

FDM Group Plc

**Directors' report and consolidated
financial statements**

Registered number 2542980

31 December 2003



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Chairman's statement

The year saw FDM complete its planned reorganisation of all Group activities. The cost control programme started in 2001 to take £5.0 million out of the cost base without impacting any of our business units operational performance has been successful.

The Groups focus on margins has been rewarded and 2003 saw FDM produce some of the best results in the IT staffing industry, gross profits of 19.5% and net profit of 3.8% creating a 63% increase in profits on 2002. Turnover was down by £4.2 million to £26 million, largely as a result of a depressed IT market producing decreased rates, however, our competitiveness remained strong, and profits rose before tax of £1.0 million.

The Group's balance sheet has strengthened with net assets of £3.1 million, and with it's strong cash position, remains committed to support future growth in all the Group's activities.

The UK Division performance was outstanding, particularly in the second half of the year. The three principal business units, IT Recruitment, Professional Services and Commercial Training all achieved strong gross profit contributions. Major contract wins at Fidelity Investments and Royal Bank of Scotland were a positive sign that the Finance Sector is returning to form after almost four years of IT spending freeze.

Our two European businesses in Luxembourg and Frankfurt made steady progress despite difficulties in the European economies. The US operation remains a difficult market although we have significantly reduced our year on year losses.

The market place for FDM's core Java programming services has strengthened and the Group expects to continue its improved performance into 2004, focusing on sales growth and investment in our core IT training. FDM has also started to sell its Campus training technology to external clients and expects to see further sales development of this activity during 2004.

Whilst the principle threat to FDM's future success remains in the overseas IT supply market. Our focus will continue on providing efficient customer value through our broad portfolio of services, and remaining one of the fastest growing IT staffing organisations in the UK.



Brian Divett
Chairman

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company's principal activity continued to be that of the placing of computer programmers, supplying consultancy services and software development, and the recruitment and provision of specialist computer personnel.

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

Business review

A review of the business is set out in the Chairman's statement on page 1.

Results for the year

The results for the year are set out in the profit and loss account on page 6.

Dividend

The directors recommend a final dividend of £202,000 (2002: £142,000), making with the interim dividend of £100,000 (2002: £200,000), a total of £302,000 (2002: £342,000) for the year.

Fixed assets

Details of movements in fixed assets are set out in notes 12 and 13 to the financial statements.

Directors and directors' interests

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

BR Divett (Chairman)
RN Flavell
JN Divett
TR Spouse (resigned 2 June 2004)
A Denney

The directors who held office at the end of the financial year had the following beneficial interests in the shares of group companies according to the register of directors' interests:

Directors' report *(continued)*

Directors and directors' interests *(continued)*

	Company	Class of share	Interest at end of year	Interest at start of year
BR Divett	fdm group plc	Ordinary	4,166,667	4,166,667
RN Flavell	fdm group plc	Ordinary	8,250,000	8,250,000
JN Divett	fdm group plc	Ordinary	1,500,000	1,500,000
TR Spouse	fdm group plc	Ordinary	1,500,000	1,250,000
A Denney	fdm group plc	Ordinary	-	-

According to the register of directors' interests, no rights to subscribe for shares in, or debentures of, the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Political and charitable contributions

During the year the company donated £111 (2002: £10,620) to local and national charities. No political contributions were made (2002: £nil).

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 20 days (2002: 20 days) purchases in trade creditors.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



RN Flavell
Director

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

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have 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.



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Brighton Road
Crawley
West Sussex
RH11 9PT

Independent auditors' report to the members of FDM Group Plc

We have audited the financial statements on pages 6 to 24.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

30 June 2004

Consolidated profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000 Total	2002 £000 Pre - exceptional	2002 £000 Exceptional	2002 £000 Total
Turnover	2	25,980	30,165	-	30,165
Cost of sales		(20,938)	(24,807)	-	(24,807)
Gross profit		5,042	5,358	-	5,358
Administrative expenses	3	(4,048)	(4,557)	(150)	(4,707)
Other operating income		2	-	-	-
Operating profit		996	801	(150)	651
Other interest receivable and similar income	4	5	-	-	-
Interest payable and similar charges	5	(1)	(40)	-	(40)
Profit on ordinary activities before taxation	6	1,000	761	(150)	611
Tax on profit on ordinary activities	9	(347)	(186)	-	(186)
Profit on ordinary activities after taxation		653	575	(150)	425
Dividend	10	(292)			(342)
Retained profit for the financial year		361			83

The turnover and operating profit arose from continuing operations.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2003

	2003 £000	2002 £000
Profit for the financial year	653	425
Currency translation differences on foreign currency net investments	36	(13)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	689	412
	<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheet
at 31 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	12	22	23
Tangible assets	13	194	161
Investments	14	94	154
		<u>310</u>	<u>338</u>
Current assets			
Debtors	15	4,728	5,002
Cash at bank and in hand		1,047	951
		<u>5,775</u>	<u>5,953</u>
Creditors: amounts falling due within one year	16	<u>(2,927)</u>	<u>(3,527)</u>
Net current assets		<u>2,848</u>	<u>2,426</u>
Total assets less current liabilities		<u>3,158</u>	<u>2,764</u>
Creditors: amounts falling due after more than one year	17	-	(3)
Net assets		<u>3,158</u>	<u>2,761</u>
Capital and reserves			
Called up share capital	19	250	250
Profit and loss account	20	2,908	2,511
Equity shareholders' funds	11, 21	<u>3,158</u>	<u>2,761</u>

These financial statements were approved by the board of directors on 30 June 2004 and were signed on its behalf by:


RN Flavell
Director

Company balance sheet
at 31 December 2003

	Note	2003 £000	2002 £000	2002 £000
Fixed assets				
Intangible assets	12	22		23
Tangible assets	13	169		112
Investments	14	94		154
		<u>285</u>		<u>289</u>
Current assets				
Debtors	15	7,931	8,041	
Cash at bank and in hand		718	794	
		<u>8,649</u>	<u>8,835</u>	
Creditors: amounts falling due within one year	16	<u>(6,605)</u>	<u>(7,086)</u>	
Net current assets			<u>2,044</u>	<u>1,749</u>
Total assets less current liabilities			<u>2,329</u>	<u>2,038</u>
Creditors: amounts falling due after more than one year	17		-	(3)
Net assets			<u>2,329</u>	<u>2,035</u>
Capital and reserves				
Called up share capital	19	250		250
Profit and loss account	20	2,079		1,785
Equity shareholders' funds	11, 21	<u>2,329</u>		<u>2,035</u>

These financial statements were approved by the board of directors on 30 June 2004 and were signed on its behalf by:


RN Ejavell
Director

Consolidated cash flow statement
for the year ended 31 December 2003

	Note	2003 £000	2002 (as restated – see Note 26) £000
Cash flow statement			
Cash flow from operating activities	24	1,207	1,628
Returns on investments and servicing of finance	25	4	(40)
Taxation		(556)	(92)
Capital expenditure	25	(147)	(66)
Equity dividends paid		(237)	(342)
		<hr/>	<hr/>
Cash inflow before financing		271	1,088
Financing	25	34	(284)
		<hr/>	<hr/>
Increase in cash in the period		305	804
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
	26		
Increase in cash in the period		305	804
Cash inflow from movement in lease financing		3	3
		<hr/>	<hr/>
Change in net funds		308	807
Translation differences		20	-
		<hr/>	<hr/>
Movement in net funds in the period		328	807
Net funds at the start of the period		588	(219)
		<hr/>	<hr/>
Net funds at the end of the period		916	588
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The result for the year for the company is shown in note 11.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 10 years, subject to impairment.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of recruitment, placing and consultancy services to third party customers.

Turnover from consultancy services chargeable on a time and materials basis is recognised when the work is performed.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Software licences are amortised and written off over a period of four years which is considered to be their useful economic life.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	25% per annum
Furniture and equipment	-	25% per annum
Computer equipment	-	25% per annum
Leasehold improvements	-	life of lease

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

In both the group and company financial statements, other investments other than loans are stated at cost less any impairment in value.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Resulting exchange gains and losses are taken to the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

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.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Employee Benefit Trust

Shares owned by the Employee Benefit Trust are held for the continuing benefit of the business and are included in the company balance sheet as a fixed asset investment at cost less any provision for permanent diminution in value. The net result of the Employee Benefit Trust, including profits or losses on sales of shares and tax thereon, is included in the results of the company. Monetary holdings of the Employee Benefit Trust are reported in the company cash and bank balance, and external loans of the Employee Benefit Trust are reported in the company bank loans and overdrafts.

Notes (continued)

2 Segmental information

The geographical analysis of turnover is as follows:

	2003 £000	2002 £000
UK	20,802	23,939
Europe	3,818	5,079
USA	1,360	1,147
	<u>25,980</u>	<u>30,165</u>

3 Exceptional administrative expenses

Exceptional costs of £150,000 were incurred during 2002 for the cost of the Employee Benefit Trust.

4 Other interest receivable and similar income

	2003 £000	2002 £000
Amounts receivable on bank account	<u>5</u>	<u>-</u>

5 Interest payable and similar charges

	2003 £000	2002 £000
Amounts payable on bank loans and overdrafts	-	39
Finance charges payable in respect of hire purchase contracts	1	1
	<u>1</u>	<u>40</u>

Notes (continued)

6 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	112	222
Leased	3	3
Hire of other assets – operating leases	182	250
Auditors' remuneration:		
Group - audit	44	41
- fees paid to the auditors and its associates in respect of other services	16	11
Company - audit	44	41
<i>after crediting</i>		
Exchange gains	-	3
	<u> </u>	<u> </u>

7 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	545	453
	<u>545</u>	<u>453</u>
Company contributions to money purchase pension schemes	2	2
	<u>547</u>	<u>455</u>

The aggregate emoluments of the highest paid director were £213,480 (2002: £178,480). Retirement benefits are accruing to the following number of directors under:

	Number of directors 2003	2002
Money purchase schemes	1	1

Notes (continued)

8 Staff numbers and costs

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

	2003	2002
Programmers	109	124
Sales	23	23
Technical	3	4
Administration	26	27
	<u>161</u>	<u>178</u>

Staff costs, including directors' remuneration, were as follows:

	2003 £000	2002 £000
Wages and salaries	5,657	5,942
Social security costs	606	598
Other pension costs	31	35
	<u>6,294</u>	<u>6,575</u>

9 Taxation

Analysis of charge in period

	2003 £000	£000	2002 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	271		46	
Adjustments in respect of prior periods	(6)		61	
	<u></u>	265	<u></u>	107
<i>Foreign tax</i>				
Current tax on income for the period	82		198	
Adjustments in respect of prior periods	-		(9)	
	<u></u>	82	<u></u>	189
Total current tax		<u>347</u>		<u>296</u>
Deferred tax		-		(110)
Tax on profit on ordinary activities		<u>347</u>		<u>186</u>

Notes (continued)

9 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003 £000 Total	2002 £000 Total
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,000	611
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	300	183
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10	68
Capital allowances for period in excess of depreciation	(3)	19
Utilisation of tax losses	-	(129)
Higher tax rates on overseas earnings	46	103
Adjustments to tax charge in respect of previous periods	(6)	52
	<hr/>	<hr/>
Total current tax charge (see above)	347	296
	<hr/>	<hr/>

10 Dividends and other appropriations

	2003 £000	2002 £000
Interim dividend paid	100	200
Final dividend proposed	202	142
	<hr/>	<hr/>
	302	342
Dividend waived by Employee Benefit Trust in prior year	(5)	-
Dividend waived by Employee Benefit Trust in current year	(5)	-
	<hr/>	<hr/>
	292	342
	<hr/>	<hr/>

During the year the company paid a dividend of £100,000 to one shareholder with all the other shareholders waiving their rights to this dividend. Under certain circumstances, where the shareholder sells all their shares to a third party, within a specified time frame, these dividends may need to be repaid to the company by way of a capital contribution.

11 Parent company

In accordance with the exemptions allowed by Section 230(4) of the Companies Act 1985, the profit and loss account of the parent company has not been presented. The company's profit after taxation and before dividends was £586,000 (2002: loss £95,000).

Notes (continued)

12 Intangible fixed assets

Group	Software licences £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning of year	174	175	349
Additions	11	-	11
Disposals	(53)	-	(53)
	<hr/>	<hr/>	<hr/>
At end of year	132	175	307
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At beginning of year	151	175	326
Provided during the year	12	-	12
Disposals	(53)	-	(53)
	<hr/>	<hr/>	<hr/>
At end of year	110	175	285
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2003	22	-	22
	<hr/>	<hr/>	<hr/>
At 31 December 2002	23	-	23
	<hr/>	<hr/>	<hr/>

Company	Software licences £000
<i>Cost</i>	
At beginning of year	174
Additions	11
Disposals	(53)
	<hr/>
At end of year	132
	<hr/>
<i>Amortisation</i>	
At beginning of year	151
Provided during the year	12
Disposals	(53)
	<hr/>
At end of year	110
	<hr/>
<i>Net book value</i>	
At 31 December 2003	22
	<hr/>
At 31 December 2002	23
	<hr/>

Notes (continued)

13 Tangible fixed assets

	Leasehold improvements	Motor vehicles	Furniture and equipment	Computer equipment	Total
Group	£000	£000	£000	£000	£000
Cost					
At beginning of year	-	54	364	762	1,180
Additions	115	-	6	15	136
Disposals	-	-	(121)	(404)	(525)
Exchange adjustments	-	-	(3)	-	(3)
At end of year	115	54	246	373	788
Depreciation					
At beginning of year	-	25	305	689	1,019
Charge for year	2	13	38	50	103
Disposals	-	-	(121)	(404)	(525)
Exchange adjustments	-	-	(3)	-	(3)
At end of year	2	38	219	335	594
Net book value					
At 31 December 2003	113	16	27	38	194
At 31 December 2002	-	29	59	73	161

Included in the total net book value of motor vehicles is £5,135 (2002: £8,559) in respect of assets held under finance leases. Depreciation for the year on these assets was £9,423 (2002: £3,423).

	Leasehold improvements	Motor vehicles	Furniture and equipment	Computer equipment	Total
Company	£000	£000	£000	£000	£000
Cost					
At beginning of year	-	54	229	762	1,045
Additions	115	-	1	15	131
Disposals	-	-	(114)	(404)	(518)
At end of year	115	54	116	373	658
Depreciation					
At beginning of year	-	24	220	689	933
Charge for the year	2	14	8	50	74
Disposals	-	-	(114)	(404)	(518)
At end of year	2	38	114	335	489
Net book value					
At 31 December 2003	113	16	2	38	169
At 31 December 2002	-	30	9	73	112

Included in the total net book value of motor vehicles is £5,135 (2002: £8,559) in respect of assets held under finance leases. Depreciation for the year on these assets was £3,423 (2002: £3,423).

Notes (continued)

14 Fixed asset investments

Group	Investments in own shares £000	Other investments other than loans £000	Total £000
Cost			
At beginning of year	131	787	918
Additions	-	-	-
Disposals	(37)	(23)	(60)
At end of year	94	764	858
Provisions			
At beginning and end of year	-	764	764
Net book value At 31 December 2003	94	-	94
At 31 December 2002	131	23	154

The nominal value of own shares held was 1p (2002: 1p)

Company	Investment in own shares £000	Shares in Group undertakings £000	Other investments other than loans £000	Total £000
Cost				
At beginning of year	131	741	787	1,659
Additions	-	-	-	-
Disposals	(37)	-	(23)	(60)
At end of year	94	741	764	1,599
Provisions				
At beginning and end of year	-	741	764	1,505
Net book value At 31 December 2003	94	-	-	94
At 31 December 2002	131	-	23	154

Notes (continued)

14 Fixed asset investments (continued)

The undertakings in which the company's interest at the year end is more than 20% of the ordinary share capital are as follows:

	Country of incorporation	Principal Activity	Percentage of shares held
<i>Subsidiary undertakings</i>			
Mountfield Software Limited	Great Britain	Dormant	100%
fdm group Inc.	USA	IT solutions provider	100%
fdm group NV	Belgium	IT solutions provider	100%
fdm group GmbH	Germany	IT solutions provider	100%
fdm group SPRL	Luxembourg	IT solutions provider	100%

15 Debtors

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Trade debtors	4,572	4,335	3,901	4,094
Amounts owed by group undertakings	-	-	3,904	3,527
Other debtors	6	343	-	215
Prepayments and accrued income	75	249	51	130
	<u>4,653</u>	<u>4,927</u>	<u>7,856</u>	<u>7,966</u>
Amounts receivable after more than one year:				
Deferred tax asset (depreciation in excess of capital allowances)	75	75	75	75
	<u>4,728</u>	<u>5,002</u>	<u>7,931</u>	<u>8,041</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank loans and overdrafts	128	357	-	281
Obligations under finance leases and hire purchase contracts	3	3	3	3
Payments received on account	12	-	12	-
Trade creditors	1,554	1,910	1,356	1,797
Amounts owed to group undertakings	-	-	4,312	4,253
Other creditors including taxation and social security:				
Corporation tax	(9)	394	89	-
Other taxes and social security	475	409	346	382
Other creditors	79	131	80	130
Accruals and deferred income	488	181	210	98
Dividend proposed	197	142	197	142
	<u>2,927</u>	<u>3,527</u>	<u>6,605</u>	<u>7,086</u>

The bank overdraft is secured by a fixed and floating charge over all of the parent company's assets.

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts	-	3	-	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Analysis of debt:

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In one year or less, or on demand	128	357	-	281
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18 Obligations under finance leases and hire purchase contracts

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	2003	2002	2003	2002
	£000	£000	£000	£000
Within one year	3	3	3	3
In the second to fifth years	-	3	-	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3	6	3	6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19 Called up share capital

	2003	2002
	£000	£000
<i>Authorised</i>		
Equity: 100,000,000 ordinary shares of 1p each (2002: 100,000,000 ordinary shares of 1p each)	1,000	1,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Equity: 25,000,000 ordinary shares of 1p each (2002: 25,000,000 ordinary shares of 1p each)	250	250
	<u> </u>	<u> </u>

Notes (continued)

19 Called up share capital (continued)

The following options to subscribe for shares in the company were held by employees of the group at the end of the year.

At start of year	Number of options during the year			At end of year	Exercise price	Date from which exercisable	Expiry date
	Granted	Exercised	Surrendered				
284,000	-	-	(39,000)	245,000	55p	May 2003	May 2010
420,750	-	-	(95,750)	325,000	55p	Dec 2003	Dec 2010

There are certain conditions attached to the options which include that the options are not exercisable until the shares of the company are publicly traded on a recognised stock market.

20 Reserves

	Group 2003 £000	Company 2003 £000
Profit and loss account		
At beginning of year	2,511	1,785
Exchange differences	36	-
Retained profit for the year	361	294
	<hr/>	<hr/>
At end of year	2,908	2,079
	<hr/>	<hr/>

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Profit/(loss) for the financial year	653	425	586	(95)
Dividends	(292)	(342)	(292)	(342)
	<hr/>	<hr/>	<hr/>	<hr/>
	361	83	294	(437)
Other recognised gains and losses relating to the year (net)	36	(13)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Increase /(decrease) in shareholders' funds	397	70	294	(437)
Opening shareholders' funds	2,761	2,691	2,035	2,472
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	3,158	2,761	2,329	2,035
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

22 Commitments

- (a) There are no capital commitments at the end of the financial year (2002: £nil), for which no provision has been made.
- (b) Annual commitments under non-cancellable operating leases are as follows:

Group	Land and Buildings		Other	
	2003 £000	2002 £000	2003 £000	2002 £000
Operating leases which expire:				
Within one year	61	163	3	15
In the second to fifth years inclusive	207	25	-	-
Over five years	27	25	-	-
	<u>295</u>	<u>213</u>	<u>3</u>	<u>15</u>

Company	Land and Buildings		Other	
	2003 £000	2002 £000	2003 £000	2002 £000
Operating leases which expire:				
Within one year	-	44	3	13
In the second to fifth years inclusive	207	-	-	-
	<u>207</u>	<u>44</u>	<u>3</u>	<u>13</u>

23 Contingent liabilities

The company has guaranteed the overdraft of its subsidiaries, fdm group Inc. and fdm group NV.; the amount outstanding at the year end was £108,000 (2002: £76,000).

24 Reconciliation of operating profit to operating cash flows

	2003 £000	2002 £000
Operating profit	996	651
Depreciation, amortisation and investment write off	138	241
Loss on sale of fixed assets	-	156
Decrease in debtors	110	1,569
Decrease in creditors	(37)	(976)
Foreign exchange loss on translation	-	(13)
Net cash inflow from operating activities	<u>1,207</u>	<u>1,628</u>

Notes (continued)

25 Analysis of cash flows

	2003		2002	
	£000	£000	£000	£000
Returns on investment and servicing of finance				
Interest paid	(1)		(38)	
Interest received	5		-	
Interest element of finance lease rental payments	-		(2)	
	<u> </u>	4	<u> </u>	(40)
		<u> </u>		<u> </u>
Capital expenditure				
Purchase of fixed assets	(147)		(66)	
	<u> </u>	(147)	<u> </u>	(66)
		<u> </u>		<u> </u>
Financing				
Capital element of finance lease rental payments	(3)		(3)	
Purchase of own shares held	-		(600)	
Sale of own shares held	37		319	
	<u> </u>	34	<u> </u>	(284)
		<u> </u>		<u> </u>

26 Analysis of net funds

	At beginning of year £000	Cash flow £000	Exchange movements £000	At end of year £000
Cash in hand, at bank	951	76	20	1,047
Overdrafts	(357)	229	-	(128)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	594	305	20	919
Finance leases	(3)	3	-	-
Debt due after one year	(3)	-	-	(3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net funds	588	308	20	916
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The 2002 cash flow and notes have been restated to re analyse shares acquired and sold by the Employee Benefit Trust.

27 Pension scheme

The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £31,192 (2002 :£34,967)

There were no outstanding or prepaid contributions at the end of the financial year.

28 Related party disclosures

The company is controlled by the directors BR Divett and RN Flavell by virtue of their shareholdings. There were no related party transactions in the year.