

FDM Group (Holdings) plc

Preliminary Results

FDM Group (Holdings) plc ("the Company") and its subsidiaries (together "the Group" or "FDM"), a global professional services provider with a focus on Information Technology ("IT"), today announces its results for the year ended 31 December 2017.

Highlights

| | 31 December 2017 | 31 December 2016 | % change |
|--|------------------|------------------|----------|
| Revenue | £233.6m | £189.4m | +23% |
| Mountie revenue ¹ | £207.3m | £167.3m | +24% |
| Adjusted operating profit ² | £47.3m | £37.6m | +26% |
| Profit before tax | £43.7m | £35.3m | +24% |
| Adjusted profit before tax ² | £47.2m | £37.5m | +26% |
| Basic earnings per share | 29.8p | 24.4p | +22% |
| Adjusted basic earnings per share ² | 32.6p | 25.8p | +26% |
| Net cash position at year end | £36.8m | £27.8m | +32% |
| Cash flow generated from operations | £48.3m | £39.4m | +23% |
| Adjusted cash conversion ² | 102.2% | 104.9% | -3% |
| Ordinary dividend per share | 26.0p | 19.6p | +33% |

- Strong operational and financial progress delivered Group-wide
- Mounties assigned to client sites at week 52³ were up 17% at 3,170 (2016: 2,705)
- Mountie utilisation rate for the year to 31 December 2017 was 97.3% (2016: 97.4%)
- 72 new clients secured globally (2016: 49)
- Continued sector diversification, with 72% (2016: 67%) of new clients won during the year outside the financial services sector
- Further successful geographic expansion particularly in APAC, which grew Mounties assigned by 31% compared with week 52 2016
- Continued investment in training Academies, with global training capacity at year-end up 9% over December 2016
- The Group continued to deliver strong cash conversion of over 100% of adjusted profit before tax
- 2017 saw the Group report a 0.0% differential in its UK Gender Pay Gap reporting
- Final dividend of 14.0 pence per share giving a total ordinary dividend for the year of 26.0 pence, an increase of 33% on 2016
- Group well positioned for continued success in 2018 and beyond

¹ Mountie revenue excludes revenue from contractors.

² The adjusted operating profit, adjusted profit before tax and adjusted cash conversion are calculated before Performance Share Plan expenses (including social security costs) of £3.6m (2016: £2.2m). The adjusted basic earnings per share is calculated before the impact of Performance Share Plan expenses (including social security costs and associated deferred tax). Adjusted cash conversion is calculated by dividing cash flow from operations by adjusted profit before tax.

³ Week 52 in 2017 commenced on 18 December 2017 (2016: week 52 commenced on 26 December 2016).

Rod Flavell, Chief Executive Officer, said:

"The Group returned a strong performance in 2017, generating growth in Mountie numbers, revenue and profit while continuing to invest, in each of its territories, in sustainable and long term growth.

During the early part of 2018 FDM has seen continued strong momentum across all of its markets and I am confident that FDM will deliver another year of good operational and financial performance in 2018."

Enquiries

For further information:

| | | |
|-----------------|---------------------------|----------------------------|
| FDM | Rod Flavell – CEO | 020 7067 0000 (today) |
| | Mike McLaren - CFO | 0203 056 8240 (thereafter) |
| Weber Shandwick | Nick Osborne/ Tom Jenkins | 020 7067 0000 |

Forward-looking statements

This announcement contains statements which constitute ‘forward-looking statements’. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

About FDM

FDM is a global professional services provider with a focus on IT. FDM brings people and technology together; creating and inspiring exciting careers that shape our digital future.

The Group's principal business activities involve employing, training and placing its own permanent IT and business consultants ("Mounties") at client sites. The Group also supplies contractors to clients, either to supplement its own employed consultants' skill sets or to provide additional experience where required. FDM specialises in a range of technical and business disciplines including Development, Testing, IT Service Management, Project Management Office, Data Services, Business Analysis, Business Intelligence and Cyber Security.

The FDM Careers Programme bridges the gap for graduates, ex-Forces and returners to work, providing them with the training and experience required to successfully launch or re-launch their career. FDM has dedicated training centres and sales operations located in London, Leeds, Glasgow, New York, Virginia, Toronto, Frankfurt, Singapore and Hong Kong. FDM also operates in China, Ireland, France, Switzerland, Austria, Denmark, Spain, Australia and South Africa.

FDM is a strong advocate of diversity and inclusion in the workplace, with over 75 nationalities working together as a team. The Group became an early adopter of the UK's Gender Pay Gap reporting policy, being the sixth company in the UK to release its figures and reporting a median pay gap of 0%. FDM was featured as one of the Best Employers for Race by Business in the Community and in the first Social Mobility Employer Index by the Social Mobility Foundation and Social Mobility Commission in 2017. FDM was also recognised as Company of the Year at the TechWomen50 Awards 2017.

INTRODUCTION

The Group recorded a strong performance for 2017, with a 17% growth in Mountie headcount, including growth of at least 15% in Mountie headcount in each of our operating regions, and ending the year with a record 3,170 Mounties placed on client site. The Group's financial position remains strong with a closing cash balance £9.0 million higher than 2016 at £36.8 million and no debt.

STRATEGY

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

GROUP RESULTS

2017 was a year of strong financial performance and continued growth as we delivered 23% growth in revenue to £233.6 million (2016: £189.4 million) and a 26% increase in both adjusted operating profit, to £47.3 million (2016: £37.6 million) and adjusted basic earnings per share, to 32.6 pence (2016: 25.8 pence). We are well-positioned for future growth with a healthy balance sheet and a proven business model.

Mountie revenue increased by 24% to £207.3 million (2016: £167.3 million), a 21% increase at constant currencies. Contractor revenue increased by 19% to £26.3 million (2016: £22.1 million), the result of meeting specific customer needs during the first three quarters of 2017. Reflecting this mix of revenues, gross margin was lower at

44.6% (2016: 45.5%). The Group's strategy remains focussed on growing Mountie numbers and revenues whilst contractor revenues remain ancillary to the Group and will continue, over the longer term, in managed decline.

| | 2017 | 2016 | 2017 | 2016 |
|----------------|----------------|----------------|--------------------|--------------------|
| | Mountie | Mountie | Mounties | Mounties |
| | revenue | revenue | assigned to | assigned to |
| | £m | £m | client site | client site |
| | | | at week 52 | at week 52 |
| UK and Ireland | 106.7 | 93.9 | 1,744 | 1,505 |
| North America | 73.8 | 54.2 | 965 | 832 |
| EMEA | 13.1 | 12.0 | 155 | 135 |
| APAC | 13.7 | 7.2 | 306 | 233 |
| | 207.3 | 167.3 | 3,170 | 2,705 |

The Group has used cash generated from operations to continue significant investment in people and infrastructure. Overheads have increased to £60.5 million (2016: £50.7 million), reflecting the Group's investment in its management, support, recruitment, sales and training teams during the year with average headcount in these areas of the business increasing to 447 in 2017 compared with 371 in 2016. Despite the increase in overheads, adjusted operating margin in 2017 has increased to 20.2% (2016: 19.9%).

Brexit has created some uncertainty in the economy and it is difficult to predict the medium to long term potential impact on the Group. FDM has a global footprint and is diversified from a geographic perspective as it operates from well-established, self-contained operating units. Although the risks associated with the uncertainty in the UK and the potential impact across Europe remain, to date no material negative impact on trading has been noted.

Adjusting items

The Group 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 £3.6 million in 2017 (2016: £2.2 million). The Directors believe that, as these excluded costs are non-cash items, it better allows a comparison of performance and cash generation.

Net finance costs

As the Group has no borrowings, finance costs are minimal. The net charge for the year comprises £29,000 (2016: £28,000) of finance income and a finance expense of £130,000 (2016: £128,000) representing non-utilisation charges on the undrawn element of the Group's revolving credit facility.

Taxation

The Group's total tax charge for the year was £11.6 million, equivalent to an effective tax rate of 26.7%, on profit before tax of £43.7 million (2016: effective tax rate of 25.9% based on a tax charge of £9.1 million and a profit before tax of £35.3 million). The effective tax rate in 2017 is higher than the underlying UK tax rate of 19.25% primarily due to Group profits earned in higher tax jurisdictions.

Earnings per share

The basic earnings per share increased in the year to 29.8 pence (2016: 24.4 pence) whilst adjusted basic earnings per share was 32.6 pence (2016: 25.8 pence). Diluted earnings per share was 29.4 pence (2016: 24.2 pence).

Dividends

Subject to shareholders' approval of the final dividend of 14.0 pence per share, the Group's total dividend for the year will be 26.0 pence per share (2016: 19.6 pence per share). The total ordinary dividends of 26.0 pence per share will be covered 1.15 times by basic earnings per share (2016: 1.2 times covered).

The Group has adopted a progressive dividend policy. The aim of this policy is to steadily increase the Group's base dividend, on an annual basis, approximately in line with growth in the Group's earnings per share. The Board reviews the Group's dividend policy on a regular basis and is confident that there are currently no significant constraints which would impact this policy. The Group is debt free, has no significant capital commitments (its properties are all leasehold) and has sufficient distributable reserves and cash balances to continue to apply this policy. As at 31 December 2017, the Company had distributable reserves of £35.4 million.

Cash flow and net funds

Net cash inflow generated from operating activities increased from £30.7 million in 2016 to £35.0 million in 2017. Adjusted cash conversion was 102%, with the reduction from 105% in 2016 attributable to movements in working capital. At the end of the financial year, the Group had cash balances of £36.8 million (2016: £27.8 million) and undrawn facilities of £20.0 million available until 31 August 2018 (2016: £20.0 million).

Balance sheet

The Group has a robust balance sheet with no debt and £36.8 million of cash and cash equivalents.

SEGMENTAL PERFORMANCE

UK and Ireland

We closed the year with 1,744 Mounties placed on client sites, an increase of 16% on the 1,505 at week 52 2016. Adjusted operating profit² increased by 13% to £31.5 million (2016: £27.8 million). The UK and Ireland gained 43 new clients in 2017, 77% of which were from outside the financial services and banking sector. Growth in government work continued in 2017, with 315 Mounties placed with UK government clients at the end of the year (2016 week 52: 206).

Our geographic presence in the UK increased with the opening of a temporary training centre in Birmingham, allowing us to meet and generate client demand and tap into the local graduate market. At week 52, 55% of UK placements were based outside of London (2016: 57%).

2017 saw 839 Mounties complete their training (2016: 1,068). While there was no material change to training capacity, this reflects phasing of courses during the year, including an update to the training timetable, to better align training completions with the increase in client demand which follows the traditional end of year break and a varying mix of the disciplines trained.

The number of ex-Forces Mounties placed with clients grew by 55% to 239; this represents 14% of total UK and Ireland Mountie headcount at week 52 (2016 week 52: 154 representing 10% of total Mountie headcount). FDM has been a signatory to the Ministry of Defence ("MoD") Armed Forces Covenant since 2015. This was recognised in 2017 when the MoD awarded FDM the prestigious Employer Recognition Scheme Gold Award, for "Outstanding support for those who serve and have served".

Getting Back to Business courses were run from our London and Glasgow Academies, as we introduced the programme to our Scottish clients. The number of Getting Back to Business Mounties deployed on client sites at week 52 2017 was 44 (2016: 7). In 2017 FDM in Scotland won 'Best Employer Training and Development 2017' at the s1 Recruitment Awards and the 'Diversity Star Performer 2017' at the Scottish Diversity Awards.

As highlighted above, contractor revenue increased by 19% on the prior year, the result of meeting specific customer needs primarily during the first three quarters of 2017.

North America

North America Mountie revenue grew 36%, with demand from both existing and new clients. 12 new clients were won in the year. Adjusted operating profit² increased by 65% to £15.3 million (2016: £9.3 million), benefiting from operational gearing as we scaled the business.

Following the significant investment in training capacity in 2016, 2017 saw a modest 4% increase in capacity, achieved through internal reorganisation of existing classrooms. In October 2017 FDM committed to an additional lease allowing us to double the floor space of our Toronto Academy in 2018. The work to design and develop the new space, including the addition of six new classrooms, commenced in January 2018 and has an expected completion date of mid-2018.

FDM was recognised as Fastest Growing Company at the Best in Biz Awards 2017 (silver winner) for its impressive performance.

EMEA (Europe, Middle East and Africa, excluding UK and Ireland)

Mountie revenue from our EMEA business grew by 9% to £13.1 million (2016: £12.0 million). Adjusted operating profit² was 25% lower at £0.9 million (2016: £1.2 million) reflecting investment during the year in facilities and people.

Mounties on client sites increased to 155 at week 52 2017 compared with 135 at week 52 2016. The German business benefitted from FDM's pro-active approach to the introduction of the new labour leasing laws. Growth in demand has been supported by a 140% increase in the training capacity of the Frankfurt Academy in the first half of the year. The larger Frankfurt office has enabled us to hire more operational staff, strengthening the foundation

for continued business growth in the future. Swiss Mountie headcount tailed off in 2017 following changes in client resource planning. During 2017 FDM's Austrian subsidiary was incorporated; this will provide a further arm for the EMEA business to develop.

APAC (Asia Pacific)

APAC Mountie revenue increased by 90% over 2016, to £13.7 million (2016: £7.2 million). Customer growth in 2017 was generated by eight new customers, as well as diversification of services provided to existing customers. This led to a healthy increase in Mountie numbers, with 306 Mounties placed on client site at week 52 (week 52 2016: 233).

The adjusted operating loss² decreased from £0.7 million in 2016 to £0.3 million in 2017, reflecting the growth of the business following investment in our two Academies, additional operational staff in the region as well as the operating costs associated with development of the Australian facility. The Singapore Academy and sales office opened in April 2017, and the Hong Kong Academy and sales office opened in January 2016. These dedicated facilities, together with our temporary training facility in Sydney, have resulted in APAC training completions increasing 20% from 129 to 155 during the year. Our first locally sourced and trained Mounties were placed with clients in Australia during 2017. In the second half of 2017 APAC recorded a break-even operating performance.

BOARD

Ivan Martin, FDM's non-executive Chairman, has today informed the Board that he intends to step down later in the current year and has asked the Board to start the process to find a new Chairman to succeed him. The current intention is that he will step down once that search has been successfully completed.

Ivan has served as Chairman of FDM since October 2006. Since the Company's IPO in June 2014, FDM has reported four consecutive years of strong profit performance while continuing to expand overseas and grow revenue. This has been reflected in the Company's share price, which has increased by around 280% since the Company's IPO in June 2014. The continued success of FDM in the period since the IPO has also resulted in the Company's entry into the FTSE 250 in June 2017 – marking a key milestone in the Company's evolution.

In recognition of the fact that Ivan is in his 12th year as Chairman, and having recently adopted a new three-year strategic plan, the Board is looking ahead to the next phase of the Company's development and growth. In the light of this, Ivan and the Board now believe that the time is right to begin the search for a new independent non-executive Chairman.

The search has commenced and will be led by the Company's Nomination Committee, to be chaired by the Senior Independent Director. A further update will be provided to shareholders in due course.

There were no changes to the Directors of the Company in office during the year and up to the date of signing the financial statements.

OUR PEOPLE

Our results this year once again reflect the dedication and professionalism of all employees across the Group in 2017. We are very proud that our unique and proven business model enables us to create and inspire exciting careers that shape our digital future. The Board would like to thank all our employees for their significant contribution to the performance of the Group.

CURRENT TRADING AND OUTLOOK

The Board anticipate that 2018 will be another year in which FDM delivers good operational and financial performances.

Consolidated Income Statement
for the year ended 31 December 2017

| | Note | 2017 £000 | 2016 £000 |
|------------------------------------|------|-----------------------|---------------|
| Revenue | 4 | 233,575 | 189,403 |
| Cost of sales | | (129,323) | (103,291) |
| Gross profit | | 104,252 | 86,112 |
| Administrative expenses | | (60,496) | (50,691) |
| Operating profit | 5 | 43,756 | 35,421 |
| Finance income | 6 | 29 | 28 |
| Finance expense | 6 | (130) | (128) |
| Net finance expense | | (101) | (100) |
| Profit before income tax | | 43,655 | 35,321 |
| Taxation | 7 | (11,643) | (9,139) |
| Profit for the year | | 32,012 | 26,182 |
| Earnings per ordinary share | | 2017 pence | 2016 pence |
| Basic | 8 | 29.8 | 24.4 |
| Diluted | 8 | 29.4 | 24.2 |

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

| | 2017 | 2016 |
|--|---------------|--------|
| | £000 | £000 |
| Profit for the year | 32,012 | 26,182 |
| Other comprehensive income | | |
| Items that may be subsequently reclassified to profit or loss | | |
| Exchange differences on retranslation of foreign operations (net of tax) | (673) | 1,388 |
| Total other comprehensive (expense)/ income | (673) | 1,388 |
| Total comprehensive income for the year | 31,339 | 27,570 |

Consolidated Statement of Financial Position
as at 31 December 2017

| | Note | 2017 £000 | 2016 £000 |
|--|------|---------------|---------------|
| Non-current assets | | | |
| Property, plant and equipment | | 4,926 | 5,011 |
| Intangible assets | | 19,471 | 19,533 |
| Deferred income tax assets | | 2,275 | 772 |
| | | <u>26,672</u> | <u>25,316</u> |
| Current assets | | | |
| Trade and other receivables | | 30,716 | 29,164 |
| Cash and cash equivalents | | 36,846 | 27,844 |
| | | <u>67,562</u> | <u>57,008</u> |
| Total assets | | <u>94,234</u> | <u>82,324</u> |
| Current liabilities | | | |
| Trade and other payables | | 26,616 | 24,628 |
| Current income tax liabilities | | 3,239 | 4,358 |
| | | <u>29,855</u> | <u>28,986</u> |
| Total liabilities | | <u>29,855</u> | <u>28,986</u> |
| Net assets | | <u>64,379</u> | <u>53,338</u> |
| Equity attributable to owners of the parent | | | |
| Share capital | 10 | 1,075 | 1,075 |
| Share premium | | 7,873 | 7,873 |
| Capital redemption reserve | | 52 | 52 |
| Translation reserve | | 791 | 1,464 |
| Other reserves | | 6,148 | 2,470 |
| Retained earnings | | 48,440 | 40,404 |
| Total equity | | <u>64,379</u> | <u>53,338</u> |

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

| | Note | 2017 £000 | 2016 £000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Group profit before tax for the year | | 43,655 | 35,321 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 1,408 | 1,180 |
| Loss on disposal of non-current assets | | 4 | - |
| Finance income | 6 | (29) | (28) |
| Finance expense | 6 | 130 | 128 |
| Share-based payment charge (including associated social security costs) | | 3,576 | 2,217 |
| Increase in trade and other receivables | | (1,552) | (4,571) |
| Increase in trade and other payables | | 1,088 | 5,126 |
| Cash flows generated from operations | | 48,280 | 39,373 |
| Interest received | | 29 | 28 |
| Income tax paid | | (13,263) | (8,751) |
| Net cash flow from operating activities | | 35,046 | 30,650 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | (1,350) | (1,735) |
| Acquisition of intangible assets | | (18) | (60) |
| Net cash used in investing activities | | (1,368) | (1,795) |
| Cash flows from financing activities | | | |
| Finance costs paid | | (130) | (128) |
| Dividends paid | 9 | (23,976) | (24,514) |
| Net cash used in financing activities | | (24,106) | (24,642) |
| Exchange (losses)/gains on cash and cash equivalents | | (570) | 1,271 |
| Net increase in cash and cash equivalents | | 9,002 | 5,484 |
| Cash and cash equivalents at beginning of year | | 27,844 | 22,360 |
| Cash and cash equivalents at end of year | | 36,846 | 27,844 |

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

| | Share capital £000 | Share premium £000 | Capital redemption reserve £000 | Translation reserve £000 | Other reserves £000 | Retained earnings £000 | Total equity £000 |
|---|--------------------------|--------------------------|--|--------------------------------|---------------------------|------------------------------|-------------------------|
| Balance at 1 January 2017 | 1,075 | 7,873 | 52 | 1,464 | 2,470 | 40,404 | 53,338 |
| Profit for the year | - | - | - | - | - | 32,012 | 32,012 |
| Other comprehensive expense for the year | - | - | - | (673) | - | - | (673) |
| Total comprehensive (expense)/ income for the year | - | - | - | (673) | - | 32,012 | 31,339 |
| Share-based payments | - | - | - | - | 3,678 | - | 3,678 |
| Dividends (Note 9) | - | - | - | - | - | (23,976) | (23,976) |
| Total transactions with owners, recognised directly in equity | - | - | - | - | 3,678 | (23,976) | (20,298) |
| Balance at 31 December 2017 | 1,075 | 7,873 | 52 | 791 | 6,148 | 48,440 | 64,379 |

| | Share capital £000 | Share premium £000 | Capital redemption reserve £000 | Translation reserve £000 | Other reserves £000 | Retained earnings £000 | Total equity £000 |
|---|--------------------------|--------------------------|--|--------------------------------|---------------------------|------------------------------|-------------------------|
| Balance at 1 January 2016 | 1,075 | 7,873 | 52 | 76 | 589 | 38,736 | 48,401 |
| Profit for the year | - | - | - | - | - | 26,182 | 26,182 |
| Other comprehensive income for the year | - | - | - | 1,388 | - | - | 1,388 |
| Total comprehensive income for the year | - | - | - | 1,388 | - | 26,182 | 27,570 |
| Share-based payments | - | - | - | - | 1,881 | - | 1,881 |
| Dividends (Note 9) | - | - | - | - | - | (24,514) | (24,514) |
| Total transactions with owners, recognised directly in equity | - | - | - | - | 1,881 | (24,514) | (22,633) |
| Balance at 31 December 2016 | 1,075 | 7,873 | 52 | 1,464 | 2,470 | 40,404 | 53,338 |

Notes to the Consolidated Financial Statements

1 General information

The Company is a public limited company incorporated and domiciled in the UK with a Premium Listing on the London Stock Exchange. The Company's registered office is 3rd Floor, Cottons Centre, Cottons Lane, London, SE1 2QG and its registered number is 07078823.

2 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 31 December 2017 and 31 December 2016, for the purpose of the Companies Act 2006, but is derived from those accounts. The audited statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 were approved for issue on 6 March 2018. The Group's auditor reported on the Annual Report and Accounts for the year ended 31 December 2017 on 6 March 2018. Their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted for the use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended 31 December 2016 with the exception of the following amendments which were effective during the year and were adopted by the Group in preparing the financial statements. The adoption of these amendments has not had a material impact on the Group's financial statements in the year:

- Amendments to IAS 7, 'Statement of cash flows' (effective 1 January 2017)
- Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

3 Going concern

The Group's continued and forecast global growth, positive operating cash flow and liquidity position, together with its distinctive business model and infrastructure, enable the Group to manage its business risks. The Group's forecasts and projections show that it will continue to operate with adequate cash resources and within the current working capital facilities. The Group passed all bank covenants tested in the year and forecasts that all covenants will be passed for a period of at least twelve months from the date of signing this Annual Report.

The Directors therefore have a reasonable expectation that the Company and the Group 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.

4 Segmental reporting

Management has determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Executive Directors are the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

At 31 December 2017, the Board of Directors consider that the Group is organised on a worldwide basis into four core geographical operating segments:

- (1) UK and Ireland;
- (2) North America;
- (3) Rest of Europe, Middle East and Africa, excluding UK and Ireland ("EMEA"); and
- (4) Asia Pacific ("APAC").

Each geographical segment is engaged in providing services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the Group, being a global professional services provider with a focus on IT.

For the year ended 31 December 2017

| | UK and Ireland £000 | North America £000 | EMEA £000 | APAC £000 | Total £000 |
|---|------------------------------------|-----------------------------------|----------------------|----------------------|-----------------------|
| Revenue | 131,479 | 75,069 | 13,077 | 13,950 | 233,575 |
| Depreciation and amortisation | (792) | (447) | (57) | (112) | (1,408) |
| Segment operating profit/ (loss) | 28,694 | 14,700 | 765 | (403) | 43,756 |
| Finance income | 24 | 3 | 1 | 1 | 29 |
| Finance costs | (110) | (5) | (10) | (5) | (130) |
| Profit/ (loss) before income tax | 28,608 | 14,698 | 756 | (407) | 43,655 |
| Total assets | 66,565 | 17,601 | 4,563 | 5,505 | 94,234 |
| Total liabilities | (16,426) | (6,253) | (1,534) | (5,642) | (29,855) |

Included in total assets above are non-current assets (excluding deferred tax) as follows:

| | UK and Ireland £000 | North America £000 | EMEA £000 | APAC £000 | Total £000 |
|------------------|------------------------------------|-----------------------------------|----------------------|----------------------|-----------------------|
| 31 December 2017 | 22,431 | 1,322 | 384 | 260 | 24,397 |

For the year ended 31 December 2016

| | UK and Ireland £000 | North America £000 | EMEA £000 | APAC £000 | Total £000 |
|---|------------------------------------|-----------------------------------|----------------------|----------------------|-----------------------|
| Revenue | 112,912 | 56,782 | 12,082 | 7,627 | 189,403 |
| Depreciation and amortisation | (762) | (334) | (18) | (66) | (1,180) |
| Segment operating profit/ (loss) | 26,058 | 8,909 | 1,199 | (745) | 35,421 |
| Finance income | 20 | - | 7 | 1 | 28 |
| Finance costs | (106) | (4) | (14) | (4) | (128) |
| Profit/ (loss) before income tax | 25,972 | 8,905 | 1,192 | (748) | 35,321 |
| Total assets | 60,232 | 14,265 | 4,974 | 2,853 | 82,324 |
| Total liabilities | (17,791) | (6,686) | (1,862) | (2,647) | (28,986) |

Included in total assets above are non-current assets (excluding deferred tax) as follows:

| | UK and Ireland £000 | North America £000 | EMEA £000 | APAC £000 | Total £000 |
|------------------|---------------------------|--------------------------|--------------|--------------|---------------|
| 31 December 2016 | 22,755 | 1,551 | 26 | 212 | 24,544 |

Information about major customers

Customers A and B each represent 10% or more of the Group's 2017 revenues from all four operating segments and are presented below. Customers A and C each represent 10% or more of the Group's 2016 revenues.

| | 2017 £000 | 2016 £000 |
|-------------------------|----------------------|--------------|
| Revenue from customer A | 40,328 | 26,126 |
| Revenue from customer B | 23,718 | 15,761 |
| Revenue from customer C | 8,861 | 19,647 |

5 Operating profit

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

| | 2017 £000 | 2016 £000 |
|-------------------------------------|----------------------|--------------|
| Hire of property – operating leases | 3,946 | 3,515 |
| Net foreign exchange differences | (153) | 3 |
| Depreciation and amortisation | 1,408 | 1,180 |

6 Finance income and expense

| | 2017 £000 | 2016 £000 |
|-----------------------|----------------------|--------------|
| Bank interest | 29 | 28 |
| Finance income | 29 | 28 |

| | 2017 £000 | 2016 £000 |
|---|----------------------|--------------|
| Non utilisation fees on revolving credit facility | (80) | (80) |
| Finance fees and charges | (50) | (48) |
| Finance expense | (130) | (128) |

7 Taxation

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

| | 2017 £000 | 2016 £000 |
|---|----------------------|--------------|
| Current income tax: | | |
| Current income tax charge | 12,619 | 9,956 |
| Adjustments in respect of prior periods | (474) | 64 |
| Total current tax | 12,145 | 10,020 |

Deferred tax:

| | | |
|---|-------|-------|
| Relating to origination and reversal of temporary differences | (502) | (881) |
|---|-------|-------|

| | | |
|---------------------------|--------------|--------------|
| Total deferred tax | (502) | (881) |
|---------------------------|--------------|--------------|

| | | |
|---|---------------|--------------|
| Total tax expense reported in the income statement | 11,643 | 9,139 |
|---|---------------|--------------|

The standard rate of corporation tax in the UK is 19%. The rate changed from 20% to 19% with effect from 1 April 2017. Accordingly, the profits for the respective accounting periods are taxed at an effective rate of 19.25% (2016: 20%). The tax charge for the year is higher (2016: higher) than the standard rate of corporation tax in the UK. The differences are set out below:

| | 2017 £000 | 2016 £000 |
|--|---------------|--------------|
| Profit before income tax | 43,655 | 35,321 |
| Profit multiplied by UK standard rate of corporation tax of 19.25% (2016: 20%) | 8,404 | 7,064 |
| Effect of different tax rates on overseas earnings | 3,267 | 1,893 |
| Expenses not deductible for tax purposes | 446 | 118 |
| Adjustments in respect of prior periods | (474) | 64 |
| Total tax charge | 11,643 | 9,139 |

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.

In 2015 the UK government announced legislation setting out that the main UK corporation tax rate will be 17% with effect from 1 April 2020. At 31 December 2017 and 31 December 2016, deferred tax assets and liabilities have been calculated based upon the rate at which the temporary difference is expected to reverse. During the year it was announced that the US Federal tax charge will drop from 35% to 21% effective 1 January 2018. These reductions may also reduce the Group's future current tax charges accordingly.

8 Earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year.

| | | 2017 | 2016 |
|--|-------|---------|---------|
| Profit for the year | £000 | 32,012 | 26,182 |
| Average number of ordinary shares in issue (thousands) | | 107,518 | 107,518 |
| Basic earnings per share | Pence | 29.8 | 24.4 |

Adjusted basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company, excluding Performance Share Plan expense (including social security costs and associated deferred tax), by the weighted average number of ordinary shares in issue during the year.

| | | 2017 | 2016 |
|---|-------|----------------|---------|
| Profit for the year (basic earnings) | £000 | 32,012 | 26,182 |
| Share-based payment expense (including social security costs) | £000 | 3,576 | 2,217 |
| Tax effect of share-based payment expense | £000 | (483) | (672) |
| Adjusted profit for the year | £000 | 35,105 | 27,727 |
| Average number of ordinary shares in issue (thousands) | | 107,518 | 107,518 |
| Adjusted basic earnings per share | Pence | 32.6 | 25.8 |

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one type of dilutive potential ordinary shares in the form of share options; the number of shares in issue has been adjusted to include the number of shares that would have been issued assuming the exercise of the share options.

| | | 2017 | 2016 |
|--|-------|----------------|---------|
| Profit for the year (basic earnings) | £000 | 32,012 | 26,182 |
| Average number of ordinary shares in issue (thousands) | | 107,518 | 107,518 |
| Adjustment for share options (thousands) | | 1,465 | 585 |
| Diluted number of ordinary shares in issue (thousands) | | 108,983 | 108,103 |
| Diluted earnings per share | Pence | 29.4 | 24.2 |

9 Dividends

| | 2017 £000 | 2016 £000 |
|-----------------------|---------------|--------------|
| Dividends paid | | |
| Paid to shareholders | 23,976 | 24,514 |

2017

An interim dividend of 12.0 pence per ordinary share was declared by the Directors on 28 July 2017 and was paid on 22 September 2017 to holders of record on 25 August 2017.

The Board is proposing a final dividend of 14.0 pence per share in respect of the year to 31 December 2017, for approval by shareholders at the AGM on 26 April 2018.

Subject to shareholder approval the dividend will be paid on 15 June 2018 to shareholders of record on 25 May 2018.

This brings the Company's total dividend for the year to 26.0 pence per share (2016: 19.6 pence per share). The total ordinary dividends of 26.0 pence per share will be covered 1.15 times by basic earnings per share.

The Board has adopted a progressive dividend policy; the Group will retain sufficient capital to fund ongoing operating requirements, maintain an appropriate level of dividend cover and sufficient funds to invest in the Group's longer term growth.

2016

An interim dividend of 9.3 pence per ordinary share was declared by the Directors on 26 July 2016 and was paid on 23 September 2016 to holders of record on 26 August 2016. The final dividend of 10.3 pence per share in respect of the year to 31 December 2016 was approved by shareholders at the AGM on 27 April 2017, the dividend was paid on 16 June 2017 to shareholders of record on 26 May 2017.

10 Share capital

Authorised, called up, allotted and fully paid share capital

| | 2017 Number of shares | 2017 £000 | 2016 Number of shares | 2016 £000 |
|-------------------------------|-----------------------------|--------------|-----------------------------|--------------|
| Ordinary shares of £0.01 each | 107,517,506 | 1,075 | 107,517,506 | 1,075 |

11 Directors' remuneration

Details of the Directors' (who also represent the key management personnel of the Group) remuneration in respect of the year ended 31 December 2017 is set out below:

| | 2017 £000 | 2016 £000 |
|------------------------------|--------------|--------------|
| Short term employee benefits | 2,490 | 2,712 |
| Post-employment benefits | 32 | 32 |
| Share-based payments | 566 | 241 |
| | 3,088 | 2,985 |

12 Financial instruments

There are no differences between the fair value of the financial assets and liabilities included within the following categories in the Consolidated Statement of Financial Position and their carrying value:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables