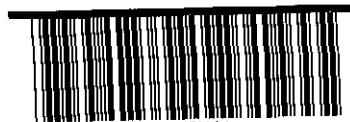


**fdm group plc**

**Directors' report and consolidated  
financial statements**

**Registered number 2542980**

**31 December 2002**



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## Chairman's statement

The continuing downturn in investment caused by weak markets during 2002 made trading conditions difficult for all Enterprises providing IT services to the corporate sector. For an Industry accustomed to double-digit growth, it has been difficult for many IT companies to restructure to accommodate this 'New Reality'.

The key sectors of Finance & Telecommunications have largely frozen further investments in IT, which has exacerbated the position even further.

Against this background the **fdm group's** performance in 2002 show that they are among a small group of organisations that reacted early enough during the year to recover bottom line profitability from the negative position of 2001.

The aggressive position taken by the Board in rationalizing administration costs saved £2.8 million whilst still maintaining all their subsidiaries and products intact. Sales revenue declined by 28% from £41.8 million to £30.1 million, however the net profitability (before exceptionals) of the group recovered from £680,000 to £761,000.

Our policy of focusing on large Web service implementations, one of the few sectors that experienced growth during the year, insulated the group from the pain that many of our competitors experienced.

We will continue to focus on the Object Orientated Programming market sector, through utilization of our 'CAMPUS' training methodology. This has been fundamental to cutting IT training costs, creating new business partnerships e.g. DST/NYFIX and opening up new business opportunities. Major accounts secured include Deutsche Bank, Fidelity Investments, Schlumberger, EDS and UNISYS.

**fdm group** recognises that the market will continue to remain weak during 2003. However **fdm's** product portfolio of training, project delivery and consulting services positions us to take advantage of any early market recovery.

  
**Brian Divett**  
Chairman

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### 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 £142,000 (2001: £173,000) to be paid, making with the interim of £200,000, a total of £342,000 for the year (2001: £173,000).

### Fixed assets

Details of movements in fixed assets are set out in the notes 11 and 12 to the financial statements.

### Directors and directors' interests

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

BR Divett (Chairman)  
RN Flavell  
JJ Spouse (non-executive from 24 April 2002)  
J Flavell (retired 24 April 2002)  
JN Divett  
TR Spouse  
A Denney (appointed 24 July 2002)

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 / date of appointment
BR Divett	fdm group plc	Ordinary	4,166,667	3,750,000
RN Flavell	fdm group plc	Ordinary	8,250,000	7,500,000
JJ Spouse	fdm group plc	Ordinary	-	8,325,000
JN Divett	fdm group plc	Ordinary	1,500,000	1,250,000
TR Spouse	fdm group plc	Ordinary	1,250,000	425,000
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 £10,620 (2001: £10,015) to local and national charities. No political contributions were made (2001: £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 (2001: 17 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

6-7 Lovers Walk  
Preston Park  
Brighton  
East Sussex  
BN1 6AH

29 May 2003

## 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.



1 Forest Gate  
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 27.

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 company 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 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 financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 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*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

29 May 2003

**Consolidated profit and loss account**  
*for the year ended 31 December 2002*

	Note	£000	£000 Exceptional	2002 £000 Total	£000	£000 Exceptional	2001 £000 Total
<b>Turnover</b>	2	30,165	-	30,165	41,888	-	41,888
Cost of sales		(24,807)	-	(24,807)	(33,598)	-	(33,598)
<b>Gross profit</b>		5,358	-	5,358	8,290	-	8,290
Administrative expenses	3	(4,557)	(150)	(4,707)	(7,400)	(909)	(8,309)
Other operating income		-	-	-	8	-	8
<b>Operating profit/(loss)</b>		801	(150)	651	898	(909)	(11)
Interest payable and similar charges	4	(40)	-	(40)	(218)	-	(218)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	761	(150)	611	680	(909)	(229)
Tax on profit/(loss) on ordinary activities	8	(186)	-	(186)	(321)	-	(321)
<b>Profit/(loss) on ordinary activities after taxation</b>		575	(150)	425	359	(909)	(550)
Dividend	9			(342)			(173)
<b>Retained profit/(loss) for the financial year</b>				83			(723)

The turnover and operating profit/(loss) arose from continuing operations.



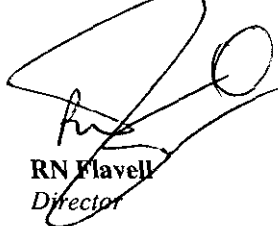
**Statement of total recognised gains and losses**  
*for the year ended 31 December 2002*

	2002 £000	2001 £000
Retained profit/(loss) for the financial year	83	(723)
Currency translation differences on foreign currency net investments	(13)	13
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the financial year</b>	<b>70</b>	<b>(710)</b>
	<hr/>	<hr/>

**Consolidated balance sheet**  
*at 31 December 2002*

	<i>Note</i>	<b>2002</b>		<b>2001</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Intangible assets	11		23		21
Tangible assets	12		161		367
Investments	13		154		-
			<hr/>		<hr/>
			338		388
<b>Current assets</b>					
Debtors	14	5,002		6,571	
Cash at bank and in hand		951		213	
		<hr/>		<hr/>	
		5,953		6,784	
<b>Creditors: amounts falling due within one year</b>	15	(3,527)		(4,440)	
		<hr/>		<hr/>	
<b>Net current assets</b>			2,426		2,344
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			2,764		2,732
<b>Creditors: amounts falling due after more than one year</b>	16		(3)		(6)
<b>Provisions for liabilities and charges</b>	18		-		(35)
			<hr/>		<hr/>
<b>Net assets</b>			2,761		2,691
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	19		250		250
Profit and loss account	20		2,511		2,441
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	10, 21		2,761		2,691
			<hr/>		<hr/>

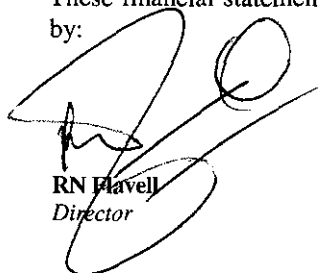
These financial statements were approved by the board of directors on 29 May 2003 and were signed on its behalf by:

  
RN Flavell  
Director

**Company balance sheet**  
*at 31 December 2002*

	<i>Note</i>	<b>2002</b>		<b>2001</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Intangible assets	11		23		21
Tangible assets	12		112		271
Investments	13		154		-
			<u>289</u>		<u>292</u>
<b>Current assets</b>					
Debtors	14	8,041		6,438	
Cash at bank and in hand		794		18	
		<u>8,835</u>		<u>6,456</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(7,086)</u>		<u>(4,235)</u>	
<b>Net current assets</b>			<u>1,749</u>		<u>2,221</u>
<b>Total assets less current liabilities</b>			<u>2,038</u>		<u>2,513</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(3)		(6)
<b>Provisions for liabilities and charges</b>	18		-		(35)
<b>Net assets</b>			<u>2,035</u>		<u>2,472</u>
<b>Capital and reserves</b>					
Called up share capital	19		250		250
Profit and loss account	20		1,785		2,222
<b>Equity shareholders' funds</b>	10, 21		<u>2,035</u>		<u>2,472</u>

These financial statements were approved by the board of directors on 29 May 2003 and were signed on its behalf by:



RN Flavell  
Director

**Consolidated cash flow statement**  
*for the year ended 31 December 2002*

	<i>Note</i>	<b>2002</b> <b>£000</b>	<b>2001</b> <b>£000</b>
<b>Cash flow statement</b>			
Cash flow from operating activities	24	1,209	2,004
Returns on investments and servicing of finance	25	(40)	(218)
Taxation		(92)	(228)
Capital expenditure and financial investment	25	72	(319)
Equity dividends paid		(342)	(155)
		<hr/>	<hr/>
Cash inflow before management of liquid resources and financing		807	1,084
Financing	25	(3)	-
		<hr/>	<hr/>
Increase in cash in the period		804	1,084
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
	26		
Increase in cash in the period		804	1,084
Cash (outflow)/inflow from movement in debt and lease financing		3	-
		<hr/>	<hr/>
Movement in net debt in the period		807	1,084
Net debt at the start of the period		(219)	(1,303)
		<hr/>	<hr/>
Net cash/(debt) at the end of the period		588	(219)
		<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. The group has adopted FRS 19 'Deferred tax' in these financial statements. The comparative figures have been restated accordingly.

#### ***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 2002. 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.

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.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### ***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

#### *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:

	2002 £000	2001 £000
UK	23,939	28,614
Europe	5,079	10,517
USA	1,147	2,757
	<u>30,165</u>	<u>41,888</u>

### 3 Exceptional administrative expenses

Exceptional costs of £150,000 were incurred during the year for the cost of the Employee Benefit Trust. (2001: £909,000 incurred relating to the impairment of the carrying value of shares held in Schoolsnet of £764,000 and impairment of goodwill in the fdm group NV of £145,000)

### 4 Interest payable and similar charges

	2002 £000	2001 £000
Amounts payable on bank loans and overdrafts	39	216
Finance charges payable in respect of hire purchase contracts	1	2
	<u>40</u>	<u>218</u>

## Notes (continued)

### 5 Profit/(loss) on ordinary activities before taxation

	2002 £000	2001 £000
<i>Profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	211	299
Leased	3	4
Impairment/amortisation of goodwill	-	160
Operating leases – land and buildings	154	59
Operating leases – other	44	12
Auditors' remuneration:		
Group - audit	41	57
- fees paid to the auditors and its associates in respect of other services	11	22
Company - audit	41	42
Research and development expenditure	-	
<i>after crediting</i>		
Exchange gains	3	27
	<u>          </u>	<u>          </u>

### 6 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	453	648
Compensation for loss of office	-	40
	<u>          </u>	<u>          </u>
	453	688
Company contributions to money purchase pension schemes	2	12
	<u>          </u>	<u>          </u>
	455	700
	<u>          </u>	<u>          </u>

The aggregate emoluments of the highest paid director were £178,480 (2001: £206,713). Retirement benefits are accruing to the following number of directors under:

	Number of directors 2002	2001
Money purchase schemes	1	3
	<u>          </u>	<u>          </u>



## Notes (continued)

### 7 Staff numbers and costs

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

	2002	2001
Programmers	124	182
Sales	23	32
Technical	4	11
Administration	27	50
	<u>178</u>	<u>275</u>

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

	2002 £000	2001 £000
Wages and salaries	5,942	10,077
Social security costs	598	978
Other pension costs	35	46
	<u>6,575</u>	<u>11,101</u>

### 8 Taxation

Analysis of charge in period

	2002 £000	£000	2001 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	46		120	
Adjustments in respect of prior periods	61		-	
	<u></u>	107	<u></u>	120
<i>Foreign tax</i>				
Current tax on income for the period	198		201	
Adjustments in respect of prior periods	(9)		-	
	<u></u>	189	<u></u>	201
Total current tax		296		321
Deferred tax (see note 18)		(110)		-
Tax on profit on ordinary activities		<u>186</u>		<u>321</u>

## Notes (continued)

### 8 Taxation (continued)

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.

	2002 £000 Total	2001 £000 Total
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	611	(229)
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	183	(69)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	68	242
Capital allowances for period in excess of depreciation	19	(38)
Utilisation of tax losses	(129)	-
Higher tax rates on overseas earnings	103	186
Adjustments to tax charge in respect of previous periods	52	-
	<hr/>	<hr/>
Total current tax charge (see above)	296	321
	<hr/>	<hr/>

## Notes (continued)

### 9 Dividends and other appropriations

	2002 £000	2001 £000
Interim dividend paid	200	-
Final dividend proposed	142	173
	<u>342</u>	<u>173</u>

During the year the company paid a dividend of £200,000 to two shareholders with all the other shareholders waiving their rights to this dividend. Under certain circumstances, where either or both of the shareholders 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.

### 10 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 loss after taxation and before dividends was £95,000 (2001: profit £1,047,000).

### 11 Intangible fixed assets

Group	Software licences £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning of year	161	175	336
Additions	13	-	13
	<u>174</u>	<u>175</u>	<u>349</u>
At end of year	174	175	349
<i>Amortisation</i>			
At beginning of year	140	175	315
Provided during the year	11	-	11
	<u>151</u>	<u>175</u>	<u>326</u>
At end of year	151	175	326
<i>Net book value</i>			
At 31 December 2002	<u>23</u>	<u>-</u>	<u>23</u>
At 31 December 2001	<u>21</u>	<u>-</u>	<u>21</u>

## Notes (continued)

### 11 Intangible fixed assets (continued)

Company	Software licences £000
<b>Cost</b>	
At beginning of year	161
Additions	13
	<hr/>
At end of year	174
	<hr/>
<b>Amortisation</b>	
At beginning of year	140
Provided during the year	11
	<hr/>
At end of year	151
	<hr/>
<b>Net book value</b>	
At 31 December 2002	23
	<hr/>
At 31 December 2001	21
	<hr/>

### 12 Tangible fixed assets

	Motor vehicles £000	Furniture and equipment £000	Computer equipment £000	Total £000
<b>Group</b>				
<b>Cost</b>				
At beginning of year	56	414	792	1,262
Additions	7	12	11	30
Disposals	(9)	(52)	(41)	(102)
Exchange adjustments	-	(10)	-	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	54	364	762	1,180
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	18	258	619	895
Charge for year	14	90	110	214
Disposals	(7)	(49)	(40)	(96)
Exchange adjustments	-	6	-	6
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	25	305	689	1,019
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2002	29	59	73	161
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	38	156	173	367
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of motor vehicles is £8,559 (2001: £13,857) in respect of assets held under finance leases. Depreciation for the year on these assets was £3,423 (2001: £3,962).

## Notes (continued)

### 12 Tangible fixed assets (continued)

Company	Motor vehicles £000	Furniture and equipment £000	Computer equipment £000	Total £000
<i>Cost</i>				
At beginning of year	56	229	792	1,077
Additions	7	-	11	18
Disposals	(9)	-	(41)	(50)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	54	229	762	1,045
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	17	170	619	806
Charge for the year	14	50	110	174
Disposals	(7)	-	(40)	(47)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	24	220	689	933
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2002	30	9	73	112
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	39	59	173	271
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of motor vehicles is £8,559 (2001: £13,857) in respect of assets held under finance leases. Depreciation for the year on these assets was £3,423 (2001: £3,962).

## Notes (continued)

### 13 Fixed asset investments

Group	Investments in own shares £000	Other investments other than loans £000	Total £000
<b>Cost</b>			
At beginning of year	-	764	764
Additions (net of costs)	450	23	473
Disposals	(319)	-	(319)
At end of year	131	787	918
<b>Provisions</b>			
At beginning and end of year	-	764	764
Net book value <b>At 31 December 2002</b>	<b>131</b>	<b>23</b>	<b>154</b>
At 31 December 2001	-	-	-

## Notes (continued)

### 13 Fixed asset investments (continued)

Company	Investment in own shares £000	Shares in Group undertakings £000	Other investments other than loans £000	Total £000
<b>Cost</b>				
At beginning of year	-	741	764	1,505
Additions (net of costs)	450	-	23	473
Disposals	(319)	-	-	(319)
At end of year	131	741	787	1659
<b>Provisions</b>				
At beginning and end of year	-	741	764	1,505
Net book value				
<b>At 31 December 2002</b>	<b>131</b>	<b>-</b>	<b>23</b>	<b>154</b>
At 31 December 2001	-	-	-	-

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
<b>Subsidiary undertakings</b>			
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%

Other investments other than loans relates to shares held in Schoolsnet Limited.

## Notes (continued)

### 14 Debtors

	Group		Company	
	2002	2001	2002	2001
	£000	£000		
Trade debtors	4,335	6,459	4,094	5,698
Amounts owed by group undertakings	-	-	3,527	656
Other debtors	343	32	215	13
Prepayments and accrued income	249	80	130	71
	<u>4,927</u>	<u>6,571</u>	<u>7,966</u>	<u>6,438</u>
Amounts receivable after more than one year:				
Deferred tax asset (note 18)	75	-	75	-
	<u>5,002</u>	<u>6,571</u>	<u>8,041</u>	<u>6,438</u>

### 15 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
Bank loans and overdrafts	357	423	281	132
Obligations under finance leases and hire purchase contracts	3	3	3	3
Trade creditors	1,910	2,436	1,797	2,069
Amounts owed to group undertakings	-	-	4,253	994
Other creditors including taxation and social security:				
Corporation tax	394	299	-	48
Other taxes and social security	409	646	382	554
Other creditors	131	-	130	-
Accruals and deferred income	181	460	98	262
Dividend proposed	142	173	142	173
	<u>3,527</u>	<u>4,440</u>	<u>7,086</u>	<u>4,235</u>

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



## Notes (continued)

### 16 Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Obligations under finance leases and hire purchase contracts	3	6	3	6

### Analysis of debt:

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In one year or less, or on demand	357	-	281	-

### 17 Obligations under finance leases and hire purchase contracts

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

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Within one year	3	3	3	3
In the second to fifth years	3	6	3	6
	6	9	6	9

### 18 Provisions for liabilities and charges

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Deferred taxation	-	35	-	35

The amounts provided for deferred taxation and the amounts not provided are set out below:

Group & Company	2002 Provided £000	2001 Provided £000
Difference between accumulated depreciation and amortisation and capital allowances	(75)	35

The deferred tax asset is included in debtors.

## Notes (continued)

### 19 Called up share capital

	2002 £000	2001 £000
<i>Authorised</i>		
Equity: 100,000,000 ordinary shares of 1p each (2001: 100,000,000 ordinary shares of 1p each)	1,000	1,000
<i>Allotted, called up and fully paid</i>		
Equity: 25,000,000 ordinary shares of 1p each (2001: 25,000,000 ordinary shares of 1p each)	250	250

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				
381,000	-	-	(97,000)	284,000	55p	May 2003	May 2010
568,500	-	-	(147,750)	420,750	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 2002 £000	Company 2002 £000
<b>Profit and loss account</b>		
At beginning of year	2,441	2,222
Exchange differences	(13)	-
Retained profit/ (loss) for the year	83	(437)
At end of year	2,511	1,785

## Notes (continued)

### 21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Profit/(loss) for the financial year	425	(550)	(95)	(1,047)
Dividends	(342)	(173)	(342)	(173)
	<hr/>	<hr/>	<hr/>	<hr/>
Other recognised gains and losses relating to the year (net)	83 (13)	(723) 13	(437) -	(1,220) -
	<hr/>	<hr/>	<hr/>	<hr/>
Increase in shareholders' funds	70	(710)	(437)	(1,220)
Opening shareholders' funds	2,691	3,401	2,472	3,692
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	2,761	2,691	2,035	2,472
	<hr/>	<hr/>	<hr/>	<hr/>

### 22 Commitments

- (a) There are no capital commitments at the end of the financial year (2001: *£nil*), for which no provision has been made.
- (b) Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings		Other	
	2002	2001	2002	2001
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	183	154	12	44
In the second to fifth years inclusive	28	113	3	22
Over five years	26	38	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	237	305	15	66
	<hr/>	<hr/>	<hr/>	<hr/>
Company	Land and buildings		Other	
	2002	2001	2002	2001
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	64	20	11	2
In the second to fifth years inclusive	-	44	3	22
	<hr/>	<hr/>	<hr/>	<hr/>
	64	64	14	24
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 23 Contingent liabilities

The company has guaranteed the overdraft of its subsidiary, fdm group Inc.; the amount outstanding at the year end was £76,000 (2001: £138,000).

### 24 Reconciliation of operating profit to operating cash flows

	2002 £000	2001 £000
Operating profit/(loss)	651	(11)
Depreciation, amortisation and investment write off	(22)	1,262
(Loss)/profit on sale of fixed assets	-	1
Decrease in debtors	1,569	475
(Decrease)/increase in creditors	(976)	264
Foreign exchange (loss)/gain on translation	(13)	13
	<hr/>	<hr/>
Net cash inflow from operating activities	1,209	2,004
	<hr/>	<hr/>

### 25 Analysis of cash flows

	£000	2002 £000	£000	2001 £000
<b>Returns on investment and servicing of finance</b>				
Interest paid	(38)		(216)	
Interest element of finance lease rental payments	(2)		(2)	
	<hr/>	(40)	<hr/>	(218)
		<hr/>		<hr/>
<b>Capital expenditure and financial investment</b>				
Purchase of investments	-		(218)	
Purchase of tangible fixed assets	(30)		(129)	
Proceeds from the sale of fixed assets	102		28	
	<hr/>	72	<hr/>	(319)
		<hr/>		<hr/>
<b>Financing</b>				
Capital element of finance lease rental payments	(3)		-	
	<hr/>	(3)	<hr/>	-
		<hr/>		<hr/>

## Notes (continued)

### 26 Analysis of net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	213	738	951
Overdrafts	(423)	66	(357)
	<hr/>	<hr/>	<hr/>
	(210)	804	594
Finance leases	(6)	3	(3)
Debt due after one year	(3)	-	(3)
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(219)</b>	<b>807</b>	<b>588</b>
	<hr/>	<hr/>	<hr/>

### 27 Pension scheme

The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £34,967 (2001 :£45,868)

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.