FDM

ANNUAL REPORT

AND ACCOUNTS 2019

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Highlights

Financial

Revenue (£m)

£271.5m

+11%

2018: £244.9m

Mountie revenue[1] (£m)

£268.2m

+12%

2018: £239.0m

Adjusted operating profit[2] (£m)

£55.2m

+7%

2018 (restated[3]): £51.8m

Profit before tax (£m)

£52.5m

+9%

2018 (restated[3]): £48.2m

Adjusted profit before tax[2] (£m)

£54.5m

+6%

2018 (restated[3]): £51.2m

Basic earnings per share (pence)

37.3 pence

+9%

2018 (restated[3]): 34.2p

Adjusted basic earnings per share[2] (pence)

38.8 pence

+7%

2018 (restated[3]): 36.3p

Cash flow generated from operations (£m)

£57.7m

+17%

2018 (restated[3]): £49.3m

Cash conversion[4] (%)

108.4%

+7%

2018 (restated[3]): 100.9%

Dividend per share

34.5 pence

+15%

2018: 30.0 pence

Operational

RECRUIT

Over **900** university events attended in 2019

(2018: over 700)

Just under **60,000** applicants applied via our website[5]

We work proactively with over 200 university partnerships globally

TRAIN

2,115 training completions in 2019, a 2% decrease

(2018: 2,155)

Continued investment in training Academies, with global total training capacity[6] of 988 at year end, up by 5% over December 2018

20 different training locations during the year

DEPLOY

Mounties assigned to client sites at week 52[7] were up 5% at **3,924**

(2018: 3,747)

Mountie utilisation[8] rate of **96.1%**

(2018: 97.3%)

97 new clients globally

(2018: 77)

1 Mountie revenue excludes revenue from contractors. See page 28 for analysis of revenue.
2 The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expenses (including social security costs) of £2.0 million (2018: £3.0 million). The adjusted basic earnings per share is calculated before the impact of Performance Share Plan expenses (including social security costs and associated deferred tax). See page 29 for further details of adjusted items.
3 The Company has restated comparative figures following the fully retrospective adoption of IFRS 16 'Leases' at 1 January 2019. See note 5 for more information.
4 Cash conversion is calculated by dividing cash flow from operations by operating profit. Previously cash conversion was calculated by dividing cash flows from operations by profit before tax. Following the adoption of IFRS 16 "Leases", the calculation was amended and the 2018 comparative restated, to provide a more meaningful indicator.
5 The recording of applications changed in 2019, such that there is no prior year like-for-like comparative.
6 Total training capacity seats is combined permanent capacity (2019: 844; 2018: 848) and temporary capacity (2019:144; 2018: 90).
7 Week 52 in 2019 commenced on 16 December 2019 (2018: week 52 commenced on 17 December 2018).
8 Utilisation is calculated as the ratio of cost of utilised Mounties to the total Mountie payroll cost.

Forward-looking statements
This Annual Report 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 be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

We are FDM

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

The Group's principal business activities involve recruiting, training and deploying its own permanent IT and business consultants ('Mounties') at client sites. FDM specialises in a range of technical and business disciplines including Development, Testing, IT Service Management, Project Management Office, Data Services, Business Analysis, Business Intelligence, Murex, Salesforce, Cyber Security and Robotic Process Automation.

The FDM Careers Programme bridges the gap for graduates, ex-Forces and returners to work, providing them with the training and experience required to make a success of launching or re-launching their careers. We have dedicated training centres and sales operations located in London, Leeds, Glasgow, Birmingham, New York NY, Herndon VA, Charlotte NC, Austin TX, Toronto, Frankfurt, Singapore, Hong Kong, Shanghai and Sydney. We also operate in Ireland, France, Switzerland, Austria, Spain, Luxembourg, the Netherlands and South Africa.

FDM is a collective of over 5,000 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.

Together, we are FDM.

Our vision

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

Our purpose

To create and inspire exciting careers that shape our digital future.

To deliver customer-led, sustainable, profitable growth on a consistent basis, through our well-established Mountie model:

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

Our Values

Together we are stronger

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

We strive for success

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

We make it happen

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

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.

Awards

- Social Mobility Employer Index 2019: Top 75
- JobCrowd Top 100 Companies For Graduates To Work For 2019/ 20
- RateMyPlacement – Top 100 Undergraduate Employer 2019/ 20
- New Year's Honours List – CBE awarded to Sheila Flavell for "services to gender equality in IT, and graduate and returners' employment"
- Management Today – Agents of Change Power List 2019 – Rod Flavell, second consecutive year
- Yahoo Finance Heroes Top Advocate Executives of 2019 – Rod Flavell
- Women in Tech Employer Awards 2019 – Female Grad Tech Employer of the Year
- NUE Awards – Top 100 Undergraduate Employer
- TalentEgg – Best Contribution to Student Career Development Award 2019 (Canada)
- Military Times Best for Vets Employer 2019 (USA)
- US Department of Labor: HIRE Vets Medallion Award
- AFR Top 100 Most Popular Graduate Employers 2019 (Australia) – second consecutive year
- MINT Minded Company (Germany)
- Fair Company award (Germany)
- American Universities' China Association – Most Popular Employer Award 2019
- Megabuyte Quoted25 2019

Awards received during the year included:

FDM is a collective of over 5,000 people, from a multitude of different backgrounds, life experiences and cultures

Chairman's statement

David Lister
Chairman

I am pleased to present FDM's Annual Report for the financial year ended 31 December 2019, my first year in the role of Chairman of the Board.

Performance

Notwithstanding some challenging conditions in certain of our markets, the strength and flexibility of our business model has enabled us to deliver a solid financial and operating performance in 2019. The Group has continued to increase overall Mountie headcount and revenue, closing the year with 3,924 Mounties placed on client sites.

The Group's financial position remains robust with a closing cash balance of £37.0 million and no debt.

+15%
Total ordinary dividend

Culture and values

FDM's business is supported by a strong cultural identity that helps to ensure our goals are understood and shared by all of our people. I am particularly proud of the work we do to promote social mobility and to make FDM a diverse and inclusive place to work. It was also rewarding to be recognised for the ninth year running by The JobCrowd in their "Top 100 Companies For Graduates to Work For". More information on our work in this area can be found on pages 42 to 45.

Governance

The Board has always considered robust Corporate Governance and a sound approach to risk management to be fundamental to the sustainability of the Group and its operations. In July 2018 the Financial Reporting Council published its new UK Corporate Governance Code ("2018 Code") which we have fully adopted during the 2019 financial year. Engagement with our employees and other stakeholders has always been an important part of our approach and, encouraged by the 2018 Code, we have worked on expanding that engagement during the year. I report on Corporate Governance in more detail on page 62 and our framework of risk management and governance will continue to evolve during the coming year in line with shareholder expectations and best practice requirements.

Dividend

The Group continues to apply a progressive dividend policy, aimed at increasing the annual dividend broadly in line with growth in the Group's earnings per share, whilst taking into account the Board's desire to maintain a cash buffer of approximately £30 million at a Group level, the ongoing needs for funding of organic growth across the business and the distributable reserves available to the Group. We intend to pay a final dividend of 18.5 pence per share, taking the total ordinary dividend to 34.5 pence per share, an increase of 15% on 2018.

People

Our results this year reflect the dedication and hard work of all our colleagues, our Mounties working on clients' sites and also our recruiters, trainers, sales staff and those in support roles. Our people understand that our clients' success is our success, and, on behalf of the Board, I would like to thank them for their great contribution to our performance during the year.

The Board appointed Paula Leach as Group Chief People Officer in April 2019 to work closely with the Board on succession planning and people development. Paula has made good progress since joining us, developing and launching a Group People Strategy. This will ensure that we remain ahead of our competitors by developing our people and will support FDM's overall sustainability for the benefit of all our stakeholders. There is further information on the Group People Strategy in the Corporate Responsibility Report on page 38.

The Board

The Board has seen a number of changes since the publication of our last Annual Report. In March 2019 my predecessor Ivan Martin stepped down from the Board and I took on the role of Chairman.

Since then we have also appointed two additional Non-Executive Directors to the Board:

Jacqueline de Rojas CBE joined us on 1 October 2019. She is a highly regarded leader in technology in the UK, with a strong reputation as a champion of women in the sector, and as an advocate for diversity and inclusion. The Board has designated Jacqueline as the Non-Executive Director with responsibility for ensuring that the views of our employees are understood and taken into account in the Board's decision making.

Alan Kinnear joined the Board on 1 January 2020. As a former audit partner with PricewaterhouseCoopers LLP ("PwC"), Alan brings many years of experience in corporate governance, risk management, financial reporting and regulation.

The Board will benefit greatly from the experience, insight, and diversity of approach and background that these new members bring. As we continue to build the robust structure of governance and risk management that underpins the Board's work we will also maintain our focus on making FDM a diverse, inclusive and stimulating place to work.

Sheila Flavell, our Chief Operating Officer, was recognised in the 2020 New Year's Honours List, being awarded a CBE for her services to gender equality in IT and the employment of graduates and returners. This is a richly deserved recognition of her efforts on our diversity and social mobility agenda.

Robin Taylor, who has been a Non-Executive Director since June 2014 and Chair of the Audit Committee since October 2015, will be stepping down from the Board at the end of our Annual General Meeting on 29 April 2020. On behalf of the Board I would like to thank Robin for his dedication and support of the Board's work over that remarkable period for the Group, and we wish him all the best for the future. Alan Kinnear will take on the role of Chair of the Audit Committee when Robin steps down.

Outlook

2020 has started promisingly and in line with management expectations, with strong levels of client activity and demand. We anticipate a further year of good operational and financial progress.

David Lister
Chairman
10 March 2020

FDM's business is supported by a strong cultural identity that helps to ensure that our goals are understood and shared by all of our people

Chief Executive's Review

Rod Flavell
Chief Executive Officer

"The strength and flexibility of our business model enabled FDM to deliver a solid performance in 2019 against a backdrop of challenging conditions in certain of our markets.

2020 has started promisingly and in line with management expectations, with strong levels of client activity and demand. We anticipate a further year of good operational and financial progress."

Overview

We delivered a solid performance in 2019. We ended the year with 3,924 Mounties placed with clients. The Group recorded revenue of £271.5 million and delivered an adjusted profit before tax[1] of £54.5 million.

+12%
Mountie revenue

Our strategy

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

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

1 The adjusted profit before tax is calculated before Performance Share Plan expenses (including social security costs).

Strategic objectives

Attract, train and develop high-calibre Mounties

In the UK, FDM remains one of the leading graduate employers, and maintains working relationships with almost all of the UK's universities. To date over 720 ex-military personnel have launched new careers with FDM whilst our back-to-business programme has returned over 190 people to meaningful careers.

Our training programmes provide thousands of people each year with the opportunity to launch or further their careers. 2019 saw us attract 60,000 applications and deliver 2,115 training completions across the Group (2018: 2,155), the slight decrease being a result of the business flexing the timing of training courses to align with client demand.

We now have almost 130 people employed across the Group's training Academies and we continue to grow and diversify the disciplines in which we train and the depth to which we educate.

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

Invest in leading-edge training Academies

Our Academies are dynamic, high-technology facilities, where our skilled and knowledgeable trainers provide deep and empowering training to would-be Mounties. Each Academy is well placed for public transport and easily accessible to Mounties and clients alike. During the year we invested in a major new Academy in the Barangaroo Development in Sydney, Australia, which opened its doors to trainees on 1 February 2019.

We increased our use of pop-up Academies during the year. Six of our 15 training locations at the end of the year were pop-up centres, and 272 trainees completed training through a pop-up compared with 175 in 2018. We find that pop-ups work well for the business as they are quick to establish and offer flexible availability to meet local candidate and client demand. With this in mind, when the lease of our premises at Reston, VA ended during the year we moved our Reston operations to a new pop-up centre in Herndon, VA.

Our total training capacity (the number of available training seats at a given point in time) was 988 at year end (2018: 938). Our training facilities are key to securing a flow of Mounties to support our growth. As our training capacity continues to increase, so does our ratio of trainers to trainees, demonstrating our commitment to ensuring trainees have the required level of support during their development.

Grow and diversify our client base

FDM is committed to delivering the highest level of service to our clients. Within the financial services sector, where the Group has a concentration of clients, we continue to evolve and expand the number of service streams and disciplines we offer. During the year we increased our client base across all our regions and gained 97 new clients (2018: 77 new clients) of which 67% were outside the financial services sector.

Expand our geographic presence

With the exception of the UK and Ireland, which saw Mountie headcount fall by 94 compared to week 52 2018, we have increased the number of Mounties on site across all regions. The reduction in the UK and Ireland, which was due to reduced demand from UK Government Ministerial Departments in advance of the clarity over Brexit and political leadership changes, offset good progress made in other sectors in the UK. The largest increase in headcount came in APAC, which saw Mountie headcount increase by 112, followed by North America which increased headcount by 81 and then EMEA which increased headcount by 78. Australia and the Netherlands performed particularly well increasing headcount by 64 and 41 respectively.

An overview of the financial performance and developments in each of our markets is set out on pages 22 to 24.

Our service offerings

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

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

In 2019 we added three new courses to our programme:

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

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

Our people – talented, ambitious, enthusiastic and diverse

The success of our business is dependent on continuing to recruit trainees of the highest calibre into our Academy programmes and equipping them with skills in innovative technologies. Our typical Mountie embodies an energetic blend of skills, professionalism and a drive to succeed. We regularly review our techniques and processes for assessment, recruitment and training to ensure that they remain effective in supporting these aims.

We draw candidates for graduate training from over 900 universities around the world and from a wide range of degree backgrounds. We maintain close relationships with university careers services globally. In 2019 our University Partnerships Team delivered events on university campuses, including traditional careers fairs and other activities such as curriculum-based projects, hackathons, introductory coding workshops and events to promote women in STEM subjects. Further detail on these activities can be found under "Engaging with the Community" on page 41.

We regularly review the operation of our Academies to optimise efficiency and the quality of delivery in support of the development of our Mounties and of our clients' requirements. This ensures that our curriculum remains fully up-to-date and evolves to respond to market trends. We also aim to optimise the experience of our trainees in the Academies to enable them to become high-performing, fulfilled and enthusiastic ambassadors for our business.

In 2018 we introduced an apprenticeship scheme which has continued in operation this year, enabling a number of our staff to benefit from additional investment in their learning and development, with support across several disciplines, including an MBA course and a Leadership and Management programme.

We also continue to offer a number of paid eight-week summer internships across several departments in our centres around the world. For university students registered on a four-year sandwich/ industrial placement degree course, we now also offer a 12-month sandwich placement in our London, Leeds and Glasgow centres which enables those students to gain industry-relevant skills by working alongside experienced professionals in one of our departmental teams. Students taking part in these programmes may then represent FDM as Student Brand Ambassadors at their respective universities and remain in touch with us throughout their studies. We aim to offer many of them permanent positions on graduation. In 2019 we were pleased to be included in the NUE Awards Top 100 Undergraduate Employers in recognition of our internship and placement programme.

In recognition of the central role of our people in the success of our business, in April 2019 we appointed Paula Leach as Group Chief People Officer. Paula has many years of experience working with large people-focussed organisations, having recently been chief people officer at the Home Office, and previously spending 18 years across all HR disciplines at Ford Motor Company. Paula is a member of FDM's Executive Team. She reports directly to the Chief Executive ("CEO") and regularly attends Nomination Committee and Board meetings to provide updates on her work.

From the analysis she has carried out since taking on the role, Paula has developed a new Group People Strategy with the support of the Board. The strategy will be rolled out during 2020 and is designed to enable FDM to maintain its position as a high-performing and impactful global organisation with a clear orientation towards sustainability, scalability, commercial efficiency, and flexibility. In order to achieve these outcomes, the strategy focusses on the following measures:

- successful deployments – by placing our Mounties and clients at the heart of our work;
- an inclusive culture – where our people can thrive and be happy and productive;
- a proactive business – anticipating the needs of our people and clients;
- quality and clarity of purpose – by ensuring that all our employees promote and embody our values and our unique service offering; and
- recognised leadership – in diversity and inclusion, STEM, people analytics and leading-edge learning.

During the first implementation phase of the strategy, the emphasis will be on optimising the Mountie experience, from joining the Academy as a trainee, throughout the period of their deployment on client site, during any periods when they are not placed with a client and after the end of their deployment, as alumni of our training programme.

The strategy includes KPIs and target indicators that will enable the Board to measure the success of the strategy using enhanced data reporting methods over the course of this year, and we will report further in our Annual Report 2020.

We have invested in our internal future talent through an organisational and design programme to address succession planning at all levels. Further details are set out on page 84.

I would like to extend the Board's thanks to every FDM employee as it is their commitment that enables us to continue to grow the business successfully each year.

Global health issues

Our business requires people to interact with people. The Coronavirus is presenting us with a range of challenges relating to remote working, attendance on client sites and mobility for our trainers. The financial impact to date of these to date has not been significant, but we continue to monitor the situation closely. We review our business continuity plan regularly and have recently updated it in the light of the Coronavirus outbreak, adding enhanced mitigations designed to ensure that our academies, sales, recruitment, and other internal teams can continue to operate in several potential scenarios.

We are liaising with our clients to understand their own arrangements to respond to the challenges of the outbreak, with a view to the wellbeing of our consultants and, where possible, to help clients minimise the impact which the outbreak has on the ability of our consultants to carry out their work for our clients. We are monitoring the latest official advice given by the relevant authorities, and our Executive Management Team is liaising closely with our managers in our locations around the world, to assist them in keeping our response under review, ensuring that it evolves appropriately as circumstances change.

Looking forward

FDM has made an encouraging start to 2020 and the Group is well placed to make continued good progress this year and beyond.

Rod Flavell
Chief Executive Officer
10 March 2020

Key Performance Indicators

We focus on a number of Key Performance Indicators ("KPIs") to identify trends in our operating and trading performance. The Group aims to increase profitability, maintain a robust balance sheet and invest in operations and new locations to underpin our organic growth. We continue to deliver strong margins, convert profits into operating cash flow for investment and to provide a return to shareholders. KPI targets, used as a basis for remuneration awards, are also included in the Remuneration Report.

The adjusted numbers in the KPI analysis remove the impact of costs associated with the Performance Share Plan, to provide a clear understanding of the underlying trading performance.

Financial KPIs

Mountie revenue (£m)

+12%

Link to Business Model

Deploy

Performance

Description

Mountie revenue growth was generated via an increase in Mountie headcount across a greater number of clients, including in a number of new geographies. In the UK Mountie headcount declined in Government Ministerial Departments thereby muting good progress elsewhere in the UK.

Adjusted operating profit[1] (£m)

+7%

Link to Business Model

Recruit Train Deploy

Performance

Description

The Group delivered adjusted operating profit growth by increasing Mountie revenue, maintaining a high gross profit margin, whilst continuing to invest in the business with an increase in overhead spend.

Adjusted basic earnings per share[1] (pence)

+7%

Link to Business Model

Recruit Train Deploy

Performance

Description

Adjusted earnings grew in line with Mountie headcount growth, which was toward the lower end of our expectations, primarily because of the UK. Careful control of discretionary overhead spend allowed us to achieve our overall earnings targets.

1 The adjusted operating profit is calculated before Performance Share Plan expenses (including social security costs). The adjusted basic earnings per share is calculated before the impact of Performance Share Plan expenses (including social security costs and associated deferred tax).

Cash flow generated from operations (£m)

+17%

Link to Business Model

Recruit Train Deploy

Performance

Description

The Group closed the year with cash balances of £37.0 million (2018: £33.9 million). The Group targets around £30.0 million of free cash on the balance sheet at year end for contingency purposes.

Cash conversion (%)

+7%

Link to Business Model

Recruit Train Deploy

Performance

Description

Cash conversion is higher due to strong cash collection at the end of 2019 and improved working capital, including a reduction in the level of accrued income.

Operational KPIs

Mounties on client sites (week 52)

+5%

Link to Business Model

Deploy

Performance

Description

Overall Mountie headcount growth was delivered from existing and new clients with 97 new clients won in the year.

Mountie utilisation rate (%)

-1%

Link to Business Model

Deploy

Performance

Description

Mountie utilisation rate in 2019 declined by 1% driven by lower UK utilisation in a less certain economic environment.

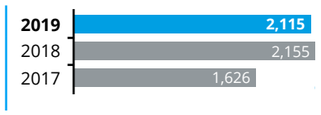
Training completions (year to 31 December 2019)

-2%

Link to Business Model

Recruit Train

Performance



Description

Training completions have fallen marginally in line with variable client demand.

The components of FDM's business model are shown on pages 20 to 21.

Business Model

Our mission

To bring people and technology together, creating and inspiring exciting careers that shape our digital future

Our vision

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

About us

We recruit and train graduates, ex-Forces personnel and returners to work, transforming them into IT and business professionals before deploying them to work with our clients

We work in partnership with our clients to fill their specialty skills gaps, building a diverse pipeline for the future

What sets us apart

Our people

- As employees of FDM, our Mounties are trained not only to meet the requirements of our clients but to equip them well for the early stages of their nascent careers; we provide ongoing training and support throughout their tenure as FDM employees

Global coverage

- International presence with localised support in dedicated locations
- Industry standard setting training facilities

Track record of success

- Robust credentials with almost 30 years of operational success
- Cost effective, value added business model

Bespoke approach

- Low-risk solution as FDM retains full accountability for Mounties
- Scalable capacity with no minimum requirement
- Ability to tailor recruitment and training
- Guaranteed resource for up to two years
- Option to transfer from FDM to a permanent role with the client after two years (18 months in Germany)

How our business works

We recruit

We recruit the best people amongst:
- Graduates
- Ex-Forces
- Returners to work

We train

We offer extensive, award-winning, training to successful candidates

We deploy

We place Mounties at a diverse range of clients; when placed, Mounties enter a two-year commitment period

Beyond the two years

Following completion of the two-year commitment period, there is the option for Mounties to transition permanently to the client or embark on a new placement with FDM

The value we create

For our clients

We provide our clients with a first-class, flexible resource at a competitive price

3,900+
Mounties on site at year end

For our shareholders

We have consistently delivered value for our shareholders

+9%
growth in basic earnings

+15%
growth in annual dividends per share

For our employees

Ongoing professional development and support available to our employees throughout their career at FDM

5,000+
FDM employees globally

+85
nationalities

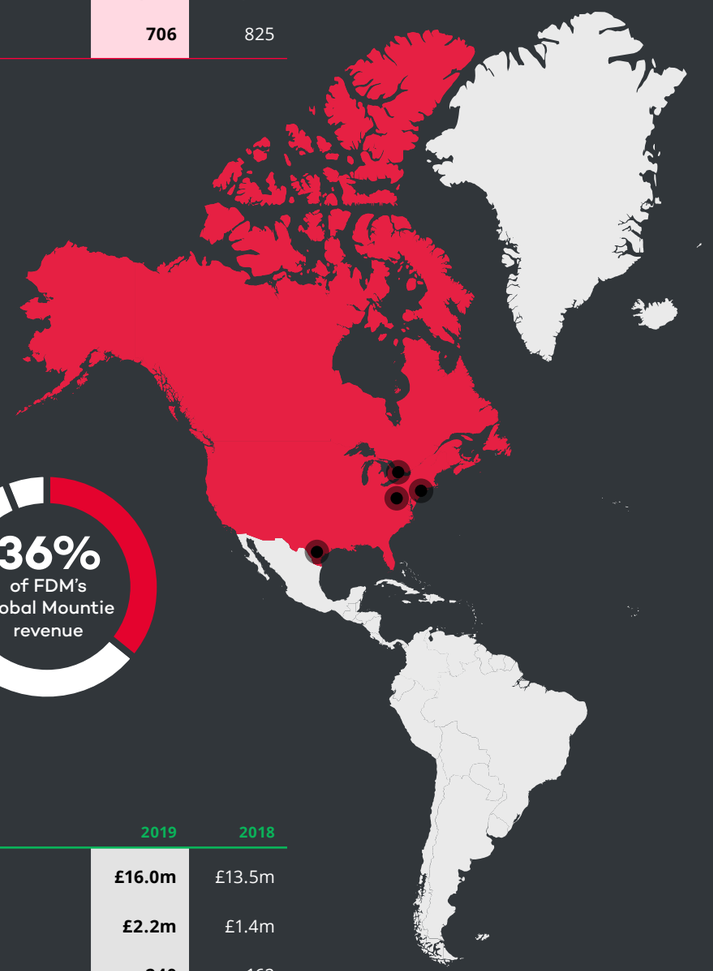
For our trainees

Our award-winning training enables our trainees to transition into professional IT and business consultants, with relevant technical skills and commercial experience

2,155
training completions in 2019

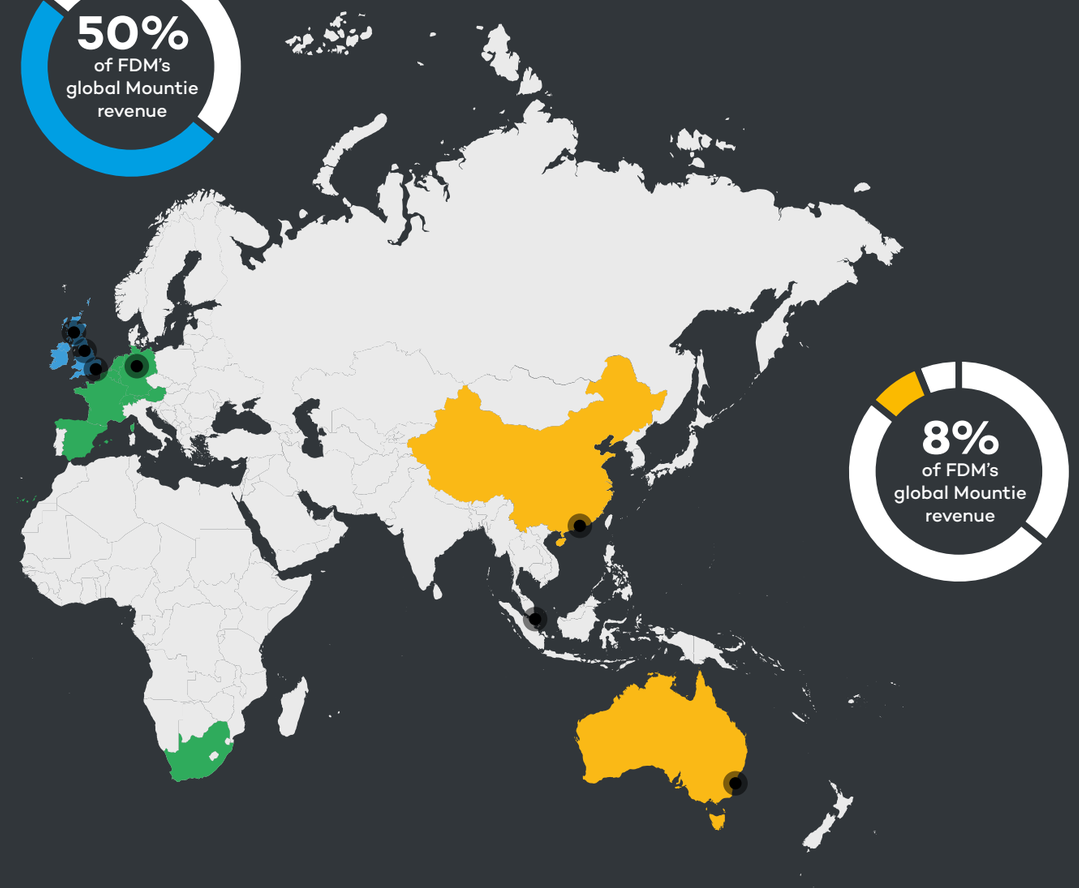
Our Markets

North America	2019	2018
Mountie revenue	**£95.7m**	£81.4m
Adjusted operating profit[1]	**£16.5m**	£13.8m
Mountie headcount at client sites	**1,277**	1,196
Training completions	**706**	825



EMEA	2019	2018
Mountie revenue	**£16.0m**	£13.5m
Adjusted operating profit[1]	**£2.2m**	£1.4m
Mountie headcount at client sites	**240**	162
Training completions	**155**	104

UK and Ireland	2019	2018
Mountie revenue	**£134.2m**	£126.1m
Adjusted operating profit[1]	**£37.8m**	£37.0m
Mountie headcount at client sites	**1,910**	2,004
Training completions	**964**	1,057



APAC	2019	2018
Mountie revenue	**£22.3m**	£18.0m
Adjusted operating loss[1]	**£(1.3)m**	£(0.4)m
Mountie headcount at client sites	**497**	385
Training completions	**290**	169

1 The adjusted operating profit/ (loss) is calculated before Performance Share Plan expenses (including social security costs). 2018 is restated for IFRS 16 'Leases'.

Our Markets

UK and Ireland

In 2019, Mountie revenue grew 7%, with 1,910 Mounties placed on client sites, a decrease of 5% on last year (2018: 2,004). Adjusted operating profit[1] increased by 2% to £37.8 million (2018 restated: £37.0 million). The UK and Ireland gained 46 new clients, 76% of which were from outside the financial services and banking sector.

Performance in the insurance and banking sectors was strong during the year. However, uncertainty over Brexit and potential changes in political leadership resulted in a reduced demand from UK Government Ministerial Departments during the second quarter and for the remainder of the year. This reduction in headcount offset good progress made in other sectors in the region.

Training completions were 964, a fall of 9% on last year as we flexed our training in line with demand. During 2019 we operated pop-up Academies in Birmingham, Cardiff and Dublin. These training centres allow us to tap into the graduate and client markets in the respective local areas.

Getting Back to Business headcount has increased by 14% to 98 placed at clients at year end. There were 11 Getting Back to Business courses delivered across our London, Glasgow and Leeds Academies.

North America

North America Mountie revenue grew by 18%. Mounties placed on site increased by 7% to 1,277 at year end (2018: 1,196). Adjusted operating profit[1] increased by 20% to £16.5 million (2018 restated: £13.8 million). We won 17 new clients in the year. This new client growth has been primarily in banking and financial services, with demand in that sector improving in the second half of the year after weaker market conditions had slowed activity in the second quarter. We have also widened our presence in insurance, retail and professional services.

Our Canadian business, centred in our Toronto base, continues to perform well, supported by our pop-up Academy in Montreal. The lease on our Reston Academy ended during 2019 and we set up a pop-up Academy in nearby Herndon. The Austin and Charlotte centres are both performing well, with increased training capacity and Mountie placements.

Training completions in the region have decreased by 14% as we flexed the timing of training courses to meet client requirements.

Our work for former Veterans was again recognised when we were included in the Military Times Best for Vets: Employers listing 2019. Our ex-Forces headcount grew to 53 from 42.

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

Mountie revenue from our EMEA business grew by 19% to £16.0 million (2018: £13.5 million). Adjusted operating profit[1] was 57% higher at £2.2 million (2018 restated: £1.4 million). Mounties on client sites increased by 48% to 240 at year end (2018: 162). Our headcount in Luxembourg continues to grow steadily. The Netherlands had 51 Mounties placed at year end, sourced and trained locally at our Rotterdam pop-up Academy, which was opened towards the end of 2018.

Reflecting a change in management reporting, 30 Mounties included within UK and Ireland Mounties deployed as at 30 June 2019 have been re-allocated to EMEA Mounties deployed as at 31 December 2019; there is no change to the reported 31 December 2018 Mounties deployed.

APAC (Asia Pacific)

APAC Mountie revenue increased by 24% to £22.3 million (2018: £18.0 million), with 497 Mounties placed on client site at year end (2018: 385). We gained 21 new customers.

The adjusted operating loss[1] increased from £0.4 million in 2018 to £1.3 million in 2019, as result of the ongoing investment costs in our Sydney Academy. This new state-of-the-art Academy became operational in February 2019 and provides us with six classrooms. Australian headcount increased by 64, an increase of 133% over 2018.

The Hong Kong office has also had a strong year of growth, despite the social and political disruption taking place there. During 2019, we operated pop-up Academies in Beijing and Shanghai to provide local training.

1 The adjusted operating profit/ (loss) is calculated before Performance Share Plan expenses (including social security costs). 2018 is restated for IFRS 16 'Leases'.

Financial Review

Mike McLaren
Chief Financial Officer

"2019 was a year of solid financial performance and continued growth, against a backdrop of political uncertainties in the UK, our largest market. We delivered 11% growth in revenue to £271.5 million (2018: £244.9 million) and a 7% increase in adjusted operating profit[1] to £55.2 million (2018 restated: £51.8 million), with adjusted basic earnings per share[1] up 7%, to 38.8 pence (2018: 36.3 pence). We remain well positioned for future growth with investment plans appropriate to the market opportunity for each of the geographies in which we operate, a robust balance sheet and a proven business model."

+7%
Adjusted operating profit

+17%
Cash flow generated from operations

Summary income statement

As at 31 December 2019	Year ending 31 December 2019	Year ending 31 December 2018 Restated	% change
Revenue	£271.5m	£244.9m	+11%
Mountie revenue	£268.2m	£239.0m	+12%
Contractor revenue	£3.3m	£5.9m	-44%
Adjusted operating profit[1]	£55.2m	£51.8m	+7%
Adjusted profit before tax[1]	£54.5m	£51.2m	+6%
Profit before tax	£52.5m	£48.2m	+9%
	Pence per share	**Pence per share Restated**	**% change**
Adjusted basic EPS[1]	38.8	36.3	+7%
Basic EPS	37.3	34.2	+9%

Overview

Mountie revenue increased by 12% to £268.2 million (2018: £239.0 million), an 11% increase at constant currencies. Contractor revenue decreased, in line with our plan of curtailing such revenues, by 44% to £3.3 million (2018: £5.9 million). Gross margin remained constant at 48.5% (2018: 48.6%). The Group's strategy remains focussed on growing Mountie numbers and revenues whilst contractor revenues, which have been ancillary to the Group for some time now, will continue to reduce and will cease entirely in the UK at the end of the first quarter 2020. An analysis of Mountie revenue and headcount by region is set out in the table below:

	2019 Mountie revenue £m	2018 Mountie revenue £m	2019 Mounties assigned to client site at week 52[2]	2018 Mounties assigned to client site at week 52[2]
UK and Ireland	134.2	126.1	1,910	2,004
North America	95.7	81.4	1,277	1,196
EMEA	16.0	13.5	240	162
APAC	22.3	18.0	497	385
	268.2	239.0	3,924	3,747

Adjusted Group operating profit margin decreased to 20.3% (2018 restated: 21.2%) of revenues, reflecting the increase in our overheads in the year to £78.4 million (2018 restated: £70.2 million), as we continue to invest in our people and infrastructure and diversify our target markets to underpin future growth.

1 The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expenses (including social security costs). The adjusted basic earnings per share is calculated before the impact of Performance Share Plan expenses (including social security costs and associated deferred tax).
2 Week 52 in 2019 commenced on 16 December 2019 (2018: week 52 commenced on 17 December 2018).

Restated comparative figures

The Group has adopted IFRS 16 'Leases' applying the full retrospective transition approach and has therefore restated its 2018 results. Under IFRS 16 a liability and a right-of-use asset are recognised at the inception of the lease, the lease liability being the present value of future lease payments. 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).

Application of the new standard on the Income Statement for the year to 31 December 2019 resulted in operating costs decreasing by £0.5 million and finance expense increasing by £0.7 million. As at 31 December 2018 there was an increase in assets of £13.9 million and liabilities of £15.3 million on the Statement of Financial Position, with a corresponding £1.4 million reduction in retained earnings.

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 £2.0 million in 2019 (2018: £3.0 million). Details of the Performance Share Plan are set out in note 25 to the Consolidated Financial Statements. The Directors believe that excluding these costs provides a more meaningful comparison of performance and cash generation.

Net finance expense

The finance expense costs include a lease liability interest of £0.8 million (2018 restated: £0.7 million). The Group has no bank borrowings. The reduction in the other financial expense in the period is as a result of no longer incurring non-utilisation charges on the undrawn element of the Group's revolving credit facility. The Group's revolving credit facility expired on 14 August 2018 and was not renewed given the Group's strong cash position.

Taxation

The Group's total tax charge for the year was £11.9 million, equivalent to an effective tax rate of 22.7%, on profit before tax of £52.5 million (2018 restated: effective tax rate of 23.3% based on a tax charge of £11.3 million and a profit before tax of £48.2 million). The effective tax rate in 2019 is higher than the underlying UK tax rate of 19% primarily due to Group profits earned in higher tax jurisdictions. The effective tax rate reflects the Group's geographical mix of profits and the impact of items considered to be non-taxable or non-deductible for tax purposes, with the decrease year-on-year primarily due to changes in these factors.

Earnings per share

The basic earnings per share increased in the year to 37.3 pence (2018 restated: 34.2 pence), whilst adjusted basic earnings per share was 38.8 pence (2018 restated: 36.3 pence). Diluted earnings per share was 37.2 pence (2018 restated: 33.7 pence).

Dividend

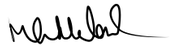
The Group continues to apply a progressive dividend policy, aimed at increasing the annual dividend broadly in line with growth in the Group's earnings per share, whilst taking into account the Board's desire to maintain a cash buffer of approximately £30 million at a Group level, the ongoing needs for funding of organic growth across the business and the distributable reserves available to the Group. We intend to pay a final dividend of 18.5 pence per share, taking the total ordinary dividend to 34.5 pence per share, an increase of 15% on 2018.

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 (with the exception of its leasehold properties) and has sufficient distributable reserves and cash balances to continue to apply this policy. As at 31 December 2019, the Company had distributable reserves of £40.2 million.

Cash flow and Statement of Financial Position

At the end of the year, the Group had cash balances of £37.0 million (2018: £33.9 million) and no debt. Net cash flow from operating activities increased from £38.0 million in 2018 (restated) to £46.8 million in 2019. Dividends paid in the year totalled £34.1 million (2018: £30.7 million). Net capital expenditure was £3.0 million (2018: £2.7 million) and tax paid was £11.0 million (2018: £11.4 million). During the year, the Group, via an employee benefit trust ("EBT"), purchased shares sold by option holders upon the exercise of options under the FDM Performance Share Plan for a net cash cost of £3.0 million (2018: £3.7 million). The shares held in the EBT are available to satisfy future awards. Cash conversion is strong at 108.4% (2018 restated: 100.9%).

HMRC has recently introduced changes to accelerate the timing of UK quarterly corporation tax payments, which for FDM become effective in the current year. As a consequence, FDM expects to accelerate corporation tax payments of approximately £3 – £4 million into 2020; this does not impact the Group's cashflow generated from operations or cash conversion KPIs or its tax charge.



Mike McLaren
Chief Financial Officer
10 March 2020

Risk Management

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

Approach to risk

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

Identifying and monitoring key risks

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

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

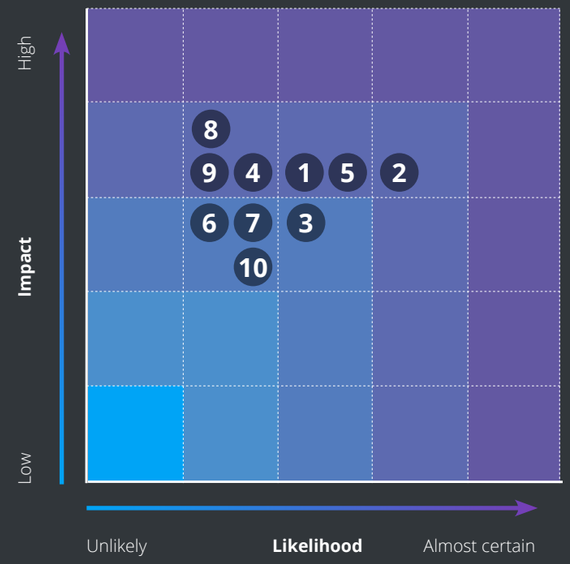
Principal risks

The principal risks faced by the Group, their current status and how the Group mitigates these risks are set out on pages 32 to 36. The status of each of the Group's principal risks is considered unchanged from the prior year. However, we have renamed and tailored risk 6, relating to the ability to recruit and retain key staff with the required level of skills, to be a more focussed 'talent management and succession planning' risk. The status of the risk remains unchanged.

The alignment to our strategic objectives as set out on pages 32 to 36 indicates those aspects of the business strategy that would be impacted by the risk, were it to materialise.

Key risks facing the Group

1	Changes in the macro-economic environment
2	Concentration exposure in the financial services sector
3	Balancing supply and demand – insufficient Mountie resource
4	Balancing supply and demand – excess Mountie resource
5	Recruitment and development of highly skilled Mounties
6	Talent development and succession planning
7	Development of new service offerings
8	Business interruption – caused by successful cyber attack, natural disaster or other similar events
9	Reputation
10	International regulatory non-compliance



Impact of Brexit on the Group

We are confident that our business model is generally resilient against many of the threats and uncertainties which it is commonly perceived might arise from Brexit. In 2019 we experienced reduced demand from UK Government Ministerial Departments in advance of clarity over Brexit and political leadership changes. This impacted overall growth in our consultant headcount in the UK and offset good progress which we had made during the year in other sectors in the territory. Following the general election in December 2019 and the UK's departure from the EU on 31 January 2020, we are hopeful that some clarity will begin to return in that market. In addition, we anticipate that the full multi-year spending review, which the Government has indicated should take place during 2020, might assist in bringing us a better understanding of the requirements for our services in those Ministerial Departments.

The Board recognises that some clients may continue to be adversely impacted by uncertainty and the economic conditions in the UK and the EU during the post-Brexit transition period which is due to continue until the end of 2020. Those clients' spending decisions may be affected until the future legal and commercial relationship between the UK and the EU becomes clear. Whilst certain scenarios are outside the Group's control, we believe that our business model is flexible, and the agile resource represented by our Mounties can be attractive to clients during times of economic or political uncertainty. These factors, together with our strong cash and financial position, give the Board confidence that we can respond appropriately to ameliorate the effect of adverse conditions which may occur following Brexit and the ongoing transition period.

We have a diversified global geographical footprint and our businesses in each of our territories (including the UK and other EU countries) are self-sufficient and well-established. They have their own local management teams, and recruit Mounties from within the territories in which they operate. We are not significantly reliant on moving employees to or from the EU and do not expect to be materially impacted by any changes to the arrangements for the free movement of workers between the EU and the UK.

Strategic risks

Risk and impact	Mitigation	Movement in the year
1. Changes in the macro-economic environment A global downturn or a downturn in the territories in which FDM operates, principally the UK and North America, could curtail demand significantly and the ability of the Group to deploy its Mountie resource, resulting in: an adverse impact on revenue and operating profit; shrinking customer base; negative impact on share price. **Risk owner:** **Chief Financial Officer** **Alignment to Strategic Objectives:**	Whilst external factors such as macro-economic risks are outside the Group's control, the Group has effective measures in place to respond to changes, including robust planning, budgeting and forecasting and resource allocation procedures. The flexible nature of the Group's business model enables it to flex resource availability thereby enabling it to manage its cost base. Notwithstanding the impact of risk 2 below, the Group is focussed on diversifying its customer base both by sector and by geography.	↔ **No change** The Board's assessment of this risk is unchanged in the year; however, the Board is of the view that the economic environment is still a key risk to the Group. There continued to be political instability in the UK in 2019 as a result of the uncertainty surrounding Brexit. As noted, macro-economic risks are outside the Group's control, but the Group will continue to focus on ensuring it has effective measures in place to identify and react quickly to changes in macro-economic conditions. The Group's current financial position is good, with a strong balance sheet and significant cash balances.
2. Concentration exposure in the financial services sector The majority of the Group's revenue is generated from within the financial services sector. A crisis in the financial services sector could reduce revenue significantly and have a negative impact on the majority of the Group's KPIs. **Risk owner:** **Chief Commercial Officer** **Alignment to Strategic Objectives:**	As above, the Group is focussed on growing its customer base both by sector and by geography as well as diversifying the range of services it offers to existing and potential financial services clients. In 2020 part of the bonus opportunity for the Executive Directors will be targeted at diversification into new client sectors. Further details are in the Remuneration Report on page 89.	↔ **No change** The proportion of the Group's revenue generated from the financial services sector has remained the same as prior year. The Board continues to focus on this risk. The Group continues to broaden the spread of its service offerings within its financial services clients to cover operational, compliance and IT services, in addition to increasing its presence in other sectors.
3. Balancing supply and demand – insufficient Mountie resource An inability to meet a rapid increase in demand due to insufficient Mountie resource and an inability to recruit in a timely manner would result in lost revenue, eroded customer confidence and an adverse reputational impact. **Risk owner:** **Chief Commercial Officer** **Alignment to Strategic Objectives:**	The recruitment team maintains strong links to universities and other recruitment channels. An effective social media recruitment strategy is in place to maximise applications. Resource management meetings occur weekly to ensure supply and demand issues are identified and resolved. The management team is incentivised to maximise utilisation and increase flow through of trainees within the Academies. The Ex-Forces and Getting Back to Business programmes, whilst relatively small in terms of total headcount, are growing and will help spread the Group's access to a wider talent pool.	↔ **No change** There has been a continued focus by management during the year to ensure the most efficient utilisation and deployment of Mounties. A Mountie utilisation rate of 96% was achieved in the year. The Group's reputation amongst graduates, together with the career programmes it offers, means it is well placed to source sufficient applicants for its projected growth for the short to medium term. The Group has the option of using contractors should a significant increase in demand occur which cannot be fulfilled by available Mountie resource.
4. Balancing supply and demand – excess Mountie resource An inability to utilise or redeploy Mounties in the event of a sudden decrease in demand would result in a reduction in margin and would demotivate Mounties. **Risk owner:** **Chief Commercial Officer** **Alignment to Strategic Objectives:**	The flexibility of the Group's business model is a key mitigation to this risk. The Group is able to flex the number of Mounties it recruits at short notice, thereby responding quickly to a sudden downturn. Resource management meetings occur weekly to ensure supply and demand issues are identified and resolved in a timely manner.	↔ **No change** The growth and diversification in the Group's client base by both number of clients and geographical spread mitigate the risk of the Group not being able to fully utilise its Mountie resource.

FDM's four key strategic objectives:

- Attract, train and develop high-calibre Mounties
- Grow and diversify our client base
- Invest in leading-edge training Academies
- Expand our geographic presence

FDM's four key strategic objectives are explained in more detail on pages 13 to 15.

Operational risks

Risk and impact	Mitigation	Movement in the year
5. Recruitment and development of highly skilled Mounties Mounties are the Group's core asset. A failure to deliver high-quality Mounties into its customer base could result in a loss of customers and damage to the Group's reputation. **Risk owner:** **Chief Executive Officer** **Alignment to Strategic Objectives:**	The Group continually reviews and benchmarks the remuneration packages and incentives it offers to attract graduates. Strong relationships exist with universities and other recruitment channels including ex-Forces personnel. The UK's 'Getting Back to Business' programme is growing. A tailored development programme is in place for Mounties, covering training and development opportunities, including opportunities after the bond period. The Group actively promotes Women in IT initiatives to attract, develop and retain Mountie talent. The Group is focussed on promoting its reputation in the marketplace as a leading employer.	**↔ No change** With the need to recruit significant numbers of Mounties to fulfil forecast growth levels, this is perceived to be one of the Group's main risks. A combination of the following factors indicates this risk is being managed effectively: • recruitment levels of Mounties are continually being monitored and reviewed by the Board; • there is a broader base of talent from which to recruit through the Ex-Forces and Getting Back to Business programmes; and • challenging recruitment targets are being met.
6. Talent development and succession planning The ability of the business to create an appropriate environment supported by robust procedures to facilitate the retention and development of key employees, thereby enabling the business to expand. **Risk owner:** **Chief People Officer** **Alignment to Strategic Objectives:**	The Group's Remuneration Policy states that the overall remuneration package should be sufficiently competitive to attract, retain and motivate Executive Directors. The remuneration packages of all employees are reviewed and benchmarked regularly to ensure they remain competitive. The annual development review includes the identification of training requirements, which are fulfilled within the following twelve months. The Nomination Committee considers succession matters as a regular agenda item.	**↔ No change** Talent development and succession planning is a key part of the new Group People Strategy developed by our Chief People Officer. The Group's remuneration packages remain competitive and, for senior employees, include long-term share options to encourage retention. During 2019 the Group launched its Buy As You Earn share plan, available to all employees, to reward and encourage talent retention.
7. Development of new service offerings The inability of the Group to develop new service offerings and revenue streams could result in a loss of customers and market share. **Risk owner:** **Chief Information Officer** **Alignment to Strategic Objectives:**	FDM's flexible training model is able to develop course material relevant to customers' needs. FDM's state-of-the-art training Academies are designed to provide quality training in a professional environment. The Group has a number of touch points with customers, enabling them to keep up to date with developments in the marketplace and to identify customer needs.	**↔ No change** The Group is responsive to its customer needs which it identifies through regular contact and feedback from its clients. New offerings are developed and trialled. The Executive Directors are actively involved in key client relationships.
8. Business interruption – caused by successful cyber-attack, natural disaster or other similar events Major IT system integrity issues or data security issues, either due to internal or external factors, could result in: actual financial loss of funds; potential loss of sensitive data with risk of litigation; loss of customer confidence; and damage to reputation. An environmental event, including the impact of climate change, natural disaster, epidemic or similar health-related event, such as Novel Coronavirus, which could potentially result in the closure of one of our training Academies, the temporary closing down of clients, or the prevention of Mounties travelling to their place of work, in regions impacted by such events, could lead to disruption and a loss of revenue. **Risk owners:** **Cyber-attack: Chief Information Officer** **Other: Chief Operating Officer** **Alignment to Strategic Objectives:**	***Cyber-attack*** The Group's IT Security Team has 50+ years of experience and industry certifications and includes a CISO industry-certified expert. A Global Standard for Technology Security is in place. The Group's IT security policy complies with ISO 27001. Staff are regularly made aware of the risk of a cyber-attack and the appropriate actions necessary to mitigate the risk of this occurring. IT policy and security matters are regular Board and Audit Committee agenda items. ***Other business interruption*** Although the occurrence of an environmental event, including the impact of climate change, natural disaster, epidemic or similar health-related event is out the Group's control, FDM has a Business Continuity Plan ('BCP') which includes plans in the event of a loss of training facilities and staff being unable to travel to their place of work, and would work closely with clients to mitigate the impact from such an event.	**↔ No change** Operation of the IT environment is continuously monitored and staff are regularly made aware of the risks of cyber-attacks. The Group reviews its BCP regularly. The processes were reviewed by KPMG as part of their Internal Audit Scope in 2018. KPMG Internal Audit will undertake further reviews of the Group's BCP in 2020.

Operational risks (continued)

Risk and impact	Mitigation	Movement in the year
9. Reputation Reputation is key to the Group maintaining and growing its business. Poor quality service or the actions of Mounties, staff or contractors could have an adverse impact on the Group's reputation. A failure to manage any subsequent crisis through a lack of reactive procedures could also exacerbate potential damage. Any impact could be far-reaching: failure to meet financial targets; litigation; loss of key clients; and loss of key staff. **Risk owner:** **Chief Operating Officer** **Alignment to Strategic Objectives:**	Robust recruitment and training procedures are in place which reduce the risk of employing persons whose actions could result in a negative impact on FDM's reputation. FDM has a zero-tolerance policy with respect to any inappropriate behaviour by an individual employed by the Group or acting on behalf of the Group. The Group focusses on strong relationship management and communication with external advisors.	**↔ No change** The Group continues to invest in staff development, quality systems and standard processes to mitigate the risk of operational failure. The Board regularly consults with its PR advisors. We have a dedicated head of Investor Relations to manage the relationship with shareholders and stakeholders in the business.

Compliance risk

Risk and impact	Mitigation	Movement in the year
10. International regulatory non-compliance Failure to comply with international tax, legal, employment and other business regulations could result in significant costs, fines and/ or revocation of business licences. **Risk owner:** **Chief Financial Officer** **Alignment to Strategic Objectives:** **n/ a**	The Group has robust recruitment procedures, which ensure the employment of appropriately skilled personnel in areas where compliance with legislation is required. The Group seeks appropriate advice and engages external advisors as necessary, particularly in overseas locations, and actively manages those relationships. The Group ensures that the relevant staff undertake ongoing training and professional studies where required.	**↔ No change** The Group continues to invest in appropriately-skilled personnel and will outsource where appropriate in areas where compliance and expertise are required. Internal Audit conducted a review of compliance in 2019. The Group's existing in-house Legal and People teams have been, and continue to be, augmented by new hires as the Group grows, bringing in more people with experience and knowledge of the countries in which the Group operates.

Viability statement

The Directors have assessed the prospects of the Group in accordance with provision 31 of the 2018 Code.

The period selected by the Board for its assessment is three years. This period was chosen for the following reasons: the core of FDM's business is the Mountie model, and three years therefore approximates the average lifecycle of Mounties' engagement with FDM and the Group's normal investment cycle in its most important asset. Further, the Group's strategic plan covers a period of three years and this period is also underpinned by robust financial budgets and forecasts.

In making its assessment, the Board has considered the resilience of the Group, taking into account its current position and prospects, its cash flow requirements and other key financial assumptions over the three-year period and has sensitised certain of those assumptions where considered appropriate. As the core of FDM's business is the Mountie model, the sensitivity analysis therefore included consideration of the loss of the Group's two largest customers.

In assessing its viability, the Board has also taken into account the principal risks affecting the Group, including the impact of Brexit, and how those risks might impact the Group's future performance, solvency and liquidity should they occur. The sensitivity analysis noted above also took into account the impact of certain principal risks, including Brexit, occurring. Individually, and when considered together, no reasonable combination of sensitivities could result in the Directors altering their view of the Group's viability.

The Group's financial position is strong with cash balances of £37.0 million at the end of the year and no debt.
Based on the results of this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Corporate Responsibility

Acting responsibly

A long-standing commitment to corporate responsibility is central to our way of working. We understand that our reputation with clients depends on our good conduct and that of our Mounties. We focus on integrity, transparency, reliability and trustworthiness as our key values (which are set out in further detail on page 5). As a people business, we know that engaging with our employees, clients, shareholders and other stakeholders is not only a matter of corporate responsibility but also makes good commercial sense and is essential to the sustainability of our business.

The 2018 Code emphasises an obligation to ensure that the voice of our employees is heard at Board level and, in line with this, we have focussed, particularly during 2019 on enhancing our efforts to engage effectively with our workforce. There is further detail on this area under "Our people" on pages 16 and 17.

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

FDM has long been a strong advocate of the benefits of diversity, inclusion and social mobility. We know the positive impact that a diverse workforce has had on our business, and this is an important factor which makes our Mountie model so attractive to many of our clients. We believe that we can extend this positive impact beyond our Academies into the communities where we operate, and promoting these values by engaging with the community is an important part of the work of our Diversity and Inclusion, and Graduate Recruitment teams. There is further information on these activities under "Diversity and Inclusion" on page 48.

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

Engaging with our employees

Further information about our people and people initiatives we undertook during the year can be found in the Chief Executive Review on pages 16 to 17.

In line with the recommendations in the 2018 Code, during the year we have continued to take steps to enhance the Board's engagement with our workforce and to ensure that the voice of our employees is heard by the Board.

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

Jacqueline de Rojas, our Independent Non-Executive Director, has been designated by the Board as the Non-Executive Director with primary responsibility for engaging with our workforce to enable employees to share ideas and concerns with senior management and the Board. She will be supported by other Non-Executive Directors in this work as required. Since taking on this role Jacqueline has been working with our Chief People Officer on developing our employee engagement programme, with the aim of creating a transparent culture that enables every voice to contribute to the success of the Group. Jacqueline will report regularly to the Board on the themes emerging from this programme, and the Board intends to listen to, and learn from, all aspects of its interaction with our employees.

During the year Jacqueline and David Lister, Chairman of the Board, held a series of informal meetings with managers at different levels across our business. These meetings enable an exchange of information, assisting the Non-Executive Team to broaden the depth of its knowledge of FDM's business and enabling managers to put forward comments, ideas and any concerns they may have. These meetings also raise awareness amongst the workforce about the role of the Non-Executive Team, and contribute towards talent development, a fundamental part of the Board's succession planning (more details of which can be found on pages 70 and 71).

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

The Board's agenda in 2019 included a programme of formal opportunities for the managers of our different business teams to attend Board meetings and discuss the progress they are making and challenges faced. There have also been a number of informal opportunities for senior managers and future leaders from their teams to meet the Non-Executive Directors without the executive team being present, enabling the Non-Executive Directors to gain further insight into the culture of our business and to discuss any concerns.

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

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

In addition:

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

These plans provide a longer-term incentive to enable participants to share in the success of our business and reap the rewards of their hard work and commitment to our shared goals. Those employees who received awards under the PSP in 2016 benefitted from this success when those awards vested in full in March 2019. Details of the PSP are set out in note 25 to the Consolidated Financial Statements. Our Buy As You Earn share plan currently has more than 200 participants who have demonstrated their commitment to the business by setting 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.

Engaging with our clients and shareholders

We welcome visits from our clients and current and prospective investors at our centres and Academies. In 2019 we had more than 850 client visits to our Academies globally.

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

This year we hosted meetings with current and potential investors, involving not only our Executive Directors but also other senior managers. These enable shareholders to further their understanding of our work, culture and activities in other areas. Our in-house investor relations function works with our external brokers and financial PR advisors to provide an overall programme of communication with shareholders and prospective investors, and to increase the information available to them through our website and other channels.

Our Schools Engagement Programme aims to improve the social mobility of teenagers in our local communities

Engaging with the community

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

Early Talent Programme

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

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

Events for our University Partners

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

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

Hackathons

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

Anthony Nolan

We have continued our partnership with Anthony Nolan, to raise funds and to encourage our employees to join the Anthony Nolan stem cell donor register. Anthony Nolan particularly needs young people and donors from BAME backgrounds to join the register, to offer the best chance of a match for people who need a stem cell transplant. Our hugely diverse workforce consists of more than 85 different nationalities and we aim to help in adding much-needed diversity to the register. We provide direct sponsorship to our employees who wish to register as donors, as well as supporting fundraising activities and events.

ANTHONY NOLAN
saving the lives of people with blood cancer

Walking With The Wounded

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

WALKING WITH THE WOUNDED

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

Diversity and inclusion

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

In this year's Hampton-Alexander Review report, we were placed first in the technology sector (FTSE 250 rankings for Women on Boards and in Leadership) for the second year running, and our overall ranking in the FTSE 250 has improved significantly. We track our demographic data regularly to make sure it is up to date and are transparent with our staff about progress towards diversity targets.

- 31% of our worldwide employees are female;
- 53% of our 2019 UK graduates identify as BAME[1]; and
- 4% of our 2019 UK graduates consider themselves to have a disability.

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

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

Our UK median gender pay gap reported in 2019 was -1.7% (2018: 0.0%), and our mean gender pay gap for the same period was 1.3% (2018: 5.7%). These figures are significantly better than average for the UK, but we recognise that there is always room for improvement. The Board has adopted a formal Board diversity policy which is detailed on page 57. At the time of writing, following the appointments of Jacqueline de Rojas and Alan Kinnear as Non-Executive Directors since our 2018 Annual Report, 33% of our Board members are women. We aim to further develop our succession planning and talent management programmes to include initiatives that encourage the development of a diverse range of high-calibre employees. By further enhancing the level of interaction between Board members (particularly Non-Executive Directors) and our senior managers, enabling them to gain more exposure to, and understanding of, the Board's work, we hope to create a pipeline of talented individuals with a diversity of backgrounds and experience, who may in the future aspire to a Board position.

The table below shows the gender split at different levels within the Group as at 31 December 2019.

As at 31 December 2019	Number of males	Number of females
On the Board[2]	6	3
Within Senior Management (Executive Team)	1	1
Within the wider Senior Management Team and their direct reports	14	17
All employees	3,661	1,624

1 Black, Asian or Minority Ethnic
2 On 1 January 2020 Alan Kinnear was appointed to the Board as a Non-Executive Director, bringing the number of males on the Board to 7.

Driving diversity and inclusion in the workplace

31%
of our worldwide employees are female

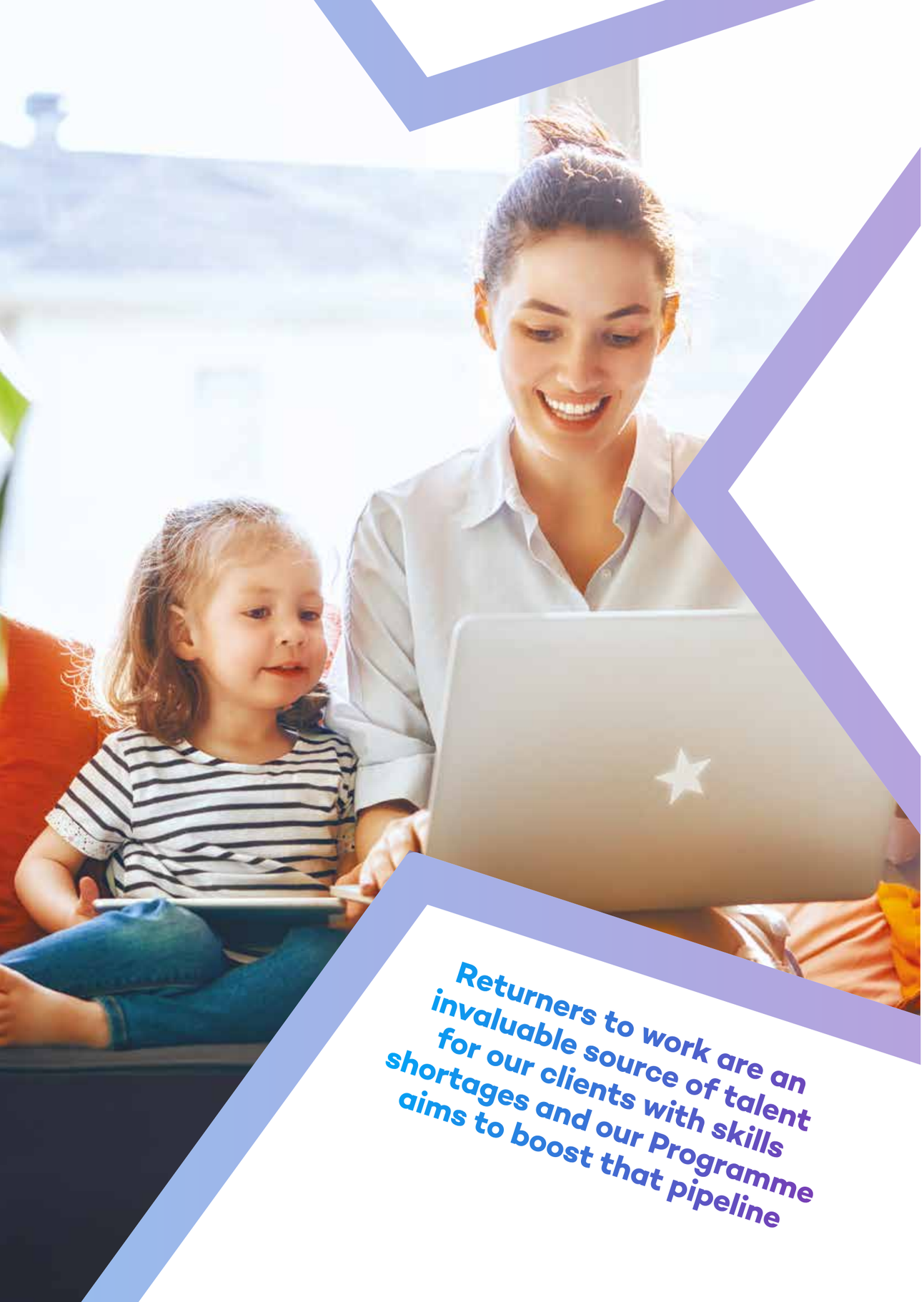
53%
of our UK graduates identify as BAME[1]

4%
of our 2019 UK graduates consider themselves to have a disability

Social Mobility Employer Index 2019: Top 75

Women in Tech – Female Grad Tech Employer of the Year

Agents of Change Power List 2019 – Rod Flavell, CEO



Returners to work are an invaluable source of talent for our clients with skills shortages and our Programme aims to boost that pipeline

Supporting social mobility

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

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

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

Disability

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

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

Ex-Forces and Getting Back to Business pathways

We recognise that people who have served in the Armed Forces have many transferable skills for a successful career in the corporate world, ranging from adaptability and maturity to responsibility and leadership. We offer a dedicated ex-Forces Programme in the UK and USA 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. We have again been ranked as one of the Military Times Best for Vets Employers in 2019.

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

Human resource policies and respect for human rights

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

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

Anti-slavery and human trafficking policy

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

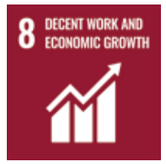
The nature of our business and the direct relationship we have with applicants to the training programmes means that the risk of modern slavery in our own organisation is low. We have reviewed supply chains and taken a number of steps to address the potential risks of modern slavery and human trafficking.

The Group has put in place an Anti-Slavery and Human Trafficking policy to assist it in mitigating this risk, and continues to implement a process of due diligence on key suppliers to ensure compliance with our policy and our obligations under the Modern Slavery Act 2015. There is a pre-contract due diligence process, used with new suppliers to ensure that they confirm their commitment to comply with our policies and values, or that they have in place appropriate equivalent policies of their own. We have also developed a set of standard contractual clauses for inclusion in supplier contracts which reinforces this approach. The Group 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.

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. In 2018 we reviewed the UNSDGs and identified the three 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
	**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**	Our reputation as the leader in our field is dependent on the people we employ. In all territories where we operate 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. Our Schools Engagement 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.
	Achieve gender equality and empower all women and girls.	Women currently make up 30% of our global workforce and 48% of our senior management team. We are committed to improving gender diversity in our teams around the world, broadening the range of skills, expertise and perspectives contributing to the success of our business, enhancing innovation and growth and making our business more robust and sustainable.	We are a signatory to the 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. • Women in Tech – Female Grad Tech Employer of the Year • Agents of Change Power List 2019 – Rod Flavell, CEO
	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 new Sydney Academy opened in February 2019 in the cutting-edge sustainable facility at Barangaroo (see next page for further information). 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.

Environmental performance

2019 Highlights
- Our emissions intensity has reduced by 27%, reflecting both significant business growth and environmental actions taken
- Considerable reduction in staff business travel driven by internal policy initiatives
- Opening of our new Academy in the carbon neutral Barangaroo development in Sydney, Australia
- Pending award for Green Star certified rating for the internal fit-out of our Sydney Academy

Expanding our global presence in a sustainable manner
Global climate change has already had observable effects on the environment. The effects on individual regions will vary over time. The potential future effects of global climate change include an increase in the frequency, duration and intensity of events. As we increase our presence in new markets, we realise that our global reach has an associated environmental impact. Our aim is to decouple business growth from our impact on the environment. In 2019, despite a 12% growth in Mountie revenue we saw significant reduction in both global energy consumption and staff travel, reducing the intensity of our emissions (tCO_2e/ £ million Mountie revenue) by 27%. Due to the nature of our business model, recruiting, training and deploying locally is a priority. As a result over half of our emissions come from staff business travel. The Group currently has travel policies in place to minimise both emissions and cost where possible. In addition to this, the Executive Team has introduced policies to promote the use of video conferencing technology and other collaborative tools to reduce the need for travel.

In February 2019 we opened our new Australian Academy at Barangaroo, on Sydney's western waterfront. Barangaroo is one of only 18 projects around the world chosen to participate in the C40 Climate Positive Development Programme, which is focussed on tackling climate change through urban renewal. When completed, Barangaroo aims to be carbon neutral. This will be achieved through the reduction and offsetting of all energy used on the site, the recycling and exporting of more water than the amount of drinking water imported, and by achieving 'zero waste'.

Our Sydney Academy is located in the Barangaroo South precinct, in a building which holds a 6 Star Green Star rating from the Australian Green Building Council, having obtained the highest ever score in the rating scheme. The Green Star rating is Australia's mark of quality for the design, construction and operation of sustainable buildings and fit-outs, and this rating was one of the key factors in our decision to open our Academy in Barangaroo South. We undertook the fit-out of our Academy space with a view to achieving our own 6 Star rating from the Australian Green Building Council for the sustainability of the interior of our Academy. We submitted our application for this rating in December 2019 and we expect to receive the certification soon.

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 Carbon Smart, 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 Carbon Smart has enabled us to expand the scope of our emissions reporting, providing greater transparency to stakeholders and allowing us to further identify opportunities to improve our environmental performance.

Energy and carbon reporting

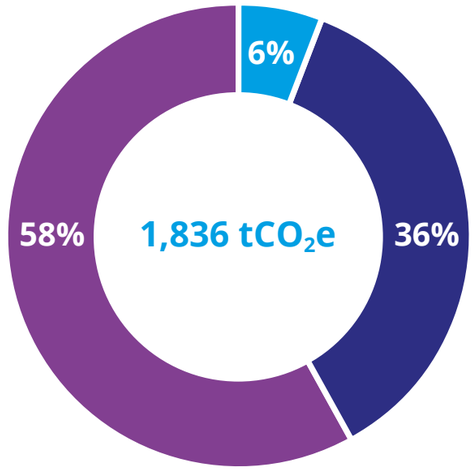
Total Emissions (tCO_2e)	Year ended 31 December 2019	Year ended 31 December 2018	% change (vs. 2018)
Scope 1 Emissions[1]	**87**	**80**	**↑9%**
Natural Gas	66	66	↑0%
Company cars[7]	21	13	↑52%
Scope 2 Emissions[2]	**567**	**595**	**↓5%**
Electricity[5]	543	570	↓5%
Purchased Steam	24	25	↓6%
Scope 3 Emissions[3]	**1,182**	**1,562**	**↓24%**
Flights	978	1,331	↓27%
Other business travel	66	79	↓17%
Other building activities[4]	139	152	↓9%
Total Emissions	**1,836**	**2,236**	**18%**
Global emissions (excl. UK)	1,188	1,409	↓16%
UK emissions	648	827	↓22%
Energy Consumption (kWh)[6]			
Global consumption (kWh) (excl. UK)	988,640	963,547	↑3%
UK consumption (kWh)	1,202,012	1,282,815	↓6%
Greenhouse Gas Emissions intensity ratio:			
£ Million of Mountie revenue	268.2	239.0	↑12%
CO_2e tonnes per £ Million of Mountie revenue	6.8	9.4	↓27%

1 Scope 1 Emissions: CO_2e from direct fuel combustion and company owned vehicles.
2 Scope 2 Emissions: CO_2e from the purchase of electricity, heat, steam or cooling by the company for FDM's own use. This work is partially based on the country-specific CO_2e emission factors developed by the International Energy Agency, ©OECD/ IEA 2018 but the resulting work has been prepared by Carbon Smart Limited and does not necessarily reflect the views of the International Energy Agency.
3 Scope 3 Emissions: CO_2e from company activities, not owned or controlled by the company (i.e. flights, other business travel which includes emissions from rail, non-company cars, taxis and buses and other building activities which includes emissions from paper, waste, water and electricity transmission and distribution).
4 Other building activities includes emissions from paper, water and waste. 2018 Water emissions were restated having minimal impact on overall carbon footprint to reflect updated industry recognised CIBSE benchmarks. 2018 paper emissions were restated to reflect Defra 2018 emissions factors where revisions were made to boundary assumptions including material use and end of life emissions.
5 Our Scope 2 electricity emissions have been calculated using location-based emissions factors and are 543 tCO_2e. In line with World Resources Institute best practice, our Scope 2 market-based emissions for electricity in 2019 are 547 tCO_2e.
6 Energy consumption includes the calculated energy in kWh from natural gas, company cars, electricity and purchased steam in line with Streamlined Energy and Carbon Reporting ('SECR') reporting requirements.
7 All company cars are pool cars for business usage only. The Group acquired a second car in the USA at the end of 2018.

We continue to meet and exceed the greenhouse gas ('GHG') emissions reporting requirements of The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. We are also aware of our forthcoming obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have prepared this report in accordance with the requirements for quoted companies under these new regulations. We continue to report all material GHG emissions across our global operations.

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

Emissions 2019 breakdown by resource type



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

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

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

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

The Directors consider, both individually and together, that they have acted in accordance with their duties under s.172 in the decisions taken during the year ended 31 December 2019 (see page 63). 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 4) – both those in our Academies and offices and also our skilled and professional Mounties. We engage with our employees to ensure that we are creating an environment in which they can thrive, and to understand their ideas and concerns. Maintaining the quality and strength of our unique Mountie model will enable us to continue the profitable growth of our business.	We discuss our activities to engage with our employees on pages 38 and 39. In particular: • To meet the new requirements of the 2018 Code, the Board designated Jacqueline de Rojas as the Non-Executive Director responsible for engaging with our workforce. Further detail can be found on page 68. • We have carried out a number of employee surveys, the first in an ongoing programme of regular employee dialogue.	The Board identified the need for a Group Chief People Officer and appointed Paula Leach, a highly experienced and respected professional in the field, to that role in April 2019. At the Board's request, with the support of the Nomination Committee, our Chief People Officer has developed a new Group People Strategy, which is now being implemented. The first phase focussing on optimising the experience of our Mounties throughout their career with FDM. The Group People Strategy includes a talent development programme which will support the Board's ongoing succession planning and will provide clear career paths and development opportunities for our internal staff.
Our university partners	Universities can be seen as our key supplier. Our ability to recruit graduates of the highest calibre into our Academy training programmes is key to our ability to deliver Mounties with the qualities and attributes which our clients are looking for. We engage with our university partners to ensure that our Academy offering adapts and develops to remain competitive and attractive to graduates.	Information on our engagement with universities can be found on page 41.	Our university partners continue to be interested in promoting focus on STEM subjects and ensuring that students gain as much experience as possible of the variety of opportunities available in the technology industry. In response we hosted a conference for representatives of universities to discuss how students may be better prepared for the ever-changing world of work.
Our trainees	Our trainees are key to our Mountie model. Having recruited graduates, ex-Forces and returners to work, it is important for us to ensure that we are providing them with training which will enable them to evolve into Mounties with client-driven and cutting-edge skills in the technologies which are relevant to our clients' needs.	All our trainees are asked to provide formal feedback on the content and delivery of the courses which they receive during their time in our Academies.	As a result of our programme of engagement with trainees and Mounties during 2019, we will be carrying out a comprehensive review during 2020 of our Academy offering. This will ensure that our curriculum is evolving to respond to market trends, and that the delivery of our courses makes the best possible use of available technologies to engage and enthuse our trainees (and Mounties who make use of our Academy facilities when between deployments).
Our clients	Understanding our clients' needs is central to our business. We need to ensure that we are offering Mounties of the right calibre, with the required personal and professional attributes and technological skills. By working with our clients to understand the new technologies which will be key to their businesses in the future, we can adapt and develop our business streams to provide Mounties with the skills clients need.	Further information on our engagement with clients can be found on page 68.	In response to our engagement with clients we have developed and introduced three new courses (see page 16). As a result of our work with individual clients we continued to develop and deliver driven programmes, tailored to specific clients' needs for their latest business projects.
Our shareholders	Continued access to our shareholders' capital is of vital importance to the long-term success of our business. We look for an investor base that is interested in holding our shares long term. We engage with current and prospective investors to assist them in understanding and supporting our strategic objectives, enabling us to generate strong financial results which create value for shareholders.	We discuss our programme of investor engagement on page 67. Key elements of this include our AGM, our comprehensive full-year and half-year results presentations, participation in numerous other investor events, and regular face-to-face meetings between individual Directors and members of the management team with current and prospective shareholders.	Investors noted the strength of our offering for financial services clients and expressed an interest in continued diversification of our client base into new vertical sectors. In 2019, we significantly increased the number of Mounties in the energy and insurance sectors, and we have included a new client sector diversification metric for Executive Directors' bonuses in 2020 (see the Directors' Remuneration Report on page 89 for further details).

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
The community	We place great importance on ensuring that our activities have a positive impact on not only our employees and clients but also on the wider communities in which we operate. Our intention is to: • behave responsibly and fairly with high standards of business conduct and good governance • play our part in working towards a diverse and inclusive society; and • continue to launch exciting careers for thousands of consultants in the technology sector, contributing to the reduction of the digital skills gap and the growth of the economies of the regions where we operate.	Further information on our activities with the communities where we operate can be found on page 41.	We have continued our partnership with the Anthony Nolan Charity and this year carried out a Hackathon designed to explore solutions to a key challenge which they face in engaging young BAME males to join their stem cell register. The FDM Everywoman in Technology Awards has continued into its tenth successful year in promoting talented women in technology. We have continued our work to promote diversity, inclusion and social mobility, making further progress in improving our own gender pay gap. Sheila Flavell, our Chief Operating Officer, was awarded a CBE in the UK Government's 2020 New Year Honours List in recognition of services to gender equality in IT and services to graduate and returners employment.
The environment	We are conscious that all business activities have an impact on the environment, and we are committed to finding ways to mitigate that impact. We understand the continuing importance of this issue to our employees, shareholders and the communities in which we work.	Further information on the work we have done to continue to find ways of reducing our impact on the environment can be found on pages 48 and 49.	The key outcome of our work in this area in 2019 has been the opening of our new Academy in the 6 Star Green Star rated sustainable facility at Barangaroo, Sydney (see page 49), and our application for our own Green Star rating for the interior fit-out of our premises.

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 10 March 2020 and signed on its behalf by:

Rod Flavell
Chief Executive Officer
10 March 2020

Our emissions intensity has reduced by 27%, reflecting both significant business growth and environmental actions taken

Governance

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Meet the Board

Michelle Senecal de Fonseca
Non-Executive Director

Date of Appointment
Non-Executive Director January 2016

Experience
Michelle has more than 26 years of experience in international telecommunications and technology. She is currently an area Vice President for Citrix Systems after having served as the Global Director of Cloud and Hosting Services at Vodafone. Prior to Vodafone, Michelle worked at the European Bank for Reconstruction and Development where she managed the Telecom, Media and Technology banking team. Michelle is a co-founder and board member of Women in Telecoms and Technology, a UK not-for-profit organisation, and is also a global council member at Thunderbird School of Global Management in Phoenix, Arizona.

External Appointments
- Citrix (Area Vice President North Europe, appointed January 2017)
- Women in Telecoms and Technology (WITT) Limited (Director, appointed May 2008)
- Thunderbird School of Global Management (Director, appointed April 2009)
- MOVE Capital (Investment Board member, appointed September 2017)

Peter Whiting
Non-Executive Director

Date of Appointment
Non-Executive Director June 2014
Senior Independent Director June 2014
Chair of the Remuneration Committee June 2014

Experience
Peter has over 20 years of experience as an investment analyst, specialising in the software and IT services sector. Peter joined UBS in 2000 and led its UK small and mid-cap research team. Between 2007 and 2011 he was Chief Operating Officer of UBS European Equity Research. One of his responsibilities during this period was the oversight of the graduate recruitment, training and development programmes, both for the Research business and the Equities operation as a whole. He has used his extensive experience in the financial services and technology industries in developing a strong technology-led NED portfolio.

External Appointments
- Aptitude Software Group plc (formerly Microgen plc) (Senior Independent Director and Chairman of Remuneration Committee, appointed February 2012)
- Keystone Law Group plc (Non-Executive Director and Chairman of Audit Committee, appointed October 2017)
- D4T4 Solutions plc (Non-Executive Director and Chairman of Remuneration Committee, appointed July 2018)

Jacqueline de Rojas
Non-Executive Director

Date of Appointment
Non-Executive Director October 2019

Experience
Jacqueline is a highly regarded leader in technology in the UK, with a strong reputation as a champion of women in the sector. She has been the president of technology trade association techUK since July 2015 where she has developed and supported a manifesto for skills and diversity in the technology industry. She is also the co-chair of the Governance Board of the Institute of Coding.

Prior to this, Jacqueline held senior executive roles at major tech companies including Sage Group, Citrix Systems, CA Technologies, Novell and McAfee International. She was previously a non-executive director at AO World plc and Home Retail Group plc. In 2018 Jacqueline was awarded a CBE for Services to International Trade in Technology.

Jacqueline is the Board's designated Non-Executive Director to engage with the Group's workforce on behalf of the Board and to enable employees to share ideas and concerns with senior management and the Board.

External Appointments
- Costain Group plc (Non-Executive Director), appointed November 2017
- Rightmove plc (Senior Independent Director), appointed December 2016

Robin Taylor
Non-Executive Director

Date of Appointment
Non-Executive Director June 2014
Chair of the Audit Committee October 2015

Experience
Robin is a member of the Institute of Chartered Accountants of Scotland.

Robin brings many years of experience as a plc director, having held a variety of financial and general management roles in both Europe and North America, and has experience of financial reporting, financing, transactions and risk management.

Robin's previous executive roles include Chief Financial Officer of Intec Telecom Systems plc, Chief Financial Officer of ITNET plc and Chief Financial Officer of JBA Holdings plc. He has been a Non-Executive Director of Phoenix IT Group plc, Fusionex International plc, EMIS Group plc and Alfa Financial Software Holdings plc.

Robin will retire from the Board and step down as Chair of the Audit Committee on 29 April 2020.

External Appointments
Robin has no external appointments.

Alan Kinnear
Non-Executive Director

Date of Appointment
Non-Executive Director January 2020

Experience
Alan is a member of the Institute of Chartered Accountants of Scotland.

Alan was with PwC for 35 years until his retirement in 2015, including 23 years as an audit partner working with listed, private equity-backed and fast-growth entrepreneurial companies. He was a member of PwC's South East regional board and a national leader for audit services in the private equity sector. He has significant skills and experience in financial reporting, regulation, corporate governance and risk management.

During the year following his retirement from PwC in 2015, Alan was a non-executive director with CEGA Holdings Limited.

External Appointments
Alan has no external appointments.

Andy Brown
Chief Commercial Officer

Date of Appointment
Chief Commercial Officer January 2008
Joined FDM 1994

Experience
Andy progressed through the Group's Sales Team to become Global Sales Director in 2007 and, subsequently, Chief Commercial Officer.

Andy oversees the expansion of the Group with a focus on the sales and recruitment functions. Andy's strategic focus is around developing new service streams in line with client demands, as well as increasing the number of applicants to the Group's Graduate programme, which are both key areas to the success and growth of the Group. Andy also played a key role in the launch and success of the UK Ex-Forces Programme.

External Appointments
Andy has no external appointments.

Mike McLaren
Chief Financial Officer

Date of Appointment
Chief Financial Officer April 2011
Joined FDM 2011

Experience
Mike is a Fellow of the Institute of Chartered Accountants in England and Wales.

Prior to joining FDM, Mike fulfilled the roles of Group Finance Director and Chief Operating Officer in a premium listed business in the software and services sector. In addition, Mike has been an Independent Non-Executive Chairman and Non-Executive Director on the boards of a number of other companies. Overall Mike has more than 30 years' experience of working within the technology sector in a range of senior financial, commercial and operational roles.

External Appointments
Mike has no external appointments.

David Lister
Non-Executive Chairman

Date of Appointment
Chairman March 2019
Non-Executive Director since March 2016

Experience
David has over 40 years of experience in operations and technology roles across multiple industries for international businesses such as Diageo, GlaxoSmithKline, Boots, Reuters, Royal Bank of Scotland and National Grid. He also has experience in the Professional Services sector where he was a management consultant at PwC. Other former non-executive appointments include CIS General Insurance Limited and the Department for Work and Pensions.

External Appointments
- HSBC Private Bank (UK) Limited (Non-Executive Chairman, appointed December 2018)
- Marks and Spencer Financial Services Plc (Non-Executive Chairman, appointed September 2019)
- HSBC UK Bank Plc (Non-Executive Director, appointed May 2018)
- Interxion Holdings SA (Non-Executive Director, appointed June 2011)
- Nuffield Health (Member of the Board of Governors, appointed February 2014)

Rod Flavell
Chief Executive Officer

Date of Appointment
Founded FDM in 1991

Experience
Rod is the founder and Chief Executive Officer of FDM Group and has more than 35 years of experience in the technology sector. He has been instrumental in the development of the Group into an international, award-winning employer with a prestigious client base operating in multiple markets.

Rod is a strong advocate of improving diversity in the technology industry, as demonstrated by the Group's Women in Tech, Getting Back to Business, Ex-Forces and veteran career transition initiatives. In 2019 Rod was featured in the Management Today Agents of Change Power List for the second consecutive year for his work promoting gender equality in the workplace.

External Appointments
Rod has no external appointments.

Sheila Flavell
Chief Operating Officer

Date of Appointment
Chief Operating Officer January 2008
Joined FDM 1998

Experience
Sheila has over 27 years of experience in both the public and private IT sectors. She spearheads FDM's global Women in Tech initiative and Getting Back to Business Programme, aimed at providing opportunities for returners to work.

Sheila was awarded a CBE in the 2020 New Year Honours List for services to gender equality in IT, and graduate and returners' employment.

Sheila has been invited to advise government committees on improving the digital skills shortage and gender pay gap in the UK. Her work has been recognised by numerous awards, including a Tech Champion Award at the TechWomen100 Awards 2018, Woman of the Year award at the Information Age Women in IT Awards 2018 and a Lifetime Achievement Award at the Scotland Women in Technology Awards 2017.

External Appointments
- techUK (Board member) (techUK is the operating name for Information Technology Telecommunications and Electronics Association)
- Institute of Coding Industry Advisory Board (Chair)

Key
- Member of Remuneration Committee
- Chair of Remuneration Committee
- Member of Audit Committee
- Chair of Audit Committee
- Member of Nomination Committee
- Chair of Nomination Committee

Corporate Governance Report

Chairman's Governance Overview

On behalf of the Board I am pleased to present my first Corporate Governance Report as Chair of the Board.

There have been a number of changes in the composition of the Board, see page 70 for further details.

The structure of this report follows the principles of the 2018 Code, which applied to FDM with effect from 1 January 2019.

We take great care to ensure that the content of our Annual Report is fair, balanced and understandable. A review by the Audit Committee is detailed on page 79 and a formal statement from the Directors is included on page 107.

Further information on the Board's primary areas of focus in 2019 is set out on pages 66 and 67. This Corporate Governance Report aims to provide shareholders and other stakeholders with an understanding of how we manage our Group and the framework of governance and control within which we work, and I hope that you will find it useful and informative. My Board colleagues will look forward to meeting some of you at our 2020 Annual General Meeting ("AGM") and will be available then to answer any questions which our shareholders may have.

UK Corporate Governance Code 2018

As a premium listed company we are expected to explain how FDM Group has applied the main principles of the 2018 Code issued by the Financial Reporting Council in July 2018.

Further information on the Code can be found at
www.frc.org.uk/ directors/ corporate-governance-and-stewardship/ uk-corporate-governance-code

The main principles of the 2018 Code are as follows:

- Board Leadership and Company Purpose
- Division of Responsibilities
- Composition, Succession and Evaluation
- Audit, Risk and Internal Control
- Remuneration

1. Board leadership and company purpose

An overview of the Board's role
One of the Board's most important roles is to establish the Group's purpose and to define the strategy to achieve that purpose. We believe that FDM exists to deliver customer-led, sustainable, profitable growth on a consistent basis, through our well-established Mountie model. This is our purpose, and its key components are set out in more detail on pages 20 to 21. The Board is of the view that enabling the successful delivery of FDM's purpose will secure the long-term sustainable success of the Group for our staff, customers, and other stakeholders, generating value for shareholders.

In support of this purpose, the Board has developed a strategy which will enable us to continue to launch new careers for our talented Mounties around the world, and ensures that all the investments we make and activities we carry out can deliver quantifiable improvements to our business for our customers, staff and shareholders. You can read more about our strategy and its four key objectives, including how each has been delivered during 2019, on pages 13 to 15 of the Strategic Report.

The Group has also established a set of core values which reflect FDM's culture. Each of the Executive Board members aims to be a role-model embodying these values – promoting them and FDM's culture. FDM's values and culture are central to the continued success of the Group and support the implementation of our strategy.

The Board is responsible for identifying the risks which may stand in the way of meeting our strategic objectives, considering which of those risks the Group is prepared to take to achieve its goals, ensuring that appropriate procedures and controls are in place to manage or mitigate those risks insofar as it is reasonably practicable to do so, and regularly testing the effectiveness of those mitigations.

The Board also has a remit to ensure that the Group has the necessary resources in place to achieve its strategic goals, both in terms of finance and people, and to monitor performance and measure progress towards those goals. It is the Board's duty to support and challenge the Executive Team to ensure that FDM's business is managed in accordance with that strategy.

In order to carry out its responsibilities effectively, the Board meets regularly through the year to review operational and financial matters, develop and refine strategy, and monitor progress towards strategic objectives. When setting and monitoring the implementation of the Group's strategy, the Directors remain mindful of their individual duty to act in the way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, as set out in s.172 of the Companies Act 2006 ("the Act"). The Directors act with reasonable care, skill and diligence in their work, taking steps to ensure that they exercise independent judgement at all times and that processes are in place to enable robust decision-making, especially when there are more difficult decisions to be made. FDM has a network of stakeholders within its business, amongst shareholders and in its client base, and outside in the wider society in which we operate. The interests of these stakeholders are varied but interconnected, and we recognise our responsibilities to engage with those interests and to take them into account. Additionally, in the event of a substantial vote against a Board recommendation proposed at an AGM, FDM will carefully review the voting outcomes and will engage with shareholders in order to seek to understand the reasons and encourage continuous dialogue between stakeholders. Actions taken in response will be detailed in the next Annual Report.

Accordingly, as required by the Act, we have prepared for the first time this year a s.172 Statement which can be found on page 52.

The Board's important responsibilities include approving the interim, preliminary and annual financial statements, the annual budget and longer-term forecasts, significant contracts and capital investment. All of these responsibilities underpin the principles of the 2018 Code. Where appropriate, the Board has delegated certain responsibilities to the Audit Committee, Remuneration Committee and Nomination Committee ("the Committees"). The terms of reference and composition of these Committees are reviewed annually and updated as appropriate.

The Board and its Committees – a structure for robust governance
The Board understands that the opportunity to promote the long-term sustainable success of the Group is maximised by maintaining a Board which is effective, has the right blend of skills and experience, and which retains the entrepreneurial culture which has been at the core of FDM since it was established more than 25 years ago.

As recommended by the 2018 Code, the Board delegates some of its responsibilities to its Committees, which therefore play a key role in supporting the Board's aims and the application of the principles of the 2018 Code. Whilst the Board retains overall responsibility, the establishment of Committees enables particular aspects of the Board's work to be carried out at a more detailed level by Board members who have particular expertise, experience and interest, allowing deeper analysis and oversight of those areas. The Chairs of each Committee report to the Board on decisions taken and matters considered, and make recommendations on matters for which the Board retains the final right of approval. Minutes of all Committee meetings are made available to other Board members to be viewed at any time via the Board's secure online portal.

The Nomination Committee keeps under review the blend of skills, experience, independence and knowledge across the Board's members, and leads the process for new appointments to the Board, ensuring a fresh and entrepreneurial approach which enables strategic opportunities to be identified, analysed and effectively managed to provide long-term sustainable success. The Nomination Committee also leads the process to facilitate evaluations of the Board's effectiveness. More information about these areas is set out in the "Composition, succession and evaluation" section on page 70 and in the Nomination Committee Report on pages 82 to 84.

The Audit Committee monitors the application of the financial reporting, internal control, and risk management principles set out in the 2018 Code, and ensures that the Group maintains an appropriate relationship with its auditors. More information about risk and internal controls can be found in the "Audit, risk and internal control" on page 72 and in the Audit Committee Report beginning on page 74.

The Remuneration Committee is responsible for setting the Company's Remuneration Policy, determining each Executive Director's total individual remuneration package (including salary, benefits, bonus and pension entitlements, and participation in share and other incentive schemes) and setting the targets for performance-related pay. The Remuneration Committee's work supports the strategy set by the Board, by promoting the opportunity for long-term sustainable success, and by aligning executive remuneration to the achievement of the Group's purpose and promotion of its values, and to the successful delivery of long-term strategic goals. The Remuneration Report, beginning on page 86, contains more information on our application of these principles of the 2018 Code.

Information about the membership of each Committee can be found in the relevant Committee's report.

The Board's agenda
The Board meets regularly throughout the year, following an agenda which is agreed in advance based on themes from the Group's business plan. Although the setting of the agenda is led by the Chairman in discussion with the Chief Executive and the Company Secretary, all Board members are welcome to put forward topics for discussion.

Standing items, including operational and financial reviews and Committee updates are considered at each scheduled Board meeting, with unplanned items such as commercial or property-related decisions considered as and when required. In addition, potential topics are identified for strategy sessions, management updates and other Board discussions.

Ahead of each Board meeting, all Board members are supplied with an agenda and a pack containing specific papers on particular strategic issues, as well as reports and management information on current trading, operational issues, compliance, risk, accounting and financial matters. This enables the Chairman to ensure all Directors are properly briefed on the matters to be discussed. The Chairman works with the Company Secretary to ensure that the supporting papers are clear, accurate, timely and of sufficient detail to enable the Board to discharge its duties effectively. The Board's forward agenda is co-ordinated with those of its Committees and the Chairs of the Committees report on the activity of their Committees at Board meetings. The agenda is designed to provide an appropriate balance between strategic planning items and reports which enable the Board to monitor the management and performance of the Group, ensuring it operates within the appropriate risk-reward culture and the Board's strategy to deliver FDM's purpose.

During 2019, the financial reporting team worked with the Company Secretary in consultation with individual Directors to refresh and re-structure the reports provided to the Board in advance of each meeting, with the aim of providing the required information in the most useful format to enable Board members to carry out their oversight role effectively. The new format board report was adopted from the beginning of 2020.

At regular intervals throughout the year, senior managers from around the Group attend Board meetings to update the Board on progress being made and matters arising in their parts of the Group. To ensure that there is sufficient time for the Board to discuss matters of a material or more discursive nature, Board dinners and other informal gatherings are held after certain scheduled Board meetings which allow the Directors greater time to discuss key topics with additional internal and external participants. In particular, this enables the Non-Executive Directors to explore business and operational issues in greater depth with the senior managers who have reported to the Board.

The Board has identified certain matters on which decisions are formally reserved for the Board's approval, a schedule of which is available on the Group's website www.fdmgroup.com/ investors/ corporate-governance/. The Board formally reviewed the scope of these matters and updated them during 2019. They include the following:

- Approving financial results and other financial, corporate and governance matters;
- Approving material contracts;
- Approving material capital or operational expenditure;
- Approving Group strategy;
- Approving appointments to the Board;
- Determining dividend policy, as well as approving and recommending dividends, as appropriate;
- Reviewing material litigation;
- Reviewing annually the effectiveness of internal control and the nature and extent of significant risks identified by management and associated mitigation strategies; and
- Approving the annual budget.

Board decisions are generally reached by consensus at Board meetings. However, should the situation arise, decisions may be taken by a majority of Board members. FDM's Articles of Association provide the Chairman with a casting vote in the case of an equality of votes.

Details of the number of meetings of the Board and Committees (which only certain Directors are required to attend) and individual attendances by Directors are set out in the table below.

	Board meetings attended	Audit Committee meetings attended[8]	Remuneration Committee meetings attended	Nomination Committee meetings attended
Number of meetings held in 2019	**10**	**4**	**4**	**3**
David Lister	10/ 10	2/ 2[4]	2/ 2[4]	3/ 3
Rod Flavell	10/ 10	n/ a[1,2]	n/ a[1]	3/ 3
Sheila Flavell	10/ 10	n/ a[1]	n/ a[1]	n/ a[1,5]
Mike McLaren	10/ 10	n/ a[1,2]	n/ a[1]	n/ a[1,5]
Andy Brown	10/ 10	n/ a[1]	n/ a[1]	n/ a[1,5]
Peter Whiting	10/ 10	4/ 4	4/ 4	3/ 3
Robin Taylor	10/ 10	4/ 4	4/ 4	3/ 3
Michelle Senecal de Fonseca	10/ 10	4/ 4	4/ 4	3/ 3
Jacqueline de Rojas	2/ 2[6]	n/ a[1]	n/ a[1]	n/ a[1]
Ivan Martin	2/ 2[7]	n/ a[1]	n/ a[1]	n/ a[1]

1 Not applicable, not a member of the Committee and not required to attend.
2 Rod Flavell and Mike McLaren attended Audit Committee meetings by invitation, not as Committee members. Rod Flavell and Mike McLaren each attended 4/ 4 meetings during the year.
3 Rod Flavell, Sheila Flavell and Mike McLaren each attended one meeting of the Remuneration Committee during the year at the invitation of the Committee. No Director was present during any discussion relating to his or her own remuneration.
4 David Lister stepped down from the Audit Committee and the Remuneration Committee upon becoming Chairman of the Board on 5 March 2019.
5 Mike McLaren, Sheila Flavell and Andy Brown attended one Nomination Committee meeting during the year at the invitation of the Committee Chair.
6 Jacqueline de Rojas joined the Board on 1 October 2019 and attended all Board meetings after that date.
7 Ivan Martin retired from the Board on 5 March 2019.
8 Alan Kinnear attended the December Audit Committee meeting at the invitation of the Committee.

Conflict of interests

Procedures are in place for the disclosure by the Directors of any interest that conflicts, or may possibly conflict, with the Group's interests and for the appropriate authorisation to be sought if a potential conflict arises, in accordance with the Company's Articles of Association.

In deciding whether to authorise a conflict or potential conflict of interest only non-interested Directors (i.e. those that have no interest in the matter under consideration) will be able to take the relevant decision. In taking such a decision the Directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company and may impose such limits or conditions as they think fit. The Board has reviewed the procedures in place and considers that they operate effectively. No actual conflicts of interest arose during the year under review or to the date of this report.

The key areas of focus by the Board in 2019

Strategy	• Reviewed the Group's three-year plan (2019-2021) • Review of the development of new service offerings • Strategic updates from the Group's senior management teams
Operational	• Reviewed the requirements for Academy space and considered potential new Academy locations • Received business updates from the Group's senior management teams • Reviewed information on recruitment and Academy utilisation • Reviewed impact of Brexit on the UK and overseas business
Financial	• Reviewed and renewed the treasury and risk appetite policy • Reviewed monthly business performance against strategic goals • Reviewed trading updates • Reviewed and approved full year and half year results • Reviewed and approved Group budgets and re-forecasts • Approved dividends
Risk	• Bi-annual review of Risk Register and risk management process
Governance	• Approved the appointment of a new Chairman of the Board • Approved the appointment of two new Non-Executive Directors • Carried out an internal review of the effectiveness of the Board and its Committees • Launch of a new Group People Strategy • Gender Pay Gap reporting • Update on Modern Slavery Act compliance • Approval of updated terms of reference for the Board's Committees • Review and update of the Schedule of Matters Reserved for the Board • Viability statement; assessment and approval • Going concern review
Employees	• Received updates on roll-out of the all-employee Buy As You Earn share scheme

Engagement with stakeholders

The Board has identified the following key stakeholders: shareholders, employees, prospective candidates, trainees and clients.

Engagement with shareholders

During 2019 the business continued to work to improve its communication with shareholders through a review of its reporting and the information available on the FDM website. We have established an internal investor relations function led by Mark Heather, the Company Secretary, who works with the Group's brokers and financial public relations advisors to operate a programme of regular engagement with current and prospective investors. In the coming year we aim to develop the investor area of our website to provide additional information on our strategy, business model, competitive position, financial information and strategic progress.

In order to maintain dialogue with institutional shareholders, the Chief Executive Officer and Chief Financial Officer meet with the Company's major shareholders following interim and final results announcements and otherwise as appropriate. The Chief Executive Officer, Chief Financial Officer and Company Secretary also speak regularly with shareholders and potential investors to explain details of our business model, Mountie recruitment, training and deployment programme, and our approach to other important aspects of our work such as inclusion, diversity and social mobility.

During the year we hosted frequent visits from current and prospective shareholders at our offices around the world, offering many of them the opportunity to tour our Academies and speak informally to members of our sales and recruitment teams, as well as trainers and trainees. Those of our investors who take advantage of these visits often tell us that they provide an ideal way to understand our business model, and we are glad to have the opportunity to demonstrate our purpose and the way in which our culture and values support it to drive our business towards our strategic objectives.

The Company also uses the AGM as an opportunity to communicate with its shareholders and welcomes their participation. Shareholders who attend the AGM have the opportunity to ask questions and all Directors are expected to be available to take questions.

Notice of the AGM, which will be held at 10.30am on Wednesday 29 April 2020 at 5 New Street Square, London EC4A 3TW, is enclosed with this report. In accordance with the 2018 Code, the Notice of AGM will be sent to shareholders at least 20 working days before the meeting and any other notice of general meeting will be sent to shareholders at least 14 days before each general meeting and will include details of the proposed resolutions and explanatory notes.

The Board proposes separate resolutions for each issue and proxy forms allow shareholders who are unable to attend the AGM (or general meeting, as applicable) to vote for or against or withhold their vote on each resolution. As soon as practical after the conclusion of the AGM (or general meeting, as applicable), we will announce the proxy votes cast, including details of votes withheld, to the London Stock Exchange via its Regulatory News Service. We will also publish the information on our website.

The Company's Articles of Association can only be amended if such amendment is approved by the Company's shareholders by way of special resolution.

The Group's website (**www.fdmgroup.com**) is the primary source of information on the Group.

Engagement with employees
The Executive Directors regularly spend time in each FDM centre and meet with employees at all levels of seniority. This enables them to promote FDM's culture and values throughout the organisation. The FDM Newsletter allows the Group's culture to be spread from the Executive Team to all employees.

The Executive Directors meet regularly with partners that promote the transition to the civilian work environment from the Armed Forces, and those returning to work after a career break. Sheila Flavell chairs the Institute of Coding's Industry Advisory Board and sits on the main Board and Diversity Council of techUK. She has advised government committees on issues including bridging the digital skills gap and enhancing diversity in the workplace.

Jacqueline de Rojas is the president of techUK, where she engages extensively with government to build policy for the technology industry to thrive. In her role as co-chair of the Governance Board at the Institute of Coding, she promotes lifelong learning through industry collaboration to address the growing skills gap in technology and to encourage widening participation and pathways to digital skills through diversity and inclusion programmes.

In April 2019 Paula Leach joined FDM as global Chief People Officer, a key new executive role reporting directly to the CEO. Paula has recently been Chief People Officer at the Home Office and previously at Ford Motor Company. She works closely with the Board and its Committees to assist them in assessing and monitoring the culture of FDM to ensure that policy and behaviour are aligned with the Group's purposes and strategy. During 2019 the People Team carried out a programme of employee engagement by online surveys and face to face consultations.

The results of this programme were used as the foundation for FDM's new Group People Strategy which was approved by the Board in December 2019. It has been launched in order to assist us in promoting a diverse, inclusive and fulfilling culture in which our people can thrive, optimising our Mounties' experience during their time with us, and ensuring that our employees promote and embody our values and our unique service offering.

In accordance with Provision 5 of the 2018 Code, the Board has appointed Jacqueline de Rojas to engage with the workforce to ensure that the voice of our employees is heard at Board level. Since her appointment to the Board in October 2019, Jacqueline has worked with Paula Leach, Chief People Officer, to devise a programme of workforce engagement which will supplement the work which has already been done to enable the views of the workforce to be raised in confidence, on an anonymous basis, which are then taken into account in the Board's discussions and decision-making.

Engagement with clients
Together with members of the Sales Team, the CEO, CFO and CCO meet on a regular basis with customers in our different territories to discuss their particular requirements. In the last year, we hosted over 850 client visits to our FDM Academy sites around the world, enabling clients to see our training programme in action, as well as to carry out interviews and assessments prior to engaging our Mounties to work on their projects. The senior members of our Sales Team maintain close long-term relationships with senior executives in our client organisations to ensure we are able to anticipate our clients' needs. We regularly update the structure and content of our training programme to reflect commercial and technological changes in the sectors in which our clients work.

2. Division of responsibilities

Chairman, Chief Executive and Senior Independent Director
The roles of the Chairman and Chief Executive, as well as those of the Senior Independent Director, and the division of responsibilities between them are clearly defined and agreed by the Board. As Chairman, David Lister leads the Board and is responsible for ensuring that it performs its role effectively. The Chairman aims to ensure that Board meetings are collaborative and provide an opportunity for all Directors to express their views, to contribute and add value to the Board's work. David Lister was appointed as Chairman on 5 March 2019 and on appointment was independent when assessed against the circumstances set out in Provision 10 of the 2018 Code. Upon his appointment as Chairman of the Board, David Lister stepped down as a member of the Audit and Remuneration Committees.

As Chief Executive, Rod Flavell's main responsibility is to manage the Group's business and to lead the Executive Team in the implementation of the strategies which are adopted by the Board. The Executive Directors under the leadership of the Chief Executive are responsible for managing the day-to-day activities of the Group, communicating the Group's objectives to the wider management team and ensuring that the necessary resources are available to enable those objectives to be achieved. The Executive Team has formal monthly meetings and meets more informally at other times between those meetings.

This separation of roles enhances the independent oversight of executive management by the Board and more closely aligns the Board with shareholders. It also means that no one individual or group of individuals dominates the Board's decision-making. This oversight is further strengthened by the formal reservation of certain matters for the Board's approval, as referred on page 65. The Directors' powers are set out in the Company's Articles of Association.

Peter Whiting is the Group's Senior Independent Director. In performing this role, Peter acts as a sounding board to provide support to the Chairman and the Non-Executive Directors. He also provides shareholders with a point of contact with whom they can meet if they have any concerns which might not be addressed through normal channels, for example with the Chairman or Executive Directors, and ensures that meetings with the Non-Executive Directors are held at least once per annum (or more regularly, if circumstances so require) to evaluate the Chairman's performance. The Senior Independent Director serves as an important intermediary role in FDM's governance process. In carrying out his role, Peter ensures he maintains a thorough understanding of the views of the Company's shareholders.

Support available to the Board
All Board Directors have access to the Company Secretary, who advises them on Board and governance matters. The Board has full authority to appoint and remove the Company Secretary. Members of the Audit Committee received external training covering updates in corporate governance and corporate reporting. The Remuneration Committee also received external updates on developments during the year in governance and trends in shareholder expectations and good practice relating to executive remuneration.

As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent external professional advice at the Company's expense in the furtherance of their duties. As stated previously, the Chairman and the Company Secretary work to ensure that comprehensive information is provided well in advance of Board meetings to give Directors the time and materials they need to contribute to an effective and efficient Board.

Role of the Non-Executive Directors
The Group's Non-Executive Directors have a broad and complementary mix of business skills, knowledge and experience acquired across diverse business sectors and territories. This allows them to provide strong, independent, external perspectives to Board discussions, which complement the skills and experience of the Executive Directors, facilitating a diversity of views aired at Board meetings. This diversity of skills, expertise and backgrounds enables the Non-Executive Directors to offer specialist advice where appropriate, enables robust and constructive debate and improves the quality of the decision-making process. At the same time, it also reduces the likelihood of any one perspective prevailing unduly. A key role performed by the Non-Executive Directors is the scrutiny of executive management in meeting agreed objectives and monitoring the reporting of performance. They also constructively challenge and help develop proposals on strategy and ensure that financial controls are rigorous and that the Group is operating within the governance and risk framework approved by the Board. The Chairman works to ensure a culture of open and transparent debate in Board meetings, this was a particular area of focus at this year's internal evaluation of the Board's effectiveness.

Non-Executive Directors are appointed for an initial minimum period of three years. Their appointments then continue until terminated by either the Director or the Company giving notice to terminate. They are all subject to regular re-election at AGMs and their appointments as Directors would end if they were not re-elected by the shareholders. The terms and conditions of appointment of Non-Executive Directors, including the expected time commitment, are available for inspection at the Company's registered office.

The Board regularly reviews the independence of each of the Non-Executive Directors. When determining whether a Non-Executive Director is independent, the Board considers each individual against the criteria set out in the 2018 Code and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking. Taking these factors into account, the Board considers that all the Non-Executive Directors are independent when assessed against the criteria specified in Provision 10 of the 2018 Code.

Board commitment
When making new appointments, the Board considers other demands on Directors' time to ensure that they are able to devote sufficient time and focus to their role at FDM. New external appointments may not be undertaken without the prior approval of the Board, and where any significant new appointments are approved by the Board, we intend to explain in the subsequent Annual Report the Board's rationale in giving that approval. For Executive Directors we recognise that external board exposure can be useful as part of their development as Directors, but we will not normally permit them to take on more than one external non-executive directorship of a publicly listed company (or another equivalent significant appointment). Sheila Flavell is on the board of techUK. No other Executive Director currently has an external commitment.

Non-Executive Directors are expected to commit at least 24 days per annum to FDM and in practice may commit considerably more time than this. The Board is satisfied that each of the Non-Executive Directors (including the Chair) has sufficient time to devote to the business of the Group and keeps this under regular review.

The current key external commitments of the Directors are included within their biographies on pages 59 to 61.

Details of the remuneration received by each of the Executive Directors for the year ended 31 December 2019 are shown in the single figure table presented on page 91 of the Remuneration Report.

3. Composition, succession and evaluation

Composition of the Board
The Board currently comprises four Executive Directors and six Non-Executive Directors (including the Non-Executive Chairman). Further biographical details about each Director, including information on their prior experience, is set out on pages 59 to 61.

In the period following the appointment of David Lister as Chairman, there were three independent Non-Executive Directors on the Board (other than the Chairman) and four Executive Directors. From 1 October 2019 when Jacqueline de Rojas joined the Board as an independent Non-Executive Director, half the Board (excluding the Chairman) were independent Non-Executive Directors, as required by Provision 11 of the 2018 Code. Since the end of the financial year, Alan Kinnear was appointed on 1 January 2020 as an independent Non-Executive Director.

Robin Taylor will step down as a Non-Executive Director and as Chair of the Audit Committee at the end of the AGM, which is due to take place on 29 April 2020, at which point Alan Kinnear will take on the role of Chair of the Audit Committee. The Board will then comprise equal numbers of Executive Directors and independent Non-Executive Directors (excluding the Chairman), and we expect that the composition of the Board will continue to meet the requirement set out in Provision 11 of the 2018 Code.

Board diversity policy
The Board is committed to the promotion of diversity and inclusiveness of all kinds throughout our organisation. In 2019, we reported a median gender pay-gap of -1.7%, and our mean gender pay-gap was 1.3% (reduced from 5.7% in the prior year). We have also been pleased to participate again this year in the Hampton-Alexander Review which set a target for the percentage of women on FTSE boards and leadership teams to reach one third by 2020.

We believe that by making the most of our differences of approach, and using the collective experiences, backgrounds, skill-sets and knowledge of our talented and diverse employees, we will drive innovation and success and achieve more for our stakeholders. This applies equally to our Board. The composition of our Board is vital to its effectiveness and that, in turn, enhances good governance. At year-end 33% of our Board Directors are female and one Director is Mixed White Asian.

The Board's primary obligation is to make appointments based on objective criteria to ensure that the best individuals are appointed for every role. Within this context, the Board is committed to a policy of promoting a rounded Board which reflects a diversity of all relevant personal attributes, including skills, experience, educational and professional background, gender, race and age. In support of this policy, the Board intends:

- wherever possible to engage executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice;
- to require executive search firms to identify and present an appropriately diverse range of candidates for each vacancy;
- to consider all aspects of diversity including gender and ethnicity when reviewing the composition and balance of the Board as part of the Board's annual effectiveness evaluation;
- to ensure that the succession planning and talent management programme includes initiatives to develop the pipeline of talent, to encourage and monitor the development of a diverse range of internal high-calibre employees and to promote diversity in appointments to the senior management team who will in turn aspire to a Board position;
- to develop further the level, frequency and quality of interaction between Board members (including Non-Executive Directors in particular) and those aspiring senior managers to enable them to gain more exposure to, and understanding of, the Board's work; and
- to review this policy and report on progress on an annual basis.

Appointments to the Board, succession planning and talent management
During the financial year the Board appointed Jacqueline de Rojas as a Non-Executive Director, and since the end of the financial year has also appointed Alan Kinnear to the Board. The Board operates a formal, rigorous and transparent procedure for the appointment of new Directors, the primary responsibility for which is delegated to the Nomination Committee. There is more information about this procedure and the way the Nomination Committee applies it on page 83.

The Board recognises its responsibility for succession planning and regularly considers the balance of skills, experience and knowledge of the Board, to ensure it remains appropriate to the business and that the Board is best placed to achieve the Group's strategic objectives. During 2019 Paula Leach, the Group's newly-appointed Chief People Officer, developed a detailed Talent Management and Succession Planning programme which was reviewed and approved by the Nomination Committee. The key elements of the programme are:

- to build effective succession by proactively managing risk and distributing key knowledge and skills more widely;
- to ensure a well-prepared pipeline of talent in advance of requirements arising, based on merit and objective criteria, and to identify and resolve any gaps in the pipeline; and
- to focus on the skills and diversity of representation which the business needs to ensure sustained future growth.

The programme is designed to promote sustainable organisational performance through smooth succession and to provide investors with assurance that there is stability of talent within the FDM Group. By further developing diversity in our organisation we ensure a diversity of backgrounds and approaches which will help us to avoid "groupthink" and maximise our ability to notice opportunities and potential threats. The programme also provides our senior managers with clarity with regard to career paths, which will enable increased engagement and improved retention of key talent. As we explained in last year's Annual Report, this is a significant project which will take some time to complete, and it will continue to be a key priority for the Board throughout the current financial year. The Nomination Committee will continue to monitor progress with the roll-out of the programme in the first half of 2020 and will report further in next year's Annual Report.

Board induction and development
On appointment, each Director takes part in a tailored induction programme, designed to give him or her an understanding of the Group's business, governance and stakeholders.

Elements of the programme include:

- Briefings from senior management to provide a business overview, update on current trading conditions and strategic commercial issues;
- Meetings with the Company's key advisors and major shareholders, where necessary;
- Meetings with employees at different FDM Academies and centres. In addition, the location of Board meetings is periodically rotated to ensure that Board members have further opportunity to meet employees at different sites;
- Provision of a legal and regulatory memorandum and briefing on the duties of directors of listed companies;
- Details of the Group's corporate structure, Board and Committee structures and arrangements and key policies and procedures; and
- The latest statutory financial reports and management accounts.

Programmes of induction were devised using this structure for Jacqueline de Rojas and Alan Kinnear who have joined the Board since our last Annual Report.

The Chairman, in conjunction with the Company Secretary, ensures that Directors are provided with updates on changes in the legal and regulatory environment in which the Company operates. These are incorporated into the annual agenda of the Board's activities along with wider business and industry updates. The Company's principal external advisors provide updates to the Board, at least annually, on the latest developments in their respective fields, and relevant update sessions are included in the Board's meetings. The Company Secretary updates the Board as appropriate on developments in corporate governance and any relevant legal or regulatory changes. In this way, each Director keeps their skills and knowledge current so they remain competent at fulfilling their role, both on the Board and on any Committee of which they are a member. Specific training and development needs of individual Directors are explored as part of Board evaluations (and may be requested by individual Directors directly) and are addressed by the provision of in-house training or external courses, as appropriate. Each of the Non-Executive Directors also experience development in the course of the outside roles they hold, which contributes to the currency of their knowledge and experience in performing their work at FDM.

Evaluation of the Board and its Committees
In accordance with current best practice and the 2018 Code, the Board undertakes an annual rigorous and formal evaluation of its performance and effectiveness and that of each Director and its Committees. The process is led by the Nomination Committee, and it is the Board's policy to invite external advisors to assist with that evaluation every three years.

Following an externally-facilitated evaluation in 2018, the Board conducted an internal evaluation of its effectiveness in 2019, using the priorities identified from the previous year's evaluation report as the basis of the review to enable Board members to recognise key strengths and weaknesses, and to consider the Board's composition, diversity and how effectively the different members of the Board work together to achieve the Board's objectives.

The Board's Committees conducted their own effectiveness evaluations and reported the findings to the Board. Further information about these evaluations is set out in the Nomination Committee report beginning on page 82.

The Non-Executive Directors met without the Chairman to evaluate David Lister's performance as Chairman and concluded that he had operated effectively in the role.

Re-election of Directors at the 2020 AGM
The Company's Articles of Association require that existing Directors offer themselves for re-election at intervals of no more than three years. At the 2020 AGM, in compliance with Provision 18 of the 2018 Code (and reflecting the Company's membership of the FTSE 250), all Directors will retire and offer themselves for re-election (other than Robin Taylor, who will be retiring from the Board at the end of the AGM on 29 April 2020 and accordingly will not be standing for re-election).

In determining whether a Director should be proposed for re-election at the 2020 AGM, the Board took into account the Nomination Committee's advice based on the results of a review of each Director's contribution to the Board's effectiveness, which formed part of the 2019 Board evaluation. This review confirmed that all Directors continue to be effective and demonstrate commitment to their roles and so the Committee recommended their re-appointment.

4. Audit, risk and internal control

Financial and business reporting
In its reporting to shareholders, the Board recognises its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects. The Board has ensured that processes are in place to achieve this and more information on the processes can be found in the Audit Committee Report on page 79. A statement of the Directors' responsibilities in relation to the Annual Report is set out on page 107.

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

Independence of internal and external audit functions
The Board has in place processes which are managed on its behalf by the Audit Committee and which are intended to ensure that the services provided by the internal and external auditors remain independent and effective. Further information on these processes is set out in the Audit Committee Report on pages 74 to 80.

Risk management and internal control
The Board is ultimately responsible for maintaining sound risk management and internal control systems. These systems are designed to meet the Group's needs and to manage the risks to which it is exposed, including the risks of failure to achieve business objectives and of material misstatement or loss. However, such risks cannot be eliminated. The Group's systems can only provide reasonable but not absolute assurance. They can never completely protect against factors such as unforeseeable events, human fallibility or fraud.

The Board has established a continuous process for identifying and managing the significant risks faced by the Group (in accordance with Financial Reporting Council's 'Guidance on Risk Management Internal Control and Related Financial and Business Reporting' (September 2014)). The Board's view of the Group's key risks and how the Group seeks to manage those risks is set out on page 30 to 36.

The Group has in place appropriate internal control and risk management systems around financial reporting. The Group accounting function is centralised and financial information is held on a central accounting system, from which internal management reporting, budgeting and external reporting is collated.

The Board regularly reviews the effectiveness of the Group's internal controls which have been in place from 1 January 2019 to the date of approval of this report.

An outsourced Internal Audit function is in place for the Group and the scope of work undertaken during the year was carried out in accordance with the updated three-year Internal Audit Plan which was approved by the Audit Committee on behalf of the Board during 2018. A more detailed overview of the areas of focus and programme of work undertaken by the Internal Audit team in the year appears on page 79.

During 2019 the work of the Internal Audit Function included a review of compliance. Having considered the findings of this review, FDM intends to enhance a number of its policies and procedures in key compliance-related areas during the first quarter of 2020 to ensure that the Group's working practices are consistent with its values and support sustainable success.

The key elements of the system of internal controls include:

- The Board meets on a regular basis and is responsible for the operational strategy, reviewing operating results, identification and mitigation of risks and communication and application of the Group's policies and procedures;
- The Group has a clear organisational structure with defined responsibilities and accountabilities;
- Regular reports are made available to the Board on key developments, financial performance against budget and operational issues in the business;
- Operational and financial controls and procedures are in place including authorisation and approval policies for financial expenditure; authorisation and approval policies for contracts and agreements; signing authorities; IT application controls; and appropriate segregation of duties and reviews by management. Further, there are additional procedures in place to address other risks to the business, including a Code of Conduct and Ethics, an Anti-Fraud policy, an Anti-Slavery and Human Trafficking policy, an Anti-Bribery and Corruption policy, and a Conflicts of Interest policy;
- The Group's finance and support functions are centralised;
- The Group has implemented a portal to deliver training to all employees on key regulatory and compliance matters such as Health and Safety, Workplace Harassment and Information Security and the General Data Protection Regulation. Successful completion of the training is monitored and employees' understanding can be refreshed as appropriate;
- An outsourced Internal Audit function is in place, working for and reporting back to the Audit Committee;
- A formal budgeting process occurs annually. The budgets and forecasts are reviewed, approved and monitored by the Board; and
- Regular meetings occur between the Executive Board and senior management team.

5. Remuneration

The Remuneration Committee is focussed on ensuring that remuneration policies and practices for Executive Directors and other senior managers support the Group's strategy and promote long-term sustainable success. Targets and metrics for bonuses and long-term incentives are reviewed annually by the Committee to ensure that they incentivise the behaviours which are necessary to deliver the Group's strategy, and promote long-term sustainable success. The primary aim of the strategy established by the Board is to deliver the Group's purpose (which is described in further detail on page 4). Setting executive remuneration in a way which promotes the delivery of that strategy ensures that remuneration is aligned to the Group's purpose and values.

The Board delegates responsibility for developing policy on executive and senior managers' remuneration to the Remuneration Committee to ensure that the development of the policy is formal and transparent. The Committee regularly seeks independent advice from its external remuneration advisors and keeps itself informed about market trends in executive remuneration and on remuneration-related areas which are important to the Group's shareholders. The Committee consults with key shareholders prior to making significant changes in Remuneration Policy.

The Directors' Remuneration Policy contains detailed and transparent information about the rationale behind its key provisions to enable shareholders to understand the link between the policy and delivery of the Group's long-term strategy. Each member of the Remuneration Committee exercises independent judgment and discretion when authorising remuneration outcomes, in line with the policy.

The Board as a whole takes responsibility for approving the remuneration of Non-Executive Directors.

The Directors' Remuneration Report provides more detailed information about the work of the Remuneration Committee, as well as setting out the Company's policy on remuneration and detail of the remuneration of each Director.

The Corporate Governance Report was approved by the Board on 10 March 2020 and signed on its behalf by:

David Lister
Chairman
10 March 2020

Audit Committee Report

Chair's introduction

I am pleased to present the report of the Audit Committee for the year ended 31 December 2019, which provides information on the Committee's key responsibilities, key activities during the period, and the work we have done to assure shareholders on the integrity of the 2019 Annual Report and financial statements.

Effective risk management is critical to the delivery of the Group's strategic objectives. The Board establishes the nature and extent of the risks which it is prepared to take in order to achieve its strategic aims, and is responsible for ensuring that the Group's internal control and risk management systems are effectively managed across our business, the Board has delegated to the Audit Committee responsibility for oversight of the measures we have in place, and reviewing the effectiveness of the risk management process remains one of the most important areas of focus for the Committee's work.

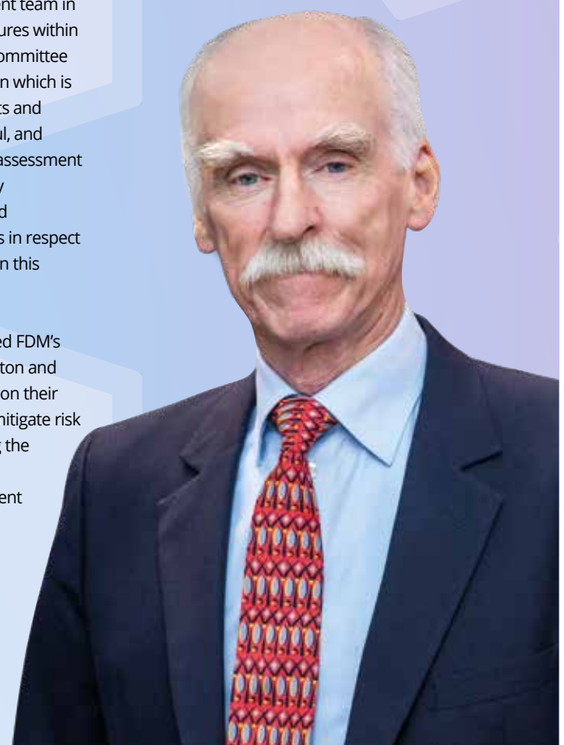
As in previous years, the Committee carried out a risk assessment and reviewed the Group's risk management process several times in the year. Our overall conclusion is that the process continues to operate effectively across the Group. However, we are always conscious that the risk management process can be refined and this year we have broadened our approach to include discussions with a wider range of employees within the organisation with the aim of increasing the breadth of information available to us to update our assessment. Further information about the principal risks to our business is set out on pages 30 to 36.

Our assessment of the principal risks as set out in our Group Risk Register continues to inform the planning of our Internal Audit programme. Last year we reported that the Committee had approved a refreshed three-year Internal Audit Plan during 2018. We have now completed the second year of that plan which covers the key financial, operational and regulatory aspects of our business. Details of the work undertaken by the Internal Audit team during the year are set out on page 79. This work included a follow-up review of our business continuity plan and full reviews of our IT disaster recovery plans, regulatory compliance, Board oversight of overseas operations and our financial controls. As a standing agenda item, the Committee monitored the potential impact of Brexit on the Group's business. As we move into the final year of the current three-year plan we will be planning the next stage of our Internal Audit programme which will be reported on further next year.

The Audit Committee continues to provide appropriate challenge to the decisions and approach taken by the management team in relation to the content and disclosures within the Group financial reports. The Committee aims to ensure that the information which is provided about the key judgements and estimates made is clear and helpful, and assists investors in reaching a fair assessment of FDM's financial position. The key management judgement areas and significant financial reporting items in respect of the financial year are disclosed in this report on page 78.

In July 2019 David Lister and I visited FDM's Finance team at our office in Brighton and received a comprehensive update on their work and the controls in place to mitigate risk in this area of the business. During the visit we were reassured by FDM's experienced and stable management team, who are overseeing the development and integration of the new Kimble Timesheet and Billing System.

As announced on 18 December 2019, after almost six years as a Non-Executive Director of FDM Group and over four years as Chair of the Audit Committee, I have decided to retire from the Board and, accordingly, I will not be seeking re-election at the Annual General Meeting due to take place on 29 April 2020. My colleague Alan Kinnear, who joined the Board in January 2020 will take on the role of Audit Committee Chair with effect from the close of the AGM. Over recent months we have been carrying out a careful handover process. This has been very valuable and has left me confident that Alan's background and experience will enable him to lead the Audit Committee proactively and with independence and integrity.



Priorities

Last year, in addition to the business as usual work, the Committee set itself three key priorities for 2019. We have made good progress in respect of these priorities, as outlined below:

2019 priorities	Progress
Focus on internal controls and risk management, with a particular emphasis on assessing wider operational controls.	The three-year Internal Audit Plan, refreshed in 2018, remains a key mechanism in assessing the effectiveness of the Group's operational controls. The work carried out during the year covered the operational areas of IT disaster recovery and Business Continuity, Compliance, the Board's oversight of overseas operations, and financial controls. The Committee considered the findings of all these reviews and a number of changes have been made in each of the areas noted which will further strengthen the overall control environment.
Review plans to upgrade systems to support the further expansion of the business internationally.	During the year the Group selected and commenced the implementation of a new time recording, billing and expenses system which will provide significant efficiencies and benefits for our clients, Mounties and other staff who use it. Given the importance of this project for the finance team the Committee monitored progress by receiving regular reports from the project team. The implementation has gone well and the system is now operational in the UK and Ireland, with the roll-out to our other territories due to be completed by the end of the third quarter of 2020.
Monitor the impact on FDM and its key markets of the UK's withdrawal from the EU and the UK Government's plans for future trading and finance.	Although we believe that our business model is resilient against many of the threats and uncertainties which are commonly perceived to arise from Brexit, the Committee has continued to keep the position under review. As the UK's withdrawal from the EU progresses and the UK's future trading and financial relationship with the EU becomes clearer the Committee will continue to monitor any impact arising from these changes to ensure that appropriate steps are taken to mitigate any risk and maximise any business opportunity which may arise.

These areas will remain a key focus for 2020 as we continue to progress our three-year Internal Audit Plan. In addition, the Committee intends to focus on the following in the coming year:

- the impact of the ongoing changes to the UK's relationship with the EU as legal and trading arrangements evolve;
- the Group's cyber-security arrangements;
- the impact of the novel coronavirus on the Group's business; and
- the increase in regulatory complexity for boards and audit committees and the Competition and Market Authority's ("CMA's") proposed changes to the statutory audit profession.

Audit Committee Report

Role of the Committee
The Committee is appointed by, and reports to, the Board. The Committee's terms of reference were updated during the year to reflect the changes in the 2018 Code. The terms of reference are available in the Corporate Governance section of the Group's website at www.fdmgroup.com.

The key responsibilities of the Committee are to:

- monitor the application of financial reporting and internal control principles set out in the 2018 Code, and to maintain an appropriate relationship with the Company's auditors;
- monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, including any significant financial reporting judgements contained in them;
- provide advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review the Company's internal financial controls and the Company's internal control and risk management systems;
- monitor and review the effectiveness of the Company's internal audit function;
- review the arrangements by which the Company's staff may raise concerns in confidence about possible improprieties in matters of financial reporting or other matters, and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- ensure compliance with laws, regulations, ethical and other issues;
- make recommendations to the Board, and for approval by shareholders, on the appointment, re-appointment and removal of the external auditors;
- monitor the external auditors' independence and objectivity and the effectiveness of the external audit process; and
- oversee the engagement of the external auditors to supply non-audit services.

Composition of the Committee
During the year, the members of the Committee were Robin Taylor (Chair of the Committee), Michelle Senecal de Fonseca, Peter Whiting and David Lister (until 5 March 2019). David Lister stepped down from the Audit Committee on taking the role of Chairman of the Board.

Alan Kinnear joined the Committee upon his appointment to the Board on 1 January 2020.

The Board is satisfied that Robin Taylor, a chartered accountant with significant financial experience in a public company environment and who was Committee Chair during 2019, has the recent and relevant financial and accounting experience required by the 2018 Code. Michelle Senecal de Fonseca and Peter Whiting also have experience in financial and reporting matters through their other business experience and current external roles. The Committee as a whole has a sufficiently wide range of business experience and expertise, including significant experience and competence in the sector within which FDM operates, such that the Committee can effectively fulfil its role.

In compliance with the 2018 Code, the Committee membership is limited to independent Non-Executive Directors of the Company.

Members' experience is documented in their biographies included on pages 59 to 61.

I will step down as Chair of the Committee and retire from the Board at the end of the Annual General Meeting on 29 April 2020, at which point Alan Kinnear will be appointed Chair of the Committee. The Board is satisfied that Alan Kinnear, as a chartered accountant, also has the recent and relevant financial experience which the 2018 Code requires for those taking on the role of Audit Committee Chair. Further information about Alan's experience is on pages 60 and 83.

The Committee's agenda
The Committee has a broad agenda of business which focusses on the Group's assurance, risk and audit processes through a series of scheduled meetings during the year. The agenda follows an annual plan which is set in advance in discussion with senior management, the financial reporting team, the external auditors, and the Internal Audit function. The annual plan incorporates items driven primarily by the financial calendar of the Group but also includes work on the Internal Audit programme and is adapted through the year to address any other relevant matters which may require the Committee's attention.

The Committee acts autonomously and sets its own agenda in addition to routine matters and those suggested by the main Board. In setting the agenda, the Committee keeps in mind the regulatory framework, the 2018 Code and the FRC's Guidance on Audit Committees.

The Committee met four times during the financial year with all members in attendance at all meetings. During the year, the Chief Executive Officer, Chief Financial Officer, Chief Information Officer, Group Financial Controller, Group Data Protection Officer and other senior management attended certain meetings at the invitation of the Committee in order to ensure that the Committee remained fully informed of events and developments within the business. Presentations were received on legal, regulatory, IT security and disaster recovery matters, contributing to the Committee's role in monitoring the management of risk.

The Group's external auditors, PwC, attended three of the four Committee meetings during 2019. Following each of those three meetings PwC had the opportunity to hold an informal discussion with the Committee members without any of the executive management team being present. The Committee Chair also met with PwC on several occasions outside of the Committee.

The Internal Auditors KPMG LLP ("KPMG") attended all four meetings during the year to discuss plans for their programme of work and to present their findings. KPMG attend for the full duration of each meeting, as the Committee believes that the effectiveness of the Internal Audit function is enhanced by an understanding of other matters covered at the meetings, and of the external audit work being carried out by PwC. KPMG and PwC have direct access to the Committee Chair at all times through the year.

In addition to the meetings of the Committee, the Committee Chair and other Committee members met with other members of the Finance team, senior management and regional operating management throughout the year.

March 2019
- Reviewed and recommended to the Board the approval of the Preliminary Announcements and the 2018 Annual Report. This work included: ensuring that the report is fair, balanced and understandable; reviewing the significant judgements applied in the Annual Report; considering the appropriateness of the 'going concern' statement and the viability statement; and approving the statement of principal risks to the business as set out in the Annual Report
- Received a presentation from PwC on their audit of the financial results for the year ended 31 December 2018, and reviewed and approved the Auditors' Report to the Audit Committee
- Reviewed the Internal Audit plan for 2019, making minor adjustments to the plan to reflect the Committee's updated priorities
- Reviewed final reports following the Internal Audit reviews carried out in 2018 on business continuity planning and resource management
- Approved the Committee's agenda for the remainder of 2019
- Considered the requirements of Committee members for additional training and development in areas relevant to the Committee's business

May 2019
- Approved the updated Internal Audit plan for the period 2019 to 2020
- Received a progress report on the implementation of recommendations from the 2018 Internal Audit programme
- Reviewed performance of the Internal Audit function against its agreed KPIs
- Received an update on progress with the upgrade of the Group's Timesheet and Billing System
- Received an update on the reporting, accounting and governance changes applicable to the Group
- Reviewed the potential impact of Brexit on the Company's operations
- Reviewed the Group's approach to risk management
- Reviewed the effectiveness of the external auditors
- Reviewed the Audit Committee's Terms of Reference

July 2019
- Reviewed PwC's report to the Committee (interim review for the six months to 30 June 2019)
- Reviewed the Interim Report, including the "going concern" statement, and recommended its approval to the Board
- Received a report on the review of, and updates to, the Group Risk Register
- Reviewed and approved the statement of principal risks and uncertainties set out in the Interim Report
- Monitored the impact of Brexit on the Group's operations
- Received a report on the findings of the internal auditors following their review of financial controls
- Received an update from the Chief Information Officer on the Business Continuity Plan enhancement project
- Received a further update on the implementation of the Group's updated Timesheet and Billing System
- Discussed arrangements and proposed content for an Audit Committee training session which subsequently took place in January 2020

December 2019
- Reviewed and approved PwC's year-end audit plan and fees for the audit of the 2019 financial results
- Received a report from the Chief Information Officer on steps taken to manage cyber risk and an update on testing of the updated Business Continuity Plan
- Received a report on the findings of the Internal Auditors following their review of: i) compliance; ii) Board oversight of overseas operations; and iii) IT disaster recovery
- Received a report on a review of, and updates to, the Group Risk Register
- Received an update on reporting, accounting and corporate governance changes
- Received a further update on the implementation of the Group's updated Timesheet and Billing System
- Undertook a review of whistleblowing and anti-bribery policies and procedures
- Carried out a review of the Committee's effectiveness

In addition to the work outlined above, as a standing item on the agenda of every meeting, the Committee reviews the level of fees incurred with PwC on non-audit work to ensure compliance with the Group's policy on non-audit fees.

Significant financial reporting items

The Committee scrutinises matters it considers important by virtue of their potential impact on the Group's results or the degree of estimation or judgement involved in their application to the Consolidated Financial Statements. To this end, the Committee receives regular reports from the Chief Financial Officer and the Group's external auditors, PwC. The Committee has considered all significant estimates and judgements identified in note 4 to the Consolidated Financial Statements on page 127, having received drafts of the Annual Report and financial statements in sufficient time ahead of signature to enable a thorough review, and allow for the opportunity to challenge and discuss the Report's content.

The main areas of focus are set out below:

Area of focus	Steps taken to address each area
Revenue Revenue in respect of non-receipted timesheets is accrued at a percentage of the estimated contract value where timesheets have not been received at the cut-off date from Mounties or contractors.	The Committee discussed and reviewed revenue recognition in detail with management and PwC and remains satisfied that Group accounting policies with regard to revenue recognition have been adhered to and that estimates remain appropriate.
Share-based payments For a fifth consecutive year, the Company granted awards under the FDM Performance Share Plan ("the PSP"). Associated with accounting for the awards are estimates relating to the number of shares which will vest.	The Committee is informed of the key assumptions and estimates applied in calculating the share-based payment charge. The Committee is satisfied that the assumptions and estimates applied are appropriate.
Going concern and viability The Committee has considered the "Going Concern" basis assumed within the financial statements and viability period. The underlying assumptions, the reasonableness of those assumptions and the headroom/ funding facilities available were considered as part of the Committee's review. The review also considered the impact of a range of sensitivities on the key assumptions.	The Committee received and reviewed a paper prepared by the Finance team supporting the adoption of the going concern basis and the appropriateness of the viability period. The Committee is satisfied with the judgements in these areas and that sufficient work was performed to enable the Committee to conclude on the adoption of the going concern basis. The Committee reviewed and concurred with the reasonableness of the viability period included within the viability statement on page 37.
Provisions The Committee has considered the requirements of IAS 37 'Provisions, contingent liabilities and contingent assets' in determining the appropriateness of the accounting for, and disclosure of, provisions, contingent assets and contingent liabilities within the Annual Report.	The Committee has discussed with PwC and management the accounting for, and disclosure of, provisions, contingent assets and contingent liabilities, including where it relates to open legal claims, and are satisfied that the application of IAS 37 is appropriate.
Impact of new accounting standards The Committee has considered the impact of new accounting standards including IFRS 16 'Leases'.	The Committee has reviewed papers prepared by the Finance team, outlining the impact of new accounting standards as applied to FDM and is satisfied that the impact has been appropriately assessed. The impact from the introduction of IFRS 16 'Leases' from 1 January 2019 is set out in note 6 to the Consolidated Financial Statements and was disclosed in our 2019 Interim Report.

Fair, balanced and understandable
As requested by the Board, the Committee has considered whether, in its opinion, the Annual Report and Accounts 2019 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. In forming its opinion, the Committee considered the information it had received and the discussions that have taken place with senior managers in the business.

All members of the Committee received a full draft of the Annual Report and Accounts two weeks prior to the meeting at which it was required to provide its final opinion. The Committee reviewed the report to ensure that: it provided a balanced reflection of the Group's performance; the presentation of adjusting items was relevant and understandable; all material matters were considered; and there was internal consistency and there were linkages throughout, including the presentation of the risks and significant judgements.

The Committee concluded that the Annual Report and Accounts 2019, taken as a whole, was fair, balanced, and understandable, and considers that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee made a recommendation to the Board to this effect. The Directors' statement of responsibilities on a fair, balanced and understandable annual report is given on page 107.

Internal control and risk management
The Committee is responsible for monitoring and reviewing the effectiveness of the Group's internal control and risk management systems. Through monitoring the effectiveness of its internal controls and risk management, the Committee is able to maintain a sound understanding of the Group's trading performance, key judgemental areas and management's decision-making processes.

The key elements of the Group's internal control framework and procedures are set out on pages 72 and 73.

Internal Audit
The Group's Internal Audit function is wholly outsourced to KPMG. There were two elements to the Committee's rationale in deciding to outsource the Internal Audit function: first, the Committee considers that outsourcing ensures the process is independent and second, it guarantees that specialist input is available when required, taking into account the international nature of FDM's business and the need for technical specialism, particularly when reviewing non-financial areas of the business (which has been particularly applicable during 2019).

An updated three-year Internal Audit Plan was approved by the Audit Committee in 2018. The Plan is risk-based, prioritising reviews of the areas which are identified as principal risks in the Group Risk Register, and covering all key financial, operational and regulatory parts of the business. Specifically, in 2019, the following areas were reviewed: Business Continuity (follow-up review), Financial Controls, Compliance, Board Oversight of Overseas Operations, and IT Disaster Recovery. A review of the key controls covering significant financial processes which are documented in the Risk Controls Matrix ("RCM") had previously been carried out in 2018, but given the importance of ensuring we have robust controls over our financial processes, it is intended that core financial controls will continue to be reviewed on a regular basis.

The findings from the reviews were presented to the Audit Committee throughout the year and are supported by related action plans to make improvements where relevant. No serious weaknesses were identified by the Internal Audit reviews carried out during the year.

The effectiveness of the Internal Audit function's work is monitored on an ongoing basis using a number of inputs, including the reports received, the Audit Committee's engagement with the Group Financial Controller who is the Group's primary point of contact with the internal auditors, and an assessment during the year of the internal auditors' performance against the KPIs identified in the Internal Audit Plan. The Audit Committee considers that the Internal Audit process is an effective tool in the overall context of the Group's risk management systems.

The Audit Committee Chair also met with the Internal Audit team in advance of every meeting without management present.

External auditor
PwC is the Group's current external auditors, having been appointed in 2013. The Group is not required under current EU legislation to conduct a tender before the year ending 31 December 2023. Any recommendation relating to the re-appointment of the external auditors will continue to be the subject of rigorous review each year.

Audit Committee Report

Auditors' independence and objectivity
Both the Committee and the Board keep the external auditors' independence under review. Since July 2016, the Committee has been monitoring the fees paid to the external auditors for non-audit work at each Committee meeting. Any non-audit work which will result in fees exceeding £5,000 must be approved in advance by the Committee Chair. More substantial work involving fees exceeding £50,000 requires the approval of the Committee as a whole. The Group receives a formal statement of independence and objectivity from PwC each year, and confirmation that PwC's partners and staff have complied with UK regulatory and professional requirements, including the Ethical Standard issued by the Financial Reporting Council. The Committee also obtains quotes in a competitive tender for all non-audit work performed.

Fees for non-audit work carried out by PwC as a percentage of audit fees for the year ended 31 December 2019 were 22% (2018: 22%). Further disclosure of the non-audit fees paid during the year ended 31 December 2019 can be found in note 8 to the Consolidated Financial Statements.

External audit partners are rotated every five years. The external audit partner in respect of the 2019 financial year has been Jaskamal Sarai, who has now completed five years in that role for FDM Group. Jaskamal Sarai will therefore step down as audit partner for FDM Group on completion of the 2019 audit and the Committee would like to thank him for his input and support in their work over the last five years. Katharine Finn will take over as external audit partner in respect of the 2020 financial year.

The Group continues to engage KPMG, an independent accounting firm, to perform Internal Audit work, tax consulting and other assignments to further ensure that the independence and objectivity of the external auditors is not compromised.

Effectiveness of external auditors
During the year, the Committee reviewed the effectiveness and independence of the external auditors, using a questionnaire which was completed by key members of the Finance team and each member of the Committee. The questionnaire asked individuals to rate the performance of the PwC audit team in the following areas: knowledge and expertise; independence and objectivity; effectiveness of the planning process; ability to firmly challenge management; and quality of audit deliverables. The feedback from the questionnaire was then used as the basis for a more wide-ranging discussion at the meeting held in May 2019 (at which PwC were not present). Based on the feedback and their further discussions, the Committee concluded that:

- the overall audit approach, materiality, threshold and areas of audit focus were appropriate to the business; and
- the audit team possessed the necessary quality, expertise and experience to provide an independent and objective audit.

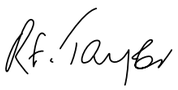
Whistleblowing
The Group has in place a whistleblowing policy which enables employees to report concerns on matters affecting the Group or their employment, without fear of recrimination.

Whistleblowing and other compliance matters were reviewed by KPMG during the year. One recommendation from this review, being the introduction of an external independent whistleblowing helpline, is being considered.

The Committee reviewed the Group's whistleblowing policy and procedures in December 2019 and is satisfied that they remain appropriate. There were no instances of whistleblowing during the year.

Anti-bribery and corruption policy
The Group has a zero-tolerance policy to bribery and corruption. The Group's Anti-bribery and Corruption policy is issued to all employees, and training is provided to all current employees and new starters to ensure that they understand the Group's policy and the importance of compliance. The Committee reviewed the effectiveness of the policy in December 2019 and concluded that it remains an effective tool for managing the anti-bribery and corruption risks faced by the Group.

Audit Committee effectiveness
An evaluation of the effectiveness of the Committee in discharging its duties was conducted internally this year. The evaluation process was facilitated by the Company Secretary and was based on the completion of questionnaires (which included questions to be scored and free text questions) by members of the Committee. The questionnaire was designed to address the key elements of Audit Committee effectiveness which are identified in the 2018 Code, the FRC's Guidance on Board Effectiveness published in July 2018, and the FRC's Guidance on Audit Committees published in April 2016. The results, once reviewed by the Company Secretary, were then discussed with the Committee Chair and tabled at a meeting of the Committee for discussion. The Committee regularly reviews its terms of reference and updates them as necessary to reflect current best practice, and to ensure that its approach remains in line with those terms of reference and the Financial Reporting Council's Guidance for Audit Committees. The Committee is satisfied that it continues to be effective in discharging its duties.



Robin Taylor
Audit Committee Chair
10 March 2020

For a fifth consecutive year, the Company granted awards under the FDM Performance Share Plan

Nomination Committee Report

Chair's introduction

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2019.

The primary role of the Nomination Committee is to lead the process for appointments to the Board, to monitor its composition, diversity and performance, and to plan for orderly succession to the Board and the Group's senior management team. This year we have appointed two new Non-Executive Directors to the Board; Jacqueline de Rojas joined us in October 2019 and Alan Kinnear was appointed in January at the beginning of the new financial year.

The Committee undertook a review of its effectiveness during 2019 and concluded that the Committee continues to operate effectively.

Information on the activities of the Committee during the year is set out in this report.

Committee composition
The Committee is appointed by, and reports, to the Board. Its members during the year were as follows:

David Lister (Committee Chair from 5 March 2019)
Rod Flavell
Robin Taylor
Peter Whiting
Michelle Senecal de Fonseca
Ivan Martin (retired from the Board and as Committee Chair on 5 March 2019)

Role of the Nomination Committee
The role of the Committee is summarised below and detailed in full in its terms of reference, a copy of which is available on the Group's website (www.fdmgroup.com).

The main responsibilities of the Committee are to:

- Review the structure, size and composition of the Board and its Committees including its balance of skills, knowledge, experience and diversity, and make recommendations to the Board with regard to any changes;
- Lead the process for identifying candidates to fill Board vacancies as and when they arise, and recommend new appointments to the Board for approval;
- Consider succession planning for Directors and other senior executives taking into account the challenges and opportunities facing the Company, and the skills and experience needed on the Board in the future;
- Keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring that FDM can continue to compete effectively in the marketplace;
- Review the results of the Board performance evaluation process which impact on Board composition; and
- Ensure that Non-Executive Directors are able to allocate sufficient time to their work at FDM to allow them to fulfil their duties.

Appointment of new Board Chair
David Lister was appointed to the role of Chairman of the Board from 5 March 2019 following the retirement of Ivan Martin. The process followed in respect of that appointment was set out in our Annual Report 2018.

Appointment of new Non-Executive Directors
Following the retirement of Ivan Martin as Chairman of the Board and the appointment of David Lister to that role in March 2019, the Board wished to appoint another Non-Executive Director to ensure an appropriate balance between Executive- and Non-Executive Directors in accordance with Provision 11 of the 2018 Code, and to refresh the combination of skills, experience, and knowledge available to contribute to the Board's work.

Having considered and identified the qualities, experience, skills and personal attributes required for the new non-executive position, our usual process would be to prepare a brief for an external executive search agency to use in the search for a candidate meeting our requirements. The Nomination Committee had, in late 2018, conducted an in-depth search for a new Chairman of the Board with the help of Sapphire Partners, an independent external search consultancy who had previously been engaged by FDM in the search for Non-Executive Directors, but who have no other connection with the Group. That search for a new Chairman of the Board had resulted in the appointment of David Lister (and we described the process used for that search in our Annual Report 2018). However, Jacqueline de Rojas had been one of the potential candidates identified by the Nomination Committee in relation to the Chairman role and, although she was not eventually appointed to that role, the Committee considered that she would be an ideal candidate for the new Non-Executive Director role. On this occasion, therefore, the Committee felt it inappropriate and unnecessary to conduct a further in-depth external search and approached Jacqueline to gauge her interest in joining the Board. Subsequently, following a formal process involving interviews with all members of the Board and a recommendation from the Committee to the Board, Jacqueline de Rojas was appointed as a Non-Executive Director on 1 October 2019.

Another key focus for the Nomination Committee in the second half of the year has been to identify a suitable successor to Robin Taylor as Chair of the Audit Committee after Robin indicated to us that he would plan to retire from the Board in 2020 after his replacement could be found. A specification was prepared which set out the qualities, experience, skills and personal attributes required for this role. It was particularly important for the Board at this time of change, increasing regulatory complexity and focus on the audit profession, to identify a candidate not only with recent accounting experience but also a background which would enable them to set clear expectations for internal and external auditors and to oversee their effectiveness.

The Company engaged Drax Executive, an independent external executive search consultancy who has no other connection with the Group, to assist with the appointment process. Drax Executive is a signatory to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice. After identifying alternative candidates who were interviewed by members of the Committee and the wider Board (including the current Audit Committee Chair), the Nomination Committee recommended to the Board that Alan Kinnear should be appointed. The Board approved the recommendation and Alan Kinnear was appointed as a Non-Executive Director on 1 January 2020. Alan Kinnear will take over as Audit Committee Chair when Robin Taylor steps down from the Board at the end of the Annual General Meeting to be held on 29 April 2020. Alan was with PwC for 35 years until his retirement in 2015, including 23 years as an audit partner working with listed, private equity-backed and fast-growth entrepreneurial companies like FDM. He was a member of PwC's South East regional board and a national leader for audit services in the private equity sector. Alan is a member of the Institute of Chartered Accountants of Scotland. The Nomination Committee considered that his significant experience in financial reporting, regulation, corporate governance and risk management would be valuable to the Audit Committee and the Board.

2019 Board effectiveness review
Our view is that Board evaluation is a valuable process that provides a regular mechanism by which the Board can challenge itself to identify any areas where its performance can be improved to enhance the effective and efficient conduct of Board business, for the benefit of FDM and all its stakeholders. The 2018 Code requires that FTSE 350 Companies should arrange for the evaluation of the Board to be externally facilitated at least every three years, and our last external evaluation was carried out by CK Coombs & Co in 2018.

Our evaluation of the Board and its Committees was conducted internally this year. The evaluation of the main Board was facilitated by the Chairman of the Board with support from the Company Secretary, and was based on a set of formal questions designed to assess the performance of the Board, including the Chairman and individual Directors, against the priorities identified during last year's externally-facilitated evaluation, and a selection of other areas of particular priority to the Board. The questions were provided to all Board members in advance and then formed the basis of a formal but open and wide-ranging round-table discussion. The Chairman also had individual face to face discussions with individual Directors around the topics which had been identified for particular focus.

Nomination Committee Report

The results of the evaluation discussions were collated and reviewed by the Chairman and the Company Secretary and an action plan was subsequently presented to the Board which will enable it to address a number of areas where it was considered that the Board's effectiveness could be improved, as well as recognising the strengths of the Board. A summary of the areas covered in the evaluation is as follows:

- the Board will continue to promote diversity of thought and different perspectives in its discussions. A boardroom dynamic which enables ideas to be openly and constructively challenged and robustly debated will avoid any tendency towards group-think and support effective decision making;
- the Board will continue to enhance its regular agenda to ensure that the primary focus is on matters which support the development of the Company's strategy, performance and culture, rather than the reporting of operational matters;
- in recognition of the fact that FDM's people are its key strategic asset, the Group People Strategy which has been launched during 2019 will remain a key focus for the Board in 2020. The Board intends to monitor the implementation of the strategy to ensure that our people are supported and developed with the skills and behaviours which they need to enhance their careers at FDM and the delivery of the Company's long-term goals; and
- during 2020 the Board will focus on the processes in place to understand and manage the key risks to the Group and the delivery of its strategy. Refreshing the approach to risk will ensure that any potential complacency about the mitigation of risk is avoided and that the systems and controls which are in place are robust enough to deal with a broad spectrum of risk and agile enough to respond quickly to rapidly emerging risks.

The Board intends to review progress against the action plan on an ongoing basis through 2020 as we consider ongoing assessment of effectiveness most likely to support a sustained focus on improvement.

Each of the Board's principal Committees evaluated its own effectiveness using a similar process, either by the completion of questionnaires (using both scoring and free-text questions) by Committee members, or the circulation of a list of key questions and topics used as the basis of a formal discussion, according to the preference of each Committee Chair. The results of each Committee's evaluation were then presented to the Board.

Peter Whiting, as the Senior Independent Director, led a review of the Chairman of the Board's performance in discussion with the other Non-Executive Directors.

Succession planning

A key task of the Committee is to keep under review the Company's succession plans for members of the Board and senior management team over the short, medium and longer term, to ensure that the Board maintains the appropriate balance of skills and experience to carry out its work in the most effective way. In particular, when the opportunity arises for refreshment of the Board, the Board bears in mind the need to ensure that its membership is diverse. The Board adopted a new Board diversity policy to assist in this aim in 2018, further details of which are set out on page 70.

The Board's primary aim is to make appointments based on objective criteria which ensure that the best individuals are appointed to each Board role. We also believe that a Board made up of individuals with a diverse range of personal attributes, including skills, experience, educational and professional background, gender, race and age, will contribute to innovation in the Board's thinking and approach – and, in turn, will enhance the quality of decision-making.

The Committee has worked with Paula Leach, our new Global Chief People Officer appointed in April 2019, to develop more formal and detailed succession planning processes for the Board and senior management teams, looking in more depth at the likely growth and development of the Group's business and the evolution of the markets in which we operate. Following the new Chief People Officer's initial assessment of our business, a new succession planning programme was launched in the second half of 2019, and there are further details about the programme and its aims on pages 70 and 71. The programme is closely linked with our separate organisational design and talent management programme, which was launched in December 2019 and which aims to build a strong talent pipeline for FDM's whole organisation. The new programmes will be rolled out commencing in the first quarter of 2020 and the Committee will monitor that process carefully and review the strengths which are identified in the talent pipeline and actions which are needed to close any gaps in the pipeline which the process identifies. The Committee will also focus closely on the data arising from the programme which will help to assess diversity in the Group, career progression and attrition.

Independence and effectiveness

As recommended by the 2018 Code, all the current Directors will be standing for re-election at the AGM in 2020 (other than Robin Taylor, who will be retiring from the Board after the AGM). Having reviewed the independence and contribution of the Directors, the Committee confirms that the performance of each of the Directors continues to be effective and each demonstrates commitment to their roles, including independence of judgement, commitment of time for the Board and (where relevant) Committee meetings and their other duties. Accordingly, the Committee has recommended to the Board that all current Directors of the Company be proposed for re-election at the forthcoming AGM.

David Lister
Chair of the Nomination Committee
10 March 2020

The Board will continue to promote diversity of thought and different perspectives in its discussions

Remuneration Report

Statement from the Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present our Remuneration Report for the year ended 31 December 2019.

In this report we set out the remuneration earned by Directors in 2019 and how our Directors' Remuneration Policy will operate for 2020. We then set out an extract of the policy approved at the 2018 AGM; the full approved policy is available on our website. We aim to be clear and transparent in our approach and we take our responsibility to shareholders seriously. We hope this report will demonstrate how we balance appropriate reward with the delivery of value to shareholders, ensuring that Executive Directors' remuneration is linked to the achievement of stretching performance measures, without encouraging the taking of unnecessary risk.

Linking executive remuneration to our purpose

FDM's Remuneration Committee, and its Board more widely, are committed to the alignment of our remuneration with our culture and purpose as an organisation.

Employee share ownership has been, and will remain, one of our fundamental principles, critical to our ability to recruit talented individuals. Our Executive Directors have consistently received lower PSP awards than permitted under the Directors' Remuneration Policy, enabling us to grant awards more broadly throughout the organisation. In 2019 we were delighted to launch our new "Buy As You Earn" scheme, under which 245 employees now have a direct long-term interest in FDM's shares and ongoing performance.

We recognise the importance of creating a long-term sustainable business, and shareholders will see below that aligned with our purpose we are introducing a new bonus measure directly linked to employee satisfaction. Our Executive Directors all have significant shareholdings in the Company, providing strong alignment of their interests with the long-term interests of shareholders and ensuring a focus on sustainability. We enhanced this in 2019 with the introduction of a holding period on PSP awards and will further strengthen this in 2020 as we introduce deferral to the Executive Directors' bonus and a formal policy on post-employment shareholding.

Review of Directors' Remuneration Policy in 2019

Our Directors' Remuneration Policy was approved by shareholders at the 2018 AGM with over 97% of the votes cast in favour of it, and I was delighted to see strong shareholder support also reflected in over 97% of the votes cast at the 2019 AGM being in favour of the 2018 Directors' Remuneration Report. The Remuneration Committee considered the policy during 2019 and concluded that it remains appropriate as it has, throughout the year, operated as intended in terms of company performance and quantum. The policy, therefore, will continue to apply in 2020, and we will seek shareholder approval for a new policy at the 2021 AGM in line with the statutory requirements.

- We reported last year that, having regard to the introduction of the 2018 Code, we would change the way in which we implement the policy, including the application of a holding period to the PSP awards and the enhancement of the recovery provisions applying to variable remuneration; those changes were applied in 2019 and will continue to apply in 2020 and beyond. We also said that during 2019 we would develop a policy on post-cessation shareholdings for Executive Directors. The development of this policy has been one of our key considerations this year. Our approach is summarised below, and will be formally enshrined in the next policy for which we seek approval in 2021. Shares will be subject to the post-cessation policy only if they are acquired from share plan awards (PSP or deferred bonuses) granted after 1 January 2020.

- The Executive Director must retain:
  - until the audit sign-off of the financial statements for the year in which they leave the business, such of their shares which are subject to the post-cessation policy as are equal to the in-service shareholding guideline (currently 200% of salary); and
  - until the audit sign-off of the financial statements for the following year, such of those shares as are equal to 50% of the in-service shareholding guideline;

  or in either case and if fewer, all of those shares.

The Committee will introduce a formal nominee arrangement in which relevant shares must be held, in order to enable the effective monitoring and implementation of the policy. The vesting of share plan awards granted from 1 January 2020 onwards will be conditional on the Executive Director agreeing to the shares being held in the nominee arrangement.

Remuneration in 2019

The table below summarises the principal decisions in respect of 2019 in accordance with the policy.

Salary	As noted in the 2018 Directors' Remuneration Report, the Executive Directors' salaries were not increased in 2019. In fact, the base salary of each Executive Director, other than Mike McLaren, has increased by 15.5% in total over the five and half years since admission, an average of c.2.8% per year. Mike McLaren's base salary has increased by c.31% over the whole period, an average of c.5.6%, which includes an exceptional increase in 2016 to reflect the increased complexity of his role including as a result of FDM's international expansion.
Bonus	Our Directors' Remuneration Policy provides for a maximum bonus opportunity of 150% of salary. Notwithstanding this, the bonus opportunity for 2019 was a maximum of 100% of salary. As with 2018, the Executive Directors' bonus opportunity was subject to stretching targets based on Group adjusted profit before tax (governing 80% of the opportunity) and Mountie revenue (governing 20% of the opportunity), directly aligned to our KPIs. Bonuses earned by the Executive Directors in respect of 2019 were 50% of salary. Further details of the annual bonus outturn are included in the Annual Report on Remuneration on page 92.

PSP vesting by reference to performance over the period 2017–2019

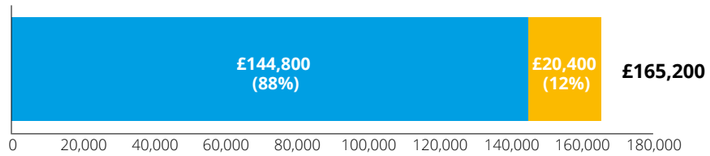
PSP awards were granted in April 2017. The awards vested at 100%, reflecting the strong performance of the Company over the three-year performance period ending 31 December 2019 as summarised below; further information is given on page 92.

Compound annual growth in EPS	Vesting	Performance outcome (compound annual growth in adjusted EPS)
10% p.a. Greater than 10% p.a. but less than 15% p.a. 15% p.a. or greater	25% Determined on a straight-line basis between 25% and 100% 100%	15.0%

Consistent with the approach in respect of previous years, the Committee has, in its discretion, assessed performance based upon adjusted EPS (as defined in note 13 in the Consolidated Financial Statements). In respect of the 2017 awards, the Committee also had regard to the impact of IFRS 16. To ensure that performance was assessed on a consistent basis so that participants in the PSP (including the Executive Directors) are treated fairly, the 2016 base year adjusted EPS was restated in line with IFRS 16.

In addition to the EPS targets, the extent to which each award vested was subject to the Committee's assessment of the overall financial performance of the Company during the performance period. The Committee considered this performance and concluded that vesting at 100% was reflective of the overall financial performance of the Company such that vesting at that level should be approved.

In the single figure of remuneration table on page 91, the full value of the awards is shown. The award was earned over the three-year period 2017–2019 and the value earned reflects the increase in the share price over that period.



PSP awards granted in 2019

In the Directors' Remuneration Policy approved at the 2018 AGM, we increased the PSP limit from 100% of salary to 150% of salary. However, as in previous years, we have granted awards below the permitted maximum. In 2019, each Executive Director was granted an award over 29,000 shares, representing an award over the following percentages of salary:

Rod Flavell:	67%	Sheila Flavell:	90%
Mike McLaren:	94%	Andy Brown:	90%

The reduced quantum of PSP awards for the Executive Directors since Admission has reflected the Board's desire to retain scope to grant larger share awards throughout the organisation; employee share ownership is fundamental to the Company's culture, and is reflected in the wide participation in our share incentive plans. Since 2015, awards to the Executive Directors as a percentage of salary have been:

	2015	2016	2017	2018	2019
Rod Flavell	47%	61%	39%	47%	67%
Sheila Flavell	64%	82%	53%	63%	90%
Mike McLaren	75%	85%	55%	65%	94%
Andy Brown	64%	82%	53%	63%	90%

1 The Committee has at its discretion assessed performance outcome based upon adjusted EPS as defined in note 13 in the Consolidated Financial Statements.

Remuneration in 2020

The policy approved at the 2018 AGM will continue to apply for 2020 and further information is given in the Annual Report on Remuneration. In summary, there are no significant changes to the application of the policy in 2020.

Salary:	As was the case in 2019, no increases will be made to Executive Directors' salaries for 2020 which will therefore remain at the same levels as applied for 2019 as set out on page 94.
Annual bonus:	In the Directors' Remuneration Policy approved by shareholders in 2018, we increased the maximum bonus opportunity from 100% to 150% of salary. However, in both 2018 and 2019 we maintained the bonus opportunity at 100% of salary, the level which has applied since the Company's flotation. In 2020, we will increase the bonus opportunity, but will not utilise the full headroom, instead awarding a bonus opportunity of up to 120% of salary. The increased opportunity reflects the significantly increased size and complexity of the business since flotation, and also our desire to ensure that increases in total pay should be focussed on performance related pay rather than fixed pay. We are also mindful of the need to ensure appropriate internal relativities. The increased opportunity will be based on two of our key strategic priorities. As explained on page 4, a fundamental part of our purpose is to create a long-term sustainable business. The engagement and satisfaction of our Mounties and internal staff is critical to this, and half of the increased bonus opportunity (10% of salary) will be subject to a performance measure related to employee satisfaction. The balance of the increased opportunity will be linked to the diversification of our client base, one of our four key strategic objectives. This will enable us to continue to grow our customer presence profitably in new sectors. Each measure will permit assessment by the Committee "in the round" to ensure that the Executive Directors are appropriately rewarded for taking decisions which reflect the overall strategic direction of the Group. Deferral into shares for two years will apply to approximately 16.7% of any bonus earned, so that any bonus earned in excess of that which would have been earned for a 100% opportunity is deferred, enhancing alignment with shareholders. Shares acquired pursuant to the deferred bonus awards will be subject to the post-cessation shareholding policy introduced with effect from 1 January 2020.
PSP:	PSP awards will be granted at the level of up to 100% of salary. As in previous years, the awards will be subject to performance conditions based on growth in EPS. In setting the targets for the PSP awards, the Committee has considered the Company's continued growth and maturity, and market conditions. The Committee was mindful of the need to ensure that the targets reflect an appropriate level of stretch, and having regard to both internal and external forecasts, the Committee has set the target ranges as 5.5% to 11%. The Committee regards these target ranges as requiring the same level of stretch as the targets for previous awards. Any vesting will be subject to the Committee's assessment of the overall financial performance of the Company over the performance period. The awards will be subject to a two-year post-vesting holding period. Shares acquired pursuant to the awards will be subject to the post-cessation shareholding policy introduced with effect from 1 January 2020.

The Remuneration Committee

The role of the Committee is to:

- Determine the Company's Remuneration Policy for all Directors and the Chairman;
- Review and determine remuneration and incentive packages for each of the Company's Executive Directors and the first layer of senior management below the Board;
- Operate the Company's incentive plans in line with the policy report and various plan rules; and
- Ensure it is kept abreast of issues affecting all aspects of executive remuneration.

Details of the attendance at Committee meetings are set out in the Corporate Governance Report on page 66. The full Remuneration Committee terms of reference can be found on the Company's website. Details of the advisors to the Committee are set out on page 97.

Employee engagement
During the year, the Board also considered the requirements of the 2018 Code for the Board/ Committee to engage with the wider workforce to explain how executive remuneration aligns with the wider Group pay policy. Jacqueline de Rojas is the Non-Executive Director with responsibility for employee engagement and further details will be provided in the 2020 Annual Report and Accounts as to how the Company has implemented this requirement.

Feedback
We always welcome feedback from shareholders on any aspect of our Directors' remuneration and will continue to monitor our Directors' Remuneration Policy to ensure it remains aligned to the business strategy and delivery of shareholder value.

Peter Whiting
Chair of the Remuneration Committee
10 March 2020

Annual Report on Remuneration

Audited Section
The Audited Section of this report comprises only the following sections:
- Single figure table
- Annual bonus for 2019
- Long-term incentives vesting in respect of 2019
- Directors' shareholding and share interests
- Performance Share Plan awards granted in 2019

Single figure table
The table below details the total remuneration receivable by each Director for the financial years ended 31 December 2019 and 31 December 2018. Where necessary, further explanation of the values provided is included in the notes to the table or the additional information that follows it in relation to the 2019 annual bonus and the long-term incentives vesting in respect of 2019.

		Salary and fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	Total remuneration £000
Executive Directors							
Rod Flavell	2019	404.3	20.6	201.5	165.2	10.4	802.0
	2018	395.1	20.2	229.5	340.0	10.2	995.0
Sheila Flavell	2019	300.3	13.7	149.6	165.2	7.8	636.6
	2018	293.5	13.4	170.5	340.0	7.6	825.0
Mike McLaren	2019	288.7	15.2	143.9	165.2	7.5	620.5
	2018	282.2	14.7	163.9	340.0	7.3	808.1
Andy Brown	2019	300.3	14.0	149.6	165.2	7.8	636.9
	2018	293.5	13.7	170.5	340.0	7.8	825.5
Non-Executive Directors							
David Lister[1]	2019	148.8	–	–	–	–	148.8
	2018	48.0	–	–	–	–	48.0
Peter Whiting	2019	70.0	–	–	–	–	70.0
	2018	65.5	–	–	–	–	65.5
Robin Taylor	2019	60.0	–	–	–	–	60.0
	2018	56.8	–	–	–	–	56.8
Michelle Senecal de Fonseca	2019	50.0	–	–	–	–	50.0
	2018	48.0	–	–	–	–	48.0
Jacqueline de Rojas[2]	2019	12.5	–	–	–	–	12.5
	2018	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a
Ivan Martin[3]	2019	51.3	–	–	–	–	51.3
	2018	149.0	–	–	–	–	149.0

1 David Lister was appointed as Non-Executive Chairman with effect from 5 March 2019.
2 Jacqueline de Rojas was appointed to the Board with effect from 1 October 2019.
3 Ivan Martin retired from the Board on 5 March 2019.

The figures in the single figure table above are derived from the following:

Salary and fees	The total salaries and fees paid in respect of the year.
Benefits	Value of benefits received in the year, comprising private medical insurance and car allowance.
Annual bonus	The cash value of the bonuses earned in respect of the year.
Long-term incentives	The value of the Executive Directors' long-term incentives vesting by reference to performance in 2019, calculated as set out below.
Pension	The cash value of a salary supplement paid to the Executive Director in lieu of company pension contributions to the Company's defined contribution scheme.

Annual bonus for 2019
Each Executive Director's annual bonus opportunity for 2019 was based on an adjusted profit before tax target (governing 80% of the opportunity) and a Mountie revenue target (governing 20% of the opportunity). The targets set are detailed in the table below, along with performance against those targets.

While the Remuneration Policy permits a payment of 20% of the maximum payable upon achieving a threshold level of performance, the Committee decided not to set such a target concerning adjusted profit before tax and Mountie revenue.

	Weighting	Threshold (20% of maximum payable)	Target (50% of maximum payable)	Stretch (100% of maximum payable)	Actual performance	Bonus earned (percentage of maximum payable)
Adjusted profit before tax	80%	n/ a	£54.0m	£56.0m	£54.5m	62.5%
Mountie revenue	20%	n/ a	£275.7m	£279.9m	£268.2m	0%

Accordingly, each Executive Director earned a bonus equal to 50% of their salary in respect of 2019.

Long-term incentive awards vesting in respect of 2019
Each Executive Director was granted an award under the Company's Performance Share Plan on 19 April 2017 over 20,000 shares. Each award was subject to a performance condition based on the compound annual growth in the Company's Earnings Per Share[1] over the performance period 2017 – 2019 in accordance with the following table.

Compound annual growth in EPS	Percentage of the award that will vest	Performance outcome (compound annual growth in adjusted[1] EPS)	Vesting outcome
10% p.a.	25%	15.0%	100%
Greater than 10% p.a. but less than 15% p.a.	Determined on a straight-line basis between 25% and 100%		
15% p.a. or greater	100%		

1 The Committee has at its discretion assessed performance outcome based upon adjusted EPS as defined in note 13 in the Consolidated Financial Statements and with the base year adjusted EPS restated in line with IFRS 16 as described on page 88.

The extent to which the awards vested was subject to the Committee's assessment of the overall financial performance of the Company during the performance period. Taking into account the strong growth in EPS and the overall financial performance of the Company over the three-year period, the Committee confirmed that the vesting by reference to the principal EPS performance condition was appropriate.

In the single figure table on page 91, the value for the PSPs is calculated by multiplying the number of shares in respect of which each award vested (20,000) by £8.26 (being the closing share price of £8.27 on 10 March 2020, the vesting date, less the exercise price of £0.01 per share).

Of this overall value of £165,200:
- £144,800 is attributable to the value of a share at the date the awards were granted (£7.24); and
- £20,400 is attributable to the growth in the value of share between the date of grant and the date of vesting.

Former Directors
During the year, no payments were made to any former Director of the Company or in respect of loss of office.

Directors' shareholding and share interests
The Company's formal shareholding guideline for Executive Directors is that each Executive Director holds shares with a value equal to at least 200% of salary. The current Executive Directors have shareholdings with values significantly in excess of this guideline, reflecting the Company's historic culture of share ownership and entrepreneurialism.

The interests as at 31 December 2019 were as follows:

	Ordinary shares as at 31 December 2019 Number	Ordinary shares value as at 31 December 2019 £000[1]	Value (x base salary[2])
Executive Directors			
Rod Flavell	8,291,255	85,732	212.1
Sheila Flavell	8,291,254	85,732	285.5
Mike McLaren	520,728	5,384	18.7
Andy Brown	4,540,801	46,952	156.3
Non-Executive Directors			
Ivan Martin	8,000	83	1.6
Robin Taylor	5,226	54	0.9
Peter Whiting	10,453	108	1.5
Michelle Senecal de Fonseca	5,523	57	1.1
David Lister	–	–	–
Jacqueline de Rojas	–	–	–

1 Calculated based on the closing share price of 1034 pence on 31 December 2019.
2 Calculated on base salary and fees at 31 December 2019.

There have been no changes in the Directors' holdings in the share capital of the Company between 31 December 2019 and the date the financial statements were approved.

Each Executive Director also holds awards under the Company's PSP, as follows:

Director	Date of award	Number at 1 January 2019	Granted in 2019	Lapsed in 2019	Exercised in 2019	Number at 31 December 2019	Status
Rod Flavell	19 April 2016	40,000	–	–	40,000	–	Exercised
	19 April 2017	20,000	–	–	–	20,000	Vested[1]
	1 June 2018[2]	18,500	–	–	–	18,500	Unvested
	17 April 2019	–	29,000	–	–	29,000	Unvested
Sheila Flavell	19 April 2016	40,000	–	–	40,000	–	Exercised
	19 April 2017	20,000	–	–	–	20,000	Vested[1]
	1 June 2018[2]	18,500	–	–	–	18,500	Unvested
	17 April 2019	–	29,000	–	–	29,000	Unvested
Mike McLaren	19 April 2016	40,000	–	–	40,000	–	Exercised
	19 April 2017	20,000	–	–	–	20,000	Vested[1]
	1 June 2018[2]	18,500	–	–	–	18,500	Unvested
	17 April 2019	–	29,000	–	–	29,000	Unvested
Andy Brown	19 April 2016	40,000	–	–	40,000	–	Exercised
	19 April 2017	20,000	–	–	–	20,000	Vested[1]
	1 June 2018[2]	18,500	–	–	–	18,500	Unvested
	17 April 2019	–	29,000	–	–	29,000	Unvested

1 The awards granted in 2017 vested on 10 March 2020, as described on page 92.
2 Each award granted in 2018 was granted as an "Approved PSP" award to take account of potential tax advantages for the participant and Company. Each award consisted of a PSP award over 15,562 shares, a tax qualifying option over 2,938 shares with an exercise price of £10.21 per share and a "Linked Award" which is principally to fund the exercise price of the option. As the Linked Award was principally to fund the exercise price of the tax qualifying option, each award was equivalent to a PSP award over 18,500 shares.

Performance Share Plan awards granted in 2019
Each Executive Director was granted an award under the Company's PSP on 17 April 2019 as set out below.

Award	Number of shares	Exercise price per share	Face value of award
PSP award	29,000	£0.01	£271,730

The face value of the award is calculated by multiplying the number of shares subject to the PSP award (29,000) by £9.37 being the average share price over the three business days preceding the date of grant. As described in the 2018 Directors' Remuneration Report, the awards are subject to a two-year post-vesting holding period.

The awards will vest based on compound annual EPS growth in line with the following schedule:

Compound annual growth in adjusted[1] EPS	Percentage of the award that will vest
8% p.a.	25%
Greater than 8% p.a. but less than 13% p.a.	Determined on a straight-line basis between 25% and 100%
13% p.a. or greater	100%

1 The Committee has discretion to adjust EPS for the purposes of the PSP where it considers it appropriate to do so (for example, to reflect a material acquisition and/ or divestment of a Group business) and to assess performance on a fair and consistent basis from year to year.

The extent to which the awards vest will be subject to the Committee's assessment of the overall financial performance of the Company during the performance period. Final levels of vesting may be reduced should the Committee feel that the calculated levels do not reflect the performance of the Company.

Approach to Directors' remuneration for 2020

Base salary and fees

No increases will be made to the Executive Directors' salaries, which will remain at the same level as for 2019, as set out below. However, in the light of the continued growth of the Group since the last salary review and the increased scale and complexity of the roles of the Executive Directors, during 2020 as part of the overall policy review the Committee will be undertaking a thorough review of Executive Directors' remuneration including salaries (which have not been increased since April 2018), with the intention that any changes will be implemented in 2021.

	Base annual salary
Rod Flavell (Chief Executive Officer)	£404,250
Sheila Flavell (Chief Operating Officer)	£300,300
Mike McLaren (Chief Financial Officer)	£288,750
Andy Brown (Chief Commercial Officer)	£300,300
	Annual fee
Chairman	£165,000
Non-Executive Director	£50,000
Senior Independent Director[1]	£10,000
Committee Chair (Audit Committee and Remuneration Committee)[1]	£10,000
Committee Chair (Nomination Committee)[1]	£5,000

1 Fee is in addition to base annual fee.

The Non-Executive Directors' fees (with the exception of the Chairman's fee) are currently being reviewed in the context of increases in the complexity of the Group and of the regulatory environment since the last review (which took place in April 2018). That review will include an analysis of fees paid in the market for non-executive directors of companies of a similar size and complexity to FDM. It is expected that any changes to the Non-Executive Directors' fees which arise from that review will be implemented during the course of 2020, with the intention that they will not be reviewed again until April 2022. The Chairman's fee was increased to £165,000 when David Lister took on the role in March 2019, and accordingly will remain unchanged in 2020 but will be reviewed in 2021.

Annual bonus for 2020

The maximum annual bonus opportunity for all Executive Directors for 2020 is 120% of salary, as set out in the statement from the Chair of the Remuneration Committee on page 89. As with previous years, a bonus of up to 80% of salary may be earned dependent on adjusted group profit before tax and a bonus of up to 20% of salary may be earned based on Mountie revenue. As discussed on page 89 a bonus of up to a further 20% of salary may be earned by reference to two key strategic measures related to employee engagement and client diversification. The Committee considers that the details of the 2020 targets are commercially sensitive and they are not disclosed in this report, but will be disclosed in next year's report. Deferral into shares for two years will apply to approximately 16% of any bonus earned.

Long term incentives for 2020

The Committee proposes to grant awards under the PSP in respect of 2020. In accordance with the Directors' Remuneration Policy, the maximum quantum of award granted to any Executive Director will be up to 100% of salary. The vesting of the awards will be subject to performance conditions based on compound annual growth in adjusted earnings per share over the three-year performance period as follows:

Compound annual growth in adjusted[1] EPS	Percentage of the award that will vest
5.5% p.a.	25%
Greater than 5.5% p.a. but less than 11% p.a.	Determined on a straight-line basis between 25% and 100%
11% p.a. or greater	100%

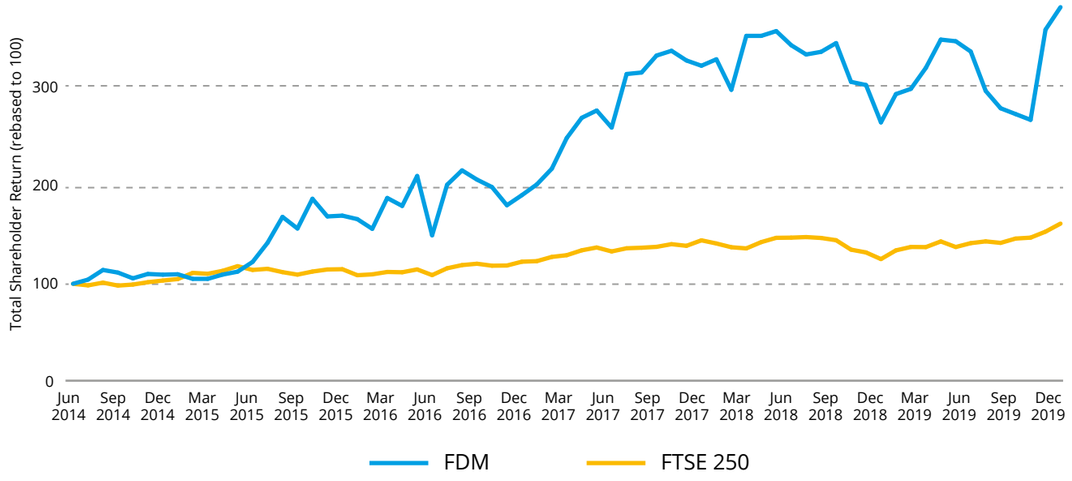
1 The Committee has discretion to adjust EPS for the purposes of the PSP where it considers it appropriate to do so (for example, to reflect a material acquisition and/ or divestment of a Group business) and to assess performance on a fair and consistent basis from year to year.

The extent to which the awards vest will be subject to the Committee's assessment of the overall financial performance of the Company during the performance period. Final levels of vesting may be reduced should the Committee feel that the calculated levels do not reflect the performance of the Company.

Although the policy only requires the addition of a post-vesting "holding period" if awards are granted to current Executive Directors over shares with a value in excess of 100% of salary, we have agreed that a two-year holding period will apply to the awards.

Performance graph and historical Chief Executive Officer remuneration outcomes

The graph below shows the Company's Total Shareholder Return ("TSR") performance since the date of listing compared to the FTSE 250 index; the FTSE 250 index was chosen as the Company was a constituent of that index during the year.



The table below details the total remuneration, annual bonus and long term incentive plan vesting (as a percentage of the maximum opportunity) for the CEO for the last ten years. Note that for 2014 this is the remuneration received for the whole of 2014 and so is not directly comparable to the TSR performance chart above, which is for the period from 20 June 2014.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration (£000)	455.2	639.2	686.2	547.7	658.5	668.1	764.5	1,134.1	995.0	802.0
Annual bonus as a % of maximum opportunity	100%	100%	100%	68%	55%	82%	100%	80%	58%	50%
Long-term Incentives as a % of maximum opportunity	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a	100%	100%	100%

Change in CEO remuneration in relation to the wider workforce

The table below shows the percentage change in salary, benefits and annual bonus for the CEO and the wider workforce between the financial years 2018 and 2019. For these purposes, the wider workforce includes all UK employees excluding Mounties, and also excludes employees based overseas in order to exclude the effects of fluctuating exchange rates. Mounties have been excluded from the UK wider workforce numbers to ensure a more meaningful comparison to the CEO's remuneration as their remuneration is not subject to the same annual review process as the rest of the UK workforce. Mounties receive a salary increase upon progression from their first year to their second year.

Percentage change	CEO	Wider workforce
Salary	0%	+5.8%
Taxable benefits	+2.0%	0%
Annual bonus	-12.2%	-2.9%

CEO pay ratio

The following table sets out the ratio of the CEO's total remuneration in respect of the 2019 financial year (taken from the single figure table on page 91) to the 25th percentile, 50th percentile (i.e. the median) and the 75th percentile full-time equivalent (FTE) of the Company's UK employees. In line with the applicable regulations, the corresponding ratios for 2018 are also included. For consistency with the 'change in CEO remuneration in relation to the wider workforce' disclosure, the table below also provides the same ratio in respect of the Company's UK FTE employees excluding Mounties. As outlined above, this reflects the fact that Mounties' remuneration is not subject to the same annual review process as the rest of the UK workforce.

Year	Method	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
		Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties
2018	Option A	43:1	36:1	40:1	23:1	31:1	14:1
2019	Option A	32:1	27:1	29:1	19:1	21:1	13:1

The Company adopted "Option A" in the regulations for the purposes of calculating the pay ratios as it considers this to be the most accurate method. Remuneration for other employees for the purposes of the calculations was as at 31 December in each year. In calculating the ratio for all UK employees in the above table, the Company has determined the total FTE remuneration for all its UK employees for the financial year and has then ranked those employees based on their total FTE remuneration from low to high. The employees whose remuneration places them at the 25th, 50th (median) and 75th percentile points in this ranking have then been identified. Mounties were then excluded and the process repeated to calculate the ratio for all UK employees excluding Mounties.

In line with the applicable regulations, we have set out below for each employee (and for the CEO) their total remuneration in respect of 2019 and 2018 and the salary component of that remuneration.

Year	CEO total remuneration (salary component of total remuneration)	25th percentile employee total remuneration (salary component of total remuneration)		Median employee total remuneration (salary component of total remuneration)		75th percentile employee total remuneration (salary component of total remuneration)	
		Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties
2018	£995,000 (£395,100)	£23,015 (£19,500)	£27,627 (£25,838)	£24,722 (£19,500)	£43,596 (£41,349)	£32,157 (£23,902)	£72,100 (£48,500)
2019	£801,968 (£404,250)	£24,911 (£20,000)	£29,682 (£24,982)	£27,339 (£20,000)	£42,150 (£36,000)	£37,305 (£20,000)	£63,498 (£55,000)

The reduction in the CEO pay ratios between 2018 and 2019 is principally a result of the CEO not receiving a salary increase in respect of 2019, whereas a salary increase was awarded to the wider workforce, and the reduction in the CEO's bonus outturn in 2019 compared to 2018 – reflecting that the CEO's remuneration is more heavily performance based than the remuneration of the wider workforce, meaning that the ratio will fluctuate year on year. Having regard to the weighting of the CEO's remuneration towards performance-based reward, the Committee considers that the median pay ratio for 2019 is consistent with FDM's pay, reward and progression policies for the Group's UK employees as a whole.

Spend on pay

The following table sets out the percentage change in dividends paid and the overall expenditure on pay (as a whole across the organisation).

	Year ended 31 December 2018 £000	Year ended 31 December 2019 £000	Percentage change
Total dividends	30,718	34,113	+11%
Overall expenditure on pay	165,506	185,813	+12%

Shareholder approval of our Directors' Remuneration Policy and Directors' Remuneration Report

The Company's Directors' Remuneration Policy was approved at the AGM held on 26 April 2018. The Company's 2018 Directors' Remuneration Report was approved at the AGM held on 25 April 2019. The results of the votes are set out below:

Resolution	Votes for	% of votes for	Votes against	% votes against	Votes withheld
Approve the Directors' Remuneration Policy (2018 AGM)	88,367,484	97.89%	1,905,746	2.11%	0
Approve the Directors' Remuneration Report (2019 AGM)	90,497,095	97.90%	1,938,749	2.10%	101,678

Advisors

During the financial year, the Committee received independent advice from Deloitte LLP, which was appointed by the Committee, in relation to the Committee's consideration of matters relating to Directors' remuneration. Deloitte LLP was appointed in 2014 following a formal tender process. Fees for advice provided to the Remuneration Committee during the year were £9,900. Fees were charged on a time and disbursements basis.

Deloitte LLP is a member of the Remuneration Consultants Group and voluntarily operates under its code of conduct in its dealing with the Remuneration Committee. The Remuneration Committee continued to review the appointment of Deloitte LLP and is satisfied that all advice received was objective and independent.

Deloitte also provide advice to the Company on the operation of its employee share plans and employee benefit trust.

The Chairman, Chief Executive Officer and other members of the executive management attend the Committee by invitation to provide input, but no Executive Director or other member of management is present when his or her own remuneration is discussed. Details of individual attendances by Directors at the Remuneration Committee meetings during 2019 are set out on page 66.

Directors' Remuneration Policy

The Company's Directors' Remuneration Policy was approved by shareholders at the AGM held on 26 April 2018. Since we are not seeking shareholder approval for a revised policy at the 2020 AGM, we have set out below just the "policy tables", but with certain date-specific references updated. The full policy as approved at the 2018 AGM is available on the Company's website at www.fdmgroup.com.

Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base Salary			
Core element of fixed remuneration to reflect the individual's role and experience as part of a broadly market-competitive total remuneration package, to enable the Group to recruit and maintain the required skills and expertise to enable it to achieve its strategy.	Salaries are normally reviewed annually. Salary levels are determined taking into account a range of factors, which may include (but are not limited to): • Underlying Company performance; • The size and scope of the Executive Director's role and responsibilities; • The Executive Director's skill, experience and performance; • Salary levels for equivalent roles at other listed companies of a similar size and/ or complexity to the Group; and • Pay and conditions elsewhere in the Group.	Whilst there is no maximum salary level, salary increases will normally be within the range of increases awarded to the wider workforce in percentage of salary terms. Salary increases above this level may be awarded in appropriate circumstances including but not limited to: • Where an Executive Director has been promoted or has had a change in scope or responsibility; • To reflect an individual's development or performance in role (e.g. a newly appointed Executive Director being moved to align with the market over time); or • Where there has been a change in the size and/ or complexity of the business. Such increases may be implemented over such time period as the Committee deems appropriate.	Not applicable.
Benefits			
To provide benefits as part of a broadly market-competitive total remuneration package.	Executive Directors receive benefits set at an appropriate level taking into account total remuneration, market practice, the benefits provided to other employees in the Group and individual circumstances. Benefits provided currently include car allowances and private health insurance. Other benefits may be provided based on individual circumstances. These may include, for example, relocation expenses and expatriate allowances.	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role, the level of benefits provided for other employees in the Group and individual circumstances.	Not applicable.
Retirement benefits			
To provide an appropriate level of retirement benefit (or cash allowance equivalent) as part of a broadly market-competitive total remuneration package.	Executive Directors are eligible to participate in the Company's defined contribution scheme. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may take a taxable cash supplement instead of contributions to a pension plan.	Maximum company pension contribution (or cash allowance equivalent) for existing Executive Directors of 3% of salary. However, the Committee may permit a higher company pension contribution (or cash allowance equivalent) for any new Executive Director, of up to 15% of salary.	Not applicable.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus			
Rewards Executive Directors for achieving financial, strategic and/ or individual targets in the relevant year, to provide an incentive for the Group's employees to achieve goals aligned with the Group's strategy.	Performance measures and targets are reviewed annually and pay-out levels are determined by the Committee after the year end based on performance against the targets. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business performance. Where a bonus opportunity is offered in excess of 100% of salary, up to 33% of the bonus earned will be deferred into an award of shares, which shall be released following the end of a two-year deferral period. No bonus will be deferred where the deferred amount would otherwise be below £10,000. Deferred bonus awards may take the form of a nil or nominal cost option to acquire the relevant shares following release, or as a requirement to invest the after tax portion of the bonus into shares which must be retained until release. The Committee may award dividend equivalents on deferred amounts to reflect dividends that would have been paid on the deferred award shares over the period to their release; these dividend equivalents may be paid in cash or shares and may assume the reinvestment of dividends into Company shares on such basis as the Committee determines. **Recovery** Recovery provisions apply as summarised below the table.	Maximum bonus opportunity for Executive Directors is 150% of base salary.	Performance measures and targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/ or individual targets. Pay-out of up to 20% of maximum for threshold performance (the minimum level of performance resulting in any payment), 50% of maximum for on-target performance and full pay-out for stretch performance with straight-line vesting in between each of the points. At least 80% of the bonus will be assessed against key financial performance measures which may include revenue, pre-tax profit or other key financial performance metrics of the Company. The balance of the bonus may be assessed against non-financial strategic measures and/ or individual performance.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan ("PSP")			
To incentivise Executive Directors over the longer term, and to deliver performance-related pay, with a clear line of sight for Executives and direct alignment with shareholders' interests.	Awards under the PSP will typically be granted as a conditional award or the grant of a nil or nominal cost option, in either case vesting subject to the achievement of specified performance conditions, over a period of at least three years. Awards will vest following assessment of the performance conditions. Other than as noted below in relation to the existing Executive Directors, awards will be granted subject to a holding period of two years beginning on the vesting date either on the basis that they will not ordinarily be released (so that the participant is entitled to acquire the shares) until the end of that period or on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance condition but that (other than as regards sales to cover tax liabilities) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period. The holding period will apply to existing Executive Directors only in respect of any award with a value at grant (ignoring any CSOP option granted as part of an APSP award as discussed below) in excess of 100% of salary. Awards under the PSP may be granted on the basis that the number of shares shall be increased to reflect dividends paid over the vesting period and/ or any holding period; these dividend equivalents may be paid in cash or shares and may assume the reinvestment of dividends into Company shares on such basis as the Committee determines. The Committee may at its discretion structure awards as APSP awards comprising both an HMRC tax-favoured option granted under the Company Share Option Plan (CSOP) and a PSP award. APSP awards enable an Executive Director and the Company to benefit from HMRC tax-favoured option treatment in respect of part of the award without increasing the pre-tax value delivered to participants. APSP awards would be structured as either: i) a tax-favoured option and a PSP award, with the vesting of the PSP award scaled back to take account of any gain made on exercise of the tax-favoured option; or ii) a tax-favoured option, PSP award over a reduced number of shares and separate PSP award which is to fund the exercise price of the tax-favoured option. Other than to enable the grant of APSP awards, the Company will not grant awards to Executive Directors under the CSOP. **Recovery** Recovery provisions apply as summarised below the table.	The usual maximum award level under the PSP in respect of any financial year for Executive Directors is awards over shares with a value of 150% of salary. The Committee has discretion to grant awards under the PSP in respect of any financial year for Executive Directors up to a maximum of 200% of salary. The Committee may at its discretion structure awards as Approved Performance Share Plan ("APSP") awards as described in the "Operation" column. Reflecting the interaction between the tax-favoured option and the PSP award, the shares subject to the tax-favoured option are not taken into account when assessing these limits in order to avoid double counting.	Performance will be assessed against challenging performance targets. Performance will be based typically on financial measures including, but not limited to, EPS growth. Awards (other than, in accordance with the requirements of the applicable tax legislation, any tax-favoured option granted as part of an APSP award) will also be subject to a financial underpin such that PSP awards will only vest if the Committee is satisfied with the overall performance of the Company. Performance measures (and their weighting where there is more than one measure) are reviewed annually to maintain appropriateness and relevance. For threshold performance up to 25% of the award will vest, rising to 100% of the award vesting for maximum performance, typically with straight-line vesting in between. Below threshold performance, the award will not vest. Where a tax-favoured option is granted as part of an APSP award, the same performance conditions will apply to the tax-favoured option as apply to the PSP award.

Information supporting the policy table

Explanation of performance measures chosen
Performance measures for the annual bonus and PSP awards which reflect the Company's strategy are selected. Stretching performance targets are set each year by the Committee taking into account a number of different factors.

The annual bonus can be assessed against financial, strategic and/ or individual targets determined by the Committee with at least 80% subject to key financial targets. The Committee considers financial measures like profit before tax and revenue to be important performance metrics because they encourage behaviours that facilitate profitable growth and the successful future strategic development of the business.

Long-term performance measures are chosen by the Committee to provide a robust and transparent basis on which to measure the Company's performance over the longer term and to provide alignment with the business strategy. They are selected to be aligned with the interests of shareholders and to drive business performance. Currently EPS growth is considered to be a key measure of success as it encapsulates the outcomes of many of the strategic drivers of the business, and helps align management incentives with growth in shareholder value.

The Committee retains the discretion to adjust or set different performance measures or targets where it considers it appropriate to do so (for example, to reflect a change in strategy, a material acquisition and/ or a divestment of a Group business or a change in prevailing market conditions) and to assess performance on a fair and consistent basis from year to year.

Operation of the Company's share plans
The PSP and any deferred bonus plan will be operated by the Committee in accordance with their rules, including the ability to adjust the number of shares subject to awards in the event of a variation of share capital, demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Committee, affect the current or future value of shares.

At the discretion of the Committee, awards under the PSP and any deferred bonus plan may be settled in cash (or granted as a cash award over a notional number of shares).

Shareholding guidelines
To align the interests of Executive Directors with those of shareholders, the Committee has adopted shareholding guidelines. Executive Directors are required to retain half of any shares acquired under the PSP and any deferred bonus award (after sales to cover tax) until such time as their holding has a value equal to 200% of salary.

Shares subject to PSP awards which have vested but not been released, shares subject to released PSP awards which have not been exercised, and shares subject to deferred bonus awards count towards the guideline on a net of assumed tax basis.

Recovery
Annual bonus
For up to three years following the payment of the non-deferred part of an annual bonus award, the Committee may require the repayment of some or the entire cash award paid (or may cancel or reduce any deferred share award or require the forfeiture of shares acquired pursuant to a deferred share award) in the event of fraud or dishonesty leading to a material misstatement of financial results.

PSP
At the discretion of the Committee, unvested awards may be reduced, cancelled or have further conditions imposed in certain circumstances including (but not limited to):
- A material misstatement of the Company's audited financial results;
- A material failure of risk management by the Company or any subsidiary company within the Group; or
- A material miscalculation of any performance measure.

For up to three years following the vesting of an award, the Committee may require the repayment (which may be effected by the cancellation or forfeiture of a vested but unreleased award) of some or the entire award in the event of fraud or dishonesty leading to a material misstatement of financial results.

Non-Executive Directors

Purpose and link to strategy	Operation	Other items
To enable the Company to attract and retain Non-Executive Directors of the required calibre by offering market-competitive rates.	The Chairman is paid a basic Chairman fee and additional fees for chairmanship of any Board committees. Non-Executive Directors receive a basic fee and additional fees for chairmanship of any Board committees. The Chairman's fee is determined by the Remuneration Committee and the fees of the other Non-Executive Directors are determined by the Board. Fees are based on the time commitment and contribution expected for the role and the level of fees paid to Non-Executive Directors serving on the board of similar-sized UK listed companies. Overall fees paid to Non-Executive Directors will remain within the limit set by the Company's Articles of Association from time to time.	Non-Executive Directors may be eligible to be reimbursed travel and subsistence costs incurred in the performance of their duties and to receive other benefits relevant to the performance of their roles. The Non-Executive Directors do not participate in the Company's annual bonus, share plans or pension schemes or other benefit in kind arrangements.

Approval
This Report was approved by the Board on 10 March 2020 and signed on its behalf by:

Peter Whiting
Chair of the Remuneration Committee
10 March 2020

Directors' Report

The Directors present the Directors' Report and audited Consolidated Financial Statements of FDM Group (Holdings) plc for the year ended 31 December 2019.

Principal activities, business review and future developments
The principal activity of the Group is the provision of professional services focussing principally on IT. The Strategic Report on pages 2 to 54 provides a review of the Group's performance during the financial year as well as its future prospects.

Results and dividends
The Group reported a profit after tax for the year of £40.6 million (2018 restated: £37.0 million). Results for the year are set out in the Consolidated Income Statement on page 117.

The Directors propose a final dividend of 18.5 pence per share. Subject to shareholder approval, this dividend will be paid on 12 June 2020 to shareholders of record on 22 May 2020. An interim dividend of 16.0 pence per share was declared by the Directors on 22 July 2019 and was paid on 20 September 2019 to holders of record on 23 August 2019.

Directors
The Directors of the Company who were in office during the year and up to the date of signing the financial statements unless otherwise stated, were:

David Lister	Non-Executive Chairman (appointed on 5 March 2019)
Ivan Martin	Non-Executive Chairman (resigned on 5 March 2019)
Roderick Flavell	Chief Executive Officer
Sheila Flavell	Chief Operating Officer
Michael McLaren	Chief Financial Officer
Andrew Brown	Chief Commercial Officer
Peter Whiting	Non-Executive Director
Robin Taylor	Non-Executive Director
Michelle Senecal de Fonseca	Non-Executive Director
Jacqueline de Rojas	Non-Executive Director (appointed 1 October 2019)
Alan Kinnear	Non-Executive Director (appointed 1 January 2020

The biographies of the currently serving Directors are provided on pages 58 to 61.

As announced by the Company on 7 February 2019, Ivan Martin retired from the Board on 5 March 2019, and was succeeded by David Lister as Non-Executive Chairman. The Nomination Committee Report on pages 82 to 84 explains more about the appointment of the new Chairman.

Director share interests
Details of the interests of Directors in the shares of the Company are provided on page 93.

Director long-term incentive schemes
For the purposes of the UK Listing Authority Listing Rules section 9.8.4C R, details of the Group's long-term incentive schemes are disclosed in the Remuneration Report starting on page 86. All other information required to be disclosed by Listing Rule section 9.8.4 R is not applicable for the year under review.

Directors' indemnity and liability insurance
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Risk management objectives and policies
The Group through its operations is exposed to a number of risks. Details of the Group's financial risk management objectives and policies are set out in note 28 to the Consolidated Financial Statements. The principal risks that the Group faces are set out on pages 30 to 36 of the Strategic Report.

Controls in place over consolidation of financial results
The Group's consolidated financial statements are prepared by the Group's Finance team. The team is based in one central location, where all the individual entity general ledgers are also maintained. The consolidation process involves preparation and separate reviews of the results by qualified and experienced finance staff.

Corporate governance
For details of the Corporate Governance Report see page 62. The Corporate Responsibility report, on pages 38 to 54 includes information about the Group's employment policies and greenhouse gas emissions. The Corporate Responsibility report also includes information on the steps taken by the Group to ensure that slavery and human trafficking are not taking place within the Group's business, in line with the Modern Slavery Act 2015.

Branches outside the UK
The Group operates branches in France, Denmark and Spain.

Substantial shareholders
As at 31 December 2019 and as at 24 February 2020, the Company had been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests (whether directly or indirectly held) in 3% or more of its voting rights:

		As at 31 December 2019		As at 24 February 2020	
Substantial shareholder	Direct/ indirect interest	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Rod Flavell	Direct	8,291,255	7.6%	8,291,255	7.6%
Sheila Flavell	Direct	8,291,254	7.6%	8,291,254	7.6%
Standard Life Investments	Indirect	7,924,516	7.3%	7,924,516	7.3%
Artemis Investment Management	Indirect	5,491,747	5.0%	5,491,747	5.0%
Baillie Gifford & Co	Indirect	5,461,105	5.0%	5,461,105	5.0%
Majedie Asset Management	Indirect	5,435,803	5.0%	5,435,803	5.0%
Ameriprise Financial, Inc. and its group	Direct and indirect	5,314,856	4.9%	5,314,856	4.9%
Black Rock	Indirect	5,210,213	4.8%	5,210,213	4.8%
Andrew Brown	Direct	4,540,801	4.2%	4,540,801	4.2%

Political donations
The Group made no political donations in the year (2018: £nil).

Going concern
The Group'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 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 successfully. The Group'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 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.

Greenhouse gas emissions
Details of the Group's compliance with legislation relating to greenhouse gas emissions are set out on pages 50 to 51 in the Corporate Responsibility report.

Employee engagement
How the Directors have engaged with employees and have regard to their interests are detailed on pages 38, 39 and 68.

We use a number of methods to consult our employees regularly so that their views can be taken into account in making decisions that are likely to affect their interests, and we encourage our staff to become involved in FDM Group's performance through our discretionary Performance Share Plan and our all-employee Buy As You Earn share plan. Further information on these initiatives to engage with our employees is set out on pages 38 and 39 of the Corporate Responsibility report.

Employee information
Information on the Group's employee policies is included on pages 45 and 46 in the Corporate Responsibility report. Information on the Group's policies in respect of persons that become disabled during their employment, and the training, career development and promotion of disabled persons, is set out on page 45 in the Corporate Responsibility report.

Capital structure
The Group's capital structure is detailed in note 22 to the Consolidated Financial Statements. During 2019 the number of ordinary shares in issue increased from 108,271,708 at 1 January 2019 to 109,186,739 at 31 December 2019.

Investment in own shares
During the AGM held on 25 April 2019, the shareholders approved that up to 10% of the Company's shares could be purchased by the Company and held as own shares, renewing the authority agreed on 26 April 2018. The authority expires at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at 23:59 on 31 May 2020.

During 2019, the FDM Group Employee Benefit Trust was established to purchase shares sold by option holders upon exercise of options under the FDM Performance Share Plan. The Group accounts for its own shares held by the Trustee of the FDM Group Employee Benefit Trust as a deduction from shareholders' funds.

Change of control
The Group has agreements in place with certain of its banking customers that give the bank the right to terminate the contract on a change of control following a takeover bid for the Group. The Group had a Revolving Credit Facility ("RCF") with HSBC Bank plc, which expired on 14 August 2018 and was not renewed.

The Group has no agreements with employees or Directors that provide for compensation for loss of office or employment that occurs resulting from a takeover bid.

The Group knows of no agreements under which holders of securities in the Company may restrict votes or transfers in the Company's shares.

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

Related party transactions
The Group's related party transactions are detailed in note 27 to the Consolidated 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 Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

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

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

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 Group and 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 Group and Company's auditors are aware of that information.

The Directors' Report has been approved by the Board of Directors of FDM Group (Holdings) plc on 10 March 2020 and signed on its behalf by:

Rod Flavell
Chief Executive Officer
10 March 2020

Mike McLaren
Chief Financial Officer
10 March 2020

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Independent auditors' report to the members of FDM Group (Holdings) plc

Report on the audit of the financial statements

Opinion

In our opinion, FDM Group (Holdings) plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the "Annual Report"), which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows and the Consolidated and Parent Company Statements 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.

Our opinion is consistent with our reporting to the Audit Committee.

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 group 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview

- Overall group materiality: £2,600,000 (2018: £2,410,000), based on 5% of profit before tax.
- Overall parent company materiality: £510,000 (2018: £540,000), based on 1% of total assets.

- The group financial statements are a consolidation of 16 reporting units.
- We performed full scope audits of the UK and USA reporting units.
- We audited the revenue, payroll related expenses, accruals, trade and other receivables, and cash and cash equivalents in the Canadian reporting unit, as well as property leases in the Australian reporting unit.
- We also performed full scope audits of the centralised functions in the UK, comprising the parent and intermediate holding companies.
- Our full scope audits covered 72% of revenue (with a further 13% coverage obtained through our work on the Canadian reporting unit) and 78% of profit before tax (with a further 10% coverage obtained through our work on the Canadian reporting unit).

- Revenue recognition in respect of uninvoiced amounts (Group).
- Share option plan expenses (Group and parent).
- Provision for legal claims (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations are related to local employment laws, 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 preparation of the financial statements such as the Companies Act 2006, The Listing Rules and Tax Regulation. 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:

- our tests included, but were not limited to, discussions with management, internal audit and the group'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 memorandums prepared by the group's legal advisors;
- review of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions and judgements made by management in their significant accounting estimates; and
- 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 and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition in respect of uninvoiced amounts (Group) Refer to note 3.3 (b) to the Consolidated Financial Statements for the directors' disclosures of the related accounting policies and page 78 ('Significant financial reporting items') within the Audit Committee Report. At the year-end, revenue is accrued for work performed that has not yet been invoiced. Within this estimate, revenue is recognised for contracts either where services have been provided but customer purchase orders have not yet been finalised, or where consultants' timesheets have not yet been approved by the customer or have not been received by the group. There is some judgement in the recognition of this revenue, in that management need to estimate the amount of work performed by consultants before receipt of client approved timesheets, which could lead to an under or overstatement of revenue and profit, whether intentionally or in error.	We gained an understanding from management of the key assumptions underpinning the year end estimates of uninvoiced sales and compared these assumptions with the prior year and across the group. We evaluated management's estimate for uninvoiced timesheets by comparing a sample of estimated timesheets to the timesheet submitted post year end. We noted no material exceptions in our testing. We substantively tested the year end adjustment for timesheets received but not invoiced by agreeing to the invoice raised post year end, subsequent cash receipt and customer approval, in order to identify any inappropriate recognition of revenue, noting no material exceptions in our testing.

Key audit matter	How our audit addressed the key audit matter
Share option plan expenses (Group and parent) Refer to notes 3.3 (n), 4, and 25 to the Consolidated Financial statements for the directors' disclosures of the related accounting policies, judgements and estimates, and page 78. ('Significant financial reporting items') within the Audit Committee Report. During 2015, the Group implemented a share option plan for management and senior employees. The assumptions used in calculating the charge recognised in the income statement are judgemental and complex, including an estimate of the number of leavers from the scheme in each period as well as an estimate of the future growth in adjusted earnings per share of the group (refer to page 92. ('Annual Report on Remuneration') for details on the share option plan). These judgements could lead to an under or overstatement of the share option plan expense, whether intentionally or in error.	We gained an understanding from management of the key assumptions underpinning the share option valuation model. We evaluated the assumption made by management for forecast growth in adjusted earnings per share by comparing to recent historical performance as well as reviewing budgets and forecasts approved by the Board of Directors, and found it to be appropriate. We evaluated management's assumption for the number of leavers from the scheme by comparing to historical leavers from the scheme and found it to be appropriate. We evaluated management's assumption of the performance conditions based on compound earnings per share ("EPS") growth, assessing the assumed future compound EPS growth against board approved budgets and managements history of forecasting. We evaluated the sensitivity analysis performed by management to assess the potential impact of changes in key assumptions, noting that a significant change in the assumptions would be needed to cause a material error in the share option plan expense. We concluded that stress testing these assumptions did not have a material impact on the income statement charge. We checked the mathematical integrity of the model and found it to be accurate. We tested a sample of options granted to deeds of grant and leavers from the scheme to resignation letters, noting no exceptions in our testing. We audited the accounting for the vesting of the 2016 share options and the associated set up of the employee benefit trust, and found it to be appropriate. We also considered the disclosures made in note 25 to the financial statements and determined that they are consistent with the requirements of relevant accounting standards.
Provision for legal claims (Group) Refer to note 3.3 (l) to the Consolidated Financial Statements for the directors' disclosures of the related accounting policies. Given the size and worldwide employment levels of the Group, from time to time the Group is subject to employment related litigation. There is both judgement and estimation required under IAS 37 – 'Provisions, contingent liabilities and contingent assets' as to whether or not an outflow of resources embodying economic benefits is probable (provide), possible (disclose) or remote (no disclosure required).	We gained an understanding from management of ongoing litigation and any associated estimates or judgements made within the financial statements. In relation to one particular ongoing legal case, we enquired with managements external counsel, to fully assess the merits of the case. This included consideration of whether any material outflow of economic benefits could be probable, possible or remote. We challenged management's assessment of IAS 37, and their conclusions on the potential requirement of any provision or disclosure. We discussed the work we have performed with the audit committee and sought management representations, where required. We conclude that management's application of IAS 37, including their judgement that a provision or any disclosure is not required, is appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group is structured by division, with significant reporting units in the UK and USA, and further smaller reporting units in locations across Europe, Canada, Asia and South Africa. The group financial statements are a consolidation of 16 reporting units, comprising the group's operating businesses and centralised functions.

The accounting and financial management for all reporting units is controlled from the UK, so we as the engagement team have performed all audit work.

We determined the type of work that needed to be performed at the reporting units to be able to conclude that sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. Accordingly, we determined that audits of the complete financial information were required for two reporting units, comprising the UK and USA trading reporting units. We also included in our audit scope the revenue, payroll related expenses, accruals, trade and other receivables and cash and cash equivalents in the Canadian reporting unit, as well as property leases in the Australian reporting unit, which we performed from the group's head office in the UK, where the accounting is administered. To support these procedures we visited the group's offices in Frankfurt, where we met with local management.

As a result, full scope audit procedures were conducted on reporting units representing 78% of the group's profit before tax and 72% of revenue, with a further 13% coverage of revenue, and 10% of profit before tax obtained through our work on the Canadian reporting unit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£2,600,000 (2018: £2,410,000).	£510,000 (2018: £540,000).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1,700,000 and £2,470,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £130,000 (Group audit) (2018: £120,500) and £25,500 (Parent company audit) (2018: £27,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of FDM Group (Holdings) plc

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to 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, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 (on pages 2 to 55) and Directors' Report (on pages 104 to 107) for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 62 to 73) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 62 to 73) with respect to the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the parent company. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 30 to 36 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 107 that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 78 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' responsibilities in respect of the financial statements set out on page 107, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 parent 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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent 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 parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 25 July 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2013 to 31 December 2019.

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

Consolidated Income Statement

for the year ended 31 December 2019

	Note	2019 £000	2018 Restated* £000
Revenue	7	**271,529**	244,910
Cost of sales		**(139,953)**	(125,875)
Gross profit		**131,576**	119,035
Administrative expenses		**(78,401)**	(70,210)
Operating profit	8	**53,175**	48,825
Finance income	11	**194**	140
Finance expense	11	**(886)**	(763)
Net finance expense		**(692)**	(623)
Profit before income tax		**52,483**	48,202
Taxation	12	**(11,856)**	(11,252)
Profit for the year		**40,627**	36,950

	Note	2019 pence	2018 Restated* pence
Earnings per ordinary share			
Basic	13	**37.3**	34.2
Diluted	13	**37.2**	33.7

* See note 5 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

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

The notes on pages 122 to 144 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	2019 £000	2018 Restated* £000
Profit for the year	**40,627**	36,950
Other comprehensive (expense)/ income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on retranslation of foreign operations (net of tax)	**(496)**	630
Total other comprehensive (expense)/ income	**(496)**	630
Total comprehensive income for the year	**40,131**	37,580

* See note 5 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 122 to 144 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019 £000	2018 Restated* £000
Non-current assets			
Right-of-use assets	14	**17,832**	14,045
Property, plant and equipment	15	**6,789**	6,117
Intangible assets	16	**19,799**	19,409
Deferred income tax assets	18	**1,732**	2,692
		46,152	42,263
Current assets			
Trade and other receivables	19	**39,937**	37,152
Cash and cash equivalents	20	**36,979**	33,907
		76,916	71,059
Total assets		**123,068**	113,322
Current liabilities			
Trade and other payables	21	**22,737**	23,070
Lease liabilities	14	**5,680**	4,656
Current income tax liabilities		**2,105**	3,166
		30,522	30,892
Non-current liabilities			
Lease liabilities	14	**17,482**	13,485
Total liabilities		**48,004**	44,377
Net assets		**75,064**	68,945
Equity attributable to owners of the parent			
Share capital	22	**1,092**	1,083
Share premium		**9,687**	8,771
All other reserves	24	**(3,241)**	3,221
Retained earnings		**67,526**	55,870
Total equity		**75,064**	68,945

* See note 5 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 122 to 144 are an integral part of these Consolidated Financial Statements.

The financial statements on pages 117 to 144 were approved by the Board of Directors on 10 March 2020 and were signed on its behalf by:

Rod Flavell
Chief Executive Officer
10 March 2020

Mike McLaren
Chief Financial Officer
10 March 2020

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 £000	2018 Restated* £000
Cash flows from operating activities			
Group profit before tax for the year		**52,483**	48,202
Adjustments for:			
Depreciation and amortisation	8	**6,237**	4,934
(Profit)/ loss on disposal of non-current assets		**(9)**	3
Finance income	11	**(194)**	(140)
Finance expense	11	**886**	763
Share-based payment charge (including associated social security costs)		**2,106**	2,972
Increase in trade and other receivables		**(3,283)**	(7,013)
Decrease in trade and other payables		**(564)**	(439)
Cash flows generated from operations		**57,662**	49,282
Interest received		**194**	140
Income tax paid		**(11,009)**	(11,407)
Net cash flow from operating activities		**46,847**	38,015
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(2,711)**	(2,684)
Acquisition of intangible assets		**(321)**	(16)
Net cash used in investing activities		**(3,032)**	(2,700)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**9**	8
Proceeds from sale of shares from EBT		**271**	–
Principal elements of lease payments		**(4,828)**	(3,732)
Interest elements of lease payments		**(827)**	(632)
Lease incentives received		**1,930**	–
Payment for shares bought back		**(2,958)**	(3,664)
Finance costs paid		**(59)**	(94)
Dividends paid	23	**(34,113)**	(30,718)
Net cash used in financing activities		**(40,575)**	(38,832)
Exchange (losses)/ gains on cash and cash equivalents		**(168)**	578
Net increase/ (decrease) in cash and cash equivalents		**3,072**	(2,939)
Cash and cash equivalents at beginning of year		**33,907**	36,846
Cash and cash equivalents at end of year	20	**36,979**	33,907

* See note 5 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 122 to 144 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital £000	Share premium £000	All Other reserves (Note 24) £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019 (Restated)*	1,083	8,771	3,221	55,870	68,945
Profit for the year	–	–	–	40,627	40,627
Other comprehensive income for the year	–	–	(496)	–	(496)
Total comprehensive (expense)/ income for the year	–	–	(496)	40,627	40,131
Share-based payments (note 25)	–	–	2,825	–	2,825
Transfer to retained earnings	–	–	(5,189)	5,189	–
New share issue (note 22)	9	916	–	–	925
Own shares bought back (note 26)	–	–	(3,921)	–	(3,921)
Own shares sold	–	–	319	(47)	272
Dividends (note 23)	–	–	–	(34,113)	(34,113)
Total transactions with owners, recognised directly in equity	9	916	(5,966)	(28,971)	(34,012)
Balance at 31 December 2019	**1,092**	**9,687**	**(3,241)**	**67,526**	**75,064**

	Share capital £000	Share premium £000	All Other reserves (Note 24) £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018 (Restated)*	1,075	7,873	6,991	47,122	63,061
Profit for the year (Restated)*	–	–	–	36,950	36,950
Other comprehensive income for the year	–	–	630	–	630
Total comprehensive income for the year (Restated)*	–	–	630	36,950	37,580
Share-based payments (note 25)	–	–	2,678	–	2,678
Transfer to retained earnings	–	–	(2,516)	2,516	–
New share issue	8	898	–	–	906
Own shares bought back (note 26)	–	–	(4,562)	–	(4,562)
Dividends (note 23)	–	–	–	(30,718)	(30,718)
Total transactions with owners, recognised directly in equity	8	898	(4,400)	(28,202)	(31,696)
Balance at 31 December 2018 (Restated)*	**1,083**	**8,771**	**3,221**	**55,870**	**68,945**

* See note 5 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

The notes on pages 122 to 144 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 General information

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

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.

The Consolidated Financial Statements consolidate those of the Company and its subsidiaries. Subsidiaries and their countries of incorporation are presented in note 3 to the Parent Company Financial Statements.

The Consolidated Financial Statements present the results for the year ended 31 December 2019. The Consolidated Financial Statements were approved by Rod Flavell and Mike McLaren on behalf of the Board of Directors on 10 March 2020.

2 Going concern

The Group'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 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 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.

3 Accounting policies

3.1 Basis of preparation

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

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

The Group has changed its accounting policies and made retrospective adjustments as a result of adopting IFRS 16 'Leases'. The impact of adopting the leasing standard and the new accounting policies are disclosed in note 5 and 6 respectively.

3.2 Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019.

Subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Details of the subsidiaries owned by the Group are presented in note 3 to the Parent Company Financial Statements. There are no minority interests in the subsidiaries of the Company.

3.3 Summary of significant accounting policies

a) Business combinations and goodwill

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to that unit.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

b) 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.

Sales invoices are issued following fulfilment of FDM's performance obligation, confirmed by receipt of approved timesheets. Invoices are due for payment in line with agreed credit terms.

c) Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the company operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are expressed in Pounds Sterling (£), which is the functional currency of the Parent Company and the presentation currency for the Consolidated Financial Statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate prevailing at the time of the transaction. At the end of each reporting period, monetary items and goodwill denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are expressed in the Group's presentation currency using exchange rates prevailing at the end of the reporting period. Income and expense related items are translated at the average exchange rates for the period. Exchange differences arising are classified as other comprehensive income and transferred to the Group's translation reserve.

3 Accounting policies continued

d) 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 countries where the Group 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 differences are not provided for: goodwill not deductible for tax purposes; and 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.

e) 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.

f) 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 Group 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 and adjusted if appropriate.

- System development costs
  Costs relating to the set-up of the Group's new Timesheet and Billing System have been recognised as an addition to intangible assets. Costs of directly bringing the system into use including invoiced supplier costs and salaries of the implementation team have been capitalised. The cost will be amortised over the estimated useful life of the software.

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses, and is revalued at the end of the reporting period. For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units.

Goodwill is reviewed annually or when there is an indication of impairment. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying value of the cash-generating unit to which the goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

g) Trade receivables

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

h) 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.

i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group 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.

j) Financial instruments

Non-derivative financial instruments

The Group's non-derivative financial instruments comprise trade receivables, trade payables, cash and cash equivalents and a revolving credit facility.

The Group 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.

k) Pensions and other post-employment benefits

The Group operates a number of defined contribution pension schemes. The assets of each scheme are held separately from those of the Group 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.

l) Provisions

Provisions for legal claims are recognised when the Group 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 of the expenditure required to settle the Group's liability. These estimates are reviewed each year and updated as necessary.

FDM is a people business and, in the ordinary course, we receive legal claims from time to time, most commonly employment-related. Our in-house legal team deals with these claims where appropriate, but we engage specialist external lawyers when it is appropriate for us to access additional expertise or resource. We are confident in our employment practices and it is our policy to defend these claims and our business model robustly. We will also take a commercial approach and from time to time may choose to settle claims if we consider it pragmatic to do so. The Directors evaluate the possibility of an outflow of resources to determine if it is either remote, possible or probable. In each circumstance either adequate provisions are established or appropriate disclosures are made in accordance with the provisions of IAS 37.

m) 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. Share premium reflects the extra paid for new shares above their nominal value.

Other reserves represent the cost of equity on settled share-based payments until such share options are exercised or lapse. Own shares reserve represents those Company shares held by the Trustee of the FDM Group Employee Benefit Trust and are a deduction from shareholders' funds (see note 26).

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The capital redemption reserve arose from the purchase by the Company in 2015 of 5,200,392 deferred shares, which had a nominal value of £0.01 each.

3 Accounting policies continued

n) Share-based payments

Employees (including senior executives) of the Group 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 other reserves 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 Group'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.

o) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Board of Directors. The Executive Directors have been identified as the chief operating decision maker.

p) 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.

q) Employee Benefit Trust

FDM Group (Holdings) plc has an established Employee Benefit Trust ('EBT') to which it is the sponsoring entity. Notwithstanding the legal duties of the Trustee, the Company considers that it has 'de facto' control. The EBT is included in the Parent Company Financial Statements and the Consolidated Financial Statements.

No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT. For further information, see note 26.

r) Leases

The Group's policy on accounting for leases is set out in note 5.

4 Significant accounting estimate

The preparation of the Group'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 Group's significant estimate:

Share-based payment charge

A share-based payment charge is recognised in respect of share awards based on the Directors' best estimate of the number of shares that will vest based on the performance conditions of the awards, which comprise adjusted EPS growth 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 25. It is considered that no reasonable or likely change in underlying assumptions could cause a material variance in the charge.

No individual judgements have been made that have a significant impact on the financial statements.

5 Adoption of IFRS 16 'Leases'

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

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

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

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

Initial adoption

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

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

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

Income Statement for year ending 31 December 2018 (extract)

	As previously reported £000	IFRS 16 £000	Restated £000
Administrative expenses	(70,748)	538	(70,210)
Operating profit	**48,287**	**538**	**48,825**
Finance expense	(94)	(669)	(763)
Profit before income tax	**48,333**	**(131)**	**48,202**
Taxation	(11,275)	23	(11,252)
Profit for the period	**37,058**	**(108)**	**36,950**

5 Adoption of IFRS 16 'Leases' continued

Statement of Financial Position (extract)

	1 January 2018			31 December 2018		
	As previously reported £000	IFRS 16 £000	Restated £000	As previously reported £000	IFRS 16 £000	Restated £000
Non-current assets						
Right-of-use assets	–	17,223	17,223	–	14,045	14,045
Deferred income tax assets	2,275	391	2,666	2,282	410	2,692
Current assets						
Trade and other receivables	30,716	(539)	30,177	37,729	(577)	37,152
Total assets	**94,234**	**17,075**	**111,309**	**99,444**	**13,878**	**113,322**
Current liabilities						
Trade and other payables	26,616	(3,394)	23,222	25,907	(2,837)	23,070
Lease liabilities	–	4,398	4,398	–	4,656	4,656
Non-current liabilities						
Lease liabilities	–	17,389	17,389	–	13,485	13,485
Total liabilities	**29,855**	**18,393**	**48,248**	**29,073**	**15,304**	**44,377**
Net assets	**64,379**	**(1,318)**	**63,061**	**70,371**	**(1,426)**	**68,945**
Retained earnings	**48,440**	**(1,318)**	**47,122**	**57,296**	**(1,426)**	**55,870**
Translation reserve	**791**	**–**	**791**	**1,421**	**–**	**1,421**
Total equity	**64,379**	**(1,318)**	**63,061**	**70,371**	**(1,426)**	**68,945**

	As previously reported £000	IFRS 16 £000	Restated £000
Cash flows generated from operations	**44,918**	**4,364**	**49,282**
Principal elements of lease payments	–	(3,732)	(3,732)
Interest elements of lease payments	–	(632)	(632)
Net cash outflow from financing activities	(34,468)	(4,364)	(38,832)
Net decrease in cash and cash equivalents	**(2,939)**	**–**	**(2,939)**

Lease liabilities as at 31 December 2018

The table below reconciles the Group's operating lease commitments as at 31 December 2018 (as disclosed in note 23 in Annual Report 2018) to the lease liabilities recognised under IFRS 16.

	£000
Operating leases commitment *(as disclosed in note 23 in Annual Report 2018)*	27,578
Discounted using the lessee's lease incremental borrowing rates	(1,850)
Add: adjustment where lessee is reasonably certain to exercise its option to extend the lease	2,602
Less: adjustment for lease not yet commenced to which lessee is committed	(10,189)
Lease liabilities recognised	**18,141**
Of which are:	
Current lease liabilities	4,656
Non-current lease liabilities	13,485
	18,141

6 New standards and interpretations

The Intenational 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 Group in preparing the financial statements.

With the exception of IFRS 16 'Leases', as set out in note 5, the adoption of these amendments has not had a material impact on the Group's financial statements in the year:

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

Effective after 31 December 2019	Effective for accounting periods beginning on or after	Endorsed by the EU
New standards		
IFRS 17, 'Insurance contracts'	1 January 2021	No
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	No
Amendment to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments recognition and measurement' and IFRS 7 'Financial Instruments disclosures' on Interest rate benchmark reform	1 January 2020	No

7 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 2019, 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.

7 Segmental reporting continued

For the year ended 31 December 2019

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
Revenue	136,921	96,024	15,961	22,623	271,529
Depreciation and amortisation	(2,534)	(1,866)	(252)	(1,585)	(6,237)
Segment operating profit/ (loss)	**35,916**	**16,455**	**2,152**	**(1,348)**	**53,175**
Finance income*	231	191	9	2	433
Finance costs*	(388)	(143)	(61)	(533)	(1,125)
Profit/ (loss) before income tax	**35,759**	**16,503**	**2,100**	**(1,879)**	**52,483**
As at 31 December 2019					
Total assets	**72,523**	**25,341**	**8,647**	**16,557**	**123,068**
Total liabilities	**(17,742)**	**(7,330)**	**(3,525)**	**(19,407)**	**(48,004)**

** Finance income and finance costs include intercompany interest which is eliminated upon consolidation*

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 2019	**29,586**	**4,134**	**1,435**	**9,265**	**44,420**

For the year ended 31 December 2018 (Restated)

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
Revenue	130,978	82,119	13,519	18,294	244,910
Depreciation and amortisation	(2,436)	(1,596)	(252)	(650)	(4,934)
Segment operating profit/ (loss)	**34,615**	**13,224**	**1,416**	**(430)**	**48,825**
Finance income	120	156	2	2	280
Finance costs	(482)	(172)	(62)	(187)	(903)
Profit/ (loss) before income tax	**34,253**	**13,208**	**1,356**	**(615)**	**48,202**
As at 31 December 2018					
Total assets	**73,407**	**25,543**	**6,487**	**7,885**	**113,322**
Total liabilities	**(23,535)**	**(9,406)**	**(2,696)**	**(8,740)**	**(44,377)**

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 2018	**30,745**	**5,470**	**1,728**	**1,628**	**39,571**

Information about major customer

2019 revenue from customer A is attributed across all four operating segments. Customer A represents 10% or more of the Group's 2019 and 2018 revenues.

	2019 £000	2018 £000
Revenue from customer A	**29,121**	25,874

8 Operating profit

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

	2019 £000	2018 Restated £000
Net foreign exchange differences	**(24)**	74
Depreciation of right-of-use assets	**4,265**	3,315
Depreciation and amortisation of other assets	**1,972**	1,619
Expense relating to short-term leases	**526**	590

Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors:

	2019 £000	2018 £000
Fees payable to the Group's auditors for the audit of the Parent Company and Consolidated Financial Statements	**70**	70
Fees payable to the Group's auditors for other services:		
– The audit of the Group's subsidiaries	**114**	94
– Audit-related assurance services	**41**	36
	225	200

9 Staff numbers and costs

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

	2019 Number	2018 Number
IT Consultants	**4,532**	4,056
Administration	**612**	561
	5,144	4,617

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**165,190**	146,848
Social security costs	**14,568**	12,799
Other pension costs	**4,018**	3,152
Share-based payments	**2,037**	2,707
	185,813	165,506

Retirement benefits

The Group operates a number of defined contribution pension plans. The pension charge for the year represents contributions payable by the Group to the schemes. The pension contributions payable at 31 December 2019 were £373,000 (2018: £275,000). There were no prepaid contributions at the end of the financial year (2018: £nil).

10 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 2019 is set out below:

	2019 £000	2018 £000
Short-term employee benefits	**2,395**	2,428
Post-employment benefits	**33**	33
Share-based payments	**364**	526
	2,792	2,987

For further information on Directors' remuneration, see the audited sections of the Remuneration Report as defined on page 91.

11 Finance income and expense

	2019 £000	2018 £000
Bank interest	**194**	140
Finance income	**194**	140

	2019 £000	2018 Restated £000
Interest on lease liabilities	**(827)**	(669)
Non utilisation fees on revolving credit facility	**–**	(47)
Finance fees and charges	**(59)**	(47)
Finance expense	**(886)**	(763)

12 Taxation

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

	2019 £000	2018 Restated £000
Current income tax:		
Current income tax charge	**13,144**	11,820
Adjustments in respect of prior periods	**(308)**	71
Total current tax	**12,836**	11,891
Deferred tax:		
Relating to origination and reversal of temporary differences	**(980)**	(639)
Total deferred tax	**(980)**	(639)
Total tax expense reported in the income statement	**11,856**	11,252

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

	2019 £000	2018 Restated £000
Profit before income tax	**52,483**	48,202
Profit multiplied by UK standard rate of corporation tax of 19% (2018: 19%)	**9,972**	9,158
Effect of different tax rates on overseas earnings	**1,985**	1,732
Expenses not deductible for tax purposes	**207**	291
Adjustments in respect of prior periods	**(308)**	71
Total tax charge	**11,856**	11,252

Factors affecting future tax charges

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

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

13 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.

		2019	2018 Restated
Profit for the year	£000	**40,627**	36,950
Average number of ordinary shares in issue (thousands)		**108,822**	107,978
Basic earnings per share	Pence	**37.3**	34.2

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.

		2019	2018 Restated
Profit for the year (basic earnings)	£000	**40,627**	36,950
Share-based payment expense (including social security costs) (note 25)	£000	**2,037**	2,972
Tax effect of share-based payment expense	£000	**(468)**	(685)
Adjusted profit for the year	£000	**42,196**	39,237
Average number of ordinary shares in issue (thousands)		**108,822**	107,978
Adjusted basic earnings per share	Pence	**38.8**	36.3

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.

		2019	2018 Restated
Profit for the year (basic earnings)	£000	**40,627**	36,950
Average number of ordinary shares in issue (thousands)		**108,822**	107,978
Adjustment for share options (thousands)		**492**	1,594
Diluted number of ordinary shares in issue (thousands)		**109,314**	109,572
Diluted earnings per share	Pence	**37.2**	33.7

14 Leases

(i) Right-of-use assets

Properties	2019 £000	2018 £000 Restated
Cost		
At 1 January	**28,641**	28,200
Additions	**8,502**	–
Disposals	**(787)**	–
Effect of movements in foreign exchange	**(517)**	441
At 31 December	**35,839**	28,641
Accumulated depreciation		
At 1 January	**14,596**	10,976
Depreciation charge for the year	**4,265**	3,315
Disposals	**(603)**	–
Effect of movements in foreign exchange	**(251)**	305
At 31 December	**18,007**	14,596
Net book value at 31 December	**17,832**	14,045

14 Leases continued

(ii) Lease liabilities

	2019 £000	2018 £000 Restated
Current lease liabilities	**5,680**	4,656
Non-current lease liabilities	**17,482**	13,485
	23,162	18,141

Contractual maturities of lease liabilities (at net present value)

	2019 £000	2018 £000 Restated
Less than one year	**5,013**	4,205
Between 1 and 2 years	**4,384**	3,948
Between 2 and 5 years	**8,780**	8,214
Over 5 years	**4,985**	1,774
Total lease liabilities at net present value	**23,162**	18,141
Total contractual cashflows	**25,566**	19,688

The total cash outflow for leases was £5,655,000 (2018; £4,363,000); see also the Consolidated Statement of Cash Flows on page 120.

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

(iii) Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2019 £000	2018 £000 Restated
Depreciation of right-of-use assets – properties	**4,265**	3,315
Interest expense (included in finance cost)	**827**	669
Expense relating to short-term leases	**526**	590

15 Property, plant and equipment

2019	Leasehold improvements £000	Fixtures and fittings £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2019	6,931	1,486	3,619	12,036
Additions	1,550	241	921	2,712
Disposals	(189)	(2)	(273)	(464)
Effect of movements in foreign exchange	(85)	(21)	(45)	(151)
At 31 December 2019	8,207	1,704	4,222	14,133
Accumulated depreciation				
At 1 January 2019	2,499	1,145	2,275	5,919
Depreciation charge for the year	1,002	238	673	1,913
Disposals	(137)	(1)	(271)	(409)
Effect of movements in foreign exchange	(32)	(17)	(30)	(79)
At 31 December 2019	3,332	1,365	2,647	7,344
Net book value at 31 December 2019	**4,875**	**339**	**1,575**	**6,789**

2018	Leasehold improvements £000	Fixtures and fittings £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2018	5,273	1,293	2,679	9,245
Additions	1,606	174	904	2,684
Disposals	–	–	(2)	(2)
Effect of movements in foreign exchange	52	19	38	109
At 31 December 2018	6,931	1,486	3,619	12,036
Accumulated depreciation				
At 1 January 2018	1,699	907	1,713	4,319
Depreciation charge for the year	776	224	539	1,539
Disposals	–	–	–	–
Effect of movements in foreign exchange	24	14	23	61
At 31 December 2018	2,499	1,145	2,275	5,919
Net book value at 31 December 2018	**4,432**	**341**	**1,344**	**6,117**

16 Intangible assets

2019	Software and software licences £000	Goodwill £000	Total £000
Cost			
At 1 January 2019	517	19,322	19,839
Additions	322	–	322
Disposals	–	–	–
Effect of movements in foreign exchange	(3)	128	125
At 31 December 2019	836	19,450	20,286
Accumulated amortisation			
At 1 January 2019	430	–	430
Amortisation for the year	59	–	59
Disposals	–	–	–
Effect of movements in foreign exchange	(2)	–	(2)
At 31 December 2019	487	–	487
Net book value at 31 December 2019	**349**	**19,450**	**19,799**

2018	Software and software licences £000	Goodwill £000	Total £000
Cost			
At 1 January 2018	498	19,322	19,820
Additions	16	–	16
Disposals	–	–	–
Effect of movements in foreign exchange	3	–	3
At 31 December 2018	517	19,322	19,839
Accumulated amortisation			
At 1 January 2018	349	–	349
Amortisation for the year	80	–	80
Disposals	–	–	–
Effect of movements in foreign exchange	1	–	1
At 31 December 2018	430	–	430
Net book value at 31 December 2018	**87**	**19,322**	**19,409**

The amortisation charge is recognised in administrative expenses in the income statement. The amortisation period of the software and software licences is four years. Goodwill is not amortised but is subject to an annual impairment test.

16 Intangible assets continued

The goodwill has been allocated to cash generating units ("CGUs") summarised as follows:

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
Cost and NBV at 31 December 2018	14,843	1,397	3,082	–	19,322
Cost and NBV at 31 December 2019	14,843	1,690	2,917	–	19,450

17 Impairment testing of goodwill

An overview of impairment reviews performed by CGUs is set out below. The recoverable amount of each CGU has been determined on value in use calculations using cash flow projections from financial budgets and forecasts approved by the Board covering a three-year period from the date of the relevant impairment review. The key assumptions in the projections, for all CGUs, were as follows:

- Revenue and gross margin were based on expected levels of activity under existing major contractual arrangements together with growth based upon medium term historical growth rates and having regard to expected economic and market conditions for other customers.
- Administrative expenses were forecast to move in line with expected levels of activity in the CGU.
- The growth rate used to extrapolate the cash flows beyond the three-year forecast period was 2% up to a period of 15 years in total.

The pre-tax discount rates used in the calculations were as follows:

	2019 %	2018 %
UK and Ireland	**9.90**	11.36
North America	**13.13**	15.46
EMEA	**10.92**	11.99

As a result of the review the Directors did not identify any impairment for the goodwill in each CGU. In considering sensitivities, no reasonable change in any of the above key assumptions would cause the recoverable amount to fall below the carrying value of the CGUs.

18 Deferred income tax assets

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £000	2018 Restated £000
Non-current:		
Non-current temporary differences	**1,732**	2,692
Deferred tax asset	**1,732**	2,692

The Directors consider the deferred tax asset is recoverable within two to five years. Deferred tax assets have been recognised in respect of timing differences associated with share-based payment expenses where it is considered probable that these assets will be recovered.

	1 January 2019 Restated £000	Recognised in income statement £000	Recognised in other reserves £000	Transferred to retained earnings £000	31 December 2019 £000
Movement in deferred tax during 2019:					
Share-based payments	1,757	(468)	1,112	(1,092)	**1,309**
Right-of-use assets	410	(103)	–	–	**307**
Property, plant and equipment	(259)	92	–	–	**(167)**
Other	784	(501)	–	–	**283**
	2,692	(980)	1,112	(1,092)	**1,732**

	1 January 2018 Restated £000	Recognised in income statement £000	Recognised in other reserves £000	Transferred to retained earnings £000	31 December 2018 Restated £000
Movement in deferred tax during 2018:					
Share-based payments	2,330	36	(14)	(595)	**1,757**
Right-of-use assets	391	23	–	–	**410**
Property, plant and equipment	(326)	67	–	–	**(259)**
Other	271	513	–	–	**784**
	2,666	639	(14)	(595)	**2,692**

The Group has unused tax losses for which no deferred tax asset has been recognised with a potential tax benefit of £1,140,000 (2018: £437,000), no asset has been recognised as the losses have been generated in regions where the Group does not expect to generate profits in the short-term. The losses can be carried forward indefinitely.

19 Trade and other receivables

	2019 £000	2018 Restated £000
Trade receivables	**33,115**	24,990
Other receivables	**1,021**	953
Prepayments and accrued income	**5,801**	11,209
	39,937	37,152

Included within prepayments and accrued income is £1,551,000 of accrued income (2018: £6,864,000).

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

	2019 £000	2018 £000
Not overdue	**24,932**	19,915
Not more than three months past due	**8,033**	4,880
More than three months but not more than six months past due	**343**	261
More than six months but not more than one year past due	**9**	103
Older than one year past due	**–**	35
Provision for impairment	**(202)**	(204)
	33,115	24,990

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

	Provision for impairment 2019 £000	Provision for impairment 2018 £000
Not overdue	**–**	–
Not more than three months past due	**49**	22
More than three months but not more than six months past due	**146**	75
More than six months but not more than one year past due	**7**	77
Older than one year past due	**–**	30
	202	204

The movement in the provision for impairment is as below:

	2019 £000	2018 £000
At 1 January	**204**	287
Credit for the year	**(2)**	(83)
At 31 December	**202**	204

20 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**36,979**	33,907

The Group has issued guarantees in favour of the Swiss Office of Labour and Economy for CHF150,000, United Internet Corporate for €30,000 CRP/ Capstone 14W Property Owner LLC totalling US$242,399 and Roza 14W LLC for a leasehold property in the USA for US$25,973.

The credit quality of financial assets can be assessed by reference to external credit ratings issued by credit ratings agencies registered in the EU. Cash at bank is held with banks with the following ratings:

Cash at bank by credit rating	2019 £000	2018 £000
AA	**–**	32,911
A	**36,472**	518
BBB	**507**	478
	36,979	33,907

Revolving credit facility
The Group had a £20,000,000 Revolving Credit Facility ("RCF") with HSBC Bank plc which expired on 14 August 2018 and has not been renewed. The RCF was secured by way of a debenture on the assets of the Company, Astra 5.0 Limited, FDM Group Limited and FDM Group Inc.

21 Trade and other payables

	2019 £000	2018 £000 Restated
Trade payables	**1,923**	1,627
Other payables	**599**	915
Other taxes and social security	**8,319**	7,032
Accruals and deferred income	**11,896**	13,496
	22,737	23,070

22 Share capital

Authorised, called up, allotted and fully paid share capital

	2019 Number of shares	2019 £000	2018 Number of shares	2018 £000
Ordinary shares of £0.01 each				
At 1 January	**108,271,708**	**1,083**	107,517,506	1,075
New issues	**915,031**	**9**	754,202	8
At 31 December	**109,186,739**	**1,092**	108,271,708	1,083

Ordinary shares

All ordinary shares rank equally for all dividends and distributions that may be declared on such shares. At general meetings of the Company, each shareholder who is present (in person, by proxy or by representative) is entitled to one vote on a show of hands and, on a poll, to one vote per share.

During the year 915,031 shares were issued, the difference between market value and par value at issue resulted in an amount of £916,000 being recognised in share premium with £9,000 being recognised as an increase in issued share capital.

23 Dividends

	2019 £000	2018 £000
Dividends paid		
Paid to shareholders	**34,113**	30,718

2019
An interim dividend of 16.0 pence per ordinary share was declared by the Directors on 22 July 2019 and was paid on 20 September 2019 to holders of record on 23 August 2019.

The Board is proposing a final dividend of 18.5 pence per share in respect of the year to 31 December 2019, for approval by shareholders at the AGM on 29 April 2020.

Subject to shareholder approval the dividend will be paid on 12 June 2020 to shareholders of record on 22 May 2020.

This brings the Company's total dividend for the year to 34.5 pence per share (2018: 30.0 pence per share). The total ordinary dividends of 34.5 pence per share will be covered 1.08 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.

2018
An interim dividend of 14.5 pence per ordinary share was declared by the Directors on 20 July 2018 and was paid on 21 September 2018 to holders of record on 24 August 2018. The final dividend of 15.5 pence per share in respect of the year to 31 December 2018 was approved by shareholders at the AGM on 25 April 2019, the dividend was paid on 14 June 2019 to shareholders of record on 24 May 2019.

24 All Other Reserves

	Capital redemption reserve £000	Own shares reserve £000	Translation Reserve £000	Other reserves £000	Total of All other reserves £000
Balance at 1 January 2019 (Restated)	**52**	**(4,562)**	**1,421**	**6,310**	**3,221**
Other comprehensive expense for the year	–	–	(496)	–	(496)
Total comprehensive income for the year	–	–	(496)	–	(496)
Share-based payments (note 25)	–	–	–	2,825	2,825
Transfer to retained earnings	–	–	–	(5,189)	(5,189)
New share issue	–	–	–	–	–
Own shares sold	–	319	–	–	319
Own shares bought back (note 26)	–	(3,921)	–	–	(3,921)
Total transactions with owners, recognised directly in equity	–	(3,602)	–	(2,364)	(5,966)
Balance at 31 December 2019	**52**	**(8,164)**	**925**	**3,946**	**(3,241)**

	Capital redemption reserve £000	Own shares reserve £000	Translation Reserve £000	Other reserves £000	Total of All other reserves £000
Balance at 1 January 2018	52	–	791	6,148	6,991
Other comprehensive income for the year	–	–	630	–	630
Total comprehensive income for the year	–	–	630	–	630
Share-based payments (note 25)	–	–	–	2,678	2,678
Transfer to retained earnings	–	–	–	(2,516)	(2,516)
Own shares bought back (note 26)	–	(4,562)	–	–	(4,562)
Total transactions with owners, recognised directly in equity	–	(4,562)	–	162	(4,400)
Balance at 31 December 2018	**52**	**(4,562)**	**1,421**	**6,310**	**3,221**

25 Share-based payments

Recognised in Income Statement	2019 £000	2018 £000
Expenses arising from equity settled share-based payment transaction	**1,601**	2,707
Social security accrued thereon	**436**	265
Expenses arising from equity settled share-based payment transaction	**2,037**	2,972

Recognised in Equity	2019 £000	2018 £000
Expenses arising from equity settled share-based payment transaction	**1,601**	2,707
Deferred tax recognised in other reserves arising from equity settled share-based payment transaction (See note 18)	**1,112**	(14)
Transfer to retained earnings – Deferred tax	**(1,092)**	(595)
Transfer to retained earnings – Recharge	**(4,084)**	(1,921)
Currency difference on retranslation	**99**	(15)
	(2,364)	162

During the year the share options issued in 2016 vested, of which 914,254 were exercised, and 66,656 linked shares lapsed (linked shares which were not required to fund the price at date of exercise). The share options exercised were satisfied by the issue of 915,031 new shares, of which 406,825 were subsequently sold to the FDM Group Employee Benefit Trust, at the market value at date of exercise. For detail of the shares held in the FDM Group Employee Benefit Trust see note 26. A transfer of £4,084,000 was made from Other reserves to Retained earnings in respect of the exercise of share options during the period (2018: transfer of £1,921,000).

As disclosed in the Directors' Remuneration Report, the Company granted awards on 17 April 2019, in the form of nominal cost options over ordinary shares in the Company under the FDM 2014 Performance Share Plan ("PSP"). As with the awards made in 2015 to 2019, the vesting of the awards is subject to the achievement of a three-year performance condition relating to earnings per share.

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

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

The table below summarises the outstanding share options:

	2019 Number of shares	2019 Weighted average exercise price	2018 Number of shares	2018 Weighted average exercise price
Outstanding at 1 January	**2,292,325**	**159p**	2,667,815	104p
Granted during the year	**703,875**	**1p**	767,194	267p
Forfeited during the year	**(274,169)**	**163p**	(388,482)	76p
Exercised during the year	**(914,254)**	**90p**	(754,202)	120p
Expired during the year	**–**	**–**	–	–
Outstanding at 31 December	**1,807,777**	**131p**	2,292,325	159p
Exercisable at the end of the year	**18,800**	**269p**	8,000	125p
Weighted average remaining contractual life (years)	**1.31**	**n/ a**	1.0	n/ a

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2019 was 959p (2018: 999p).

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

2019	PSP
Share price at date of grant	**937p**
Exercise price	**1p**
Dividend yield	**3.3%**
Expected volatility	**28%**
Risk free interest rate	**0.88%**
Expected life	**4 years**
Fair value at date of grant –issue on 17 April 2019	**820p**

2018	PSP	CSOP
Share price at date of grant	1021p	1021p
Exercise price	1p	1021p
Dividend yield	3%	3%
Expected volatility	29%	29%
Risk free interest rate	0.94%	0.94%
Expected life	4 years	4 years
Fair value at date of grant- issue on 1 June 2018	905p	179p

2017	PSP	CSOP
Share price at date of grant	724p	724p
Exercise price	1p	724p
Dividend yield	3%	3%
Expected volatility	28%	28%
Risk free interest rate	0.25%	0.25%
Expected life	4 years	4 years
Fair value at date of grant – issue on 19 April 2017	641p	115p

2016	PSP	CSOP
Share price at date of grant	561p	561p
Exercise price	1p	561p
Dividend yield	3%	3%
Expected volatility	33%	33%
Risk free interest rate	0.8%	0.8%
Expected life	4 years	4 years
Fair value at date of grant – issue on 19 April 2016	497p	113p
Fair value at date of grant – issue on 5 September 2016	557p	127p

2015	PSP	CSOP
Share price at date of grant	331p	331p
Exercise price	1p	331p
Dividend yield	4%	4%
Expected volatility	31%	31%
Risk free interest rate	1.2%	1.2%
Expected life	4 years	4 years
Fair value at date of grant – issue on 20 April 2015	281p	56p
Fair value at date of grant – issue on 10 August 2015	388p	125p

26 Investment in own shares

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

During the AGM held on 25 April 2019, the shareholders approved that up to 10% of the Company's shares could be purchased by the Company and held as own shares, renewing the authority agreed on 26 April 2018. The authority expires at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at 23:59 on 31 May 2020.

Established in 2018, the FDM Group Employee Benefit Trust was used to purchase shares sold by option holders upon exercise of options under the FDM Performance Share Plan and sell shares to the members of the FDM Group Buy As You Earn Plan. The Group accounts for the Company's shares held by the Trustee of the FDM Group Employee Benefit Trust as a deduction from shareholders' funds.

The administrative costs of running the Trust have been consolidated in the results of FDM Group (Holdings) plc.

	31 December 2019	31 December 2018
Number of shares in the Company owned by the EBT	**830,224**	455,548
Nominal value of shares held	**£8,302**	£4,555
Cost price of shares held	**£8,165,217**	£4,561,510
Prevailing valuation per share at 31 December	**£10.34**	£7.43
Total market value of shares	**£8,584,516**	£3,384,722
Minimum number of shares in the Company owned by EBT during the year	**449,182**	–
Maximum number of shares in the Company owned by EBT during the year	**834,660**	455,548

27 Related parties

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

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

The full registered addresses of all subsidiaries of the Parent Company are disclosed on page 148.

28 Financial risk management

The Group 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 Board. These are designed to reduce the financial risks faced by the Group and Company, which primarily relate to credit, interest, liquidity, capital management and foreign currency risks, which arise in the normal course of the Group's business.

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

Credit risk

Credit risk is managed on a Group basis and arises from cash and cash equivalents and trade receivables. The Group provides credit to customers in the normal course of business and the amount that appears in the Consolidated Statement of Financial Position is net of a provision of £202,000 (2018: £204,000).

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

Credit risk is managed through agreed procedures which include managing and analysing the credit risk for new customers and managing existing customers. £1,841,000 of trade receivables at 31 December 2019 is owed from new customers (less than six months).

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. The Group's exposure to the risk of changes in market interest rates is limited as the Group had no borrowings therefore it has limited exposure to interest rate risk. The Group manages its interest rate risk through regular reviews of its exposure to changes in interest rates.

Liquidity risk

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

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

Capital management

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

The Board monitors the capital structure on a regular basis and determines the level of annual dividend. The Group is not exposed to any externally imposed capital requirements.

Fair values

There is no significant difference between the carrying amounts shown in the Consolidated Statement of Financial Position and the fair values of the Group and Company's financial instruments. For current trade and other receivables or payables with a remaining life of less than one year, the amortised cost is deemed to reflect the fair value. Assets are held as "loans and receivables" and that there are no assets or liabilities measured at fair value through profit and loss, no derivatives used for hedging, available-for-sale or other financial liabilities at amortised cost.

Foreign currency risk

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

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

28 Financial risk management continued

Cash and cash equivalents – The Group's cash and cash equivalents are denominated in the following currencies:

	2019 £000	2018 £000
Pounds Sterling	**25,005**	24,040
US Dollar	**3,027**	2,691
Canadian Dollar	**1,553**	1,772
Euro	**3,384**	2,686
Hong Kong Dollar	**1,083**	500
South African Rand	**956**	494
Chinese Renminbi	**625**	622
Swiss Franc	**511**	383
Singapore Dollar	**494**	418
Australian Dollar	**341**	265
Danish Krone	**–**	36
	36,979	33,907

Trade receivables – The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019 £000	2018 £000
Pounds Sterling	**15,766**	13,846
US Dollar	**6,285**	4,871
Canadian Dollar	**3,260**	1,494
Euro	**3,692**	1,707
Hong Kong Dollar	**1,506**	1,521
Singapore Dollar	**1,003**	924
Australian Dollar	**831**	242
Swiss Franc	**364**	79
South African Rand	**346**	19
Chinese Renminbi	**62**	287
	33,115	24,990

Trade and other payables – The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2019 £000	2018 £000
Pounds Sterling	**15,023**	18,035
US Dollar	**2,170**	3,124
Canadian Dollar	**2,286**	1,786
Euro	**1,830**	1,483
Hong Kong Dollar	**458**	428
Singapore Dollar	**344**	308
Australian Dollar	**418**	319
Swiss Franc	**102**	28
South African Rand	**47**	39
Chinese Renminbi	**59**	51
	22,737	25,601

Parent Company Statement of Financial Position

as at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Investments	3	**3,567**	5,955
		3,567	5,955
Current assets			
Trade and other receivables	4	**47,513**	43,633
Cash and cash equivalents	5	**35**	7
Total current assets		**47,548**	43,640
Total assets		**51,115**	49,595
Current liabilities			
Trade and other payables	6	**55**	42
Total liabilities		**55**	42
Net assets		**51,060**	49,553
Equity attributable to equity holders of the parent			
Share capital	7	**1,092**	1,083
Share premium		**9,687**	8,771
Capital redemption reserve		**52**	52
Own shares reserve		**(8,164)**	(4,562)
Other reserves		**3,567**	5,955
Retained earnings		**44,826**	38,254
Total equity		**51,060**	49,553

The Parent Company made a profit for the year of £36,648,000 (2018: profit of £31,627,000). In accordance with section 408 of the Companies Act 2006, the Parent Company's individual profit and loss account is not included in these financial statements.

The notes on pages 148 to 151 are an integral part of the Parent Company Financial Statements (Registered Company 07078823).

These financial statements on pages 145 to 151 were approved by the Board of Directors on 10 March 2020 and were signed on its behalf by:

Rod Flavell
Chief Executive Officer
10 March 2020

Mike McLaren
Chief Financial Officer
10 March 2020

Parent Company Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Company profit before tax for the year		**36,648**	31,627
Adjustments for:			
Dividends received		**(37,000)**	(32,000)
(Increase)/ decrease in trade and other receivables		**(3,880)**	841
Increase/ (decrease) in trade and other payables		**14**	(32)
Cash flows (used in)/ generated from operations		**(4,218)**	436
Cash flows from investing activities			
Dividends received	10	**37,000**	32,000
Recharge for share-based payment		**4,037**	1,921
Net cash generated from investing activities		**41,037**	33,921
Cash flows from financing activities			
Proceeds from issuance of new shares		**9**	906
Payments for shares bought back		**(2,687)**	(4,562)
Dividends paid	10	**(34,113)**	(30,718)
Net cash used in financing activities		**(36,791)**	(34,374)
Net increase/ (decrease) in cash and cash equivalents		**28**	(17)
Cash and cash equivalents at beginning of year		**7**	24
Cash and cash equivalents at end of year	5	**35**	7

The notes on pages 148 to 151 are an integral part of the Parent Company Financial Statements.

Parent Company Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital £000	Share premium £000	Capital redemption reserve £000	Own shares reserve £000	Other reserves £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2019	1,083	8,771	52	(4,562)	5,955	38,254	49,553
Profit for the year	–	–	–	–	–	36,648	36,648
Total comprehensive income for the year	–	–	–	–	–	36,648	36,648
Share-based payments (note 3)	–	–	–	–	1,696	–	1,696
Transfer to retained earnings	–	–	–	–	(4,084)	4,084	–
New share issue	9	916	–	–	–	–	925
Own shares bought back	–	–	–	(3,921)	–	–	(3,921)
Own shares sold	–	–	–	319	–	(47)	272
Dividends paid	–	–	–	–	–	(34,113)	(34,113)
Total transaction with owners, recognised directly in equity	9	916	–	(3,602)	(2,388)	(30,076)	(35,141)
Balance at 31 December 2019	**1,092**	**9,687**	**52**	**(8,164)**	**3,567**	**44,826**	**51,060**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Own shares reserve £000	Other reserves £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2018	1,075	7,873	52	–	5,147	35,424	49,571
Profit for the year	–	–	–	–	–	31,627	31,627
Total comprehensive income for the year	–	–	–	–	–	31,627	31,627
Share-based payments (note 3)	–	–	–	–	2,729	–	2,729
Transfer to retained earnings	–	–	–	–	(1,921)	1,921	–
New share issue	8	898	–	–	–	–	906
Own shares bought back	–	–	–	(4,562)	–	–	(4,562)
Dividends paid	–	–	–	–	–	(30,718)	(30,718)
Total transaction with owners, recognised directly in equity	8	898	–	(4,562)	808	(28,797)	(31,645)
Balance at 31 December 2018	**1,083**	**8,771**	**52**	**(4,562)**	**5,955**	**38,254**	**49,553**

The notes on pages 148 to 151 are an integral part of the Parent Company Financial Statements.

Notes to the Parent Company Financial Statements

1 Going concern

The Directors have a reasonable expectation that with the continued support of other Group companies, the Company will have adequate resources to continue in operational existence as a holding company for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for preparing the financial statements.

2 Accounting policies

The Company financial statements have been prepared in accordance with IFRSs as adopted by the EU and in accordance with the Companies Act 2006 as applicable to companies using IFRS and in accordance with IFRS IC interpretations.

The Company has taken the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The profit for the year was £36,648,000 (2018: profit of £31,627,000).

The financial information has been prepared on a historical cost basis.

The accounting policies of the Company are the same as those of the Group and have been applied consistently. These are set out in note 3 in the Notes to the Consolidated Financial Statements, except that the Company has no policy in respect of consolidation. Investments are carried at historical cost.

Details of the Company's significant accounting estimates, being the share-based payments, are consistent with those disclosed in note 4 to the Consolidated Financial Statements on page 127.

3 Investments

	2019 £000	2018 £000
At 1 January	**5,955**	5,147
Additions	**1,696**	2,729
Recharge of IFRS 2 investment	**(4,084)**	(1,921)
At 31 December	**3,567**	5,955

The addition to investments represents the accounting in respect of the costs associated with the PSP, as the awards relate to employees of its subsidiary undertakings. For further details of the PSP see note 25 to the Consolidated Financial Statements.

The Company holds the following investments in its subsidiaries:

Company	Country of incorporation	Class of share held	Direct/ indirect	Ownership
Astra 5.0 Limited	Great Britain	Ordinary	Direct	100%
FDM Group Limited	Great Britain	Ordinary	Indirect	100%
FDM Astra Ireland Limited	Ireland	Ordinary	Indirect	100%
FDM Group Inc.	USA	Ordinary	Indirect	100%
FDM Group Canada Inc.	Canada	Ordinary	Indirect	100%
FDM Group NV	Belgium	Ordinary	Indirect	100%
FDM Group GmbH	Germany	Ordinary	Indirect	100%
FDM Switzerland GmbH	Switzerland	Ordinary	Indirect	100%
FDM Group Luxembourg SA	Luxembourg	Ordinary	Indirect	100%
FDM South Africa (PTY) Limited	South Africa	Ordinary	Indirect	100%
FDM Singapore Consulting PTE Limited	Singapore	Ordinary	Indirect	100%
FDM Technology (Shanghai) Co. Limited	China	Ordinary	Indirect	100%
FDM Group HK Limited	Hong Kong	Ordinary	Indirect	100%
FDM Group Australia Pty Ltd	Australia	Ordinary	Indirect	100%
FDM Group Austria GmbH	Austria	Ordinary	Indirect	100%
FDM Group BV	The Netherlands	Ordinary	Indirect	100%

The total cost of investments in subsidiaries, is £2 (2018: £2). Astra 5.0 Limited acts as an intermediate holding company and provides human resources and marketing services to the Group. The remaining subsidiaries carry out the principal activity of the Group.

The registered address for each subsidiary of the Company as at 31 December 2019 is listed below. The principal place of business of each company is considered the same as the registered office, with the exception of FDM Group BV which operates in the Netherlands.

Company	Registered address
Astra 5.0 Limited	3rd Floor, Cottons Centre, Cottons Lane, London SE1 2QG, UK
FDM Group Limited	3rd Floor, Cottons Centre, Cottons Lane, London SE1 2QG, UK
FDM Astra Ireland Limited	25-28 North Wall Quay, Dublin 1, Ireland
FDM Group Inc.	14 Wall Street, New York, NY 10005, USA
FDM Group Canada Inc.	1 Place Ville Marie, 37th Floor, Montreal, QC H3B 3P4, Canada
FDM Group NV	Rue Medori 99, B-1020 Brussels, Belgium
FDM Group GmbH	MainzerLandstrasse 41, 60329 Frankfurt am Main, Germany
FDM Switzerland GmbH	Lavaterstrasse 40, Zurich, CH 8002, Switzerland
FDM Group SA	13 Boulevard Grande-Duchesse Charlotte, L01331 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	Room 314, No.437 Zhi Zaoju Road, Huangpu District, Shanghai, China
FDM Group HK Limited	Suites 406 – 409 Pacific Place, 1 Queen's Road East, Hong Kong
FDM Group Australia Pty Ltd	Rialto South Tower, Level 29, 525 Collins Street, Melbourne, VIC 3000, Australia
FDM Group Austria GmbH	Handelskai 92/ Gate 2/ 7A, 1200 Wien, Austria
FDM Group BV	3rd Floor, Cottons Centre, Cottons Lane, London SE1 2QG, UK

4 Trade and other receivables

	2019 £000	2018 £000
Amounts owed by subsidiary undertakings	**47,470**	43,616
Other receivables	**29**	–
Prepayments and accrued income	**14**	17
	47,513	43,633

All trade and other receivables are receivable in Pounds Sterling and are fully performing. Amounts owed by subsidiary undertakings are unsecured, non-interest bearing and repayable on demand.

5 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**35**	7

The Company's cash is held with a financial institution with a credit rating of A at the date of signing the financial statements.

6 Trade and other payables

	2019 £000	2018 £000
Trade payables	**12**	11
Accruals and deferred income	**43**	31
	55	42

Notes to the Parent Company Financial Statements

7 Share capital

Authorised, called up, allotted and fully paid share capital

	2019 Number of shares	2019 £000	2018 Number of shares	2018 £000
Ordinary shares of £0.01 each				
At 1 January	**108,271,708**	**1,083**	107,517,506	1,075
New issues	**915,031**	**9**	754,202	8
At 31 December	**109,186,739**	**1,092**	108,271,708	1,083

Ordinary shares

All ordinary shares rank equally for all dividends and distributions that may be declared on such shares. At general meetings of the Company, each shareholder who is present (in person, by proxy or by representative) is entitled to one vote on a show of hands and, on a poll, to one vote per share.

During the year 915,031 shares were issued, the difference between market value and par value at issue resulted in an amount of £916,000 being recognised in share premium with £9,000 being recognised as an increase in issued share capital.

8 Related parties

The Company holds inter-company balances with certain of its subsidiary undertakings. The transactions that have taken place are in relation to inter-company loan repayments/ additions and dividends which are listed below:

	Dividends from related parties 2019 £000	Amounts owed by related parties 2019 £000	Dividends from related parties 2018 £000	Amounts owed by related parties 2018 £000
Astra 5.0 Limited	**37,000**	**4,333**	32,000	4,333
FDM Group Limited	**–**	**43,137**	–	39,269
FDM Group Inc.	**–**	**–**	–	14
	37,000	**47,470**	32,000	43,616

9 Financial risk management

The financial risks and uncertainties the Company faces are the same as those of the Group. These are set out on pages 142 to 144.

10 Dividends

	2019 £000	2018 £000
Dividends received		
Received from subsidiaries	**37,000**	32,000
Dividends paid		
Paid to shareholders	**34,113**	30,718

2019

An interim dividend of 16.0 pence per ordinary share was declared by the Directors on 22 July 2019 and was paid on 20 September 2019 to holders of record on 23 August 2019.

The Board is proposing a final dividend of 18.5 pence per share in respect of the year to 31 December 2019, for approval by shareholders at the AGM on 29 April 2020.

Subject to shareholder approval the dividend will be paid on 12 June 2020 to shareholders of record on 22 May 2020.

This brings the Company's total dividend for the year to 34.5 pence per share (2018: 30.0 pence per share). The total ordinary dividends of 34.5 pence per share will be covered 1.08 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.

2018

An interim dividend of 14.5 pence per ordinary share was declared by the Directors on 20 July 2018 and was paid on 21 September 2018 to holders of record on 24 August 2018. The final dividend of 15.5 pence per share in respect of the year to 31 December 2018 was approved by shareholders at the AGM on 25 April 2019, the dividend was paid on 14 June 2019 to shareholders of record on 24 May 2019.

11 Directors' remuneration

Directors' remuneration was paid by FDM Group Limited in both the current and prior year and no recharge was made to the Company. For further details see note 10 to the Consolidated Financial Statements on page 131.

12 Auditors' remuneration

Auditors' remuneration of £7,000 was charged in relation to 2019 (2018: £7,000), the fees were paid by FDM Group Limited in both the current and prior year and no recharge was made to the Company.

13 Employees

The Company had no employees during the current or prior year.

Shareholder Information

Directors	David Lister	Non-Executive Chairman
	Rod Flavell	Chief Executive Officer
	Sheila Flavell	Chief Operating Officer
	Mike McLaren	Chief Financial Officer
	Andy Brown	Chief Commercial Officer
	Peter Whiting	Non-Executive Director
	Robin Taylor	Non-Executive Director
	Michelle Senecal de Fonseca	Non-Executive Director
	Jacqueline de Rojas	Non-Executive Director
	Alan Kinnear	Non-Executive Director
Company Secretary	Mark Heather	
Registered office	3rd Floor Cottons Centre Cottons Lane London SE1 2QG	
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH	
Bankers	HSBC Bank plc 8 Canada Square London E14 5HQ	
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Stockbrokers (joint)	Investec Bank plc 2 Gresham Street London EC2V 7QP	Stockdale Securities Limited Beaufort House 15 St. Botolph Street London EC3A 7BB
Legal advisors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW	

UK
Ireland
USA
Canada
Germany
Switzerland
Austria
France
Spain
Luxembourg
The Netherlands
South Africa
Hong Kong
Singapore
China
Australia

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