2004 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Friday, May 14, 2004, and at any adjournments of that meeting. All proxies will be voted in accordance with the stockholders' instructions and, if no choice is specified, the proxies will be voted in favor of the election of Stefan R. Bothe as a director of the Company. Any proxy may be revoked by a stockholder at any time before its exercise by delivery of a written revocation or a subsequently dated proxy to the Secretary of the Company or by voting in person at the Annual Meeting. Attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy.

These proxy solicitation materials will be mailed on or about April 12, 2004 to all stockholders entitled to vote at the Annual Meeting. A copy of the Company's 2003 Annual Report to Stockholders accompanies and is attached to this Proxy Statement.

The Company will, upon written request of any stockholder, furnish without charge a copy of its Annual Report on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission. Please address all such requests to the Company, attention of Stefan R. Bothe, Chief Executive Officer, FlexiInternational Software, Inc., Two Enterprise Drive, Shelton, Connecticut 06484. Exhibits will be provided upon written request, at no charge.

Quorum Requirement

At the close of business on April 2, 2004, the record date for the determination of stockholders entitled to vote at the Annual Meeting (the "Record Date"), there were outstanding and entitled to vote an aggregate of 17,797,519 shares of Common Stock, par value $0.01 per share (the "Common Stock"). Holders of Common Stock are entitled to one vote per share.

Under the Company's Amended and Restated By-laws (the "By-laws"), the holders of a majority of the number of votes represented by shares of Common Stock issued, outstanding and entitled to vote on any matter shall constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock present in person or represented by proxy (including shares which abstain or do not vote for any reason) will be counted for purposes of determining whether a quorum is present at the Annual Meeting.

Votes Required

The affirmative vote of the holders of a plurality of the votes cast by the stockholders entitled to vote at the Annual Meeting is required for the election of directors. If any other matters properly come before the Annual Meeting, the affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy and voting on the matter is required for approval at the Annual Meeting.

Shares which abstain from voting as to a particular matter, and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter, and will also not be counted as votes cast or shares voting on such matter. Accordingly, abstentions and "broker non-votes" will have no effect on the voting on a matter that requires the affirmative vote of a certain percentage of the votes cast or shares voting on a matter.

Beneficial Ownership of Common Stock

The following table sets forth the beneficial ownership of the Company's Common Stock as of December 31, 2003, by (i) each person known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each executive officer of the Company named in the Summary Compensation Table set forth under the caption "Executive Compensation" below and (iv) all directors and current executive officers of the Company as a group. Unless otherwise specified below, the address for each of the parties is c/o FlexiInternational Software, Inc., Two Enterprise Drive, Shelton, Connecticut 06484.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned (1)	Percentage of Common Stock Outstanding (2)
WR Hambrecht & Co., LLC and affiliates (3)	3,343,550	18.8%
Stefan R. Bothe (4)	1,570,218	8.8
Jennifer V. Cheng (5)	642,500	3.6
Robert A. Degan (6)	23,250	*
John K. P. Stone III (6)	12,750	*
Dmitry G. Trudov (6)	69,089	*
Maureen Okerstrom (7)	18,000	*
All directors and current executive officers as a group (6 persons) (8)	2,335,807	13.1

* Less than 1%

(1) The inclusion in this table of any shares of Common Stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. Unless otherwise indicated, to the knowledge of the Company based upon information provided by such persons, each person listed above has sole voting and investment power (or shares such power with his or her spouse) with respect to the shares listed. For purposes of this table, each person is deemed to beneficially own any shares subject to stock options, warrants or other securities convertible into Common Stock, which are currently exercisable (or convertible) or become exercisable or convertible within 60 days after December 31, 2003.

(2) As of December 31, 2003, on which date there were a total of 17,784,185 shares of Common Stock outstanding.

(3) The beneficial ownership WR Hambrecht & Co., LLC is as reported on its Schedule 13D filed with the Commission on December 24, 2003. Consists of 3,343,550 shares with respect to which WR Hambrecht & Co., LLC and Mr. Hambrecht, a member of WR Hambrecht & Co., LLC, respectively, share voting and dispositive power and 616,962 shares owned by Mr. Hambrecht. Mr. Hambrecht disclaims beneficial ownership of all shares held by WR Hambrecht & Co., LLC except to the extent of his proportional ownership interest therein. The address for WR Hambrecht & Co., LLC, as reported on its most recent Schedule 13D, is 539 Bryant Street, Suite 100, San Francisco, California 94107.

(4) Includes 376,190 shares subject to options exercisable within 60 days after December 31, 2003. Excludes 642,500 shares beneficially owned by Jennifer V. Cheng, Mr. Bothe's spouse, with respect to which Mr. Bothe disclaims beneficial ownership.

(5) Includes 96,250 shares subject to options exercisable within 60 days after December 31, 2003 and 5,000 shares held by Cheng Associates, a limited partnership of which Ms. Cheng is the general partner. Excludes 1,570,218 shares beneficially held by Stefan R. Bothe, Ms. Cheng's spouse, with respect to which Ms. Cheng disclaims beneficial ownership.

(6) Consists of shares subject to options exercisable within 60 days after December 31, 2003.

(7) Includes 16,500 shares subject to options exercisable within 60 days after December 31, 2003.

(8) Includes an aggregate of 405,756 shares held by current executive officers and directors subject to options exercisable within 60 days after December 31, 2003.

PROPOSAL I

ELECTION OF DIRECTORS

The Company has a classified Board of Directors consisting of three classes, with members of each class holding office for three-year terms. In July 2003, the directors elected John K. P. Stone, III to serve as a Class II Director serving until the next election of Class II directors at the 2005 Annual Meeting. Currently, there is one Class I director, whose term expires at the 2004 annual meeting, two Class II directors, whose terms expire at the 2005 annual meeting, and one Class III director, whose term expires at the 2006 annual meeting of stockholders.

The persons named in the enclosed proxy will vote to elect Stefan R. Bothe as a Class I Director to serve for the ensuing three years, unless authority to vote for Mr. Bothe is withheld by marking the proxy to that effect. Mr. Bothe has indicated his willingness to serve, if elected. In the event the nominee is unable or unwilling to serve, proxies may be voted for a substitute nominee designated by the Board of Directors. The Board of Directors has no reason to believe that the nominee will be unable or unwilling to serve if elected.

Directors and Nominee

Set forth below, for each director of the Company (including the nominee for Class I Director), is each director's respective name, age, positions with the Company, principal occupation, business experience during the past five years, the names of other publicly held corporations of which such person is a director and the year in which such person first became a director of the Company. Other than Mr. Stefan R. Bothe and Ms. Jennifer V. Cheng, who are husband and wife, there are no family relationships among any of the directors and executive officers of the Company.

Class I Director (Term expires at 2004 Annual Meeting; nominee for election)

Stefan R. Bothe, age 55, has served as Chairman of the Board of Directors and Chief Executive Officer of the Company since March 1993 and Acting Chief Financial Officer since August 2001. From November 1991 to February 1993, Mr. Bothe was President and Chief Executive Officer of DSI Group N.V., a Dutch-based international software company. From 1989 to 1991, Mr. Bothe was President and Chief Executive Officer of GEAC Computer Corporation Limited ("GEAC"), a software company. Prior to joining GEAC, Mr. Bothe was President of the Application Products Division of Computer Associates International, Inc. ("Computer Associates"), one of the largest software companies in the industry. While at Computer Associates, Mr. Bothe held numerous senior management positions, including President of the International Division, President of the Applications Product Division, President of the Micro Products Division and Senior Vice President of Marketing.

Class II Directors (Terms expire at 2005 Annual Meeting)

Jennifer V. Cheng, age 54, has served as a Director of the Company since the Company's inception in 1990. She was also the Company's President from its inception through February 1999. Since June 1999, Ms. Cheng has been President of International Boutiques.com LLC, a start-up Internet retail company. In addition, since 1984, Ms. Cheng has been a General Partner of Cheng Associates, an investment partnership specializing in investments in emerging growth companies, including technology companies. Prior to forming Cheng Associates, Ms. Cheng served with several major financial organizations, including Morgan Stanley & Co., Inc., as an emerging growth Stock Analyst, Mutual Life Insurance Company of New York, as Director of Equity Investments, and Donaldson, Lufkin & Jenrette Securities Corporation, as a Research Analyst.

John K. P. Stone, III, age 71, has served as a Director of the Company since July 2003, when he was elected by the Board for a term expiring at the 2005 Annual Meeting. Mr. Stone has served as Senior Vice President and General Counsel of PolyMedica Corporation since June 2002. Prior to joining PolyMedica, Mr. Stone was a senior partner at Hale and Dorr, LLP, a leading Boston-based law firm, where his corporate practice focused on emerging companies primarily in the high technology and medical fields. Mr. Stone is also a director of PolyMedica Corporation.

Class III Director (Term expires at 2006 Annual Meeting)

Robert A. Degan, age 65, has served as a Director of the Company since March 2000. Mr. Degan has been a private investor since January 2000. From November 1998 to December 1999, Mr. Degan served as General Manager of the Enhanced Services & Migration Unit (formerly, Summa Four, Inc.) of Cisco Systems, Inc. From January 1997 to October 1998, Mr. Degan was Chairman, President and Chief Executive Officer of Summa Four, Inc., a developer of open platforms for telecommunications providers. From August 1996 to December 1996, Mr. Degan was Executive Vice President of the Communications Product Group (formerly, Tylink Corporation) of Sync Research. From March 1991 to August 1996, Mr. Degan was President, Chief Executive Officer and a Director of Tylink Corporation, a supplier of digital access products to users of high-speed digital networks. Mr. Degan is also a Director of Gensym Corporation, Overland Data, Inc. and Caminosoft Corp.

Board of Director and Committee Meetings

The Board of Directors met five times during the fiscal year ended December 31, 2003. Each of the Company's directors attended at least 50% of the total number of meetings of the Board of Directors held during fiscal 2003 and at least 50% of the total number of meetings held during such period by all committees on which he or she then served. All directors attended 100% of the meetings except for Mr. Stone who was unable to attend the October 2003 Board and Audit Committee Meetings.

It is the Company's policy that, absent unusual and unforeseen circumstances, all of the directors are expected to attend the annual meetings of stockholders. All of the directors then serving attended the Company's 2003 Annual Meeting of Stockholders.

The Company has a standing Audit Committee of the Board of Directors which, among other things, recommends independent auditors, reviews with the independent auditors the Company's internal accounting control policies and procedures and the results and scope of the audit and provides the opportunity for direct contact between the Company's independent auditors and the Board of Directors. The Audit Committee met five times during the fiscal year ended December 31, 2003. The Audit Committee consisted of Mr. Degan from January 2003 to July 2003 and Messrs. Stone and Degan for the remainder of 2003 and for 2004, each of whom is a nonemployee director. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which was attached to Proxy Statement for 2002 Annual Meeting.

The Company has a standing Compensation Committee of the Board of Directors which, among other things, reviews and makes recommendations concerning salaries, bonuses and incentive compensation for employees of, and consultants to, the Company and administers and grants stock options pursuant to the Company's stock option plans. The Compensation Committee met two times during the fiscal year ended December 31, 2003. The Compensation Committee consisted of Mr. Degan from January 2003 to July 2003 and Messrs. Stone and Degan for the remainder of 2003 and for 2004, each of whom is a nonemployee director.

The Company does not have a standing Nominating Committee of the Board of Directors. The functions of selecting nominees is performed by the full Board of Directors with each member participating in the consideration of director nominees. The Board believes that this approach is appropriate in light of the limited number of members of the Board and the importance of having a broad consensus on decisions as significant to the Company as the selection of nominees for election as directors.

Stockholder Nominations

The Board of Directors will consider any recommendation by a stockholder of a candidate for nomination as a director. If a stockholder wants to recommend a candidate for election as a director, the stockholder may submit the name of the proposed nominee in writing delivered or mailed by first class United States mail, post prepaid, to the Secretary, and received not less than 60 days nor more than 90 days prior to such meeting; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the meeting is given to stockholders, such nomination shall have been mailed or delivered to the Secretary not later than the close of business on the 10th day following the date on which the notice of the meeting was mailed or such public disclosure was made, whichever occurs first. Such notice shall set forth (a) as to each proposed nominee (i) the name, age, business address and, if known, residence address of each such nominee, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of stock of the corporation which are beneficially owned by each such nominee, and (iv) any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to be named as a nominee and to serve as a director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the corporation's books, of such stockholder and (ii) the class and number of shares of the corporation which are beneficially owned by such stockholder. The corporation may require any proposed nominee to furnish such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as a director of the corporation.

Copies of any recommendations received in accordance with these procedures will be distributed to each of the Company's directors. One or more of the Company's directors may contact the proposed candidate to request additional information.

The Company will not, however, be obligated to notify a stockholder who has recommended a candidate for election as a director of the reasons for any action the Board may take with respect to such nomination.

Stockholder Communications

The Board welcomes questions, comments and observations from stockholders concerning the policies and operation of the Board and about the general business and operation of the Company.

Any stockholder wishing to communicate with the Board or with any specified director should address his or her communication to the Board of Directors or to the particular director(s) and send it to the Company's principal office. Stockholder communications to the Board or to specified director(s) will be initially reviewed by the Company's Chief Executive Officer. Communications that the Chief Executive Officer determines relate to the Company's ordinary course of business will be responded to by him or his designee. Communications that the Chief Executive Officer determines do not relate to the Company's ordinary course of business or that he otherwise believes are appropriate for review by the directors will be forwarded to each of the directors. Actions, if any, to be taken in response to any stockholder communication will be in the discretion of the Board of Directors.

Compensation Committee Interlocks and Insider Participation

No executive officer of the Company served as a director or member of the Compensation Committee (or other committee serving an equivalent function) of any other entity any of whose executive officers served as a director of or member of the Compensation Committee of the Board of Directors of the Company.

Compensation of Directors

Under the Company's 1997 Director Stock Option Plan (the "Director Plan"), each nonemployee director receives an option to purchase 7,500 shares of Common Stock at the close of business on the date on which such nonemployee director is initially elected to the Board of Directors, and each continuing nonemployee director receives an option to purchase 5,250 shares of Common Stock on the date of each annual meeting of stockholders after his or her election. The exercise price of all options granted under the Director Plan is the last reported sale price per share of the Common Stock on the OTC Bulletin Board Service on the date of grant. The Director Plan provides that all options are fully vested on the date of grant.

In addition, effective as of January 1, 2000, members of the Board of Directors who are not employees of the Company are paid a retainer of $12,000 per year, payable in equal quarterly installments. The Company also reimburses nonemployee directors for their out-of-pocket expenses in connection with their attendance at Board of Directors and committee meetings.

On the date of the Company's Annual Meeting, Ms. Cheng, Mr. Degan and Mr. Stone (assuming he is elected to the Board of Directors) will each receive a fully vested and immediately exercisable option to purchase 5,250 shares of Common Stock at an exercise price per share equal to the last reported sale price per share of the Common Stock on the OTC Bulletin Board Service on such meeting date.

EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth the total compensation paid or accrued for the three fiscal years ended December 31, 2003, 2002 and 2001 for the Company's (i) Chief Executive Officer, (ii) the Company's two other executive officers who served as an executive officer of the Company as of the end of 2003 and whose individual total salary and bonus exceeded $100,000 during such fiscal year.

Summary Compensation Table

Name and Principal Position (1)	Fiscal Year	Annual Compensation (2) Salary ($)	Bonus ($)	Long-Term Compensation Awards Securities Underlying Options (#) (3)	All Other Compensation ($)
Stefan R. Bothe	2003	219,000	94,100	200,000	17,880(8)
Chairman and Chief Executive Officer	2002	200,000	-	-	12,000(4)
	2001	200,000	106,666(5)	100,000	12,272(6)
Dmitry G. Trudov	2003	100,000	10,000	20,000	3,300(7)
Chief Technology Officer	2002	100,000	-	20,000	-
	2001	91,875	7,208	10,000	2,973(7)
Maureen M. Okerstrom	2003	157,099	-	25,000	825(7)
Vice President, Sales USA	2002	69,160	-	50,000	-

(1) Lists the principal position with the Company as of December 31, 2003.

(2) In accordance with the rules of the Securities and Exchange Commission, other compensation in the form of perquisites and other personal benefits have been omitted in those instances where such perquisites and other personal benefits constituted less than the lesser of $50,000 or 10% of the total of annual salary and bonus for the Named Executive Officer for the fiscal year.

(3) Represents the number of shares covered by options to purchase shares of the Company's Common Stock granted during the fiscal year listed.

(4) Represents Company paid car allowance of $12,000.

(5) Mr. Bothe was paid a scheduled executive bonus through July 2001, at which time his bonus was discontinued as part of an executive compensation reduction program implemented by the Company's Board of Directors.

(6) Represents Company paid car allowance of $7,000 and Company contributions under the 401(k) plan of $5,272.

(7) Represents Company contributions under the 401(k) plan.

(8) Represents Company paid car allowance of $12,000 and Company contributions under the 401(k) plan of $5,880.

Option Grants

The following table sets forth information regarding option grants and exercises during the fiscal year ended December 31, 2003 to or by the Named Executive Officers and the number and value of the unexercised options held by such persons on December 31, 2003.

Option Grants in Last Fiscal Year

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
Name	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted To Employees in Fiscal Year	Exercise Price Per Share (2)	Expiration Date	5%	10%
Stefan R. Bothe	200,000	54.2	0.05	01/30/13	6,290	15,939
Dmitry G. Trudov	20,000	5.4	0.05	01/30/13	630	1,593
Maureen Okerstrom	25,000	6.8	0.05	01/30/13	787	1,992

(1) Each option represents a right to purchase one share of the Company's Common Stock. Each option vests in three equal annual installments and has a term of 10 years.

(2) The exercise price per share of each option was equal to the fair market value per share of Common Stock on the date of grant as reported on the OTC Bulletin Board.

(3) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock price appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercises of the option or the sale of the underlying shares. The actual gains, if any, on the exercises of stock options will depend on the future performance of the Common Stock, the option holder's continued employment through the option period and the date on which the options are exercised.

Option Year End Values

The following table sets forth, for each of the Named Executive Officers, the number of shares acquired upon the exercise of options during the fiscal year ended December 31, 2003, the aggregate dollar value realized upon such exercise and the number and value of unexercised options held by each such Named Executive Officer on December 31, 2003.

Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

			Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End	
Name	Shares Acquired on Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Stefan R. Bothe	—	—	328,570	171,430	128,570	171,430
Dmitry G. Trudov	—	—	52,422	36,666	13,334	36,666
Maureen M. Okerstrom	—	—	16,667	58,333	16,667	58,333

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Overview

The Audit Committee of the Company's Board of Directors was established in September 1997 and acts under a written charter first adopted and approved in February 2002. This charter was attached to Proxy Statement for the 2002 Annual Meeting. The Audit Committee of the Company's Board of Directors currently is composed of two independent, nonemployee members, Mr. Degan and Mr. Stone. Mr. Degan and Mr. Stone are independent directors, as defined by the rules of the Nasdaq Stock Market.

The Audit Committee reviewed the Company's audited financial statements for the fiscal year ended December 31, 2003 and discussed these financial statements with the Company's management. Management represented to the Audit Committee that the Company's financial statements had been prepared in accordance with generally accepted accounting principles. The Audit Committee also reviewed and discussed the audited financial statements and the matters required by Statement on Auditing Standards 61 (Communication with Audit Committees) with Kingery, Crouse & Hohl, P.A., the Company's independent auditors. SAS 61 requires the Company's independent auditors to discuss with the Company's Audit Committee, among other things, the following:

- methods to account for significant unusual transactions;
- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditors' conclusions regarding the reasonableness of those estimates; and
- disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements.

The Company's independent auditors also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Independence Standards Board Standard No. 1 requires auditors annually to disclose in writing all relationships that in the auditors' professional opinion may reasonably be thought to bear on independence, confirm their perceived independence and engage in a discussion of independence. In addition, the Audit Committee discussed with the independent auditors their independence from the Company.

Based on its discussions with management and the independent auditors and its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

By the Audit Committee of the Board of Directors of the Company,

Robert A. Degan

John K. P. Stone, III

REPORT OF COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

Overview

The Company established a Compensation Committee of the Board of Directors in September 1997, and this committee currently consists of Mr. Stone and Mr. Degan. The Compensation Committee was responsible for determining salaries and incentive compensation for the fiscal year ended December 31, 2003 for employees of the Company, including its Chief Executive Officer and other executive officers, and for granting options under and administering the Company's stock plans.

The Company's compensation program is designed to achieve the following objectives:

- provide compensation that attracts, motivates and retains the best talent and highest caliber people to serve the Company's customers and achieve its strategic objectives;
- recognize and reward individual performance and responsibility; and
- align management's interest with the interests of the stockholders and the success of the Company through long-term equity incentives.

Compensation Program

General. The Company's executive compensation program consists of base salary, annual incentive compensation, long-term equity incentives in the form of stock options and certain benefits, such as life and medical insurance and a 401(k) savings plan, which are generally available to all employees of the Company. The Compensation Committee believes that its executive compensation program provides an overall level of compensation that is competitive in the accounting software industry and comparable to those of other companies of similar size and complexity.

Base Salary. Base salary is generally set within the range of salaries of executive officers with comparable qualifications, experience and responsibilities at other companies in the same or similar businesses and of comparable size and success. Salary is determined within this range by the Company's financial performance and the individual's performance based on predetermined non-financial objectives. Non-financial objectives include an individual's contribution to the Company as a whole, including his or her ability to motivate others, develop the skills necessary to grow as the Company matures, recognize and pursue new business opportunities and initiate programs to enhance the Company's growth and success.

Cash Incentives. Cash incentive compensation is designed to tie compensation to performance by the Company and by the individual. The Compensation Committee considers a number of factors in determining whether incentive awards should be paid, including achievement by the Company of approved budgets, new product introductions, progress in development of new products and operating income and cash flow goals. The Compensation Committee also considers the achievement by the executives of their assigned objectives. In considering individual performance, as contrasted to Company performance, the Compensation Committee relies more on subjective evaluations of performance than on quantitative data or objective criteria.

Long-Term Incentive Compensation. During the fiscal year ended December 31, 2003, long-term incentives were provided in the form of options under the Company's 1997 Stock Incentive Plan. The objectives of these plans are to align executive and stockholder long-term interests by creating a strong and direct link between executive compensation and stockholder return and to enable executives to develop and maintain a significant, long-term stock ownership position in the Company's Common Stock.

1997 Stock Incentive Plan. Stock options are generally granted at an option price equal to the fair market value of the Common Stock on the date of grant. In selecting executives eligible to receive option grants and determining the amount and frequency of such grants, the Compensation Committee evaluates a variety of factors, including:

- the job level of the executive;
- option grants awarded by competitors to executives at comparable job levels;
- past, current and prospective service rendered by the executive; and

- the current equity holding of the executive in the Company.

During fiscal 2003, the Compensation Committee approved option grants for an aggregate of 245,000 shares of Common Stock to the Named Executive Officers.

1997 Employee Stock Purchase Plan. The 1997 Employee Stock Purchase Plan was available to virtually all employees, including executive officers, and allowed participants to purchase shares at a discount of 15 percent from the fair market value at the beginning or end of the applicable purchase period. This plan was discontinued in January 2002.

Compensation of Chief Executive Officer

The Compensation Committee determined the salary for the fiscal year ended December 31, 2003 for the Company's Chief Executive Officer, Mr. Bothe, based on subjective and objective factors, including the Company's operating results for the year 2002. Using these criteria, the Compensation Committee raised Mr. Bothe's base salary for the fiscal year ended December 31, 2003 to $219,000. The Compensation Committee believes that Mr. Bothe's total compensation for the fiscal year ended December 31, 2003 was appropriate in light of the Company's performance and circumstances in its market place. The Compensation Committee intends to assess Mr. Bothe's compensation from time to time to assure that it appropriately reflects Mr. Bothe's performance and that it remains competitive within the accounting software industry.

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), generally disallows a tax deduction to publicly traded corporations for compensation over one million dollars paid to a corporation's chief executive officer and its four other most highly compensated executive officers. Qualifying "performance-based" compensation is not subject to the deduction limit if certain requirements are met. Although the Compensation Committee is considering the limitations on the deductibility of executive compensation imposed by Section 162(m) in designing the Company's executive compensation, the Compensation Committee believes that it is unlikely that such limitation will affect the deductibility of the compensation to be paid to the Company's executive officers in the near term. The Compensation Committee will, however, continue to monitor the impact of Section 162(m) on the Company.

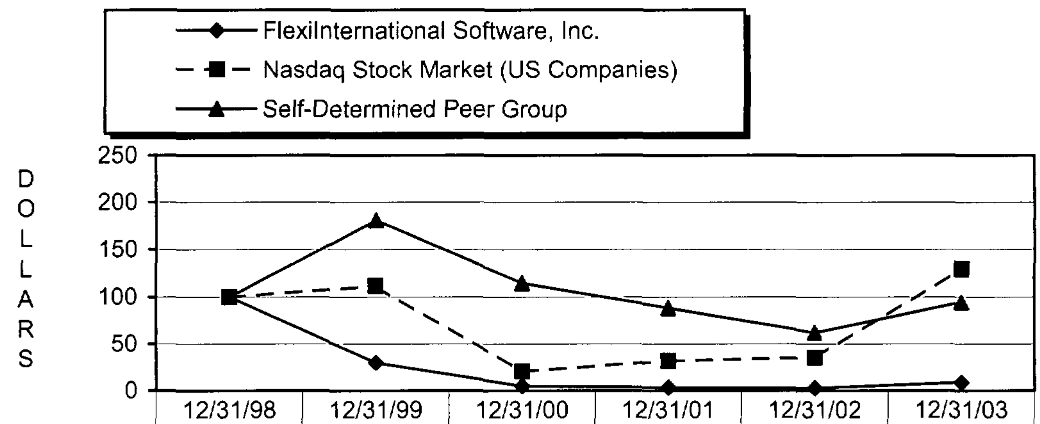
By the Compensation Committee of the Board of Directors,

John K. P. Stone, III

Robert A. Degan

Stock Performance Graph

The following graph compares the cumulative total stockholder return on the Company's Common Stock for the period from December 31, 1998 through December 31, 2003, with the cumulative total return of (i) the Center for Research in Security Prices ("CRSP") Total Return Index for the Nasdaq National Market and (ii) a self-determined peer group index over the same period. The self-determined Peer Group Index consists of the Company, American Software Inc., AXS-ONE Inc. (f/k/a Computron Software, Inc.), Epicor Software Corp., Mapics Inc. and QAD Inc. This comparison assumes the investment of $100 on December 31, 1998 in the Company's Common Stock, the Nasdaq National Market Index and the Peer Group Index and assumes dividends, if any, are reinvested.



	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
FlexiInternational Software, Inc.	100.00	29.60	4.63	3.37	2.74	8.42
Nasdaq Stock Market (US Companies)	100.00	111.57	20.66	31.67	35.24	129.28
Self-Determined Peer Group	100.00	180.85	114.50	88.38	61.84	94.00

Changes in Independent Auditors

On June 27, 2003, with the approval of the Audit Committee and the concurrence of the Board of Directors, the Company engaged Kingery, Crouse & Hohl, P.A. as its independent auditors and dismissed its former independent auditors, Hill, Barth & King (HBK), effective as of that date. Hill, Barth & King informed the Company that it would not register with the Public Company Accounting Oversight Board as required by the Sarbanes-Oxley Act and thus would no longer be able to provide audit services to public company registrants. Prior to the engagement, there were no consultations between Kingery, Crouse & Hohl and the Company regarding the treatment of accounting, auditing or financial reporting issues.

Prior to the engagement of Kingery, Crouse & Hohl, Hill, Barth & King had served as the independent auditors of the Company since December 2001. Hill, Barth & King performed audits of the Company's financial statements for the years ended December 31, 2001 and 2002. Hill, Barth and King issued an audit report dated February 20, 2002, for the fiscal year 2001, which contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. Hill, Barth and King also issued an audit report dated January 22, 2003, for the fiscal year 2002, which contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. Prior to the engagement, there were no consultations between Hill, Barth & King and the Company regarding the treatment of accounting, auditing or financial reporting issues

Kingery, Crouse & Hohl has been selected as independent auditors for the Company for the year ending December 31, 2004. The Company does not expect that a representative of Kingery, Crouse & Hohl will be at the Annual Meeting.

Audit Fees

The aggregate fees billed by Kingery, Crouse & Hohl for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2003 were $42,600 including reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q during fiscal 2003.

The aggregate fees billed by Hill, Barth & King for professional services rendered for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q during fiscal 2003 were $2,397.

The aggregate fees billed by Hill, Barth & King for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2002 were $74,763 and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q during fiscal 2002 were $16,792.

The aggregate fees billed by Deloitte & Touche, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte") for professional services rendered for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q during fiscal 2002 were $7,575.

Audit-Related Fees

Neither Kingery, Crouse & Hohl nor Hill, Barth & King rendered any professional services for assurance and related services relating to financial information systems design and implementation for the fiscal years ended December 31, 2003 or 2002.

Tax Fees

Neither Kingery, Crouse & Hohl nor Hill, Barth & King provided services to the Company for tax compliance, tax advice or tax planning for the fiscal years ended December 31, 2003 or 2002.

All Other Fees

Neither Kingery, Crouse & Hohl nor Hill, Barth & King provided services to the Company other than the services described above under "Audit Fees" for the fiscal years ended December 31, 2003 or 2002. It is the policy of the Audit Committee that all non-audit fees will be approved in advance by the Audit Committee.

OTHER MATTERS

The Board of Directors does not know of any other matters which may come before the Annual Meeting. However, if any other matters are properly presented to the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

All costs of solicitation of proxies will be borne by the Company. In addition to solicitations by mail, the Company's directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, telegraph and personal interviews, and the Company reserves the right to retain outside agencies for the purpose of soliciting proxies. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names and, as required by regulations, the Company will reimburse them for out-of-pocket expenses incurred on behalf of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on its review of copies of reports filed by "reporting persons" of the Company under Section 16(a) of the Securities Exchange Act of 1934, as amended ("Section 16(a)"), and written representations from such reporting persons, the Company believes that all filings required to be made by reporting persons of the Company were timely filed for the year ended December 31, 2003 in accordance with Section 16(a) with the exception of one Form 4 for Stefan R. Bothe reporting one transaction, Form 3 for John K. P. Stone, III and Form 3 for Maureen M. Okerstrom.

STOCKHOLDER PROPOSALS FOR THE 2005 ANNUAL MEETING OF STOCKHOLDERS

Stockholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") for inclusion in the Company's proxy materials for its 2005 Annual Meeting of Stockholders must be received by the Secretary of the Company at its principal office in Shelton, Connecticut no later than December 13, 2004.

Written notice of proposals of stockholders submitted outside of Rule 14a-8 under the Exchange Act for consideration at the 2005 Annual Meeting of Stockholders must have been received by the Company at its principal office in Shelton, Connecticut on or before February 27, 2005, in order to be considered timely for purposes of Rule 14a-4 under the Exchange Act. The persons designated in the Company's proxy card will be granted discretionary authority with respect to any stockholder proposal with respect to which the Company does not receive timely notice. If a shareholder proposal is received by the Company in a timely manner, the persons designated in the Company's proxy card may still exercise discretionary authority under circumstances consistent with the proxy rules of the Securities and Exchange Commission.

In addition, the Company's By-laws require all stockholder proposals, including nominations of directors, to be timely submitted in advance to the Company at the principal offices of the Company in Shelton, Connecticut. To be timely, the Secretary must receive such notice not less than 60 days nor more than 90 days prior to the 2005 Meeting; provided that, if less than 70 days' notice or prior public disclosure of the date of the 2005 Annual Meeting is given or made, the notice must be received not later than the close of business on the tenth day following the date on which notice of the date of the meeting was mailed or public disclosure was made, whichever occurs first. Notice of any such proposal must contain the information specified in the Company's By-laws.

By Order of the Board of Directors,

Stefan R. Bothe
Secretary

April 12, 2004

THE BOARD OF DIRECTORS HOPES THAT STOCKHOLDERS WILL ATTEND THE 2004 ANNUAL MEETING. WHETHER OR NOT STOCKHOLDERS PLAN TO ATTEND, STOCKHOLDERS ARE URGED TO VOTE BY PROXY VIA TELEPHONE OR INTERNET, IF AVAILABLE TO YOU, OR MAIL IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE PROXY CARD. IF YOU VOTE BY MAIL, YOU SHOULD COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES. STOCKHOLDERS WHO ATTEND THE ANNUAL MEETING MAY VOTE THEIR SHARES PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXIES.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission File Number: 000-23453

FLEXIINTERNATIONAL SOFTWARE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**06-1309427**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Two Enterprise Drive, Shelton, CT	**06484**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 925-3040

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.01 par value per share
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the common equity held by non-affiliates of the registrant, based upon the closing sales price of Common Stock, par value $0.01 per share, on June 30, 2003 as reported on the OTC Bulletin Board, was approximately $2.0 million. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The registrant has no shares of non-voting Common Stock authorized or outstanding.

As of March 1, 2004, Registrant had 17,784,185 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Registrant's 2004 Annual Meeting of Stockholders to be held on Friday, May 14, 2004 (the "2004 Proxy Statement") which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2003, are incorporated by reference in Part III of this Report on Form 10-K. With the exception of the portions of the 2004 Proxy Statement expressly incorporated into this Annual Report on Form 10-K by reference, such document shall not be deemed filed as a part of this Form 10-K.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are subject to a number of risks and uncertainties. All statements, other than statements of historical facts included in this Annual Report on Form 10-K, regarding our strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Annual Report on Form 10-K, the words "will", "believe", "anticipate", "intend", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. For example, we have made forward-looking statements with respect to our future revenue growth herein. We cannot guarantee future results, levels of activity, performance or achievements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or strategic alliances. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described in "Certain Factors that May Affect Future Operating Results" and elsewhere in this Annual Report on Form 10-K. You should carefully review the risk factors included in our documents filed from time to time with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2003 and our Quarterly Reports on Form 10-Q. In addition, from time to time we may also provide oral or written forward-looking statements in other materials we release to the public. We do not assume any obligation to update any of the forward-looking statements we make.

FLEXIINTERNATIONAL SOFTWARE, INC.

FORM 10-K
2003 ANNUAL REPORT

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FlexiFinancials, FlexiLedger, FlexiPayables and FlexiReceivables are registered trademarks, and the Flexi logo, FlexiAnalysis, FlexiASP, FlexiObjects, FlexiWorkFlow, FlexiActiveXControls, FlexiAssets, FlexiCenter, FlexiDB, FlexiDesigner, FlexiDeveloper, FlexiFDW, FlexiInternational, FlexiInventory, FlexiPortal, FlexiProjects, FlexiPurchasing, FlexiSecure, FlexiFRE, FlexiXL, FlexiOpenAccess, Flexi.Com, FlexiQuery, FlexiBatch, FlexiNet, FlexiWriter, justaboutbiz, FlexiDistribute and FlexiTools are trademarks of FlexiInternational Software, Inc. All other trademarks or trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

PART I

Item 1. *Business*

General

FlexiInternational Software, Inc., or Flexi or the Company, was organized as a Connecticut corporation in 1990 and reincorporated in Delaware in 1993. Flexi designs, develops, markets and supports the FlexiFinancial Enterprise Suite of financial and accounting software applications and related tools. The Flexi solution — composed of FlexiFinancials, Flexi Financial Datawarehouse, or FlexiFDW, FlexiInfoAccess and FlexiTools — is designed to address the needs of users with sophisticated financial accounting and operational analysis requirements. We sell our software for use in traditional in-house accounting operations as well as through our accounting solution partners. Flexi sells through two types of accounting solution partners. Our Flexi Industry Partners (FIP) and our Flexi Outsourcing Partners (FOP). A FIP is typically an industry leading software company which wants to private label all or portions of FlexiFinancials to be seamlessly integrated with its own industry specific solution. A FOP is typically a company engaged in or planning to engage in business process outsourcing (BPO) which will utilize all or some of FlexFinancials to provide the Finance and Accounting specific BPO service.

Our FIP and FOP sales strategy is to license our software components to a partner for a fee and receive a royalty for the Flexi portion on the sales of the enterprise solution by our partners. Additionally, Flexi receives revenue for software enhancements and maintenance agreements from the FIPs.

In 2001, we signed a BPO reseller agreement in which we provided the reseller a convertible loan, in the aggregate principal amount of $272,000, to help launch the reseller's BPO service. On April 14, 2003, the reseller was acquired by a larger BPO provider. Flexi was paid $357,000 immediately for its ownership share of the reseller and may realize an additional gain of up to $400,000 if certain earn-out targets are achieved by the reseller in 2003 and 2004. The acquirer of the reseller continues to utilize FlexiFinancials in its BPO enterprise. According to industry analysts, the finance and accounting outsourcing segment of the BPO market is in the early adoption phase and is expected to continue to grow. However, we believe the full acceptance of this solution is still several years away.

We derive our revenue primarily from:

- royalties paid to us from FIPs that distribute our products;
- noncancellable software license agreements entered into with respect to our products;
- payment from our FOPs for use of our products and services;
- to a lesser extent, third-party products distributed by us; and
- annual software maintenance agreements entered into with our customers.

Our revenues have been derived from both domestic sales and international sales, with the international sales comprising 17.6%, 20.4% and 19.2% of total revenues for 2003, 2002 and 2001, respectively. The international sales generally have the same revenue and cost structure as our domestic sales. The majority of our international sales are transacted in British pounds sterling, and an increase in the value of the British pound relative to the currency of the country in which we are selling our product could make our products more expensive and potentially less competitive in these markets. In addition, our international business may be subject to a variety of other risks, including difficulties in collecting international accounts receivable or obtaining U.S. export licenses for certain countries, the introduction of non-tariff barriers and higher duty rates and fiscal and monetary policies that adversely affect non-native firms. See "Certain Factors that May Affect Future Operating Results."

Products

The Flexi solution, FlexiFinancial Enterprise Suite, is an integrated suite of financial accounting applications, together with related information applications and development tools, that address the needs of users with sophisticated financial accounting requirements, is easily customized and supports the latest technologies as they evolve. The FlexiFinancial Enterprise Suite is composed of the Company's three core families of products:

FlexiFinancials financial accounting solution;

Flexi Financial Datawarehouse "FlexiFDW"; and

FlexiTools development and customized tools.

The following table provides selected information relating to these core products. All of our products can operate on a fully integrated basis, can be licensed separately for use on a stand-alone basis or for integration with products from third-party vendors, or can be purchased for use in outsourced environments.

FlexiFinancials	**Commercial Introduction**	**FlexiFDW**	**Commercial Introduction**	**FlexiTools**	**Commercial Introduction**
FlexiLedger	1993	FlexiFDW	1998	FlexiControl	1993
FlexiPayables	1994	FlexiFRE	1998	FlexiCenter	1994
FlexiReceivables	1995			FlexiDeveloper	1994
FlexiPurchasing	1996			FlexiDB	1996
FlexiAssets	1997			FlexiDesigner	1996
FlexiProjects	1999			FlexiActiveXControls	1997
				FlexiFIRE	1998
				FlexiPortal	2003

FlexiFinancials

- *FlexiLedger.* FlexiLedger, the general ledger module for FlexiFinancials, provides the functionality required for users with sophisticated financial accounting requirements, including the ability to support an unlimited number of currencies including the Euro, multicurrency accounts and multicurrency sets of books; multi-company consolidations; user-defined subledgers; flexible account validation; sophisticated summarization and allocation structure; daily and monthly closing cycles, as well as other normal ledger functions, with levels of security traditionally associated with mainframes.

- *FlexiPayables.* FlexiPayables is an accounts payable module that supports centralized and decentralized accounts payable processing through sophisticated operation and accounting security controls, while supporting the generation of invoices and payment authorizations automatically routed for approval. Users have the flexibility to establish payment rules, terms for payment, cash management, and expense control and vendor management.

- *FlexiReceivables.* FlexiReceivables is an accounts receivable module that supports automatic cash application, invoice aging and discounts, as well as flexible rules for account group, payment schedule commission and other terms. It can be easily configured to define multiple account distribution or multiple-company accounting for management of receivables across large organizations.

- *FlexiPurchasing.* FlexiPurchasing is a dynamic purchasing management module that tracks purchases from requisition to purchase order to invoicing, as well as delivery and storage, including data ranging from discount levels to receipt and acceptance of goods. Users can define, among other items, management approval levels, all relevant report information and payment terms.

- *FlexiAssets.* FlexiAssets is a fixed-asset module for controlling and tracking the physical location of all assets, while providing depreciation calculations on a fully automated basis. The user can maintain records on an unlimited number of assets. FlexiAssets permits the user to choose depreciation methods, and to maintain multiple sets of records to satisfy GAAP and federal, state and local property tax reporting requirements.

- *FlexiProjects.* FlexiProjects allows for the management of costs for any type of capital project, whether it's software development, building a new facility, or building improvements. FlexiProjects stores, tracks and analyzes all project costs and insures that project information is always reconciled with general ledger, purchasing, and other financial data.

Flexi FDW

The ability to produce in-depth management reports on the various aspects of a business is crucial. FlexiFDW is a high-performance financial and operational tool for performing analysis with multi-dimensional roll-ups, and drill-down and multi-currency capabilities. It creates a single repository of financial and operational information for the user. It processes data according to customer defined accounting and financial rules and offers a unified view of a company's entire operation, giving the user the information on profitability, risk, and new opportunities. It provides this visibility through a flexible data model.

FlexiFDW. FlexiFDW features an open client/server architecture and uses an event-driven model to organize and track information. It processes, reconciles, standardizes and reports information based on the business or accounting rules established by the user in the Flexi Financial Rules Engine "FlexiFRE" or some other type of rules engine. FlexiFDW accepts information directly from the user organization's source systems - regardless of their age, complexity, or number. FlexiFDW is fully Euro compliant.

FlexiFRE. FlexiFRE provides an efficient, effective way to clean, validate, enrich and transform data from an organization's source systems. It creates a single, standardized layer between front- and back-office source systems and a data warehouse or back-end reporting system. Just as important, it enables the user to use a graphical interface to build an organization's business logic directly into the data capture process.

FlexiTools

FlexiTools are development and customization tools based on the open technologies that permit users to take advantage of the object-oriented, component-based architecture of our systems to accommodate their unique requirements in a timely and cost-effective manner. We believe that FlexiTools increase the flexibility of our products and facilitates seamless integration with customer applications.

- *FlexiControl* permits users to define and manage system-wide controls, such as security and server-based processing.

- *FlexiDeveloper*, *FlexiDesigner* and *FlexiDB* provide users with the flexibility to extend Flexi applications and customize the interface and database definitions. With these tools, customers may add additional fields to any table, modify the attributes of a currently existing database or customize their graphical user interface. Each customer has a high degree of flexibility regarding screen or menu structure. Through the revision control feature, subsequent updates may be easily applied without overriding customized modifications.

- *FlexiActiveXControls* allows customers to create interfaces between any Windows-based applications supporting COM (Component Object Model) interface and FlexiFinancials modules, as well as to develop custom interfaces for many FlexiFinancials processes using industry standard tools, such as Visual Basic, Internet browser and Microsoft Office applications.

- *FlexiFIRE* delivers high performance server-based reporting engine. The application is extremely flexible in its inquiry capabilities and can be used with all FlexiEnterpriseSuite applications as well as with other relational databases for various software packages.

- *FlexiPortal* is a secure, web-based, gateway to organize and present financial information to authorized users via the Internet, anytime, anywhere. Periodic reports, such as monthly financial statements, account balances, open payables lists, check registers and inquiries can all be viewed inside FlexiPortal. This eliminates the need to email or download reports and provides instant access to corporate financial information. Role-based security minimizes the administrative effort to manage user-access and increases control over sensitive financial information.

International Operations

Flexi has operations based in Middlesex, England, which supports our clients in Europe, Africa and Asia. During the years ended December 31, 2003, 2002, and 2001, the Company's international revenues were approximately 17.6%, 20.4%, and 19.2% of total revenues, respectively.

Customers

The Company's customers include a wide range of organizations that require a high level of functionality from their financial accounting software, including banks, insurance companies and other financial services firms, as well as organizations in other industries such as healthcare and technology. In the year ended December 31, 2003, one customer represented 34.0% of the Company's total revenues, and in each of the years ended December 31, 2002, and 2001, two customers represented 10% or more of the Company's total revenues, or an aggregate of 34.2% and 40.6% of total revenues, respectively. The customers who each made up greater than 10% of the Company's revenue for the year ended December 31, 2003 was McKesson Information Services and for 2002 and 2001 were Citigroup and McKesson Information Services.

Employees

As of December 31, 2003, the Company had 41 employees, 34 domestically and 7 internationally.

Item 2. ***Properties***

Flexi is headquartered at Two Enterprise Drive, Shelton, Connecticut 06484, where it leases approximately 9,700 square feet under a lease expiring in June 2008. In addition, Flexi maintains approximately 2,700 square feet of leased office space in Bonita Springs, Florida, under a lease expiring in December 2004 and 2,300 square feet in London, United Kingdom, under a lease expiring in February 2005. Flexi believes that its leased space is sufficient for its current operations.

Item 3. ***Legal Proceedings***

The Company is a party to various disputes and proceedings arising from the ordinary course of general business activities. Although the final outcome of these matters cannot be determined, we believe that these matters will not seriously harm our business.

Item 4. ***Submission of Matters to a Vote of Security Holders***

During the fourth quarter of the fiscal year ended December 31, 2003, there were no matters submitted to a vote of security holders through the solicitation of proxies or otherwise.

Item 4A. ***Executive Officers of the Company***

The following individuals are the executive officers of Flexi as of February 2004:

Name	Age	Position
Stefan R. Bothe	55	Chairman of the Board, Chief Executive Officer, President and Acting Chief Financial Officer
Dmitry G. Trudov	30	Chief Technology Officer and Vice President, Software Development
Maureen M. Okerstrom	42	Vice President, USA Sales

Mr. Bothe has served as Chairman of the Board and Chief Executive Officer of the Company since March 1993 and has been Acting Chief Financial Officer since August 2001. From November 1991 to February 1993, Mr. Bothe was President and Chief Executive Officer of DSI Group N.V., a Dutch-based international software company. From 1989 to 1991, Mr. Bothe was President and Chief Executive Officer of GEAC Computer Corporation Limited, a software company. Prior to joining GEAC, Mr. Bothe was President of the Application Products Division of Computer Associates International, Inc., one of the largest software companies in the industry. While at Computer Associates, Mr. Bothe held numerous senior management positions, including President of the International Division, President of the Micro Products Division and Senior Vice President of Marketing.

Mr. Trudov has served as Chief Technology Officer and Vice President, Software Development responsible for software development, client services, hotline support, quality assurance and MIS since August 2001. From April 2000 to August 2001, Mr. Trudov served as the Company's Chief Technology Officer responsible for all technical aspects of the Company including MIS, database support, top-level support for Flexi customers, Company infrastructure and technical input to the development team. Mr. Trudov also held the positions within the Company of Manager, Technology Services from October 1999 to April 2000, Sales Support Engineer from 1998 to 1999 and Internet Development Engineer/Webmaster and Pre-Sales Technical Engineer from 1996 to 1998.

Ms. Okerstrom has served as Vice President, USA Sales since January 2003. She rejoined Flexi in June 2002 as Sales Manager. She is responsible for Flexi's direct sales, partnership programs and BPO efforts. Ms. Okerstrom previously was with Flexi from August 1994 to February 1999 in various sales management positions. From February 1999 to June 2002 she held the position of Vice President Sales of Alerio Corporation and then Vice President, Sales of Adivio Corporation, a spin-off of Alerio Corporation. Ms. Okerstrom has also held sales positions and sales management positions at IBM and Platinum Software.

Each officer serves at the discretion of the Board of Directors and holds office until his or her successor is elected and qualified or until his or her earlier resignation or removal. With the exception of Mr. Bothe and Jennifer V. Cheng, a director of the Company, who are husband and wife, there are no family relationships among any of the executive officers or directors of the Company.

PART II

Item 5. ***Market for the Company's Common Equity and Related Stockholder Matters***

The Company's Common Stock was traded on the Nasdaq National Market under the symbol FLXI from December 12, 1997, the first trading day after the Company's initial public offering was declared effective, through October 5, 1999, when, as a result of the Company's delisting from the Nasdaq National Market, the stock began trading on the OTC Bulletin Board under the symbol FLXI.OTC. The following table lists the high and low closing sales price for the Company's Common Stock on the OTC bulletin board for the periods indicated:

Fiscal Year ended December 31, 2002(1)

	High	Low
First Quarter...	$0.09	$0.06
Second Quarter..	$0.10	$0.06
Third Quarter...	$0.09	$0.05
Fourth Quarter...	$0.09	$0.05

Fiscal Year ended December 31, 2003(1)

	High	Low
First Quarter...	$0.09	$0.05
Second Quarter..	$0.14	$0.08
Third Quarter...	$0.25	$0.10
Fourth Quarter...	$0.30	$0.15

(1) The high and low prices may represent over-the-counter market quotations that reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

As of March 1, 2004, the approximate number of holders of record of the Company's Common Stock was 143. The number of holders of record of the Company's Common Stock differs from the number of beneficial owners of such Common Stock because a significant number of shares are held by depositories, brokers and other nominees.

The Company has never declared or paid any cash dividends on its capital stock. The Company currently intends to retain earnings, if any, to support its growth strategy and does not anticipate paying cash dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account various factors, including the Company's financial condition, operating results, current and anticipated cash needs and plans for expansion.

Equity Compensation Plan Information

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,549,912	$0.79	2,375,000
Equity compensation plans not approved by security holders	—	—	—

Item 6. *Selected Historical Consolidated Financial Data*

The following selected historical consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

The selected historical consolidated financial data presented below as of December 31, 2003, 2002, 2001, 2000, and 1999, and for the years then ended, are derived from the consolidated financial statements of Flexi, which for 2003 have been audited by Kingery, Crouse & Hohl, P.A, for 2002 and 2001 by Hill, Barth & King, LLC, and for 2000 and 1999 by Deloitte & Touche LLP, independent certified public accountants.

	Years Ended December 31,				
	2003	**2002**	**2001**	**2000**	**1999**
	(in thousands, except per share data)				
Statement of Operations Data:					
Revenues					
Software license	$1,888	$839	$2,917	$4,112	$3,385
Service and maintenance	4,595	6,119	6,598	8,324	12,169
Other operating revenue	357	500	-	-	-
Total revenues	6,840	7,458	9,515	12,436	15,554
Cost of revenues:					
Software license	58	155	684	636	586
Service maintenance	1,565	1,953	2,308	3,956	7,491
Other operating revenue	272	-	-	-	-
Total cost of revenues	1,895	2,108	2,992	4,592	8,077
Gross Profit	4,945	5,350	6,523	7,844	7,477
Operating expenses:					
Sales and marketing	1,604	1,591	2,552	1,632	5,919
Product development	1,322	1,439	1,616	2,689	6,887
General and administrative	1,279	1,379	2,847	3,365	7,153
Goodwill impairment	-	-	862	-	4,224
Restructuring charge	-	-	-	-	1,824
Total operating expenses	4,205	4,409	7,877	7,686	26,007
Operating income (loss)	740	941	(1,354)	158	(18,530)
Net interest income (expense)	(72)	(27)	(29)	(1)	49
Income (loss) before income taxes	668	914	(1,383)	157	(18,481)
Income tax benefit	(160)	(330)	-	-	-
Net income (loss)	$828	$1,244	($1,383)	$157	($18,481)
Income (loss) per share:					
Basic	$0.05	$0.07	($0.08)	$0.01	($1.06)
Diluted	$0.04	$0.07	($0.08)	$0.01	($1.06)
Weighted average shares:					
Basic	17,784	17,784	17,713	17,669	17,414
Diluted	18,233	17,784	17,713	17,669	17,414

	December 31,				
	2003	2002	2001	2000	1999
	(in thousands, except per share data)				
Balance Sheet Data:					
Cash and cash equivalents	$832	$892	$600	$1,389	$1,874
Marketable securities	-	-	-	108 [1]	-
Working capital (deficit)	(904)	(1,604)	(2,648)	(3,304)	(5,197)
Total assets	3,029	3,141	3,411	6,623	12,072
Stockholders' equity (deficit)	(892)	(1,677)	(2,887)	(1,515)	(1,918)

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[1] Marketable securities are restricted.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

You should read the following discussion together with the consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This item contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. Actual results may differ materially from those included in such forward-looking statements. Factors which could cause actual results to differ materially include those set forth under "Certain Factors that May Affect Future Operating Results" commencing on page 14, as well as those otherwise discussed in this section and elsewhere in this Annual Report on Form 10-K.

Overview

FlexiInternational Software, Inc., or Flexi or the Company, was organized as a Connecticut corporation in 1990 and reincorporated in Delaware in 1993. Flexi designs, develops, markets and supports the FlexiFinancial Enterprise Suite of financial and accounting software applications and related tools. The Flexi solution — composed of FlexiFinancials, Flexi Financial Datawarehouse, or FlexiFDW, FlexiInfoAccess and FlexiTools — is designed to address the needs of users with sophisticated financial accounting and operational analysis requirements. We sell our software for use in traditional in-house accounting operations as well as through our accounting solution partners. Flexi sells through two types of accounting solution partners—Flexi Industry Partners (FIP) and Flexi Outsourcing Partners (FOP).

A FIP is typically an industry leading software company which wants to private label all or portions of FlexiFinancials to be seamlessly integrated with its own industry specific solution. The FIP partner will be able to outsource its accounting software development and expertise to Flexi, focus on its core competency which is its industry expertise and gain access to a robust and competitive accounting and financial expertise without the ongoing investment in the development required to keep the products competitive. Flexi will also add industry specific functions to its software for its partners. At the same time Flexi can leverage the partner's sales force and expertise to gain access to an industry where the industry specific solution rather than the accounting software leads the deal.

A FOP is typically a company engaged in or planning to engage in business process outsourcing (BPO) for finance and accounting which will utilize all or some of FlexiFinancials to provide the finance and accounting specific BPO service. The FOP will gain access to the accounting software and infrastructure necessary to offer BPO services for accounting while it continues to focus on people management and back office accounting skills required to offer such outsourced solutions. Flexi will be able to leverage its skills and technology expertise into the BPO market while focusing on its core competency of development of accounting solutions and technology.

Our FIP and FOP sales strategy is to license our software components to a partner for a fee and receive a royalty for the Flexi portion on the sales of the enterprise solution by our partners. Additionally, Flexi receives revenue for software enhancements and maintenance agreements from the FIPs.

In 2001, we signed a BPO reseller agreement in which we provided the reseller a convertible loan, in the aggregate principal amount of $272,000, to help launch the reseller's BPO service. On April 14, 2003, the reseller was acquired by a larger BPO provider. Flexi was paid $357,000 immediately for its ownership share of the reseller and may realize an additional gain of up to $400,000 if certain earn-out targets are achieved by the reseller in 2003 and 2004. The acquirer of the reseller intends to continue to utilize FlexiFinancials in its BPO enterprise. According to industry analysts, the finance and accounting outsourcing segment of the BPO market is in the early adoption phase and is expected to continue to grow. However, we believe the full acceptance of this solution is still several years away.

We derive our revenue primarily from:

- royalties paid to us from third parties that distribute our products;
- noncancellable software license agreements entered into with respect to our products;
- payment from our BPO partners for use of products and services;
- to a lesser extent, third-party products distributed by us; and
- annual software maintenance agreements entered into with our customers.

Our revenues have been derived from both domestic sales and international sales, with the international sales comprising 17.6%, 20.4% and 19.2% of total revenues for 2003, 2002 and 2001, respectively. The international sales generally have the same revenue and cost structure as our domestic sales. The majority of our international sales are transacted in British pounds sterling, and an increase in the value of the British pound relative to the currency of the country in which we are selling our products could make our products more expensive and potentially less competitive in these markets. In addition, our international business may be subject to a variety of other risks, including difficulties in collecting international accounts receivable or obtaining U.S. export licenses for certain countries, the introduction of non-tariff barriers and higher duty rates and fiscal and monetary policies that adversely affect non-native firms. See "Certain Factors that May Affect Future Operating Results."

Critical Accounting Policies

Our significant accounting policies are more fully described in Note B to our Consolidated Financial Statements. However, certain of our accounting policies are particularly important to the portrayal and understanding of our financial position and results of operations and require the application of significant judgment by our management. As a result, these policies are subject to an inherent degree of uncertainty. In applying these policies, the Company's management uses its judgment in making certain assumptions and estimates. Our critical accounting policies include:

- *Revenue Recognition:* Flexi recognizes license revenue upon shipment, outsourcing and consulting services revenue when they are performed, and annual maintenance contracts revenue on a prorated monthly basis over the term of the contract. However, revenues on all software license transactions in which there are significant outstanding obligations are not recognized until such obligations are fulfilled. Significant obligations would include future promises of enhancements and/or modifications that are essential to the product. Software license royalties earned through our indirect sales channel are recognized as such fees are reported to us. Revenues for maintaining, supporting and providing periodic upgrading are deferred and recognized ratably over the maintenance period, which is generally one year. We do not require collateral for our receivables, and reserves are maintained for potential losses.

- *Product Development:* Flexi charges all of its product development expenses to operations in the period incurred. In accordance with Statement of Financial Accounting Standards No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed,* Flexi, during the software development phase, evaluates the technological feasibility of its various products. The time period during which costs could be capitalized, from the point of reaching technological feasibility until the time of general product release is very short and, consequently, the amounts that could be capitalized are not material to our financial position or results of operations.

- *Foreign Revenue and Expenses*: Flexi translates foreign revenue and expenses into U.S. dollars at an average exchange rate.

- *Cash Balances:* Flexi maintains its cash balances in financial institutions and invests excess cash in short-term interest bearing instruments.

- *Long lived assets:* Flexi evaluates periodically its long lived assets for impairment. Property and equipment is stated at cost less accumulated depreciation.

Results of Operations

The following table sets forth certain financial data as a percentage of revenues for the periods indicated.

	Years Ended December 31,		
	2003	**2002**	**2001**
Statement of Operations Data:			
Revenues:			
Software License	27.60%	11.20%	30.70%
Service and maintenance	67.20%	82.10%	69.30%
Other operating revenue	5.20%	6.70%	-
Total revenues	100.00%	100.00%	100.00%
Cost of revenues:			
Software license	0.80%	2.10%	7.20%
Service and maintenance	22.90%	26.20%	24.20%
Other operating revenue	4.00%	-	-
Total cost of revenues	27.70%	28.30%	31.40%
Gross Profit	72.30%	71.70%	68.60%
Operating expenses:			
Sales and marketing	23.50%	21.30%	26.80%
Product development	19.30%	19.30%	17.00%
General and administrative	18.70%	18.40%	29.90%
Goodwill impairment	-	-	9.10%
Total operating expenses	61.50%	59.00%	82.80%
Operating income (loss)	10.80%	12.70%	(14.20%)
Net interest income (expense)	(1.00%)	(0.40%)	(0.30%)
Income (loss) before income taxes	9.80%	12.30%	(14.50%)
Income tax benefit	(2.30%)	(4.40%)	-
Net income (loss)	12.10%	16.70%	(14.50%)

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues. Total revenues, consisting of software license revenues, service and maintenance revenues and other operating revenue, decreased 8.2%, from $7.5 million for the year ended December 31, 2002 to $6.8 million for the year ended December 31, 2003. Domestic revenues, those derived from sales in the U.S. decreased 5.1% from $5.9 million for the year ended December 31, 2002 to $5.6 million for the year ended December 31, 2003. International revenues, those derived from sales outside of the U.S., decreased 20.0% from $1.5 million for the year ended December 31, 2002 to $1.2 million for the year ended December 31, 2003.

Software license revenues increased 125%, from $0.8 million for the year ended December 31, 2002 to $1.9 million for the year ended December 31, 2003. The increase is primarily due to an increase in royalties from our resellers and new license activity with respect to our products.

Service and maintenance revenues decreased 24.9%, from $6.1 million for the year ended December 31, 2002 to $4.6 million for the year ended December 31, 2003. The decrease was attributable primarily to lower service revenue due to fewer active implementations of our products in 2003.

Other operating revenue for the year ended December 31, 2003 is $357,000 arising from the Company's share of the sale of one of its BPO Partners.

Cost of Revenues. The Company's cost of revenues consists of cost of software license revenues, cost of service and maintenance revenues and cost of other operating revenue. Cost of software license revenues consists primarily of the cost of third-party software products distributed by the Company and the cost of product media, manuals and shipping. Cost of service and maintenance revenues consists of the cost of providing consulting, implementation and training to licensees of the Company's products and the cost of providing software maintenance to customers, technical support services and periodic upgrades of software.

Cost of software license revenues decreased 62.3%, from $155,000 for the year ended December 31, 2002 to $58,000 for the year ended December 31, 2003. Cost of software license revenues as a percentage of software license revenues decreased from 18.5% for the year ended December 31, 2002 to 3.1% for the year ended December 31, 2003. The decrease in cost of revenues in dollars was primarily due to a decrease in new software activations requiring third-party software products distributed by the Company. The decrease in cost of revenue as a percentage of software license revenues was primarily due to a decrease in the proportion of third-party products sold as a percentage of total license fees.

Cost of service and maintenance revenues decreased 20.0%, from $2.0 million for the year ended December 31, 2002 to $1.6 million for the year ended December 31, 2003. The decrease of such costs resulted primarily from reduced staffing levels in the consulting organization, as the costs of this organization were reduced to a level consistent with anticipated revenues. Cost of service and maintenance revenues as a percentage of service and maintenance revenues increased from 32.0% for the year ended December 31, 2002 to 34.0% for the year ended December 31, 2003, due to an alignment of costs to anticipated revenues (see "Revenues" above and "Restructuring" below).

Costs of other operating revenue for the year ended December 31, 2003 represents $272,000 arising from Flexi's portion of the sale of one of our Business Process Outsourcing Partners.

Sales and Marketing. Sales and marketing expenses consist primarily of salaries, commissions, travel and promotional expenses, and facility and communication costs for direct sales offices. Sales and marketing expenses remained constant at $1.6 million for the years ended December 31, 2002 and 2003. Sales and marketing expenses as a percentage of total revenues increased from 21.3% for the year ended December 31, 2002 to 23.45% for the year ended December 31, 2003. The slight increase is due to the decreases in revenue described above. The Company believes its current sales and marketing operations are organized to generate new revenue.

Product Development. Product development expenses include software development costs and consist primarily of engineering personnel costs. The Company has made significant investments in product development in the past several years to bring its suite of component-based, object-oriented financial accounting products to market.

Product development expenses decreased 8.1%, from $1.4 million for the year ended December 31, 2002 to $1.3 million for the year ended December 31, 2003. Product development expenses as a percentage of total revenues remained constant at 19.3% for the years ended December 31, 2002 and 2003. This decrease in product development expense was due primarily to maintaining a "standard level" of product development staffing with decreasing revenue. The Company expects to continue to enhance the functionality of its core financial accounting and reporting applications and its BPO solution, but does not anticipate the need to materially increase its development staff from its current levels.

General and Administrative. General and administrative expenses consist primarily of salaries of executive, administrative and financial personnel, as well as provisions for doubtful accounts, amortization of goodwill and outside professional fees. General and administrative expenses decreased 7.2%, from $1.4 million for the year ended December 31, 2002 to $1.3 million for the year ended December 31, 2003 due to reductions in administrative staffing. General and administrative expenses as a percentage of total revenues increased from 18.4% for the year ended December 31, 2002 to 18.7% for the year ended December 31, 2003.

Interest Income and Interest Expense. Interest income represents income earned on the Company's cash and cash equivalents. Net interest expense increased from $27,000 for the year ended December 31, 2002 to $72,000 for the year ended December 31, 2003 due to a payoff of capital equipment leases. The net amount represents interest expense on capital equipment leases less interest income on investable cash balances.

Income Taxes. Due to positive net income for the years ended December 31, 2003 and 2002, and projected net income for the foreseeable future, Flexi recorded deferred tax benefits of $381,000 and $330,000 in 2003 and 2002, respectively. The deferred tax benefit recorded in 2003 was partially offset by a provision of $221,000 that was recognized for 2003. No provision or benefit for federal, state or foreign income taxes was made for the year ended December 31, 2001 due to the operating losses incurred in the period. Except for 2003, the Company has reported tax losses to date and consequently has approximately $39.8 million and $27.0 million of U.S. and foreign net operating loss carryforwards, respectively, which expire during the years 2005 through 2021, available to offset future taxable income. The utilization of such net operating losses is subject to limitations as a result of ownership changes. The annual limitation and the timing of attaining profitability will result in the expiration of net operating loss carryforwards before utilization. The Company's deferred tax assets at December 31, 2003 were $27.9 million, consisting primarily of net operating loss carryforwards. The Company's benefit of deferred tax assets has been reserved as of December 31, 2003 in the amount of $27.4 million as the realization of deferred taxes is dependent on future events and earnings, if any, the timing and extent of which are uncertain.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues. Total revenues, consisting of software license revenues, service and maintenance revenues and other operating revenue, decreased 21.6%, from $9.5 million for the year ended December 31, 2001 to $7.5 million for the year ended December 31, 2002. Domestic revenues, those derived from sales in the U.S. decreased 22.8% from $7.7 million for the year ended December 31, 2001 to $5.9 million for the year ended December 31, 2002. International revenues, those derived from sales outside of the U.S., decreased 16.8% from $1.8 million for the year ended December 31, 2001 to $1.5 million for the year ended December 31, 2002.

Software license revenues decreased 71.2%, from $2.9 million for the year ended December 31, 2001 to $0.8 million for the year ended December 31, 2002. The decrease is primarily due to a significant reduction in royalties from our resellers and lack of new license activity with respect to our products.

Service and maintenance revenues decreased 7.3%, from $6.6 million for the year ended December 31, 2001 to $6.1 million for the year ended December 31, 2002. The decrease was attributable primarily to lower service revenue due to fewer active implementations of our products in 2002.

Other operating revenue for the year ended December 31, 2002 is $500,000 from the sale of our rights to the URL dodge.com in the first quarter. This was a one-time sale.

Cost of Revenues. The Company's cost of revenues consists of cost of software license revenues and cost of service and maintenance revenues. Cost of software license revenues consists primarily of the cost of third-party software products distributed by the Company and the cost of product media, manuals and shipping. Cost of service and maintenance revenues consists of the cost of providing consulting, implementation and training to licensees of the Company's products and the cost of providing software maintenance to customers, technical support services and periodic upgrades of software.

Cost of software license revenues decreased 77.3%, from $684,000 for the year ended December 31, 2001 to $155,000 for the year ended December 31, 2002. Cost of software license revenues as a percentage of software license revenues decreased from 23.4% for the year ended December 31, 2001 to 18.5% for the year ended December 31, 2002. The decrease in cost of revenues in dollars was primarily due to a decrease in new software activations requiring third-party software products distributed by the Company. The decrease in cost of revenue as a percentage of software license revenues was primarily due to a decrease in the proportion of third-party products sold as a percentage of total license fees.

Cost of service and maintenance revenues decreased 15.4%, from $2.3 million for the year ended December 31, 2001 to $2.0 million for the year ended December 31, 2002. The decrease of such costs resulted primarily from reduced staffing levels in the consulting organization, as the costs of this organization were reduced to a level consistent with anticipated revenues. Cost of service and maintenance revenues as a percentage of service and maintenance revenues decreased from 35.0% for the year ended December 31, 2001 to 32.0% for the year ended December 31, 2002, due to the aforementioned alignment of costs to anticipated revenues (see "Revenues" above and "Restructuring" below).

Sales and Marketing. Sales and marketing expenses consist primarily of salaries, commissions, travel and promotional expenses, and facility and communication costs for direct sales offices. Sales and marketing expenses decreased 37.7%, from $2.6 million for the year ended December 31, 2001 to $1.6 million for the year ended December 31, 2002. The decrease in dollar amount was primarily attributable to decreased staffing levels in the sales and marketing organization to a level consistent with anticipated revenue generation. Sales and marketing expenses as a percentage of total revenues decreased from 26.8% for the year ended December 31, 2001 to 21.3% for the year ended December 31, 2002. This decrease was primarily due to the aforementioned staff decreases.

Product Development. Product development expenses include software development costs and consist primarily of engineering personnel costs. The Company has made significant investments in product development in the past several years to bring its suite of component-based, object-oriented financial accounting products to market.

Product development expenses decreased 11.0%, from $1.6 million for the year ended December 31, 2001 to $1.4 million for the year ended December 31, 2002. Product development expenses as a percentage of total revenues increased from 17.0% for the year ended December 31, 2001 to 19.3% for the year ended December 31, 2002. This decrease in product development expense was due primarily to maintaining a "standard level" of product development staffing with decreasing revenue. The Company expects to continue to enhance the functionality of its core financial accounting and reporting applications and its BPO solution, but does not anticipate the need to materially increase its development staff from its current levels.

General and Administrative. General and administrative expenses consist primarily of salaries of executive, administrative and financial personnel, as well as provisions for doubtful accounts, amortization of goodwill and outside professional fees. General and administrative expenses decreased 51.7%, from $2.8 million for the year ended December 31, 2001 to $1.4 million for the year ended December 31, 2002 due to reductions in administrative staffing. General and administrative expenses as a percentage of total revenues decreased from 29.9% for the year ended December 31, 2001 to 18.4% for the year ended December 31, 2002.

Goodwill Impairment. During September 2001 management conducted a periodic impairment assessment of the intangible assets resulting from The Dodge Group acquisition. As a result of that review, expected future revenue and cash flows from the acquired business were revised downward significantly, causing the impairment of goodwill. Management concluded that an impairment had occurred with the goodwill and an $862,000 write down of goodwill to a zero carrying value was recorded in the third quarter of 2001.

Interest Income and Interest Expense. Interest income represents income earned on the Company's cash and cash equivalents. Net interest expense decreased slightly from $29,000 for the year ended December 31, 2001 to $27,000 for the year ended December 31, 2002 and represents interest expense on capital equipment leases less interest income on investable cash balances.

Income Taxes. Due to a strong net income for the year ended December 31, 2002, Flexi recaptured $330,000 of previously recorded valuation allowance against deferred income taxes. No provision or benefit for federal, state or foreign income taxes was made for the year ended December 31, 2001 due to the operating losses incurred in the period. Except for 2003, the Company has reported tax losses to date and consequently has approximately $40.3 million and $27.0 million of U.S. and foreign net operating loss carryforwards, respectively, which expire during the years 2005 through 2021, available to offset future taxable income. The utilization of such net operating losses is subject to limitations as a result of ownership changes. The annual limitation and the timing of attaining profitability will result in the expiration of net operating loss carryforwards before utilization. The Company's deferred tax assets at December 31, 2002 were $28.3 million, consisting primarily of net operating loss carryforwards. The Company's benefit of deferred tax assets has been reserved as of December 31, 2002 in the amount of $28.0 million as the realization of deferred taxes is dependent on future events and earnings, if any, the timing and extent of which are uncertain.

Liquidity and Capital Resources

Since inception, the Company has primarily financed its operations through private placements of its capital stock, issuance of convertible promissory notes and loans, equipment financing and other traditional borrowing arrangements. In addition, in December 1997 Flexi consummated an initial public offering of common stock.

For the past three years, however, Flexi has funded its operations primarily through cash received from license and royalty revenues, annual maintenance contracts, and consulting services provided to its clients. Maintenance fees represented approximately

51% of the cash resources of the Company for fiscal 2003 and are expected to average $227,000 per month in 2004. Given the critical nature of software to our customers' business, most maintenance contracts are renewed regularly and cancellations are usually due to circumstances such as mergers and acquisitions of Flexi clients with companies that are using a competing product. For instance, Flexi was notified in 2002 that due to its client Citibank's merger with the Travelers, Citibank intends to move to another accounting solution as part of its strategic plan. The loss of Citibank as a customer negatively impacted Flexi's maintenance revenues by $142,000 in 2002 and by $995,000 in 2003.

As of December 31, 2003, the Company had cash and cash equivalents and interest bearing deposits of $1.1 million, an increase of $190,000 from December 31, 2002. The Company's working capital deficit at December 31, 2003 was $0.9 million, compared to a working capital deficit of $1.6 million at December 31, 2002.

The Company's operating activities resulted in net cash inflow of $0.6 million for the year ended December 31, 2003 which was the result of maintaining sales levels while managing cost levels. The Company's investing activities resulted in net cash outflows of $35,000 for the year ended December 31, 2003, which was primarily related to the purchase of property and equipment. At December 31, 2003, the Company had no material commitments for capital expenditures. During the year ended December 31, 2003, the Company had net cash outflows from financing activities of $0.6 million, which was primarily related to payments of capital lease obligations and repayments of debt.

Flexi's contractual cash obligations are outlined in the table below including its equipment lease and office rental obligations, as well as payments due under payment terms negotiated with companies for current debt and settlements of payment disputes. These cash obligations are expected to amount to approximately $53,000 per month for fiscal 2004. Where appropriate, Flexi will seek to negotiate extended payment terms with respect to its financial obligations.

	Payments Due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Facilities Obligation....................	$ 736.0	$ 231.1	$ 277.0	$ 227.9	-
Other Obligations.......................	1,081.4	399.3	244.2	120.0	317.8
Total Contractual Cash Obligations..	$ 1,817.4	$ 630.4	$ 521.2	$ 347.9	$ 317.8

During the year ended December 31, 2003, the Company has not engaged in:

- material off-balance sheet activities, including the use of structured finance or special purpose entities;
- trading activities in non-exchange traded contracts; or
- transactions with persons or entities that benefit from their non-independent relationship with the Company.

Certain Factors that May Affect Future Operating Results

Accumulated Deficit; Net Losses. The Company had an accumulated deficit of $57.4 million at December 31, 2003 and a net income of $0.8 million for the year ended December 31, 2003, earned a net income of $1.2 million in 2002, and incurred a net loss of $1.4 million during 2001. Since inception in 1990, the Company has only been profitable for all four quarters in 2003 and 2002, three quarters during the year 2001, the full year of 2000 and during the last two quarters of 1997. There can be no assurance that the Company will achieve profitability on a consistent basis, or at all in the future. As of December 31, 2003, management of the Company evaluated the positive and negative evidence impacting the realizability of its deferred tax assets, which consist principally of net operating loss carryforwards. Management has considered the history of losses and concluded that, as of December 31, 2003, it is more likely than not that the Company will not generate sufficient taxable income prior to the expiration of the net operating losses during the years 2005 through 2021. Accordingly, the Company has recorded a nearly full valuation allowance for its deferred tax assets at December 31, 2003.

If our FOP Solution does not gain market acceptance, our business will be adversely affected. If our FOP Solution does not gain market acceptance, our business will be adversely affected. The growth of our business will depend largely on the successful implementation of our recently introduced FOP solution. This solution is a business processing outsource service or BPO, which we anticipate will allow us to leverage our suite of accounting software products and our expertise in back office processing of accounting data. We expect to derive a portion of our revenues in the future from our BPO service in conjunction with our existing software suites. If our FOP solution does not gain market acceptance, our revenues may decline and our business may be adversely affected. Factors that may affect the market acceptance of our BPO service, some of which are beyond our control, may include:

the growth, acceptance and changing requirements in the BPO industry;

the performance, quality and price of our new service and our existing product suites; and

the availability, price, quality and performance of competing products and services.

Potential Fluctuations in Quarterly Performance; Seasonality. The Company's revenues and operating results have varied substantially from quarter to quarter. The Company's quarterly operating results may continue to fluctuate due to a number of factors, including the timing, size and nature of the Company's licensing transactions and closing of sales by our resellers; the market acceptance of new services, products or product enhancements by the Company or its competitors; product and price competition; the relative proportions of revenues derived from license fees, services and third-party channels; changes in the Company's operating expenses; personnel changes; the timing of the introduction and the performance of the Company's Flexi Industry Partners; foreign currency exchange rates; and fluctuations in economic and financial market conditions.

The timing, size and nature of individual licensing transactions and closing of sales by our resellers are important factors in the Company's quarterly results of operations. Many such transactions involve large dollar amounts, and the sales cycles for these transactions are often lengthy and unpredictable. In addition, the sales cycles associated with these transactions are subject to a number of uncertainties, including customers' budgetary constraints, the timing of customers' budget cycles and customers' internal approval processes. There can be no assurance that the Company and its partners will be successful in closing such large transactions on a timely basis or at all. Software license revenues under the Company's license agreements are recognized upon signing of the license agreement if product delivery is assured or notification of the closing of a sale by our resellers In addition, as the company derives a significant proportion of total revenues from license revenues, the Company may realize a disproportionate amount of its revenues and income in the last month of each quarter and, as a result, the magnitude of quarterly fluctuations may not become evident until late in, or at the end of, a given quarter. Accordingly, delays in product delivery and installation or in the closing of sales near the end of a quarter could cause quarterly license revenues, including sales by our resellers, and, to a greater degree, results of operations to fall substantially short of anticipated levels.

The Company's expense levels are based, in significant part, on its expectations as to future revenues and are largely fixed in the short term. As a result, the Company may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in revenues. Accordingly, any significant shortfall of revenues in relation to the Company's expectations would have an immediate and material adverse effect on the Company's business, financial condition and results of operations.

The Company has experienced, and may experience in the future, significant seasonality in its business, and the Company's financial condition or results of operations may be affected by such trends in the future. In past years, the Company had greater demand for its products in its fourth quarter and has experienced lower revenues in its succeeding first quarter. These fluctuations are caused primarily by pressures on prospects to complete purchases before year-end to achieve their goals and use the allocated budgets.

Due to all of the foregoing factors, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and that such comparisons cannot be relied upon as indicators of future performance. There can be no assurance that future revenues and results of operations will not vary substantially. It is also possible that in some future quarter the Company's results of operations will be below the expectations of public market analysts and investors. In either case, the price of the Company's Common Stock could be materially adversely affected.

Dependence on Key Personnel. The Company's performance depends substantially on the performance of its Chief Executive Officer, Stefan R. Bothe. The Company has experienced significant turnover in its management and is therefore operating with a limited group of executive officers and key employees. The Company is dependent on its ability to attract, retain and motivate high-quality personnel, especially its management, sales staff and highly skilled development team. The loss of the services of any of the Company's executive officers or other key employees could have a material adverse effect on the Company's business, financial condition and results of operations. The Company maintains a key person insurance policy on Stefan R. Bothe.

Lengthy Sales Cycle. The Company's software is often used for business-critical purposes, and its implementation involves significant capital commitments by customers. Its or its partners potential customers generally commit significant resources to an evaluation of available software and require the Company and its partners to expend substantial time, effort and money educating potential customers about the value of the Company's solutions. Sales of the Company's software products requires an extensive education and marketing effort throughout a customer's organization because decisions to license such software generally involve the evaluation of the software by a significant number of customer personnel in various functional and geographic areas, each having specific and often conflicting requirements. A variety of factors, including factors over which the Company has little or no control, may cause potential customers to favor a competing vendor or to delay or forego a purchase. As a result of these or other factors, the sales cycle for the Company's products is long, typically ranging between three and nine months. Due to the length of the sales cycle for its software products, including delays in implementing the Company's software across several functional and geographic areas of an organization, the Company's ability to forecast the timing and amount of specific sales is limited, and the delay or failure to complete one or more large license transactions could have a material adverse effect on the Company's business, financial condition or results of operations.

Product Concentration. To date, substantially all of the Company's revenues have been attributable to the licensing of its FlexiFinancials, FlexiInfoAccess and FlexiTools financial accounting products and the provision of consulting, training and software installation services in connection therewith. Although Flexi is working to implement its BPO service, the Company currently expects that the royalties from licensing of its financial accounting software, and the provision of related services, will account for a substantial portion of its revenues in the near future. As a result, factors adversely affecting the pricing of or demand for such products and services, such as competition or technological change, could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's future financial performance will depend, in significant part, on the continued market acceptance of the Company's existing products and the successful development, introduction and customer acceptance of new and enhanced versions of its software products and services. There can be no assurance that the Company will be successful in developing and marketing its financial accounting products.

Rapid Technological Change and Evolving Market. The market for the Company's products and services is characterized by rapidly changing technology, evolving industry standards and new product introductions and enhancements that may render existing products obsolete or less competitive. As a result, the Company's position in the financial applications software market could erode rapidly due to unforeseen changes in the features and functionality of competing products, as well as the pricing models for such products. The Company's future success will depend in part upon the widespread adoption of object-oriented, component-based standards and the development of the Internet as a viable commercial marketplace, as well as the Company's ability to enhance its existing products and services and to develop and introduce new products and services to meet changing customer requirements. The process of developing products and services such as those offered by the Company is extremely complex and is expected to become increasingly complex and expensive in the future with the introduction of new platforms and technologies. In addition, the Company has on occasion experienced delays in the scheduled release of software products or the porting of such products to specific platforms or configurations. There can be no assurance that an object-oriented, component-based standards will be adopted, or that the Company will successfully complete the development of new products in a timely fashion or that the Company's current or future products will satisfy the needs of potential customers.

Concentration of Customers. Historically, a limited number of customers have accounted for a significant percentage of the Company's revenues in each year. In the year ended December 31, 2003, one customer represented 34% of the Company's total revenues and in each of the years ended December 31, 2002, and 2001, two customers represented 10% or more of the Company's total revenues, or an aggregate of 34.2% and 40.6% of total revenues, respectively. The customers who each made up greater than 10% of the Company's revenue for the year ended December 31, 2003 was McKesson Information Services and for 2002 and 2001 were Citigroup and McKesson Information Services. The Company anticipates that its results of operations in any given period will continue to depend to a significant extent upon revenues from a small number of customers. The failure of the Company to enter into a sufficient number of licensing agreements during a particular period could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition. The market for the Company's products and services is intensely competitive and is characterized by rapid change in technology and user needs and the frequent introduction of new products. In recent quarters, the Company has been observing increasingly aggressive pricing practices and/or unusual terms and conditions offered to customers by its competitors, and increasing competition in the middle market from competitors which previously focused principally on larger corporations. A number of the Company's competitors are more established, benefit from greater name recognition and have substantially greater financial, technical and marketing resources than the Company and its partners and distributors. In addition, the Company's partners may develop or offer products and services that compete with the Company's products and services. There can be no assurance that the Company's partners will not give higher priority to the sales of these or other competitive products and services. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures faced by the Company will not materially adversely affect its business, financial condition and results of operations.

Potential for Product Liability. The Company's license agreements with its customers typically contain provisions designed to limit the Company's exposure to potential product liability claims. It is possible, however, that the limitation of liability provisions contained in the Company's license agreements may not be effective under the laws of certain jurisdictions. The sale and support of products by the Company and its partners may entail the risk of such claims, and there can be no assurance that the Company will not be subject to such claims in the future. The Company attempts to limit contractually its liability for damages arising from negligent acts, errors, mistakes or omissions in rendering its products and services. Despite this precaution, there can be no assurance that the limitations of liability set forth in its contracts would be enforceable or would otherwise protect the Company from liability for damages. The Company maintains general liability insurance coverage, including coverage for errors or omissions. However, there can be no assurance that such coverage will continue to be available on acceptable terms, or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against the Company that exceed available insurance coverage or changes in the Company's insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, litigation with respect to liability claims, regardless of its outcome, could result in substantial cost to the Company and divert management's attention from the Company's operations. Any product liability claim or litigation against the Company could, therefore, have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has included security features in its products that are intended to protect the privacy and integrity of customer data. Despite the existence of these security features, the Company's software products may be vulnerable to break-ins and similar disruptive problems. Such computer break-ins and other disruptions may jeopardize the security of information stored in and transmitted through the computer systems of the Company's customers, which may result in loss of or delay in market acceptance of the Company's products. Addressing these evolving security issues may require significant expenditures of capital and resources by the Company, which may have a material adverse effect on the Company's business, financial condition or results of operations.

Software Errors or Bugs. The Company's software products are highly complex and sophisticated and could from time to time contain design defects or software errors that could be difficult to detect and correct. Although the Company has not experienced material adverse effects resulting from any software errors, bugs or viruses, there can be no assurance that, despite testing by the Company and its customers, errors will not be found in new or existing products, which errors could result in a delay in or inability to achieve market acceptance and thus could have a material adverse impact upon the Company's business, financial condition and results of operations.

Limited Protection of Proprietary Rights. The Company's success is heavily dependent upon its proprietary technology. The Company relies on a combination of copyright, trademark and trade secret laws and license agreements to establish and protect its rights in its software products and other proprietary technology. In addition, the Company currently requires its employees and consultants to enter into nondisclosure agreements to limit use of, access to and distribution of its proprietary information. There can be no assurance that the Company's means of protecting its proprietary rights in the United States or abroad will be adequate to prevent misappropriation. Also, despite the steps taken by the Company to protect its proprietary rights, it may be possible for unauthorized third parties to copy aspects of the Company's products, reverse engineer such products, develop similar technology independently or obtain and use information that the Company regards as proprietary.

In the future, the Company may receive notice of claims of infringement of other parties' proprietary rights. Although the Company does not believe that its products infringe the proprietary rights of third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company or that any such assertions or prosecutions will not materially adversely affect the Company's business, financial condition or results of operations.

Dependence on Third-Party Technology. The Company's proprietary software is currently designed, and may in the future be designed, to work on or in conjunction with certain third-party hardware and/or software products. If any of these current or future third-party vendors were to discontinue making their products available to the Company or to licensees of the Company's software or to increase materially the cost for the Company or its licensees to acquire, license or purchase the third-party vendors' products, or if a material problem were to arise in connection with the ability of the Company to design its software to properly use or operate with any third-party hardware and/or software products, the Company may be required to identify additional sources for such products. In such an event, interruptions in the availability or functioning of the Company's software and delays in the introduction of new products and services may occur until equivalent technology is obtained. There can be no assurance that an alternative source of suitable technology would be available or that the Company would be able to develop an alternative product in sufficient time or at a reasonable cost. The failure of the Company to obtain or develop alternative technologies or products on a timely basis and at a reasonable cost could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated with Third-Party Channels. The Company addresses certain vertical and geographic markets through its partners. The Company relies on its third-party channels to provide sales and marketing presence and name recognition, as well as the resources necessary to offer industry-specific financial accounting solutions. Although the Company expects to dedicate significant resources to develop its partners, there can be no assurance that the Company will be able to attract and retain qualified firms in its targeted vertical markets. The failure of the Company to maintain its current third-party channels or find other third-party channels, the Company's inability to adequately support such channels, the development of competitive products and services by the Company's third-party channels or the entry by such firms into alliances with competitors of the Company would substantially limit the Company's ability to provide its products and services and, accordingly, have a material adverse effect on the Company's business, financial condition and results of operations. Although the Company has attempted to seek partners in distinct vertical markets and distributors in distinct geographic markets, and to manage them in a manner to avoid potential channel conflicts, there can be no assurance that channel conflicts may not develop. Any such conflicts may adversely affect the Company's relationship with third-party channels or adversely affect its ability to develop new channels.

Risks Associated with International Operations. The Company's international sales represented approximately 17.6%, 20.4%, and 19.2% of total revenues during 2003, 2002, and 2001, respectively. The Company's international presence increased by virtue of its acquisition of The Dodge Group. As a result of the acquisition the Company now has an office in London and distributors in Hong Kong and Japan. There can be no assurance that the Company will be able to maintain or increase international market demand for the Company's products and services. The Company's international sales are generally denominated in British pounds. An increase in the value of the British pound relative to foreign currencies could make the Company's products more expensive and, therefore, potentially less competitive in those markets. Currently, the Company does not employ currency-hedging strategies to reduce this risk. In addition, the Company's international business may be subject to a variety of risks, including difficulties in collecting international accounts receivable or obtaining U.S. export licenses, potentially longer payment cycles, increased costs associated with maintaining international marketing efforts, the introduction of non-tariff barriers and higher duty rates and difficulties in enforcement of contractual obligations and intellectual property rights. There can be no assurance that such factors will not have a material adverse effect on the Company's future international sales and, consequently, on the Company's business, financial condition or results of operations.

Risks Associated with the European Monetary Union ("EMU"). The Company's internal business information systems are comprised of the same commercial application software products generally offered for license by the Company to end user customers. The Company's latest software release contains EMU functionality that allows for dual currency reporting and information management. The Company is not aware of any material operational issues or costs associated with preparing internal systems for the EMU. However, the Company utilizes other third party software products that may or may not be EMU compliant. Although the Company is currently taking steps to address the impact, if any, of EMU compliance for such third party products, failure of any critical technology components to operate properly post EMU may have an adverse impact on business operations or require the Company to incur unanticipated expenses to remedy any problems.

Item 7A. ***Quantitative and Qualitative Disclosure About Market Risk***

Market risk refers to the potential effects of unfavorable changes in certain prices and rates on the Company's financial results and conditions, primarily foreign currency exchange rates. The Company does not utilize derivative instruments in managing its exposure to such changes. The Company does not believe that near-term changes in foreign currency exchange rates will have a material effect on its future earnings, fair values or cash flows.

Item 8. ***Financial Statements And Supplementary Data***

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
FlexiInternational Software, Inc. and Subsidiary
Shelton, Connecticut

We have audited the accompanying consolidated balance sheet of FlexiInternational Software, Inc. and subsidiary (the "Company") as of December 31, 2003 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of FlexiInternational Software Limited as of and for the year ended December 31, 2003. Such statements are included in the Company's consolidated financial statements and represent approximately 18% of consolidated revenues for the year ended December 31, 2003. The financial statements for FlexiInternational Software Limited were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to amounts for FlexiInternational Software Limited for 2003 is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit, and the report of the other auditors for 2003, provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors for 2003, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FlexiInternational Software, Inc. and subsidiary as of December 31, 2003 and the consolidated results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kingery, Crouse & Hohl, P.A.
Tampa, Florida
January 31, 2004

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders of
FlexiInternational Software, Inc.
Shelton, Connecticut

We have audited the accompanying consolidated balance sheet of FlexiInternational Software, Inc. and subsidiary (the "Company") as of December 31, 2002 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2002 and 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of FlexiInternational Software Limited as of and for the year ended December 31, 2002. Such statements are included in the consolidated financial statements of FlexiInternational Software, Inc. and subsidiary and represent 20% of consolidated revenues for the year ended December 31, 2002. The financial statements for FlexiInternational Software Limited were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to amounts for FlexiInternational Software Limited, for 2002 is based solely upon the report of the other auditors.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors for 2002 provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors for 2002, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FlexiInternational Software, Inc. and subsidiary as of December 31, 2002 and the consolidated results of its operations and their consolidated cash flows for the years ended December 31, 2002 and 2001 in conformity with U.S. generally accepted accounting principles.

Hill, Barth & King LLC
Certified Public Accountants

Naples, Florida
January 22, 2003, except for Note N
As to which the date is March 4, 2003

FLEXIINTERNATIONAL SOFTWARE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2003 AND 2002
(in thousands, except share data)

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 832	$ 892
Interest bearing deposits	287	37
Accounts receivable, net of allowance for doubtful accounts of $32 and $76, respectively	1,000	1,034
Prepaid expenses and other current assets	161	219
Deferred taxes	153	221
Total Current Assets	2,433	2,403
PROPERTY AND EQUPMENT, NET	243	295
OTHER ASSETS:		
Convertible promissory note receivable	-	272
Deposits	16	62
Deferred taxes	337	109
Total Other Assets	353	443
TOTAL	$ 3,029	$ 3,141
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 670	$ 916
Deferred revenues	2,381	2,480
Current portion of long-term liabilities	300	611
Total Current Liabilities	3,351	4,007
LONG-TERM LIABILITIES LESS CURRENT PORTION	570	811
STOCKHOLDERS' DEFICIT:		
Preferred stock, par value $.01 per share, 5,000,000 share authorized; no shares issued	-	-
Common stock, par value $.01 per share, 50,000,000 shares authorized	178	178
Additional paid-in capital	56,117	56,117
Accumulated deficit	(57,405)	(58,233)
Other accumulated comprehensive income	218	261
Total Stockholders' Deficit	(892)	(1,677)
TOTAL	$ 3,029	$ 3,141

See accompanying notes to consolidated financial statements.

FLEXIINTERNATIONAL SOFTWARE INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(in thousands, except per share amounts)

	2003	2002	2001
REVENUE:			
Software license	$ 1,888	$ 839	$ 2,917
Server and maintenance	4,595	6,119	6,598
Other operating revenue	357	500	-
Total revenue	6,840	7,458	9,515
COST OF REVENUE:			
Software license	58	155	684
Service and maintenance	1,565	1,953	2,308
Other operating revenue	272	-	-
Total cost of revenue	1,895	2,108	2,992
GROSS PROFIT	4,945	5,350	6,523
OPERATING EXPENSES:			
Sales and marketing	1,604	1,591	2,552
Product development	1,322	1,439	1,616
General and administrative	1,279	1,379	2,847
Intangible impairment	-	-	862
Total operating expenses	4,205	4,409	7,877
INCOME (LOSS) FROM OPERATIONS	740	941	(1,354)
OTHER INCOME (DEDUCTIONS) -			
Net interest expense	(72)	(27)	(29)
INCOME (LOSS) BEFORE INCOME TAX BENEFIT	668	914	(1,383)
INCOME TAX (BENEFIT) - NET	(160)	(330)	-
NET INCOME (LOSS)	$ 828	$ 1,244	$ (1,383)
BASIC NET INCOME (LOSS) PER SHARE	$ 0.05	$ 0.07	$ (0.08)
Weighted average common shares outstanding- basic	17,784	17,784	17,713
DILUTED NET INCOME (LOSS) PER SHARE	$ 0.04	$ 0.07	$ (0.08)
Weighted average common shares outstanding- diluted	18,233	17,784	17,713

See accompanying notes to consolidated financial statements.

FLEXIINTERNATIONAL SOFTWARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Other Accumulated Comprehensive Income	Treasury Stock	Total Stockholders' Deficit
BALANCES DECEMBER 31, 2000	17,683,133	$ 177	$ 56,128	$ (58,094)	$ 293	$ (19)	$ (1,515)
Shares issued for stock purchase plan	101,052	1	(11)	-	-	19	9
Net Loss	-	-	-	(1,383)	-	-	(1,383)
Currency translation adjustment	-	-	-	-	2	-	2
Comprehensive loss	-	-	-	-	-	-	(1,381)
BALANCES, DECEMBER 31, 2001	17,784,185	178	56,117	(59,477)	295	-	(2,887)
Net income	-	-	-	1,244	-	-	1,244
Currency translation adjustment	-	-	-	-	(34)	-	(34)
Comprehensive income	-	-	-	-	-	-	1,210
BALANCES, DECEMBER 31, 2002	17,784,185	178	56,117	(58,233)	261	-	(1,677)
Net income	-	-	-	828	-	-	828
Currency translation adjustment	-	-	-	-	(43)	-	(43)
Comprehensive income	-	-	-	-	-	-	785
BALANCES, DECEMBER 31, 2003	17,784,185	$ 178	$ 56,117	$ (57,405)	$ 218	$ -	$ (892)

See accompanying notes to consolidated financial statements.

FLEXIINTERNATIONAL SOFTWARE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001 (in thousands)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 828	$ 1,244	$ (1,383)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	152	197	845
Provision for bad debts	190	54	(310)
Intangible impairment and loss on disposal of assets	-	-	866
Deferred taxes	(160)	(330)	-
Interest bearing deposits	(250)	-	-
Accounts receivable	(156)	866	934
Convertible promissory note	272	-	-
Prepaid expenses and other assets	104	36	165
Accounts payable and accrued expenses	(247)	(255)	297
Accrued restructuring	-	-	(27)
Deferred revenue	(99)	(998)	(1,534)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	634	814	(147)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advances on promissory note receivable	-	(187)	(85)
Sales of marketable securities	-	-	108
Purchases of property and equipment	(35)	(74)	(22)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(35)	(261)	1
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	-	31	-
Proceeds from employee stock purchase plan	-	-	9
Repayments of capital lease obligations and other long-term liabilities	(616)	(258)	(617)
NET CASH USED IN FINANCING ACTIVITIES	(616)	(227)	(608)
Effect of exchange rate changes on cash and cash equivalents	(43)	(34)	2
DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	(60)	292	(752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	892	600	1,352
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 832	$ 892	$ 600
SUPPLEMENTAL DISCLOSURES:			
Interest paid	$ 83	$ 44	$ 66
Income taxes paid	$ -	$ -	$ -
Conversion of promissory note receivable to common stock investment	$ 272	$ -	$ -
Conversion of accounts payable and accrued expenses into notes payable	$ -	$ 568	$ 224
Equipment leased under capital lease	$ 65	$ -	$ -

See accompanying notes to consolidated financial statements.

NOTE A - THE COMPANY

FlexiInternational Software, Inc. and subsidiary (the "Company") began operations in 1991. The Company designs, develops, markets and supports the FlexiFinancial Enterprise Suite of financial and accounting software applications and related tools. The Flexi solution - composed of FlexiFinancials, FlexiFinancial Datawarehouse, FlexiInfoAccess and FlexiTools - is designed to address the needs of users with sophisticated financial accounting and operational analysis requirements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of FlexiInternational Software, Inc. and its wholly-owned subsidiary FlexiInternational Software Limited (formerly known as The Dodge Group - "Dodge") which was acquired in 1998. All significant intercompany transactions and balances have been eliminated.

Revenue Recognition

The Company licenses software under non-cancelable license agreements through direct and indirect channels and provides services including maintenance, training and consulting. Software license revenues through the Company's direct sales channel are recognized when persuasive evidence of an arrangement exists, the licensed products have been shipped, fees are fixed and determinable and collectibility is considered probable. Customers may elect to receive the licensed products pre-loaded and configured on a hardware unit. In these cases, revenue is recognized when the licensed products are installed on the hardware unit, the unit is shipped and all other criteria are met. Other software license royalties earned through the Company's indirect sales channels are recognized as such fees are reported to the Company.

Revenues on all software license transactions in which there are significant outstanding obligations are not recognized until such obligations are fulfilled. Significant obligations would include future promises of enhancements and/or modification that are essential to the product. For multiple element arrangements and arrangements with extended payment terms, or where a significant portion of the payment is due after inception of the license agreement, all revenue is deferred until the final portion of the license fee becomes due and payable and all other criteria are met. Maintenance revenues for maintaining, supporting, and providing periodic upgrading are deferred and recognized ratably over the maintenance period, generally one year.

Revenues from training and consulting services are recognized as such services are performed. The Company does not require collateral for its receivables and reserves are maintained for potential losses.

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiary, FlexiInternational Software Limited, are translated into U.S. dollars at exchange rates in effect at the balance sheet dates. Revenue and expense items are translated into U.S. dollars at the average exchange rate for the years. Resulting unrealized translation adjustments are included in stockholders' deficit.

Gains and (losses) on foreign currency exchange transactions are reflected in the consolidated statements of operations. Net transaction gains and (losses) included in income for the years ended December 31, 2003, 2002, and 2001 were $0.

Product Development Costs

The Company has evaluated the establishment of technological feasibility of its products during the development phase. The time period during which costs could be capitalized from the point of reaching technological feasibility until the time of general product release is very short, and consequently, the amounts that could be capitalized are not material to the Company's consolidated financial position or results of operations. Therefore, the Company charges all product development expenses to operations in the period incurred.

Cash and Cash Equivalents

The Company considers all interest-bearing securities having original maturities of three months or less to be cash equivalents. Additionally, the Company maintains cash balances which at times exceed the federally insured limits. The Company has not experienced any losses in such accounts, nor does it believe that there is a significant exposure to credit risk on these accounts because of the quality of the financial institutions which maintain the cash balances.

Trade Accounts Receivable

Trade accounts receivable are presented in the balance sheets net of an allowance for doubtful accounts. Receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on the Company's historical losses, existing economic conditions and the financial stability of the Company's customers.

Property and Equipment

Property and equipment is composed of furniture and equipment and is stated at cost less accumulated depreciation. Depreciation is calculated using either an accelerated method or the straight line method over the shorter of the estimated useful lives of the assets or the lease terms. The lives of the assets range from three to seven years. Property and equipment are periodically reviewed for impairment based upon anticipated cash flows generated from such underlying assets. At December 31, 2003, management believes all of the Company's property and equipment are recoverable.

Income Taxes

Provisions (benefits) for income taxes are based on (a) taxes payable or refundable for the current year and (b) deferred taxes arising from temporary differences between taxable income and pretax financial income, and between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled.

Accounting for Stock Based Compensation

Effective December 15, 2002, the Company adopted Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS No. 148). This statement amends FASB statement No. 123, "Accounting for Stock Based Compensation". It provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for employee stock based compensation. It also amends the disclosure provision of FASB statement No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. As permitted by SFAS No. 123 and amended by SFAS No. 148, the Company continues to apply the intrinsic value method under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for its stock-based employee compensation arrangements.

No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. If the Company had recorded compensation cost based upon the fair value at the grant date for awards under these plans, consistent with SFAS No. 123, the Company's net income (loss) and net income (loss) per share would be the pro forma amounts indicated below:

	2003	2002	2001
Net income (loss) as reported	$ 828	$ 1,244	$ (1,383)
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(32)	(1)	(4)
Net income (loss) pro forma	$ 796	$ 1,243	$ (1,387)
Basic Net Income (loss) per share as reported	$ 0.05	$ 0.07	$ (0.08)
Diluted Net Income (loss) per share as reported	$ 0.04	$ 0.07	$ (0.08)
Basic ad Diluted Net Income (loss) per share - pro forma	$ 0.04	$ 0.07	$ (0.08)

Fair Value Disclosure of Financial Instruments

The estimated fair value of amounts reported in the consolidated financial statements is determined by using available market information and appropriate valuation methodologies. The carrying value of all current assets and current liabilities approximates fair value because of their short-term nature. The fair value of capital lease obligations and other long-term liabilities approximates their carrying values, based on current market prices.

Newly Issued Accounting Pronouncements

The Company has reviewed all new accounting pronouncements issued through 2003 and has determined that none of them would have a material impact on the financial condition or results of operations other than as described previously.

Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates that are critical to the accompanying consolidated financial statements include the valuation of the deferred income tax asset, for which recoverability is dependent on the Company generating positive results of operations in future years. It is at least reasonably possible that our estimates could change in the near term with respect to this matter.

Basic and Diluted Net Income (Loss) Per Share

Basic income (loss) per share ("EPS") is computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution of securities that could share in the earnings. At December 31, 2002 and 2001, the weighted average number of common shares was the same for both the basic and diluted per share computations because the inclusion of common stock equivalents would have been antidilutive.

Advertising Expense

The Company expenses advertising costs as they are incurred. Advertising expenses were insignificant for all of the years ending December 31, 2003, 2002 and 2001.

Reclassifications

Certain amounts in the 2002 and 2001 consolidated financials have been reclassified to conform to the presentation for 2003. Such reclassifications had no impact on net results of operations.

NOTE C - GEOGRAPHIC INFORMATION AND CONCENTRATION OF CREDIT RISK

The Company operates in only one business segment. The Company's international revenues were derived primarily from the United Kingdom for the years ended December 31, 2003, 2002, and 2001, and the Company's international long lived assets at December 31, 2003, 2002, and 2001 resided primarily in the United Kingdom.

Revenues:	2003	2002	2001
United States	$ 5,637	$ 5,940	$ 7,691
United Kingdom	1,203	1,518	1,824
TOTALS	$ 6,840	$ 7,458	$ 9,515

Long lived assets:	2003	2002	2001
United States	$ 228	$ 266	$ 385
United Kingdom	15	29	33
TOTALS	$ 243	$ 295	$ 418

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable. The Company controls this risk through credit approvals, customer limits and monitoring procedures. The Company can also limit the amount of support provided to its customers in the event of non-performance. In 2003, one customer represented 34% of the Company's total revenues. There were no other customers that represented more than 10% of the Company's total revenues during such year. In 2002 and 2001, two customers represented 10% or more of the Company's total revenues, or an aggregate of 34.2%, and 40.6% of total revenues, respectively. One and two customers represented approximately 67% and 74.7% of the Company's net accounts receivable at December 31, 2003 and 2002, respectively.

NOTE D - INCOME TAXES

Significant components of the Company's deferred tax assets at December 31 are as follows:

	2003	2002
Net operating loss carryforwards	$ 24,827	$ 24,564
Intangible assets and tax credit carryforwards	3,280	3,770
	28,107	28,334
Valuation allowance	(27,617)	(28,004)
TOTALS	$ 490	$ 330

At December 31, 2003, the Company had U.S. and foreign net operating loss carryforwards of approximately $39,118 and $27,138, respectively, which expire during the years 2005 through 2023. For tax purposes, there is an annual limitation on the utilization of the U.S. net operating loss carryforwards resulting from an ownership change as defined by Internal Revenue Code Section 382. Due to this annual limitation, a portion of the U.S. net operating loss carryforward may expire prior to when otherwise utilizable.

The provisions (benefits) for deferred income taxes consist of the following as of December 31, 2003, 2002 and 2001:

	2003		2002		2001	
Deferred income taxes:						
Federal	$	(133)	$	(275)	$	-
State		(27)		(55)		-
TOTALS	$	(160)	$	(330)	$	-

Following is a reconciliation between tax expense using federal statutory tax rates and actual taxes:

	2003			2002			2001		
Statutory taxes (benefits)	$	227	34%	$	311	34%	$	(470)	34%
Valuation allowance		(387)	(58)%		(648)	(71)%		463	(33)%
Other		-	-		7	(1)%		7	(1)%
Actual taxes	$	(160)	24%	$	(330)	36%	$	-	-%

NOTE E - IMPAIRMENT LOSS

During 2001, management conducted a periodic impairment assessment of the intangible assets resulting from the Dodge acquisition. At such time, the unamortized balance of the intangible assets was $862, consisting of $727 of acquired software and $135 of goodwill. After assessment of the acquired intangibles, management concluded that the Company's financial data warehouse product, based on older technologies, would not be upgraded to current technology and therefore these products would not be competitive in the future. While the Company expects to maintain these products for its current customers, minimal revenue was expected from future sales. As a result of management's analysis, and using the best information available, management recorded an intangible asset impairment charge of $862 in the third quarter of 2001.

NOTE F - CONVERTIBLE NOTE RECEIVABLE AND GAIN CONTINGENCY

In January 2001, the Company entered into a convertible note receivable arrangement where the Company agreed to loan a total of $272 to a start-up software company and third party reseller of the Company's software products. As of December 31, 2002 the Company had loaned $272 under this arrangement. The terms of the note stipulated that after December 31, 2002 but prior to February 28, 2003 either party at their option could convert the entire loan amount into 40,000 shares of the borrower's common stock. In January 2003, the Company exercised its option to convert this note and subsequently sold the related common shares for $357 when the reseller was acquired by a larger BPO provider. In addition to such amount, the Company may realize an additional gain of up to $400,000 if certain earn-out targets are achieved by the reseller over a two year period ending in 2005. As a result of this transaction, the Company recognized other operating revenue and other cost of revenue of $357 and $272, respectively in 2003.

NOTE G - PROPERTY AND EQUIPMENT

The Company's property and equipment at December 31 consists of the following:

	2003	2002
Computers	$ 3,543	$ 3,423
Software	714	705
Furniture and fixtures	590	576
Leasehold improvements	333	332
Office equipment, including leased equipment of $65 in 2003	68	3
Vehicles	31	31
	5,279	5,070
Less accumulated depreciation	(5,036)	(4,775)
TOTALS	$ 243	$ 295

Depreciation expense (including $5 of amortization of leased equipment at December 31, 2003) was $152, $197, and $457 for the years ended December 31, 2003, 2002, and 2001, respectively. Prior to its satisfaction in 2003, all property and equipment was pledged as collateral for a master lease agreement.

NOTE H - LINE OF CREDIT

On September 15, 2001, the Company secured a line of credit with a stockholder which allows it to borrow up to $300. As consideration for such line, the Company has agreed to pay interest at the rate of prime plus .5% on the total amount of the line (irrespective of whether it is drawn upon). In addition, the Company has agreed to issue warrants which entitle the stockholder to receive common stock having a value of 10% of the amount of any advances under the line. Interest expense under this arrangement approximated $14, $14 and $5 for the years ended December 31, 2003, 2002 and 2001, respectively. The Company has not borrowed, and does not foresee the need to borrow, under the line through its maturity date of September 2004. Any advances would be secured by the Company's accounts receivable.

NOTE I – LONG TERM LIABILITIES

During 2001, the Company refinanced a note payable with one of its vendors which also converted additional trade payables. The note is unsecured, has no stated interest rate, and is due in monthly installments of $5 until paid in full. The note requires any subsequent charges after the date of the note to be paid currently in addition to the amortization of the note balance. During 2002, the Company refinanced a settlement agreement with one of its customers which converted other accrued liabilities. The note is unsecured, has no stated interest rate and is due in monthly installments of $8 until paid in full. In addition, the Company refinanced a settlement agreement on March 4, 2003 with one of its vendors which converted other accrued liabilities. The note is unsecured, has no stated interest rate, and requires an initial payment of $55 and monthly installments of $13 thereafter.

Following is a summary of long-term liabilities (exclusive of a capital lease separately disclosed below) as of December 31:

	2003	2002
Note payable to vendor, no stated interest $5 monthly until paid in full	$ 579	$ 639
Note payable to vendor, no stated interest $8 monthly to August 2004	60	150
Note payable to vendor, no stated interest, initial payment of $55, $13 monthly to January 2005	162	343
Note payable to finance company, no stated interest $1 monthly to December 2004, collateralized by vehicle	9	20
	810	1,152
Less principal due within one year	(279)	(341)
TOTALS	$ 531	$ 811

Following is a summary of estimated principal amounts due on the above mentioned long-term liabilities for each of the five years and thereafter following December 31, 2003:

2004	$ 279
2005	72
2006	60
2007	60
2008	60
Thereafter	279
TOTAL	$ 810

Long term liabilities also includes a non-cancelable capital lease obligation entered in 2003, which arose from the lease of certain office equipment. Future minimum lease payments under the lease are as follows for each of the three years following December 31, 2003:

2004		$	24
2005			24
2006			18
Total future minimum lease payments			66
Less amount representing interest			(6)
Present value of future minimum lease payments			60
Less amount included in current portion of long-term liabilities			(21)
	TOTAL	$	39

NOTE J - STOCKHOLDERS' EQUITY

Preferred stock

The Company has authorized capital stock that includes 5,000,000 shares of preferred stock, $.01 par value. No shares are issued and outstanding.

The Company's board of directors is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue such shares of preferred stock in one or more series. Each such series of preferred stock shall have such rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the board of directors.

The purpose of authorizing the board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a majority of the outstanding voting stock of the Company. The Company has no present plans to issue any shares of preferred stock.

Stock warrants

In connection with the Company's 1995 financing arrangements, a warrant was issued for the purchase of 5,129 shares of Series C preferred stock for $1.65 per share. This warrant also allows the holder to acquire 3,846 shares of common stock for $2.20 per share and the warrant expires in December 2006.

In connection with the Company's 1995 financing arrangements, a warrant was issued for the purchase of 76,800 shares of Series B preferred stock for $1.50 per share. This warrant also allows the holder to acquire 57,600 shares of common stock for $2.00 per share and the warrant expires in July 2005.

In connection with the Company's capital lease obligations in 1994, a warrant was issued for the purchase of 43,103 shares of Series A preferred stock for $1.16 per share. This warrant also allows the holder to acquire 32,327 shares of common stock for $1.546 per share and the warrant expires in June 2004.

NOTE K - EMPLOYEE STOCK PLANS

Employee stock purchase plan

The Company's 1997 Employee Stock Purchase Plan (the "Purchase Plan") authorizes the issuance of up to a total of 400,000 shares of common stock to participating employees. Under the terms of the Purchase Plan, the purchase price is an amount equal to 85% of the average market price (as defined) per share of the common stock on either the first day or the last day of the offering period, whichever is lower. The Purchase Plan was discontinued during 2002. Under the Purchase Plan, the Company issued 0 and 111,478 shares to participants during 2002 and 2001, respectively.

Stock option plans

The Company's 1992 Stock Option Plan (the "1992 Plan") provided for the issuance of up to 1,362,000 shares of common stock through the granting of stock options to employees, officers, directors, consultants, and advisors. The board of directors had authority to determine awards and establish the exercise price. As of December 31, 2003, there are 34,125 options outstanding under the 1992 Plan. Such options vest over various periods up to five years and expire on various dates through 2007. No additional option grants will be made under the 1992 Plan.

The Company's 1997 Stock Incentive Plan (the "Incentive Plan") is intended to replace the 1992 Plan. Up to 2,375,000 shares of common stock (subject to adjustment in the event of stock splits and other similar events) may be issued pursuant to awards granted under the Incentive Plan. Options may be granted at an exercise price which may be less than, equal to, or greater than the fair market value of the common stock on the date of grant. Officers, employees, directors, consultants, and advisors of the Company are eligible to receive awards under the Incentive Plan. During 2003, 2002, and 2001, 353,500, 213,000, and 529,760 options under the Incentive Plan were granted, respectively.

Under the terms of the Company's 1997 Director Stock Option Plan (the "Director Plan"), directors of the Company who are not employees are eligible to receive nonstatutory options to purchase shares of common stock. A total of 150,000 shares of common stock may be issued upon exercise of options granted under the Director Plan. The exercise price per share, for shares granted initially, was equal to the initial public offering price ($11). The exercise price per share for all shares thereafter will be the closing price per share of common stock on the date of grant. All options granted under the Director Plan vest one year from the date of grant so long as the optionee remains a director of the Company. During 2003, 2002, and 2001, 15,750, 23,250, and 10,500 options under the Director Plan were granted, respectively.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option pricing model. Assumptions used in 2003, 2002 and 2001 approximate: risk free interest rates of 4.75%, 3.40%, and 5.08%, average expected lives of 6.47, 6.90, and 7.91 years, a 0% dividend yield rate for all the years presented, and expected volatility of 1.17, 0.68, and 1.04, respectively. In accordance with SFAS 123, the fair value method of accounting has not been applied to options granted prior to January 1, 1995. Therefore, the resulting pro forma impact may not be representative of that to be expected in future years.

At December 31, 2003, the Company has reserved 1,549,912 shares of common stock for options outstanding under the 1992 Plan, Incentive Plan, and Director Plan, and 93,773 shares of common stock for exercisable warrants. In addition to the outstanding options, the Company has reserved 1,009,213 shares of common stock at December 31, 2003, for future grants under its Incentive Plan and Director Plan.

The following table describes the Company's stock option activity under all of its option plans:

	Number of Options		Weighted average exercise price per share (priced at date of grant)
Outstanding at December 31, 2000	1,335,044	$	1.17
Granted	540,260	$	0.17
Cancelled	(565,600)	$	0.52
Outstanding at December 31, 2001	1,309,704	$	1.02
Granted	236,250	$	0.08
Cancelled	(240,519)	$	0.47
Outstanding at December 31, 2002	1,305,435	$	0.95
Granted	369,250	$	0.07
Cancelled	(124,773)	$	0.36
Outstanding at December 31, 2003	1,549,912	$	0.79

	Number of Options		Weighted average exercise price per share (priced at date of grant)
Exercisable at December 31, 2001	625,312	$	1.37
Exercisable at December 31, 2002	849,997	$	1.23
Exercisable at December 31, 2003	1,133,834	$	1.03
Options available for grant at December 31, 2003	1,009,213		-

The following table summarizes information regarding stock options granted under all of the Company's option plans:

	Number of options granted	Weighted average exercise price	Weighted average fair value
Options granted at market value in 2001	540,260	$ 0.17	$ 0.13
Options granted at market value in 2002	236,250	$ 0.08	$ 0.08
Options granted at market value in 2003	369,250	$ 0.07	$ 0.07

The following table summarizes information regarding options outstanding at December 31, 2003 under all of the Company's option plans:

		Options outstanding			Options exercisable	
Range of exercise prices		Number outstanding	Weighted average remaining contractual life in years	Weighted average exercise price	Number exercisable	Weighted average exercise price per share
$0.05-$ 0.09		441,917	8.76	$ 0.06	168,590	$ 0.06
$0.15-$ 0.30		283,417	7.53	$ 0.19	146,410	$ 0.19
$0.38-$ 0.38		163,661	5.82	$ 0.38	163,661	$ 0.38
$0.59-$ 1.06		319,025	6.15	$ 0.92	319,025	$ 0.92
$1.19-$ 1.44		200,275	2.61	$ 1.26	199,435	$ 1.26
$1.63-$12.63		141,617	3.78	$ 3.78	136,713	$ 3.83
	TOTAL	1,549,912		$ 0.79	1,133,834	$ 1.03

NOTE L - EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) Savings Plan (the "Savings Plan"). Employees are eligible to participate in the Savings Plan upon completion of one month of service with the Company. Eligible employees may contribute up to 25% of their annual compensation to the Plan on a pre-tax basis. Participant contributions to the Savings Plan are immediately vested. In addition, under the terms of the Savings Plan, the Company, at its discretion, may match all or a portion of participant's contribution to the Savings Plan up to 6% of the participant's compensation. The Company's matching contribution is made on a monthly basis. Participants become vested in Company matching contributions to the Savings Plan over a five-year period. The expense under this Savings Plan was $37, $0, and $20 for 2003, 2002, and 2001, respectively.

NOTE M – LITIGATION SETTLEMENT

During 2003 the Company received $450 as a result of a litigation settlement related to underpayment of software license fees revenue from one of its third party resellers. The settlement is included in software license revenues.

NOTE N - COMMITMENTS AND CONTINGENCIES

The Company leases space in several buildings, which it uses for offices and development facilities, under operating lease agreements. As of December 31, 2003, the minimum annual rental payments under the terms of such non-cancelable leases which expire at various dates are as follows:

2004		$ 211
2005		147
2006		136
2007		153
2008		77
	TOTAL	$ 724

Rent expense for the years ended December 31, 2003, 2002, and 2001 amounted to $372, $407, and $462, respectively.

The Company is also involved in certain legal proceedings and tax matters in the ordinary course of business. In the opinion of management, resolution of these matters will not have a material adverse effect on the Company's consolidated financial position and results of operations.

NOTE O - SELECTED QUARTERLY INFORMATION (UNAUDITED)

The following table sets forth certain unaudited quarterly data for each of the four quarters in the years ended December 31, 2003 and 2002. The data has been derived from the Company's unaudited consolidated financial statements that, in management's opinion, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of such information when read in conjunction with the Consolidated Financial Statements and Notes thereto. The results of operations for any quarter are not necessarily indicative of the results of operations for any future period.

Year ended December 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Total revenue	$ 1,836	$ 1,905	$ 1,485	$ 1,614
Gross profit	1,350	1,238	1,133	1,224
Net income	334	104	101	289
Income per share (1)	.02	.01	.01	.02
2002				
Total revenue	$ 2,275	$ 1,859	$ 1,723	$ 1,601
Gross profit	1,671	1,304	1,195	1,180
Net income	547	230	122	345
Income per share (1)	0.03	0.01	0.01	0.02

(1) Quarterly income (loss) per share may not equal the annual reported amounts.

INDEPENDENT AUDITORS REPORT ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of
FlexiInternational Software, Inc. and Subsidiary
Shelton, Connecticut

We have audited the accompanying consolidated financial statements of FlexiInternational Software, Inc. and subsidiary (the "Company") as of and for the year ended December 31, 2003, and have issued our report thereon dated January 31, 2004; such financial statements and report are included in the 2003 Annual Report to Stockholders and are included herein. Our audit also included the financial statement schedule of FlexiInternational Software, Inc. and subsidiary listed in Item 15. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audit. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Kingery, Crouse & Hohl, P.A.
Tampa, Florida
January 31, 2004

INDEPENDENT AUDITORS REPORT ON FINANCIAL STATEMENT SCHEDULE

Board of Directors and Stockholders of
FlexiInternational Software, Inc. and Subsidiary
Shelton, Connecticut

We have audited the accompanying consolidated financial statements of FlexiInternational Software, Inc. and subsidiary (the "Company") as of December 31, 2002 and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated January 22, 2003, except for Note N, as to which the date is March 4, 2003; such financial statements and report are included in the 2003 Annual Report to Stockholders and are included herein. Our audit also included the financial statement schedule of FlexiInternational Software, Inc. and subsidiary listed in Item 15. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Hill, Barth & King LLC
Certified Public Accountants

Naples, Florida
January 22, 2003

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Description		Balance at January 1, 2003		Charged to (Credit from) Costs and Expenses		Deductions		Balance at December 31, 2003
Allowance for doubtful accounts	$	76	$	190	$	(234)	$	32
Valuation allowance for deferred tax asset	$	28,004	$	(387)	$	-	$	27,617

Description		Balance at January 1, 2002		Charged to (Credit from) Costs and Expenses		Deductions		Balance at December 31, 2002
Allowance for doubtful accounts	$	22	$	288	$	(234)	$	76
Valuation allowance for deferred tax asset	$	29,298	$	(1,294)	$	-	$	28,004

Description		Balance at January 1, 2001		Charged to (Credit from) Costs and Expenses		Deductions		Balance at December 31, 2001
Allowance for doubtful accounts	$	352	$	(310)	$	(20)	$	22
Valuation allowance for deferred tax asset	$	23,560	$	5,738	$	-	$	29,298

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

The information required by Item 304 of Regulation S-K was previously reported in a Current Report on Form 8-K filed with the Securities and Exchange Commission on December 21, 2001.

Item 9A. ***Controls and Procedures***

Based on an evaluation of the Company's disclosure controls and procedures performed by the Company's Chief Executive Officer and Acting Chief Financial Officer as of the end of the period covered by this report, the Company's Chief Executive Officer and Acting Chief Financial Officer concluded that the Company's disclosure controls and procedures have been effective.

As used herein, "disclosure controls and procedures" means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms issued by the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Since the date of the evaluation described above, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

See "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K. The information required by Items 401, 405 and 406 of Regulation S-K and appearing in Flexi's definitive Proxy Statement for the 2004 Annual Meeting of Stockholders to be held on Friday, May 14, 2004, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2003, is incorporated herein by reference.

Item 11. ***Executive Compensation***

The information required by Item 402 of Regulation S-K and appearing in Flexi's definitive Proxy Statement for the 2004 Annual Meeting of Stockholders to be held on Friday, May 14, 2004, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2003, is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

The information required by Item 201(d) and Item 403 of Regulation S-K and appearing in Flexi's definitive Proxy Statement for the 2004 Annual Meeting of Stockholders to be held on Friday, May 14, 2004, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2003, is incorporated herein by reference.

Item 13. ***Certain Relationships And Related Transactions***

The information required by Item 404 of Regulation S-K and appearing in Flexi's definitive Proxy Statement for the 2004 Annual Meeting of Stockholders to be held on Friday, May 14, 2004, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2003, is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by Item 9(e) of Schedule 14A and appearing in Flexi's definitive Proxy Statement for the 2004 Annual Meeting of Stockholders to be held on Friday, May 14, 2004, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2003, is incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedule, and Reports on Form 8-K***

(a) 1. Financial Statements

The consolidated financial statements filed as a part of this Annual Report on Form 10-K are listed in the Index to Consolidated Financial Statements under Item 8, which Index to Consolidated Financial Statements is incorporated herein by reference.

2. Financial Statement Schedule

The Schedule of Variation and Qualifying Accounts appears on page 38 of this Annual Report on Form 10-K. Schedules other than those listed above are omitted because they are either not required or not applicable.

3. Exhibits

The Exhibits filed as a part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference. Documents listed on such Exhibit Index, except for documents identified by footnotes, are being filed herewith are, pursuant to Rule 12b-32 under the Securities Exchange Act of 1934, incorporated herein by reference.

(b) Reports on Form 8-K

The following reports on Form 8-K furnished information to the Securities and Exchange Commission during the fourth quarter of the fiscal year ended December 31, 2003:

On October 7, 2003, we furnished information on a Current Report on Form 8-K to the Securities and Exchange Commission reported under "Item 5. Other Events and Regulation FD Disclosure", that on October 7, 2003, FlexiInternational Software had issued a press release announcing that Unisys, a worldwide information technology services and solutions company, will private label and integrate Flexi accounting modules into its Healthcare Payer Administration Solution (Health PAS) under the Flexi Industry Partner program.

On October 28, 2003, we furnished information on a Current Report on Form 8-K to the Securities and Exchange Commission reported under "Item 12. Results of Operations and Financial Condition", that on October 27, 2003, FlexiInternational Software had issued a press release announcing its fiscal 2003 third quarter results.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

FLEXIINTERNATIONAL SOFTWARE, INC.

Date: March 30, 2004

By: /s/ STEFAN R. BOTHE
Stefan R. Bothe
Chairman of the Board, Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ STEFAN R. BOTHE Stefan R. Bothe	Chairman of the Board, Chief Executive Officer, President and Acting Chief Financial Officer (Principal Executive and Accounting Officer)	March 30, 2004
/s/ JENNIFER V. CHENG Jennifer V. Cheng	Director	March 30, 2004
/s/ ROBERT A. DEGAN Robert A. Degan	Director	March 30, 2004
/s/ JOHN K. P. STONE, III John K. P. Stone, III	Director	March 30, 2004

Exhibit No.	EXHIBIT INDEX
2.1(3)	Agreement and Plan of Merger dated June 24, 1998 among the Registrant, Princess Acquisition Corporation and The Dodge Group, Inc.
3.1(1)	Amended and Restated Certificate of Incorporation.
3.2(1)	Amended and Restated By-Laws.
4.1(1)	Specimen Common Stock Certificate.
10.1(1)+	1992 Stock Option Plan, as amended.
10.2(6)+	1997 Stock Incentive Plan, including forms of incentive and nonstatutory stock option agreements.
10.3(1)+	1997 Director Stock Option Plan, including form of option agreement.
10.5(1)	Registration Rights Agreement dated May 7, 1996, as amended, among the Registrant and the Purchasers (as defined therein).
10.7(1)	Warrant Agreement dated June 28, 1994 held by CDC Realty, Inc.
10.8(1)	Warrant Agreement dated July 25, 1995 issued to Comdisco, Inc.
10.9(1)	Warrant Agreement dated July 25, 1995 issued to Comdisco, Inc.
10.10(1)	Warrant Agreement dated December 10, 1996 issued to Comdisco, Inc.
10.12(1)	Stockholders' Voting Agreement dated May 7, 1996 among the Registrant and the Stockholders (as defined therein).
10.13(1)	Participation Agreement dated May 7, 1996 among the Registrant and the Purchasers (as defined therein).
10.16(4)	Lease Agreement, dated February 21, 2000, by and between the Company and Sommer Holdings, Ltd.
10.17(8)	Loan Agreement and Convertible Promissory Note, dated as of January 31, 2001, by and between the Company and Core3, Inc.
16.1(6)	Letter regarding change in certifying accountant.
21.1(4)	Schedule of Subsidiaries.
23.1	Consent of Kingery, Crouse & Hohl, P.A., independent accountants.
23.2	Consent of Hill, Barth & King, LLC, independent accountants.
31.1	Certification by Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(a)
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) Incorporated herein by reference to the Company's registration statement on Form S-1 (Registration No. 333-38403).
(2) Incorporated herein by reference to the Company's annual report on Form 10-K for the year ended December 31, 1997.
(3) Incorporated herein by reference to the Company's current report on Form 8-K, dated June 29, 1998.
(4) Incorporated herein by reference to the Company's annual report on Form 10-K for the year ended December 31, 2000.
(5) Incorporated herein by reference to the Company's registration statement on Form S-8 filed on February 21, 2001 (Registration No. 333-83146).
(6) Incorporated herein by reference to the Company's current report on Form 8-K, dated December 21, 2001.
(7) Incorporated by reference to the Company's 2001 definitive Proxy Statement, dated April 11, 2001.
(8) Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2001.
\+ Management contract or compensation plan or arrangement required to be filed as an exhibit pursuant to Items 14(a) and 14(c) of Form 10-K.

Corporate Information

Board of Directors

Stefan R. Bothe
Chairman, CEO & President

Jennifer V. Cheng
General Partner
Cheng Management Company

Robert A. Degan [1,2]
Private Investor

John K. P. Stone, III [1,2]
Senior Vice President and General Counsel
PolyMedica Corporation

[1] Member of Compensation Committee
[2] Member of Audit Committee

Corporate Management

Stefan R. Bothe
Chairman, CEO & President

Maureen M.Okerstrom
Vice President, USA Sales

David Paine
Managing Director, International Operations

Dmitry G. Trudov
Chief Technology Officer and Vice President, Software Development

Transfer Agent

American Stock Transfer & Trust Company
40 Wall Street
New York, NY 10005

Independent Auditors

Kingery, Crouse & Hohl, P.A.
Tampa, Florida

Corporate Counsel

Murtha Cullina LLP
New Haven, Connecticut

Annual Meeting Date

The annual meeting of stockholders will be held on May 14, 2004 at 10:00 a.m., Florida time, at FlexiInternational Software, Inc., 3541 Bonita Bay Blvd., Suite 200, Bonita Springs, Florida

Stock Listing

FlexiInternational Software, Inc.'s common stock trades on the OTCBB under the symbol "FLXI.OB"

Corporate Headquarters

FlexiInternational Software, Inc.
Two Enterprise Drive
Shelton, Connecticut 06484

FlexiInternational Software, Inc.

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Shelton, CT 06484
(203) 925-3040

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Bonita Springs, FL 34134
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