



Talking the right language

IT Staffing | IT Solutions | IT Training

FDM Group Plc
Interim Report
Period ended 30 June 2006



1	About us
2	Highlights
3	Chairman's and Chief Executive Officer's Statement
7	Consolidated Profit & Loss Account
8	Consolidated Balance Sheet
9	Reconciliation of Operating Profit to Net Cash Flow from Operating Activities
10	Reconciliation of Net Cash Flow to Movement in Net Funds
11	Notes to the Interim Report
IBC	Directors, Secretary & Advisers

About us

FDM is an international IT company providing IT staffing and IT services to companies for over 20 years. With offices in the UK, USA and Europe, FDM has maintained its leadership in this highly competitive marketplace by investing in a unique, industry-leading training programme (FDM Academy).

Like a number of other organisations in this sector, FDM supplies freelance IT contractors to clients. However, FDM also trains, certifies and places its own employed consultants (known as Mounties). This sets FDM apart from the majority of competitors in the IT staffing market, who rely on a shared agency database of IT contractors.

Structure

FDM is made up of two business units:

IT Staffing – offering a unique mix of freelance contractors and Mounties, ensuring permanent staff will be on-site for the duration of clients' projects, whilst reducing staffing costs.

IT Services – a low risk, highly scalable services model, that has been designed to increase efficiency, whilst decreasing management overheads. From development, support and training, FDM provides highly skilled teams to build the right solution to meet clients' business needs.

FDM Academy

FDM's award-winning Academy runs a unique fast track training programme designed to provide the IT staff of today and tomorrow. The Academy provides a hi-tech apprenticeship scheme for programmers

in Sun Microsystems' Java and Microsoft's C#. With recently introduced finance and testing streams, FDM Academy is well placed for the future. Over 900 IT professionals have now graduated from the Academy.

Sector

FDM provides IT services across five business sectors: Financial Services; Systems Integrators and Software Houses; Telecommunications and Broadband; Media and Transportation. Clients include over 150 blue-chip organisations such as JP Morgan, Sony, Barclays Group, Deutsche Bank, EDS, The BBC, Siemens and T-Mobile.

Key Vendor Partnerships

FDM has established solid partnerships with industry heavyweights including IBM, Oracle, Sybase, Sun and Microsoft, enabling the company to offer services in leading-edge technical environments.

Highlights

Financial

- Sales increased by 28% on the comparable period last year to £21.12 million (H1 2005: £16.44 million)
- Gross profit (net fee income) increased by 23% to £3.96 million (H1 2005: £3.21 million)
- Adjusted profit before tax up 42% to £1.33 million (H1 2005: £0.94 million)*
- Profit before tax of £1.26 million (H1 2005: £0.40 million)
- Adjusted fully diluted earnings per share increased by 0.7p to 3.9p (H1 2005: 3.2p)
- Fully diluted earnings per share of 3.6p (H1 2005: 0.6p)
- Interim dividend increased to 0.6p per share (H1 2005: 0.5p per share)
- Net cash position of £1.46 million at 30 June 2006 (30 June 2005: £2.02 million)

* Excluding FRS20 charges and the exceptional costs of the April 2005 flotation

Operational

- Overall gross margins remain well ahead of industry average at 18.7%, reflecting value-added nature of the Group's services
- Increase in headcount from 465 at start of year to 572 at 30 June 2006
- Increase in number of internally trained, higher margin contractors (known as "Mounties") from 91 at 30 June 2005 to 118 at 30 June 2006; Mountie utilisation rates steady at 98%
- Continued increase in Mountie capacity in response to client demand: over 55 applicants for Mountie training programme received each week
- New clients added to blue chip and diverse client base, including Virgin Mobile, British Airways, Xansa, Logica and BNP Paribas
- Simplified operating structure: as of 1 July 2006, Professional Services and Commercial Training are merging to form single division, IT Services
- Board strengthened by appointment as Chairman (with effect from 1 October 2006) of Ivan Martin, formally head of Misys' Banking Division
- FDM currently enjoying healthy levels of trading and the Board remain confident of meeting their expectation for the current year

Chairman's and Chief Executive Officer's Statement

The Group has had a good year so far. We reported in July 2006 that all three of the Company's business units had performed well during the first half of the year and that, accordingly, revenues and profits for the six months to 30 June 2006 would be ahead of our expectations. The results we report today confirm this.

Results

Turnover for the six months ended 30 June 2006 was £21.12 million, a 28% increase over the equivalent period in 2005 (£16.44 million). Gross profit (net fee income) rose 23% to £3.96 million (H1 2005: £3.21 million). Operating profit increased by 42% to £1.33 million compared to £0.94 million in H1 2005. Adjusted** operating profit increased by 32.9% to £1.28 million (H1 2005: £0.96 million). Pre-tax profit was £1.26 million (H1 2005: £0.40 million). Diluted earnings per share was 3.6p (H1 2005: 0.6p per share, adjusted** diluted earnings per share increased by 22% to 3.9p (H1 2005: 3.2p)). Net cash at 30 June 2006 was £1.46m (H1 2005: £2.0 million).

** Adjusted for float costs and FRS20 share-based payment charges

Dividend

In line with the dividend policy set out at the time of the Company's flotation on AIM, and in recognition of the Company's continued strong trading performance, the Board is increasing the level of the interim dividend to 0.6p per share (H1 2005: 0.5p per share). The interim dividend will be paid on 13 October 2006 to shareholders on the register as at 15 September 2006.

Market Position

FDM specialises in providing IT contractors with Java and Microsoft .NET skills to clients in a number of industry sectors. Since 2003, both large business customers and the Government have begun significant IT programmes to web-enable their computer systems. FDM has been well positioned to supply staff with the necessary specialist skills and qualifications, which are in short supply in the UK.

The FDM Academy allows us to provide our clients with our own highly trained and certified IT staff, known as Mounties, who are not part of an IT agency database that is shared by the industry. Our recruitment programmes have been successful this year and with 41 new Mounties graduating in the first half of this year we remain on track to reach our target of 75 new graduates trained by the year-end. Using our own employees enables us to generate higher margins than our freelance dependent rivals.

Chairman's and Chief Executive Officer's Statement cont.

FDM's business strategy is to avoid exposure to any particular sector or single customer. We currently operate across five principal sectors: Financial Services; Software & Systems Integrators; Telecoms; Media; and Transportation. For the 6 months ended 30 June 2006, the percentage breakdown of turnover across these sectors was as follows:

6 months ended 30 June	2006	2005
System Integrators	37.7%	33.6%
Financial Services	28.8%	35.9%
Transportation	13.0%	8.4%
Media	9.5%	10.5%
Telecoms	6.0%	8.8%
Other	5.0%	2.8%
	100%	100%

Review of Operations

IT Staffing

FDM provides IT Staffing solutions from four international offices in Brighton, Washington DC, Frankfurt and Luxembourg.

Trading within the UK IT staffing business has been strong. New clients acquired during the period include AIG, BNP Paribas, Virgin Mobile, Logica, Xansa and M&G Investment Management.

FDM UK

Trading within the UK IT staffing business has been strong. New clients acquired during the period include AIG, BNP Paribas, Virgin Mobile, Logica, Xansa and M&G Investment Management. The requirement for properly trained IT consultants remains robust across all areas, including the Transportation Sector where we are working with British Airways, BMW, Daimler Chrysler and The AA. We are experiencing high levels of utilisation of both of our freelance contractors and our in-house Mounties. Total UK headcount (including IT Services) at 30 June 2006 was 361 contractors on billing and 93 Mounties (2005: 290 contractors and 74 Mounties).

FDM USA

Our US operation has performed well in the first half of the year. We have increased our presence in the Government sector and also added several new financial services clients, including Searchspace and HSBC. Our plan in the second half of the year is to continue to cross-sell from our UK client base into the USA. A number of UK Mounties are being currently seconded to ABN AMRO in New York. Headcount in the USA at 30 June 2006 was 28 contractors and 5 Mounties (2005: 26 contractors and 2 Mounties).

FDM Germany and Benelux

FDM's European offices have seen an uplift in turnover and profitability in the first half of 2006 compared to the first 6 months of 2005. The FDM European operation is well positioned for the second half of the year with on-going business with existing customers (e.g. JP Morgan, Deutsche Bourse Systems, Sony and the European Commission) as well as new customers such as IKB Bank, BNP Paribas and Avery Dennison. Total headcount within the European Division as at 30 June 2006 was 65 contractors and 20 Mounties (2005: 62 contractors and 15 Mounties).

Professional Services & Commercial Training (to be renamed IT Services)

Following customer feedback and our own experience, we have amalgamated Professional Services and Commercial Training Divisions into the IT Services Division, with effect from 1 July 2006.

Professional Services has performed strongly during the first half of the year. We have been especially active in the banking sector, where projects are being undertaken with several tier one international banks. We have been successfully focusing on securing long-term revenues from this sector in particular where we can supply our Mounties within a managed team. Our Commercial Training division has commenced work providing training solutions with BA and other major blue-chip clients. The division also recently won a major outsourcing contract with Reuters.

Board Changes

We announced in July the appointment of Ivan Martin as a Non-Executive Director. He will become Chairman on 1 October 2006 when Brian Divett, one of the original founders of FDM, will be stepping down as Chairman. Brian will remain on the Board as a Non-Executive Director until 31 December 2006. As we stated before, we are very pleased to have secured the services of someone of Ivan's calibre and believe that his industry expertise will benefit FDM in the future. He is highly respected and experienced in the IT industry, having built up Misys' Banking Division over a number of years. He is already contributing in a meaningful way to Board discussions and his knowledge and advice will prove invaluable to FDM.

Chairman's and Chief Executive Officer's Statement cont.

Strategy

We will continue our organic growth through the expansion of the FDM Academy programme and building long-term strategic client relationships. Where opportunities present themselves, we will also examine suitable acquisitions, on the basis that they enhance our overall offering and provide shareholder value. The experience of Ivan Martin will be of particular value in this regard.

Current Trading and Outlook

Since our trading update of 10 July 2006, FDM has continued to trade in line with Board expectations. Having begun the year with a headcount of 465, at 30 June we had a total of 572 contractors placed with clients (454 were freelance contractors and 118 were Mounties). Our pipeline of new business opportunities remains strong and we are already building up a steady stream of business. We remain confident of meeting our expectations for the current year and look forward to the future with increasing confidence.

Our pipeline of new business opportunities remains strong and we are already building up a steady stream of business. We remain confident of meeting our expectations for the current year and look forward to the future with increasing confidence.

Brian Divett
Chairman

Rod Flavell
Chief Executive Officer

7 September 2006

Consolidated Profit & Loss Account

	Notes	Unaudited Six months ended 30 June 2006 £'000	Restated (Note 3) Unaudited Six months ended 30 June 2005 £'000	Restated (Note 3) Audited Year ended 31 December 2005 £'000
Turnover from continuing operations	2	21,119	16,438	35,068
Cost of Sales		(17,161)	(13,224)	(28,274)
Gross Profit		3,958	3,214	6,794
Administration Expenses	3	(2,746)	(2,282)	(4,824)
Other Income		-	-	47
Exceptional costs of flotation	4	-	(497)	(447)
Operating Profit After Exceptionals		1,212	435	1,570
Interest Receivable/(Payable)		46	(27)	25
Profit Before Tax		1,258	408	1,595
Taxation	5	(411)	(289)	(666)
Profit After Tax		847	119	929
Basic earnings per share (in pence)		3.7p	0.6p	4.3p
Diluted earnings per share (in pence)		3.6p	0.6p	4.2p

Consolidated Balance Sheet

	Unaudited Six months ended 30 June 2006 £'000	Unaudited Six months ended 30 June 2005 £'000	Audited Year ended 31 December 2005 £'000
Fixed Assets			
Tangible Assets	191	229	190
Intangible Assets	14	11	14
	205	240	204
Current Assets			
Debtors	9,693	7,354	7,704
Cash at Bank	1,555	2,206	2,568
	11,248	9,560	10,272
Creditors:			
Falling due within 1 year	(4,799)	(4,500)	(4,323)
Net Current Assets	6,449	5,060	5,949
Net Assets	6,654	5,300	6,153
Share Capital	232	232	232
Capital Redemption Reserve	63	63	63
Share Premium	3,332	3,332	3,332
Profit & Loss Account	3,027	1,673	2,526
Equity Shareholders Funds	6,654	5,300	6,153

Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	Unaudited Six months ended 30 June 2006 £'000	Restated (Note 3) Unaudited Six months ended 30 June 2005 £'000	Restated (Note 3) Audited Year ended 31 December 2005 £'000
Operating Profit from continuing activities	1,212	435	1,570
Depreciation	48	48	95
Loss on sale of fixed assets			
FRS20 Share Based Payments charges (restated for 2005)	– 69	1 32	– 110
Increase in debtors	(1,974)	(902)	(1,287)
Increase in creditors	288	764	293
Net cash flow from continuing operating activities	(357)	378	781
Returns on Investment and servicing of finance			
Interest paid	(5)	(48)	(68)
Interest received	51	21	93
Equity dividends paid	(231)	(698)	(814)
Taxation	(476)	(445)	(513)
Capital expenditure & Financial Investment			
Purchase of fixed assets	(49)	(41)	(51)
Cash flow before management of liquid resources and financing	(1,067)	(883)	(572)
Financing	176	1,636	1,693
(Decrease)/increase in cash in period	(891)	803	1,121

Reconciliation of Net Cash Flow to Movement in Net Funds

	Unaudited Six months ended 30 June 2006 £'000	Restated (Note 3) Unaudited Six months ended 30 June 2005 £'000	Restated (Note 3) Audited Year ended 31 December 2005 £'000
(Decrease)/increase in cash in period	(891)	803	1,121
Repayment of bank loan	-	1,800	1,800
Change in net funds	(891)	2,603	2,921
Translation differences	7	(18)	(19)
Movement in net funds in period	(884)	2,585	2,902
Net funds at start of period	2,342	(560)	(560)
Net funds at end of period	1,458	2,025	2,342

Notes to the Interim Report

1. Basis of Preparation

The financial information contained herein does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The interim report has been prepared using the same accounting policies as for the financial statements for the year ended 31 December 2005 except for a change in accounting policy for the valuation of share options in accordance with FRS20 Share-based payments (IFRS2). The comparative figures for the year ended 31 December 2005 are not in the company's statutory accounts for that financial year. These amounts have been extracted from those financial statements and have been restated on adoption of FRS20 Share-based payments, which is applicable for the first time. Financial information given for the six month period ended 30 June 2005 has also been restated on adoption of FRS20 Share-based payments. The statutory accounts (prior to the restatement) have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Segmental Information – Turnover

	Unaudited Six months ended 30 June 2006 £'000	Unaudited Six months ended 30 June 2005 £'000	Audited Year ended 31 December 2005 £'000
UK	17,181	12,998	27,952
Europe	2,735	2,471	5,102
America	1,203	969	2,014
	21,119	16,438	35,068

3. Administration Expenses

In accordance with FRS 20 Share-based payments (IFRS 2), a charge of £69,000 has been made to Administration Expenses for the six month period ended June 2006, for the year ended 31 December 2005 and for the six month period ended 30 June 2005. The UITF17 Share option charge has been removed and replaced with the FRS20 Share-based payments charge.

	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
UITF17 Share options charge	40	140
FRS20 Share-based payments charge	(32)	(110)
Net profit/(loss) difference	8	30

Notes to Interim Report cont.

4. Exceptional Charges

The profit and loss for the period ended 30 June 2005 includes exceptional Administration Expenses of £497,000 relating to the costs associated with the flotation of the Group on the Alternative Investment Market of the London Stock Exchange.

5. Taxation

The tax charge for the half year has been based on the estimated effective tax rate for the full year.

6. Dividends

The Directors have recommended an interim dividend of 0.6p per share (H1 2005: 0.5p) to be paid on 13 October 2006 to shareholders on the register at 15 September 2006.

Dividends paid out in the financial periods were as follows

	Six months ended 30 June 2006 £'000	Six months ended 30 June 2005 £'000	Year ended 31 December 2005 £'000
Dividends	231	298	414

7. Earnings per share

Earnings per share have been calculated using the weighted average number of shares in issue during the period: 22,966,181 (June 2005: 20,550,011). The diluted earnings per share is based on 23,280,241 (June 2005: 20,568,546) and reflects the potential exercise of share options granted. Adjusted earnings per share are calculated using profit before FRS20 Share-based payments charges and the exceptional float costs and are as shown below.

	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Adjusted basic earnings per share (in pence)	4.0p	3.2p	6.8p
Adjusted diluted earnings per share (in pence)	3.9p	3.2p	6.8p

8. Circulation to Shareholders

Copies of the interim statement will be sent to shareholders with further copies available from the Company Secretary, FDM Group Plc, 2nd Floor Lanchester House, Trafalgar Place, Brighton, East Sussex, BN1 4FL.

Directors, Secretary & Advisers

Directors

BR Divett (Chairman)
RN Flavell
JN Divett
A Denney
K Monaghan
I Martin (appointed 10 July 2006)

Secretary

Jacqueline Lesley Flavell

Registered Office

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

Nominated Adviser & Broker

Noble & Company
120 Old Broad Street
London
EC2N 1AR

Solicitors

Dechert LLP
2 Serjeants' Inn
London
EC4Y 1LT

Auditors and Reporting Accountants

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Bankers

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

Financial PR

Pelham Public Relations
No.1 Cornhill
London
EC3V 3ND

Registrars

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

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

www.fdmgroup.com