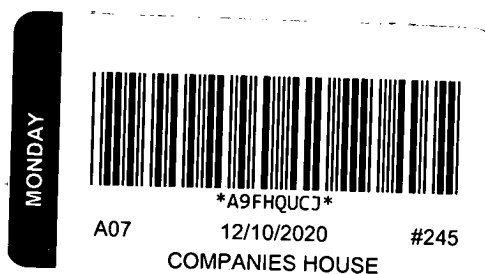


## **FDM Group Limited**

Registered number 2542980

## **Annual Report and Financial Statements 2019**



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## About FDM

### The Company

FDM Group Limited ("the Company" or "FDM") operates in the Recruit, Train and Deploy ("RTD") sector. Our mission is to bring people and technology together, creating and inspiring exciting careers that shape our digital future.

The Company's principal business activities involve recruiting, training and deploying its own permanent IT and business consultants (Mounties) at client sites. Mounties assigned to client sites at week 52<sup>1</sup> were down 4% at 1,880 (2018: 1,963). The Company also supplies contractors to clients, either to supplement its own employed consultants' skill sets or to provide additional experience where required. FDM specialises in a range of technical and business disciplines including Development, Testing, IT Service Management, Project Management Office, Data Services, Business Analysis, Business Intelligence, Murex, Salesforce, Cyber Security and Robotic Process Automation.

The FDM Careers Programme bridges the gap for graduates, ex-Forces and returners to work, providing them with the training and experience required to successfully launch or re-launch their careers. FDM has dedicated training centres and sales operations located in London, Leeds, Glasgow and Birmingham.

Our employees come from a multitude of different backgrounds, life experiences and cultures. FDM is a strong advocate of diversity and inclusion in the workplace and the strength of its brand lies in the talent within.

### Our vision

To be recognised by our clients and industry as the leader in the Recruit, Train and Deploy sector.

### Our purpose

To create and inspire exciting careers that shape our digital future. To deliver customer-led, sustainable, profitable growth on a consistent basis, through our well-established Mountie model:

- **To identify and recruit talented individuals** - we attract and recruit high-calibre candidates and develop them into skilled Mounties. We currently have three pathways: Graduate, Ex-Forces, and Returners to Work. Increased awareness of our brand is helping to promote FDM further in the Recruit, Train and Deploy sector.
- **To train individuals through our Academies** - we provide our Mounties with first-class training and ongoing development and support, giving them the best possible platform from which to launch exciting and successful careers in IT. We invest in our trainers and Academies to create leading-edge centres of excellence.
- **To grow our customer presence profitably** - we continually create new opportunities to deploy our Mounties amongst our existing client base and in ever-broadening and diverse new markets and territories.
- **To identify and fill our clients' IT skills gaps** - we focus on understanding and anticipating their requirements, as well as market trends, to provide exciting career opportunities to our Mounties and other employees, delivering sustainable profitable growth for our shareholders.
- **To create a long-term sustainable business** - we aim to have a beneficial impact on the communities where we operate, are aware of our responsibility towards our suppliers and work to minimise our impact upon the physical environment.

### Our values

#### Together we are stronger

From day one, FDM has always been people-focussed. We celebrate diversity. We encourage inclusivity. We thrive on teamwork and collaboration with colleagues, clients and partners. What makes us successful is that we're a collective made up from a multitude of backgrounds, cultures, languages, nationalities and skills. This diversity makes us stronger as one.

#### We strive for success

We are entrepreneurial, ambitious, creative and brave. We thrive on pushing the boundaries to exceed clients' expectations. We create an inspiring place for colleagues to work and develop their careers. We encourage our colleagues to challenge themselves and help each other maximise their potential so we can continue to deliver a unique and unparalleled service to our clients and stakeholders.

<sup>1</sup> Week 52 in 2019 commenced on 16 December 2019 (2018: week 52 commenced on 17 December 2018).

## About FDM (*continued*)

### *Our values (continued)*

#### Committed to our clients

We all work towards a shared goal - to help our clients succeed. We are attentive, focussed and in-tune with their wants and needs. We work hard to nurture our relationships, to become our clients' partner and to create solutions to fulfil their business ambitions. Their success is our success.

#### We say it how it is

We believe in professional integrity. We are reliable, open and trustworthy, and we are undivided in this behaviour. This approach has earned us the respect of our colleagues, clients, partners and investors and has made us the business we are today.

#### We make it happen

We're pioneers and innovators - a team of adaptable, agile and passionate people. We have a 'can-do' attitude, approaching every day with energy and enthusiasm. We seize every opportunity to provide solutions for our clients, careers for our people and to drive our business forward.

### *Awards received during the year included:*



- Social Mobility Employer Index 2019: Top 75
- JobCrowd Top 100 Companies For Graduates To Work For 2019/20
- RateMyPlacement - Top 100 Undergraduate Employer 2019/20
- New Year's Honours List - CBE awarded to Sheila Flavell for "services to gender equality in IT, and graduate and returners' employment"
- Management Today - Agents of Change Power List 2019 - Rod Flavell, second consecutive year
- Yahoo Finance Heroes Top Advocate Executives of 2019 - Rod Flavell
- Women in Tech Employer Awards 2019 - Female Grad Tech Employer of the Year
- NUE Awards - Top 100 Undergraduate Employer

## Review of the Business

### Our strategy

FDM's strategy is straightforward. We aim to deliver customer-led, sustainable, profitable growth on a consistent basis, through our well-established and proven Mountie model. This strategy requires that all activities and investments produce the appropriate level of profit and return on cash, that they deliver sustained and measurable improvements for all our stakeholders including customers, staff and shareholders, and that they further our objective of launching the careers of talented people worldwide, which remains core to everything we do.

This strategy is underpinned by four key objectives: Attract, train and develop high-calibre Mounties; Invest in leading-edge training Academies; Grow and diversify our client base; and Expand our geographic presence.

During 2019 we can report the following progress against our strategic objectives:

#### Attract, train and develop high-calibre Mounties



In the UK, FDM remains one of the leading graduate employers, and maintains working relationships with almost all of the UK's universities. To date over 560 ex-military personnel have launched new careers with FDM whilst our back-to-business programme has returned over 160 people to meaningful careers.

Our training programmes provide hundreds of people each year with the opportunity to launch or further their careers. We now have 62 people employed across the UK's training Academies and we continue to grow and diversify the disciplines in which we train and the depth to which we educate.

Supported by a network of peers, our Mounties have the opportunity to work for a broad range of household name organisations having received comprehensive and role-specific training. Whilst our business model operates on the premise that the average length of a Mountie's engagement with FDM is approximately three years, the training we provide enables our Mounties to develop ongoing exciting and rewarding careers.

#### Invest in leading-edge training Academies



Our Academies are dynamic, high-technology facilities, where our skilled and knowledgeable trainers provide deep and empowering training to would-be Mounties. Each Academy is well placed for public transport and easily accessible to Mounties and clients alike.

Our total training capacity (the number of available training seats at a given point in time) was 418 at year end (2018: 418). Our training facilities are key to securing a flow of Mounties to support our growth.

#### Grow and diversify our client base



FDM is committed to delivering the highest level of service to our clients. Within the financial services sector, where the Group has a concentration of clients, we continue to evolve and expand the number of service streams and disciplines we offer. In 2019 we gained 45 new clients, 78% of which were from outside the financial services and banking sector.

#### Expand our geographic presence



The reduction in the UK headcount, which was due to reduced demand from UK Government Ministerial Departments in advance of the clarity over Brexit and political leadership changes, offset good progress made in other sectors in the UK.

## Review of the Business (*continued*)

### Key Performance Indicators

The Company measures its performance by reference to the following two types of key performance indicators ("KPIs") Financial and Operational:

#### Financial KPIs

	Year ending 31 December 2019	Year ending 31 December 2018 Restated <sup>1</sup>	% change
Revenue	£134.8m	£129.1m	+4%
Mountie revenue	£132.1m	£124.2m	+6%
Contractor revenue	£2.7m	£4.9m	-45%
Adjusted operating profit <sup>2</sup>	£37.6m	£36.7m	+2%
Adjusted profit before tax <sup>2</sup>	£47.2m	£41.9m	+13%
Profit before tax	£45.3m	£39.7m	+14%
Cash generated from operations	£37.1m	£30.6m	+21%
Cash conversion <sup>3</sup>	104%	89%	+17%

<sup>1</sup> The Company has restated comparative figures following the fully retrospective adoption of IFRS 16 'Leases' at 1 January 2019. See note 4 on page 35 for more information.

<sup>2</sup> The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expenses (including social security costs). See page 6 for further details of adjusted items.

<sup>3</sup> Cash conversion is calculated by dividing cash flow from operations by operating profit. Previously cash conversion was calculated by dividing cash flows from operations by profit before tax. Following the adoption of IFRS 16 "Leases", the calculation was amended and the 2018 comparative restated, to provide a more meaningful indicator.

#### Operational KPIs

	Year ending 31 December 2019	Year ending 31 December 2018	% change
Mountie numbers	1,880	1,963	-4%
Mountie utilisation	94.6%	96.7%	-2%
Training completions	957	1,057	-9%

We closed the year with 1,880 Mounties placed on client sites, a decrease of 4% on the 1,963 at week 52 2018. Adjusted operating profit<sup>2</sup> increased by 2% to £37.6 million (2018 restated: £36.7 million).

Mounties assigned to client sites at week 52 were down 4% at 1,880 (2018: 1,963). Performance in the insurance and banking sectors was strong during the year. However, uncertainty over Brexit and potential changes in political leadership resulted in a reduced demand from UK Government Ministerial Departments during the second quarter and for the remainder of the year. This reduction in headcount offset good progress made in other sectors in the region.

## Review of the Business (*continued*)

### Key Performance Indicators (*continued*)

Training completions were 957, a fall of 9% on last year as we flexed our training in line with demand. In 2019 we delivered courses from our permanent Academies in London, Glasgow and Leeds; and from our pop-up Academy in Birmingham.

Getting Back to Business headcount increased by 13% to 97 placed at clients at year end (2018: 86). There were 11 Getting Back to Business courses delivered across our London, Glasgow and Leeds Academies.

### Financial Review

#### Adjusting items

The Company presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. The adjusted results are stated before performance share plan expenses including associated taxes.

The performance share plan expenses including social security costs were £1.9 million in 2019 (2018: £2.2 million). Details of the performance share plan are set out in note 21 to the Financial Statements.

#### Net finance expense

The finance expense costs include lease liability interest of £354,000 (2018 restated: £412,000). The Company has no borrowings. Other financial expense remains low at £32,000 (2018: 22,000).

#### Taxation

The Company's total tax charge for the year was £6.6 million, equivalent to an effective tax rate of 15%, on profit before tax of £45.3 million (2018 restated: effective tax rate of 17% based on a tax charge of £6.6 million and a profit before tax of £39.7 million). The effective tax rate in 2019 is lower than the underlying UK tax rate of 19% primarily due to income which is not taxable.

#### Dividends

During 2019 the Company paid a dividend to Astra 5.0 Limited of £37.0 million (2018: £32.0 million).

#### Cash flow and net funds

Net cash inflow generated from operating activities increased from £24.5 million in 2018 (restated) to £31.7 million in 2019. At the end of the financial year, the Company had cash balances of £25.4 million (2018: £24.4 million).

#### Balance sheet

The Company has a robust balance sheet, with no debt and £25.4 million of cash (2018: no debt and £24.4 million of cash).

## Review of the Business (*continued*)

### Our service offerings

We constantly re-evaluate our training to ensure we deliver, at scale, a consultant workforce best suited to the wide range of roles required. We regularly discuss the trends our clients see developing in the technology market, and make sure we understand how those trends will be reflected in their future needs.

FDM's range of technical and business disciplines includes; Development, Testing, IT Service Management, Project Management Office, Data Services, Business Analysis, Business Intelligence, Murex, Salesforce, Cyber Security and Robotic Process Automation. In 2019, our biggest growth stream has been Development.

In 2019 we added three new courses to our programme:

Course	Detail including module content
<b>Big Data Engineering</b>	This course covers a number of tools, techniques and methodologies forming part of the Hadoop Framework, and practical training in a number of other key technologies. Trainees gain an in-depth understanding of the part played by each component of the technology, including key methodologies such as: Introduction to Data Processing, Querying, In-Memory and Batch Processing and Statistical Analysis.
<b>Solution Architecture</b>	The course is aimed at developing a diverse pool of talent with a foundation across the Software Development Life Cycle. The training includes, but is not limited to: Stakeholder Management, Functional/ Non-Functional Requirements, Architecture Fundamentals, Design Patterns, Integration Patterns, Application Programming Interface, Networks and Cloud Computing, all concluding in a final project whereby the trainees design, develop, test and deploy an application from scratch into a live environment.
<b>UX/UI</b> (User Experience / User Interface)	Our UX and UI training covers three main phases, Discover, Design and Test. It forms an additional component of other traditional training streams including Business Analysis and Software Development. Our trainees create online portfolios during their training using InVision, Adobe XD, proto.io and other software which demonstrate their talents and show both their eye for design and their understanding of human machine interaction.

Our core training proposition is modular and continues to evolve, remaining flexible to enable close alignment to the needs of our clients. Delivering effective training requires a combination of learning delivery methods including classroom-based training and e-learning, and an emphasis on gaining practical experience using appropriate tools and methodologies.



## Principal Risks

Effective risk management is critical to the delivery of the Company's strategic objectives.

### Approach to risk

The Board has overall responsibility for ensuring risk is effectively managed with a focus on evaluating the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives - its 'risk appetite'. The Board maintains direct control over the approach to risk management and the procedures for the identification, assessment, management, mitigation and reporting of risks. The Audit Committee takes responsibility for overseeing the effectiveness of sound risk management and internal control systems.

### Identifying and monitoring key risks

The Board uses the Risk Register as its principal tool for monitoring and reporting risk. The preparation of the register is led by the Chief Financial Officer, supported by the senior management team, and it details the Company's risks, the impact of each risk, the likelihood of that risk occurring, the strength of the mitigating controls in place and how these are evidenced. Input is obtained from all areas of the business, including support functions, as appropriate. The Board formally reviews the Risk Register at the half year and at the year-end. An Internal Audit review of the Group's risk management processes carried out in 2017 concluded that the approach is appropriate given the current scale and complexity of the business. A further Internal Audit review of our risk assessment processes, as part of a wider compliance review, was carried out in 2019 and no significant issues were identified.

The current Risk Register includes 29 risks categorised as strategic, operational, compliance or financial risks, of which ten are considered to be the principal risks. The Risk Register was reviewed at the December Audit Committee meeting and it was agreed that no change to the risk rating of the risks was required.

### Principal risks

The principal risks faced by the Company are the same as those faced by the Group. Their current status and how the Group mitigates these risks are set out on pages 32 to 36 of FDM Group (Holdings) plc's Annual Report and Accounts 2019. The alignment to strategy indicates those aspects of the business strategy that would be impacted by the risk, were it to materialise.

A summary of the principal risks facing the Company:

Risk no.	Description
1	Changes in the macro-economic environment
2	Concentration exposure in the financial services sector
3	Balancing supply and demand – insufficient Mountie resource
4	Balancing supply and demand – excess Mountie resource
5	Recruitment and development of highly skilled Mounties
6	Talent development and succession planning
7	Development of new service offerings
8	Business interruption – caused by successful cyber-attack, natural disaster or other similar events
9	Reputation

## Principal Risks (*continued*)

### *Impact of COVID-19 on the Company*

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the UK. The spread of COVID-19 has caused significant volatility in the UK and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the UK and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations.

However, we have an agile and robust business model which positions us well to take advantage of opportunities as more normal conditions begin to return. As existing and potential clients adapt to new ways of working we envisage significant opportunities for our Mounties to support new technological change programmes across all sectors in which we operate.

### *Impact of Brexit on the Company*

The UK Government continues to negotiate with the EU to establish the new working relationship which will apply following the end of the current transition period on 31 December 2020. There is therefore some uncertainty about the legal and commercial framework which will be in place between the UK and the EU after that date. However, we believe that our business model is resilient against many of the threats and uncertainties which are commonly perceived to arise from Brexit.

Our UK business is self-sufficient and well-established. It has its own local management team, and recruits Mounties largely from within the territory in which it operates. We are not reliant on moving employees to or from the EU and are not therefore significantly impacted by the changes to the arrangements for the free movement of workers between the EU and the UK.

We recognise that some of FDM's clients, and the economic conditions in the UK have been, and will continue to be, adversely impacted by the effects of both COVID-19 and Brexit. These impacts affect the spending decisions of some clients. Whilst certain scenarios are outside of our control, we believe that FDM's business model is flexible, and the agile resource represented by our Mounties can be attractive to clients during times of economic or political uncertainty, which could potentially result in an increased demand for our services. These factors, together with FDM's strong cash and financial position, give us confidence that FDM can respond appropriately to ameliorate the effect of adverse conditions which may follow Brexit.

## Corporate Responsibility

### Acting responsibly

A long-standing commitment to corporate responsibility is central to our way of working. We understand that our reputation with clients depends on our good conduct and that of our Mounties. We focus on integrity, transparency, reliability and trustworthiness as our key values. As a people business, we know that engaging with our employees, clients, and other stakeholders is not only a matter of corporate responsibility but also makes good commercial sense and is essential to the sustainability of our business.

Our relationships with our clients are at the core of our business and we maintain a strong focus on developing those relationships. By working closely with clients not only to understand their current needs but to anticipate their future requirements, both operational and technological, we can continue to offer the most sought-after skills in leading edge technologies. The success of our clients and our Mounties is what drives our own success, and so our goals are closely linked.

FDM has long been a strong advocate of the benefits of diversity, inclusion and social mobility. We know the positive impact that a diverse workforce has had on our business, and this is an important factor which makes our Mountie model so attractive to many of our clients. We believe that we can extend this positive impact beyond our Academies into the communities where we operate, and promoting these values by engaging with the community is an important part of the work of our Diversity and Inclusion, and Graduate Recruitment teams.

Our Corporate Responsibility strategy is closely aligned with our business strategy, and by continuing to develop and integrate those strategies further we will underpin the long-term sustainable success of FDM, enhancing the impact which we have on our stakeholders.

### Engaging with our employees

The development of our new Group People Strategy has been informed by a programme of employee engagement, including face-to-face feedback sessions and internal workshops on our employee value proposition. We have also used new employee engagement software to carry out anonymous surveys on diversity and inclusion and on their experience of working at FDM.

In 2019 we continued our "Rising Stars" breakfasts and similar events around the world for junior employees who are excelling across the business. These events provide the opportunity to get to know members of the Executive Team, to brainstorm innovative ideas for our business and to share recent developments within their departments.

We regularly communicate with employees via email, monthly newsletters and face-to-face meetings in order to ensure they are supported, especially when placed remotely on site. The FDM Connection Newsletter keeps all employees up to date with FDM news, from important developments in our business to congratulating individual employees on noteworthy achievements. FDM's Social Media Hub is displayed on large screens in our centres and serves as an excellent tool to keep employees up to date and engaged in real time. We are a young, dynamic company that encourages employees to use social media professionally and this has helped the Group raise brand awareness and engagement.

We believe that it is important to recognise and reward the commitment and hard work of our colleagues. The FDM Consultant of the Month and FDM Stars initiatives reward those that are excelling, as nominated by customers and other employees within the business. We also recognise and reward the commitment and long-standing contribution of employees who have completed five and ten years with FDM. The CEO Award of Excellence is FDM's most prestigious award, reserved for outstanding employees who go above and beyond in contributing to the success and growth of the Company.

In addition:

- During 2019 we made further awards to employees under our discretionary Performance Share Plan ("PSP").
- A new Buy As You Earn share plan which is open to all our employees was launched in January 2019.

These plans provide a longer-term incentive to enable participants to share in the success of our business and reap the rewards of their hard work and commitment to our shared goals. Those employees who received awards under the PSP in 2016 benefitted from this success when those awards vested in full in March 2019.

## Corporate Responsibility (*continued*)

### Engaging with our clients

We welcome visits from our clients at our centres and Academies. Members of our sales teams constantly strive to develop their relationships with key members of our clients' teams. We also work closely with our clients through the process of interviewing and selecting our trainees for deployment as Mounties on client projects, which enhances our understanding of the skills and qualities they are looking for. It also helps to ensure that the Mounties we put forward are well matched to the client's culture and project criteria, which ultimately makes for a successful deployment.

### Engaging with the community

We work with numerous charitable partners and community groups through a combination of employee volunteering, donations, and employee time. We tailor our community activities to reflect the needs and interests of the communities where we operate, prioritising programmes which can use our training expertise to illustrate the possibilities surrounding a career in technology – particularly for women – and maintain that each of our charitable ventures aligns with our values.

#### *Early Talent Programme*

This year we expanded our schools engagement programme to our Glasgow Academy, developing a partnership with St Margaret Mary's school in Glasgow to encourage young people to enjoy and engage with STEM subjects from an early age. Pupils from the school attended a series of skills and work-based workshops at our Academy designed to equip them with some of the skills they may need to enter and succeed in the workplace. We were delighted to be awarded "Employer of the Month" by the Glasgow Chamber of Commerce's "Developing the Young Workforce" team in recognition of the beneficial impact of this project.

In April, we hosted a number of programming workshops to assist students at Leeds City Academy to improve their technical skills. We also sponsored the Digital Skills Category in the 2019 TeenTech Awards, and held a business breakfast in our London Academy with the winning student hosted by our Chief Information Officer in November.

#### *Events for our University Partners*

Over the last four years we have worked with second year computer science students at the University of Leicester as part of one of their academic group project modules. We assist the University's academics to develop a number of real-life software development briefs which the students work on throughout the term, introducing the brief to the students, and participating in the requirement gathering sessions and the students' final product demonstrations and presentations. We work on similar projects with Queen Mary University of London, the University of Birmingham and Newcastle University (London Campus). This work brings us into contact with students who may not otherwise engage with their university careers service, raising their awareness of the breadth of real-life roles which can be available to FDM Mounties and in the wider technology industry.

In 2019 we also hosted a seminar for 40 academics and other members of staff from our partner universities which explored the extent to which universities are preparing their students for the future world of work. The event included presentations by our Chief People Officer and a Mountie who has been deployed at a university.

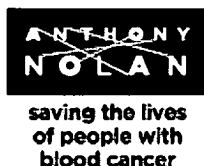
#### *Hackathons*

During the year we ran a Hackathon at our Glasgow office in conjunction with our charity partner Anthony Nolan which was attended by students from universities across Scotland. The students (supported by our Academy trainers and other staff) were challenged by the Anthony Nolan charity to identify an effective method for the charity to increase engagement with one of its key target demographics to join the Anthony Nolan stem cell register, namely Black, Asian and Minority Ethnic (BAME) males aged 18-30.

## Corporate Responsibility (*continued*)

### Engaging with the community (*continued*)

*Anthony Nolan*



We have continued our partnership with Anthony Nolan, to raise funds and to encourage our employees to join the Anthony Nolan stem cell donor register. Anthony Nolan particularly needs young people and donors from BAME backgrounds to join the register, to offer the best chance of a match for people who need a stem cell transplant. We provide direct sponsorship to our employees who wish to register as donors, as well as supporting fundraising activities and events.

*Walking With The Wounded*



Spearheaded by the Ex-Forces Team, our employees work closely with Walking With The Wounded who provide support for former members of the armed forces struggling to re-integrate back into the civilian world and support their independence.

In May, a large group of our employees raised money and took part in Walking With The Wounded's Cumbrian Challenge, with FDM teams walking a range of different routes. Employees also participated in the Walking Home for Christmas challenge to raise funds.

### Diversity and inclusion

We have always been a proactive and enthusiastic promoter of diversity, social mobility and inclusion within our workforce. We value the fact that our colleagues come from a wide range of backgrounds and aim to reflect the diversity of education, culture, age, ethnicity, gender and disability found in the communities in which we operate. By building a diverse and inclusive workforce, we broaden the range of skills, expertise and perspectives contributing to the success of our business, enhancing innovation and growth and making our business more robust and sustainable. We have been a signatory to the United Nations Women's Empowerment Principles ("UNWEP") since 2013 and have been supporting the annual FDM Everywoman in Technology Awards, recognising and celebrating the achievements of women in the IT industry, for eight successful years. Over that period these awards have provided opportunities for candidates at all stages of their careers, and have celebrated 350 of the tech industry's most exceptionally talented women.

We track our demographic data regularly to make sure it is up to date and are transparent with our staff about progress towards diversity targets.

- 31% of our employees are female;
- 53% of our 2019 graduates identify as BAME<sup>1</sup> and
- 4% of our 2019 graduates consider themselves to have a disability.

We continue to gather numerous awards in this area, including the following in 2019:

- Social Mobility Index 2019: Top 75
- Women in Tech – Female Grad Tech Employer of the Year
- Agents of Change Power List 2019 – Rod Flavell, CEO

Our median gender pay gap reported in 2019 was -1.7% (2018: 0.0%), and our mean gender pay gap for the same period was 1.3% (2018: 5.7%). These figures are significantly better than average for the UK, but we recognise that there is always room for improvement.

<sup>1</sup> Black, Asian or Minority Ethnic

## Corporate Responsibility (*continued*)

### Supporting social mobility

Our recruitment processes are reviewed regularly and are designed to enhance diversity and social mobility in our recruitment channels. For example:

- we aim to make our opportunities available to those who can show us that they have the aptitude to join our programme and the attitude our clients are looking for, regardless of where they grew up or went to school;
- we use strength-based interview questions, ensuring candidates are not assessed on previous experience or social capital; and
- all of our staff involved in interviewing applicants to FDM undergo training to help eliminate any unconscious bias.

We are proud that, in 2019, 40% of graduate Mounties were the first in their families to go to university, whilst 88% of them attended a state school.

### Disability

The Company gives full and fair consideration to the employment of disabled people. At the recruitment and selection stages, we encourage candidates to disclose any reasonable adjustments they may require so that we can ensure all candidates have the same opportunities. These adjustments may include, for example, providing additional equipment, adapting our telephone screening process or adjusting our assessment day interviews and tests to suit individual needs. In the event of members of staff becoming disabled, every effort is made to ensure that their employment can continue either in their current role or in a suitable alternative. The Company endeavours to make any reasonable adjustments to enable disabled employees to fulfil the responsibilities of their job role. It is the Company's policy to support disabled employees in all aspects of their training, development and promotion where it benefits the employee and the Company.

We have been a member of the Business Disability Forum since 2017. The specialist advice and support which they provide enables us to improve our understanding of how we can further enhance our accessibility to disabled employees and customers. 4% of our Mounties in 2019 identified themselves as having a disability.

### Ex-Forces and Getting Back to Business pathways

We recognise that people who have served in the Armed Forces have many transferable skills for a successful career in the corporate world, ranging from adaptability and maturity to responsibility and leadership. We offer a dedicated ex-Forces Programme which provides training to ex-Forces personnel in relevant commercial skills, assisting them to make a smooth transition into the civilian workplace and leading to deployment as one of our IT or business consultants. The Programme is run by ex-service personnel and employs ex-servicemen and women from all ranks across all three services. We are proud holders of a Gold Award from the UK Government's Defence Employer Recognition Scheme, acknowledging our strong commitment and drive in delivering our pledges under the Armed Forces Covenant, to which we are also a signatory.

Our Getting Back to Business Programme aims to address the challenges faced by professional individuals who have taken an extended career break and gives them the opportunity to re-enter the workforce at a level which is appropriate to the experience they have already gained in their earlier careers. Returners to work are an invaluable source of talent for our clients with skills shortages and our Programme aims to boost that pipeline by providing participants from a diverse range of social, ethnic and educational backgrounds with intensive training to learn new skills, refresh existing knowledge and help individuals to regain the confidence to return to their business careers. Approximately 80% of our participants on the Programme are women.

## Corporate Responsibility (*continued*)

### Human resource policies and respect for human rights

We are committed to making FDM a great place for all our employees to work. We have enhanced our policies on maternity, paternity, adoption, personal and special leave, and on sickness absence, which go beyond the minimum required by law. We are committed to fulfilling our obligations in accordance with the relevant legislation for those of our applicants and existing employees who have disabilities. We give equal consideration to applicants with disabilities, and our staff who interview applicants receive training in avoiding unconscious bias in the recruitment process.

We also have in place policies which prohibit discrimination and harassment in the workplace. We believe that our policies taken as a whole provide an effective framework to ensure that all our stakeholders and any other individuals with whom we interact in the course of our work are treated with respect and dignity, and in a way which accords with the Universal Declaration of Human Rights.

### Anti-slavery and human trafficking policy

We are committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of the business. We have considered the degree of risk that modern slavery could arise within the organisation or in supply chains.

The nature of our business and the direct relationship we have with applicants to the training programmes means that the risk of modern slavery in our own organisation is low. We have reviewed supply chains and taken a number of steps to address the potential risks of modern slavery and human trafficking.

The Company has put in place an Anti-Slavery and Human Trafficking policy to assist it in mitigating this risk, and continues to implement a process of due diligence on key suppliers to ensure compliance with our policy and our obligations under the Modern Slavery Act 2015. There is a pre-contract due diligence process, used with new suppliers to ensure that they confirm their commitment to comply with our policies and values, or that they have in place appropriate equivalent policies of their own. We have also developed a set of standard contractual clauses for inclusion in supplier contracts which reinforces this approach. The Company aims to promote a high level of understanding of the risks of modern slavery and familiarises all staff with these policies on induction. Additional training may be provided to key staff members where appropriate.

## Corporate Responsibility (continued)

### Environmental performance

#### 2019 Highlights

- Our emissions intensity has reduced by 27%, reflecting both significant business growth and environmental actions taken
- Considerable reduction in staff business travel driven by internal policy initiatives

#### Expanding our presence in a sustainable manner

Global climate change has already had observable effects on the environment. The effects on individual regions will vary over time. The potential future effects of global climate change include an increase in the frequency, duration and intensity of events. As we increase our presence we realise that we have an associated environmental impact. Our aim is to decouple business growth from our impact on the environment.

In 2019, despite a 6% growth in Mountie revenue we saw significant reduction in both energy consumption and staff travel, reducing the intensity of our emissions (tCO<sub>2</sub>e/ £ million Mountie revenue) by 27%. Due to the nature of our business model, recruiting, training and deploying locally is a priority. The Company currently has travel policies in place to minimise both emissions and cost where possible. In addition to this, the Executive Team has introduced policies to promote the use of video conferencing technology and other collaborative tools to reduce the need for travel.

#### Energy and carbon reporting

As an IT-focussed global professional services provider, we recognise the importance of quality data management. For our full group-wide environmental performance see pages 49 to 51 of FDM Group Holdings plc's Annual Report 2019. The table below is an extract from our full group-wide environmental performance, and represents emissions and consumption for FDM Group Limited:

	Year ended 31 December 2019	Year ended 31 December 2018	% change (vs. 2018)
<b>Emissions (tCO<sub>2</sub>e)</b>			
UK emissions	648	827	↓ 22%
<b>Energy Consumption (kWh)<sup>1</sup></b>			
UK consumption (kWh)	1,202,012	1,282,815	↓ 6%
<b>Greenhouse Gas Emissions intensity ratio:</b>			
£ Million of Mountie revenue	132.1	124.2	↑ 6%
CO <sub>2</sub> e tonnes per £ Million of Mountie revenue	4.9	6.7	↓ 27%

<sup>1</sup> Energy consumption includes the calculated energy in kWh from natural gas, company cars, electricity and purchased steam in line with Streamlined Energy and Carbon Reporting ('SECR') reporting requirements.

The methodology used to compile this data is in accordance with Defra's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019)'. We use a financial control approach and our calculated GHG emissions arising from business activities in the reporting year 1 January 2019 to 31 December 2019 are as above.



## Corporate Responsibility (*continued*)

### Statement by the Directors in performance of their statutory duties under s.172(1) Companies Act 2006

The Directors of the Company have an obligation to act in accordance with a general set of duties, which are set out in section 172 of the Companies Act 2006. This states that the Directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

Directors are briefed on these duties as part of their induction and have access to professional advice on them, from the Company Secretary or, if they consider it necessary, from an external independent advisor. The Directors fulfil this duty partly by delegating responsibility for day-to-day decision-making to the Executive Team and other senior managers, under a robust governance structure which is described in further detail in our Corporate Governance Report.

The Directors consider, both individually and together, that they have acted in accordance with their duties under s.172 in the decisions taken during the year ended 31 December 2019. There are examples throughout this Annual Report of how we take into account the matters referred to above, but the following summarises the stakeholder groups we have identified, the key steps we have taken to engage with them and the outcomes of that engagement.

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
Our employees	Our long-term success depends on the commitment of our staff to deliver our purpose – both those in our Academies and centres and also our skilled and professional Mounties. We engage with our employees to ensure that we are creating an environment in which they can thrive, and to understand their ideas and concerns. Maintaining the quality and strength of our unique Mountie model will enable us to continue the profitable growth of our business.	We discuss our activities to engage with our employees on page 10. In particular: <ul style="list-style-type: none"> <li>• We have carried out a number of employee surveys, the first in an ongoing programme of regular employee dialogue.</li> </ul>	The Board identified the need for a Group Chief People Officer and appointed Paula Leach, a highly experienced and respected professional in the field, to that role in April 2019.  At the Board's request, with the support of the Nomination Committee, our Chief People Officer has developed a new Group People Strategy, which is now being implemented. The first phase focusing on optimising the experience of our Mounties throughout their career with FDM.  The Group People Strategy includes a talent development programme which will provide clear career paths and development opportunities for our internal staff.
Our university partners	Universities can be seen as our key supplier. Our ability to recruit graduates of the highest calibre into our Academy training programmes is key to our ability to deliver Mounties with the qualities and attributes which our clients are looking for. We engage with our university partners to ensure that our Academy offering adapts and develops to remain competitive and attractive to graduates.	Information on our engagement with universities can be found on page 11.	Our university partners continue to be interested in promoting focus on STEM subjects. In response we hosted a conference for representatives of universities to discuss how students may be better prepared for the ever-changing world of work.

Corporate Responsibility (*continued*)Statement by the Directors in performance of their statutory duties under s.172(1)  
Companies Act 2006 (*continued*)

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
Our trainees	Our trainees are key to our Mountie model. Having recruited graduates, ex-Forces and returners to work, it is important for us to ensure that we are providing them with training which will enable them to evolve into Mounties with client-driven and cutting-edge skills in the technologies which are relevant to our clients' needs.	All our trainees are asked to provide formal feedback on the content and delivery of the courses which they receive during their time in our Academies.	As a result of our programme of engagement with trainees and Mounties during 2019, we will be carrying out a comprehensive review during 2020 of our Academy offering. This will ensure that our curriculum is evolving to respond to market trends, and that the delivery of our courses makes the best possible use of available technologies to engage and enthuse our trainees (and Mounties who make use of our Academy facilities when between deployments).
Our clients	Understanding our clients' needs is central to our business. We need to ensure that we are offering Mounties of the right calibre, with the required personal and professional attributes and technological skills. By working with our clients to understand the new technologies which will be key to their businesses in the future, we can adapt and develop our business streams to provide Mounties with the skills clients need.	Further information on our engagement with clients can be found on page 11.	In response to our engagement with clients we have developed and introduced three new courses (see page 7).  As a result of our work with individual clients we continued to develop and deliver driven programmes, tailored to specific clients' needs for their latest business projects.
The community	We place great importance on ensuring that our activities have a positive impact on not only our employees and clients but also on the wider communities in which we operate. Our intention is to: <ul style="list-style-type: none"> <li>• behave responsibly and fairly with high standards of business conduct and good governance</li> <li>• play our part in working towards a diverse and inclusive society; and</li> <li>• continue to launch exciting careers for thousands of consultants in the technology sector, contributing to the reduction of the digital skills gap and the growth of the economies of the regions where we operate.</li> </ul>	Further information on our activities with the communities where we operate can be found on pages 11.	We have continued our partnership with the Anthony Nolan Charity and this year carried out a Hackathon designed to explore solutions to a key challenge which they face in engaging young BAME males to join their stem cell register.  The FDM Everywoman in Technology Awards has continued into its tenth successful year in promoting talented women in technology.  We have continued our work to promote diversity, inclusion and social mobility, making further progress in improving our own gender pay gap.  Sheila Flavell, our Chief Operating Officer, was awarded a CBE in the UK Government's 2020 New Year Honours List in recognition of services to gender equality in IT and services to graduate and returners employment.

## Corporate Responsibility (*continued*)

### Statement by the Directors in performance of their statutory duties under s.172(1) Companies Act 2006 (*continued*)

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
The environment	We are conscious that all business activities have an impact on the environment, and we are committed to finding ways to mitigate that impact. We understand the continuing importance of this issue to our employees and the communities in which we work.	Further information on the work we have done to continue to find ways of reducing our impact on the environment can be found on page 15.	Our emissions intensity has reduced by 27%.

### Non-financial performance reporting

We comply with the requirements of sections 414CA and 414CB of the Companies Act 2006. The information provided above is to help our stakeholders understand our position on key non-financial matters, specifically: employees, social matters, respect of human rights, environmental matters, and anti-corruption and anti-bribery matters.

The Strategic Report was approved by the Board on 6 October 2020 and signed on its behalf by:



**Mike McLaren**  
Chief Financial Officer  
6 October 2020

## DIRECTORS' REPORT

### Directors' Report

The Directors present the Directors' Report and audited Financial Statements of FDM Group Limited for the year ended 31 December 2019.

#### General information

The principal activity of the Company is the provision of professional services focussing principally on Information Technology. FDM Group Limited is both a trading company and a holding company within the FDM Group; the Company is a private company limited by shares and is a wholly owned subsidiary of Astra 5.0 Limited, which in turn is a wholly owned subsidiary of FDM Group (Holdings) plc. The Strategic Report on pages 2 to 18 provides a review of the Group's performance during the financial year as well as its future prospects.

The financial statements on pages 25 to 53 were approved by Mike McLaren on behalf of the Board on 6 October 2020.

#### Future developments

Over the next twelve months the Company is expected to continue to deliver against its strategic objectives.

#### Results and dividends

The Company made a reported profit for the year of £38.7 million (2018 restated: £33.0 million).

During the year the Company paid dividends totalling £37.0 million to Astra 5.0 Limited, its Parent Company (2018: £32.0 million). No further dividends have been proposed for the year ended 31 December 2019 (2018: £nil).

#### Political donations

No political contributions were made during the year by the Company (2018: £nil).

#### Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Ivan Martin	Non-Executive Chairman (resigned 5 March 2020)
Rod Flavell	Chief Executive Officer
Sheila Flavell	Chief Operating Officer
Andrew Brown	Group Commercial Officer
Mike McLaren	Chief Financial Officer

The Company provides qualifying third party indemnity insurance for Directors' liability. The insurance was in place throughout the year and up to the date of approval of these financial statements.

#### Employee involvement and disabled employees

Employee involvement and provisions for disabled employees can be found in the Strategic Report and is incorporated in this report through cross reference.

The Directors recognise that the success of the business as a whole is dependent on all of our staff at every level and continue to invest in our employees through provision of training initiatives. Our focus and ethos as a company is built on training and developing individuals who make a positive difference and reach their full potential.

#### Risk management objectives and policies

The Company through its operations is exposed to a number of risks. Details of the Company's financial risk management objectives and policies are set out in note 23 to the Financial Statements. The principal risks that the Company faces are set out on page 8 of the Strategic Report.

#### Branches outside the UK

FDM Group Limited operates branches in France, Denmark and Spain.

## **DIRECTORS' REPORT**

### **Directors' Report (*continued*)**

#### **Going concern**

The Company's business activities, together with the factors that are likely to affect its future development, performance and position are summarised in the Strategic Report. The principal risks, uncertainties and risk management processes are also described in the Strategic Report.

The Company's continued and forecast growth, positive operating cash flow and liquidity position, together with its distinctive business model and infrastructure, enable the Company to manage its business risks successfully. The Company's forecasts and projections show that it will continue to operate with adequate cash resources.

The Directors therefore have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for preparing the financial statements.

#### **Greenhouse gas emissions**

Details of the Company's compliance with legislation relating to greenhouse gas emissions are set out on page 15 in the Corporate Responsibility report.

#### **Post balance sheet events**

There have been no significant events to report since the date of the balance sheet.

#### **Related party transactions**

The Company's related party transactions are detailed in note 22 to the Financial Statements.

#### **Independent auditors**

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

#### **Statement of Directors' responsibilities in respect of the financial statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statement in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DIRECTORS' REPORT

### Directors' Report (*continued*)

#### Statement of Directors' responsibilities in respect of the financial statements (*continued*)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### *Directors' confirmations*

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report contained in this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

#### Disclosure of information to auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' Report has been approved by the Board of Directors of FDM Group Limited on 6 October 2020 and signed on its behalf by:



**Mike McLaren**  
Chief Financial Officer  
6 October 2020

# Independent auditors' report to the members of FDM Group Limited

## Report on the audit of the financial statements

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### Opinion

In our opinion, FDM Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2019 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## Independent auditors' report to the members of FDM Group Limited (*continued*)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 20 and 21, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



## Independent auditors' report to the members of FDM Group Limited (*continued*)

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### Other required reporting

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#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jaskamal Sarai (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
6 October 2020

## FINANCIAL STATEMENTS

### Income Statement

for year ended 31 December 2019

	Note	2019 £000	2018 Restated* £000
Revenue		134,770	129,059
Cost of sales		(70,105)	(67,670)
<b>Gross profit</b>		<b>64,665</b>	<b>61,389</b>
Administrative expenses		(28,974)	(26,903)
<b>Operating profit</b>	6	<b>35,691</b>	<b>34,486</b>
Other income		9,737	5,518
Finance income	9	231	119
Finance expense	9	(386)	(434)
<b>Net finance expense</b>		<b>(155)</b>	<b>(315)</b>
<b>Profit before income tax</b>		<b>45,273</b>	<b>39,689</b>
Taxation	10	(6,619)	(6,645)
<b>Profit for the year</b>		<b>38,654</b>	<b>33,044</b>

\*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The results for the year shown above arise from continuing operations.

The notes on pages 30 to 53 are an integral part of these Financial Statements.

## FINANCIAL STATEMENTS

### Statement of Comprehensive Income

for year ended 31 December 2019

	2019 £000	2018 Restated* £000
Profit for the financial year	38,654	33,044
Total comprehensive income recognised for the year	38,654	33,044

\*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 30 to 53 are an integral part of these Financial Statements.

## FINANCIAL STATEMENTS

### Statement of Financial Position at 31 December 2019

	Note	2019 £000	2018 Restated* £000
<b>Non-current assets</b>			
Right-of-use assets	12	7,230	8,578
Investments	11	31	31
Property, plant and equipment	13	2,559	2,775
Intangible assets	14	347	68
Deferred income tax assets	15	955	1,229
		<b>11,122</b>	<b>12,681</b>
<b>Current assets</b>			
Trade and other receivables	16	46,247	43,981
Cash and cash equivalents	17	25,354	24,358
		<b>71,601</b>	<b>68,339</b>
<b>Total assets</b>		<b>82,723</b>	<b>81,020</b>
<b>Current liabilities</b>			
Trade and other payables	18	58,478	55,748
Current income tax liabilities		2,159	2,435
Lease liabilities	12	2,528	2,397
		<b>63,165</b>	<b>60,580</b>
<b>Non-Current liabilities</b>			
Lease liabilities	12	7,047	9,004
<b>Total liabilities</b>		<b>70,212</b>	<b>69,584</b>
<b>Net assets</b>		<b>12,511</b>	<b>11,436</b>
<b>Equity</b>			
Share capital	19	236	236
Share premium		3,494	3,494
Capital redemption reserve		63	63
Capital contribution reserve		3,021	4,491
Retained earnings		5,697	3,152
<b>Total equity</b>		<b>12,511</b>	<b>11,436</b>

\*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 30 to 53 are an integral part of these Financial Statements.

These financial statements on pages 25 to 53 were approved by the Board of Directors on 6 October 2020 and were signed on its behalf by:



**Mike McLaren**  
Chief Financial Officer

## FINANCIAL STATEMENTS

### Statement of Cash Flows

for year ended 31 December 2019

	Note	2019 £000	2018 Restated* £000
<b>Cash flows from operating activities</b>			
Profit before tax for the year		45,273	39,689
<i>Adjustments for:</i>			
Depreciation and amortisation	6	2,533	2,432
Finance income	9	(231)	(119)
Finance expense	9	386	434
Share-based payment (credit)/ charge (including associated social security costs)		(1,546)	357
Dividends received	20	(9,737)	(5,518)
Increase in trade and other receivables		(2,266)	(5,591)
Increase/ (decrease) in trade and other payables		2,730	(1,046)
<b>Cash flows generated from operations</b>		<b>37,142</b>	<b>30,638</b>
Interest received	9	231	119
Income tax paid		(5,654)	(6,255)
<b>Net cash generated from operating activities</b>		<b>31,719</b>	<b>24,502</b>
<b>Cash flows from investing activities</b>			
Dividends received	20	9,737	5,518
Acquisition of property, plant and equipment	13	(558)	(543)
Acquisition of intangible assets	14	(321)	(16)
<b>Net cash generated from investing activities</b>		<b>8,858</b>	<b>4,959</b>
<b>Cash flows from financing activities</b>			
Dividends paid	20	(37,000)	(32,000)
Principal elements of lease payments		(2,195)	(1,887)
Interest elements of lease payments		(354)	(375)
Finance costs paid	9	(32)	(22)
<b>Net cash used in financing activities</b>		<b>(39,581)</b>	<b>(34,284)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>996</b>	<b>(4,823)</b>
Cash and cash equivalents at beginning of year		24,358	29,181
<b>Cash and cash equivalents at end of year</b>	17	<b>25,354</b>	<b>24,358</b>

\*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 30 to 53 are an integral part of these Financial Statements.

## FINANCIAL STATEMENTS

### Statement of Changes in Equity

for year ended 31 December 2019

	Share capital £000	Share premium £000	Capital redemption reserve £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019 (Restated)*	236	3,494	63	4,491	3,152	11,436
Total comprehensive income	-	-	-	-	38,654	38,654
Transfer to retained earnings	-	-	-	(891)	891	-
Share-based payments (note 21)	-	-	-	(579)	-	(579)
Dividends (note 20)	-	-	-	-	(37,000)	(37,000)
<b>Balance at 31 December 2019</b>	<b>236</b>	<b>3,494</b>	<b>63</b>	<b>3,021</b>	<b>5,697</b>	<b>12,511</b>

	Share capital £000	Share premium £000	Capital redemption reserve £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018 (Restated)*	236	3,494	63	4,551	1,691	10,035
Total comprehensive income (Restated)*	-	-	-	-	33,044	33,044
Transfer to retained earnings	-	-	-	(417)	417	-
Share-based payments (note 21)	-	-	-	357	-	357
Dividends (note 20)	-	-	-	-	(32,000)	(32,000)
<b>Balance at 31 December 2018 (Restated)*</b>	<b>236</b>	<b>3,494</b>	<b>63</b>	<b>4,491</b>	<b>3,152</b>	<b>11,436</b>

\*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 30 to 53 are an integral part of these Financial Statements.

## **FINANCIAL STATEMENTS**

### **Notes to the Financial Statements**

#### **1 General information**

The Company operates in the Recruit, Train and Deploy ("RTD") sector. The Company's principal business activities involve recruiting, training and deploying its own permanent IT and business consultants at client sites.

FDM Group Limited is a limited company incorporated and domiciled in England and Wales. The Company's registered office is 3rd Floor, Cottons Centre, Cottons Lane, London, SE1 2QG and its registered number is 2542980.

The Financial Statements present the results for the year ended 31 December 2019. The Financial Statements were approved by Mike McLaren on behalf of the Board of Directors on 6 October 2020.

#### **2 Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are summarised in the Strategic Report. The principal risks and uncertainties and risk management processes are also described in the Strategic Report.

The Company's continued and forecast growth, positive operating cash flow and liquidity position, together with its distinctive business model and infrastructure, enables the Company to manage its business risks. The Company's forecasts and projections show that it will continue to operate with adequate cash resources and within the current working capital facilities.

The Directors therefore have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for preparing the financial statements.

#### **3 Accounting policies**

##### **3.1 Basis of preparation**

The Financial Statements have been prepared in accordance with IFRSs as adopted by the EU, IFRS Interpretations Committee ("IFRS IC") interpretations and the Companies Act 2006 as applicable to companies reporting under IFRSs.

The Financial Statements have been prepared on a historical cost basis. The Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

The Company has changed its accounting policies and made retrospective adjustments as a result of adopting IFRS 16 'Leases'. The impact of adopting the leasing standard and the new accounting policies are disclosed in note 4 and 12 respectively.

The Company is a wholly-owned subsidiary of Astra 5.0 Limited and is included in the consolidated financial statements of FDM Group (Holdings) plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 3 Accounting policies (*continued*)

##### 3.2 Summary of significant accounting policies

###### a) Revenue recognition

Revenue is recognised under IFRS 15 and is measured at the fair value of the consideration received or receivable and excluding sales taxes.

###### *Rendering of services*

Revenue from the provision of IT consultants to third party customers is recognised as follows:

- The revenue is recognised in the period in which the IT consultants perform the work at the contracted rates for each IT consultant. Revenue is based on timesheets from its IT consultants which are authorised by the Group's customers detailing the hours and service provided;
- Revenue in respect of non-receipted timesheets is accrued at the estimated contract value; and
- Volume rebates are accrued in the period in which the revenue is incurred, with the value of the rebate offset against revenue. They are calculated with regard to the threshold revenue in a contractual period. To the extent they are material, amounts are disclosed along with any significant judgements made in their estimation.

###### b) Taxes

###### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where the Company operates and generates income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

###### *Deferred tax*

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary difference is not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

###### c) Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Plant and equipment	4 years
Fixtures and fittings	4 years
Leasehold improvements	Length of lease

The assets' residual values, useful lives and methods of depreciation are reviewed each financial year end and adjusted if appropriate.



## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### **3 Accounting policies (*continued*)**

#### **3.2 Summary of significant accounting policies**

##### **d) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

##### *Software and software licences*

The Company holds acquired software and software licences as intangible assets. Acquired software and software licences are capitalised on the basis of cost and amortised over the estimated useful lives of the software which is estimated to be four years or the licence term if shorter. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

##### **e) Trade receivables**

Trade receivables are recognised initially at fair value using an expected credit loss model in line with IFRS 9. A provision for impairment of trade receivables is established based upon objective evidence that the Company will not collect all amounts due according to the original terms of the receivables. Subsequent assessment is made if there is evidence of a change in circumstances to the debtor, such as the probability that the debtor will enter bankruptcy or financial reorganisation, or default. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

##### **f) Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### **3 Accounting policies (*continued*)**

#### **3.2 Summary of significant accounting policies**

##### **g) Financial instruments**

###### *Non-derivative financial instruments*

The Company's non-derivative financial instruments comprise trade receivables, trade payables, cash and cash equivalents.

The Company does not have any borrowings but borrowing costs paid on the establishment of credit facilities are recognised as an expense in the income statement over the expected usage period of the facility.

##### **h) Pensions and other post-employment benefits**

The Company operates a number of defined contribution pension schemes. The assets of each scheme are held separately from those of the Company in an independently administered fund. The amount charged to the income statement represents the contributions payable to the schemes in respect of the accounting period.

##### **i) Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The capital contribution reserve represents the cost of equity share-based payments until such share options are exercised or lapsed.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

##### **j) Share-based payments**

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

###### *Equity-settled transactions*

The cost of equity-settled transactions is recognised, together with a corresponding increase in the capital contribution reserve in equity, over the period in which the performance and/ or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense. The equity-settled transactions are fair valued at the grant date and the expense recognised over the duration of the vesting period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/ or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### **3 Accounting policies (*continued*)**

#### **3.2 Summary of significant accounting policies**

##### **k) Dividends**

Dividends are recognised as a liability in the year in which they are fully authorised, or in the case of interim dividends when paid.

##### **l) Provisions**

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate. Provisions are measured at management's best estimate.

##### **m) Significant accounting estimate**

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting year. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods. The following is considered to be the Company's significant estimate:

##### *Share-based payment charge*

A share-based payment charge is recognised in respect of share awards based on the Directors' best estimate of the number of shares that will vest based on the performance conditions of the awards, which comprise adjusted EPS growth of FDM Group (Holdings) plc and the number of employees that will leave before vesting. The charge is calculated based on the fair value on the grant date using the Black Scholes model and is expensed over the vesting period. The key assumptions in respect of the share-based payment charges are set out in note 21.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 4 Adoption of IFRS 16 'Leases'

Under IFRS 16 'Leases', a liability and an asset are recognised at the inception of the lease, the lease liability being the present value of future lease payments. A right-of-use asset is recognised as the same amount adjusted for any initial direct costs, lease incentives received, or lease payments made at or before the commencement date, as applicable.

The charge to the Income Statement comprises i) an interest expense on the lease liability (included within finance expense) and ii) a depreciation expense on the right-of-use asset (included within operating costs).

The liabilities are measured at the present value of the remaining lease payments, discounted using the lessee company's incremental borrowing rate at the date of lease inception. The associated right-of-use assets for leases are measured on a retrospective basis as if the new rules had always applied.

For short-term leases and leases of low-value assets, the Company has chosen to recognise the associated lease payments as an expense on a straight-line basis over the lease term.

#### *Initial adoption*

The Company has adopted IFRS 16 retrospectively and has restated the comparatives for the 2018 reporting period. The decision to adopt the full retrospective approach upon transition was made as it provides increased comparability of the Company's results year on year.

The discount rate applied to leases has been calculated based on an estimated borrowing rate available to the lessee companies at the date of lease inception.

The following tables show the adjustments recognised for individual line items as at 1 January 2018 and 31 December 2018. Line items that were not affected by the changes have not been included. All adjustments made relate to property leases.

#### Income Statement for year ending 31 December 2018 (extract)

	As previously reported £000	IFRS 16 £000	Restated £000
Administrative expenses	(27,209)	306	(26,903)
<b>Operating profit</b>	<b>34,180</b>	<b>306</b>	<b>34,486</b>
Finance expense	(22)	(412)	(434)
<b>Profit before income tax</b>	<b>39,795</b>	<b>(106)</b>	<b>39,689</b>
Taxation	(6,665)	20	(6,645)
<b>Profit for the year</b>	<b>33,130</b>	<b>(86)</b>	<b>33,044</b>

# FINANCIAL STATEMENTS

## Notes to the Financial Statements (*continued*)

### 4 Adoption of IFRS 16 'Leases' (*continued*)

#### Statement of Financial Position (extract)

	1 January 2018			31 December 2018		
	As previously reported £000	IFRS 16 £000	Restated £000	As previously reported £000	IFRS 16 £000	Restated £000
<b>Non-current assets</b>						
Right-of-use assets	-	10,190	10,190	-	8,578	8,578
Deferred income tax assets	1,424	201	1,625	1,008	221	1,229
<b>Current assets</b>						
Trade and other receivables	38,967	(539)	38,428	44,558	(577)	43,981
<b>Total assets</b>	<b>72,707</b>	<b>9,852</b>	<b>82,559</b>	<b>72,798</b>	<b>8,222</b>	<b>81,020</b>
<b>Current liabilities</b>						
Trade and other payables	59,381	(2,664)	56,717	57,989	(2,241)	55,748
Lease liabilities	-	2,336	2,336	-	2,397	2,397
<b>Non-current liabilities</b>						
Lease liabilities	-	11,038	11,038	-	9,004	9,004
<b>Total liabilities</b>	<b>61,820</b>	<b>10,710</b>	<b>72,530</b>	<b>60,424</b>	<b>9,160</b>	<b>69,584</b>
<b>Net assets</b>	<b>10,887</b>	<b>(858)</b>	<b>10,029</b>	<b>12,374</b>	<b>(938)</b>	<b>11,436</b>
<b>Retained earnings</b>	<b>2,543</b>	<b>(858)</b>	<b>1,685</b>	<b>4,090</b>	<b>(938)</b>	<b>3,152</b>
<b>Total equity</b>	<b>10,887</b>	<b>(858)</b>	<b>10,029</b>	<b>12,374</b>	<b>(938)</b>	<b>11,436</b>

#### Statement of cash flows for year ending 31 December 2018 (extract)

	As previously reported £000	IFRS 16 £000	Restated £000
<b>Cash flows generated from operations</b>	<b>28,376</b>	<b>2,262</b>	<b>30,638</b>
Principal elements of lease payments	-	(1,887)	(1,887)
Interest elements of lease payments	-	(375)	(375)
<b>Net cash outflow from financing activities</b>	<b>(32,022)</b>	<b>(2,262)</b>	<b>(34,284)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,823)</b>	<b>-</b>	<b>(4,823)</b>

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 4 Adoption of IFRS 16 'Leases' (*continued*)

##### Lease liabilities as at 31 December 2018

The table below reconciles the Company's operating lease commitments as at 31 December 2018 (as disclosed in note 19 in Annual Report and Financial Statements 2018) to the lease liabilities recognised under IFRS 16.

	£000
Operating leases commitment (as disclosed in note 19 in Annual Report and Financial Statements 2018)	9,923
Discounted using the lessee's lease incremental borrowing rates	(1,047)
Add: adjustment where lessee is reasonably certain to exercise its option to extend the lease	2,601
Less: adjustment for lease not yet commenced to which lessee is committed	(76)
Lease liabilities recognised	<u>11,401</u>
Of which are:	
Current lease liabilities	2,397
Non-current lease liabilities	9,004
	<u>11,401</u>

#### 5 New standards and interpretations

The International Accounting Standards Board ("IASB") and IFRS IC have issued the following new standards and amendments which were effective during the year and were adopted by the Company in preparing the financial statements.

With the exception of IFRS 16 'Leases', as set out in note 12, The adoption of these amendments has not had a material impact on the Company's financial statements in the year:

Effective in 2019	Effective for accounting periods beginning on or after	Endorsed by the EU
<b>New standards</b>		
IFRS 16, 'Leases'	1 January 2019	Yes
Interpretation 23, 'Uncertainty over Income Tax Treatments'	1 January 2019	Yes
<b>Amendments</b>		
Amendment to IAS 1 and IAS 8 regarding the definition of materiality	1 January 2019	Yes
Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation	1 January 2019	Yes
Amendments to IAS 28, 'Investments in associates', on long term interests in associates and joint ventures	1 January 2019	No
Amendments to IAS 19, 'Employee benefits', plan amendment, curtailment or settlement	1 January 2019	No
Amendment to IFRS 3, 'Business combinations'	1 January 2019	No
Amendment to IFRIC 23, 'Uncertainty over income tax'	1 January 2019	No

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 5 New standards and interpretations (*continued*)

Effective after 31 December 2019	Effective for accounting periods beginning on or after	Endorsed by the EU
<b>New standards</b>		
IFRS 17, 'Insurance contracts'	1 January 2021	No
<b>Amendments</b>		
Revised Conceptual Framework for Financial Reporting	1 January 2020	Yes
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies' on Definition of Material	1 January 2020	Yes
Amendment to IFRS 3 'Business Combinations' on Definition of a Business	1 January 2020	No
Amendment to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments recognition and measurement' and IFRS 7 'Financial Instruments disclosures' on Interest rate benchmark reform	1 January 2020	No

#### 6 Operating profit

Operating profit for the year has been arrived at after charging/ (crediting):

	2019	2018
	£000	Restated £000
Expense relating to short-term leases	88	138
Net foreign exchange gains	(52)	(184)
Depreciation of right-of-use assets	1,717	1,612
Depreciation and amortisation of other assets	816	820
	<u>147</u>	<u>123</u>

#### Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2019	2018
	£000	£000
Audit services	106	87
Non-audit services	41	36
	<u>147</u>	<u>123</u>

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 7 Staff numbers and costs

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

	Number of employees	
	2019	2018
Consultants	2,166	2,013
Administration	376	328
	<hr/>	<hr/>
	2,542	2,341
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	83,407	76,306
Social security costs	9,296	8,159
Other pension costs	1,852	1,301
Share-based payments	1,408	1,947
	<hr/>	<hr/>
	95,963	87,713
	<hr/>	<hr/>

#### Retirement benefits

The Company operates a number of defined contribution pension plans. The pension charge for the year represents contributions payable by the Company to the schemes. The pension contributions payable at 31 December 2019 was £299,000 (2018: £220,000). There were no outstanding prepaid contributions at the end of the financial years 2019 and 2018.



## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 8 Directors' remuneration

Details of the Directors' (who also represent the key management personnel of the Company) remuneration in respect of the year ended 31 December 2019 is set out below:

	2019 £000	2018 £000
Short-term employee benefits	2,002	2,428
Post-employment benefits	33	33
Share-based payments	364	526
	<u>2,399</u>	<u>2,987</u>

The aggregate of remuneration of the highest paid Director was £728,000 (2018: £787,000). The Directors of the Company are also Directors of the parent company and subsidiaries. The Directors believe it is not practicable to apportion this amount between the services as Directors of the Company, the parent or its subsidiaries.

	Number of Directors	
	2019	2018
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	<u>4</u>	<u>4</u>

#### 9 Finance income and expense

	2019 £000	2018 Restated £000
Bank interest received	<u>231</u>	<u>119</u>
<b>Finance income</b>	<u>231</u>	<u>119</u>
Interest on lease liabilities	(354)	(412)
Finance fees and charges	<u>(32)</u>	<u>(22)</u>
<b>Finance expense</b>	<u>(386)</u>	<u>(434)</u>

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 10 Taxation

The major components of the income tax expense for the years ended 31 December 2019 and 31 December 2018 are:

	2019	2018 Restated
	£000	£000
<b>Current income tax:</b>		
Current income tax charge	6,301	6,586
Adjustments in respect of prior years	(32)	78
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	350	(19)
<b>Total tax expense reported in the income statement</b>	<b>6,619</b>	<b>6,645</b>

The standard rate of corporation tax in the UK is 19%, accordingly, the profits for 2018 and 2019 are taxed at 19%. The tax charge for the year is lower (2018: lower) than the standard rate of corporation tax in the UK. The differences are set out below:

#### Reconciliation of effective tax

	2019	2018 Restated
	£000	£000
Profit before income tax	45,273	39,689
Profit multiplied by UK standard rate of corporation tax of 19% (2018: 19%)	8,602	7,541
Income not taxable	(1,888)	(1,048)
Expenses not deductible for tax purposes	25	139
Group relief from group companies	(88)	(65)
Adjustments in respect of prior years	(32)	78
<b>Tax charge</b>	<b>6,619</b>	<b>6,645</b>

#### Factors affecting future tax charges

Deferred tax assets and liabilities are measured at the rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the reporting date. Therefore, at each year end, deferred tax assets and liabilities have been calculated based on the rates that have been substantively enacted by the reporting date.

At 31 December 2019 and 31 December 2018, deferred tax assets and liabilities have been calculated based upon the rate at which the temporary difference is expected to reverse.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 11 Investments

	2019 £000	2018 £000
At 1 January and 31 December	31	31
	<u>31</u>	<u>31</u>

The Company holds the following investments in its subsidiaries:

Company	Country of Incorporation	Class of Shares share held	Direct/ Indirect	Ownership
FDM Astra Ireland Limited	Ireland	Ordinary	Direct	100%
FDM Group Inc.	USA	Ordinary	Direct	100%
FDM Group Canada Inc.	Canada	Ordinary	Direct	100%
FDM Group NV	Belgium	Ordinary	Direct	100%
FDM Group GmbH	Germany	Ordinary	Direct	100%
FDM Switzerland GmbH	Switzerland	Ordinary	Indirect	100%
FDM Luxembourg SA	Luxembourg	Ordinary	Indirect	100%
FDM South Africa (PTY) Limited	South Africa	Ordinary	Direct	100%
FDM Singapore Consulting PTE Limited	Singapore	Ordinary	Direct	100%
FDM Technology (Shanghai) Co. Limited	China	Ordinary	Indirect	100%
FDM Group HK Limited	Hong Kong	Ordinary	Direct	100%
FDM Group Australia Pty Ltd	Australia	Ordinary	Direct	100%
FDM Group Austria GmbH	Austria	Ordinary	Direct	100%
FDM Group BV	The Netherlands	Ordinary	Direct	100%

The registered address for each subsidiary of the Company as at 31 December 2019 is listed below.

Company	Registered address
FDM Astra Ireland Limited	25-28 North Wall Quay, Dublin 1, Ireland
FDM Group Inc.	14 Wall Street, New York, NY 10005, USA
FDM Group Canada Inc.	1 Place Ville Marie, 37th Floor, Montreal, QC H3B 3P4, Canada
FDM Group NV	Rue Medori 99, B-1020 Brussels, Belgium
FDM Group GmbH	MainzerLandstrasse 41, 60329 Frankfurt am Main, Germany
FDM Switzerland GmbH	Lavaterstrasse 40, Zurich, CH 8002, Switzerland
FDM Luxembourg SA	Office No. 17, 12C rue Guillaume Kroll, L-1882 Luxembourg
FDM South Africa (PTY) Limited	9 Kinross Street, Germiston South, 1401 South Africa
FDM Singapore Consulting PTE Limited	77 Robinson Road, #13-00 Robinson 77, 068896 Singapore
FDM Technology (Shanghai) Co. Limited	C33, 22F Jing'an Kerry Centre Office Tower 3, 1228 Middle Yan An Road, Jing An, Shanghai, China
FDM Group HK Limited	Suites 406 – 409 Pacific Place, 1 Queen's Road East, Hong Kong
FDM Group Australia Pty Ltd	Level 21, Tower Three, International Towers, 300 Barangaroo Avenue, Sydney, NSW 2000, Australia
FDM Group Austria GmbH	Handelskai 92/Gate 2/7A, 1200 Wien, Austria
FDM Group BV	3rd Floor, Cottons Centre, Cottons Lane, London SE1 2QG, UK

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 12 Leases

##### (i) Right-of-use assets

<b>Properties</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>Restated £000</b>
<b>Cost</b>		
At 1 January	16,140	16,140
Additions	369	-
At 31 December	16,509	16,140
<b>Accumulated depreciation</b>		
At 1 January	7,562	5,950
Depreciation charge for the year	1,717	1,612
At 31 December	9,279	7,562
<b>Net book value at 31 December</b>	<b>7,230</b>	<b>8,578</b>

##### (ii) Lease liabilities

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>Restated £000</b>
Current lease liabilities	2,528	2,397
Non-current lease liabilities	7,047	9,004
	9,575	11,401

##### Contractual maturities of lease liabilities (at net present value)

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>Restated £000</b>
Less than one year	2,287	2,101
Between 1 and 2 years	2,335	2,170
Between 2 and 5 years	4,718	6,010
Over 5 years	235	1,120
Total lease liabilities at net present value	9,575	11,401
Total contractual cashflows	10,299	12,447

The total cash outflow for leases was £2,549,000 (2018: £2,262,000); see also the Statement of Cash Flows on page 28.

Where there is reasonable certainty that an option to extend a lease will be exercised, lease liabilities have been recognised accordingly.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 12 Leases (*continued*)

(iii) Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2019	2018
	£000	Restated £000
Depreciation of right-of-use assets - properties	1,717	1,612
Interest expense (included in finance cost)	354	412
Expense relating to short-term leases	88	138

#### 13 Property, plant and equipment

2019	Leasehold improvements £000	Fixtures and fittings £000	Plant and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2019	3,338	697	2,128	6,163
Additions	37	54	467	558
Disposals	-	-	(217)	(217)
At 31 December 2019	3,375	751	2,378	6,504
<b>Accumulated depreciation</b>				
At 1 January 2019	1,396	599	1,393	3,388
Depreciation charge for the year	354	82	338	774
Disposals	-	-	(217)	(217)
At 31 December 2019	1,750	681	1,514	3,945
<b>Net book value at 31 December 2019</b>	<b>1,625</b>	<b>70</b>	<b>864</b>	<b>2,559</b>
<b>2018</b>	<b>Leasehold improvements £000</b>	<b>Fixtures and fittings £000</b>	<b>Plant and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>				
At 1 January 2018	3,333	677	1,610	5,620
Additions	5	20	518	543
Disposals	-	-	-	-
At 31 December 2018	3,338	697	2,128	6,163
<b>Accumulated depreciation</b>				
At 1 January 2018	1,047	479	1,095	2,621
Depreciation charge for the year	349	120	298	767
Disposals	-	-	-	-
At 31 December 2018	1,396	599	1,393	3,388
<b>Net book value at 31 December 2018</b>	<b>1,942</b>	<b>98</b>	<b>735</b>	<b>2,775</b>

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 14 Intangible assets

	Software and software licences 2019 £000	Software and software licences 2018 £000
<b>Cost</b>		
At 1 January	410	394
Additions	321	16
Disposals	-	-
	<hr/>	<hr/>
At 31 December	731	410
	<hr/>	<hr/>
<b>Accumulated amortisation</b>		
At 1 January	342	289
Amortisation for the year	42	53
Disposals	-	-
	<hr/>	<hr/>
At 31 December	384	342
	<hr/>	<hr/>
<b>Net book value at 31 December</b>	<b>347</b>	<b>68</b>
	<hr/>	<hr/>

#### 15 Deferred income tax assets

Deferred income tax assets are attributable to the following:

	2019 £000	2018 Restated £000
<b>Non-current:</b>		
Non-current temporary differences	955	1,229
	<hr/>	<hr/>
<b>Deferred income tax asset</b>	<b>955</b>	<b>1,229</b>
	<hr/>	<hr/>

	1 January 2019 Restated £000	Recognised in income statement £000	Recognised in equity £000	31 December 2019 £000
<b>Movement in deferred income tax during 2019:</b>				
Share-based payments	1,101	(277)	77	901
Right-of-use assets	221	(45)	-	176
Property, plant and equipment	(93)	(29)	-	(122)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,229	(351)	77	955
	<hr/>	<hr/>	<hr/>	<hr/>

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 15 Deferred income tax assets (*continued*)

	1 January 2018 Restated £000	Recognised in income statement £000	Recognised in equity £000	31 December 2018 Restated £000
<b>Movement in deferred income tax during 2018:</b>				
Share-based payments	1,541	(23)	(417)	1,101
Right-of-use assets	201	20	-	221
Property, plant and equipment	(117)	24	-	(93)
	<u>1,625</u>	<u>21</u>	<u>(417)</u>	<u>1,229</u>

#### 16 Trade and other receivables

	2019 £000	2018 Restated £000
Receivables due from subsidiaries	3,862	1,467
Receivables due from parent	20,680	20,608
Trade receivables	17,107	14,113
Other receivables	331	285
Prepayments and accrued income	4,267	7,508
	<u>46,247</u>	<u>43,981</u>

Amounts due from subsidiaries and the parent are unsecured and repayable on demand.

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

	2019 £000	2018 £000
Not overdue	13,610	11,807
Not more than three months past due	3,473	2,185
More than three months but not more than six months past due	147	184
More than six months but not more than one year past due	1	60
Older than one year past due	-	25
Provision for impairment	(124)	(148)
	<u>17,107</u>	<u>14,113</u>

An analysis of the provision for impairment by the aged receivable category it relates to is set out below:

	2019 £000	2018 £000
Not overdue	-	-
Not more than three months past due	50	22
More than three months but not more than six months past due	73	54
More than six months but not more than one year past due	1	52
Older than one year past due	-	20
	<u>124</u>	<u>148</u>

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 16 Trade and other receivables (*continued*)

The movement in the provision for impairment is as below:

	2019	2018
	£000	£000
At 1 January	148	135
Charge for the year	(24)	13
	<hr/>	<hr/>
<b>At 31 December</b>	<b>124</b>	<b>148</b>
	<hr/>	<hr/>

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2019	2018
	£000	£000
Pound Sterling	15,765	13,541
Euro	1,196	406
US Dollar	146	166
	<hr/>	<hr/>
	<b>17,107</b>	<b>14,113</b>
	<hr/>	<hr/>

#### 17 Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	25,354	24,358
	<hr/>	<hr/>

Cash and cash equivalents denominated in currencies other than Pounds Sterling amount to £391,000 (2018: £411,000), denominated in Euro, Swiss Franc, US Dollar, Canadian Dollar, Danish Krone, Singapore Dollar and Hong Kong Dollar.

The credit quality of financial assets can be assessed by reference to external credit ratings issued by credit ratings agencies registered in the European Union. The Company's banker holds a credit rating of A at the date of signing the Financial Statements.

#### 18 Trade and other payables

	2019	2018
	£000	Restated £000
Payables due to subsidiaries	227	410
Payables due to ultimate parent	43,137	39,269
Trade payables	1,520	1,391
Other payables	509	626
Other taxes and social security	6,778	5,982
Accruals and deferred income	6,307	8,070
	<hr/>	<hr/>
	<b>58,478</b>	<b>55,748</b>
	<hr/>	<hr/>

Amounts due to subsidiaries and parent are unsecured and repayable on demand.

Trade and other payables denominated in currencies other than Pounds Sterling comprise £156,000 (2018: £345,000) denominated in Euro, US Dollar and Canadian Dollar.



## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 19 Share capital

	2019 £000	2018 £000
<i>Authorised</i>		
100,000,000 (2018:100,000,000) ordinary shares of 1p each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
23,600,000 (2018: 23,600,000) ordinary shares of 1p each	236	236

#### 20 Dividends

	2019 £000	2018 £000
<i>Ordinary dividends</i>		
Paid to Parent Company: 157 pence per ordinary share (2018: 136 pence per ordinary share)	37,000	32,000
Received from subsidiaries	9,737	5,518

#### 21 Share-based payments

	2019 £000	2018 £000
Expenses arising from equity settled share-based payment transaction	1,408	1,947
Deferred tax recognised in other reserves arising from equity settled share-based payments	968	(417)
Recharge on exercise by FDM Group (Holdings) plc	(2,955)	(1,590)
	(579)	(60)

During the year the share options issued in 2016 vested, of which 714,590 were exercised, and 66,656 linked shares lapsed (linked shares which were not required to fund the price at date of exercise). The Company granted awards on 17 April 2019, in the form of nominal cost options over ordinary shares in the Company under the FDM 2014 Performance Share Plan ("PSP"). As with the awards made in 2015 to 2019, the vesting of the awards is subject to the achievement of a three-year performance condition relating to earnings per share.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 21 Share-based payments (*continued*)

In the years 2015 to 2018 awards granted to UK participants have been structured as Approved Performance Share Plan ("APSP") awards to enable participants to benefit from UK tax efficiencies. Each APSP award consists of a tax qualifying option under the FDM 2014 Company Share Option Plan ("CSOP") over shares with a value of up to £30,000 and a separate award under the PSP for amounts in excess of the HMRC £30,000 limit. A Linked Award is also provided under the PSP to enable participants to fund the exercise price of the CSOP option. In 2019 only PSP options were issued.

PSP and CSOP options are exercisable no later than the tenth anniversary of the date of grant.

The table below summarises the outstanding share options:

	2019		2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 1 January	1,688,694	194p	2,254,933	116p
Granted during the year	519,875	1p	591,897	343p
2015 Grants to Astra 5.0 Limited	-	-	(25,918)	193p
Forfeited during the year	(86,796)	203p	(499,590)	101p
Exercised during the year	(714,590)	128p	(632,628)	130p
Expired during the year	-	-	-	-
Outstanding at 31 December	1,407,183	168p	1,688,694	194p
Exercisable at the end of the year	18,800	269p	6,000	166p
Weighted average remaining contractual life (years)	1.3	n/a	1.0	n/a

The fair values of the PSP and CSOP Share options made were determined using the Black-Scholes valuation model. The significant inputs to the model were as follows:

2019	PSP	
Share price at date of grant	937p	
Exercise price	1p	
Dividend yield	3.3%	
Expected volatility	28%	
Risk free interest rate	0.88%	
Expected life	4 years	
Fair value at date of grant – issue on 17 April 2019	820p	
2018	PSP	CSOP
Share price at date of grant	1021p	1021p
Exercise price	1p	1021p
Dividend yield	3%	3%
Expected volatility	29%	29%
Risk free interest rate	0.94%	0.94%
Expected life	4 years	4 years
Fair value at date of grant – issue on 1 June 2018	905p	179p
2017	PSP	CSOP
Share price at date of grant	724p	724p
Exercise price	1p	724p
Dividend yield	3%	3%
Expected volatility	28%	28%
Risk free interest rate	0.25%	0.25%
Expected life	4 years	4 years
Fair value at date of grant – issue on 19 April 2017	641p	115p

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 21 Share-based payments (*continued*)

2016	PSP	CSOP
Share price at date of grant	561p	561p
Exercise price	1p	561p
Dividend yield	3%	3%
Expected volatility	33%	33%
Risk free interest rate	0.8%	0.8%
Expected life	4 years	4 years
Fair value at date of grant – issue on 19 April 2016	497p	113p
Fair value at date of grant – issue on 5 September 2016	557p	127p
2015	PSP	CSOP
Share price at date of grant	331p	331p
Exercise price	1p	331p
Dividend yield	4%	4%
Expected volatility	31%	31%
Risk free interest rate	1.2%	1.2%
Expected life	4 years	4 years
Fair value at date of grant – issue on 20 April 2015	281p	56p
Fair value at date of grant – issue on 10 August 2015	388p	125p

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. As FDM Group (Holdings) plc has only a limited history of quoted share price volatility, the expected volatility has been partly based on the historical volatility of comparator companies.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 22 Related parties

Until September 2019, when the agreement expired, the Company paid rental of £24,000 (2018: £36,000) to Rod Flavell, Chief Executive Officer and Sheila Flavell, Chief Operating Officer, for rent of a London apartment used for short-term employee accommodation. The rent payable was at market rate, no balances were outstanding at year end (2018: £nil). At no time during 2019 or 2018 was the apartment used by any of the Directors.

A number of the Directors' family members are employed by the Company. The employment relationships are at market rate and are carried out on an arm's length basis.

The Company holds inter-company balances with its subsidiary and parent undertakings. The transactions which have taken place are all in relation to administrative expenses and intercompany loan repayments which are listed on the following page.

	Management charges to/ (from) related parties 2019 £000	Dividends from/ (to) related parties 2019 £000	Amounts owed by/ (to) related parties 2019 £000	Management charges to/ (from) related parties 2018 £000	Dividends from/ (to) related parties 2018 £000	Amounts owed by/ (to) related parties 2018 £000
FDM Group (Holdings) plc	-	-	(43,137)	-	-	(39,269)
Astra 5.0 Limited	-	(37,000)	20,680	(668)	(32,000)	20,608
FDM Group Inc.	6,740	5,512	12	5,708	2,517	(41)
FDM Group HK Limited	1,108	-	(6)	820	-	(90)
FDM Group NV	-	-	(209)	-	-	(228)
FDM Group GmbH	493	-	(12)	917	310	174
FDM Switzerland GmbH	180	-	3	164	-	2
FDM Group SA	314	-	5	-	-	(51)
FDM Group Canada Inc.	4,071	3,703	26	3,535	2,250	65
FDM Singapore Consulting Pte Limited	106	-	91	130	-	5
FDM South Africa (PTY) Limited	120	-	364	98	-	230
FDM Technology (Shanghai) Co. Limited	-	-	127	-	-	122
FDM Astra Ireland Limited	219	522	10	201	441	3
FDM Group Australia Pty Ltd	96	-	2,886	32	-	864
FDM Group Austria GmbH	-	-	18	-	-	2
FDM Group BV	-	-	320	-	-	-
<b>Totals</b>	<b>13,447</b>	<b>(27,263)</b>	<b>(18,822)</b>	<b>10,937</b>	<b>(26,482)</b>	<b>(17,604)</b>

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### 23 Financial risk management

The Company manages its capital to ensure the Company and all its subsidiaries will be able to continue as a going concern whilst maximising the return to shareholders.

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

There are no adjustments between the amounts presented in the Statement of Financial Position and the fair values of the assets and liabilities.

##### **Credit risk**

Credit risk is managed on a Group basis and arises from cash and cash equivalents and trade receivables. The Group provides credit to customers in the normal course of business and the amount that appears in the Statement of Financial Position is net of an allowance of £124,000 (2018: £148,000) for specific doubtful receivables.

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

Credit risk is managed through agreed procedures which include managing and analysing the credit risk for new customers and managing existing customers.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the year end the Group had no external borrowings therefore it has limited exposure to interest rate risk. The Group manages its interest rate risk through regular reviews of its exposure to changes in interest rates.

##### **Liquidity risk**

The Group manages liquidity risk by maintaining adequate cash reserves and continuously monitoring forecast and actual cash flows and where appropriate matches the maturity of financial assets and liabilities.

The Group has no borrowings from third parties at the year end and therefore liquidity risk is not considered a significant risk at this time.

##### **Capital management**

The Group's policy is to maintain a strong capital base so as to maintain investor market, creditor, customer and employee confidence and to sustain future investment and development of the business. The capital structure of the Group consists of equity attributable to the equity holders of the Group comprising issued share capital, other reserves and retained earnings.

The Directors monitor the capital structure on a regular basis and determine the level of annual dividend. The Group is not exposed to any externally imposed capital requirements.

##### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The currencies giving rise to this risk are primarily the US Dollar, Canadian Dollar and Euro. The Group has both cash inflows and outflows in these currencies that create a natural hedge.

## FINANCIAL STATEMENTS

### Notes to the Financial Statements (*continued*)

#### **23 Financial risk management (*continued*)**

##### **Fair values**

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

#### **24 Ultimate parent undertaking and ultimate controlling party**

The immediate parent undertaking is Astra 5.0 Limited. The ultimate parent undertaking and controlling party is FDM Group (Holdings) plc.

FDM Group (Holdings) plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2019. The Consolidated Financial Statements of FDM Group (Holdings) plc are available from 3rd Floor, Cottons Centre, Cottons Lane, London, SE1 2QG. The Consolidated Financial Statements of FDM Group (Holdings) plc are available on the website [www.fdmgroup.com](http://www.fdmgroup.com).

## Corporate Information

### Directors

Rod Flavell  
Sheila Flavell  
Andrew Brown  
Mike McLaren

Chief Executive Officer  
Chief Operating Officer  
Chief Commercial Officer  
Chief Financial Officer

### Company Secretary

Mark Heather

### Registered office

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### Independent Auditors

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1 Embankment Place  
London  
WC2N 6RH

### Bankers

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8 Canada Square  
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