**11 March 2008**

**FDM Group plc**
**(“FDM” or the “Group”)**

**PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2007**

The Board of FDM Group plc, (LSE: FDMG), the IT services business, today announces its preliminary results for the year ended 31 December 2007.

**Financial Highlights**

- Revenues increased by 12% to £49.83 million (2006: £44.50 million).
- Gross profit increased by 31% to £11.23 million (2006: £8.60 million).
- Adjusted* profit before tax increased by 51% to £4.40 million (2006: £2.92 million).
- Profit before tax £4.25 million (2006: £2.78 million).
- Adjusted* fully diluted earnings per share increased by 3.1p to 12.7p (2006: 9.3p).
- Fully diluted earnings per share of 12.0p (2006: 9.0p).
- Final dividend of 1.9p per share, making a total dividend of 2.7p per share (2006: 1.9p).
- Net cash and cash equivalents increased to £5.95 million (2006: £1.98 million), with debtor days reduced from 81 days in 2006 to 68 days in 2007.

* excluding IFRS2 Share-based payment charges.

**Operational Highlights**

- Overall gross margins increased to 22.5% (2006: 19.3%) and are significantly above industry averages.
- Operating margin increased to 8.1% in 2007 from 6.4% in 2006.
- Mountie utilisation rates higher at 98.3% (2006: 97.8%).
- Mountie numbers increased from 154 at 31 December 2006 to 208 at 31 December 2007
- New training Academy opened in Manchester in December 2007, creating additional training capacity to service client needs. City of London office at full capacity.
- New client wins include Williams Lea, Bear Stearns and Swiftcover Insurance.
- Current trading conditions still remain positive in spite of turbulent financial markets.

Rod Flavell, Chief Executive of FDM Group, commented:

***“2007 was an excellent year for FDM and further validates our business model of driving profit-led growth. 2008 has started positively, with our business metrics firmly on track. Despite the uncertainty in the wider economic climate, FDM’s Mountie proposition remains in great demand from clients. We are therefore optimistic of a favourable outcome for the year as a whole.”***

For further information please contact:


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|---|---|---|
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| Rod Flavell, Chief Executive Officer | Nick Naylor | Archie Berens |
| David Templeman, Group Finance Director | Nick Athanas | |

**FDM Group plc**

**PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2007**

**Chairman's Statement**

**Introduction**

I am pleased to report that 2007 was FDM's best ever year, with both revenues and profitability at record levels. This strong performance continues the Group's margin-led growth and we look to 2008 and beyond with optimism. We are well positioned for steady progress and expansion in both the UK and internationally.

**Results**

2007 has seen profit growth across all of our areas of operations with gross profit increasing by over 30% reflecting our margin focused sales policy and revenues up by over 12% to reach almost £50m. Our international businesses have all contributed strongly to our performance with improvement in gross profitability across all locations. Profit before tax after adjusting for IFRS2 share-based payments amounted to £4.4m against £2.9m in 2006 and therefore showed an increase of 51%. Adjusted fully-diluted earnings per share grew by 3.1p to 12.7p representing a 24% increase. Profit before tax was £4.3m (2006: £2.8m). Against this background of strong performance the Board is pleased to recommend a final dividend of 1.9p per share making a total dividend for the year of 2.7p per share, an increase of 42% on the prior year (2006: 1.9p).

This is the Group's first set of results presented under IFRS (International Financial Reporting Standards) having been previously reported under UK Generally Accepted Accounting Principles (UK GAAP). The results for the comparative year have been restated from UK GAAP to IFRS. There has been no material impact on the results from the transition.

**Board changes**

In August 2007, we announced the appointment to the Board of FDM of our new Chief Financial Officer, David Templeman, who joined us in November 2007. A Chartered Accountant, David was a partner in BDO Stoy Hayward before taking up a divisional CFO role within Citigroup and more recently acting as Head of Finance & IT for an international bank in the City.

I am also delighted to confirm two internal promotions to the Board that we announced in January 2008. Andrew Brown and Sheila Flavell are both long-standing employees of FDM and respectively head our Sales and Global Services Delivery functions.

Andrew joined FDM in 1994, and was instrumental in establishing FDM as a leading provider of Client Server development and consultancy services within the UK. He also developed FDM's Financial Services Sector offering and won FDM's first major finance client, NatWest. He subsequently went on to establish FDM as a key vendor to other major financial organisations, including Deutsche Bank, UBS, HSBC, ABN Amro and RBS. This paved the way for the opening of FDM's City office in 2007. He is now Head of Group Sales and is responsible for the development of products and services for FDM and its customers.

Sheila has enjoyed a successful business career stretching over 20 years in both the public and private sectors of information technology. She joined FDM in 1998 as a senior executive and has been fundamental to the success and development of FDM's Global Services. Sheila has responsibility for FDM's Testing, Consultancy, Support and Training business areas as well as overseeing the strategic direction of the FDM Academy programme. She holds both an MBA and an MA in Marketing and is a qualified PRINCE2 Practitioner.

Julian Divett, Chief Operating Officer of the Company, stepped down from the Board on 10 March 2008 to pursue other interests overseas. Julian has been with the Company since 1991 and has been on the Board since 2001. He has been an integral part of the Company's development and was heavily involved in the Company's successful flotation on AIM in 2005. The Board would like to record their appreciation of all Julian's hard work since he joined FDM. In light of the appointments of Sheila Flavell and Andrew Brown, the Board of FDM does not intend to appoint a replacement Chief Operating Officer.

In the last annual report, it was noted that April Denney was the subject of a dispute, following her departure from FDM in December 2006. This dispute was resolved in 2007 with no additional charge to the profit and loss account.

**Outlook**

We have experienced no slowdown in our sales pipeline as a result of the turbulence in the financial markets. This is no surprise to us, given the nature of our client base and the types of support and back-office functions that our staff perform within client organisations.

FDM operates across a broad range of business sectors from financial services to communication to supporting government contracts. Our diverse client base, together with the nature of our support contracts, means that we are relatively sheltered from the vagaries of the global credit markets. Even within our financial services client base we perform back-office services necessary for the very working of these organisations. As such, despite shocks to their profits, these financial organisations are reliant on our services to continue normal operations.

We approach this year with continued optimism: the FDM business model is proven and successful. We have expanded our footprint in the UK and will seek further opportunities to do so, both here and abroad. The successful opening of our London and Manchester training academies show that we are now beginning to demonstrate the scalability of our Mountie programme. With improved geographic presence in our chosen marketplaces and the ability to attract and retain quality IT professionals we expect further growth in 2008, in line with current expectations. The year has begun well and I look forward to providing further updates.

**Ivan Martin**
**Chairman**
**10 March 2008**

**FDM Group plc**

**PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2007**

**Chief Executive's Review**

## Introduction

2007 was an excellent year for FDM and further validates our business model of driving profit-led growth. We opened two new offices during the year in London and Manchester which have given us a strong footprint in these locations and enable us to tap into the rich local resources for our unique Mountie training programme. Our operating margins continue to exceed the industry average and with excellent control systems we are positioned for further strong improvement.

## Key Performance Indicators (KPIs)

Strong cost management and a managed growth programme have allowed our conversion rate (the ratio of profit before tax to gross profitability) to reach 38%, up from 32% in 2006 and by some distance the best among our peer group. We regard this as our most important performance indicator, which reflects our productivity and the effectiveness of FDM's business model.

The strength of our model can also be seen within a number of business critical KPIs, which revolve around the throughput of Mounties in our Academy programme, the utilisation rates of fully-trained Mounties, our gross and net profit margins, and collections from our clients. All of these KPIs have seen improvement in 2007 from already very acceptable levels in 2006. In 2007, 95 new Mounties graduated from our Academies and the utilisation rate for Mounties remains around 98%. We have seen increases in gross and net profit margins as noted above. In addition, it is essential that we maintain control over the collection of cash. Debtor days at 31 December 2007 show improvement at 68 days average, against 81 days at 31 December 2006.

## Review of operations

FDM's business model is centred on the selling of IT services to what are often large, multinational businesses in a variety of sectors. Our business model relies on us resourcing our IT service contracts with a mix of in-house resource (our "Mountie" IT professionals) and freelance contractors. Our Mounties are all IT professionals who have passed through our accreditation programme in one of the Java, .Net, Testing or Finance streams and who are contracted to work for us for a minimum period of two years after certification. Freelance resources are subjected to a rigorous selection procedure and we strive to match our resources carefully with client needs.

Increasingly, our business model is one where institutions require teams to operate under Service Level Agreements ("SLAs"). Our clients demand a fit-for-purpose solution constructed by, and carrying, FDM's badge of excellence. Our SLA driven services normally comprise a blend of Consulting, Support, Testing and Training and all areas have seen growth during 2007.

We now have sales presence in Brighton, London and Manchester within the UK and overseas offices in America, Germany, Belgium and Luxembourg, allowing us to work closely with our clients. We retain a strong core of blue-chip institutions with whom we work including British Airways, the BBC, the Metropolitan Police, Barclays Wealth, the AA, ABN Amro, Deutsche Bank and UBS.

## Global Services and IT Staffing

The Group continues to focus on moving away from low-margin, high volume freelance sales whilst driving up profitability by selling increasing numbers of our own internally trained resources.

Global Services manages teams of Mounties and freelance consultants delivering a range of services such as Support, Development, Testing and Training to our clients. Global Services has seen significant growth this year in both sales and gross profit, sales were up 30% to £13.5m (2006: £10.3m) and gross profit increased by 48%. Gross margins increased to 45.8% (2006: 40.4%). Mountie numbers increased from 154 at 31 December 2006 to 208 at 31 December 2007. New client wins during the year included Atos Euronext Market Solutions, Cedegim RX and Citigroup.

IT Staffing provides clients with freelance contractors to meet their IT requirements: sales growth in this area increased by 6.3% to £36.3m on the prior year (2006: £34.2m). FDM continues to focus on exiting low-margin freelance deals and obtaining higher margin business. Gross profits increased by 14% on the prior year and gross margins increased to 13.9% (2006: 12.9%).

## FDM Academy

One of the unique aspects of our business model is our Mountie accreditation programme which allows us to retain highly skilled IT staff for a minimum of two years after they have graduated from our in-house training programme. Training of our Mounties takes place within our three FDM Academies located in Brighton, London and Manchester which fulfil the resource needs of our international businesses in Europe and the US as well as the UK.

We opened our London training Academy early in 2007 and demand for places has been very high, so much so that our training capacity is at 100% and has been since shortly after the training centre opened. We will look to expand our London presence in 2008 in line with client demand for our Mountie professionals.

Our second expansion of 2007 took place with the opening of our Manchester Academy in December. Manchester is one of the UK's pre-eminent regional centre for financial, professional and business services, employing almost 200,000 people and currently generating more than £9 billion of business each year. With very competitive infrastructure costs and geographic mobility of our Mounties, we are looking to Manchester to provide us with a strong push in Mountie numbers to service both our Northern client demands and to provide resource for the UK in general.

We will continue to consider regional expansion of the Academy model in 2008 and beyond, but will only do so where we can see client-driven demand for our Mounties in these locations or where national and international demand dictates.

## Outlook

In my review of 2006 I stated that FDM would continue its strategy of focusing on higher-margin projects where the best opportunities exist for our specific skillset to be applied. This is exactly what we did in 2007 and we will continue with this core strategy in 2008. Our Mountie training programme has been central to our success and 2008 should see some of the production-led constraints on our growth being eased with increased Academy capacity. Given the increasing client demand for Mounties, new capacity will be rapidly filled.

Recent statistics show that, while the overall number of computing science students graduating from universities continues to fall, the demand for skilled IT workers has never been higher. This has created a severe and unprecedented skills shortage in the IT industry. FDM's training programme seeks to address this shortage, but it also clearly represents a long term growth opportunity.

Clearly all businesses need to be aware of the economic climate in which they operate, and in this respect FDM is no different. However, we are confident in our business model which we believe is robust, and we have experienced no adverse impact from the much publicised global credit crunch. In my view, our broad client base across many business sectors and the back-office roles that we perform mean that our performance will be more resilient than most in times of stress. It is against this backdrop that I am confident of a successful future. 2008 has started positively, with our business metrics firmly on track. Despite the uncertainty in the wider economic climate, FDM's Mountie proposition remains in great demand from clients. We are therefore optimistic of a favourable outcome for the year as a whole.

**Rod Flavell**
**Chief Executive Officer**
**10 March 2008**

**Consolidated Income Statement**
***for year ended 31 December 2007***

| | *Note* | **2007** **£000** | 2006 £000 |
|---|---|---|---|
| **Revenue** | *2* | **49,826** | 44,504 |
| Cost of sales | | **(38,595)** | (35,906) |
| **Gross profit** | | **11,231** | **8,598** |
| Administrative expenses | | **(7,182)** | (5,900) |
| **Operating profit** | | **4,049** | **2,698** |
| Financial income | | **212** | 100 |
| Financial expenses | | **(7)** | (19) |
| **Net financing costs** | | **205** | **81** |
| **Profit before tax** | | **4,254** | **2,779** |
| Taxation | | **(1,421)** | (689) |
| **Profit for the year attributable to equity holders of the parent company** | | **2,833** | **2,090** |
| **Earnings per share (pence)** | *4* | | |
| **Basic** | | 12.3p | 9.1p |
| **Diluted** | | 12.0p | 9.0p |

**Consolidated Balance Sheet**
***at 31 December 2007***

| | 2007 | 2006 |
|---|---|---|
| | **£000** | £000 |
| **Non-current assets** | | |
| Property, plant and equipment | **373** | 186 |
| Intangible assets | **110** | 16 |
| Deferred tax assets | **212** | 117 |
| | **695** | 319 |
| **Current assets** | | |
| Trade and other receivables | **9,527** | 10,080 |
| Cash and cash equivalents | **5,953** | 2,002 |
| | **15,480** | 12,082 |
| **Total assets** | **16,175** | 12,401 |
| **Current liabilities** | | |
| Bank overdraft | **-** | 27 |
| Trade and other payables | **4,841** | 4,107 |
| Tax payable | **830** | 441 |
| **Total liabilities** | **5,671** | 4,575 |
| **Net assets** | **10,504** | 7,826 |
| **Equity attributable to equity holders of the parent** | | |
| Share capital | **232** | 232 |
| Share premium | **3,332** | 3,332 |
| Translation Reserve | **64** | (49) |
| Capital Redemption Reserve | **63** | 63 |
| Retained earnings | **6,813** | 4,248 |
| **Total equity** | **10,504** | 7,826 |

**Consolidated Cash Flow Statements**
***for year ended 31 December 2007***

| | **2007** | 2006 |
|---|---|---|
| | **£000** | £000 |
| **Cash flows from operating activities** | | |
| Profit for the year | **2,833** | 2,090 |
| *Adjustments for:* | | |
| Depreciation and amortisation | **210** | 104 |
| Financial income | **(212)** | (100) |
| Financial expense | **7** | 19 |
| Equity settled share-based payment expenses | **147** | 137 |
| Taxation | **1,421** | 689 |
| Decrease/(increase) in trade and other receivables | **665** | (2,525) |
| Increase in trade and other payables | **688** | 610 |
| Interest paid | **(7)** | (19) |
| Tax paid | **(1,059)** | (824) |
| **Net cash from operating activities** | **4,693** | **181** |
| **Cash flows from investing activities** | | |
| Interest received | **212** | 100 |
| Acquisition of property, plant and equipment | **(380)** | (91) |
| Acquisition of other intangible assets | **(109)** | (11) |
| **Net cash from investing activities** | **(277)** | **(2)** |
| **Cash flows from financing activities** | | |
| Decrease in cash held by Trust in year | **(22)** | (170) |
| Dividends paid | **(482)** | (368) |
| **Net cash used in financing activities** | **(504)** | **(538)** |
| Net increase/(decrease) in cash and cash equivalents | **3,912** | (359) |
| Cash and cash equivalents at 1 January | **1975** | 2,342 |
| Effect of exchange rate fluctuations on cash held | **66** | (8) |
| **Cash and cash equivalents at 31 December** | **5,953** | **1,975** |

**ABRIDGED NOTES**

## 1. Basis of Preparation

a) The financial information for the years ended 31 December 2007 and 31 December 2006 does not constitute the company's statutory financial statements but is extracted from the audited accounts for those years. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

b) The audited accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies. The Annual Report and Financial Statements for the year ended 31 December 2007 will be delivered to the Registrar of Companies following the Annual General Meeting. Copies will be available to the public at the Company's registered office: Second Floor, Lanchester House, Trafalgar Place, Brighton, BN1 4FL.

## 2. Segmental Reporting

The segmental reporting is based on the geography of the division. The group operates in three geographic areas, the UK being the predominant area.

**Geographical Breakdown 2007**

| | **UK** | **Europe** | **America** | **Consolidation Adjustments** | **Totals** |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Revenue | 42,560 | 5,286 | 1,980 | - | **49,826** |
| **Profit before tax** | **3,796** | **322** | **136** | **-** | **4,254** |
| Depreciation and Amortisation | (199) | (8) | (3) | - | **(210)** |
| Purchase of non-current assets | (479) | (10) | - | - | **(489)** |
| Total non-current assets | 671 | 21 | 3 | - | **695** |
| Total Assets | 13,755 | 2,084 | 629 | (293) | **16,175** |
| Total Liabilities | (5,050) | (669) | (245) | 293 | **(5,671)** |
| **Equity attributable to equity holders of the parent** | **8,705** | **1,415** | **384** | **-** | **10,504** |

The consolidation adjustments are the removal of inter-company balances.

**Geographical Breakdown 2006**

| | **UK** | **Europe** | **America** | **Consolidation Adjustments** | **Totals** |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Revenue | 37,759 | 4,459 | 2,286 | **-** | **44,504** |
| **Profit before tax** | **2,474** | **228** | **77** | **-** | **2,779** |
| Depreciation and Amortisation | (93) | (7) | (4) | **-** | **(104)** |
| Purchase of non-current assets | (95) | (5) | (2) | **-** | **(102)** |
| Total non-current assets | 296 | 17 | 6 | **-** | **319** |
| Total Assets | 10,652 | 1,558 | 444 | (253) | **12,401** |
| Total Liabilities | (4,162) | (478) | (188) | 253 | **4,575** |
| **Equity attributable to equity holders of the parent** | **6,490** | **1,080** | **256** | **-** | **7,826** |

The revenue and gross profit derived in these geographical locations can be further broken down into the two divisional sales business units known as IT Staffing and Global Services, as shown below. It is not possible to segment the administrative expenses and assets of these divisions accurately as they are only reportable within the Group's accounts to the extent shown.

| **2007** | **Global Services £000** | **IT Staffing £000** | **Totals £000** |
|---|---|---|---|
| Revenue | 13,514 | 36,312 | **49,826** |
| Gross Profit | 6,190 | 5,041 | **11,231** |

| **2006** | **Global Services £000** | **IT Staffing £000** | **Totals £000** |
|---|---|---|---|
| Revenue | 10,340 | 34,164 | **44,504** |
| Gross Profit | 4,180 | 4,418 | **8,598** |

## 3. Dividends

| | **2007 £000** | 2006 £000 |
|---|---|---|
| **Ordinary Dividends** | | |
| Final (prior year) | **302** | 232 |
| Interim (current year) | **186** | 139 |
| Dividend waived by Employee Benefit Trust in year | **(6)** | (3) |
| | **482** | 368 |

After the balance sheet date, the board recommended a final dividend of 1.9p *(2006:1.3p) per* share, making a total dividend of 2.7p *(2006:1.9p).*The final dividend has not been provided for in these financial statements.

## 4. Earnings Per Share

| | **2007 £000** | 2006 £000 |
|---|---|---|
| **Earnings** | | |
| Profit after tax | **2,833** | 2,090 |
| Add IFRS 2 share-based payment charges | **147** | 137 |
| Adjusted earnings before IFRS 2 share-based payment charges | **2,980** | 2,227 |
| **Earnings per share** | | |
| Basic | **12.3p** | 9.1p |
| Diluted | **12.0p** | 9.0p |
| Adjusted basic | **13.0p** | 9.7p |
| Adjusted diluted | **12.7p** | 9.6p |

The calculation of basic earnings per share is based on profit after tax. The calculation of adjusted earnings uses the basic earnings before IFRS 2 share-based payment charges and is presented to show more clearly the underlying performance of the Group.

The weighted average number of ordinary shares used in the calculation of the basic, diluted and adjusted earnings per share is as follows:

| | **2007** | 2006 |
|---|---|---|
| | **No.** | No. |
| Weighted average number of shares in issue during the year used in the calculation of basic and adjusted basic earnings per share | **22,950,608** | 22,943,962 |
| Dilutive effect of options treated as exercisable at the year end | **588,786** | 369,237 |
| | **23,539,394** | 23,313,199 |

## 5. Circulation to Shareholders

Copies of the Company's Annual Report will be sent to shareholders on 19th March 2008 with further copies available from the Company Secretary, FDM Group Plc, 2nd Floor Lanchester House, Trafalgar Place, Brighton, East Sussex. BN1 4FL.