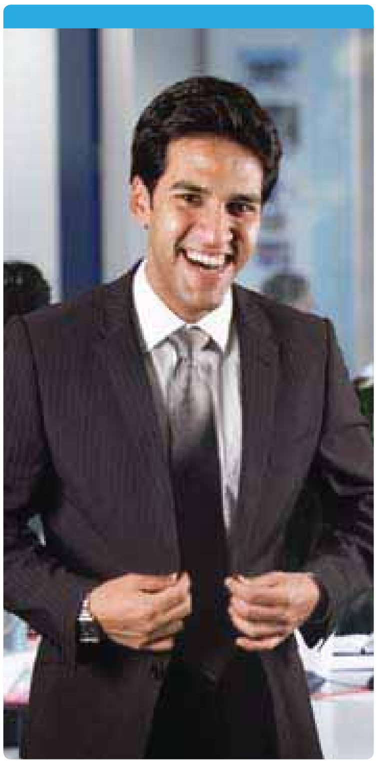
FDM Group Plc
Annual Report & Accounts
Year ended 31 December 2008



Strategic IT Services

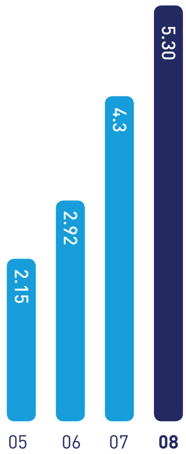
Global presence. Client focus.

FDM Group is an award winning IT services provider, specialising in consulting and training. With offices in the UK, USA and Europe, FDM has maintained its leadership in this highly competitive marketplace by investing in the FDM Academy Programme, which is an integral part of our unique and robust business model. FDM has shown exponential growth throughout the years, servicing over 200 clients in diverse industry sectors.

Contents

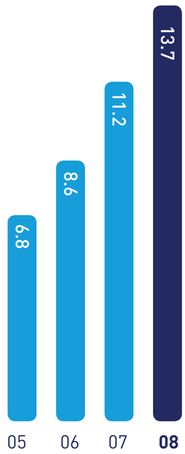
Business Development

Sales (£m)



Adjusted profit before tax (£m)

High utilisation rates maintained (%)



Gross Profit (£m)

Financial Highlights

- ★ Revenues increased by 4.7% to £52.2 million (2007: £49.8 million).
- ★ Gross profit increased by 22.1% to £13.7 million (2007: £11.2 million).
- ★ Overall gross margins increased to 26.2% (2007: 22.5%).
- ★ Operating margin increased to 9.6% (2007: 8.1%).
- ★ Profit before tax £5.3 million (2007: £4.3 million), representing an increase of 23%.
- ★ Fully diluted earnings per share of 15.7p (2007: 12.0p), representing an increase of 31%.
- ★ Final dividend of 2.5p per share, making a total dividend of 3.5p per share (2007: 2.7p), representing an increase of 30%.
- ★ Net cash and cash equivalents increased to £10.1 million (2007: £6.0 million).
- ★ Debtor days reduced to 57 days (2007: 59 days).

Operational Highlights

- ★ High customer retention continues.
- ★ Positive new business momentum.
- ★ Mountie utilisation rates sustained, at 97.7% (2007: 98.3%).
- ★ Further expansion of academy model.
  - First full-year impact of Manchester Academy.
  - Significant expansion of London Academy for 2009 now complete.
- ★ Current trading remains in line with market expectations.

Commercial Highlights

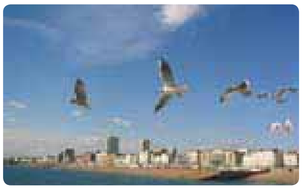
- ★ Winner at the IITT Awards – Training Department of the Year 2009.
- ★ Winner at the SBA Awards – Sussex Company of the Year 2008/09.
- ★ Finalist at the BCS Awards – Young IT Practitioner of the Year 2008.
- ★ Finalist at the Computing Awards for Excellence – Services Supplier of the Year 2008.

Outpacing a Growth Market

Covering over 40 nationalities and languages, FDM is truly global in origin and outlook. The UK alone requires another 140,000 IT professionals per year for the next five years, a testament to the still-untapped demand for technology.

Delivering excellence worldwide

Brighton



42%

UK's IT businesses based in the south-east of England

FDM's headquarters are situated in Brighton, providing back-office support, sales and marketing to over 200 clients. In addition to offering the full range of IT training programmes, this centre accommodates 40+ trainees, many of whom have relocated from other European countries, through our association with the Leonardo da Vinci Programme.

London

250%

Expansion of London office

Our contemporary London office recently expanded to accommodate the majority of the sales team as well as providing space for 110+ trainees to be trained in the academy. Ideally situated to satisfy our growing network of clients in the city, this centre provides the entire range of training programmes, with particular emphasis on application support and testing.

Manchester

+3400

Applicants since training Academy opened in Manchester

As the UK's pre-eminent regional centre for financial and business services, this office has experienced huge success in its first fully operational year. With more than 3,400 trainee applications received since its inception, our northern academy has trained and placed 40+ graduates throughout 2008. We expect this centre to experience further growth in 2009.

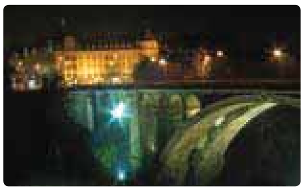
Frankfurt

101%

Growth on GP in Germany

Its central location and excellent infrastructure allows FDM to benefit from fast links to our key German and Austrian clients. FDM GmbH has gained a number of clients in the finance, telecoms, transport and media sectors, including Deutsche Bank, O2, Deutsche Börse and Daimler Chrysler. Further development of the Mountie Programme in this region is planned.

Luxembourg



New York

Zurich

Key

New Office

Existing Office

10

Trainees funded by Leonardo da Vinci Programme

57%

Turnover growth

20%

Switzerland's GDP originating from Zurich

FDM SA is an ideal base to service clients throughout the Benelux region. As part of the European initiative to increase and enhance IT skills, FDM SA receives funding from the Leonardo da Vinci 'Lifelong Learning' Programme. This has helped transition trainees from France and Belgium to the UK as well as strengthening the presence of FDM Academy in the region.

FDM Inc provides services to key government and banking clients in Washington DC as well as global business, financial, media and technology companies based in New York. Being located in the USA for over a decade allowed us to build a list of loyal customers, including; HSBC, UBS Investment Bank, EDS and Unisys. Our US and UK centres share many of the same clients.

Further investment in infrastructure resulted in the opening of our first office in southern Europe. Zurich has proven an important addition to our global network, ideally situated to satisfy FDM's many Swiss-based clients. FDM is now able to better service key clients such as Credit Suisse and UBS Investment Bank, directly from the heart of Switzerland.

What We Do

FDM's business model underpins our five services, an innovative and holistic approach that works for the most prominent organisations throughout the world. Our range of services offer a compelling, high value proposition – tailored to fit individual client needs.

Our business model in detail

The FDM Academy Programme

- ★ Development
- ★ Testing
- ★ Infrastructure
- ★ Support

Our award-winning Academy has trained over 1,500 individuals to the highest industry standards, covering Java, C# .NET, Testing Analysis, Application Support and Infrastructure Analysis.

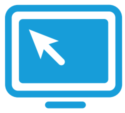
Selecting the best individuals to join the FDM Academy is a discerning and thorough process. For every trainee enlisted, FDM reviews 400 applications, evaluating both their potential technical excellence and business etiquette.

The Mountie Model Advantage

- ★ **Permanent employees of FDM (minimum two year commitment)**
- ★ **Guaranteed skill levels**
- ★ **Low-risk resource solution**
- ★ **FDM accountability**
- ★ **Geographic flexibility**
- ★ **Technically fit for purpose**
- ★ **High value, low cost proposition**

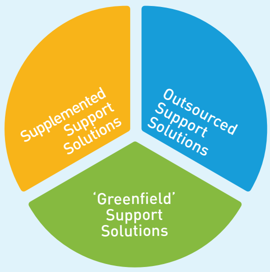
Associate Consultants

- ★ **Scalability and flexibility through our associate consulting pool**
- ★ **Long term relationship with FDM**
- ★ **Quality assured**
- ★ **Diversity and specialisation of skills**
- ★ **Rapid deployment capability**



1. Application Support

FDM helps clients manage their support functions through:



How the service works

These fully flexible solutions are designed to be entirely/partly managed by FDM or the client, depending on their requirement.

Benefits

- ★ On or off-site service capability
- ★ ITIL service standards and processes
- ★ Continuous staff development and guaranteed term of resource
- ★ Detailed Service Level Agreements

2.Training

FDM performs all aspects of the training lifecycle, from analysis to delivery and ongoing support.

How the service works

We offer self-paced materials combined with 'real' people. This can include e-learning, mentoring, discussion groups, tutoring and classroom workshops.

Benefits

- ★ Flexible service
- ★ Experienced training providers
- ★ Robust credentials
- ★ Post-course support available

3. Testing

Our testing capability helps clients reduce project risk as well as cost, improving both the quality and performance of their IT systems. We offer an array of tools, assessing best fit for budget and purpose, in order to provide maximum return on investment (ROI).

How the service works

- Requirements Analysis
- Script Development
- Coverage Validation
- Test Execution
- Management Information

Benefits

- ★ Fully managed and flexible service
- ★ Near off-shore costs and fixed day rates
- ★ Accredited ISTQB Test Consultants
- ★ Service continuity

4. Consultancy

Our practical consultancy service helps manage and minimise risk of IT development projects, by providing services throughout all phases of the software development lifecycle (SDLC).

How the service works

Whatever technology or methodology our clients use, we can help by providing skilled and managed consultants, from high-level technical architects to industry trained junior developers. Our blended approach is tailored to suit the individual needs of our clients.

Benefits

- ★ Flexible on-site or off-site delivery
- ★ Managed service agreements
- ★ Broad ranging technology expertise
- ★ Our track record of success

5. Infrastructure

FDM has the capability to manage infrastructure related projects ranging from business as usual operational activities to server migrations, consolidations, infrastructure refreshes and technical projects.

How the service works

Benefits

- ★ Distinctive and cost-effective solution
- ★ Outsourcing capability
- ★ Minimise reliance on freelance contractors
- ★ Maximise operational efficiency

Our clients include:

- ★ Abbey
- ★ ACE Insurance
- ★ Asda
- ★ B&Q
- ★ Barclays Wealth
- ★ BBC
- ★ BMW
- ★ British Airways
- ★ BSkyB
- ★ Channel 4
- ★ Citigroup
- ★ Credit Suisse
- ★ Daimler Chrysler
- ★ Deutsche Bank
- ★ EADS
- ★ EDS
- ★ Fidelity
- ★ Goldman Sachs
- ★ HSBC
- ★ Lloyds of London
- ★ Logica
- ★ M and M Direct
- ★ NSPCC
- ★ O2
- ★ RBS
- ★ RSPCA
- ★ SITA
- ★ Sungard
- ★ Swiftcover
- ★ The AA
- ★ UBS
- ★ Virgin Media

Chairman's Statement

2008 has been another record year for FDM Group. The IT consultancy services platform that FDM has created, with its emphasis on value and service excellence, has been largely driven by our highly skilled in-house 'Mountie' resource, providing a significant competitive advantage in the current climate.

2008 has been another record year for FDM Group. The IT consultancy services platform that FDM has created, with its emphasis on value and service excellence, has been largely driven by our highly skilled in-house 'Mountie' resource, providing a significant competitive advantage in the current climate. Despite the difficult economic conditions, the Group has continued to invest in additional organic opportunities and we are already beginning to see some benefits from the earlier investments made in our Manchester and London Academies. Whilst not complacent, the Board expects the demand for our services to be sustained.

FDM would not be in this position of strength were it not for its professional and dedicated team of employees. The Board would therefore like to take this opportunity to thank our staff for their significant contribution to the development of the company and also thank our shareholders for their continued support.

Results

Revenue for the Group has increased by 4.7% to £52.2m (2007: £49.8m), reflecting the growing momentum from both existing and new client demand, together with our previously stated strategy of reducing the numbers of freelance contractors who are on contracts which produce low margins for FDM.

2.5%

Predicted UK IT market growth p.a (five times the UK average)

293

Mounties at year end

Supported by the recent investment in capacity at our Academies we believe that the Mountie model can continue to gain market share with both new and existing clients.

Gross profits have increased 22.1% year-on-year from £11.2m in 2007 to £13.7m in 2008, reflecting an improvement in our gross margin from 22.5% to 26.2%. This is due largely to the growing proportion of our business being performed by Mountie resources. Profit before tax after adjusting for IFRS2 share-based payments amounts to £5.3m, an increase of 20% over 2007 (£4.4m) and there were strong contributions across each of the major geographies in which we operate (UK, continental Europe and the US). Adjusted fully-diluted earnings per share grew by 3.1p to 15.8p, an increase of 24%.

The Board is pleased to propose a final dividend of 2.5p per share making a total dividend for the year of 3.5p, an increase of 30% (2007: total dividend 2.7p). This reflects the further strong progress made in 2008.

An especially pleasing aspect of our performance has been the strong cash generation, which has led to a further increase in year-end cash and cash equivalent balances to £10.1m (2007: £6.0m). Debtor days are again improved at 57 days down from 59 at the end of 2007 and 71 days in 2006.

Board changes

As I reported to you in 2007, the Board was strengthened with the appointment of an externally recruited Finance Director and internal promotions to both the Sales Director and Global Services Director.

Further changes also included Julian Divett, FDM's Chief Operations Officer and a valued member of the Board, leaving FDM to pursue other interests in France whilst Jacqueline Flavell, stepped down as Company Secretary in September 2008. As long-standing members of staff, we would like to extend our appreciation to both for their commitment throughout the years. David Templeman, Finance Director and an experienced Company Secretary took up the Company Secretarial role.

Outlook

It is clear that the rapid deterioration in economic conditions has impacted heavily on all sectors, with many organisations scaling down their operations or freezing expenditure. Against this backdrop, forecasting becomes less certain but the resilience and flexibility of our business is increasingly evident. Supported by the recent investment in capacity at our Academies, we believe that the Mountie model can continue to gain market share with both new and existing clients. The Board therefore remains confident in the Group's trading prospects for the current year.

I. Martin

Ivan Martin
Chairman
9 March 2009

Chief Executive's Review

In 2008, 163 Mounties graduated from our Academies and Mountie numbers increased from 208 at 31 December 2007 to 293 at 31 December 2008, highlighting our additional capacity and the growing demand for our services.

Introduction

I am delighted to report that FDM has recorded its best ever year, with strong growth in profitability and cash generation, despite a background of economic uncertainty and turbulent financial markets. Growth in net profit has been delivered by continued improvement in our gross margins and the managed expansion of our delivery programme with tight control of overhead costs.

Core growth strategy: Development of an IT services business

Since the flotation of our business in 2005, our core strategy has been to develop FDM into an international IT services company. This strategy is underpinned by two key elements: the selling of our resources into specialist niche areas of IT activity and the production of our Mountie resources to fill these teams.

We typically deploy our resource to clients in two ways:

- **Blended teams of Mountie and freelance contractors**
  Experienced contractors will normally lead a team of Mounties delivering specialist services such as support, testing, training or consultancy; and

- **Deployment of Mountie resources to clients on secondment**
  Our Mountie resources will be deployed directly to a client, normally on secondment to fulfil service delivery at the direction of our client IT functions.

Within both of these delivery arrangements, we are providing an expert resource to satisfy business-as-usual requirements throughout our blue-chip client base. Placement arrangements are nearly always on a time and materials basis and our clients typically sign contracts for one year.

Our Mountie model is a clear differentiator when negotiating with existing clients and pitching for new business.

Key performance indicators

The successful transformation into an IT services business has been underpinned by several key dynamics:

- The majority of gross profit is now derived from our in-house senior technical resources and Mounties reducing the reliance on income from placing freelance contractors;
- Our ability to achieve significant gross margins on our Mounties;
- Successful expansion of our delivery programme, with the addition of a new training centre in Manchester and the recent opening of a much-expanded London academy; and
- Our price structure represents a compelling high-value proposition for our clients and with excellent service delivery, our utilisation rates have remained consistently high.

The conversion ratio of our net to gross income (measuring our ability to deliver managed growth) demonstrates continued improvement up to 38.5% in 2008 (2007: 37.9%) and cash generation has been excellent once again.

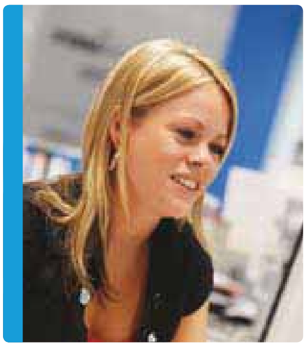
Organisational restructure

As a result of our shift to a services-based business model, we have recently restructured the way in which we organise our business, effective from January 2009. Our IT staffing business has been fully integrated within each of the various streams of key business activity (support, testing, training, infrastructure and consultancy) and we will in future be reporting our business activity along these functional lines, as well as across our main segment, which remains geographic. We believe that this change will improve the understanding of our business and offer more clarity on the key market dynamics and drivers.

Each business stream will account for all IT services business and associated freelance contracts and this methodology now aligns the Group alongside the majority of IT services providers.

Chief Executive's Review (continued)

We made excellent progress during the period, winning a number of new contracts and securing a number of contract renewals with both financial and non-financial clients.



Development of the academy programme

Underpinning our growth strategy is FDM's Mountie programme where we recruit numerical science graduates who are trained within one of our business streams and who gain external accreditation at the end of their training.

Each training course can extend to up to six months for very technical disciplines such as Java or .Net development but on average last in the region of four months.

Trainees who are accepted onto the Mountie programme are contractually tied to us for a period of two years. During the two year post-training period, Mounties are deployed within our blue-chip client base and we earn returns that recover our investment in their training plus a profit margin. We successfully maintain utilisation rates approaching 100%.

In order to meet demand for our training streams, we undertook an Academy expansion programme. 2008 saw the first full-year of operation within our Manchester Academy and the relocation of our London Academy, increasing its capacity for training by 250%.

In 2008, 163 Mounties graduated from our Academies and Mountie numbers increased from 208 at 31 December 2007 to 293 at 31 December 2008, highlighting our additional capacity and the growing demand for our services.

New clients

We made excellent progress during the period, winning a number of new contracts and securing a number of contract renewals with both financial and non-financial clients. Notable wins servicing our financial client base include RBS, Credit Suisse, Swiftcover and Legal & General.

We have also been successful in developing our non-financial client base. We have seen particular growth in our government integrator related segment, with wins including BAE Systems and EADS. Other non-financial wins include the RSPCA, BSkyB, News International, NSPCC and Asda.

Our current pipeline for 2009 is encouraging with new and existing clients continuing to deploy FDM resources at a time when many organisations are reducing budgets. For customers with committed IT projects and critical customer service functions that need to maintain high levels of service, whilst remaining within tight budget constraints, FDM's value proposition ensures that this is possible.

International focus

Our offices in Frankfurt, Luxembourg, New York and the newly established Zurich office continue to generate profitable growth. FDM's international customer base continues to provide good opportunities for cross-selling around our international network.

FDM currently services 40 corporate clients from its overseas offices and we believe our international proposition will continue to make a valuable contribution to revenues and profits in the current year.

Outlook

We have made a good start to 2009 but these are challenging times and complacency is not an option. Our Mountie model is a clear differentiator when negotiating with existing clients and pitching for new business. This model creates flexibility within our cost base without compromising on our high service standards. Our academy expansion programme has added real scalability to our business and we remain confident that demand for our services will exceed capacity as our consistently high utilisation rates indicate.

The Board therefore remains confident in trading for the current year.

Rod Flavell
Chief Executive Officer
9 March 2009

Board of Directors, Secretary and Advisers

1. Ivan Martin
(Non-Executive Chairman)
Ivan is FDM's Non-Executive Chairman and brings to FDM his previous expertise as a main Board Director and Chief Executive. He chairs the Remuneration Committee and is a member of the Audit Committee. His earlier role with Misys Plc, where he headed their banking division, has entailed significant operational experience including sales, customer services, software development, professional services and product management. He is also Executive Chairman of Sesame Group Ltd.

2. Rod Flavell
(Chief Executive Officer)
Rod was a founder of FDM Group in 1991 and became Chief Executive Officer in 2001. He was responsible for leading the Group's successful flotation on AIM in 2005. During the last three years, he has overseen the Group's transition into an IT Services company focussed on generating higher margins. Rod is a Non-Executive of the business analytics company, Visual Metrics and Executive Director of Glen Dudley Investments Limited.

3. David Templeman
(Chief Financial Officer)
David, a chartered accountant, was appointed as the Group's Chief Financial Officer in November 2007, having spent over 20 years in a broad range of senior financial positions. David was a partner at BDO Stoy Hayward before joining Citigroup, and more recently acting as Head of Finance and IT for an international bank in the City. David is working to drive FDM's organic growth and acquisition programme, with responsibility for ensuring that FDM maintains robust systems to underpin its continuous development.

4. Sheila Flavell
(Global Services Director)
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 division. Sheila has responsibility for FDM's Testing, Consultancy, Support, Infrastructure 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. Sheila is also an Executive Director of Glen Dudley Investments Limited.

5. Andrew Brown
(Sales Director)
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 established FDM as a key vendor to other major financial organisations, paving the way for FDM's first City-based office. He is now Head of Group Sales and is responsible for the development of products and services for FDM and its clients.

6. Karl Monaghan
(Non-Executive Director)
Karl was appointed a Non-Executive Director of FDM Group in November 2005. He has considerable expertise in the finance and accounting arena, having previously been employed by KPMG, Credit Lyonnais Securities and R.W.Baird. Karl chairs the Audit Committee and is a member of the Remuneration Committee. He is also a Non-Executive Director of a number of AIM quoted companies.

Company Secretary
David Templeman

Registered office and Directors' Business address
Second Floor
Lanchester House
Trafalgar Place
Brighton
BN1 4FU

Nominated Adviser, Financial Adviser and Broker
Brewin Dolphin Investment Banking
12 Smithfield Street
London
EC1A 9BD

Solicitors to the Company
Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Auditors
KPMG Audit Plc
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Bankers
The Royal Bank of Scotland Plc
London Road
Brighton
BN1 4LW

Receiving Agents and Registrars
Neville Registrars Limited
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Directors' Report

The Directors present their Directors' report and financial statements for the year ended 31 December 2008.

Principal activities
The Group's principal activity is that of an international IT services provider. The Group specialises in recruiting and training its own permanent IT consultants known as 'Mounties'.

The Company has overseas subsidiaries based in the USA, Belgium, Switzerland, Luxembourg and Germany.

Business review
A review of the business covering Key Performance Indicators and the performance of the Group is set out in the Chairman's Statement and Chief Executive's Review on pages 6 to 11.

The principal risk facing the Group remains around general market conditions. We continuously monitor these and necessary steps will be taken to minimise impact on trading if conditions change.

Proposed dividend
The Directors have proposed a final ordinary dividend in respect of the current financial year of 2.5p per share.

Dividends paid during the year comprise a final dividend of £441,180/1.9p per share in respect of the previous year ended 31 December 2007, together with an interim dividend in respect of the year ended 31 December 2008 of £232,200/1.0p per share.

Policy and practice on payment of creditors
It is the policy of the Company to settle outstanding accounts with suppliers on normal terms of credit which are agreed before initial transactions are contracted.

At the year end there were 19 days (2007: 23 days) purchases in trade payables.

Directors
The Directors who held office during the year were as follows:

I Martin (Chairman)
RN Flavell
K Monaghan
DG Templeman
A Brown (appointed 29 January 2008)
S Flavell (appointed 29 January 2008)
JN Divett (resigned 10 March 2008)

Political and charitable contributions
During the year the Group made charitable donations of £5,437 (2007: £2,626). No political contributions were made (2007: £nil).

Corporate social responsibility
The Group makes it a policy of informing all employees of matters of concern to them as employees, both in their immediate work situation and in the wider context of the Group's well being. It encourages participation and involvement in matters which affect their interests as employees. Communication with employees is effected through the Group's intranet portal which is updated on a daily basis and quarterly staff magazines sent out by post. Informal communication is facilitated by emails to all Group companies and encouragement is given to employees to provide feedback in the aim towards achieving a common awareness on all aspects affecting the performance of the Group.

The Group gives full and fair consideration to the employment of disabled persons for suitable jobs. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues either in their existing job or in a suitable alternative. The Group would endeavour to make any reasonable adjustments for disabled employees to fulfil job role responsibility. It is the Group's policy to support disabled employees in all aspects of their training, development and promotion where it benefits the employee and the Group.

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

David Templeman
Company Secretary

2nd Floor Lanchester House
Trafalgar Place
Brighton
East Sussex
BN1 4FU

Report on Directors' Remuneration

The Remuneration Committee (the 'Committee'), which comprises of the two Non-Executive Directors, Ivan Martin and Karl Monaghan, is appointed by the Board and is responsible for determining the service contracts, remuneration packages (including benefits, pension rights and compensation payments) and the grant of share options to the Executive Directors. The Committee is chaired by Ivan Martin.

Remuneration policy

Remuneration of the Executive Directors is agreed by the Committee. Terms of appointment of senior management are agreed and approved by the Chief Executive Officer. Policies are designed to ensure that the remuneration offered to Directors is competitive in order to retain, attract and motivate individuals of suitable calibre. Remuneration is tailored to reflect the individual responsibilities of the Directors and provide incentives to deliver the Group's objectives as well as reward for enhancing value to shareholders. The remuneration comprises of a mixture of performance related and other remuneration which is designed to incentivise Directors without detracting from the goals of Corporate Governance.

All the service agreements of the Executive Directors provide for a notice period by either party of not more than twelve months.

It is the Committee's intention to operate this remuneration policy during the next and subsequent financial years.

Remuneration – Executive Directors

Salary and other benefits

The Committee assesses the levels of remuneration of the Executive Directors to ensure that the rates of pay reflect performance and also are in line with similar positions in comparable companies. This principle is also applied, where practicable, throughout the organisation.

Performance Linked Bonus

A performance related bonus payment is payable to the Executive Directors depending on the level of Group profit performance for the year compared to budget. This is subject to the Committee's approval at the start of the financial year. A scheme is also in place for certain senior managers based on sales and contribution.

Pension contributions

The Company makes pension contributions calculated on basic salary to a Group Pension Plan. Such contributions represent between 3% and 4% of the basic salary.

Benefits in kind

Benefits in kind consist of taxable benefits including:

- The provision of a company car or car allowance paid in lieu of supply of a company car.
- Health care insurance.

Share Options

The Company operates an HMRC Approved share option scheme namely The FDM Group EMI Share Option Plan in which two forms of options are granted:

- Options under which the price to be paid on exercise is equal to the market value of the Ordinary Shares at the date of grant. These shares are generally awarded to employees based on seniority and length of service and are referred to as 'market value options'. Options over a total of 553,528 shares have been issued under this scheme.
- Options under which the price to be paid on exercise is the nominal value of the Ordinary Shares. Such options are awarded only to selected senior management and are subject to performance conditions in relation to growth in EPS in excess of RPI. These options are referred to as 'long term incentive plan options'. Options over a total of 480,000 shares have been issued under the scheme. A list of grants to Directors is set out in Directors' interests in share options listed below:

Remuneration – Non-Executive Directors

Fees payable to the Non-Executive Directors are determined by the Board at the beginning of each financial year having given due consideration to market practice.

Directors' remuneration

Executive Directors	Salary 2008 £	Salary 2007 £	Performance Bonus 2008 £	Performance Bonus 2007 £	Benefits in kind 2008 £	Benefits in kind 2007 £	Pension 2008 £	Pension 2007 £	Total 2008 £	Total 2007 £
Roderick Flavell	**230,000**	190,000	**69,000**	142,500	**12,492**	12,595	**52,000**	6,440*	**363,492**	351,535
Julian Divett	**90,000**	120,000	**–**	90,000	**3,679**	6,795	**5,170**	3,000	**98,849**	219,795
David Templeman	**110,000**	15,513	**88,500**	5,200	**985**	199	**2,200**	–	**201,685**	20,912
Sheila Flavell	**120,000**	–	**80,000**	–	**6,753**	–	**3,600***	–	**210,353**	–
Andrew Brown	**120,000**	–	**80,000**	–	**6,802**	–	**4,061**	–	**210,863**	–
									1,085,242	592,242

Non-Executive Directors	Salary 2008 £	Salary 2007 £	Consultancy Fees 2008 £	Consultancy Fees 2007 £	Total 2008 £	Total 2007 £
Ivan Martin	**50,000**	50,000	**10,000**	–	**60,000**	50,000
Karl Monaghan	**6,000**	6,000	**31,500**	27,000	**37,500**	33,000
					97,500	83,000

* The amount shown as Roderick Flavell's 2007 pension includes a sum of £5,940 in lieu of not being in the company pension scheme. This ceased on 30 November 2007 and pension contributions commenced 1 December 2007 into a defined contribution scheme of which £500 was paid into the scheme by the company. Sheila Flavell was paid the sum of £3,600 in lieu of not being in the company pension scheme

Consultancy fees in respect of Karl Monaghan were paid to Ashling Capital LLP.

The details of the service contracts of those who served as Directors during the year are:

	Employment Date	Contract Date	Contract End Date	Notice Periods
Roderick Flavell	01.01.91	23.03.05	–	12 months
Karl Monaghan	01.11.05	01.11.05	–	6 months
Ivan Martin	01.07.06	01.07.06	–	6 months
David Templeman	12.11.07	12.11.07	–	6 months
Andrew Brown	01.09.94	29.01.08	–	12 months
Sheila Flavell	04.05.98	29.01.08	–	12 months
Julian Divett	01.01.91	23.05.05	10.03.08	6 months

Report on Directors' Remuneration (continued)

Directors' interests in shares

The Directors who held office at the end of the financial year had the following beneficial interests in the Ordinary Shares of FDM Group Plc according to the register of Directors' interests:

	Shares held at 1 Jan 2008	Shares held at 31 Dec 2008
Roderick Flavell	1,830,000	1,880,000
Ivan Martin	15,000	15,000
Karl Monaghan	15,000	15,000
Andrew Brown	215,462	215,462
Sheila Flavell	186,924	236,924
Total	**2,262,386**	**2,362,386**

Directors' interests in share options

	At 1 Jan 2008	Lapsed	Exercised	At 31 Dec 2008	Exercise price	Name of scheme	
Roderick Flavell	30,000	–	30,000	–	1p	LTIP	Apr 05
	20,000	–	20,000	–	1p	LTIP	Sept 05
Sheila Flavell	30,000	–	30,000	–	1p	LTIP	Apr 05
	20,000	–	20,000	–	1p	LTIP	Sept 05
Andrew Brown	30,000	–	–	30,000	1p	LTIP	Apr 05
	20,000	–	–	20,000	1p	LTIP	Sept 05
Total	**150,000**	**–**	**100,000**	**50,000**			

The aggregate gains made on the date of the options exercised by Roderick Flavell and Sheila Flavell were £39,000 and £35,000 respectively, the market value on the date of exercise was 75p.

Roderick Flavell's wife, Sheila Flavell, held 236,924 Ordinary Shares as at 31 December 2008 and his dependants held 13,333 Ordinary Shares, therefore Roderick Flavell has an indirect interest in these shares. Andrew Brown's wife, Kate Brown, held 73,129 Ordinary Shares as at 31 December 2008, therefore Andrew Brown has an indirect interest in these shares. There have been no other changes in the interests or rights to subscribe for shares of the Directors in the ordinary share capital of the Company since the end of the financial year.

The share options held under the FDM Group EMI Share Option Plan referred to as 'long term incentive plan options' (LTIP) are exercisable in accordance with the rules of this scheme and shall only be exercisable during a period beginning three years and ending ten years after the date of grant. These options are subject to the achievement of performance requirements which have now been achieved.

The Company's share price at 31 December 2008 was 62 (2007: 125) pence per share. The subscription price on float on 7 April 2005 was 78 pence per share, and the high/low prices during 2008 were 123.5 (2007: 155) pence per share and 62 (2007: 93.5) pence per share respectively.

This report was approved by the Board on 9 March 2009 and has been signed on its behalf by:

Ivan Martin
Chairman

Corporate Governance

The Board, which comprises the Executive Directors, a Non-Executive Chairman, Ivan Martin, and one independent Non-Executive Director, Karl Monaghan are responsible for establishing the strategic direction of the Group, monitoring the Group's trading performance and appraising and executing development and acquisition opportunities. The Company holds at least six Board meetings each year. The Directors' believe the Board is favourably constituted although, at this stage of the Group's development, it is felt the functions of a Nominations Committee can be adequately fulfilled by deliberation of the full Board; this will nevertheless be kept under review.

The Company complies with the Combined Code on the Principles of Good Governance and the Code of Best Practice so far as is reasonably practicable for an AIM quoted company. Where full compliance is not considered appropriate by the Board, the Directors will refer to guidance issued by the Quoted Companies Alliance. Ivan Martin and Karl Monaghan are deemed to be independent Non-Executive Directors for the purposes of the Combined Code. The Company maintains appropriate Directors' and officers' liability insurance.

The Board has established an audit committee, which consists of Karl Monaghan (Chairman) and Ivan Martin. The audit committee is primarily responsible for ensuring that the financial performance of the Company is properly measured and reported on and will review any reports from the management and the auditors regarding the accounts and will consider draft interim and annual accounts. The audit committee will make recommendations concerning the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Company's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. It will also make recommendations to the Board on the appointment of the auditors and the audit fee. It will meet at least twice each year.

In addition the Board has established a remuneration committee made up of Ivan Martin (Chairman) and Karl Monaghan. The remuneration committee is responsible for making recommendations to the Board on remuneration policy for the Executive Directors and the terms of their service contracts, with the aim of ensuring that their remuneration, including awards made under the EMI Plan, is based both on their own performance and that of the Group generally. The remuneration committee administers and establishes performance targets for the EMI Plan and approves awards made under this plan and will administer any future incentive schemes. The Group has adopted a policy of regular reviews of option awards and the remuneration committee meets every six months to ensure the appropriate incentives are in place. In addition it advises on the remuneration policy for the Group's employees. In exercising this role, the terms of reference of the remuneration committee require it to comply with the Code of Best Practice published in the Combined Code. The remuneration committee also has responsibility for making recommendations on the appointment of additional Directors to the Board.

The Company has adopted a model code for dealings in its Ordinary Shares by Directors and senior employees which is appropriate for an AIM quoted company.

Statement of Directors' Responsibilities

in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the group and the Parent Company financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report

to the Members of FDM Group Plc

We have audited the group and Parent Company financial statements (the 'financial statements') of FDM Group Plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 18.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements. The information given in the Director's Report includes the information presented in the Chairman's Statement and Chief Executive's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' Remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
9 March 2009

Consolidated Income Statement

for year ended 31 December 2008

	Note	2008 £000	2007 £000
Revenue	2	**52,212**	49,826
Cost of sales		**(38,501)**	(38,595)
Gross profit		**13,711**	11,231
Administrative expenses	3	**(8,686)**	(7,182)
Operating profit		**5,025**	4,049
Financial income	6	**249**	212
Financial expenses	6	**(2)**	(7)
Net finance income		**247**	205
Profit before tax		**5,272**	4,254
Taxation	7	**(1,581)**	(1,421)
Profit for the year attributable to equity holders of the Parent Company		**3,691**	2,833
Earnings per share (pence)	20		
Basic		**16.0p**	12.3p
Diluted		**15.7p**	12.0p

Consolidated and Parent Company Balance Sheets

at 31 December 2008

		Group		Company	
	Note	2008 £000	2007 £000	2008 £000	2007 £000
Non-current assets					
Property, plant and equipment	8,9	**404**	373	**390**	349
Intangible assets	10	**102**	110	**102**	110
Deferred tax assets	12	**43**	212	**43**	212
		549	695	**535**	671
Current assets					
Trade and other receivables	13	**9,394**	9,527	**7,148**	8,252
Cash and cash equivalents	14	**10,058**	5,953	**8,037**	4,832
		19,452	15,480	**15,185**	13,084
Total assets		**20,001**	16,175	**15,720**	13,755
Current liabilities					
Trade and other payables	15	**4,966**	4,841	**4,090**	4,285
Current tax liability		**951**	830	**642**	765
Total liabilities		**5,917**	5,671	**4,732**	5,050
Net assets		**14,084**	10,504	**10,988**	8,705
Equity attributable to equity holders of the parent					
Share capital	17,18	**232**	232	**232**	232
Share premium	17,18	**3,332**	3,332	**3,332**	3,332
Translation reserve	17,18	**758**	64	**–**	–
Capital redemption reserve	17,18	**63**	63	**63**	63
Retained earnings	17,18	**9,699**	6,813	**7,361**	5,078
Total equity		**14,084**	10,504	**10,988**	8,705

These financial statements were approved by the Board of Directors on 9 March 2009 and were signed on its behalf by:

RN Flavell
Director

Consolidated and Parent Company Cash Flow Statements

for year ended 31 December 2008

		Group		Company	
	Note	2008 £000	2007 £000	2008 £000	2007 £000
Cash flows from operating activities					
Profit for the year		**3,691**	2,833	**3,088**	2,483
Adjustments for:					
Depreciation and amortisation	3	**237**	210	**230**	199
Financial income	6	**(249)**	(212)	**(241)**	(205)
Financial expense	6	**2**	7	**–**	5
Loss on disposal of non-current assets		**1**	–	**–**	–
Equity settled share-based payment expenses	16	**17**	147	**17**	147
Taxation	7	**1,581**	1,421	**1,225**	1,313
Decrease in trade and other receivables	13	**736**	665	**1,196**	788
(Decrease)/Increase in trade and other payables	15	**(179)**	688	**(288)**	478
Interest paid	6	**(2)**	(7)	**–**	(5)
Tax paid		**(1,503)**	(1,059)	**(1,326)**	(980)
Net cash from operating activities		**4,332**	4,693	**3,901**	4,223
Cash flows from investing activities					
Interest received	6	**249**	212	**241**	205
Proceeds from sale of non-current assets	8,9	**10**	–	**–**	–
Acquisition of property, plant and equipment	8,9	**(237)**	(380)	**(236)**	(370)
Acquisition of other intangible assets	10	**(30)**	(109)	**(30)**	(109)
Net cash from investing activities		**(8)**	(277)	**(25)**	(274)
Cash flows from financing activities					
Decrease in cash held by Trust in year	16	**(7)**	(22)	**(7)**	(22)
Dividends paid	19	**(664)**	(482)	**(664)**	(482)
Net cash used in financing activities		**(671)**	(504)	**(671)**	(504)
Net increase in cash and cash equivalents		**3,653**	3,912	**3,205**	3,445
Cash and cash equivalents at 1 January		**5,953**	1,975	**4,832**	1,387
Effect of exchange rate fluctuations on cash held		**452**	66	**–**	–
Cash and cash equivalents at 31 December	14	**10,058**	5,953	**8,037**	4,832

Consolidated and Parent Company Statement of Recognised Income and Expenditure

for year ended 31 December 2008

Group	2008 £000	2007 £000
Foreign exchange translation differences	**694**	113
Deferred tax on share-based payments	**(151)**	89
Income and expense recognised directly in equity	**543**	202
Profit for the financial year	**3,691**	2,833
Total recognised income and expenditure since last annual report	**4,234**	3,035

Company	2008 £000	2007 £000
Foreign exchange translation differences	**694**	113
Deferred tax on share-based payments	**(151)**	89
Income and expense recognised directly in equity	**543**	202
Profit for the financial year	**3,088**	2,483
Total recognised income and expenditure since last annual report	**3,631**	2,685

Notes (forming part of the Financial Statements)

1 ACCOUNTING POLICIES

FDM Group Plc (the 'Company') is a company incorporated in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its group.

Both the Parent Company financial statements and the group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). On publishing the Parent Company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Basis of preparation

Going concern

The Directors are confident, after making appropriate enquiries, that the Group is a going concern due to strong trading performances with year on year growth and a strong balance sheet with cash and cash equivalents held in excess of £10 million.

The Directors remain confident of trading prospects and as a consequence, believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Uses of estimate and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates, assumptions and judgements that are likely to contain the greatest degree of uncertainty are summarised below.

Income taxes

In recognising income tax assets and liabilities estimates have to be made of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain and on the expected manner of realisation or settlement of deferred tax assets and liabilities.

Revenue

Non-receipted timesheets are accrued at the estimated contract value within the period and released the following month on receipt of timesheets.

Fair values

IFRSs require assets, liabilities and expenses to be recognised at fair value. This includes the intangible assets and trade receivables. By their nature fair values are estimates and subject to different interpretation.

Useful lives

The useful economic life of property, plant and equipment is reviewed on an annual basis. The period of actual or economic benefit may vary from the estimated life and residual values.

Share-based payments

The calculation of the fair value of share-based payments, is calculated using the binomial option model and requires assumptions and estimates to be made; details are disclosed in note 16.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and unrealised income or expenditure is eliminated in preparing the consolidated financial statements and any gains or losses arising from the translation are recognised in the income statement.

Foreign currency
a) Functional and presentation currency
The financial statements are presented in Great British Pounds which are rounded to the nearest thousand.

b) Group subsidiaries
The results and financial position of all Group subsidiaries that have a functional currency that differs from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and Liabilities for each balance sheet are translated at the closing rate at the date of balance sheet;
- Income and Expenses for each income statement are translated at the average exchange rate for the period; and
- All resulting exchange differences are recognised as a separate component of equity in accordance with IAS21 – The effects of foreign exchange rates.

Any trading gains or losses arising on receipt and payment of foreign currency are realised within the income statement at the date of transaction.

The Group has taken advantage of the relief available in IFRS1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs on 1 January 2006.

Property, plant and equipment
Property, plant and equipment are stated at cost less subsequent depreciation.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Motor Vehicles	4 years
Plant and Equipment	4 years
Fixtures and Fittings	4 years
Leasehold Improvements	Length of Lease

Intangible assets
The Group only holds acquired software and software licences as intangible assets. Acquired software and software licences are capitalised on the basis of cost and amortised over the estimated useful lives of the software which is estimated to be four years or the licence term if shorter.

Trade receivables
Trade receivables are stated at amortised cost, their carrying value being reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables
Trade payables are stated at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Operating Segments
The Group's main operating segment, as considered by the chief operating decision maker of the business, remains geographical, with its secondary segment being divisional on the two business units IT Staffing and Global Services. The Group has chosen to implement IFRS8 Operating Segments early. The application of IFRS8 has not had any impact on the balance sheets or income statement as the standard is concerned only with disclosure. The Group's intention to restructure the organisation in 2009 will not affect the financial performance of the Group but will change the secondary reporting segment information.

Notes (continued)

1 ACCOUNTING POLICIES (continued)

Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Share-based payment transactions

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of adopting IFRS2 is recognised as an employee expense with a corresponding increase in equity.

The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the options granted is measured using a binominal option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where variations are due only to share prices not achieving the threshold for vesting or due to performance conditions not being achieved (see note 16).

Employee Benefit Trust

The Group operates an Employee Benefit Trust, which holds shares in the Company for the purpose of incentive plans. The Company's own shares held in the Trust are deducted in arriving at 'equity attributable to equity holders of the parent'. Any proceeds from subsequent disposal of shares by the Trust are required to be added to 'equity attributable to equity holders of the parent'.

Revenue

Revenue represents the amounts (excluding Value Added Tax) derived from the provision of supplying IT staff and consultancy services to third party customers.

Revenue is chargeable on signed timesheets being received, having shown that the service has been provided and is recognised in the period in which the consultant or employee has performed the work.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Net financing costs

Net financing costs comprise bank interest payable and receivable which is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are also shown arising from the consideration of employee share options granted but not yet exercised at the end of the period. The tax deductible on these options will not be realised until the options have been exercised. Deferred tax is classified as a non-current asset or liability dependent on its nature to the extent that it is not yet realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised.

Recent accounting developments

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

- Amendments to IFRS2 Share-based Payments – Vesting Conditions and Cancellations is applicable from 2009. The application of IFRS2 will not have a material impact on the Group as all share options have now vested.
- IAS1 Presentation of Financial Statements (Revised) is applicable for the Group's 2009 financial statements. The application of the revision to IAS1 will change the format of the financial statements but is not expected to fundamentally change the reported financial position or performance.

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 2008

	UK £000	Europe £000	America £000	Consolidation Adjustments £000	Totals £000
Revenue	41,814	7,034	3,364	–	52,212
Profit before tax	**4,313**	**633**	**326**	**–**	**5,272**
Depreciation and amortisation	(230)	(5)	(2)	–	(237)
Purchase of non-current assets	(266)	(1)	–	–	(267)
Total non-current assets	535	13	1	–	549
Total assets	15,720	3,218	1,449	(386)	20,001
Total liabilities	(4,732)	(849)	(722)	386	(5,917)
Equity attributable to equity holders of the parent	**10,988**	**2,369**	**727**	**–**	**14,084**

The consolidation adjustments are the removal of inter-company balances. Revenue derived in the Group is not reliant on any major clients.

Notes (continued)

2 SEGMENTAL REPORTING (continued)

Geographical Breakdown 2007

	UK £000	Europe £000	America £000	Consolidation Adjustments £000	Totals £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 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.

2008	Global Services £000	IT Staffing £000	Totals £000
Revenue	15,695	36,517	52,212
Gross profit	7,840	5,871	13,711

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

3 EXPENSES AND AUDITORS' REMUNERATION

Included in profit for the year are the following:

	2008 £000	2007 £000
Hire of property – operating leases	**527**	376
Rent received from sub-tenants	**(112)**	(120)
Exchange gains	**21**	3
Depreciation and amortisation	**237**	210

Auditors' remuneration:

	2008 £000	2007 £000
Audit of these financial statements	**77**	72
Amounts receivable by auditors and their associates in respect of:		
Other services pursuant to such legislation	**18**	22
Other services relating to taxation	**10**	19

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4 STAFF NUMBERS AND COSTS

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

	Number of employees Group		Number of employees Company	
	2008	2007	2008	2007
Programmers	**261**	198	**208**	150
Sales	**40**	38	**28**	27
Technical	**3**	2	**3**	2
Administration	**59**	39	**55**	34
	363	277	**294**	213

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Wages and salaries	**11,854**	9,580	**9,533**	7,323
Share-based payments (see note 16)	**17**	147	**17**	147
Social security costs	**1,452**	1,034	**988**	768
Other pension costs	**97**	35	**97**	35
	13,420	10,796	**10,635**	8,273

5 DIRECTORS' REMUNERATION

	2008 £000	2007 £000
Directors' emoluments	**1,116**	671
Company contributions to money purchase pension plans	**67**	4

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £363,492 (2007: £351,535).

	Number of Directors	
	2008	2007
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**4**	2

Directors' rights to subscribe for shares in or debentures of the Company and its subsidiaries are indicated below:

	Number of options		Exercise
	At start of year	At end of year	price £
Roderick Flavell	50,000	–	0.01
Sheila Flavell	50,000	–	0.01
Andrew Brown	50,000	50,000	0.01

6 FINANCE INCOME AND EXPENSE

	2008 £000	2007 £000
Interest income on bank accounts	**249**	212
Financial income	**249**	212
Interest payable on overdraft	**2**	7
Financial expenses	**2**	7

7 TAXATION

Recognised in the income statement

	2008 £000	2007 £000
Current tax expense		
Current year	**1,619**	1,314
Adjustments for prior years	**(56)**	113
Total current tax	**1,563**	1,427
Deferred tax		
Origination and reversal of temporary differences	**4**	(6)
Adjustments in respect of tax rate change	**14**	–
Total deferred tax	**18**	(6)
Total tax in income statement	**1,581**	1,421

The current tax charge for the year is higher (2007: higher) than the standard rate of corporation tax in the UK, 28% (2007: 30%).

Reconciliation of effective tax

	2008 £000	2007 £000
Profit before tax	**5,272**	4,254
Tax using the UK corporation tax rate of 28% (2007: 30%)	**1,476**	1,276
Different tax rates on overseas earnings	**87**	(29)
Non-deductible expenses	**55**	17
IFRS2 – Share-based payment charge	**5**	44
Reduction in tax rate on deferred tax balances	**14**	–
(Over)/under provided in prior years	**(56)**	113
Total tax expense	**1,581**	1,421

8 PROPERTY, PLANT AND EQUIPMENT – GROUP

2008	Leasehold Improvements £000	Motor Vehicles £000	Plant & Equipment £000	Fixtures & Fittings £000	Total £000
Cost					
Balance at beginning of year	347	53	300	516	1,216
Additions	76	17	36	108	237
Disposals	–	(33)	–	(1)	(34)
Effect of movements in foreign exchange	–	3	42	(1)	44
Balance at end of year	**423**	**40**	**378**	**622**	**1,463**
Depreciation					
Balance at beginning of year	221	36	222	364	843
Depreciation charge for the year	92	8	29	70	199
Disposals	–	(23)	–	–	(23)
Effect of movements in foreign exchange	–	1	40	(1)	40
Balance at end of year	**313**	**22**	**291**	**433**	**1,059**
Net book value					
At beginning of year	126	17	78	152	373
At end of year	110	18	87	189	404

2007	Leasehold Improvements £000	Motor Vehicles £000	Plant & Equipment £000	Fixtures & Fittings £000	Total £000
Cost					
Balance at beginning of year	168	62	259	478	967
Additions	179	–	75	126	380
Disposals	–	(9)	(40)	(87)	(136)
Effect of movements in foreign exchange	–	–	6	(1)	5
Balance at end of year	**347**	**53**	**300**	**516**	**1,216**
Depreciation					
Balance at beginning of year	110	36	241	394	781
Depreciation charge for the year	111	9	19	56	195
Disposals	–	(9)	(40)	(87)	(136)
Effect of movements in foreign exchange	–	–	2	1	3
Balance at end of year	**221**	**36**	**222**	**364**	**843**
Net book value					
At beginning of year	58	26	18	84	186
At end of year	126	17	78	152	373

Notes (continued)

9 PROPERTY, PLANT AND EQUIPMENT – COMPANY

2008	Leasehold Improvements £000	Motor Vehicles £000	Plant & Equipment £000	Fixtures & Fittings £000	Total £000
Cost					
Balance at beginning of year	347	37	191	516	1,091
Additions	76	17	35	108	236
Disposals	–	(14)	–	–	(14)
Balance at end of year	**423**	**40**	**226**	**624**	**1,313**
Depreciation and impairment					
Balance at beginning of year	221	27	131	363	742
Depreciation charge for the year	92	7	23	70	192
Disposals	–	(11)	–	–	(11)
Balance at end of year	**313**	**23**	**154**	**433**	**923**
Net book value					
Balance at beginning of year	126	10	60	153	349
Balance at end of year	110	17	72	191	390

2007	Leasehold Improvements £000	Motor Vehicles £000	Plant & Equipment £000	Fixtures & Fittings £000	Total £000
Cost					
Balance at beginning of year	168	46	125	478	817
Additions	179	–	66	125	370
Disposals	–	(9)	–	(87)	(96)
Balance at end of year	**347**	**37**	**191**	**516**	**1,091**
Depreciation and impairment					
Balance at beginning of year	110	30	120	394	654
Depreciation charge for the year	111	6	11	56	184
Disposals	–	(9)	–	(87)	(96)
Balance at end of year	**221**	**27**	**131**	**363**	**742**
Net book value					
Balance at beginning of year	58	16	5	84	163
Balance at end of year	126	10	60	153	349

10 INTANGIBLE ASSETS

Group and Company	2008 Software & Software Licenses £000	2007 Software & Software Licenses £000
Cost		
Balance at beginning of year	**264**	155
Additions	**30**	109
Balance at end of year	**294**	264
Amortisation and impairment		
Balance at beginning of year	**154**	139
Amortisation for the year	**38**	15
Balance at end of year	**192**	154
Net book value		
Balance at beginning of year	**110**	16
Balance at end of year	**102**	110

Amortisation charge
The amortisation charge is recognised in administrative expenses in the income statement.

11 INVESTMENTS IN SUBSIDIARIES

The Group and Company have the following investments in subsidiaries:

Group and Company	Country of incorporation	Class of shares held	Ownership 2008	2007
FDM Group Inc.	USA	Ordinary	**100%**	100%
FDM Group NV	Belgium	Ordinary	**100%**	100%
FDM Group GmbH	Germany	Ordinary	**100%**	100%
FDM Group GmbH	Switzerland	Ordinary	**100%**	–
FDM Group SA	Luxembourg	Ordinary	**100%**	100%
Mountfield Software Limited (Dormant)	Great Britain	Ordinary	**100%**	100%

The Group's principal activity is that of an international IT services provider. The Group specialises in recruiting and training its own permanent IT consultants known as 'Mounties'.

Notes (continued)

12 DEFERRED TAX ASSETS – GROUP AND COMPANY

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets	
	2008 £000	2007 £000
Property, plant and equipment	**23**	4
Share-based payments	**20**	208
Deferred tax asset	**43**	212

Movement in deferred tax during the year

	1 January 2008 £000	Recognised in income statement £000	Recognised in equity £000	**31 December 2008 £000**
Property, plant and equipment	4	19	–	**23**
Share-based payments	208	(37)	(151)	**20**
	212	(18)	(151)	**43**

Movement in deferred tax during the prior year

	1 January 2007 £000	Recognised in income statement £000	Recognised in equity £000	**31 December 2007 £000**
Property, plant and equipment	30	(26)	–	**4**
Share-based payments	87	32	89	**208**
	117	6	89	**212**

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Trade receivables due from subsidiaries	**–**	–	**132**	79
Trade receivables	**8,550**	9,060	**6,247**	7,741
Other receivables	**49**	23	**28**	22
Prepayments and accrued income	**795**	444	**741**	410
	9,394	9,527	**7,148**	8,252

At 31 December 2008, trade receivables are shown net of an allowance for doubtful debts of £45,000 (2007: £nil).

Trade and other receivables denominated in currencies other than Great British Pounds comprise £2,327,000 (2007: £1,319,000), denominated in Euros and US Dollars.

14 CASH AND CASH EQUIVALENTS/ BANK OVERDRAFTS

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Cash and cash equivalents per balance sheet	**10,058**	5,953	**8,037**	4,832
Cash and cash equivalents per cash flow statements	**10,058**	5,953	**8,037**	4,832

Cash denominated in currencies other than Great British Pounds comprise £2,021,000 (2007: £1,121,000), denominated in Euros and US dollars.

15 TRADE AND OTHER PAYABLES

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Trade payables due to subsidiaries	**–**	–	**254**	214
Trade payables	**1,754**	1,618	**1,034**	1,064
Other payables	**232**	150	**232**	145
Other taxes and social security	**979**	1,151	**879**	990
Accruals and deferred income	**2,001**	1,922	**1,691**	1,872
	4,966	4,841	**4,090**	4,285

Trade and other payables denominated in currencies other than Great British Pounds comprise £865,000 (2007: £161,000), denominated in Euros and US Dollars.

16 EMPLOYEE BENEFITS

Pension plans

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £97,000 (2007: £35,000). Amounts paid by the Company were £97,000 (2007: £35,000).

There were no (2007: £nil) outstanding or prepaid contributions at the end of the financial year.

Share-based payments – Group

The Employee Benefit Trust generally grants options to the employees at the market value of the date of grant. The Trust acquires shares from the market to settle these awards at the date of grant.

During 2008, the Trust purchased 41,607 Ordinary Shares with a nominal value of 1p for £37,775 to cover the future demand for share options held by employees, this represented 0.18% of the total called up share capital. The maximum number of shares held by the Trust during the year was 271,861 shares which is 1.2% of the total called up share capital.

At the balance sheet date, 22,468 shares with a market value of £13,930 (2007: £339,826) were held by the Trust which had not yet vested unconditionally with employees. The Trust net cash has reduced by £7,000 (2007: £22,000) and therefore Shareholders' funds have reduced accordingly. The reduction in cash is the difference between the amounts received from employees on the exercise of share options less the amounts paid in acquiring additional shares to cover future options that will be exercised.

At the year end 553,850 (2007: 899,400) shares are under option to employees or have been conditionally gifted to them.

16 EMPLOYEE BENEFITS (continued)

Employee share options

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares.

The exercise of the 55p share options was conditional upon the shares becoming tradable on a recognised stock market. Accordingly, these have been exercisable since the date of the Company's admission to AIM on 7 April 2005.

The 78p and 86.5p share options have been granted with an exercise price equal to the market price of the Company shares at the date of grant ('market price options') and the only condition with these options is that they can only be exercised after the third anniversary of the date of grant and not exercised any later than the tenth anniversary of the date of grant. These shares have now vested and are therefore exercisable.

The exercise of the 1p options is conditional upon the satisfaction of specified growth in earnings per share over the three years to 31 December 2007. These options can only be exercised if the Company's growth based on annualised earnings per share in the base period compared with the third year after the grant exceeds RPI plus an average of 3% per annum. These conditions have now been met and therefore the 1p options are now exercisable.

No options granted can be transferred, assigned, mortgaged or charged and options can only be exercised by option holders if they are still employees or Directors of the Company.

The number and weighted average exercise prices of share options are as follows:

	2008 Weighted average exercise price	2008 Number of options	2007 Weighted average exercise price	2007 Number of options
Outstanding at the beginning of the period	**0.38**	**899,400**	0.40	989,200
Granted during the period	**–**	**–**	–	–
Forfeited/lapsed during the period	**0.75**	**(54,550)**	0.79	(36,300)
Exercised during the period	**0.10**	**(291,000)**	0.55	(53,500)
Outstanding at the end of the period	**0.48**	**553,850**	0.38	899,400
Exercisable at the end of the period	**0.48**	**553,850**	0.55	105,000

The weighted average share price at the date of exercise of share options exercised during the period was 87p (2007: 122p).

The options outstanding at the year end have an exercise price in the range of 1p to 86.5p and a weighted average contractual life of 5.9 years (2007: 6.9 years).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options, adjusted for any expected changes to future volatility due to publicly available information).

Date of grant	Type of Instrument	Valuation Model	Number Outstanding	Share Price On Date of Grant (£)	Exercise Price (£)	Expected Volatility %	Vesting Period (yrs)	Expected Life (yrs)	Risk-Free Rate %	Expected Annual Dividend %	Fair Value (£)
07/04/05	Share Options	Binomial	211,350	0.78	0.78	50.00	3.00	10.00	4.70	2.00	0.35
07/04/05	LTIP	Binomial	125,000	0.78	0.01	50.00	3.00	10.00	4.70	2.00	0.73
08/09/05	Share Options	Binomial	81,500	0.865	0.865	50.00	3.00	10.00	4.25	2.00	0.39
08/09/05	LTIP	Binomial	80,000	0.865	0.01	50.00	3.00	10.00	4.25	2.00	0.81

Share options are granted under a service condition and, for grants to Directors and senior management, a non-market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

As at 31 December 2008 outstanding options to subscribe for Ordinary Shares of 1p were as follows;

Grant date	Employees entitled	No of options	Performance conditions	Exercise price
30/05/2000	Management & Employees	56,000	Upon flotation of company	£0.55
07/04/2005	Employees	211,350	No performance conditions	£0.78
07/04/2005	Management	125,000	EPS growth target	£0.01
08/09/2005	Employees	81,500	No performance conditions	£0.87
08/09/2005	Management	80,000	EPS growth target	£0.01
Total		**553,850**		

The Company recognised a total expense within administration expenses of £16,798 (2007: £147,296), related to share-based payment transactions, all of which were accounted for as equity-settled share-based payment arrangements with a corresponding credit direct to equity reserves. The cumulative credit to equity reserves in respect of share-based payments totalled £411,390 (2007: £394,592).

17 CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves – Group

	Share capital £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2007	232	3,332	63	(49)	4,248	7,826
Total recognised income and expense	–	–	–	–	2,833	2,833
Exchange adjustments	–	–	–	113	–	113
Movement in Trust cash balance	–	–	–	–	(22)	(22)
IFRS2 – Share-based payment charge	–	–	–	–	147	147
Deferred tax on share options	–	–	–	–	89	89
Dividends	–	–	–	–	(482)	(482)
Balance at 31 December 2007	**232**	**3,332**	**63**	**64**	**6,813**	**10,504**
Balance at 1 January 2008	232	3,332	63	64	6,813	10,504
Total recognised income and expense	–	–	–	–	3,691	3,691
Exchange Adjustments	–	–	–	694	–	694
Movement in Trust cash balance	–	–	–	–	(7)	(7)
IFRS2 – Share-based payment charge	–	–	–	–	17	17
Deferred tax on share options	–	–	–	–	(151)	(151)
Dividends	–	–	–	–	(664)	(664)
Balance at 31 December 2008	**232**	**3,332**	**63**	**758**	**9,699**	**14,084**

The aggregate deferred tax liability relating to items that are credited or debited to equity is £29,000 (2007: £122,000 asset).

18 CAPITAL AND RESERVES (continued)

Reconciliation of movement in capital and reserves – Company

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2007	232	3,332	63	2,863	6,490
Total recognised income and expense	–	–	–	2,483	2,483
Movement in Trust cash balance	–	–	–	(22)	(22)
IFRS2 – Share-based payment charge	–	–	–	147	147
Deferred tax on share options	–	–	–	89	89
Dividends	–	–	–	(482)	(482)
Balance at 31 December 2007	**232**	**3,332**	**63**	**5,078**	**8,705**
Balance at 1 January 2008	232	3,332	63	5,078	8,705
Total recognised income and expense	–	–	–	3,088	3,088
Movement in Trust cash balance	–	–	–	(7)	(7)
IFRS2 – Share-based payment charge	–	–	–	17	17
Deferred tax on share options	–	–	–	(151)	(151)
Dividends	–	–	–	(664)	(664)
Balance at 31 December 2008	**232**	**3,332**	**63**	**7,361**	**10,988**

The aggregate deferred tax liability relating to items that are credited or debited to equity is £29,000 (2007:£122,000 asset).

Share capital

	2008 £000	2007 £000
Authorised		
100,000,000 Ordinary Shares of 1p each	**1,000**	1,000
Allotted, called up and fully paid		
23,220,000 Ordinary Shares of 1p each	**232**	232
Shares classified in shareholders funds	**232**	232

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Capital redemption reserve
In 2005, the Group repurchased and cancelled 6,280,000 of its own Ordinary Shares of 1p each. An amount equal to the nominal value of these shares has been transferred to the capital redemption reserve equating to £62,800.

Share premium reserve
In 2005, the Group on admission to AIM, issued 4,500,000 ordinary 1p shares for cash at 78p per share. The proceeds arising from this transaction were transferred to the share premium account. There have been no further issues of shares since this date.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The Group has elected to take advantage of the exemption on the adoption of IFRS1 to set the cumulative exchange differences to zero at 1 January 2006.

19 DIVIDENDS

	2008 £000	2007 £000
Ordinary Dividends		
Final (prior year)	**441**	302
Interim (current year)	**232**	186
Dividend waived by Employee Benefit Trust in year	**(9)**	(6)
	664	482

After the balance sheet date, the Board recommended a final dividend of 2.5p (2007: 1.9p) per share, making a total dividend of 3.5p (2007: 2.7p). The final dividend has not been provided for in these financial statements.

20 EARNINGS PER SHARE

	2008 £000	2007 £000
Earnings		
Profit after tax	**3,691**	2,833
Add IFRS2 share-based payment charges	**17**	147
Adjusted earnings before IFRS2 share-based payment charges	**3,708**	2,980
Earnings per share		
Basic	**16.0p**	12.3p
Diluted	**15.7p**	12.0p
Adjusted basic	**16.1p**	13.0p
Adjusted diluted	**15.8p**	12.7p

The calculation of basic earnings per share is based on profit after tax. The calculation of adjusted earnings uses the basic earnings before IFRS2 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:

	2008 No.	2007 No.
Weighted average number of shares in issue during the year used in the calculation of basic and adjusted basic earnings per share	**23,034,669**	22,950,608
Dilutive effect of options treated as exercisable at the year end	**427,235**	588,786
	23,461,904	23,539,394

Notes (continued)

21 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
Less than one year	**658**	445	**539**	364
Between one and five years	**2,234**	730	**2,071**	713
More than five years	**1,435**	212	**1,417**	212
	4,327	1,387	**4,027**	1,289

Company

During the year the Company sub-let one of its buildings and recognised income of £112,171 within the administrative expenses of the income statement in respect of operating leases (2007: £120,020), this sub-lease expired in December 2008.

22 CONTINGENCIES

Group and Company

The Company has guaranteed the overdrafts of its subsidiaries, FDM Group Inc, and FDM Group NV; the amount outstanding at the year end was £nil (2007: £nil).

23 RELATED PARTIES

Group

Directors and key management of the Group and their relatives control 10.5 per cent of the voting shares of the Company. The compensation of key management personnel (including the Directors) is as follows:

	Group and Company 2008 £000	Group and Company 2007 £000
Key management emoluments	**1,116**	1,067
Company contributions to money purchase pension plans	**67**	10
	1,183	1,077

Included within key management emoluments is an amount of £248,100 (2007: £156,700) which is due to be paid in March 2009.

Company

The Company holds inter-company balances with its subsidiary undertakings, as detailed in notes 13 and 15. The transactions taken place are all in relation to administrative expenses and inter-company loan repayments/additions which are listed below by subsidiary.

	2008 Administrative Expenses £000	2008 Loan Repayments/ (Payments) £000	2008 Total £000
FDM Group Inc	158	(192)	(34)
FDM Group NV	1	–	1
FDM Group SA	5	46	51
FDM Group GmbH	21	–	21
	185	**(146)**	**39**

24 FINANCIAL RISK MANAGEMENT

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group and Company, which primarily relate to credit, interest, liquidity and currency risks, which arise in the normal course of the Company's and Group's business.

Credit risk

Financial instruments which potentially expose the Group to credit risk consist primarily of cash and cash equivalents and trade receivables. Cash is held in overnight deposit accounts and is accessible on demand. The Group provides credit to customers in the normal course of business and the amount that appears in the balance sheet is net of an allowance of £45,000 (2007: £nil) for specific doubtful receivables, the allowance being due to age or other issues. The Group does not require collateral in respect of financial assets.

All material trade receivable balances relate to sales transactions with the Group's blue-chip client base. At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The trade receivables as at 31 December are aged as follows:

	2008 £'000	2007 £'000
Not due	**4,637**	5,705
Not more than three months past due	**3,604**	3,118
More than three months but not more than six months past due	**127**	237
More than six months but not more than one year past due	**182**	–
Trade receivables	**8,550**	9,060

Interest and liquidity risk

The Group holds cash and hence its interest and liquidity risks are associated with short-term cash deposits. The Group's overall objective with respect to these deposits is to maintain a balance between accessibility of funds and competitive rates of return. In practice this means that no deposits are made with a maturity date greater than three months. All deposits are at current market rates.

The Company has a multi-option facility with its bankers that can be drawn to meet working capital requirements if needed. The maximum facility is £2,500,000; this facility was not used during the year, due to the Company holding surplus funds.

Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into Great British Pounds. The currencies giving rise to this risk are primarily US Dollars and Euros. The Group has both cash inflows and outflows in these currencies that create a natural hedge.

The Group has not entered into hedging contracts for cash positions denominated in foreign currencies.

Capital management

The Company maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the business. The Board monitors the capital position and determines the level of annual dividend and when and how a return of capital to shareholders is appropriate.

Fair values

There is no significant difference between the carrying amounts shown in the balance sheet and the fair values of the Group and Company's financial instruments. For current trade and other receivables/payables with a remaining life of less than one year, the amortised cost is deemed to reflect the fair value.

Notice of Annual General Meeting

FDM GROUP Plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of FDM Group Plc (the 'Company') for 2009 will be held at Second Floor, Lanchester House, Trafalgar Place, Brighton BN1 4FU at 10.30 am on 22 May 2009 ('Annual General Meeting') for the following purposes:

Ordinary Business

1 To declare a final dividend for the financial year ended 31 December 2008 of 2.5p per share.
2 To receive and adopt the accounts of the Company for the financial year ended 31 December 2008 together with the directors' report and the auditors' report on those accounts.
3 To re-elect Ivan Martin as a director of the Company.
4 To re-elect Karl Monaghan as a director of the Company.
5 To re-appoint KPMG LLP as auditors to hold office from the conclusion of the Annual General Meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as to Resolution 6 as an ordinary resolution and as to Resolutions 7 as a special resolution:

6 THAT, in substitution for any existing authority under section 80 of the Companies Act 1985 (the 'Act') but without prejudice to the exercise of any such authority prior to the date hereof, the directors be and are authorised generally and unconditionally for the purposes of section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount equal to £79,321 to such persons and at such times and on such terms as they think proper during the period expiring (unless previously revoked or varied by the Company in the Annual General Meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

7 THAT in substitution for any existing power under section 95 of the Act, but without prejudice to the exercise of any such power prior to the date hereof, the directors be and are empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on the directors by resolution 6 contained in the notice of the Annual General Meeting of the Company of which this resolution forms part as if sub-section (1) of section 89 of the Act did not apply to such allotment provided that this power shall (unless previously revoked or varied by the Company in annual general meeting) expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired and save also that the power conferred by this resolution shall be limited to:

   7.1 the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interest of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems arising in connection with the laws of, or the requirements of any regulatory body or any stock exchange in, any territory; and

   7.2 the allotment (otherwise than pursuant to sub-paragraph 7.1 above) of equity securities up to an aggregate nominal value not exceeding £11,898.

By order of the board
David Templeman
9 March 2009

Registered office:
Second Floor
Lanchester House
Trafalgar Place
Brighton
BN1 4FU

Notes

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company at 6pm on 20 May 2009 (or if the meeting is adjourned, members entered on the register of members of the Company not later than 48 hours before the time fixed for the adjourned meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the register of members of the Company after 6pm on 20 May 2009 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and to vote on their behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If a member wishes his proxy to speak on his behalf at the meeting he should appoint his own choice of proxy (not the Chairman) and give his instructions directly to them. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the meeting in person the proxy appointment will automatically be terminated.

3. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Meeting'.

4. A form of proxy is enclosed and details of how to appoint and direct a proxy to vote on each resolution are set out in the notes to the form of proxy. To be valid the form of proxy must be completed and signed, and lodged with the Registrars of the Company, Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, not less than 48 hours before the time fixed for the Annual General Meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member, which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution, If no voting indication is given, a proxy may vote or abstain from voting at his or her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

7. In order to revoke a proxy instruction a member will need to send a signed hard copy notice clearly stating your intention to revoke a proxy appointment to Neville Registrars Limited, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a company the notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. A member entitled to attend and vote at the Annual General Meeting convened by this notice is entitled to appoint one or more proxies to attend and, on a poll, to vote instead. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting at the Annual General Meeting or any adjournment thereof in person.

Notes

Designed and produced by **Emperor Design Consultants Ltd**
Tel **+44 (0)131 220 7990 www.emperordesign.co.uk**

FDM Group Plc
Lanchester House
Trafalgar Place
Brighton
East Sussex
BN1 4FU

www.fdmgroup.com