# FDM Group Limited

Registered number 2542980

## Annual Report and Financial Statements 2022

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# We are FDM

FDM Group Limited (the "Company") is a professional services provider with a focus on IT. Our mission is to bring people and technology together, creating and inspiring exciting careers that shape our digital future.

The Group's principal business activities involve recruiting, training and deploying its own permanent IT and business consultants ("Consultants" or "consultants") to clients, either on site or remotely. FDM specialises in a range of technical and business disciplines including Development, Testing, IT Service Management, Project Management Office, Data Engineering, Cloud Computing, Risk, Regulation and Compliance, Business Analysis, Business Intelligence, Cyber Security, AI (Artificial Intelligence), Machine Learning and Robotic Process Automation.

The FDM Careers Programme bridges the gap for graduates, ex-Forces, returners to work and apprentices, providing the training and experience required to make a success of launching or relaunching their careers. We have dedicated training centres and sales operations located in London, Leeds and Glasgow.

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

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

## Our purpose

Bringing people and technology together, creating and inspiring exciting careers that shape our digital future.

Delivering customer-led, sustainable, profitable growth on a consistent basis, through our well-established Consultant model:

- **Identify and recruit talented individuals** – we recruit high-calibre candidates and develop them into skilled Consultants. We currently have four pathways: Graduate, Ex-Forces, Returners and Apprentices.
- **Train individuals through our Academies** – we provide Consultants with first-class training and ongoing development and support, giving them the best possible platform to launch exciting and successful careers in IT. We invest in our trainers and training facilities to create leading-edge centres of excellence.
- **Grow our customer presence profitably** – we look to create new opportunities to deploy our Consultants amongst our existing client base and in ever-broadening and diverse new markets.
- **Identify and fill our clients' skills gaps** – we focus on understanding and anticipating requirements and market trends, to provide opportunities to our Consultants and other employees, delivering sustainable profitable growth for our shareholders.
- **Create a long-term sustainable business** – we aim to have a beneficial impact on the communities where we operate. We are aware of our responsibility towards our suppliers, and are working to minimise our impact on the physical environment.

# We are FDM *(continued)*

## Our values

### Together we are stronger

FDM has always been people-focussed. We celebrate diversity and 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.

### We strive for success

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

### Committed to our clients

We all work towards a shared goal, helping 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 undivided in this behaviour. This approach has earned us the respect of our colleagues, clients, partners and investors and has made us the business we are today.

### We make it happen

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

Awards

**Awards received during the year included:**

- Social Mobility Employer Index - The Top 75
- UK Social Mobility Awards: Recruitment Programme of the Year 2022 (Finalist / Silver award)
- West Yorkshire Apprenticeship Awards: Diversity & Inclusion Award Winner 2022
- Nottingham Trent University: Industry Placement Provider of the Year Winner 2021/ 22

# Review of the Business

## Our strategy

FDM's strategy is straightforward: to deliver customer-led, sustainable and profitable growth on a consistent basis through our well-established and proven business model. This model has enabled us to deliver a strong performance in the year by working to fulfil our four key strategic objectives: attract, train, and develop high-calibre Consultants; invest in leading-edge training capabilities; grow and diversify our client base; and expand and consolidate our geographic presence through sustainable and efficient means.

Our strategy requires that all activities and investments produce the appropriate level of return on investment, that they deliver sustained and measurable improvements for all our stakeholders including customers, staff and shareholders, and that they further our objective of launching the careers of talented people worldwide, which remains core to everything we do.

## Strategic objectives

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

Recruitment was a key area of focus during the year as we responded to high levels of client demand across all our regions. The overall number of recruitment events decreased as we changed the mix of events to attend more face-to-face and fewer virtual events in 2022. Face-to-face events are more personal to potential candidates and more impactful. We generated a marked increase in the number of applications with applicants seeking the benefits of FDM's market-leading, flexible training. We believe our offering is more attractive than ever to candidates, and also significantly differentiates FDM at a time when there is significant wage inflation in many of our regions.

Our new global applicant tracking system, Eploy, was rolled out in 2022; enabling us to process applications more efficiently while offering an improved user experience.

There were 1,063 training completions in 2022, an increase of 3% on the previous year (2021: 1,035).

We continue to invest in our Ex-Forces and Returners programmes, which remain an important source of talent for the business, and increased our investment in our apprenticeships programme, to further diversify our talent pipeline.

### Invest in leading-edge training capabilities

During the year we continued to advance our Academy Transformation Programme, as detailed in our Annual Report 2021, and enhanced our hybrid training model as we work to identify the best training delivery solution for the post pandemic world of work.

We are focussed on optimising both the appeal of our training programmes to candidates and of our Consultants to clients. For example, through our partnership with TechSkills, we have now achieved Tech Industry Gold standard accreditation for eight graduate programmes. Accreditation provides to candidates and clients external validation of FDM's programme content, delivery, approach and assessment.

Our trainers enhanced their qualifications through industry certifications, for instance with CompTIA CTT+ Certified Technical Trainer, Scrum.org PSM, IIBA ECBA&CBAP, ITIL and, Google Cloud, further enhancing credibility with clients.

### Grow and diversify our client base

We continue to deliver the highest level of service to our clients and have worked closely with them to meet their requirements. We secured 38 new clients in the year (2021: 33). Of these new clients, 73% were secured from outside the financial services sector, as we made good progress in the software and IT services, insurance and commercial and professional services sectors. The number of new clients does not include those clients which re-engaged with us during 2022.

### Expand and consolidate our geographic presence through sustainable and efficient means

Headcount increased by 8% to 1,958 (2021: 1,806) with a very strong performance in the first half of 2022 followed by a slower second half, reflecting political and economic uncertainties.

# Review of the Business *(continued)*

## Our service offerings

We continually enhance our service offerings in response to our clients' current and future requirements, developing a partner-led consultancy that provides clients with scalable and sustainable support. Extensive collaboration with clients has led to the co-creation of programmes to provide better solutions to complex challenges, such as a multi-year global internal audit programme for a banking client and a specialist test team supporting the rollout of a complex global platform for a media client. We have seen the first deployment of both "Robotic Process Automation As A Service" and "Business Analysis As A Service" specialist Data and Business Analysis teams to public sector customers undertaking significant transformation programmes. Each Consulting project is now underpinned by experienced Delivery Consultants who provide a management capability to reduce the burden on our clients. We have continued to build on the success of our large order fulfilment across KYC ("Know Your Customer") in the banking sector with clients in the charity, insurance and consultancy sectors.

In 2022 we began strengthening our Strategic Alliances with some of the world's most innovative organisations to fuel the growth of our client services and ensure that we are at the forefront of technological advancements. This further adds to the support we now provide to clients, particularly with technologies that are increasingly in demand and with hard-to-source-skillsets.

Our Strategic Alliances ecosystem includes:

- **Microsoft** – Workforce Development & Learn Career Connected Partner
- **Salesforce** – Workforce Development & Trailhead Academy Authorised Learning Partner
- **ServiceNow** – Placement & Authorised Training Partner
- **AWS** – AWS Approved Training Partner & AWS reStart Collaboration
- **Appian** – Education Partner
- **nCino** – Workforce Development Partner

## Our people – talented, ambitious, enthusiastic, diverse

FDM is a people business, and our results reflect the dedication, hard work and commitment of our people.

Our people strategy has been designed to enable FDM to maintain its position as a high-performing and impactful organisation with a clear orientation towards sustainability, scalability, commercial efficiency and flexibility. Our people strategy aims to ensure we deliver the following measures: successful deployments; an inclusive culture; a proactive business whereby we are constantly reviewing the needs of our people and clients; quality and clarity of purpose, ensuring all our employees embody and promote our values; and recognised leadership.

We remain committed to embracing diversity, equity and inclusion in the workplace. In 2022, we established a new Consultant Experience team whose purpose is to deliver a desirable, inclusive and engaging experience to all our Consultants whilst focussing on career enhancement. This initiative will help ensure our Consultants continue to progress, develop and have a positive experience throughout their time at FDM.

The safety and well-being of all our people remains a key priority. The People Team continues to engage with staff to ensure that their wellbeing is monitored and safeguarded.

### Climate change

FDM's Group Carbon Reduction Plan was approved in 2021. The next phase of our plan involves engagement with our major suppliers to refine our understanding of the indirect emissions arising from our supply chain and to continue to reduce such emissions.

In 2022, FDM continued making progress with its climate strategy. Pages 45 to 55 of FDM Group (Holdings) plc's Annual Report and Accounts 2022 includes details of FDM's governance of climate change, its integration with overall risk management, strategy for managing climate-related issues and opportunities, and the metrics used to measure progress towards our targets in line with the Group's Carbon Reduction Plan.

## Review of the Business *(continued)*

**Key Performance Indicators**

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

**Financial KPIs**

| | Year ending 31 December 2022 | Year ending 31 December 2021 | change |
|---|---|---|---|
| Revenue | **£139.6m** | £121.8m | +15% |
| Operating profit | **£26.2m** | £24.9m | +5% |
| Adjusted operating profit[1] | **£30.6m** | £28.7m | +7% |
| Adjusted profit before tax[1] | **£41.9m** | £42.5m | -1% |
| Profit before tax | **£37.5m** | £38.7m | -3% |

**Operational KPIs**

| | Year ending 31 December 2022 | Year ending 31 December 2021 | change |
|---|---|---|---|
| Consultants assigned to clients | **1,958** | 1,806 | +8% |
| Consultant utilisation | **96.8%** | 96.9% | -0% |
| Training completions | **1,063** | 1,035 | +3% |

Consultant headcount at week 52 of 2022 was 1,958, an increase of 152 (8%) on the prior year (2021: 1,806). Revenue increased by 15% to £139.6 million (2021: £121.8 million); this increase was higher than the 8% increase in Consultant headcount at week 52 due to the phasing of headcount, more challenging market conditions later in the year following uncertainty arising from September's mini-budget and the subsequent changes in UK government, which impacted certain customers' decision-making. During the year we added 38 new clients compared with the 33 that we added in 2021.

The tenure profile of our Consultants has now rebalanced to more normal levels, with the proportion of Consultants who have completed their first two years with FDM having been unusually high through the pandemic. We ended the year with 46% (2021: 49%) within their first year, 36% (2021: 19%) within their second year and 18% (2021: 33%, 2020: 39%) having completed more than two years.

Adjusted operating profit increased 7% to £30.6 million (2021: £28.7 million). Training completions were broadly in line with the prior year as we trained 1,063 Consultants (2021: 1,035). In July 2021 we introduced paid training, paying trainees from their first day in training, in line with our operations elsewhere in the world. The full year cost of trainee wages pre-deployment was £7.2 million in 2022 (2021: £3.8 million).

### Financial Review

**Adjusting items**

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

The performance share plan expenses including social security costs were £4.4 million in 2022 (2021: £3.8 million). Details of the performance share plan are set out in note 0 to the Financial Statements.

**Net finance expense**

The finance expense costs include lease liability interest of £135,000 (2021: £210,000). The Company has no borrowings. Other financial expense remains low at £57,000 (2021: £20,000).

[1] The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expenses (including social security costs).

## Review of the Business *(continued)*

### Taxation

The Company's total tax charge for the year was £5.7 million, equivalent to an effective tax rate of 15%, on profit before tax of £37.5 million (2021: effective tax rate of 14% based on a tax charge of £5.6 million and a profit before tax of £38.7 million). The effective tax rate in 2022 is lower than the underlying UK tax rate of 19% primarily due to income which is not taxable.

### Dividends

During 2022 the Company paid a dividend to Astra 5.0 Limited of £40.0 million (2021: £37.0 million).

### Net funds

At the end of the financial year, the Company had cash balances of £27.3 million (2021: £36.2 million).

### Balance sheet

The Company has a robust balance sheet, with no debt and £27.3 million of cash (2021: no debt and £36.2 million of cash).

# Risk Management

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

### Approach to risk

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

### Identifying and monitoring key risks

The Board uses the Risk Register as its principal tool for monitoring and reporting risk. The preparation of the register is led by the Chief Financial Officer, supported by the Senior Management Team. The register details the Group's risks, the potential impact of each risk, the likelihood of that risk occurring, the strength of the mitigating controls in place and how these are evidenced. The Risk Register also documents first, second and third lines of defence 'sources of assurance'. Input is obtained from all areas of the business, including support functions, as appropriate. A member of the Executive Team is assigned as the owner of each risk to ensure an appropriate level of focus and accountability to the Board. The Board formally reviews the Risk Register at the half year and at the year end, following a detailed review by the Audit Committee as part of their assessment of the effectiveness of the risk management process.

The risk management process is reviewed regularly by our Internal Audit function. The latest review concluded that our processes are suitable for a business of our size and complexity. All Internal Audit reviews are risk-based, and each review is designed to consider the key risks recorded in the Risk Register.

The current Risk Register includes 31 risks categorised as strategic, operational, compliance or financial risks, ten of which are considered to be the Group's principal risks. The Risk Register was formally updated in early 2023. In March 2023, the Audit Committee and the Board carried out a robust and formal assessment of the Group's emerging and principal risks as set out in the updated Risk Register.

## Principal risks

The principal risks faced by the Company are the same as those faced by the Group. Their current status and how the Group mitigates these risks are set out on pages 24 to 30 of FDM Group (Holdings) plc's Annual Report and Accounts 2022. During the year we have made one key change to the presentation of our risks in this report. Previously we identified and reported two separate risks relating to balancing the supply and demand of our Consultant resource, one relating to the risk of having excess Consultant resource and the other relating to the risk of having insufficient Consultant resource. We have in place well established and consistent processes and controls around the management of the supply and demand of our Consultant resource. These controls and processes mitigate the risk associated with both excess and insufficient resource and as a result we feel it is more appropriate and relevant to classify balancing supply and demand of Consultant resource as one risk.

In reviewing the profile of our principal risks, we considered the following external factors:

- **Economic uncertainty:** The global economic outlook has deteriorated over recent times with the occurrence of high levels of inflation, rising energy costs and increases in interest rates in several of our operating regions. This has led to increased concerns that a global recession is likely, exacerbated by the Russian invasion of Ukraine, although the Group has no operational presence in Ukraine or in Russia, and no Consultants placed with clients in either of those countries. 'Changes in the macro-economic environment' is our highest rated risk. As a result, we have not amended the profile of this risk (risk 1 below). The Group benefits from a robust balance sheet and significant cash balances.
- **Talent:** Following a reduction in headcount growth as a result of the COVID-19 pandemic, 2022 saw an increase in competition for talent and potential candidates looking for increased flexibility when considering roles. Recently we have experienced notable increases in the number of applications. In addition, we can offer some flexibility to our candidates with the evolution of our hybrid training model and some of our clients offer flexible working arrangements. We have therefore not increased the risk profile of this risk (risk 5 below).
- **Cybersecurity:** The threat of a cyber-attack continues to increase, in terms of sophistication, frequency of attempts, scale and potential impact. We increased the risk profile of this risk in the prior year and believe that the current risk profile is appropriate as we continue to focus on strengthening our cybersecurity and information-safeguarding capabilities.

# Risk Management *(continued)*

A summary of the principal risks facing the Company:

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

**Emerging risks**

Our risks continue to evolve and an awareness of emerging risks and their potential implications is important in driving our strategic planning and decision-making. We have not identified any emerging risks not already covered in the principal risks section above, or other areas of focus considered below.

**Other risk areas of focus**

***Climate change***

During 2022, the Board engaged external consultancy CEN-ESG to assist in the identification and documentation of climate-related risks and opportunities. A management level Climate-change Action Group ("CAG") has been established to assess and manage the Group's climate-related risks and opportunities on an ongoing basis. The Group and Company's climate change risk is considered to be low. As a result, climate change is not considered to be one of the Group's or Company's principal risks.

We are committed to reducing our global carbon footprint in all appropriate areas whilst building carbon efficiencies into our ways of working, and to:

- reduce our absolute Scope 1 and 2 greenhouse gas emissions by 50% by 2030 from a 2020 base year; and
- reduce Scope 3 greenhouse gas emissions by 62% per full-time employee within the same timeframe.

In June 2022, SBTi validated that these targets conform with the SBTi Criteria and Recommendations (version 4.2). The SBTi's Target Validation Team has determined that our targets are in line with seeking to keep a rise in global temperature to below 1.5°C.

We are aware that our clients in some sectors could be adversely affected by climate change and there is a risk that this affects our own business indirectly as clients' spending decisions are constrained by climate change challenges. We look to mitigate this risk by diversifying the sectors and geographies in which we operate. We also believe that there is opportunity for the Group as we train and deploy Consultants with the skills to help our clients find and apply the optimal technical and business solutions to the challenges that climate change brings. For example, some of our clients in the energy sector are deploying Consultants on projects to help them to move towards sourcing energy from renewable sources.

# Corporate Responsibility

The long-term success of the business continues to be achieved through an inclusive and collaborative approach with consideration to our key stakeholders; our employees, clients, investors, and the communities in which we operate. Throughout 2022, we continued to promote diversity, equity and inclusion in the workplace, with the aim of contributing to the success of our business and the achievements of our people.

Our values encourage our employees to be themselves at work, and to play a part in creating and fostering an inclusive and open workplace where everyone can thrive. FDM promotes equal opportunity, diversity and inclusion in the workplace to enable equity. We know the positive impact that a diverse workforce has had on our business, and this is an important factor which makes our Consultant model so attractive to many of our clients.

## Our people

FDM identifies, recruits and develops talented individuals. On the following pages we publish data on certain characteristics shared by our people. However, we understand that the reality is more complex, with intersectionality, overlap and differences within each group. We recognise that each employee has a unique identity, and that our people's experience can be more nuanced than it is possible to express in a matrix of data. We celebrate these differences. It is important that we create places where our employees feel safe, have the opportunity to thrive and are encouraged to be their authentic selves at work, as this promotes personal wellbeing, psychological safety and employee engagement.

### Consultant Experience

In 2022, we brought together several teams whose focus has been on supporting our Consultants, to create a Consultant Experience department. The purpose of the department is to deliver a desirable, inclusive and engaging experience focused on career enhancement and community. A new career framework is being developed to show how tailored learning plans can align to overall career goals, which can be achieved through the opportunities FDM has to offer.

Consultants have support and career guidance available to them from Consultant Experience Partners while working on assignment with our clients. They act as career coaches for our Consultants to empower them to explore their career goals, understand how they can achieve them and define what success looks like. They also use their expertise to work with client line managers and Consultants to ensure a positive assignment.

Together with Sales' Account Managers and the respective client line manager, the Consultant Success Team arranges formal touchpoints with Consultants to gauge feedback and sentiment. The team enable us to take a data-driven approach to continuously improve the Consultant experience. The touchpoints are an effective support mechanism, which, along with the social events that the team runs for Consultants, help build relationships.

Our Consultant Peer Support Programme introduces new Consultants to those already working on assignment, to help onboard and settle them into their new role. We hold regular face-to-face events at client sites and off-site events to strengthen connections between peers.

At the core of our Consultant Experience activities, we take a skills-based approach to careers and incorporate inclusive design to assess and ensure our practices are equitable. With the diverse backgrounds of our Consultants, focussing on skills over qualifications or job titles means people have the flexibility to work across disciplines, adapt to new roles and have equal opportunity to progress. We maintain the integrity of this approach by identifying areas that have the potential to be prone to bias, use data to produce actionable insight, adjust practices and continue to track Consultant journeys at key decision-making points in the employee life cycle.

We have a significant alumni network and whilst we have always remained connected with our alumni, the Consultant Experience department, in collaboration with the Sales team, will increase the engagement with those who have come through our various programmes over the years to continue to strengthen our alumni network. Through continuing to build and engage with our extensive alumni community, our aim is to continually grow an effective ecosystem to create learning and development, professional networking and increased career opportunities for our past, present and future Consultants.

### Wellbeing Programme

Our Employee Assistance Programme ('EAP') provides all employees with access to a 24/7 confidential helpline for support, guidance and resources, and structured counselling. We have also hosted drop-in sessions, informational talks and listening circles to help remove the stigma around mental ill health. Employees receive support from trained Mental Health First Aiders throughout the FDM community.

# Corporate Responsibility *(continued)*

### Employee engagement

Our Employee Networks provide an inclusive community, a sense of belonging and a place for discussion and learning. They were created by our people for our people, providing an opportunity for individuals to share their experiences and support each other. They also enable valuable and productive consultation with the business on process, policy and learning. During the year each Network has held various events and Yammer campaigns, including for example, LGBT History Month; Trans Day of Visibility; Deaf awareness week;; and Neurodiversity week.

We continue to monitor employee engagement through surveys and listening sessions with Jacqueline De Rojas, our Non-Executive Director responsible for 'Employee Voice.' Her ongoing engagement with the Employee networks has sparked inclusive nudges within the organisation. In 2022, working with Inpulse, we carried out a survey to give all our employees an opportunity to express their views on a range of subjects to enable us to identify areas for improvement. The survey covered themes such as employee sentiment and advocacy, career and personal development, organisational and personal commitment, workload and line manager and perception of aligned values, and the fostering of diversity, equity and inclusion. The survey has provided some insights into our strengths as well as those that are important to our staff for us to target for improvement.

Our social collaboration platform Yammer enables our employees to keep up to date with news and upcoming events whilst communicating with fellow FDM employees across the globe. This internal communication tool allows us to stay connected with our Consultants when they are on a client assignment, helping to foster a sense of belonging with FDM.

**Employee Networks**

Our Employee Networks are the voice of our employees and play a vital role in fostering an empathetic and inclusive culture.

| | |
|---|---|
| Leading, educating and supporting diversity, this network provides a platform to connect and build a community for Black, Asian and Ethnic Minorities within FDM. | Supporting employees with visible and non-visible disabilities, Unique aims to create a place where people of different abilities feel welcome and included. |
| Aiming to unify, empower and celebrate gender diversity at FDM, the network provides employees with a voice through sharing experiences, challenges and ideas. | This network provides a safe and respectful space for the increasing number of caregivers within FDM. Members raise awareness, understanding and offer practical help and support. |
| Through education and representation, the network supports all LGBTQIA+ employees by creating a space that encourages authenticity within the workplace. | A platform that encourages employees of all beliefs and religions to support each other and share experiences. |

## Corporate Responsibility *(continued)*

***Diversity and inclusion***

We are proactive and enthusiastic promoters of diversity, social mobility and inclusion within our workplaces. We value the fact that our colleagues come from a wide range of backgrounds, and we look to be representative of the communities and geographies in which we operate. By building a diverse and inclusive workforce, we broaden the range of skills, expertise and perspectives contributing to the success of our business, enhancing innovation and growth, and making our business more robust and sustainable.

Our analysis is published where sufficient data is available. It includes the following two groups of respondents, together with the response rate for each group: consultants (94% response rate); internal staff (89% response rate). By monitoring the characteristics we can see how the business and our recruitment policies are performing.

| **Ethnicity**<br>% of those that chose to disclose identify as: | **UK consultants** | **UK internal staff** |
|---|---|---|
| | **2022** | **2022** |
| | **%** | **%** |
| Arab or Arab British | 2% | 0% |
| Asian or Asian British | 28% | 16% |
| Black or Black British | 13% | 8% |
| Mixed or Mixed British | 3% | 4% |
| White or White British | 46% | 65% |
| Other | 4% | 4% |
| Prefer not to say | 4% | 3% |
| | 100% | 100% |

| **Sexual orientation**<br>Do you identify as LGBTQIA+?<br>% of those that chose to disclose: | **UK consultants** | **UK internal staff** |
|---|---|---|
| | 2022 | 2022 |
| | % | % |
| Yes | 5% | 7% |
| No | 86% | 85% |
| Prefer not to say | 9% | 8% |
| | 100% | 100% |

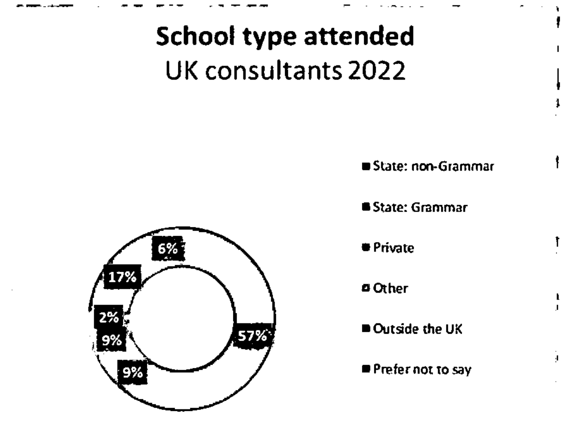
# Corporate Responsibility *(continued)*

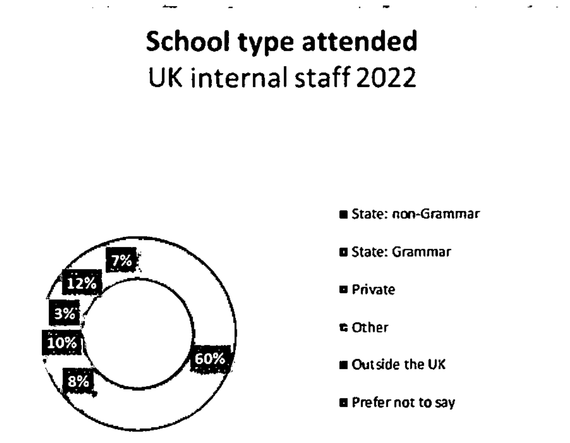
***Supporting social mobility***

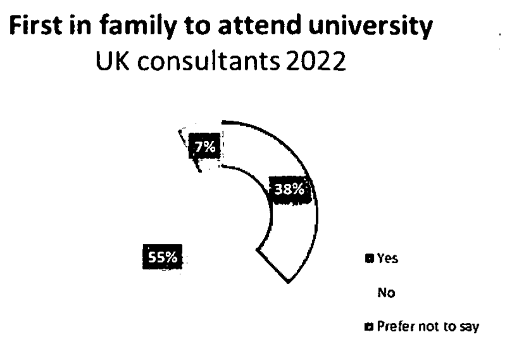
We are proud to be recognised again in the Social Mobility Foundation's Employer Index for 2022. The index recognises the top 75 UK employers who have taken the most action on social mobility in the workplace, to access and progress talent from all backgrounds. We received positive feedback from the Foundation on our outreach work at schools with above average levels of free school meals or lower levels of attainment, and it was particularly pleasing that the Foundation noted our efforts to target a wider range of both Russell Group and non-Russell Group universities, which is resulting in more diversity in those applying to, and being accepted onto, our graduate programme. We will be targeting a significant expansion of our nascent apprenticeship scheme in 2022.

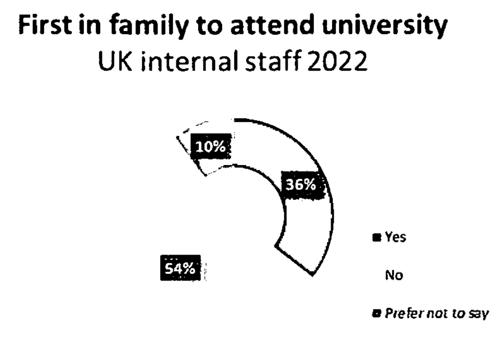
Our recruitment processes are reviewed regularly and designed to be as inclusive as possible. For example:

- Our opportunities are available to everyone who can show us that they have the aptitude to thrive on our programme and have the attitude that our clients are looking for;
- We use strength-based interview questions throughout the process ensuring candidates are not assessed on previous experience or social capital; and
- All staff involved in interviewing applicants to FDM undergo training to raise awareness of the potential impact of unconscious bias and to mitigate this in the assessment process.



# Corporate Responsibility *(continued)*

***Gender equality***

We have been a signatory to the United Nations Women's Empowerment Principles ("UNWEP") since 2013 and have been supporting the annual FDM Everywoman in Technology Awards, recognising and celebrating the achievements of women in the IT industry, for ten successful years. These awards provide opportunities for candidates at all stages of their careers and celebrate the tech industry's most talented women.

Our mean gender pay gap reported in 2022 was -4.0% (2021: 0.5%), and our median gender pay gap for the same period was -4.3% (2021: -9.6%) meaning that our median female employee is paid more than our median male employee. These figures are significantly better than average for the UK, where the average median pay gap reported was +8.3% (Office for National Statistics - Annual Survey of Hours and Earnings, 2022). We monitor these results and keep our policies under review.

***Employee development***

We provide our people with a range of opportunities for their development, including face-to-face and online training on a wide range of subjects. This programme covers a number of important compliance-related topics as well as diversity and inclusion training, including help for all those who carry out interviews to be aware of the risk of unconscious bias during the recruitment process. The team continued to facilitate our ongoing mentoring programme, and a number of our colleagues are currently undertaking study toward FDM-sponsored degree-equivalent or higher qualifications.

***Rewarding***

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

In addition:

- During 2022 we made further awards to employees under our discretionary Performance Share Plan ("PSP").
- The Buy As You Earn share plan, launched in January 2019, is open to all our employees

These plans provide a longer-term incentive to enable participants to share in the success of our business and reap the rewards of their contribution to our shared goals. Those employees who received awards under the PSP in 2017 benefitted from this success when those awards vested in full in March 2020. Details of the PSP are set out in note 0 to the Financial Statements.

Under the Company's Buy As You Earn share plan, the shares purchased in FDM Group (Holdings) plc, which is the ultimate parent company, will be matched with additional shares for those who hold their shares and remain in employment for the required period. The second award of matching shares was made in 2022, as a proportion of shares purchased under the plan during 2020.

# Corporate Responsibility *(continued)*

### *Disability*

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

| **Disability**<br>% of those that chose to disclose | **UK Consultants** | **UK internal staff** |
|---|---|---|
| | **2022** | **2022** |
| | **%** | **%** |
| Identify as having a disability | 6% | 4% |
| Identify as not having a disability | 91% | 91% |
| Prefer not to say | 3% | 5% |
| | 100% | 100% |

We have been a member of the Business Disability Forum since 2017. The specialist advice and support which it provides enables us to improve our understanding of how we can further enhance our accessibility to disabled employees and customers. 6% of our consultants in 2022 who chose to disclose their disability status identified themselves as having a disability.

# Corporate Responsibility *(continued)*

**Ex-Forces, Returners and Apprentices 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. Our dedicated Ex-Forces Programme provides training to ex-Forces personnel in relevant commercial skills, assisting them to make a smooth transition into the civilian workplace and leading to deployment as one of our IT or business consultants. The Programme is run by ex-service personnel and employs ex-servicemen and women from all ranks across all three services. We are proud holders of a Gold Award from the UK Government's Defence Employer Recognition Scheme, acknowledging our strong commitment and drive in delivering our pledges under the Armed Forces Covenant, to which we are also a signatory.

Our Returners Programme aims to address the challenges faced by professional individuals who have taken a planned career break. It gives them the opportunity to re-enter the workforce at a level which is appropriate to their experience. Our returners to work typically have between 10 and 15 years of experience and are an invaluable source of talent for our clients. Our Programme aims to provide participants from a diverse range of social, ethnic and educational backgrounds, and from a wide range of age groups, with intensive training to learn new skills, refresh existing knowledge and help individuals to regain the confidence to return to their business careers. On average the participants on the Programme have had a career break of around five years.

Our Apprentices programmes, whilst still nascent, are gaining momentum. We take school leavers from a wide range of backgrounds through to achieving a university degree, all funded by us over a three-year period. Over the coming years we hope that this significant investment in future talent will see many hundreds of young people launch successful careers in and around IT.

**Our clients**

Our business development teams develop relationships with our clients to gain insight and understanding of their evolving requirements. We work closely with our clients through the process of interviewing and selecting our trainees for deployment as Consultants on client projects, which enhances our understanding of the skills and qualities they are looking for. Clients have attended virtual pod demonstrations and feedback sessions. This interaction helps to ensure that the Consultants we put forward are well matched to the client's requirements and project criteria, which ultimately makes for a successful deployment.

**Further information on Corporate Responsibility**

Further information on the Company and the Group's corporate responsibility activities and environmental commitments can be found in FDM Group (Holdings) plc's Annual Report and Accounts 2022 pages 40 to 59.

# Corporate Responsibility *(continued)*

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

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

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

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

The Directors consider, both individually and together, that they have acted in accordance with their duties under s.172 in the decisions taken during the year ended 31 December 2022. 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*** | ***How we have engaged and the outcome*** |
|---|---|
| **Our employees** | Details of the Group's activities to engage with our employees and the outcome on pages 10 and 11. |
| **Our University Partners** | Universities can be seen as a key supplier. Information on our engagement with our University Partners can be found on page 42 of FDM Group (Holdings) plc's Annual Report and Accounts 2022. |
| **Our trainees** | 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. See page 4 for further information on how we invest in their training. |
| **Our clients** | We enhanced our service offerings in response to our clients' current and future requirements, see page 5. |
| **Our local communities** | Further information on our activities with the communities in which we operate can be found on pages page 42 and 43 of FDM Group (Holdings) plc's Annual Report and Accounts 2022. |
| **The environment** | We are conscious that all business activities have an impact on the environment and climate change, and we are committed to finding ways to mitigate that impact. See page 9 for more information how we assess the risk of climate change and our commitment to reduce our greenhouse gas emissions. |

# Corporate Responsibility *(continued)*

## Non-financial and sustainability information statement

We comply with the requirements of sections 414CA and 414CB of the Companies Act. The information provided below is to help our stakeholders understand our position on key non-financial matters, specifically activity relating to:

(a) environmental matters (including the impact of the Company's business on the environment);

(b) the Company's employees;

(c) social matters;

(d) respect for human rights; and

(e) anti-corruption and anti-bribery matters.

| Reporting requirements | See pages |
|---|---|
| Environmental matters | 9 |
| Employees | 10 to 11 |
| Social matters | 10 to 16 |
| Respect for human rights | page 43 of FDM Group (Holdings) plc's Annual Report and Accounts 2022 |
| Anti-corruption and anti-bribery matters | page 83 of FDM Group (Holdings) plc's Annual Report and Accounts 2022 |

The Strategic Report was approved by the Board of Directors of FDM Group Limited on 4 May 2023 and signed on its behalf by:

**Mike McLaren**
Chief Financial Officer
4 May 2023

# Directors' Report

The Directors present the Directors' Report and audited Financial Statements of FDM Group Limited for the year ended 31 December 2022.

**General information**

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

The financial statements on pages 25 to 47 were approved by Mike McLaren on behalf of the Board of Directors on 4 May 2023.

**Future developments**

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

**Results and dividends**

The Company made a reported profit for the year of £31.8 million (2021: £33.2 million).

During the year, the Company paid dividends totalling £40.0 million to Astra 5.0 Limited, its Parent Company (2021: £37.0 million). No further dividends have been proposed for the year ended 31 December 2022 (2021: £nil).

**Political donations**

No political contributions were made during the year by the Company (2021: £nil).

**Directors**

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

| | |
|---|---|
| Rod Flavell | Chief Executive Officer |
| Sheila Flavell | Chief Operating Officer |
| Andrew Brown | Group Commercial Officer |
| Mike McLaren | Chief Financial Officer |

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

**Employee involvement and disabled employees**

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

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

**Risk management objectives and policies**

The Company through its operations is exposed to a number of risks. Details of the Company's financial risk management objectives and policies are set out in note 23 to the Financial Statements. The principal risks that the Company faces are set out on pages 8 and 9 of the Strategic Report.

**Branches outside the UK**

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

# Directors' Report *(continued)*

**Going concern**

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

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

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

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

In line with 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance March 2019', the Company has taken advantage of the exemption from publishing its own 'Energy and Carbon Reporting' due to its inclusion within the Energy and Carbon Reporting of its ultimate parent company, FDM Group (Holdings) plc for the year ending 31 December 2022. See pages 52 to 55 of FDM Group (Holdings) plc's Annual Report and Accounts for the year ending 31 December 2022.

**Post balance sheet events**

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

**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.

**Corporate Governance**

As a subsidiary of FDM Group (Holdings) plc, the Company is covered by the processes and procedures which are in place across the FDM Group and which are designed to provide effective governance, risk management and controls for all members of the Group. The Directors consider that these processes and procedures are appropriate for the company considering its position in the FDM Group and ensure that the Company is aligned with the FDM Group's approach to effective governance.

Details of how the Board of FDM Group (Holdings) plc operates and matters considered by the Board at a group level are set out in the Corporate Governance Report of the FDM Group (Holdings) plc Annual Report and Accounts 2022.

## Directors' Report *(continued)*

**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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Directors' confirmations**

In the case of each director in office at the date the directors' report is approved:

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

The Directors' Report has been approved by the Board of Directors of FDM Group Limited on 4 May 2023 and signed on its behalf by:

**Mike McLaren**

Chief Financial Officer
4 May 2023

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

## Report on the audit of the financial statements

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

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2022 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

#### Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, 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.

We have provided no non-audit services to the company in the period under audit.

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

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

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

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

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

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

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

### Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### Responsibilities for the financial statements and the audit

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

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

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

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

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

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

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

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

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

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

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

**Use of this report**

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

KE Finn

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 May 2023

# Income Statement

**for year ended 31 December 2022**

| | Note | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Revenue** | | **139,560** | 121,751 |
| Cost of sales | | **(71,038)** | (62,248) |
| **Gross profit** | | **68,522** | 59,503 |
| Administrative expenses | | **(42,295)** | (34,597) |
| **Operating profit** | 6 | **26,227** | 24,906 |
| Income from subsidiaries | 20 | **10,909** | 13,907 |
| Finance income | 8 | **511** | 157 |
| Finance expense | 8 | **(192)** | (230) |
| **Net finance income/ (expenses)** | | **319** | (73) |
| **Profit before income tax** | | **37,455** | 38,740 |
| Tax on profit | 10 | **(5,696)** | (5,582) |
| **Profit for the financial year** | | **31,759** | 33,158 |

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

The notes on pages 29 to 47 are an integral part of these Financial Statements.

# Statement of Comprehensive Income

**for year ended 31 December 2022**

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Profit for the financial year | **31,759** | 33,158 |
| **Total comprehensive income recognised for the year** | **31,759** | 33,158 |

The notes on pages 29 to 47 are an integral part of these Financial Statements.

# Statement of Financial Position

**at 31 December 2022**

| | Note | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Right-of-use assets | 12 | **2,207** | 3,858 |
| Investments | 11 | **33** | 33 |
| Tangible Assets | 13 | **1,311** | 1,495 |
| Intangible assets | 14 | **-** | 223 |
| | | **3,551** | 5,609 |
| **Current assets** | | | |
| Trade and other debtors | 16 | **55,166** | 44,706 |
| Deferred income tax assets | 0 | **1,371** | 1,550 |
| Cash at bank and in hand | 17 | **27,319** | 36,246 |
| | | **83,856** | 82,502 |
| **Creditors: amounts falling due within one year** | | | |
| Trade and other creditors | 0 | **(75,767)** | (69,649) |
| Lease liabilities | 12 | **(1,561)** | (2,480) |
| | | **(77,328)** | (72,129) |
| **Creditors: amounts falling due after more than one year** | | | |
| Lease liabilities | 12 | **(1,099)** | (2,575) |
| **Net Assets** | | **8,980** | 13,407 |
| **Capital and reserves** | | | |
| Called up share capital | 19 | **236** | 236 |
| Share premium account | | **3,494** | 3,494 |
| Capital redemption reserve | | **63** | 63 |
| Other reserves | | **8,950** | 5,144 |
| Profit and loss account | | **(3,763)** | 4,470 |
| **Total capital and reserves** | | **8,980** | 13,407 |

The notes on pages 29 to 47 are an integral part of these Financial Statements.

These financial statements on pages 25 to 47 were approved by the Board of Directors on 4 May 2023 and were signed on its behalf by:

**Mike McLaren**
Chief Financial Officer
4 May 2023

# Statement of Changes in Equity

**for year ended 31 December 2022**

| | Called up share capital £000 | Share premium £000 | Capital redemption reserve £000 | Other Reserves £000 | Profit and loss account £000 | Total capital and reserves £000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2022 | **236** | **3,494** | **63** | **5,144** | **4,470** | **13,407** |
| Profit for the financial year | - | - | - | - | **31,759** | **31,759** |
| Transfer to retained earnings | - | - | - | **(8)** | **8** | - |
| Share-based payments (note 0) | - | - | - | **3,814** | - | **3,814** |
| Dividends (note 20) | - | - | - | - | **(40,000)** | **(40,000)** |
| **Balance at 31 December 2022** | **236** | **3,494** | **63** | **8,950** | **(3,763)** | **8,980** |

| | Called up share capital £000 | Share premium £000 | Capital redemption reserve £000 | Capital contribution reserve £000 | Retained earnings £000 | Total capital and reserves £000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2021 | 236 | 3,494 | 63 | 2,763 | 8,283 | 14,839 |
| Profit for the financial year | - | - | - | - | 33,158 | 33,158 |
| Transfer to retained earnings | - | - | - | (29) | 29 | - |
| Share-based payments (note 0) | - | - | - | 2,410 | - | 2,410 |
| Dividends (note 20) | - | - | - | - | (37,000) | (37,000) |
| **Balance at 31 December 2021** | 236 | 3,494 | 63 | 5,144 | 4,470 | 13,407 |

The notes on pages 29 to 47 are an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1 General information

The Group is an international professional services provider focussing principally on IT, specialising in the recruitment, training and deployment of its own permanent IT and business consultants.

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

The Financial Statements present the results for the year ended 31 December 2022. The Financial Statements were approved by Mike McLaren on behalf of the Board of Directors on 4 May 2023.

## 2 Going concern

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

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

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

## 3 Accounting policies

### 3.1 Basis of preparation

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced disclosure framework' (FRS 101) and the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

FRS 101 was adopted for the first time in these financial statements for the year ending 31 December 2022. The Company previously reported in line with UK adopted International Accounting Standards. The transition resulted in no changes to the values reported in the Income Statement, Statement of Comprehensive Income, Statement of Financial Position or Statement of Changes in Equity.

The following exemptions from the requirements of International Financial Reporting Standards (IFRS) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38 B-D (additional comparative information);
  - 40 A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (Capital management disclosures);
- IAS 7 'Statement of cashflows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group and to disclose key management personnel remuneration.

# Notes to the Financial Statements *(continued)*

## 3 Accounting policies *(continued)*

### 3.1 Basis of preparation (continued)

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

### 3.2 Summary of significant accounting policies

#### a) Revenue recognition

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

*Rendering of services*

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

- The revenue is recognised in the period in which the consultants perform the work at the contracted rates for each IT consultant. Revenue is based on timesheets from our consultants which are authorised by the Company's customers detailing the hours and service provided;
- If advance payments are made by customers, these are deferred and the income recognised in the period in which the Consultants perform the work.
- Revenue in respect of outstanding timesheets is accrued based upon estimates at the contract value; and
- Volume rebates are accrued in the period in which the revenue is recognised, with the value of the rebate offset against revenue. They are calculated with regard to specific threshold levels of revenue recognised for certain customers in a contractual period. To the extent the volume rebates 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.

#### b) Taxes

*Current income tax*

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

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

*Deferred tax*

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

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

# Notes to the Financial Statements *(continued)*

## 3 Accounting policies *(continued)*

### 3.2 Summary of significant accounting policies *(continued)*

**c) Tangible assets**

Tangible assets 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.

**d) Intangible assets**

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

*Software and software licences*

Software licence costs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as intangible assets and amortised over the useful economic life of the software. Directly attributable costs that are capitalised include invoiced supplier costs and employee costs.

**e) Trade debtors**

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

When a trade debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

**f) Cash at bank and in hand**

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

**g) Trade and other creditors**

Trade and other creditors represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition. Trade and other creditors 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.

# Notes to the Financial Statements *(continued)*

## 3 Accounting policies *(continued)*

## 3.2 Summary of significant accounting policies *(continued)*

### h) Leases

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

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

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

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

### i) Financial instruments

*Non-derivative financial instruments*

The Company's non-derivative financial instruments comprise trade debtors, trade creditors, Cash at bank and in hand.

The Company does not have any borrowings.

### j) Pensions and other post-employment benefits

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

### k) Capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. The share premium reflects the extra paid for new shares above their nominal value.

The capital redemption reserve represents an amount equal to the nominal value of 6,280,000 of the Company's own ordinary shares of 1 pence each, that in 2004 were repurchased and cancelled, wholly out of the Company's distributable reserves. The capital contribution reserve represents the cost of equity share-based payments until such share options are exercised or lapse.

### l) Share-based payments

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

*Equity-settled transactions*

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

# Notes to the Financial Statements *(continued)*

## 3 Accounting policies *(continued)*

## 3.2 Summary of significant accounting policies *(continued)*

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

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.

### m) Dividends

Dividends are recognised as a liability in the period in which they are approved such that the Company is obligated to pay the dividend.

### n) Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate. Provisions are measured at management's best estimate of the expenditure required to settle the Company's liability. These estimates are reviewed each year and updated as necessary. No individual judgements have been made that have a significant impact on the financial statements (2021: none).

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 promptly with these claims where appropriate, but we engage specialist external lawyers when it is required for us to access additional expertise or resource and we think it prudent to do so. 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 and in the Company's best interests to do so, particularly having regard to the time and effort management need to dedicate to a given claim. 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.

# Notes to the Financial Statements *(continued)*

## 4 Significant accounting estimate

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

*Share-based payment charge*

A share-based payment charge is recognised in respect of share awards based on the Directors' best estimate of the number of shares that will vest based on the performance conditions of the awards, which comprise adjusted earnings per share growth of FDM Group (Holdings) plc and the number of employees that will leave before vesting. The charge is calculated based on the fair value on the grant date using the Black Scholes model and is expensed over the vesting period. The key assumptions in respect of the share-based payment charges are set out in note 0.

## 5 New standards and interpretations

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

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

| Effective in 2022 | Effective for accounting periods beginning on or after | Endorsed by the UK Endorsement Board (UKEB) |
|---|---|---|
| **Amendments** | | |
| Annual Improvements to IFRS Standards 2018–2021 | 1 January 2022 | Yes |
| Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37 | 1 January 2022 | Yes |
| Amendments to Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16 | 1 January 2022 | Yes |
| Reference to the Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 | Yes |

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2022, and were not adopted in the Company's financial statements for the year and are not expected to have a material impact on the Company when adopted:

| Effective after 31 December 2022 | Effective for accounting periods beginning on or after | Endorsed by the UK Endorsement Board (UKEB) |
|---|---|---|
| **New standards** | | |
| IFRS 17, 'Insurance contracts' | 1 January 2023 | Yes |
| **Amendments** | | |
| Deferred Tax related to Assets and Liabilities arising from a Single transaction - Amendments to IAS 12 | 1 January 2023 | Yes |
| Definition of Accounting Estimates - (Amendments to IAS 8) | 1 January 2023 | Yes |
| Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 | Yes |
| Classification of Liabilities as Current or Non-current – Amendments to IAS 1 | Deferred until not earlier than 1 January 2024 | Yes |

# Notes to the Financial Statements *(continued)*

## 6 Operating profit

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

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Expense relating to short-term leases | - | - |
| Loss on disposal of property, plant and equipment | 12 | - |
| Net foreign exchange gains | (564) | (180) |
| Depreciation of right-of-use assets | 1,651 | 1,651 |
| Depreciation and amortisation of other assets | 949 | 838 |

**Auditors' remuneration**

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

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Audit services | 150 | 133 |
| Non-audit services- audit related assurance service | 55 | 50 |
| | 205 | 183 |

## 7 Staff numbers and costs

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

| | Number of employees | |
|---|---|---|
| | 2022 | 2021 |
| Consultants | 2,516 | 2,066 |
| Administration | 448 | 372 |
| | 2,964 | 2,438 |

The aggregate payroll costs of these persons were as follows:

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Wages and salaries | 96,811 | 82,621 |
| Social security costs | 10,852 | 9,663 |
| Other pension costs | 2,701 | 1,906 |
| Share-based payments | 4,413 | 3,093 |
| | 114,777 | 97,283 |

**Retirement benefits**

The Company operates a number of defined contribution pension plans. The pension charge for the year represents contributions payable by the Company to the schemes. The pension contributions payable at 31 December 2022 was £477,000 (2021: £357,000). There were no prepaid contributions at the end of the financial year (2021: £nil).

# Notes to the Financial Statements *(continued)*

## 8 Directors' remuneration

Details of the Directors' (who also represent the key management personnel of the Company) remuneration in respect of the year ended 31 December 2022 is set out below:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Short-term employee benefits | **2,897** | 3,052 |
| Post-employment benefits | **72** | 47 |
| Share-based payments | **1,243** | 711 |
| | **4,212** | 3,810 |

Included within Short-term employee benefits in 2022 is £266,000 relating to annual bonus which was deferred to shares for two years (2021: £264,000).

The aggregate of remuneration of the highest paid Director was £1,296,000 (2021: £1,160,000). The Directors of the Company are also Directors of the parent company and subsidiaries. The Directors believe it is not practicable to apportion this amount between the services as Directors of the Company, the parent or its subsidiaries.

| | Number of Directors | |
|---|---|---|
| | **2022** | 2021 |
| Retirement benefits are accruing to the following number of Directors under: | | |
| Money purchase schemes | **4** | 4 |

## 9 Finance income and expense

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Bank interest received | **511** | 157 |
| **Finance income** | **511** | 157 |
| Interest on lease liabilities | **(135)** | (210) |
| Finance fees and charges | **(57)** | (20) |
| **Finance expense** | **(192)** | (230) |

# Notes to the Financial Statements *(continued)*

## 10 Tax on profit

The major components of the income tax expense for the years ended 31 December 2022 and 31 December 2021 are:

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| **Current income tax:** | | |
| Current income tax charge | **5,779** | 5,456 |
| Adjustments in respect of prior years | **(24)** | 47 |
| Overseas tax paid (withholding tax) | **219** | 620 |
| **Deferred tax:** | | |
| Relating to origination and reversal of temporary differences | **(278)** | (541) |
| **Total tax expense reported in the income statement** | **5,696** | 5,582 |

The standard rate of corporation tax in the UK is 19%, accordingly, the profits for 2021 and 2022 are taxed at 19%. The tax charge for the year is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are set out below:

**Reconciliation of standard tax**

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Profit before income tax | **37,455** | 38,740 |
| Profit before income tax multiplied by UK standard rate of corporation tax of 19% (2021: 19%) | **7,116** | 7,361 |
| Income not taxable | **(2,073)** | (2,643) |
| Expenses not deductible for tax purposes | **521** | 255 |
| Group relief from group companies | **(63)** | (58) |
| Adjustments in respect of prior years | **(24)** | 47 |
| Overseas tax paid (withholding tax) | **219** | 620 |
| **Total tax charge** | **5,696** | 5,582 |

**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 2022 and 31 December 2021, deferred tax assets and liabilities have been calculated based upon the rate at which the temporary difference is expected to reverse.

# Notes to the Financial Statements *(continued)*

## 11 Investments

| | 2022 £000 | 2021 £000 |
|---|---|---|
| At 1 January and 31 December | **33** | 33 |

The Company holds the following investments in its subsidiaries:

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

*The registered address for each subsidiary of the Company as at 31 December 2022 is listed below.*

| Company | Registered address |
|---|---|
| FDM Astra Ireland Limited | 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland |
| FDM Group Inc. | 199 Water Street, 34th Floor, New York, NY, 10038, USA |
| FDM Group Canada Inc. | 1 Place Ville Marie, 37th Floor, Montreal, QC H3B 3P4, Canada |
| FDM Group NV | Rue Medori 99, B-1020 Brussels, Belgium |
| FDM Group GmbH | 6th Floor, MainzerLandstrasse 41, 60329 Frankfurt am Main, Germany |
| FDM Switzerland GmbH | Lavaterstrasse 40, Zurich, CH 8002, Switzerland |
| FDM Luxembourg S.A. | Office No. 17, 12C rue Guillaume Kroll, L-1882, Luxembourg |
| FDM South Africa (PTY) Limited | 9 Kinross Street, Germiston South, 1401 South Africa |
| FDM Singapore Consulting PTE Limited | 77 Robinson Road, #13-00 Robinson 77, 068896 Singapore |
| FDM Technology (Shanghai) Co. Limited | 22F Jing'an Kerry Centre Office Tower 3,1228 Middle Yan An Road, Jing An, Shanghai, 200040, |
| FDM Group HK Limited | 6/F, The Annex, Central Plaza, 18 Harbour Road, Hong Kong |
| FDM Group Australia Pty Ltd | Level 21, Tower Three, International Towers, 300 Barangaroo Avenue, NSW 2000, Sydney, Australia |
| FDM Group Austria GmbH | Handelskai 92/Gate 2/7A, 1200 Wien, Austria |
| FDM Group BV | Westerdoksdijk 423, 1013 BX, Amsterdam, Nederland |
| FDM Grupa Polska | ul. Grzybowska nr 2 lok. 29, Warsaw, 00-131, Poland |
| *FDM Group New Zealand Limited* | *Grant Thornton New Zealand Ltd, L4, 152 Fanshawe Street, Auckland, 1010 NZ* |

# Notes to the Financial Statements *(continued)*

## 12 Leases

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

| Properties | 2022 £000 | 2021 £000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **16,429** | 16,429 |
| Additions | **-** | - |
| Disposals | **-** | - |
| At 31 December | **16,429** | 16,429 |
| **Accumulated depreciation** | | |
| At 1 January | **12,571** | 10,920 |
| Depreciation charge for the year | **1,651** | 1,651 |
| Disposals | **-** | - |
| At 31 December | **14,222** | 12,571 |
| **Net book value at 31 December** | **2,207** | 3,858 |

### (ii) Lease liabilities

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Current lease liabilities | **1,561** | 2,480 |
| Non-current lease liabilities | **1,099** | 2,575 |
| | **2,660** | 5,055 |

Contractual maturities of lease liabilities:

| | At net present value | | Not discounted | |
|---|---|---|---|---|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Less than one year | **1,561** | 2,480 | **1,588** | 2,502 |
| Between 1 and 2 years | **878** | 1,514 | **926** | 1,588 |
| Between 2 and 5 years | **221** | 1,061 | **238** | 1,164 |
| Total lease liabilities | **2,660** | 5,055 | **2,752** | 5,254 |

The total cash outflow for leases was £2,530,000 (2021: £2,474,000). 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:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Depreciation of right-of-use assets - properties | **1,651** | 1,651 |
| Interest expense (included in finance cost) | **135** | 210 |

# Notes to the Financial Statements *(continued)*

## 13 Tangible assets

| 2022 | Leasehold improvements £000 | Fixtures and fittings £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2022 | 3,377 | 755 | 2,214 | 6,346 |
| Additions | - | 3 | 629 | 632 |
| Disposals | - | (47) | (869) | (916) |
| At 31 December 2022 | 3,377 | 711 | 1,974 | 6,062 |
| **Accumulated depreciation** | | | | |
| At 1 January 2022 | 2,465 | 723 | 1,663 | 4,851 |
| Depreciation charge for the year | 358 | 20 | 348 | 726 |
| Disposals | - | (47) | (779) | (826) |
| At 31 December 2022 | 2,823 | 696 | 1,232 | 4,751 |
| **Net book value at 31 December 2022** | 554 | 15 | 742 | 1,311 |

| 2021 | Leasehold improvements £000 | Fixtures and fittings £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2021 | 3,377 | 749 | 2,224 | 6,350 |
| Additions | - | 6 | 215 | 221 |
| Disposals | - | - | (225) | (225) |
| At 31 December 2021 | 3,377 | 755 | 2,214 | 6,346 |
| **Accumulated depreciation** | | | | |
| At 1 January 2021 | 2,108 | 698 | 1,533 | 4,339 |
| Depreciation charge for the year | 357 | 25 | 351 | 733 |
| Disposals | - | - | (221) | (221) |
| At 31 December 2021 | 2,465 | 723 | 1,663 | 4,851 |
| **Net book value at 31 December 2021** | 912 | 32 | 551 | 1,495 |

# Notes to the Financial Statements *(continued)*

## 14 Intangible assets

| | **Software and software licences 2022 £000** | Software and software licences 2021 £000 |
|---|---|---|
| **Cost** | | |
| At 1 January and 31 December | **595** | 595 |
| **Accumulated amortisation** | | |
| At 1 January | **372** | 267 |
| Amortisation for the year | **223** | 105 |
| At 31 December | **595** | 372 |
| **Net book value at 31 December** | **-** | 223 |

The amortisation charge is recognised in administrative expenses in the income statement. The amortisation period of the software and software licences is four years.

## 15 Deferred income tax assets

Deferred income tax assets are attributable to the following:

| | **2022 £000** | 2021 £000 |
|---|---|---|
| **Non-current:** | | |
| Non-current temporary differences | **1,371** | 1,550 |
| **Deferred income tax asset** | **1,371** | 1,550 |

| | **1 January 2022 £000** | **Recognised in income statement £000** | **Recognised in equity £000** | **Transferred to Retained Earnings £000** | **31 December 2022 £000** |
|---|---|---|---|---|---|
| **Movement in deferred income tax during 2022:** | | | | | |
| Share-based payments | **1,506** | **396** | **(449)** | **(8)** | **1,445** |
| Right-of-use assets | **87** | **(44)** | **-** | **-** | **43** |
| Property, plant and equipment | **(43)** | **(74)** | **-** | **-** | **(117)** |
| | **1,550** | **278** | **(449)** | **(8)** | **1,371** |

# Notes to the Financial Statements *(continued)*

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

| | 1 January 2021 £000 | Recognised in income statement £000 | Recognised in equity £000 | Transferred to Retained Earnings £000 | 31 December 2021 £000 |
|---|---|---|---|---|---|
| **Movement in deferred income tax during 2021:** | | | | | |
| Share-based payments | 600 | 544 | 382 | (20) | 1,506 |
| Right-of-use assets | 132 | (45) | - | - | 87 |
| Property, plant and equipment | (85) | 42 | - | - | (43) |
| | 647 | 541 | 382 | (20) | 1,550 |

## 16 Trade and other debtors

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Amounts owed by subsidiaries | **6,180** | 4,809 |
| Amounts owed by parent | **25,136** | 20,681 |
| Trade debtors | **15,695** | 13,996 |
| Current income tax receivables | **2,575** | 1,376 |
| Other debtors | **266** | 368 |
| Prepayments and accrued income | **5,314** | 3,476 |
| | **55,166** | 44,706 |

Amounts owed by subsidiaries and the parent are unsecured and repayable on demand.

Included within prepayments and accrued income is £1,613,000 of accrued income (2021: £1,139,000).

The expected loss rate and the aged gross trade debtors and aged loss allowance as at 31 December are as follows:

| **31 December 2022** | **Expected loss rate** | **Gross trade debtors £000** | **Loss allowance £000** |
|---|---|---|---|
| Not overdue | **1%** | **13,117** | **189** |
| Not more than three months past due | **1%** | **2,807** | **40** |
| More than three months but not more than six months past due | **-%** | **-** | **-** |
| | | **15,924** | **229** |

# Notes to the Financial Statements *(continued)*

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

| 31 December 2021 | Expected loss rate | Gross trade debtors £000 | Loss allowance £000 |
|---|---|---|---|
| Not overdue | 2.7% | 12,110 | 326 |
| Not more than three months past due | 2.6% | 2,252 | 59 |
| More than three months but not more than six months past due | 0% | 19 | - |
| | | 14,381 | 385 |

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

| | **2022 £000** | 2021 £000 |
|---|---|---|
| At 1 January | **385** | 652 |
| Unused amount reversed | **(156)** | (267) |
| **At 31 December** | **229** | 385 |

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Shared credit risk characteristics include current and forward-looking information on macroeconomic factors affecting the sector in which the debtor operates and those affecting the ability of the customer to settle the receivables. The Company has identified relevant factors including the GDP and the unemployment rate, and accordingly adjusts the loss rates based on expected changes in these factors. The Group assessed and decreased its loss allowance in 2022 and 2021, following an increase in 2020 that was associated with the impact of the global pandemic and associated lockdowns.

## 17 Cash at bank and in hand

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Cash at bank and in hand | **27,319** | 36,246 |

Cash at bank and in hand denominated in currencies other than Pounds Sterling amount to £259,000 (2021: £126,000), denominated in Euro, Swiss Franc, US Dollar, Canadian Dollar, Danish Krone, Singapore Dollar, Polish Zloty and Hong Kong Dollar.

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

**Cash at bank by credit rating**

| | **2022 £000** | 2021 £000 |
|---|---|---|
| A | **27,296** | 21,204 |
| BB | **23** | 15,042 |
| BBB | - | - |
| | **27,319** | 36,246 |

# Notes to the Financial Statements *(continued)*

## 18 Trade and other creditors

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Amounts owed to subsidiaries | **392** | 337 |
| Amounts owed to ultimate parent | **57,527** | 50,937 |
| Trade creditors | **1,448** | 635 |
| Other creditors | **888** | 1,126 |
| Other taxes and social security | **7,193** | 6,470 |
| Accruals | **8,319** | 10,144 |
| | **75,767** | 69,649 |

Amounts owed to subsidiaries and parent are unsecured, non-interest bearing and repayable on demand.

Included within accruals are volume rebates of £1,032,000 (2021: £1,074,000) and payroll accruals of £305,000 (2021: £2,134,000). No significant judgements were made in the estimation of the volume rebate accrual. Any volume rebates, where the rebate period is non-coterminous with the financial period, are accrued based on forecast revenue for the remainder of the rebate period. No individual client rebates were material in value in 2022 or 2021.

Trade and other creditors denominated in currencies other than Pounds Sterling comprise £213,000 (2021: £353,000) denominated in Euro and US Dollar.

## 19 Called up share capital

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| *Authorised* | | |
| 100,000,000 (2021: 100,000,000) ordinary shares of 1p each | **1,000** | 1,000 |
| *Allotted, called up and fully paid* | | |
| 23,600,000 (2021: 23,600,000) ordinary shares of 1p each | **236** | 236 |

## 20 Dividends

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| ***Other income*** | | |
| Received from subsidiaries | **10,909** | 13,907 |
| ***Ordinary dividends*** | | |
| Paid to Parent Company: 169 pence per ordinary share | **40,000** | 37,000 |
| (2021: 157 pence per ordinary share) | | |

Dividends are paid from distributable reserves, which comprise the Profit and loss account and Other reserves.

# Notes to the Financial Statements *(continued)*

## 21 Share-based payments

| Recognised in income statement | 2022 £000 | 2021 £000 |
|---|---|---|
| Expenses arising from equity settled share-based payment transaction | **4,309** | 3,093 |
| Social Security thereon | **105** | 663 |
| Expenses arising from bonus deferred as shares | **371** | 347 |
| Expenses arising from equity settled share-based payment transaction | **4,785** | 4,103 |

| Recognised in reserves | 2022 £000 | 2021 £000 |
|---|---|---|
| Expenses arising from equity settled share-based payment transaction | **4,680** | 3,440 |
| Deferred tax recognised in other reserves arising from equity settled share-based payments | **(449)** | 378 |
| Transfer to retained earnings - deferred tax | **(8)** | (20) |
| Transfer to retained earnings - lapsed options | **-** | (9) |
| Recharge by FDM Group (Holdings) plc upon exercise of options | **(417)** | (1,408) |
| | **3,806** | 2,381 |

During 2022 the share options issued in 2019 lapsed. During 2022, 7,311 options were exercised, and 934 linked shares lapsed (linked shares which were not required to fund the price at date of exercise).

On 23 March 2022 628,500 awards were granted, in the form of nominal cost options over ordinary shares in FDM Group (Holdings) plc under the FDM 2014 Performance Share Plan ("PSP"). As with the awards made in 2015 to 2021, the vesting of the awards is subject to the achievement of a three-year performance condition relating to earnings per share of FDM Group (Holdings) plc. Options are exercisable no later than the tenth anniversary of the date of grant.

The table below summarises the outstanding share options:

| | 2022 Number of Shares | 2022 Weighted average exercise price | 2021 Number of shares | 2021 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at 1 January | **1,553,512** | **9p** | 1,602,783 | 109p |
| Granted during the year | 628,500 | 1p | 631,875 | 1p |
| Forfeited during the year | (91,190) | 21p | (175,000) | 7p |
| Exercised during the year | (7,311) | 340p | (23,350) | 192p |
| Lapsed during the year | (408,351) | 3p | (482,796) | 322p |
| Outstanding at 31 December | 1,675,160 | 8p | 1,553,512 | 9p |
| Exercisable at the end of the year | 37,660 | 302p | 41,095 | 313p |
| Weighted average remaining contractual life (years) | 8.21 | n/a | 8.27 | n/a |

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

| Date of grant | 23 March 2022 | 21 April 2021 | 31 December 2020 |
|---|---|---|---|
| Share price at date of grant | **1000p** | 1038p | 1116p |
| Exercise price | **1p** | 1p | 1p |
| Dividend yield | **3.2%** | 3.0% | 2.7% |
| Expected volatility | **30%** | 30% | 30% |
| Risk free interest rate | **1.684%** | 0% | 0% |
| Expected life | **4 years** | 4 years | 4 years |
| Fair value at date of grant | **880p** | 921p | 999p |

# Notes to the Financial Statements *(continued)*

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

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

**Buy as you Earn**

Employees have available the option to participate in the Group's Buy as you earn Plan, under which participants may acquire up to £12,000 of shares each year from their after tax remuneration ("Purchased Shares"). Provided the Purchased Shares are retained in the plan and subject, ordinarily, to continued employment, additional "Matching Shares" are awarded on the basis of a 1 for 3 match following the end of each of the first, third and fifth years following the year in respect of which the purchased shares were acquired. The fair values of grants under the Buy as you earn plan were determined using the Black-Scholes valuation model.

## 22 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is Astra 5.0 Limited. The ultimate parent undertaking and controlling party is FDM Group (Holdings) plc, the registered address of which is 3rd Floor, Cottons Centre, Cottons Lane, London, SE1 2QG.

FDM Group (Holdings) plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2022. The Consolidated Financial Statements of FDM Group (Holdings) plc are available from the website www.fdmgroup.com.

## 23 Financial risk management

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

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

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

**Credit risk**

Credit risk is managed on a company basis and arises from 16 Cash at bank and in hand and trade debtors. The Company provides credit to customers in the normal course of business and the amount that appears in the Statement of Financial Position is net of an expected credit loss allowance of £229,000 (2021: £385,000).

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

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

**Interest rate risk**

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

**Liquidity risk**

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

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

# Notes to the Financial Statements *(continued)*

## 23 Financial risk management *(continued)*

### Capital management

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

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

### Foreign currency risk

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

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

### Fair values

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

## Corporate Information

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

**Company Secretary**
Mark Heather

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**Bankers**
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