FDM Group Limited

Registered number 2542980

Annual Report and Financial Statements 2020

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We are FDM

FDM Group Limited ("the Company" or "FDM") is a professional services provider with a focus on IT. 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" or "consultants") to clients, either on site or remotely. FDM specialises in a range of technical and business disciplines including Development, Testing, IT Service Management, Project Management Office, Data Engineering, Cloud Computing, 'Risk, Regulation and Compliance', Business Analysis, Business Intelligence, Cyber Security, AI ("Artificial Intelligence"), Machine Learning 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 make a success of launching or re-launching their careers. Following the impact of COVID-19, throughout 2020 our courses have been delivered remotely by our trainers to all of our in-training Mounties and we made arrangements for all of our staff to work remotely, effectively and efficiently.

The health and wellbeing, both physical and mental, of all of our people and stakeholders is central to who we are and what we do. As such, our outreach programmes for our Mounties and in-house staff have grown in significance during the pandemic, becoming key to our support and care for all of our staff.

FDM is a collective of people, from a multitude of different backgrounds, life experiences and cultures. We are a strong advocate of diversity and inclusion in the workplace and the strength of our brand arises from the talent within.

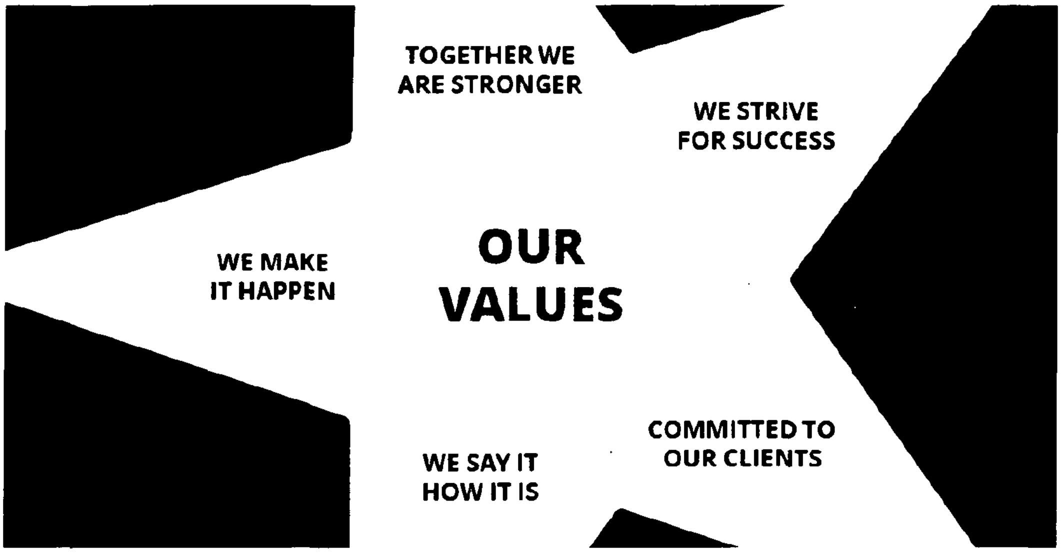
Our purpose

To bring people and technology together, creating and inspiring 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 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 training facilities to create leading-edge centres of excellence.
- **To grow our customer presence profitably** – we look to create new opportunities to deploy our Mounties amongst our existing client base and in ever-broadening and diverse new markets.
- **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. We are aware of our responsibility towards our suppliers, and work to minimise our impact on the physical environment.

We are FDM *(continued)*



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.

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 are 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.

We are FDM *(continued)*

Awards received during the year included:

- Social Mobility Employer Index 2020: Top 75
- New Year's Honours List 2020 – CBE awarded to Sheila Flavell for "services to gender equality in IT, and graduate and returners' employment"
- Computer Weekly's 'Most Influential Women in UK tech' Hall of Fame – Sheila Flavell
- JobCrowd Top 100 Companies For Graduates To Work For 2020/ 2021
- Target Jobs UK 300 Top 300 Graduate Recruiter 2020/ 2021
- GraduateJobs.com Campaign Performance Awards 2019/ 2020
- Rate My Placement Top 100 Undergraduate Employers for 2020/ 2021
- The Department for International Trade, Career Recognition Award – Sheila Flavell

Review of the Business

Response to the COVID-19 pandemic

The success of FDM's rapid and innovative response to the operational, economic and commercial uncertainties of 2020 lies in the flexibility and resilience of our model, and the experience and dedication of our management teams. Our Executive Team was able to draw on the lessons learned from their experience of bringing FDM through the global financial crisis of 2008. FDM is a people business and looking after our people has been at the heart of our response, whilst ensuring that we are fair to our other stakeholders (which includes not only shareholders and the communities where we operate, but also, by extension, governments). For example:

- we have not accessed the UK Coronavirus Job Retention Scheme ("furlough");
- we have not taken any funding from the UK Government;
- we enhanced the terms and conditions for those Mounties who had completed training but were awaiting their first placement with a client;
- despite significantly increased numbers of unallocated ("beached") consultants, COVID-19 related redundancies have been avoided; and
- our IT teams rapidly implemented technical solutions which enabled a near-seamless transition to remote recruitment and training.

We were in the position to be able to do many of these things as a direct result of prudent financial management and robust operational oversight over many years. Despite all the challenges during 2020, we have been determined not merely to survive, but to thrive; in parallel to managing our response to the pandemic, we have worked hard on developing the Academies of the future, using our experiences of training during lockdown to create innovative new ways to make our consultants and the services they provide even more relevant to clients.

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. I am delighted to report that despite the severe impact of the global COVID-19 pandemic, the resilience and agility of our business model have enabled us to deliver a solid performance in the year and to continue to deliver on our four key strategic objectives: Attract, train and develop high-calibre Mounties; Invest in leading-edge training capabilities; Grow and diversify our client base; and Expand and consolidate our geographic presence.

Our strategy requires that all activities and investments produce the appropriate level of return on investment, 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. I hope my review, together with the financial review, demonstrates that we have delivered on these requirements and more in 2020, despite operating in the most challenging conditions FDM has ever faced.

Review of the Business *(continued)*

Strategic objectives

Attract, train and develop high-calibre Mounties

One of the most pleasing aspects of our performance in 2020 is that we transitioned to remote working with short notice whilst retaining complete operational functionality, including the ability to deliver training remotely. From the end of March, as lockdown restrictions prevented our trainees from being able to access our physical training locations, we implemented technical solutions to enable all training to be delivered remotely. The near seamless transition to remote training is a credit to our IT teams who worked to ensure the technology supported the delivery of training remotely and to the quality of our team of trainers who continued to deliver first-class training throughout.

In total, there were 414 training completions in 2020, a decrease of 57% on the equivalent period in 2019 (2019: 957), the reduction reflecting the alignment of our training output to COVID-19 reduced levels of demand.

As the volume of new Mountie placements decreased in the immediate aftermath of the first wave of the pandemic and delays occurred in the onboarding of Mounties, we flexed recruitment in response to changing client demand. Our recruitment teams continued to work to maintain engagement with potential candidates and university partners during this period of temporarily reduced recruitment. As, more recently, the level of our beached and signed-off Mounties has reverted to pre-COVID-19 levels, we are ramping up our recruitment programme again and have found we are attracting at least as many applications as we have received historically. We continued to engage with our Ex-Forces and Returners pathways in 2020, albeit on reduced volumes, and these too are returning to more normal levels of recruitment.

Invest in leading-edge training capabilities

Until recently we had increased our leverage of pop-up centres to deliver training, on the basis that they are quick to establish and offer flexible availability to meet local candidate and client demand. The flexibility offered by pop-ups meant that in 2020 we were able to exit our Birmingham pop-up lease, reducing our cost base during a period when training was delivered remotely. As COVID-19 restrictions necessitated remote delivery of training, we accelerated investment in cloud-based training platforms, giving us a range of options to expand and enhance our training delivery into the future. By broadening the accessibility of our training to those with travel restrictions, children and other caring responsibilities, we hope to promote further diversity and inclusivity amongst our trainee population.

Grow and diversify our client base

We continued to deliver the highest level of service to our clients during 2020 and have worked closely with them as they have had to flex their resource requirements because of the impact of COVID-19. We secured 23 new clients in the year (2019: 45), of which 91% were secured from outside the financial services sector. We also made early progress in the Telecoms, Retail, Pharmaceuticals and Healthcare sectors.

Expand and consolidate our geographic presence

The number of Mounties assigned to clients fell 16% from 1,880 to 1,574. Deal volumes gradually recovered in the second half of the year, with our markets returning to more normal conditions.

We believe that our business model is resilient against many of the threats and uncertainties which are commonly perceived to arise from Brexit as set out in the Principal Risks section on page 11.

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 2020	Year ending 31 December 2019 Restated[1]	% change
Revenue	**£116.8m**	£134.8m	-13%
Adjusted operating profit[1]	**£24.4m**	£37.6m	-35%
Adjusted profit before tax[1]	**£41.6m**	£47.2m	-12%
Profit before tax	**£41.0m**	£45.3m	-9%
Cash generated from operations	**£44.9m**	£37.1m	+21%
Cash conversion[2]	**189%**	104%	+81%

Operational KPIs

	Year ending 31 December 2020	Year ending 31 December 2019	% change
Mounties assigned to clients	**1,574**	1,880	-16%
Mountie utilisation	**92.0%**	94.6%	-3%
Training completions	**414**	957	-57%

Mounties deployed at week 52 were 1,574 (2019: 1,880). Following a decline in assigned Mounties due to COVID-19, with the UK placed into lockdown, the UK responded well in the second half of the year with headcount holding broadly flat. Revenue for the year decreased 13% to £116.8 million (2019: £134.8 million). COVID-19 and its knock-on effects have impacted demand in some sectors more than others, with travel, leisure and hospitality most noticeably affected.

Our business model gives clients the flexibility and choice to end placements early or extend them. We saw some return of Mounties from a number of clients in the second quarter, with a consequent rise in our beached headcount. We reacted to the change in client demand by reducing our recruitment of new trainees and worked to upskill those who were between placements, ready for their next deployment. The result is that the proportion of Mounties who had completed their first two years with FDM rose to 39% at year end (2019: 21%).

Training completions were 414, a reduction of 57% on last year as we flexed our training in line with demand (2019: 957).

Adjusted operating profit[1] decreased by 35% to £24.4 million (2019: £37.6 million), on revenues 13% lower at £116.8 million (2019: £134.8 million).

[1] The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expenses (including social security costs). See page 8 for further details of adjusted items.

[2] Cash conversion is calculated by dividing cash flow from operations by operating profit.

Review of the Business *(continued)*

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 £0.6 million in 2020 (2019: £1.9 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 £291,000 (2019: £354,000). The Company has no borrowings. Other financial expense remains low at £23,000 (2019: £32,000).

Taxation

The Company's total tax charge for the year was £4.6 million, equivalent to an effective tax rate of 11%, on profit before tax of £41.0 million (2019: effective tax rate of 15% based on a tax charge of £6.6 million and a profit before tax of £45.3 million). The effective tax rate in 2020 is lower than the underlying UK tax rate of 19% primarily due to income which is not taxable.

Dividends

During 2020 the Company paid a dividend to Astra 5.0 Limited of £34.0 million (2019: £37.0 million).

Cash flow and net funds

Net cash inflow generated from operating activities increased from £31.7 million in 2019 to £38.5 million in 2020. At the end of the financial year, the Company had cash balances of £44.1 million (2019: £25.4 million).

Balance sheet

The Company has a robust balance sheet, with no debt and £44.1 million of cash (2019: no debt and £25.4 million of cash).

Review of the Business *(continued)*

Our service offerings

Our training is under continual review 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.

Our core training proposition is modular and continues to evolve, remaining flexible to enable close alignment to the needs of our clients. FDM's range of technical and business disciplines includes; Development, Testing, IT Service Management, Project Management Office, Data Engineering, Cloud Computing, 'Risk, Regulation and Compliance', Business Analysis, Business Intelligence, Cyber Security, AI ("Artificial Intelligence"), Machine Learning and Robotic Process Automation.

The challenges arising from the pandemic and its initial impact on our business provided us with the opportunity to develop Agile Pods ("pods"), an initiative that had previously been in the early stages of consideration. Mounties learn in an agile environment, developing their skills remotely in a setting which closely simulates the client environments in which they will be placed. The pod concept became a key focus in the year as it became clear that these pods represented an innovation which could evolve to become an important part of our longer-term, post-pandemic business model.

Pods

Pods bring together consultants from a variety of skill sets in an agile environment to solve real world business challenges. Aligned to the Scrum Framework, our self-organising cross-functional Scrum teams typically consist of up to ten consultants, a Scrum Master (from our Ex-Forces Programme) and a Product Owner (from our Returners Programme).

Key client benefits

This mechanism has enabled us to deploy pods onto client sites, work ready, as prior to joining the client, they have been "forming, storming and norming" together as a collective team.

Tailored solutions

Our pods can be configured to work on a specific project or challenge related to a business or industry.

Team-based deployments

An opportunity to take on a cross-functional team that can work effectively with an inbuilt management, reporting and control structure.

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 controls 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 potential 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. A member of the Executive Team is assigned as the owner of each risk to ensure the appropriate level of focus and accountability to the Board. The Board formally reviews the Risk Register at the half year and at the year end. Our risk management process is periodically reviewed by our Internal Audit function. The latest review was carried out in 2019 as part of a wider compliance review and it was concluded that the risk register remains an appropriate tool for managing the Company's risks. Further, the Internal Audit reviews are risk based and the scope of individual reviews take into account the key risks recorded in the Risk Register.

The current Risk Register includes 31 risks categorised as strategic, operational, compliance or financial risks, of which ten are considered to be the Company's principal risks. The Risk Register was formally updated during the last quarter of 2020 and reviewed by the Audit Committee in the first quarter of 2021. In March 2021 the Audit Committee and the Board as a whole carried out a robust and formal assessment of the Company's emerging and principal risks as set out in the updated Risk Register.

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 30 to 37 of FDM Group (Holdings) plc's Annual Report and Accounts 2020. The alignment to strategy indicates those aspects of the business strategy that would be impacted by the risk, were it to materialise. The status of each of the Company's principal risks is largely unchanged from the prior year, however we have increased the risk rating of two principal risks in response to the COVID-19 pandemic.

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
9	Business interruption – caused by natural disaster or other similar events
10	Reputation

Principal Risks *(continued)*

Impact of COVID-19 on the Company

In the second quarter of 2020 the Company experienced a significant reduction in the volume of new Mountie placements, delays in onboarding of Mounties as clients adapted to the remote working environment, and the early termination of some placements by clients operating in some of the sectors most badly affected by the pandemic. This led to an increase in the number of beached Mounties. In the second half of the year, we saw the volume of new placements improve and the number of unallocated Mounties decline, approaching pre-COVID-19 levels. We recognise that uncertainties relating to COVID-19 are likely to remain at some level throughout 2021 and even beyond, and we therefore feel that it is appropriate to elevate the risks associated with macro-economic activity (risk 1) and excess Mountie resource (risk 4). We have an agile and robust business model which positions us well to take advantage of opportunities when more normal conditions begin to return. We have also introduced new processes to manage and retrain our Mounties should they return to the beach. 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

Though we are no longer part of the European Union (the "EU"), we consider our business model to be 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 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.

The Board recognises 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 the Company's 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 the Board confidence that FDM can respond appropriately to ameliorate the effect of any adverse conditions which may follow Brexit. Opportunities may arise for FDM as clients implement system and process changes required as a result of the UK leaving the EU.

Corporate Responsibility

Our purpose is to deliver customer-led, sustainable, profitable growth on a consistent basis, through our well-established Mountie model. The long-term success of the business continues to be achieved through an inclusive and collaborative approach with consideration to our key stakeholders, our employees, our clients and investors, and the communities in which we operate.

Our values, outlined on page 2, encourage our employees to be themselves at work, and for us all to play a part in creating and fostering an inclusive workplace where everyone can thrive. 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.

Our people

Awareness and engagement

It is important that our employees feel safe and are encouraged to be their authentic self at work; this promotes personal wellbeing and employee engagement. In 2020 we established our Employee Networks, created for our people by our people, to provide an inclusive community, a sense of belonging and a place for discussion and learning. They also enable valuable and productive consultation with the business on processes, policies and initiatives. The Employee Networks played an important role this year, providing support and education to their membership and allies.

The LEAD ("Learning, Educating and Aspiring Diversity") Network was important to FDM's response to the Black Lives Matter movement. We delivered meaningful sessions, providing ongoing resources to help educate employees. The Network hosted wellbeing check-ins and we engaged with employees to help inform action plans to ensure adherence to FDM's policy of zero tolerance to racism.

Employee engagement mechanisms

Wellbeing portal	**Consultant Experience Partners**	**Mentoring**
Our online wellbeing portal provides a range of helpful resources, including professional guidance and advice. Consultants also have support from FDM Wellbeing Champions throughout the FDM community.	Consultants can receive support and career guidance from Consultant Experience Partners while working on assignment with our clients.	FDM partners consultants with mentors, based on their career aspirations and helps build long-term professional development opportunities.
Online learning and development	**Consultant Peer Support**	
Virtual training, webinars and discussions are available to consultants, as well as e-learning platforms, including LinkedIn Learning and Intuition Know-How.	Our Consultant Peer Support Programme introduces new consultants to those already working on assignment, to help them settle into their new role.	

The safety, wellbeing and morale of all our employees has been an important priority and focus of 2020. To ensure that every one of our employees felt connected, supported and informed during these uncertain times, we undertook the following initiatives during the year:

- **Surveys** – Working with Inpulse, we created employee surveys, to enable us to gain a better understanding of our people's views and help us take action to accommodate their needs. We undertook surveys covering wellbeing and staff experience of working at FDM. We ran surveys from early April, the first being a 'COVID-19 check-in' which enabled us to understand our employees' working circumstances and to ensure they had the necessary equipment and resources to work from home. The second survey was a wellbeing survey, which allocated a wellbeing index score to employees and signposted them to various wellbeing resources. It also provided us with the necessary insight to better tailor our support initiatives to the needs of our employees.

Corporate Responsibility *(continued)*

- **Yammer** – In November we launched Yammer, a social collaboration platform enabling our employees to keep up to date with the latest news and upcoming events whilst communicating with fellow FDM employees across the globe. Yammer is intended to become FDM's knowledge pool, giving trainers, consultants and internal staff access to a wealth of knowledge, videos and other resources. Its collaboration features allow everyone the opportunity to reach out to trainers and other communities.
- **FDM Stays Active** – Throughout the month of June, our people competed in a charity challenge, FDM Stays Active. The aim of the competition was to support FDM employees in keeping active and connected, whilst also raising money for local healthcare organisations.
- **Rod's Round Ups** – A series of informal, informative videos by Rod Flavell (CEO) covering a wide range of topics and events, aimed at engaging with all staff.
- **Ways of Working** – Workshops were held with the Sales team to facilitate discussions about how flexible and remote working patterns could be continued after lockdown.

We regularly communicate with employees via email, one-to-one calls and meetings to ensure they are supported, especially when remote working when on client assignment. The People Team has been available to answer calls by consultants and staff. Our monthly Connection newsletter keeps all employees up to date with FDM news, from important developments in our business to congratulating individual employees on noteworthy achievements.

An FDM Wellbeing Champion provides support and signposts fellow employees to relevant advice on mental health and wellbeing. The direct support they provide, particularly during lockdowns, has been invaluable.

Jacqueline de Rojas has primary responsibility for engaging with our workforce to enable employees to share ideas and concerns with senior management and the Directors. During the year Jacqueline held a series of informal meetings with managers at different levels across the business.

Development of the pod concept

The COVID-19 pandemic and associated lockdowns led to a reduction in client demand, resulting in an increase in the number of our Mounties without a client placement. FDM's culture of cooperation enabled ex-Forces' Scrum Masters, Product Delivery teams and Product Owners teams to collaborate on the development of the pod concept. At a time of disruption and uncertainty, consultants were able to engage with the business and other colleagues in a meaningful way. This was an opportunity for consultants to maintain their career trajectory, by working on projects which were similar to what they would be delivering on client assignment. They presented at daily stand-up meetings, learning new skills in an agile environment. Soon clients were attending pod demonstrations and seeing for themselves the advantages of rapidly deployable teams.

The pod concept is evolving, to focus on delivering to new trainees in our Academies. The next iteration embeds the Scrum framework into the final project stage of the technical and business disciplines.

Corporate Responsibility *(continued)*

Employee networks

Employee networks, created for our people and by our people, provide an inclusive community and sense of belonging. They also enable valuable and productive consultation with the business on process, policy and learning.

L.E.A.D. NETWORK

Leading, Educating and Aspiring Diversity network - representing and celebrating FDM's BAME community

ELEVATE NETWORK

Empowering and celebrating consultants of all genders

PRIDE NETWORK

Creating an open and inclusive environment for LGBTQ+ employees through education and representation

UNIQUE NETWORK

Supporting consultants with visible and non-visible disabilities, including mental health

SAIL NETWORK

Self-Assessment, Interaction and Learning - bringing together diversity of perspective and experience to encourage debate and continuous learning

FAITH NETWORK

Bringing together those who have a faith or similar beliefs

CARE NETWORK

Providing a supportive network for those with parental and/or caring responsibilities

Corporate Responsibility *(continued)*

Diversity and inclusion

We continue to be proactive and enthusiastic promoters of diversity, social mobility and inclusion within our workplaces. We value the fact that our colleagues come from a wide range of backgrounds and we look to be representative of 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.

Our 2020 analysis includes the following two groups of respondents: UK 2020 consultant intake; and UK internal staff. By monitoring the characteristics of the consultant intake, we can more readily see how the business and our recruitment policies are performing. As part of our encouragement towards employees feeling comfortable in bringing their authentic selves into work, this is the first year we are reporting on sexual orientation.

Ethnicity % of those that chose to disclose identify as:	UK consultant intake	UK internal staff
	2020	2020
	%	%
Arab	2%	1%
Asian	29%	23%
Black	12%	11%
Mixed race	3%	3%
White	54%	62%
	100%	100%

Sexual orientation % of those that chose to disclose identify as:	UK consultant intake	UK internal staff
	2020	2020
	%	%
LGBTQIA+	6%	1%
Heterosexual	94%	99%
	100%	100%

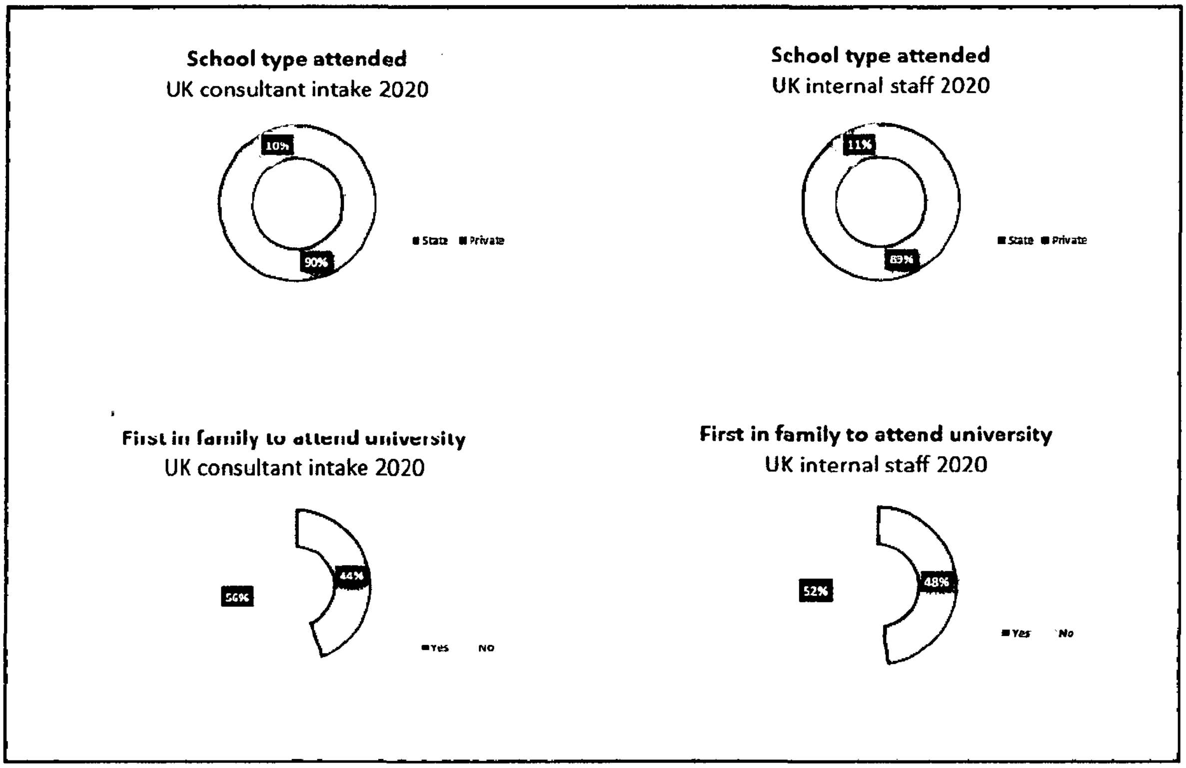
Corporate Responsibility *(continued)*

Supporting social mobility

We are proud to be recognised again for 2020 in the 'Social Mobility Employer Index: Top 75'. The index recognises the top 75 UK employers who have taken the most action on social mobility in the workplace, to access and progress talent from all backgrounds. It highlights the employers doing the most to change the way they find, recruit and progress talented employees from different social backgrounds.

Our recruitment processes are reviewed regularly and are designed to be as inclusive as possible. For example:

- Our opportunities are available to everyone who can show us that they have the aptitude to thrive on our programme and have the attitude that our clients are looking for;
- We use strength-based interview questions throughout the process 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 raise awareness of the potential impact of unconscious bias and to mitigate this in the assessment process.



Gender equality

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 ten successful years. Over that period these awards have provided opportunities for candidates at all stages of their careers, and have celebrated the tech industry's most exceptionally talented women.

Our UK median gender pay gap reported in 2020 was -2.1% (2019: -1.7%), and our mean gender pay gap for the same period was 0.4% (2019: 1.3%). These figures are significantly better than average for the UK. We monitor these results and keep our policies under review.

Corporate Responsibility *(continued)*

Employee development

FDM has a dedicated Learning and Development team. Courses included diversity and inclusion training, such as awareness of unconscious bias during the recruitment process. The team facilitated coaching events, both one-to-one and speed, and ongoing mentoring programmes. Personal and professional development has meant that 20 colleagues are currently undertaking study toward FDM-sponsored degree-equivalent or higher qualifications.

Rewarding

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 excel, 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, ten and twenty 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 Group.

In addition:

- During 2020 we made further awards to employees under our discretionary Performance Share Plan ("PSP").
- The Buy As You Earn share plan is open to all our employees and 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 2017 benefitted from this success when those awards vested in full in March 2020. Details of the PSP are set out in note 21 to the Financial Statements. Our Buy As You Earn share allows employees to set aside a portion of their monthly salary to purchase shares in FDM. The shares purchased will be matched with additional shares for employees who hold their shares and remain in employment for the required period. The first award of matching shares was made in March 2021, as a proportion of shares purchased under the plan during 2019.

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, to remove barriers, so that we can ensure all candidates have the opportunity to be successful. 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 within the Company 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 Group's policy to support disabled employees in all aspects of their training, development and promotion.

Disability % of those that chose to disclose	**UK** consultant intake	**UK** internal staff
	2020	**2020**
	%	**%**
Identify as having a disability	**5%**	**5%**
Identify as not having a disability	**95%**	**95%**
	100%	**100%**

Disability % of those that chose to disclose	**US** consultant intake	**US** internal staff
	2020	**2020**
	%	**%**
Identify as having a disability	**2%**	**6%**
Identify as not having a disability	**98%**	**94%**
	100%	**100%**

We have been a member of the Business Disability Forum since 2017. The specialist advice and support which it provides enables us to improve our understanding of how we can further enhance our accessibility to disabled employees and customers. 5% of our UK consultants in 2020 who chose to disclose identified themselves as having a disability.

Corporate Responsibility *(continued)*

Ex-Forces and Returners 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 in the 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 Returners 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 earlier in their 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.

Our clients

Members of our business development teams develop their relationships with key members of our clients' teams to gain insight and understanding of their evolving requirements. 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. Clients have attended virtual pod demonstrations and feedback sessions. The interaction also helps to ensure that the Mounties we put forward are well matched to the client's requirements and project criteria, which ultimately makes for a successful deployment.

Our communities

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 underrepresented groups – and maintain that each of our charitable ventures aligns with our values.

Early Talent Programme

This year we delivered our World of Work Day Programme in two FDM centres for Harris Garrard Academy in London and Hawick High School in the Scottish Borders focussing on work ready skills and behaviours needed in a professional working environment.

We have strengthened our involvement as a Leeds Cornerstone Employer, working with other employers in the region to share best practice, support efforts and discuss how we can collaborate to alleviate the strain on teachers and their students whilst maintaining their engagement with businesses. To celebrate 'Girls in ICT Day' this year we shared a thread of coding resources with global school partners as part of a social campaign to enable students to develop their skills at home.

Donation of IT hardware

FDM has refurbished its old IT hardware and donated it, including laptops and desktops, to schools, charitable causes and organisations in need. Some of the school recipients were part of our Early Talent Programme, while other worthy recipients have been chosen and identified via charities, the Worshipful Company of Information Technologists ("WCIT"), external professional networks and from personal references. We have donated equipment to an adult learning facility in Merseyside, state primary schools in Brighton, a charity for under privileged children in Kent, an Essex-based organisation helping adults who are finishing a childhood in care, a school in a deprived area of the UK and an Air Training Corps branch in Hampshire.

Corporate Responsibility *(continued)*

Events with our University Partners

FDM has a long-term trusted relationship with its University Partners and this has continued during the lockdown upheavals we have faced together in 2020. We have faced a range of responses from universities to the enforced lockdowns. For example, we have discussed with some universities how they can develop better platforms to host careers fairs remotely.

In March 2020 we had to switch all our university events to virtual delivery, this also gave us the opportunity to review the activities we were participating in. Previously most events FDM was involved with were in partnership with one particular university, and a number of our events, for example virtual career fairs, remain like this. However, in 2020 we introduced 'FDM attraction events'. These events are organised and run by the FDM University Partnerships team and allow the business to engage with 100^{+} students at any one time from multiple different universities.

We also introduced new content, so all of our virtual attraction events focus around the following areas: technical content for technical people; technical content for non-technical people to upskill; diversity and inclusion activities to showcase the inclusive culture at FDM; and the more traditional employability skills content to help students and graduates. Some of our new content includes: digital bootcamps focussing on Excel (a three-part series); introductory sessions for Python and SQL; and decoding technical career sessions. These sessions have allowed FDM to engage with a new audience as it is aimed at non-technical students, enabling them to gain practical skills, which they can they use when they go on to apply for graduate roles at FDM.

Walking with the Wounded

Spearheaded by the Ex-Forces team, our employees are involved with Walking with the Wounded, a charity supporting a pathway for disadvantaged veterans to reintegrate back into society and sustain their independence.

FDM was a lead partner of Walking with the Wounded's Cumbrian Challenge 2020. Unfortunately, the event was postponed due to COVID-19 restrictions. We look forward to participating in the 2021 event.

Corporate Responsibility *(continued)*

Human resource policies and respect for human rights

We are committed to making FDM a great place for all our employees. 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 disability awareness and unconscious bias in the recruitment process.

We 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 our 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 steps to address the potential risks of modern slavery and human trafficking.

The Company has in place an Anti-Slavery and Human Trafficking policy to assist 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. The effectiveness of these steps is monitored annually by the Board.

Corporate Responsibility *(continued)*

UN Sustainable Development Goals

We recognise that the sustainability of our business can benefit not only our investors, but all our stakeholders, as a result of the much broader impact which we can have on the lives of those in our stakeholder communities.

In 2016 the United Nations ("UN") introduced 17 Sustainable Development Goals ("UNSDGs") aimed at improving the lives of future generations in partnership with governments, the private sector and civil society, which the UN hopes to achieve by 2030. We have reviewed the UNSDGs and identified four goals which are most closely aligned to our business and strategy. We are committed to implementing our strategy in a way which will support the achievement of these goals and will enable us to make our own contribution to the UN's work.

United Nations Sustainable Development Goals		**Our contribution**	**Examples**
4 QUALITY EDUCATION	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	Our recruitment processes are designed to be as inclusive as possible.	Our opportunities are available to everyone who can show us that they have the aptitude and attitude to thrive. Our Early Talent Programme aims to improve the social mobility of teenagers in our local communities by encouraging them to aim high and aspire to exciting careers in technology and science.
5 GENDER EQUALITY	**Achieve gender equality and empower all women and girls**	We are committed to improving gender diversity in our teams around the world, making our business more robust and sustainable.	We are a signatory to UNWEP. Our annual FDM Everywoman in Technology Awards recognise and celebrate the achievements of women in the IT industry, aiming to create a more gender-balanced workforce for FDM and our clients.
8 DECENT WORK AND ECONOMIC GROWTH	**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	Our reputation is dependent on the people we employ. We treat our employees fairly and help them to launch fantastic careers in technology.	We provide our graduates, ex-Forces personnel and returners to work with bespoke IT and business training, together with invaluable industry experience gained whilst deployed with one of our clients.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Ensure sustainable consumption and production patterns**	We are committed to reducing the impact our operations have on the environment by making our consumption of energy and materials more sustainable.	Our on-site and hosted infrastructure uses a cloud-based solution using best-in-class datacentres to increase energy efficiency and to reduce our carbon footprint. Our old IT hardware is donated to charities and schools who can continue to use it.

Corporate Responsibility *(continued)*

Environmental performance

Operating in a sustainable manner

Global climate change has 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. At FDM, we realise that our activities and operations have an associated environmental impact. As such we take into consideration and mitigate the environmental impact our business activities have on the environment and on climate change.

This year we are reporting our carbon and energy data following Streamlined Energy and Carbon Reporting ("SECR") requirements.

Carbon and energy data 2020

Directors' statement compliance with Streamlined Energy and Carbon Reporting ("SECR")

In accordance with SECR requirements, a summary of UK energy consumption and emissions for 2020 and 2019 is presented on page 24. Company energy consumption and emissions are UK based, there are no non-UK based energy consumption or emissions.

2020 performance

This year we have calculated our environmental impact across scope 1, 2 and 3 emissions sources. Our emissions are presented on both a location and market basis for 2020 and 2019. On a location basis our total emissions are 345 tCO2e (2019: 648 tCO_2e), which is an average impact of 2.9 tCO_2e per £million revenue (2019: 4.8 tCO_2e per £million revenue) and a year-on-year reduction of 39%. On a market basis our total emissions are 308 tCO_2e (2019: 648 tCO_2e). The market based emissions reflect emissions from electricity suppliers that we have purposefully chosen. They are lower in 2020 due to purchasing 100% renewable energy across multiple sites in the UK.

This year there has been a considerable reduction in Scope 1 (-17%), Scope 2 (-37%) and Scope 3 (-58%) company related activities. This can be attributed to the significant reductions in travel and other office emissions due to COVID-19 restrictions which affected the Company's activities. Standard benchmarks based on floor area and occupancy rates, using full-time equivalent employees, were used to estimate water, waste, electricity and paper across the sites staying consistent with the approach taken in 2019.

Initiatives introduced in 2020

In 2020, we saw a significant reduction in staff travel, reducing the intensity of our emissions (tCO_2e/ £ million revenue) by 39%. As a result of the lockdowns resulting from the COVID-19 pandemic, our business activities of recruiting, delivering training and onboarding of consultants with clients have evolved from taking place locally to be being performed remotely. As such trainee and employee travel has fallen significantly. Policies previously introduced to promote the use of video conferencing technology and other collaborative tools, together with our IT team, enabled a smooth transition to remote working.

Other new initiatives introduced in 2020 include:

Electricity supply

We have been in dialogue with our centre landlords to switch our electricity supply to be from 100% renewable energy. In 2020, electricity to our Glasgow, Leeds and Brighton sites came from 100% renewable sources. In January 2021, the landlord at our London centre informed us that they will switch supply to 100% renewable sources.

Virtualisation of IT estate

We are replacing our local servers, instead to be hosted at efficient datacentres, run by Microsoft Azure that flexes capacity in line with our usage. This reduces our overall energy requirement.

Introduction of new timesheet and billing system

One reason why we chose our particular new timesheet and billing system is that it is paperless. Its rollout during 2020 resulted in overall paper consumption falling by 82% year-on-year.

Corporate Responsibility *(continued)*

Carbon and energy data 2020 *(continued)*

Initiatives introduced in 2020 *(continued)*

Company cars

In 2020 we returned both company cars. Both company cars were pool cars for business usage only; at year end the Company had no company cars.

Ensuring best practice environmental disclosure

As an IT-focussed global professional services provider, we recognise the importance of quality data management. This year we again worked with Avieco, a leading provider of sustainability data services, to ensure that we continue to follow best practice in the assessment and reporting of our environmental performance. Our engagement with Avieco enables us to provide transparency to stakeholders allowing us to further identify opportunities to improve our environmental performance.

2020 results

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)
- Office emissions have been calculated using the DEFRA 2020 and IEA 2020 issue of the conversion repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of January to December 2020 and using the reporting period of January to December 2019 for comparison.

Corporate Responsibility *(continued)*

Carbon and energy data 2020 *(continued)*

EMISSIONS AND ENERGY USAGE[1]

	Emissions source	UK emissions (tCO_2e)		% change to 2019
		2020	**2019**	
Scope 1	Natural gas	55	66	-17%
	Company cars	2	3	-33%
Total Scope 1		**57**	69	**-17%**
Scope 2	Electricity	135	215	-37%
Total Scope 2		**135**	215	**-37%**
Scope 3[2]	Flights	80	237	-66%
	Non-company cars	44	32	+38%
	Other business travel	12	32	-63%
	Other business activities	17	63	-73%
Total Scope 3		**153**	**364**	**-58%**
Total emissions (Location based)		**345**	**648**	**-47%**
Total emissions (Market based)		**308**	**648**	**-52%**
Total energy usage (kWh)		**UK 935,517**	**UK 1,202,012**	**-22%**
Normaliser	£ million of revenue	117	135	-13%
	tCO_2e per £ million of revenue	2.9	4.8	-40%

1 This work is partially based on the CO_2 emission factors for the UK developed by the International Energy Agency, © OECD/IEA 2020 but the resulting work has been prepared by FDM and does not necessarily reflect the views of the International Energy Agency.

2 Scope 3 emissions: CO_2e from company activities, not owned or controlled by the company (i.e. flights, non-company cars other business travel which includes emissions from rail, taxis and buses and other building activities which includes emissions from paper, waste, water and electricity transmission and distribution).

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 ("the Companies Act"). 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 2020. 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 (see page 2) – both internal staff and our skilled and professional Mounties. The safety, wellbeing and morale of all our employees has been an important priority during 2020. 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.	We discuss our activities to engage with our employees on pages 12 to 14. In particular we have carried out a number of employee surveys to ensure our staff continue to feel connected and to find out how changes arising from the COVID-19 pandemic are affecting their work and their wellbeing. Jacqueline de Rojas held a series of informal meetings with managers at different levels across the business.	The outcome from the employee surveys was discussed at Board level and provided us with the necessary insight to tailor our support initiatives to the needs of our employees. In recognition of the fact that the interval between our trainees completing their training and finding their first client placement was longer than normal (as a result of onboarding delays caused by the COVID-19 pandemic) the Company enhanced the employment package for those signed-off trainees, paying them a salary immediately on completion of training to ensure they were financially supported until we were able to deploy them onto their first client assignment. Discussions with our consultants shaped our implementation of the Yammer platform which was adopted in November 2020 to enable our consultants and other employees to communicate and collaborate with each other, sharing and benefiting from the expertise and knowledge of their colleagues across the organisation. More information about this is on page 13.

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
Our University Partners	Universities can be seen as our key supplier. Our ability to recruit graduates of the highest calibre into our 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 our University Partners can be found on page 19.	We have changed the content of our events to engage with non-technical students, enabling them to gain confidence before applying to FDM.
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 2020, we will be carrying out a comprehensive review during 2021 of our Academy offering, including how the business delivers training post-lockdown.
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.	Further information on our engagement with clients can be found on page 18.	As a result of our work with individual clients we have continued to develop and deliver the pod concept and have created driven programmes, tailored to specific clients' needs.
Our local communities	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.	Further information on our activities with the communities where we operate can be found on pages 18 to 19.	We have continued our work to promote diversity, inclusion and social mobility, making further progress in improving our own gender pay gap. FDM has refurbished its old IT hardware and donated it, to schools, charitable causes and organisations in need (see page 18).
The environment	We are conscious that all business activities have an impact on the environment and climate change, and we are committed to finding ways to mitigate that impact	Further information on the work we have done to continue to find ways of reducing our impact on the environment can be found on pages 22 and 23.	To reduce the environmental impact of our IT usage, the Board took the decision to virtualise our IT estate by moving away from local servers to using a cloud-based approach which saves energy, reduces emissions and cuts down on the amount of end-of-life physical IT equipment being disposed of.

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 21 September 2021 and signed on its behalf by:

Mike McLaren
Chief Financial Officer
21 September 2021

Directors' Report

The Directors present the Directors' Report and audited Financial Statements of FDM Group Limited for the year ended 31 December 2020.

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 27 provides a review of the Group's performance during the financial year as well as its future prospects.

The financial statements on pages 34 to 59 were approved by Mike McLaren on behalf of the Board on 21 September 2021.

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 £36.4 million (2019: £38.7 million).

During the year the Company paid dividends totalling £34.0 million to Astra 5.0 Limited, its Parent Company (2019: £37.0 million). No further dividends have been proposed for the year ended 31 December 2020 (2019: £nil).

Political donations

No political contributions were made during the year by the Company (2019: £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:

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 10 of the Strategic Report.

Branches outside the UK

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

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.

Streamlined Energy and Carbon Reporting ("SECR") and greenhouse gas emissions

Details of the Company's compliance with legislation relating to greenhouse gas emissions, including SECR, are set out on page 22 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 statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). 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 issued by the International Accounting Standards Board (IASB) have been followed, 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 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 *(continued)*

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

The Directors are also 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 comply with the Companies Act 2006.

Directors' confirmations

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 21 September 2021 and signed on its behalf by:

Mike McLaren
Chief Financial Officer
21 September 2021

Independent auditors' report to the members of FDM Group Limited

Report on the audit of the financial statements

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 2020 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 issued by the International Accounting Standards Board (IASB); 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, which comprise: the Statement of Financial Position as at 31 December 2020; 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.

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.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the underlying cash flow projections to management approved forecasts, assessing how these forecasts are compiled, and assessing the accuracy of management's forecasts;
- evaluating the key assumptions within management's forecasts;
- considering liquidity and available financial resources;
- assessing whether the stress testing performed by management appropriately considered the principal risks facing the business; and
- evaluating the feasibility of management's mitigating actions in the stress testing scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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.

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to local employment laws and tax regulation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the company's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Review of any employment disputes or litigation to ensure there were no broader non-compliance issues with employment laws and regulations.
- Review of the financial statement disclosures to underlying supporting documentation.
- Challenging assumptions and judgements made by management in their significant accounting estimates.
- Review of internal audit reports in so far as they related to the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. 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.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.

KE Finn

Katharine Finn (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

21 September 2021

Income Statement

for year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue		**116,764**	134,770
Cost of sales		**(61,499)**	(70,105)
Gross profit		**55,265**	64,665
Administrative expenses		**(31,442)**	(28,974)
Operating profit	6	**23,823**	35,691
Other income	20	**17,333**	9,737
Finance income	9	**168**	231
Finance expense	9	**(314)**	(386)
Net finance expense		**(146)**	(155)
Profit before income tax		**41,010**	45,273
Taxation	10	**(4,627)**	(6,619)
Profit for the year		**36,383**	38,654

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

The notes on pages 39 to 59 are an integral part of these Financial Statements.

Statement of Comprehensive Income

for year ended 31 December 2020

	2020 £000	2019 £000
Profit for the financial year	**36,383**	38,654
Total comprehensive income recognised for the year	**36,383**	38,654

The notes on pages 39 to 59 are an integral part of these Financial Statements.

Statement of Financial Position

at 31 December 2020

	Note	2020	2019
		£000	£000
Non-current assets			
Right-of-use assets	12	**5,509**	7,230
Investments	11	**31**	31
Property, plant and equipment	13	**2,011**	2,559
Intangible assets	14	**328**	347
Deferred income tax assets	15	**647**	955
		8,526	11,122
Current assets			
Trade and other receivables	16	**43,075**	46,247
Current income tax receivables		**150**	-
Cash and cash equivalents	17	**44,117**	25,354
		87,342	71,601
Total assets		**95,868**	82,723
Current liabilities			
Trade and other payables	18	**73,710**	58,478
Current income tax liabilities		**-**	2,159
Lease liabilities	12	**2,452**	2,528
		76,162	63,165
Non-Current liabilities			
Lease liabilities	12	**4,867**	7,047
Total liabilities		**81,029**	70,212
Net assets		**14,839**	12,511
Equity			
Share capital	19	**236**	236
Share premium		**3,494**	3,494
Capital redemption reserve		**63**	63
Capital contribution reserve		**2,763**	3,021
Retained earnings		**8,283**	5,697
Total equity		**14,839**	12,511

The notes on pages 39 to 59 are an integral part of these Financial Statements.

These financial statements on pages 34 to 59 were approved by the Board of Directors on 21 September 2021 and were signed on its behalf by:

Mike McLaren
Chief Financial Officer
21 September 2021

Statement of Cash Flows

for year ended 31 December 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit before tax for the year		41,010	45,273
Adjustments for:			
Depreciation and amortisation	6	2,649	2,533
Profit on disposal of non-current assets		129	-
Finance income	9	(168)	(231)
Finance expense	9	314	386
Share-based payment credit (including associated social security costs)		(70)	(1,546)
Dividends received	20	(17,333)	(9,737)
Decrease/ (increase) in trade and other receivables		3,171	(2,266)
Increase in trade and other payables		15,232	2,730
Cash flows generated from operations		44,934	37,142
Interest received	9	168	231
Income tax paid		(6,612)	(5,654)
Net cash generated from operating activities		38,490	31,719
Cash flows from investing activities			
Dividends received	20	17,333	9,737
Acquisition of property, plant and equipment	13	(225)	(558)
Acquisition of intangible assets	14	(79)	(321)
Net cash generated from investing activities		17,029	8,858
Cash flows from financing activities			
Dividends paid	20	(34,000)	(37,000)
Principal elements of lease payments		(2,442)	(2,195)
Interest elements of lease payments		(291)	(354)
Finance costs paid	9	(23)	(32)
Net cash used in financing activities		(36,756)	(39,581)
Net increase in cash and cash equivalents		18,763	996
Cash and cash equivalents at beginning of year		25,354	24,358
Cash and cash equivalents at end of year	17	44,117	25,354

The notes on pages 39 to 59 are an integral part of these Financial Statements.

Statement of Changes in Equity

for year ended 31 December 2020

	Share capital £000	Share premium £000	Capital redemption reserve £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	236	3,494	63	3,021	5,697	12,511
Total comprehensive income	-	-	-	-	36,383	36,383
Transfer to retained earnings	-	-	-	(203)	203	-
Share-based payments (note 21)	-	-	-	(55)	-	(55)
Dividends (note 20)	-	-	-	-	(34,000)	(34,000)
Balance at 31 December 2020	**236**	**3,494**	**63**	**2,763**	**8,283**	**14,839**

	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	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)
Balance at 31 December 2019	236	3,494	63	3,021	5,697	12,511

The notes on pages 39 to 59 are an integral part of these 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 2020. The Financial Statements were approved by Mike McLaren on behalf of the Board of Directors on 21 September 2021.

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 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.

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.

Notes to the Financial Statements *(continued)*

3 Accounting policies *(continued)*

3.2 Summary of significant accounting policies *(continued)*

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. They are subsequently measured at amortised cost using an expected credit loss model in line with IFRS 9 which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Shared credit risk characteristics include current and forward-looking information on macroeconomic factors affecting the sector in which the debtor operates.

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.

g) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

h) 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 right-of-use asset is depreciated straight-line over the term of the lease.

The liabilities are measured at the present value of the remaining lease payments, discounted using the lessee company's estimated incremental borrowing rate at the date of lease inception. Lease payments are presented as cash flows from financing activities, split between principal and interest elements, on the Statement of Cash Flows.

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.

i) 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.

Notes to the Financial Statements *(continued)*

3 Accounting policies *(continued)*

3.2 Summary of significant accounting policies *(continued)*

j) 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.

k) 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.

l) 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.

Notes to the Financial Statements *(continued)*

3 Accounting policies *(continued)*

3.2 Summary of significant accounting policies *(continued)*

m) 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.

n) 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.

4 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 earnings per share 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.

Notes to the Financial Statements *(continued)*

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.

The adoption of these amendments has not had a material impact on the Company's financial statements in the year:

Effective in 2020	Effective for accounting periods beginning on or after	Endorsed by the EU
Amendments		
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	Yes
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	Yes

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020, and were not adopted in the Company's financial statements for the year and are not expected to have a material impact on the Company when adopted:

Effective after 31 December 2020	Effective for accounting periods beginning on or after	Endorsed by the EU
New standards		
IFRS 17, 'Insurance contracts'	1 January 2023	No
Amendments		
COVID-19-related Rent Concessions – Amendments to IFRS 16	1 June 2020	Yes
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022	No
Annual Improvements to IFRS Standards 2018–2020	1 January 2022	No
Amendments to Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	1 January 2022	No
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 7, IFRS 4 and IFRS 16	1 January 2021	No

Notes to the Financial Statements *(continued)*

6 Operating profit

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

	2020	2019
	£000	£000
Expense relating to short-term leases	30	88
Net foreign exchange gains	(126)	(52)
Depreciation of right-of-use assets	1,796	1,717
Depreciation and amortisation of other assets	853	816

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:

	2020	2019
	£000	£000
Audit services	106	106
Non-audit services	41	41
	147	147

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	
	2020	2019
Consultants	2,054	2,166
Administration	364	376
	2,418	2,542

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	81,431	83,407
Social security costs	8,692	9,296
Other pension costs	1,962	1,852
Share-based payments	440	1,408
	92,525	95,963

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 2020 was £291,000 (2019: £299,000). There were no prepaid contributions at the end of the financial year (2019: £nil).

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 2020 is set out below:

	2020 £000	2019 £000
Short-term employee benefits	2,371	2,002
Post-employment benefits	33	33
Share-based payments	57	364
	2,461	2,399

Included within Short-term employee benefits in 2020 is £1,015,000 relating to annual bonus which was deferred to shares for two years (2019: £ nil).

The aggregate of remuneration of the highest paid Director was £766,000 (2019: £728,000). 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	
	2020	2019
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	4	4

9 Finance income and expense

	2020 £000	2019 £000
Bank interest received	168	231
Finance income	168	231
Interest on lease liabilities	(291)	(354)
Finance fees and charges	(23)	(32)
Finance expense	(314)	(386)

Notes to the Financial Statements *(continued)*

10 Taxation

The major components of the income tax expense for the years ended 31 December 2020 and 31 December 2019 are:

	2020 £000	2019 £000
Current income tax:		
Current income tax charge	4,400	6,301
Adjustments in respect of prior years	106	(32)
Deferred tax:		
Relating to origination and reversal of temporary differences	121	350
Total tax expense reported in the income statement	4,627	6,619

The standard rate of corporation tax in the UK is 19%, accordingly, the profits for 2019 and 2020 are taxed at 19%. The tax charge for the year is lower (2019: lower) than the standard rate of corporation tax in the UK. The differences are set out below:

Reconciliation of effective tax

	2020 £000	2019 £000
Profit before income tax	41,010	45,273
Profit multiplied by UK standard rate of corporation tax of 19% (2019: 19%)	7,792	8,602
Income not taxable	(3,294)	(1,888)
Expenses not deductible for tax purposes	79	25
Group relief from group companies	(56)	(88)
Adjustments in respect of prior years	106	(32)
Tax charge	4,627	6,619

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 2020 and 31 December 2019, deferred tax assets and liabilities have been calculated based upon the rate at which the temporary difference is expected to reverse.

Notes to the Financial Statements *(continued)*

11 Investments

	2020 £000	2019 £000
At 1 January and 31 December	31	31

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 S.A.	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 2020 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	6th Floor, MainzerLandstrasse 41, 60329 Frankfurt am Main, Germany
FDM Switzerland GmbH	Lavaterstrasse 40, Zurich, CH 8002, Switzerland
FDM Luxembourg S.A.	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	22F Jing'an Kerry Centre Office Tower 3,1228 Middle Yan An Road, Jing An, Shanghai, 200040, China
FDM Group HK Limited	6/F, The Annex, Central Plaza, 18 Harbour Road, Hong Kong
FDM Group Australia Pty Ltd	Level 21, Tower Three, International Towers, 300 Barangaroo Avenue, NSW 2000, Sydney, Australia
FDM Group Austria GmbH	Handelskai 92/Gate 2/7A, 1200 Wien, Austria
FDM Group BV	Westerdoksdijk 423, 1013 BX, Amsterdam, Nederland

Notes to the Financial Statements *(continued)*

12 Leases

(i) Right-of-use assets

Properties	2020 £000	2019 £000
Cost		
At 1 January	16,509	16,140
Additions	186	369
Disposals	(266)	-
At 31 December	16,429	16,509
Accumulated depreciation		
At 1 January	9,279	7,562
Depreciation charge for the year	1,796	1,717
Disposals	(155)	-
At 31 December	10,920	9,279
Net book value at 31 December	5,509	7,230

(ii) Lease liabilities

	2020 £000	2019 £000
Current lease liabilities	2,452	2,528
Non-current lease liabilities	4,867	7,047
	7,319	9,575

Contractual maturities of lease liabilities:

	At net present value		Not discounted	
	2020 £000	2019 £000	2020 £000	2019 £000
Less than one year	2,452	2,287	2,506	2,579
Between 1 and 2 years	2,375	2,335	2,502	2,544
Between 2 and 5 years	2,492	4,718	2,752	4,938
Over 5 years	-	235	-	238
Total lease liabilities	7,319	9,575	7,760	10,299

The total cash outflow for leases was £2,733,000 (2019: £2,549,000); see also the Statement of Cash Flows on page 37.

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

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:

	2020 £000	2019 £000
Depreciation of right-of-use assets - properties	1,796	1,717
Interest expense (included in finance cost)	291	354
Expense relating to short-term leases	30	88

13 Property, plant and equipment

2020	Leasehold improvements £000	Fixtures and fittings £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2020	3,375	751	2,378	6,504
Additions	2	11	212	225
Disposals	-	(13)	(366)	(379)
At 31 December 2020	3,377	749	2,224	6,350
Accumulated depreciation				
At 1 January 2020	1,750	681	1,514	3,945
Depreciation charge for the year	358	28	371	757
Disposals	-	(11)	(352)	(363)
At 31 December 2020	2,108	698	1,533	4,339
Net book value at 31 December 2020	1,269	51	691	2,011

2019	Leasehold improvements £000	Fixtures and fittings £000	Plant and equipment £000	Total £000
Cost				
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
Accumulated depreciation				
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
Net book value at 31 December 2019	1,625	70	864	2,559

Notes to the Financial Statements *(continued)*

14 Intangible assets

	Software and software licences 2020 £000	Software and software licences 2019 £000
Cost		
At 1 January	731	410
Additions	79	321
Disposals	(215)	-
At 31 December	595	731
Accumulated amortisation		
At 1 January	384	342
Amortisation for the year	96	42
Disposals	(213)	-
At 31 December	267	384
Net book value at 31 December	328	347

15 Deferred income tax assets

Deferred income tax assets are attributable to the following:

	2020 £000	2019 £000
Non-current:		
Non-current temporary differences	647	955
Deferred income tax asset	647	955

	1 January 2020 £000	Recognised in income statement £000	Recognised in equity £000	Transferred to Retained Earnings £000	31 December 2020 £000
Movement in deferred income tax during 2020:					
Share-based payments	901	(114)	16	(203)	600
Right-of-use assets	176	(44)	-	-	132
Property, plant and equipment	(122)	37	-	-	(85)
	955	(121)	16	(203)	647

Notes to the Financial Statements *(continued)*

15 Deferred income tax assets *(continued)*

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

16 Trade and other receivables

	2020	2019
	£000	£000
Receivables due from subsidiaries	6,533	3,862
Receivables due from parent	20,680	20,680
Trade receivables	12,300	17,107
Other receivables	13	331
Prepayments and accrued income	3,549	4,267
	43,075	46,247

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

Included within prepayments and accrued income is £1,079,000 of accrued income (2019: £1,190,000).
The expected loss rate and the aged gross trade receivables and aged loss allowance as at 31 December are as follows:

31 December 2020	Expected loss rate	Gross trade receivable £000	Loss allowance £000
Not overdue	5%	11,164	568
Not more than three months past due	5%	1,747	81
More than three months but not more than six months past due	7%	30	2
More than six months but not more than one year past due	9%	11	1
Older than one year past due	-	-	-
		12,952	652

31 December 2019	Expected loss rate	Gross trade receivable £000	Loss allowance £000
Not overdue	0%	13,610	-
Not more than three months past due	1%	3,473	50
More than three months but not more than six months past due	50%	147	73
More than six months but not more than one year past due	100%	1	1
Older than one year past due	-	-	-
		17,231	124

Notes to the Financial Statements *(continued)*

16 Trade and other receivables *(continued)*

The movement in the allowance for expected credit loss is as below:

	2020	2019
	£000	£000
At 1 January	124	148
Increase recognised during the year	528	-
Amount written off in the year	-	-
Unused amount reversed	-	(24)
At 31 December	**652**	124

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Shared credit risk characteristics include current and forward-looking information on macroeconomic factors affecting the sector in which the debtor operates and those affecting the ability of the customer to settle the receivables. The Company has identified relevant factors including the GDP and the unemployment rate, and accordingly adjusts the loss rates based on expected changes in these factors. The impact of the COVID-19 pandemic and associated lock downs has resulted in the Company assessing and increasing its loss allowance in 2020, notably in respect of clients in particularly vulnerable sectors.

17 Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	44,117	25,354

Cash and cash equivalents denominated in currencies other than Pounds Sterling amount to £547,000 (2019: £391,000), 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.* Cash at bank is held with banks with the following ratings:

Cash at bank by credit rating

	2020	2019
	£000	£000
A	29,023	25,329
BB	15,019	-
BBB	75	25
	44,117	25,354

Notes to the Financial Statements *(continued)*

18 Trade and other payables

	2020	2019
	£000	£000
Payables due to subsidiaries	218	227
Payables due to ultimate parent	59,620	43,137
Trade payables	838	1,520
Other payables	1,227	509
Other taxes and social security	4,983	6,778
Accruals and deferred income	6,824	6,307
	73,710	58,478

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

Trade and other payables denominated in currencies other than Pounds Sterling comprise £94,000 (2019: £156,000) denominated in Euro, US Dollar and Canadian Dollar.

19 Share capital

	2020	2019
	£000	£000
Authorised		
100,000,000 (2019: 100,000,000) ordinary shares of 1p each	1,000	1,000
Allotted, called up and fully paid		
23,600,000 (2019: 23,600,000) ordinary shares of 1p each	236	236

20 Dividends

	2020	2019
	£000	£000
Ordinary dividends		
Paid to Parent Company: 144 pence per ordinary share	34,000	37,000
(2019: 157 pence per ordinary share)		
Received from subsidiaries	17,333	9,737

21 Share-based payments

	2020	2019
Recognised in income statement	£000	£000
Expenses arising from equity settled share-based payment transaction	440	1,408
Social Security thereon	114	478
Expenses arising from bonus deferred as shares	1,230	-
Expenses arising from equity settled share-based payment transaction	1,784	1,886

Notes to the Financial Statements *(continued)*

21 Share-based payments *(continued)*

Recognised in equity	**2020**	2019
	£000	£000
Expenses arising from equity settled share-based payment transaction	**1,670**	1,408
Deferred tax recognised in other reserves arising from equity settled share-based payments	**16**	968
Transfer to retained earnings - deferred tax	**(203)**	(891)
Transfer to retained earnings - recharge by FDM Group (Holdings) plc upon exercise of options	**(1,741)**	(2,955)
	(258)	(1,470)

During the year the share options issued in 2017 vested, of which 327,643 were exercised, and 13,683 linked shares lapsed (linked shares which were not required to fund the price at date of exercise). Awards were granted on 30 December 2020, in the form of nominal cost options over ordinary shares in FDM Group (Holdings) plc 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 of FDM Group (Holdings) plc.

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 2020 no APSP 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:

	2020		2019	
	Number of Shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at 1 January	**1,407,183**	**168p**	1,688,694	194p
Granted during the year	**605,625**	**1p**	519,875	1p
Forfeited during the year	**(82,382)**	**262p**	(86,796)	203p
Exercised during the year	**(327,643)**	**124p**	(714,590)	128p
Expired during the year	**-**	**-**	-	-
Outstanding at 31 December	**1,602,783**	**109p**	1,407,183	168p
Exercisable at the end of the year	**74,652**	**268p**	18,800	269p
Weighted average remaining contractual life (years)	**1.1**	**n/a**	1.3	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:

2020	**PSP**
Share price at date of grant	1116p
Exercise price	1p
Dividend yield	2.7%
Expected volatility	30%
Risk free interest rate	0%
Expected life	4 years
Fair value at date of grant – issue on 30 December 2020	999p

Notes to the Financial Statements *(continued)*

21 Share-based payments *(continued)*

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

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.

Notes to the Financial Statements *(continued)*

22 Related parties

In 2019, the Group paid rental of £24,000 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 agreement expired in September 2019. There was no equivalent arrangement in 2020. The rent payable was at market rate, no balances were outstanding at year end 2019. At no time during 2019 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 2020 £000	Dividends from/ (to) related parties 2020 £000	Amounts owed by/ (to) related parties 2020 £000	Management charges to/ (from) related parties 2019 £000	Dividends from/ (to) related parties 2019 £000	Amounts owed by/ (to) related parties 2019 £000
FDM Group (Holdings) plc	-	-	(59,620)	-	-	(43,137)
Astra 5.0 Limited	-	(34,000)	20,680	-	(37,000)	20,680
FDM Group Inc.	6,733	6,007	7	6,740	5,512	12
FDM Group HK Limited	1,283	-	1	1,108	-	(6)
FDM Group NV	-	-	(215)	-	-	(209)
FDM Group GmbH	328	2,152	2,198	493	-	(12)
FDM Switzerland GmbH	194	-	6	180	-	3
FDM Group SA	458	-	(3)	314	-	5
FDM Group Canada Inc.	4,250	8,021	926	4,071	3,703	26
FDM Singapore Consulting Pte Limited	125	-	10	106	-	91
FDM South Africa (PTY) Limited	68	-	216	120	-	364
FDM Technology (Shanghai) Co. Limited	-	-	130	-	-	127
FDM Astra Ireland Limited	314	1,153	33	219	522	10
FDM Group Australia Pty Ltd	152	-	2,986	96	-	2,886
FDM Group Austria GmbH	-	-	19	-	-	18
FDM Group BV	490	-	1	-	-	320
Totals	14,395	(16,667)	(32,625)	13,447	(27,263)	(18,822)

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 company basis and arises from cash and cash equivalents and trade receivables. The Company 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 expected credit loss allowance of £652,000 (2019: £124,000).

All material trade receivable balances relate to sales transactions with the Company's blue-chip customer base. At the reporting date, although the Company 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 Company had no external borrowings therefore it has limited exposure to interest rate risk. The Company manages its interest rate risk through regular reviews of its exposure to changes in interest rates.

Liquidity risk

The Company 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 Company 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 Company'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 Company consists of equity attributable to the equity holders of the Company 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 Company 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

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

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 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 2020. 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.

Corporate Information

Directors	Rod Flavell	Chief Executive Officer
	Sheila Flavell	Chief Operating Officer
	Andrew Brown	Chief Commercial Officer
	Mike McLaren	Chief Financial Officer

Company Secretary Mark Heather

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