

**FDM Group plc**  
**(“FDM” or the “Group”)**  
**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008**

The Board of FDM Group plc (LSE: FDMG), the international IT services business, today announces its preliminary results for the year ended 31 December 2008.

**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).
- Fully diluted earnings per share of 15.7p (2007: 12.0p).
- Final dividend of 2.5p per share, making a total dividend of 3.5p per share (2007: 2.7p).
- 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.

Rod Flavell, Chief Executive of FDM Group, commented:

*“Against a background of continued economic uncertainty and turbulent financial markets, FDM produced another record year driven by demand for our Mountie offering which resulted in strong sales and profit growth.*

*At a time when many organisations are focussing on their cost base, our highly skilled consultants and value led offering continues to provide a compelling proposition. Clearly there is still much market uncertainty, but our new business pipeline remains strong and our key performance indicators continue to highlight the robust nature of our business model.”*

For further information please contact:

FDM Group  
Rod Flavell, Chief Executive Officer  
David Templeman, Group Finance Director

Tel No: + 44 (0) 870 060 3100

Brewin Dolphin Limited  
Matt Davis  
Alison Barrow

Tel No: + 44 (0) 845 213 3219

Buchanan Communications Limited  
Lisa Baderoon  
Jeremy Garcia

Tel No: + 44 (0) 207 466 5000

## **Notes to Editors**

About FDM Group plc

FDM Group Plc (LSE AIM: FDMG) is a global IT services company specialising in consulting and training solutions. With its HQ in the UK and a further five international offices, FDM had over 350 employees in 2008 and revenues in excess of £50m. The company works with over 200 blue-chip clients including the BBC, Barclays, HSBC, BSkyB, the AA, RBS and British Airways. Over two thirds of FDM's employees are IT consultants, termed 'Mounties', who have been trained at the FDM Academy as Developers in the Sun Microsystems Java, Microsoft C#. Net toolsets, or who have joined the Application Support, Infrastructure or Test Analyst streams.

## **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. 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.

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 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 Delivery 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.

**Ivan Martin**

**Chairman**

**9 March 2009**

## Chief Executive's Review

### 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 Moutie resources to fill these teams.

We typically deploy our resource to clients in two ways:

- *Blended teams of Moutie and freelance contractors*  
Experienced contractors will normally lead a team of Mouties delivering specialist services such as support, testing, training or consultancy; and
- *Deployment of Moutie resources to clients on secondment*  
Our Moutie 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.

### 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 Mouties reducing the reliance on income from placing of freelance contractors;
- Our ability to achieve significant gross margins on our Mouties;
- 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 primary 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.

### Development of the academy programme

Underpinning our growth strategy is FDM's Moutie 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, Legal and General and a significant agreement with a Tier 1 financial institution.

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.

The aforementioned contract win for a Tier 1 financial institution would not have been possible without the combined support and infrastructure of our UK, German and US operations.

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**