FDM

CELEBRATING 30 YEARS IN BUSINESS

Annual Report
and Accounts 2020

Contents


Getting Back
to Business
Clyde

Highlights

Financial

Revenue (£m)

£267.7m

-1%

2019: £271.5m

Adjusted operating profit[1] (£m)

£42.7m

-23%

2019: £55.2m

Profit before tax (£m)

£41.0m

-22%

2019: £52.5m

Adjusted profit before tax[1] (£m)

£42.0m

-23%

2019: £54.5m

Basic earnings per share (pence)

28.2 pence

-24%

2019: 37.3 pence

Adjusted basic earnings per share[1] (pence)

28.8 pence

-26%

2019: 38.8 pence

Cash flow generated from operations (£m)

£66.1m

+15%

2019: £57.7m

Cash conversion[2] (%)

158.4%

+46%

2019: 108.4%

Dividend per share (pence)

46.5 pence

+191%

2019: 16.0 pence

Forward-looking statements

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

Operational

RECRUIT

862 university events attended[3] in 2020

(2019: 902)

64,608 completed applications received via our website

(2019: 59,763)

We work proactively with over **200** University Partners globally

TRAIN

1,341 training completions in 2020

(2019: 2,115)

Global total training capacity[4] of **896** at year end

(2019: 988)

DEPLOY

Mounties assigned to clients at week 52[5] were **3,580**

(2019: 3,924)

Mountie utilisation[6] rate of **94.8%**

(2019: 96.1%)

52 new clients globally

(2019: 97)

1 The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expense (including social security costs) of £1.0 million (2019: £2.0 million). The adjusted basic earnings per share is calculated before the impact of Performance Share Plan expenses (including social security costs and associated deferred tax). See page 29 for further details of adjusted items.
2 Cash conversion is calculated by dividing cash flow generated from operations by operating profit.
3 This is a mix of physical and virtual events attended. In March 2020 we switched all of our university events to virtual delivery.
4 Total training capacity seats is combined permanent capacity (2020: 856; 2019: 844) and temporary capacity (2020: 40; 2019: 144).
5 Week 52 in 2020 commenced on 21 December 2020 (2019: week 52 commenced on 16 December 2019).
6 Utilisation is calculated as the ratio of cost of utilised Mounties to the total Mountie payroll cost.

We are FDM

FDM Group (Holdings) plc ("the Company") and its subsidiaries (together "the Group" or "FDM") form a global 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 ("Mounties" or "consultants") to clients, either on site or remotely. FDM specialises in a range of technical and business disciplines including Development, Testing, IT Service Management, Project Management Office, Data Engineering, Cloud Computing, 'Risk, Regulation and Compliance', Business Analysis, Business Intelligence, Cyber Security, AI ("Artificial Intelligence"), Machine Learning and Robotic Process Automation.

The FDM Careers Programme bridges the gap for graduates, ex-Forces and returners to work, providing them with the training and experience required to make a success of launching or re-launching their careers. We have dedicated training centres and sales operations located in London, Leeds, Glasgow, New York NY, Arlington VA, Charlotte NC, Austin TX, Toronto, Frankfurt, Singapore, Hong Kong, Shanghai and Sydney. We also operate in Ireland, France, Switzerland, Austria, Spain, Luxembourg, the Netherlands and South Africa. Following the impact of COVID-19, throughout 2020 our courses have been delivered remotely by our trainers to all of our in-training Mounties and we made arrangements for all of our staff to work remotely, effectively and efficiently.

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

FDM is a collective of over 5,000 people, from a multitude of different backgrounds, life experiences and cultures. We are a strong advocate of diversity and inclusion in the workplace and the strength of our brand arises from the talent within.

Together, we are FDM.

Our purpose

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

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

- **To identify and recruit talented individuals** – we attract and recruit high-calibre candidates and develop them into skilled Mounties. We currently have three pathways: Graduate, Ex-Forces, and Returners.

- **To train individuals through our Academies** – we provide our Mounties with first-class training and ongoing development and support, giving them the best possible platform from which to launch exciting and successful careers in IT. We invest in our trainers and training facilities to create leading-edge centres of excellence.

- **To grow our customer presence profitably** – we look to create new opportunities to deploy our Mounties amongst our existing client base and in ever-broadening and diverse new markets and territories.

- **To identify and fill our clients' IT skills gaps** – we focus on understanding and anticipating their requirements, as well as market trends, to provide exciting career opportunities to our Mounties and other employees, delivering sustainable profitable growth for our shareholders.

- **To create a long-term sustainable global business** – we aim to have a beneficial impact on the communities where we operate. We are aware of our responsibility towards our suppliers, and work to minimise our impact on the physical environment.

Our values

Together we are stronger

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

We strive for success

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

We make it happen

We 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.

Committed to our clients

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

We say it how it is

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

Awards

- Social Mobility Employer Index 2020: Top 75
- New Year's Honours List 2020 – CBE awarded to Sheila Flavell for "services to gender equality in IT, and graduate and returners' employment"
- Computer Weekly's 'Most Influential Women in UK tech' Hall of Fame – Sheila Flavell
- JobCrowd Top 100 Companies For Graduates To Work For 2020/2021
- Target Jobs UK 300 Top 300 Graduate Recruiter 2020/2021
- GraduateJobs.com Campaign Performance Awards 2019/2020
- Rate My Placement Top 100 Undergraduate Employers for 2020/2021
- MINT Minded Company (Germany)
- Kununu OPEN COMPANY and TOP COMPANY (Germany)
- U.S. Veterans Magazine 'Best of the Best' Top Veteran-Friendly Companies 2020
- Military Times Best for Vets Employer 2020
- GradConnection Top 100 Graduate Employer (Australia)
- The Department for International Trade, Career Recognition Award – Sheila Flavell

Awards received during the year included:

The success of FDM's rapid and innovative response to the operational, economic and commercial uncertainties of 2020 lies in the flexibility and resilience of our model, and the experience and dedication of our management teams

Chairman's Statement

David Lister
Chairman

I am pleased to present FDM's Annual Report for the financial year ended 31 December 2020.

Performance

2020 saw FDM deliver a solid operational and financial performance in the light of the exceptional challenges presented by the COVID-19 pandemic. As the scale of the pandemic became clear, we quickly adapted our business to safeguard the wellbeing of our staff and our clients, to mitigate the impact of the pandemic on our revenues and to put ourselves in the best position to benefit from the trend towards normality that we witnessed in the majority of our markets as the second half progressed.

The Group delivered an adjusted profit before tax[1] of £42.0 million (2019: £54.5 million). The balance sheet remains strong with closing cash balances of £64.7 million and no external borrowings (2019: £37.0 million and no external borrowings).

Response to the COVID-19 pandemic

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

For example:

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

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

You can read more about our approach to managing the impact of the pandemic on page 30.

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

Culture and values

FDM's business is supported by a strong cultural identity that helps to ensure our goals are understood and shared by our people. I am particularly proud of the work we do to promote social mobility and to make FDM a diverse and inclusive place to work. It was rewarding to be ranked again this year in the Social Mobility Employer Index 2020 operated by the Social Mobility Foundation, in recognition of the steps we take to improve social mobility in the workplace and to enable those from lower socio-economic backgrounds to succeed. You can find more information on our work in this area on page 43.

Governance

The Board considers robust corporate governance and a sound approach to risk management to be fundamental to the sustainability of the Group and its operations. We continue to be guided by the 2018 UK Corporate Governance Code ("the 2018 Code"). Engagement with our employees and other stakeholders has always been an important part of our approach and we have worked on expanding that engagement during the year, building on our work to ensure employee voices are heard by the Board, and undertaking a more formal programme of engagement with our larger institutional shareholders.

I report on corporate governance in more detail on page 62 and our framework of risk management and governance will continue to evolve during the coming year in line with shareholder expectations and best practice requirements.

Dividend

In March 2020, the Board decided against proposing a final dividend for the year to 31 December 2019, reflecting the difficulty at that time in assessing the impact of COVID-19 on the business. In July 2020, considering the Group's encouraging performance, the Board declared an interim dividend of 18.5 pence per ordinary share, which was paid to shareholders on 4 September 2020.

Given the Group's continued solid performance, strong cash position and encouraging prospects, the Board was pleased to be able to declare in January 2021 a second interim dividend for the year to 31 December 2020 of 13.0 pence per ordinary share, which was paid to shareholders on 26 February 2021.

The Board has historically operated a progressive dividend policy, aimed at aligning the annual dividend broadly with growth in the Group's earnings per share, whilst taking into account the Board's desire to maintain an appropriate cash buffer at a Group level, the ongoing needs for funding of organic growth across the business and the distributable reserves available to the Group. The Board now intends to resume that policy, and the Group's normal dividend timetable, and accordingly will be recommending a final dividend of 15.0 pence per ordinary share in respect of the year to 31 December 2020 for approval by shareholders at our AGM to be held on 28 April 2021.

People

Our results this year reflect the dedication and hard work of all our colleagues; our consultants working with clients and also our recruiters, trainers, internal staff and those in support roles. Our people understand that our clients' success is our success, and, on behalf of the Board, I would like to thank them for their great contribution to our performance during what must surely be the most difficult year that many of them will have encountered in their careers.

The People Team initiated a hugely increased programme of employee engagement during this year's lockdowns to ensure that the wellbeing of our staff was monitored and safeguarded. The People Team continues to work closely with the Board on succession planning and people development whilst progress on the implementation of our Group People Strategy has continued during the year. There is further information on the Group People Strategy on page 17.

The Board

At the end of April 2020, Robin Taylor, who had been a Non-Executive Director since June 2014 and Chair of the Audit Committee, stepped down from the Board. The Board is grateful to Robin for his dedication and support of the Board's work. Alan Kinnear took on the role of Chair of the Audit Committee when Robin stepped down, and reports on his work with the Audit Committee over that period in the Audit Committee Report on pages 76 to 85. There have been no other changes to the Board since the publication of our last Annual Report.

In the course of preparing the Board's new policy on executive remuneration (to be submitted for approval by shareholders at the AGM in April 2021) my colleague Peter Whiting, Chair of the Remuneration Committee, approached our major shareholders to seek their feedback on those proposals. We took the opportunity to broaden the scope of that consultation by offering to each of our top 20 shareholders (accounting for well over 50% of our share capital) the opportunity to meet with Peter (who is also Senior Independent Director), Mark Heather (our Company Secretary and Head of Investor Relations) and me. This provided some very helpful and positive opportunities for us to engage on wider governance issues, providing the Board with greater insight into our shareholders' priorities. We were encouraged by the level of understanding of the Group and its culture, and the feedback we received indicates that our shareholders also appreciated the discussions and found them useful.

Outlook

2020 marked thirty years since our CEO, Rod Flavell, first established the company which became FDM and the story of its evolution over that period from start-up to a global FTSE 250 business is a remarkable one. I congratulate Rod and his team for what they have achieved and look forward to what the next thirty years can deliver for FDM and all of its stakeholders.

We have year to date in 2021 seen good levels of client activity and healthy deal volumes overall. Our beached and signed-off resources have returned to normal levels and we are significantly ramping up recruitment and training activities to meet demand for our Mounties.

Our balance sheet is strong and our model refined; while mindful that the uncertainties presented by the pandemic are not yet behind us, I anticipate that 2021 will see the Group deliver good progress.

David Lister
Chairman
9 March 2021

Chief Executive's **Review**

Rod Flavell
Chief Executive Officer

2020 saw FDM deliver a solid operational and financial performance in the light of the exceptional challenges presented by the COVID-19 pandemic, benefiting from the Group's agile, robust and highly cash-generative business model. This included the rapid and successful transition of our business model to the remote delivery of Mountie services to clients and to remote training.

Overview

The Group has delivered a resilient performance in the year despite the many challenges presented by the COVID-19 pandemic.

Following a strong first quarter, the second quarter of 2020 saw more difficult trading conditions, reflected in a reduction in the volume of new Mountie placements, delays in onboarding Mounties and the early termination of some placements by clients. This resulted in an increase in the number of our unallocated ("beached") Mounties and Mounties who had completed their training but awaited their first placement ("signed off"). As the second half progressed, conditions in the majority of our geographic markets trended closer to normality with a consequent improvement in deal volumes and a gradual decrease in the level of beached and signed-off Mounties, which returned to more normal levels by the year end.

We ended the year with 3,580 Mounties placed with clients. The Group recorded revenue of £267.7 million and delivered an adjusted operating profit[1] of £42.7 million.

Our strategy

FDM's strategy is straightforward: we aim to deliver customer-led, sustainable, profitable growth on a consistent basis, through our well-established and proven Mountie model. I am delighted to report that despite the severe impact of the global COVID-19 pandemic, the resilience and agility of our business model have enabled us to deliver a solid performance in the year and to continue to deliver on our four key strategic objectives: Attract, train and develop high-calibre Mounties; Invest in leading-edge training capabilities; Grow and diversify our client base; and Expand and consolidate our geographic presence.

Our strategy requires that all activities and investments produce the appropriate level of return on investment, that they deliver sustained and measurable improvements for all our stakeholders including customers, staff and shareholders, and that they further our objective of launching the careers of talented people worldwide, which remains core to everything we do. I hope my review, together with the financial review, demonstrates that we have delivered on these requirements and more in 2020, despite operating in the most challenging conditions FDM has ever faced.

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

Strategic objectives

Attract, train and develop high-calibre Mounties

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

In total, there were 1,341 training completions in 2020, a decrease of 37% on the equivalent period in 2019 (2019: 2,115), the reduction reflecting the alignment of our training output to COVID-19 reduced levels of demand.

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

Invest in leading-edge training capabilities

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

Grow and diversify our client base

We continued to deliver the highest level of service to our clients during 2020 and have worked closely with them as they have had to flex their resource requirements because of the impact of COVID-19. We secured 52 new clients in the year (2019: 97), of which 24 were in the second half and 75% were secured from outside the financial services sector. We also made early progress in the Telecoms, Retail, Pharmaceuticals and Healthcare sectors.

Expand and consolidate our geographic presence

Whilst our APAC operations saw Mountie headcount increase by 136 in the year from 497 to 633, in our other regions market conditions saw Mounties assigned to clients reduce compared with week 52 2019. EMEA saw only a very small decrease of four in headcount, from 240 to 236. The UK and Ireland region saw a decrease in headcount of 285 from 1,910 to 1,625 and in North America headcount decreased by 191 from 1,277 to 1,086.

Deal volumes gradually recovered in the second half of the year and with our markets returning to more normal conditions we anticipate growing our international footprint again as conditions allow. In this respect, since the year end we have secured our first deals in Poland and New Zealand.

We believe that our business model is resilient against many of the threats and uncertainties which are commonly perceived to arise from Brexit as set out in the Risk Management section on pages 30 to 37, which we therefore anticipate will not hinder our international expansion.

Attract, train and develop high-calibre Mounties

Invest in leading-edge training capabilities

Grow and diversify our client base

Expand and consolidate our geographic presence

Our service offerings

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

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

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

Pods

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

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

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

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

Case study

Challenge
Our client, an international healthcare provider, partnered with FDM to help build its future talent capability to replace contingent workers with a more sustainable long-term solution. The client wanted to invest and grow talent from the local area to resource its application project teams in Australia. The focus was on highly motivated candidates who had a foundation in DevOps practices and were skilled in Application Development. Our client wanted energetic people with a base level of knowledge who could approach development with a DevOps mindset and apply themselves to deliver value from day one.

Solution
The client partnered with FDM to provide skilled DevOps teams to work across sites in Sydney and Melbourne. A tailored programme was shaped with the client to ensure its specific needs were met. A short-list of FDM consultants was presented from those who had successfully passed through the assessment phase. Once the final selection was made by the client, the team underwent an intensive twelve-week tailored training programme. This included: SQL, Object Oriented Design using .Net, Data Access, Cloud Computing, ITIL, and Docker. During the training, the client had regular interactions with the FDM consultants, which included participation in training and arranging team events.

Outcome
The team of FDM consultants onboarded and delivered a number of DevOps projects on site including:

- Moving the client's legacy customer relationship management ("CRM") system to the cloud;
- Working with the Development and Environments teams to look after the resources within the project, for example with Application Programming Interfaces ("APIs");
- Using Microsoft Azure to manage source control, work backlogs, pipelines and tasks; and
- Handling large, business-critical processes, like product changes, tax submissions and policy updates building its graduate DevOps capability.

Our people – talented, ambitious, enthusiastic, diverse

Across the business, our people have responded to the challenges that were forced upon us by COVID-19. Our IT teams were exemplary in delivering remote working capabilities rapidly and with no disruption to operations. Our trainers switched to delivering training remotely in very short timeframes to the same high standards they were accustomed to delivering from physical classrooms. They were heavily involved in retraining and upskilling all those Mounties who returned to the beach during the early months of the pandemic. Our recruiters continued to recruit remotely and in regions where recruitment was reduced, to engage with candidates, universities and other partners to keep them informed and to ensure we had a pipeline of candidates available as soon as we were able to increase recruitment again, as we have now done. Our People Team, having the safety and wellbeing of all employees as their key focus during the year, launched initiatives to ensure we were able to reach out to every single one of our employees across the globe. Our Finance team worked tirelessly to protect the strong financial position of the Group, enabling us to deliver debtor days in line with target and a year-end cash balance of £64.7 million. Our account managers continued to achieve strong levels of activity and engagement with our clients and Mounties, whilst our Mounties, displaying the energetic blend of skills, professionalism and drive to succeed that we expect of them, remained as effective working remotely as at client sites.

The safety, wellbeing and morale of all our employees has been an important focus of 2020. As lockdowns necessitated remote working for our staff around the world, the focus of our Group People Strategy changed rapidly, with a major expansion of our programme of employee engagement. The experience gained from this led to the development of a data dashboard which is now available to the Executive Team to help us monitor a wide range of information relating to our staff. This, in turn, will enable us to develop KPIs to support the ongoing rollout of our Group People Strategy in the coming year.

We undertook a series of initiatives during the year to ensure that all of our employees felt connected, supported and informed during uncertain times. These included regular surveys to check on employees' remote working circumstances to enable us to monitor both their resources and their wellbeing and a new social collaboration programme, Yammer, to communicate with all employees across the globe.

The Group People Strategy is designed to enable FDM to maintain its position as a high-performing and impactful global organisation with a clear orientation towards sustainability, scalability, commercial efficiency and flexibility. To achieve these outcomes, the strategy focusses on the following measures:

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

I would like to extend the Board's thanks to every FDM employee as it is their commitment during 2020 and throughout its challenges, which has enabled us to deliver for all our stakeholders.

Looking forward

Overall, 2021 has started encouragingly well, in line with the Board's expectations and with good levels of client activity and strong deal volumes. Beached and signed-off resources have returned to normal levels and we have already commenced significantly ramping up recruitment and training activities to meet increasing demand for our Mounties.

Our balance sheet is strong and, while mindful that the uncertainties presented by the pandemic across the different geographies and sectors in which we operate are not yet behind us, I am confident that the Group is well positioned to deliver good progress in the current year.

Rod Flavell
Chief Executive Officer
9 March 2021

Key Performance Indicators

We maintain and monitor a range of Key Performance Indicators ("KPIs") to identify trends in our operating and trading performance. COVID-19 impacted us throughout the year, however, we sustained profitable trading, maintained a robust balance sheet and continued with strategic investment programmes.

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

Each KPI is linked to different aspects of FDM's Business Model, as illustrated below. The three components of FDM's Business Model are recruit, train and deploy. The Business Model is shown on pages 20 to 21.

Financial KPIs

Revenue (£m)

-1%

Link to Business Model

Deploy

Performance

Description

Group revenue reduced, reflecting the tough market conditions in the year.

Adjusted operating profit[1] (£m)

-23%

Link to Business Model

Recruit **Train** **Deploy**

Performance

Description

Adjusted operating profit reduced by 23%, impacted by a larger than average cost for beached and signed-off consultants during the year, together with an increase in overheads primarily due to the settlement of a legal claim in North America (see note 6 of the financial statements).

Adjusted basic earnings per share[1] (pence)

-26%

Link to Business Model

Recruit **Train** **Deploy**

Performance

Description

Adjusted earnings fell by 26% to 28.8 pence. This reflects the Group's lower adjusted operating profit and higher effective tax rate.

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

Cash flow generated from operations (£m)

+15%

Link to Business Model

Recruit Train Deploy

Performance

Description

The Group closed the year with cash balances of £64.7 million (2019: £37.0 million), due in part to the amended pattern of dividends and with focussed working capital management.

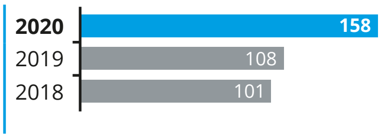
Cash conversion (%)

+46%

Link to Business Model

Recruit Train Deploy

Performance



Description

Cash conversion, 158%, was very strong, facilitated by an excellent cash collection performance and a reduction in debtor days.

Operational KPIs

Mounties assigned to clients (week 52)

-9%

Link to Business Model

Deploy

Performance

Description

The number of Mounties assigned to clients decreased by 9% due to the reduction in deal volumes in the second quarter. Deal volumes improved across the third and fourth quarters.

Mountie utilisation rate (%)

-1%

Link to Business Model

Deploy

Performance

Description

Mountie utilisation rate in 2020 reduced due to a higher number of beached Mounties as the pandemic impacted client demand.

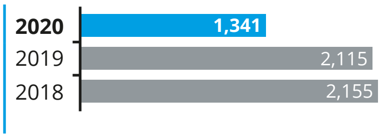
Training completions (year to 31 December 2020)

-37%

Link to Business Model

Recruit Train

Performance



Description

Training completions were lower in all regions except APAC, as the Group flexed its intake in line with client demand.

Business Model

Our purpose

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

About us

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

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

What sets us apart

Our people

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

Global coverage

- International presence with localised support in all our operating territories
- Experienced trainers with remote and in-house delivery capability

Track record of success

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

Bespoke approach

- Low-risk solution as FDM retains full accountability for Mounties
- Scalable capacity with no minimum requirement
- Ability to tailor recruitment and training
- Option to transfer consultants from FDM to a permanent role with the client after initial period

How our business works

We recruit

The best:
- Graduates
- Ex-Forces
- Returners to work

We train

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

We deploy

We place Mounties at a diverse range of clients, in a wide range of disciplines and territories

Career development

Following completion of the initial commitment period, there is the option for Mounties to transition permanently to the client if the client so requires, remain as is or embark on a new placement with FDM

The value we create

For our clients

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

3,580

Mounties assigned to clients at year end

For our shareholders

We consistently deliver returns for our shareholders

46.5 pence

Two interims and a final dividend in respect of the year 2020

For our employees

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

5,000+

FDM employees globally

85+

nationalities

For our trainees

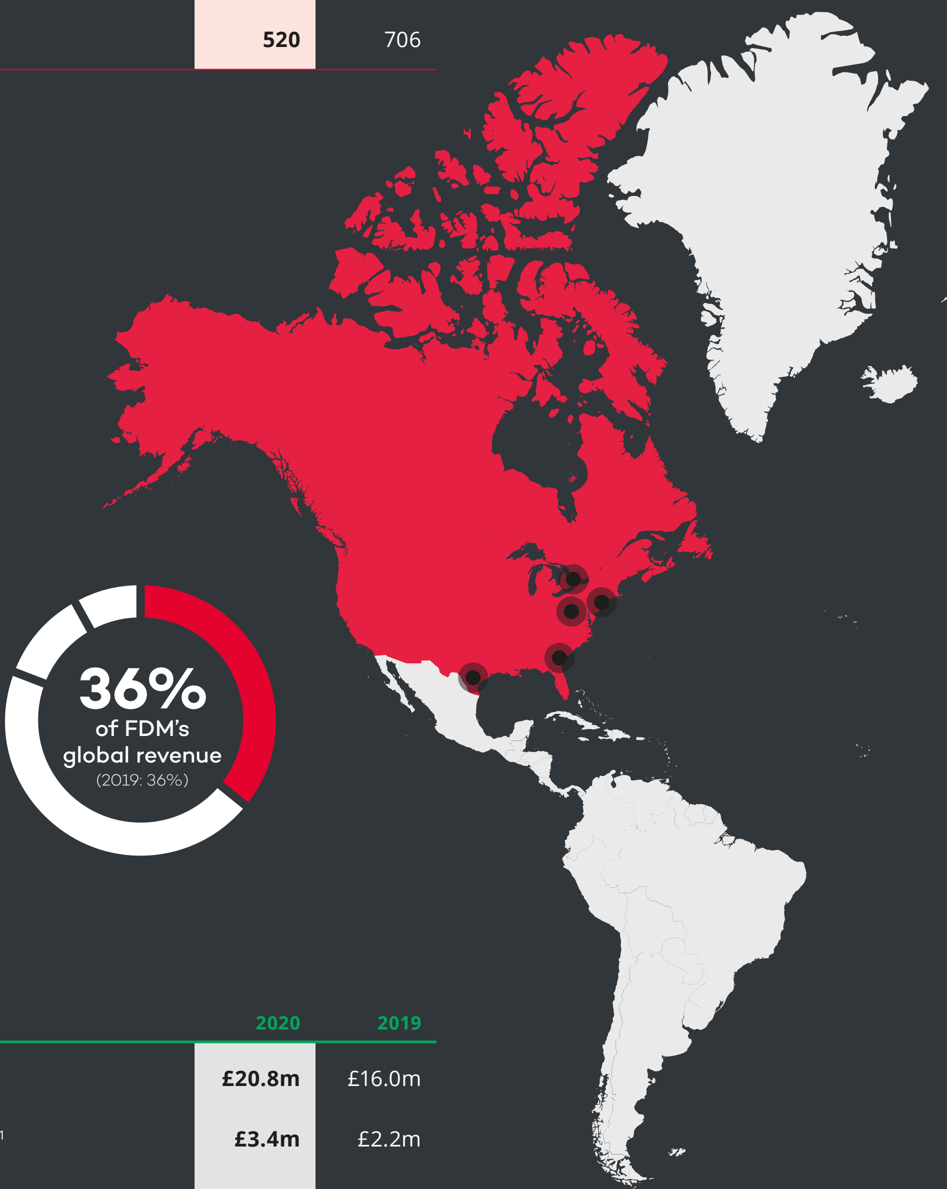
Our award-winning training enables our trainees to transition into professional IT and business consultants, with relevant technical skills and commercial experience

1,341

training completions in 2020

Our Markets

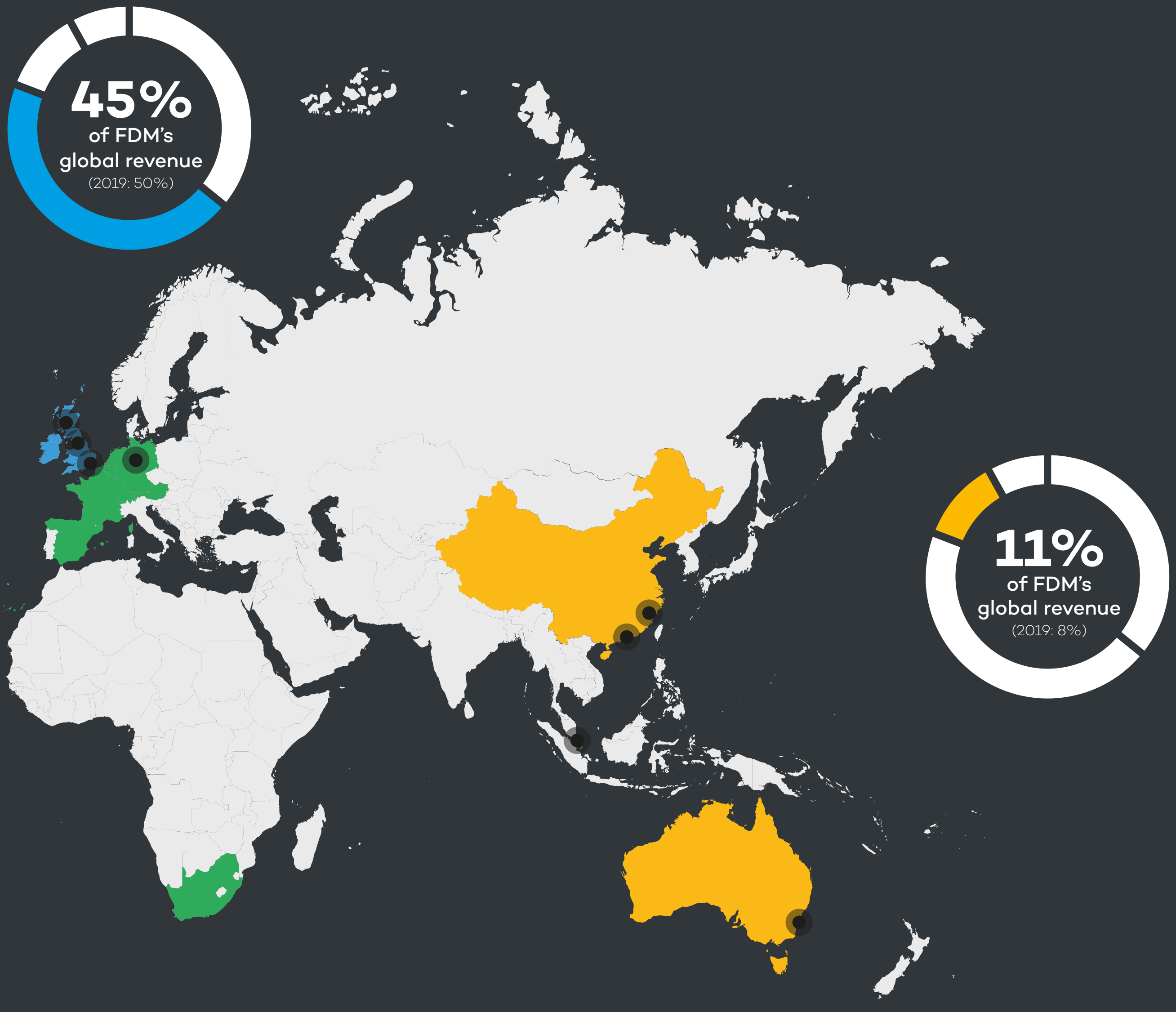
North America	2020	2019
Revenue	**£97.1m**	£96.0m
Adjusted operating profit[1]	**£12.5m**	£16.5m
Mounties deployed	**1,086**	1,277
Training completions	**520**	706



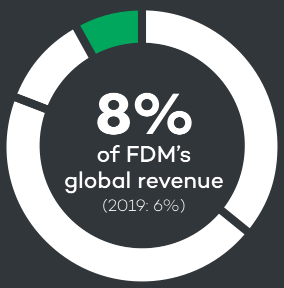
EMEA	2020	2019
Revenue	**£20.8m**	£16.0m
Adjusted operating profit[1]	**£3.4m**	£2.2m
Mounties deployed	**236**	240
Training completions	**93**	155

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

UK and Ireland	2020	2019
Revenue	£119.8m	£136.9m
Adjusted operating profit[1]	£25.2m	£37.8m
Mounties deployed	1,625	1,910
Training completions	417	964



APAC	2020	2019
Revenue	£30.0m	£22.6m
Adjusted operating profit/ (loss)[1]	£1.6m	£(1.3)m
Mounties deployed	633	497
Training completions	311	290



UK and Ireland

Mounties deployed at week 52 were 1,625 (2019: 1,910). Following a decline in assigned Mounties due to COVID-19, with the UK placed into lockdown, the UK responded well in the second half of the year with headcount holding broadly flat. Revenue for the year decreased 12% to £119.8 million (2019: £136.9 million). COVID-19 and its knock-on effects have impacted demand in some sectors more than others, with travel, leisure and hospitality most noticeably affected.

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

Training completions were 417, a reduction of 57% on last year as we flexed our training in line with demand (2019: 964).

Adjusted operating profit[1] decreased by 33% to £25.2 million (2019: £37.8 million), on revenues 12% lower at £119.8 million (2019: £136.9 million).

North America

While revenue was up 1% to £97.1 million (2019: £96.0 million), North America Mounties deployed fell by 55 in the first half and by a further 136 in the second half of 2020. The effects of the pandemic coupled with political uncertainty saw a weaker close in the USA, following an uptick in quarter three. Canada's strict lockdowns impacted banks' project plans and demand fell sharply in this sector. Training completions in the region decreased by 26% in line with reduced client demand. We successfully moved our training from the classroom to online with no disruption to courses and took advantage of the flexibility that our pop-up model offered to reduce the size of our training centres in Charlotte and Austin, where classrooms were not being used during lockdown.

Adjusted operating profit[1] was £12.5 million (2019: £16.5 million) after the Board took the pragmatic and commercial decision to settle for £3.0 million a long-standing legal claim which the Board considered to be unmeritorious (see note 6).

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

Revenue from our EMEA business grew by 30% to £20.8 million (2019: £16.0 million). Adjusted operating profit[1] was 55% higher at £3.4 million (2019: £2.2 million). Mounties assigned to clients fell by four to 236 at year end (2019: 240). Luxembourg headcount grew from 41 at week 52 2019 to 80 at week 52 2020, driven particularly by client demand in Risk, Regulation and Compliance roles. During the year we took the opportunity to downsize our Frankfurt Academy training capacity, effective from October 2021.

APAC (Asia Pacific)

APAC performed strongly with revenue increasing by 33% to £30.0 million (2019: £22.6 million) and 633 Mounties deployed at year end (2019: 497). Our newest territory, Australia, continues to grow rapidly, increasing headcount by 60% and adding six new clients during the period. Across the region we gained 16 new customers.

Adjusted operating profit[1] was £1.6 million (2019: adjusted operating loss of £1.3 million) after benefiting from approximately £2.6 million of COVID-19 related employee cost subsidies, the significant majority of which was received automatically as part of the Singapore and Hong Kong governments' responses to the pandemic.

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

FDM has been trading successfully in Hong Kong for 10 years

Financial Review

Mike McLaren
Chief Financial Officer

2020 was a year of resilient financial performance given the tough trading conditions caused by the impact of the COVID-19 pandemic, particularly in the second quarter of the year. Revenue decreased by 1% to £267.7 million (2019: £271.5 million), adjusted operating profit[1] decreased by 23% to £42.7 million (2019: £55.2 million), with adjusted basic earnings per share[1] down 26%, to 28.8 pence (2019: 38.8 pence). We ended the year with a robust balance sheet and remain well positioned for future growth with a proven and agile business model that allows us to respond rapidly and effectively to market fluctuations.

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

Summary income statement

	Year ending 31 December 2020	Year ending 31 December 2019	% change
Revenue	£267.7m	£271.5m	-1%
Adjusted operating profit[1]	£42.7m	£55.2m	-23%
Adjusted profit before tax[1]	£42.0m	£54.5m	-23%
Profit before tax	£41.0m	£52.5m	-22%
Adjusted basic EPS[1]	28.8p	38.8p	-26%
Basic EPS	28.2p	37.3p	-24%

Overview

Revenue decreased by 1% to £267.7 million (2019: £271.5 million) (constant currency basis 1%). Mounties assigned to clients at week 52 2020 totalled 3,580, a decrease of 9% from 3,924 at week 52 2019. At week 52 our Ex-Forces Programme accounted for 194 Mounties deployed worldwide (week 52 2019: 249). Our Returners Programme had 112 Mounties deployed at week 52 2020 (week 52 2019: 108).

An analysis of revenue and headcount by region is set out in the table below:

	Year ending 31 December 2020 Revenue £m	Year ending 31 December 2019 Revenue £m	2020 Mounties assigned to clients at week 52[2]	2019 Mounties assigned to clients at week 52[2]
UK and Ireland	119.8	136.9	1,625	1,910
North America	97.1	96.0	1,086	1,277
EMEA	20.8	16.0	236	240
APAC	30.0	22.6	633	497
	267.7	271.5	3,580	3,924

Adjusted Group operating profit margin decreased to 16.0% (2019: 20.3%). The adjusted operating profit margin was impacted by a higher than usual cost for unutilised consultants during the year, together with an increase in other overheads after the Board took the pragmatic and commercial decision to settle for £3.0 million a long-standing legal claim which the Board considered to be unmeritorious (see note 6).

1 The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expenses (including social security costs). The adjusted basic earnings per share is calculated before the impact of Performance Share Plan expenses (including social security costs and associated deferred tax).
2 Week 52 in 2020 commenced on 21 December 2020 (2019: week 52 commenced on 16 December 2019).

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. The adjusted results are stated before Performance Share Plan expenses including associated taxes. An expense of £1.0 million was recognised in the year to 31 December 2020 relating to Performance Share Plan expenses including social security costs (2019: £2.0 million). Details of the Performance Share Plan are set out in note 25 to the financial statements. The Directors believe that excluding these costs provides a more meaningful comparison of performance and cash generation.

Net finance expense

The finance expense costs include a lease liability interest of £0.7 million (2019: £0.8 million). The Group continues to have no borrowings.

Taxation

The Group's total tax charge for the year was £10.2 million, equivalent to an effective tax rate of 25.0%, on profit before tax of £41.0 million (2019: effective tax rate of 22.7% based on a tax charge of £11.9 million and a profit before tax of £52.5 million). The effective tax rate in 2020 is higher than the underlying UK tax rate of 19% primarily due to Group profits earned in higher tax jurisdictions. The effective tax rate reflects the Group's geographical mix of profits and the impact of items considered to be non-taxable or non-deductible for tax purposes, with the increase year-on-year primarily due to changes in these factors.

Earnings per share

Basic earnings per share decreased in the year to 28.2 pence (2019: 37.3 pence), whilst adjusted basic earnings per share were 28.8 pence (2019: 38.8 pence). Diluted earnings per share were 28.1 pence (2019: 37.2 pence).

Dividend

Reflecting the difficulty at that time in assessing the impact of COVID-19 on the business, in March 2020 the Board decided against proposing a final dividend for the year to 31 December 2019. In July 2020, taking into account the Group's encouraging performance, the Board declared an interim dividend of 18.5 pence per ordinary share, which was paid to shareholders on 4 September 2020.

Given the Group's continued solid performance, strong cash position and encouraging prospects, on 27 January 2021, the Board declared a second interim dividend for the year to 31 December 2020 of 13.0 pence per ordinary share which was paid to shareholders on 26 February 2021.

The Board has recommended a final dividend of 15.0 pence per share, subject to shareholder approval at the forthcoming AGM, taking the total dividend to 46.5 pence per share, an increase of 191% on 2019.

The Group plans to resume applying its progressive dividend policy. The Board retains its desire of maintaining a minimum consistent cash buffer at a Group level and will always consider the ongoing needs for the funding of organic growth across the business and the distributable reserves available to the Group when considering dividend levels. At 31 December 2020 the Company had distributable reserves of £56.7 million. This statement does not form part of the audited financial statements and the distributable reserves figure of £56.7 million is therefore not audited by PwC).

Cash flow and Statement of Financial Position

Net cash flow generated from operating activities increased from £46.8 million in 2019 to £54.8 million in 2020 due to increased focus on working capital management.

The Group's cash balance increased to £64.7 million (2019: £37.0 million) with the variation in timing of dividend payments bolstering the year-end position. The Group has no third-party debt.

Dividends paid in the year totalled £20.1 million (2019: £34.1 million). Net capital expenditure was £0.6 million (2019: £3.0 million) and tax paid was £11.5 million (2019: £11.0 million). The tax paid in 2020 includes £2.0 million due to the acceleration of the timing of UK quarterly tax payments which became effective in the year.

Cash conversion is strong at 158.4% (2019: 108.4%). Adjusting for the impact of £3.0 million of accruals relating to the settlement of the long-standing legal claim, cash conversion was 147.8%.

Mike McLaren
Chief Financial Officer
9 March 2021

Risk Management

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

Approach to risk

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

Identifying and monitoring key risks

The Board uses the Risk Register as its principal tool for monitoring and reporting risk. The preparation of the register is led by the Chief Financial Officer, supported by the senior management team, and it details the 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. Input is obtained from all areas of the business, including support functions, as appropriate. A member of the Executive Team is assigned as the owner of each risk to ensure the appropriate level of focus and accountability to the Board.

The Board formally reviews the Risk Register at the half year and at the year end. Our risk management process is periodically reviewed by our Internal Audit function. The latest review was carried out in 2019 as part of a wider compliance review and it was concluded that the risk register remains an appropriate tool for managing the Group's risks. Further, the Internal Audit reviews are risk based and the scope of individual reviews take into account the key risks recorded in the Risk Register.

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

Principal risks

The principal risks faced by the Group, their current status and how the Group mitigates these risks are set out on pages 32 to 38. The status of each of the Group's principal risks is largely unchanged from the prior year, however we have increased the risk rating of two principal risks in response to the COVID-19 pandemic.

The alignment to our strategic objectives, as set out on pages 13 to 15, indicates those aspects of the business strategy that would be impacted by each risk, were it to materialise.

Impact of COVID-19 on the Group

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

Impact of Brexit on the Group

Though we are no longer part of the European Union (the "EU"), we consider our business model to be resilient against many of the threats and uncertainties which are commonly perceived to arise from Brexit.

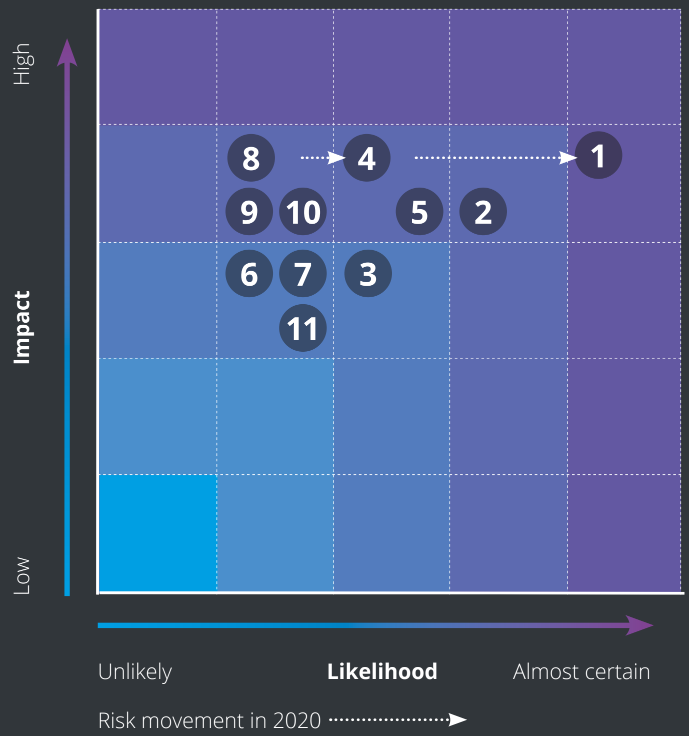
We have a diversified global footprint and our businesses in each of our territories (including the UK and EU countries) are self-sufficient and well established. They have their own local management teams, and recruit Mounties from within the territories in which they operate. We are not reliant on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

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

Key risks facing the Group

The following diagram shows the net risk score after taking account of controls and mitigations:

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



Strategic risks

Risk and impact	Mitigation	Movement in the year
1. Changes in the macro-economic environment A global downturn or a downturn in the territories in which FDM operates, could curtail demand and the ability of the Group to deploy its Mountie resource, resulting in: an adverse impact on revenue, cost and operating profit; a shrinking customer base; and a negative impact on share price. **Risk owner: Chief Financial Officer** **Alignment to strategic objectives:**	Whilst external factors such as macro-economic risks are outside the Group's control, the Group has effective measures in place to respond to changes, including robust planning, budgeting and forecasting and resource allocation procedures. A three-year plan was approved by the Board in January 2021. The flexible nature of the Group's business model enables it to manage resource availability thereby enabling it to control its cost base in the medium term. Notwithstanding the impact of risk 2 below, the Group is focussed on diversifying its customer base both by sector and by geography.	**Increased** The Board considers, as a direct result of COVID-19, that the risk of a global economic downturn has increased. Whilst the Group is recovering from the immediate impact of COVID-19, the Board is aware that the impact of COVID-19 on our customers and on the wider economic environment may exist for many years to come. There also continues to be some uncertainty relating to the economic impacts of: (i) Brexit, and (ii) political upheaval in the US. As noted, macro-economic risks are outside the Group's control, but the Group will continue to focus on ensuring it has effective measures in place to identify and react quickly to changes in macro-economic conditions. The Group's current financial position includes a strong balance sheet and significant cash balances.
2. Concentration exposure in the financial services sector The majority of the Group's revenue is generated from within the financial services sector. A crisis in the financial services sector could reduce revenue significantly and have a negative impact on the majority of the Group's KPIs. **Risk owner: Chief Commercial Officer** **Alignment to strategic objectives:**	As above, the Group is focussed on growing its customer base both by sector and by geography as well as diversifying the range of services it offers to existing and potential clients. As in 2020, in 2021 part of the bonus opportunity for the Executive Directors will be targeted at diversification into new client sectors. Further details are in the Remuneration Report on page 99.	**No change** The proportion of the Group's revenue generated from the financial services sector has remained broadly similar to the prior year. The Board continues to focus on this risk. The Group continues to broaden the spread of its service offerings within its financial services clients to cover operational, compliance and IT services, in addition to increasing its presence in other sectors.

FDM's four key strategic objectives:

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

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

Risk and impact	Mitigation	Movement in the year
3. Balancing supply and demand – insufficient Mountie resource An inability to meet a rapid increase in demand due to insufficient Mountie resource and an inability to recruit in a timely manner would result in lost revenue, eroded customer confidence and an adverse reputational impact. **Risk owner: Chief Commercial Officer** **Alignment to strategic objectives:**	The recruitment team maintains strong links to universities and other recruitment channels. An effective social media recruitment strategy is in place to maximise applications. Resource management meetings occur weekly to ensure supply and demand issues are identified and resolved. The management team is incentivised to maximise utilisation and increase flow through of trainees within the Academies. The Ex-Forces and Returners programmes, whilst relatively small in terms of total headcount, help spread the Group's access to a wider talent pool.	**No change** Whilst the immediate impact of COVID-19 resulted in an increase in our available Mountie resource (risk 4), we believe it is appropriate that the risk of insufficient Mountie resource remains one of FDM's principal risks. With high utilisation levels and a strategy aimed at maintaining a minimum level of beached resource, a sudden increase in demand could result in an insufficient level of trained Mountie resource being available to meet that increase in demand. The Group's reputation amongst graduates, together with the career programmes it offers, means it is well placed to source sufficient applicants for its projected growth for the short to medium term. The number of applications during the year has not decreased as a result of COVID-19. The Group has the option of using contractors outside the UK should a significant increase in demand occur which cannot be fulfilled by available Mountie resource.
4. Balancing supply and demand – excess Mountie resource An inability to utilise or redeploy Mounties in the event of a sudden decrease in demand would result in a reduction in margin and would demotivate Mounties. **Risk owner: Chief Commercial Officer** **Alignment to strategic objectives:**	The flexibility of the Group's business model is a key mitigation to this risk. The Group is able to flex the number of Mounties it recruits relatively quickly, thereby responding appropriately to a sudden downturn. Resource management meetings occur weekly to ensure supply and demand issues are identified and resolved in a timely manner.	**Increased** As noted above, the increase in the number of unallocated resource was one of the biggest immediate issues impacting FDM as a direct result of COVID-19. During the early months of the pandemic, we saw unallocated resource increase by more than 100% above normal levels. However, as a result of increased management focus, the number of unallocated resource has gradually declined in the second half of the year. Further, processes and tools used to monitor and retrain beached resource have been enhanced, which enabled the beached resource to be involved in several new meaningful initiatives during the year e.g. the pods. An average Mountie utilisation rate of 94.8% was achieved in the year, the lowest for many years. The growth and diversification in the Group's client base help mitigate the risk of the Group not being able to fully utilise its Mountie resource.

Operational risks

Risk and impact	Mitigation	Movement in the year
5. Recruitment and development of highly skilled Mounties Mounties are the Group's core asset. A failure to deliver high-quality Mounties into its customer base could result in a loss of customers and damage to the Group's reputation. **Risk owner:** **Chief Executive Officer** **Alignment to strategic objectives:**	The Group continually reviews and benchmarks the remuneration packages and incentives it offers to attract graduates. Strong relationships exist with universities and other recruitment channels including ex-Forces personnel and the Group's Returners Programme. Initial training includes modules focussing on professional skills and resilience. An ongoing development programme is in place for Mounties, covering further training and development opportunities. The Group actively promotes Women in IT initiatives to attract, develop and retain Mountie talent. The Group is focussed on promoting its reputation in the marketplace as a leading employer.	⟷ **No change** With the need to recruit significant numbers of Mounties to fulfil forecast growth levels, this is perceived to be one of the Group's main risks. A combination of the following factors indicates this risk is being managed effectively: • recruitment levels of Mounties are continually being monitored and reviewed by the Board; • there has been no decrease in the level of global applications received as a result of COVID-19; • there is a broad base of talent from which to recruit through the Graduate, Ex-Forces and Returners programmes; and • challenging recruitment targets are being met.
6. Talent development and succession planning The ability of the business to create an appropriate environment supported by robust procedures to facilitate the retention and development of key employees, thereby enabling the business to expand. **Risk owner:** **Chief Executive Officer** **Alignment to strategic objectives:**	The Group's Remuneration Policy states that the overall remuneration package should be sufficiently competitive to attract, retain and motivate Executive Directors. The remuneration packages of all employees are reviewed and benchmarked regularly to ensure they remain competitive. The Group People Strategy is in place which incorporates a key focus on talent development and succession planning. The annual development review includes the identification of training requirements, which are fulfilled within the following twelve months. The Nomination Committee considers succession matters as a regular agenda item.	⟷ **No change** Talent development and succession planning is a key part of the Group People Strategy developed by our People team. This includes a programme of mentoring (some of which is provided by our Non-Executive Directors) and coaching for some key senior managers around the Group. The Group's remuneration packages remain competitive and, for senior employees, include long-term share options to encourage retention. The Group operates an attractive Buy As You Earn share plan, available to all employees, to reward and encourage talent retention.

Risk and impact	Mitigation	Movement in the year
7. Development of new service offerings The inability of the Group to develop new service offerings and revenue streams could result in a loss of customers and market share. **Risk owner:** **Chief Commercial Officer and Chief Information Officer** **Alignment to strategic objectives:**	FDM's flexible training model is able to develop course material relevant to customers' needs. FDM's training capability is designed to provide high quality content either face-to-face or remotely. The Group has a number of touch points with customers, enabling them to keep up to date with developments in the marketplace and to identify customer needs.	**No change** The Group is responsive to its customers' needs which it identifies through regular contact and feedback. New offerings are developed; in 2020 we have successfully trialled our cross-functional pod concept for trainees and Mounties between placements. The Executive Directors are actively involved in key client relationships.
8. Business interruption – caused by cyber attack Major IT system integrity issues or data security issues, either due to internal or external factors, could result in: actual financial loss of funds; potential loss of sensitive data with risk of litigation; loss of customer confidence; and damage to reputation. **Risk owners:** **Chief Information Officer** **Alignment to strategic objectives:**	The Group's IT Security team has 50+ years of experience and industry certifications and includes a CISO industry-certified expert. Advance Threat Protection ("ATP") solutions are in place to protect against malware and cyber attacks. A Global Standard for Technology Security is in place. The Group's IT security policy complies with ISO 27001. Staff are regularly made aware of the risk of a cyber attack and the appropriate actions necessary to mitigate the risk of this occurring. IT policy and security matters are regular Board and Audit Committee agenda items.	**No change** Operation of the IT environment is continuously monitored and staff are regularly made aware of the risks of cyber attacks. KPMG reviewed the Group's IT security controls as part of the programme of Internal Audit during 2020. The Group reviews its Business Continuity Plan ("BCP") regularly. KPMG reviewed the BCP processes as part of the programme of Internal Audit in 2019 and again in 2020.

Operational risks (continued)

Risk and impact	Mitigation	Movement in the year
9. Business interruption – caused by natural disaster or other similar events		**↔ No change**
An environmental event, including the impact of climate change, natural disaster, epidemic or similar health-related event, such as COVID-19, which could potentially result in the closure of one of our training Academies, the temporary closing down of clients, or the prevention of Mounties travelling to their place of work, in regions impacted by such events, could lead to disruption and a loss of revenue. **Risk owner:** **Chief Operating Officer** **Alignment to strategic objectives:**	Although the occurrence of an environmental event, including the impact of climate change, natural disaster, epidemic or similar health-related event is beyond the Group's control, FDM has a Business Continuity Plan ("BCP") which includes procedures to be followed in the event of a loss of training facilities and staff being unable to travel to their place of work.	The Group reviews its BCP regularly. KPMG reviewed the BCP processes as part of the programme of Internal Audit in 2019 and again in 2020. The Group has demonstrated the resilience of its BCP plan and its ability to respond to COVID-19, in terms of enabling its entire workforce to work remotely effectively and efficiently.
10. Reputation		**↔ No change**
Reputation is key to the Group maintaining and growing its business. Poor-quality service or the actions of Mounties, staff or contractors could have an adverse impact on the Group's reputation. A failure to manage any subsequent crisis through a lack of reactive procedures could also exacerbate potential damage. Any impact could be far-reaching: failure to meet financial targets; litigation; loss of key clients; and loss of key staff. **Risk owner:** **Chief Operating Officer** **Alignment to strategic objectives:**	Robust recruitment and training procedures are in place which reduce the risk of employing persons whose actions could result in a negative impact on FDM's reputation. FDM has a zero-tolerance policy with respect to any inappropriate behaviour by an individual employed by the Group or acting on behalf of the Group. The Group focusses on strong relationship management and communication with all stakeholders.	The Group continues to invest in staff development, quality systems and processes to mitigate the risk of operational failure. The Board regularly consults with its PR advisors. We have a dedicated head of Investor Relations to manage the relationship with shareholders and stakeholders.

Compliance risk

Risk and impact	Mitigation	Movement in the year
11. International regulatory non-compliance Failure to comply with international tax, legal, employment and other business regulations could result in significant costs, fines and/ or revocation of business licences. **Risk owner: Chief Financial Officer** **Alignment to strategic objectives:** **n/ a**	The Group has robust recruitment procedures, which ensure the employment of appropriately skilled personnel in areas where compliance with legislation is required. The Group seeks appropriate advice and engages external advisors as necessary, particularly in overseas locations, and actively manages those relationships. We regularly review and update our contractual documentation, policies and procedures, aiming for continual improvement of our approach to management of business risk. The Group ensures that the relevant staff undertake ongoing training and professional studies where required.	↔ **No change** The Group continues to invest in appropriately-skilled personnel and will outsource where appropriate in areas where compliance and expertise are required. Internal Audit conducted a review of compliance in 2019. The Group's existing in-house Legal and People teams are augmented with people having experience and knowledge of the countries in which the Group operates.

Viability statement

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

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

In making its assessment, the Board undertook a review that took into account the Group's current financial position and prospects, the resilience displayed during the pandemic, its cash flow requirements and other key financial assumptions over the three-year period and sensitised certain of those assumptions as appropriate. As the core of FDM's business is the Mountie model, the sensitivity analysis therefore included consideration of the loss of the Group's two largest customers. After applying the sensitivities, our modelling showed that the Group would still maintain a minimum cash balance of £30 million during the viability period, without utilising any third-party borrowings.

In assessing its viability, the Board has also considered the principal risks affecting the Group, the impact of Brexit and the economic impact of a delayed recovery from COVID-19, and how those risks might impact the Group's future performance, solvency and liquidity. The sensitivity analysis noted above also considered the impact of certain principal risks. Individually, and when considered together, no reasonable combination of sensitivities could result in the Directors altering their view of the Group's viability.

The Group's financial position is strong with cash balances of £64.7 million at the end of the year and no external borrowings.

Based on the results of this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Corporate Responsibility

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

Our values, outlined on page 5, encourage our employees to be themselves at work, and for us all to play a part in creating and fostering an inclusive workplace where everyone can thrive. FDM has long been a strong advocate of the benefits of diversity, inclusion and social mobility. We know the positive impact that a diverse workforce has had on our business, and this is an important factor which makes our Mountie model so attractive to many of our clients.

Our people

Awareness and engagement

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

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

Employee engagement mechanisms

Wellbeing portal

Our online wellbeing portal provides a range of helpful resources, including professional guidance and advice. Consultants also have support from FDM Wellbeing Champions throughout the FDM community.

Consultant Experience Partners

Consultants can receive support and career guidance from Consultant Experience Partners while working on assignment with our clients.

Mentoring

FDM partners consultants with mentors, based on their career aspirations and helps build long- term professional development opportunities.

Online learning and development

Virtual training, webinars and discussions are available to consultants, as well as e-learning platforms, including LinkedIn Learning and Intuition Know-How.

Consultant Peer Support

Our Consultant Peer Support Programme introduces new consultants to those already working on assignment, to help them settle into their new role.

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

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

Group People Strategy

FDM People experience				
Continuous professional development Technical curiosity and learning Leading-edge thought leadership	Career direction and advice Leveraging our whole community in support of launching inspiring careers	Smooth administration and transactional interaction Clear employee-focussed policies Happy and healthy employees	Clear and consistent direction and expectation setting Open two-way dialogue	Supporting each other and celebrating difference Engaging in our communities Developing the talent of the future
Initiatives in 2020				
The Knowledge Hub, with increased content via Product Owners Webchats/ webinars with Product Owners and Academy trainers	Mentoring programme: 181 people Quarterly "speed-coaching" career sessions One-to-one virtual coaching Professional and personal development	Improved self-service information and faster responses to employee phone calls A dedicated Consultant Experience team with training for Consultant Peer Support	Yammer: collaboration platform Inpulse Employee Surveys Hosting client events – learning and seminars 71 Wellbeing Champions	Employee networks Diversity and inclusion events and training for staff and clients

Awareness and engagement continued

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

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

We have 71 FDM Wellbeing Champions. An FDM Wellbeing Champion provides support and signposts fellow employees to relevant advice on mental health and wellbeing. The direct support they provide, particularly during lockdowns, has been invaluable.

Jacqueline de Rojas is the Non-Executive Director with primary responsibility for engaging with our workforce to enable employees to share ideas and concerns with senior management and the Board. She is supported by other Non-Executive Directors in this work as required. During the year Jacqueline and David Lister, Chairman of the Board, held a series of informal meetings with managers at different levels across the business.

Development of the pod concept

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

Over 650 consultants globally trained in an FDM pod in 2020. The pod concept is evolving, to focus on delivering to new trainees in our Academies. The next iteration embeds the Scrum framework into the final project stage of the technical and business disciplines.

Employee networks

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

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

Empowering and celebrating consultants of all genders

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

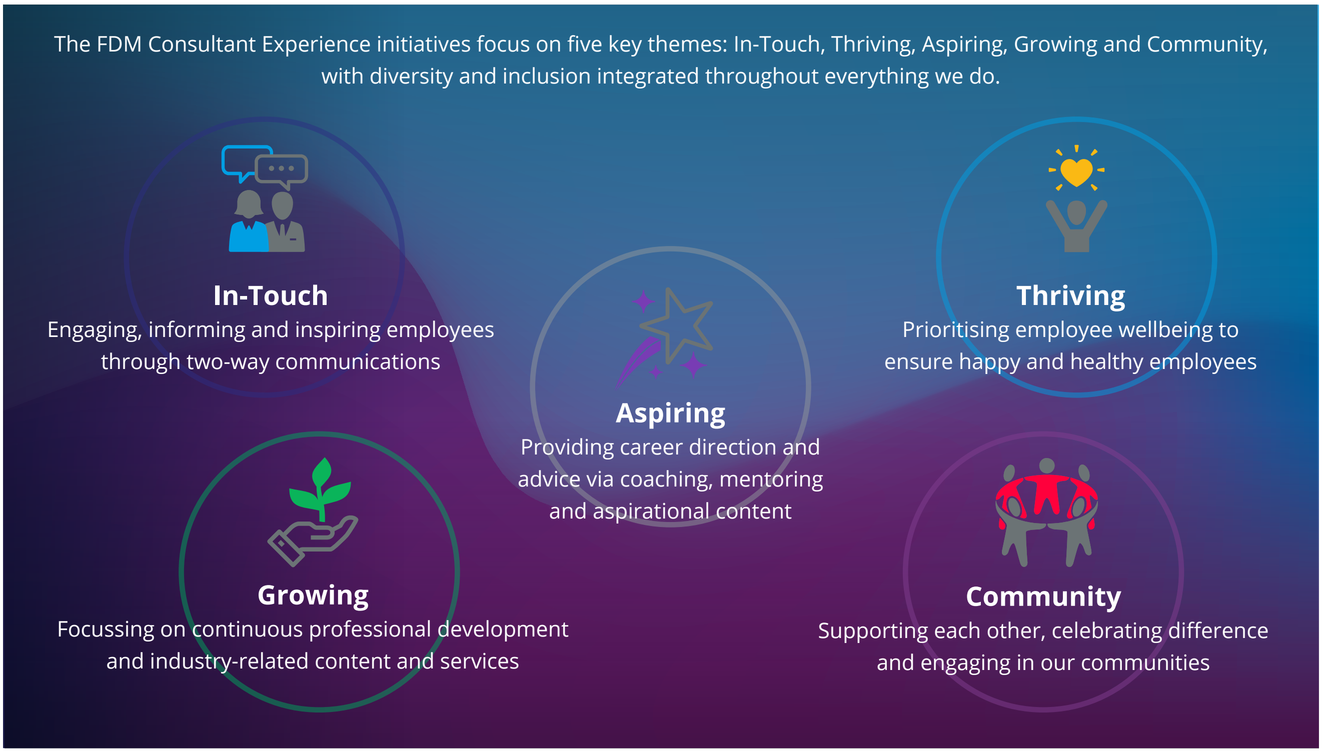
Supporting consultants with visible and non-visible disabilities, including mental health

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

Bringing together those who have a faith or similar beliefs

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

The consultant experience



Diversity and inclusion

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

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

Ethnicity % of those that chose to disclose identify as:

As at 31 December 2020	UK consultant intake 2020 %	UK internal staff 2020 %
Arab	2	1
Asian	29	23
Black	12	11
Mixed race	3	3
White	54	62
	100	100

Sexual orientation % of those that chose to disclose identify as:

	UK consultant intake 2020 %	UK internal staff 2020 %
LGBTQIA+	6	1
Heterosexual	94	99
	100	100

Ethnicity % of those that chose to disclose identify as:

	US consultant intake 2020 %	US internal staff 2020 %
Asian	31	35
Black	8	14
Latino	12	6
Native Hawaiian or Other Pacific Island	–	1
Two or more races	6	5
White	43	39
	100	100

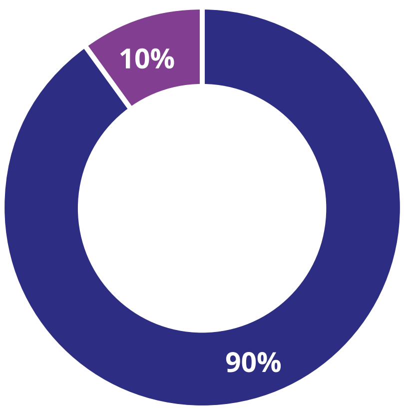
Supporting social mobility

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

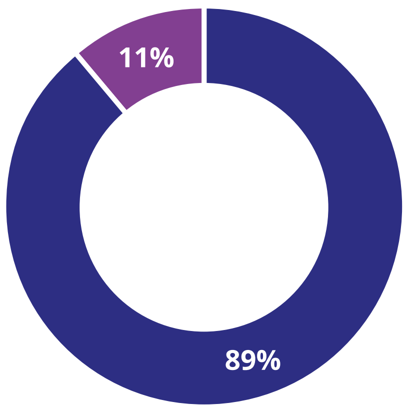
Our recruitment processes are reviewed regularly and are designed to be as inclusive as possible. For example:

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

School type attended
UK consultant intake 2020

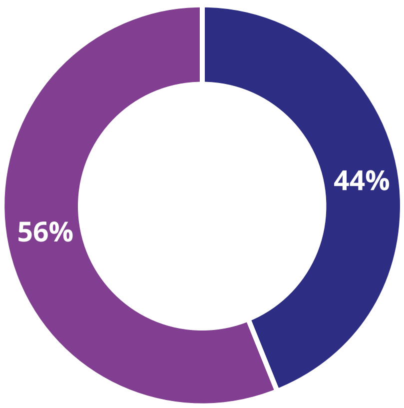


School type attended
UK internal staff 2020

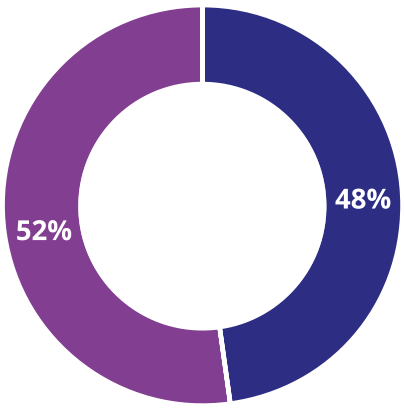


State Private

First in family to attend university
UK consultant intake 2020



First in family to attend university
UK internal staff 2020



Yes No

Gender equality

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

We are proud to be one of the 152 companies in the FTSE 250 which the Hampton-Alexander Review identifies in their final report (published in February 2021) as having met the target to have women make up at least 33% of Board members. We were also placed second in the Support Services category in that report for the level of gender diversity in our senior management team. The Hampton-Alexander Review has called for companies to continue to improve gender diversity in leadership roles and, with this in mind, we monitor our demographic data regularly to help inform action plans and areas on which to focus; from attraction and recruitment right through to progression and retention.

The table below shows the gender split at different levels within the Group as at 31 December 2020.

As at 31 December 2020	Number of males	Number of females
On the Board	6	3
Within senior management (Executive Team)	4	2
Within senior management team and their direct reports	26	16
All employees	3,489	1,588

31% of our worldwide employees are female. Our UK median gender pay gap reported in 2020 was -2.1% (2019: -1.7%), and our mean gender pay gap for the same period was 0.4% (2019: 1.3%). These figures are significantly better than average for the UK. We monitor these results and keep our policies under review.

Employee development

FDM has a dedicated Learning and Development team. During 2020 we held 200 learning events, with 1,447 participants. Courses included diversity and inclusion training, such as awareness of unconscious bias during the recruitment process. The team facilitated coaching events, both one-to-one and speed, and ongoing mentoring programmes. There are currently 181 people participating in the Mentoring programme. Personal and professional development has meant that 20 colleagues are currently undertaking study toward FDM-sponsored degree-equivalent or higher qualifications.

Rewarding

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

In addition:

- During 2020 we made further awards to employees under our discretionary Performance Share Plan ("PSP").
- The Buy As You Earn share plan is open to all our employees and was launched in January 2019.

These plans provide a longer-term incentive to enable participants to share in the success of our business and reap the rewards of their hard work and commitment to our shared goals. Those employees who received awards under the PSP in 2017 benefitted from this success when those awards vested in full in March 2020. Details of the PSP are set out in note 25 to the Consolidated Financial Statements. At year end our Buy As You Earn share plan had more than 200 participants, who have demonstrated their commitment to the business by setting aside a portion of their monthly salary to purchase shares in FDM. The shares purchased will be matched with additional shares for employees who hold their shares and remain in employment for the required period. The first award of matching shares will be made in March 2021, as a proportion of shares purchased under the plan during 2019.

Disability

The Group gives full and fair consideration to the employment of disabled people. At the recruitment and selection stages, we encourage candidates to disclose any reasonable adjustments they may require, 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 Group can continue either in their current role or in a suitable alternative. The Group endeavours to make any reasonable adjustments to enable disabled employees to fulfil the responsibilities of their job role. It is the Group's policy to support disabled employees in all aspects of their training, development and promotion.

Disability % of those that chose to disclose

	UK consultant intake 2020 %	UK internal staff 2020 %
Identify as having a disability	5	5
Identify as not having a disability	95	95
	100	100

Disability % of those that chose to disclose

	US consultant intake 2020 %	US internal staff 2020 %
Identify as having a disability	2	6
Identify as not having a disability	98	94
	100	100

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

Ex-Forces and Returners pathways

We recognise that people who have served in the Armed Forces have many transferable skills for a successful career in the corporate world, ranging from adaptability and maturity to responsibility and leadership. We offer a dedicated Ex-Forces Programme in the UK and USA which provides training to ex-Forces personnel in relevant commercial skills, assisting them to make a smooth transition into the civilian workplace and leading to deployment as one of our IT or business consultants. The Programme is run by ex-service personnel and employs ex-servicemen and women from all ranks across all three services. We are proud holders of a Gold Award from the UK Government's Defence Employer Recognition Scheme, acknowledging our strong commitment and drive in delivering our pledges under the Armed Forces Covenant, to which we are also a signatory. We have again been ranked as one of the Military Times Best for Vets Employers in 2020.

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

Our clients and shareholders

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

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

Our communities

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

Early Talent Programme

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

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

Donation of IT hardware

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

Events with our University Partners

FDM has a long-term trusted relationship with its University Partners and this has continued during the lockdown upheavals we have faced together in 2020. We have faced a range of responses from universities to the enforced lockdowns. For example, we have discussed with some universities how they can develop better platforms to host careers fairs remotely. In total we attended remotely approximately 500 careers fairs.

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

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

Walking With The Wounded

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

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

Human resource policies and respect for human rights

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

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

Anti-slavery and human trafficking policy

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

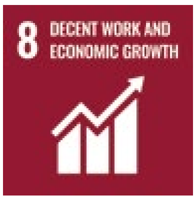
The nature of our business and the direct relationship we have with applicants to the training programmes means that the risk of modern slavery in our own organisation is low. We have reviewed supply chains and taken steps to address the potential risks of modern slavery and human trafficking.

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

UN Sustainable Development Goals

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

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

United Nations Sustainable Development Goals		Our contribution	Examples
	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**	Our recruitment processes are designed to be as inclusive as possible.	Our opportunities are available to everyone who can show us that they have the aptitude and attitude to thrive. Our Early Talent Programme aims to improve the social mobility of teenagers in our local communities by encouraging them to aim high and aspire to exciting careers in technology and science.
	**Achieve gender equality and empower all women and girls**	Women currently make up 31% of our global workforce. We are committed to improving gender diversity in our teams around the world, making our business more robust and sustainable.	We are a signatory to UNWEP. Our annual FDM Everywoman in Technology Awards recognise and celebrate the achievements of women in the IT industry, aiming to create a more gender-balanced workforce for FDM and our clients.
	**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	Our reputation is dependent on the people we employ. We treat our employees fairly and help them to launch fantastic careers in technology.	We provide our graduates, ex-Forces personnel and returners to work with bespoke IT and business training, together with invaluable industry experience gained whilst deployed with one of our clients.
	**Ensure sustainable consumption and production patterns**	We are committed to reducing the impact our operations have on the environment by making our consumption of energy and materials more sustainable.	Our on-site and hosted infrastructure uses a cloud-based solution using best-in-class datacentres to increase energy efficiency and to reduce our carbon footprint. Our old IT hardware is donated to charities and schools who can continue to use it.

Environmental performance

Operating in a sustainable manner

Global climate change has had observable effects on the environment. The effects on individual regions will vary over time. The potential future effects of global climate change include an increase in the frequency, duration and intensity of events. At FDM, we realise that our activities and operations have an associated environmental impact. As such we take into consideration and mitigate the environmental impact our business activities have on the environment and on climate change.

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

Carbon and energy data 2020

Directors' statement of SECR compliance

FDM Group continues to meet and exceed the greenhouse gas ("GHG") emissions reporting requirements of The Companies Act (Directors' Report). We are also aware of our forthcoming obligations under The Companies Act (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2019. We have prepared this report in accordance with the requirements for quoted companies under these new regulations. We continue to report all material GHG emissions across our global operations.

2020 performance

This year we have calculated our environmental impact across scope 1, 2 and 3 emissions sources. Our emissions are presented on both a location and market basis for 2020 and 2019. On a location basis our total emissions are 888 tCO_2e (2019: 1,836 tCO_2e), which is an average impact of 3.3 tCO_2e per £million revenue (2019: 6.8 tCO_2e per £million revenue) and a year-on-year reduction of 51%. On a market basis our total emissions are 820 tCO_2e (2019: 1,840 tCO_2e). The market based emissions reflect emissions from electricity suppliers that we have purposefully chosen. They are lower in 2020 due to purchasing 100% renewable energy across multiple sites in the UK.

This year there has been a considerable reduction in Scope 1 (-28%), Scope 2 (-30%) and Scope 3 (-64%) company related activities. This can be attributed to the significant reductions in travel and other office emissions due to COVID-19 restrictions which affected the Group's activity globally. Standard benchmarks based on floor area and occupancy rates, using full-time equivalent employees, were used to estimate water, waste, electricity and paper across the sites staying consistent with the approach taken in 2019.

Initiatives introduced in 2020

In 2020, we saw a significant reduction in staff travel, reducing the intensity of our emissions (tCO_2e/ £ million revenue) by 51%. As a result of the lockdowns resulting from the COVID-19 pandemic, our business activities of recruiting, delivering training and onboarding of consultants with clients have evolved from taking place locally to be being performed remotely. As such trainee and employee travel has fallen significantly. Policies previously introduced to promote the use of video conferencing technology and other collaborative tools, together with our IT team enabled a smooth transition to remote working.

Other new initiatives introduced in 2020 include:

Electricity supply

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

Virtualisation of IT estate

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

Introduction of new timesheet and billing system

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

Company cars

In 2020 we returned three company cars and replaced a fourth car with a smaller sized engine. All company cars are pool cars for business usage only; at year end the Group had two company cars.

Ensuring best practice environmental disclosure

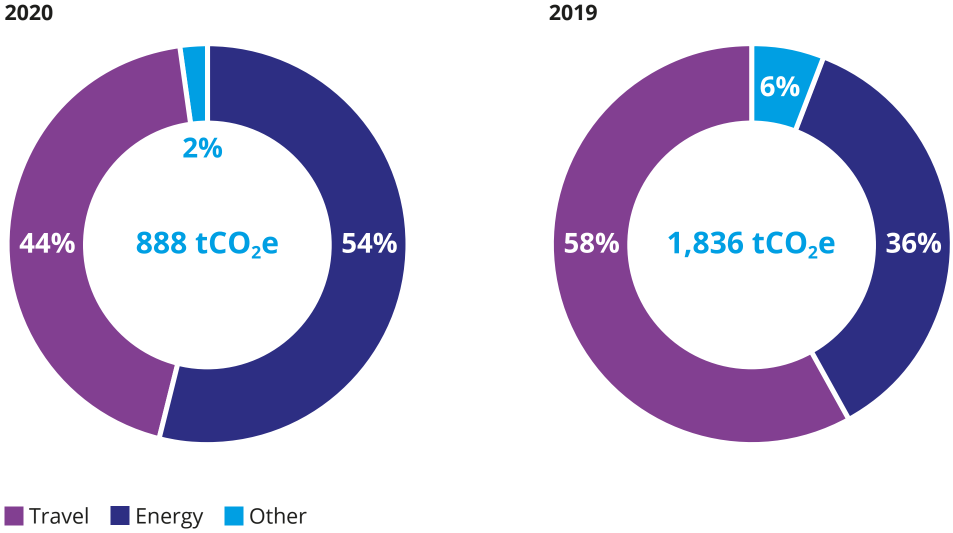
As an IT-focussed global professional services provider, we recognise the importance of quality data management. This year we again worked with Avieco, a leading provider of sustainability data services, to ensure that we continue to follow best practice in the assessment and reporting of our environmental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

2020 results

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

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)
- Global office emissions have been calculated using the DEFRA 2020 and IEA 2020 issue of the conversion repository.
- Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of January to December 2020 and using the reporting period of January to December 2019 for comparison.

Emissions breakdown by resource type



Emissions and energy usage[1]

	Emissions source	Global emissions (tCO_2e) 2020	2019	% change to 2019
Scope 1	Natural gas	**56**	66	↓16%
	Company cars	**7**	21	↓65%
Total Scope 1		**63**	87	↓28%
Scope 2	Electricity	**374**	543	↓31%
	Purchased Steam	**23**	24	↓2%
Total Scope 2		**397**	567	↓30%
Scope 3[2]	Flights	**317**	978	↓68%
	Non-company cars	**44**	32	↑37%
	Other business travel	**21**	33	↓36%
	Other building activities	**46**	139	↓66%
Total Scope 3		**428**	1,182	↓64%
Total emissions (Location based)		**888**	1,836	↓52%
Total emissions (Market based)		**820**	1,840	↓55%
Total energy usage (kWh)		**1,882,187**	2,246,362	↓17%
	£ million of revenue	**268**	272	↓1%
Normaliser	tCO_2e per £ million of revenue	**3.3**	6.8	↓51%

Emissions	2020 UK	2020 Global (excluding UK)	2019 UK	2019 Global (excluding UK)	Total % change to 2019 UK	Total % change to 2019 Global (excluding UK)
Total (Location based) (tCO_2e)	**345**	**543**	648	1,188	↓47%	↓54%
Total energy usage (kWh)	**935,517**	**946,670**	1,202,012	988,640	↓22%	↓4%

1 This work is partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/ IEA 2020 but the resulting work has been prepared by FDM Group and does not necessarily reflect the views of the International Energy Agency.
2 Scope 3 emissions: CO_2e from company activities, not owned or controlled by the company (i.e. flights, non-company cars, other business travel which includes emissions from rail, taxis and buses and other building activities which includes emissions from paper, waste, water and electricity transmission and distribution).

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

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

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

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

The Directors consider, both individually and together, that they have acted in accordance with their duties under s.172 in the decisions taken during the year ended 31 December 2020 (see page 63). There are examples throughout this Annual Report of how we take into account the matters referred to above, but the following summarises the stakeholder groups we have identified, the key steps we have taken to engage with them and the outcomes of that engagement.

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
Our employees	Our long-term success depends on the commitment of our staff to deliver our purpose (see page 4) – both internal staff and our skilled and professional Mounties. The safety, wellbeing and morale of all our employees has been an important priority during 2020. We engage with our employees to ensure that we are creating an environment in which they can thrive, and to understand their ideas and concerns.	We discuss our activities to engage with our employees on pages 38 to 42. In particular we have carried out a number of employee surveys to ensure our staff continue to feel connected and to find out how changes arising from the COVID-19 pandemic are affecting their work and their wellbeing. Jacqueline de Rojas as the Non-Executive Director responsible for engaging with our workforce held a series of informal meetings with managers at different levels across the business.	The outcome from the employee surveys was discussed at Board level and provided us with the necessary insight to tailor our support initiatives to the needs of our employees. In recognition of the fact that the interval between our UK trainees completing their training and finding their first client placement was longer than normal (as a result of onboarding delays caused by the COVID-19 pandemic) the Board enhanced the employment package for those signed-off trainees, paying them a salary immediately on completion of training to ensure they were financially supported until we were able to deploy them onto their first client assignment. Our other territories already enjoyed this enhanced policy. Discussions with our consultants shaped our implementation of the Yammer platform which was adopted in November 2020 to enable our consultants and other employees to communicate and collaborate with each other, sharing and benefiting from the expertise and knowledge of their colleagues across the organisation. More information about this is on page 40.

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
Our University Partners	Universities can be seen as our key supplier. Our ability to recruit graduates of the highest calibre into our training programmes is key to our ability to deliver Mounties with the qualities and attributes which our clients are looking for. We engage with our University Partners to ensure that our Academy offering adapts and develops to remain competitive and attractive to graduates.	Information on our engagement with universities can be found on page 69.	We have changed the content of our events to engage with non-technical students, enabling them to gain confidence before applying to FDM.
Our trainees	Our trainees are key to our Mountie model. Having recruited graduates, ex-Forces and returners to work, it is important for us to ensure that we are providing them with training which will enable them to evolve into Mounties with client-driven and cutting-edge skills in the technologies which are relevant to our clients' needs.	All our trainees are asked to provide formal feedback on the content and delivery of the courses which they receive during their time in our Academies.	The Board took the decision to enhance the package for signed-off trainees in the UK in response to our appreciation of the fact that they needed greater assistance during the difficult more-extended-than-usual period between being signed off on their training and getting their first placement, due to the COVID-19 pandemic. As a result of our programme of engagement with trainees and Mounties during 2020, we will be carrying out a comprehensive review during 2021 of our Academy offering, including how the business delivers training post-lockdown.
Our clients	Understanding our clients' needs is central to our business. We need to ensure that we are offering Mounties of the right calibre, with the required personal and professional attributes and technological skills.	Further information on our engagement with clients can be found on page 45.	As a result of our work with individual clients we have continued to develop and deliver the pod concept and have created driven programmes, tailored to specific clients' needs.
Our shareholders	We look for an investor base that is interested in holding our shares long-term. We engage with current and prospective investors to assist them in understanding and supporting our strategic objectives, enabling us to generate strong financial results which create value for shareholders.	We discuss our programme of investor engagement on pages 67 to 68. Key elements of this include our AGM, our comprehensive full-year and half-year results presentations, participation in numerous other investor meetings between individual Directors and members of the management team with current and prospective shareholders.	Discussion with our top shareholders has been taken into account in the formulation of the Directors' Remuneration package (see page 95 for further details).

Stakeholder group	Importance of engagement	How we have engaged	Key topics, decisions and outcomes of engagement
Our local communities	We place great importance on ensuring that our activities have a positive impact on not only our employees and clients but also on the wider communities in which we operate.	Further information on our activities with the communities where we operate can be found on page 46.	We have continued our work to promote diversity, inclusion and social mobility, making further progress in improving our own gender pay gap. FDM has refurbished its old IT hardware and donated it, to schools, charitable causes and organisations in need (see page 46).
The environment	We are conscious that all business activities have an impact on the environment and climate change, and we are committed to finding ways to mitigate that impact.	Further information on the work we have done to continue to find ways of reducing our impact on the environment can be found on pages 49 and 51.	To reduce the environmental impact of our IT usage, the Board took the decision to virtualise our IT estate by moving away from local servers to using a cloud-based approach which saves energy, reduces emissions and cuts down on the amount of end-of-life physical IT equipment being disposed of.

Non-financial performance reporting

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

The Strategic Report was approved by the Board on 9 March 2021 and signed on its behalf by:

Rod Flavell
Chief Executive Officer
9 March 2021

By building a diverse and inclusive workforce, we broaden the range of skills, expertise and perspectives contributing to the success of our business

Governance

Governance

Meet the Board

Michelle Senecal de Fonseca

Non-Executive Director

Date of Appointment

Non-Executive Director January 2016

Experience

Michelle is an experienced senior executive specialising in the field of technology and international communications. She is currently an area Vice President for Citrix Systems after having served as the Global Director of Cloud and Hosting Services at Vodafone. Prior to Vodafone, Michelle worked at the European Bank for Reconstruction and Development where she managed the Telecom, Media and Technology banking team. Michelle is a co-founder and board member of Women in Telecoms and Technology, a UK not-for-profit organisation. She is also a global council member at Thunderbird School of Global Management in Phoenix, Arizona. In 2020, Michelle joined the Strategic Advisory committee to TEDI-London, a new design-led engineering school in the UK.

External Appointments

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

Alan Kinnear

Non-Executive Director

Date of Appointment

Non-Executive Director January 2020

Experience

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

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

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

External Appointments

Alan has no external appointments.

Jacqueline de Rojas CBE

Non-Executive Director

Date of Appointment

Non-Executive Director October 2019

Experience

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

Prior to this, Jacqueline held senior executive roles at major tech companies including Sage Group, Citrix Systems, CA Technologies, Novell and McAfee International. She was previously a non-executive director at AO World plc and Home Retail Group plc. In 2019 Jacqueline was awarded a CBE for Services to International Trade in Technology.

Jacqueline is the Board's designated Non-Executive Director for engagement with the Group's workforce, enabling employees to share ideas and concerns with senior management and the Board.

External Appointments

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

Peter Whiting
Non-Executive Director

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

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

External Appointments
- Kooth plc (Non-Executive Chairman, appointed September 2020)
- Aptitude Software Group plc (formerly Microgen plc) (Senior Independent Director and Chairman of Remuneration Committee, appointed February 2012)
- D4T4 Solutions plc (Non-Executive Director and Chairman of Remuneration Committee, appointed July 2018)
- Keystone Law Group plc (Non-Executive Director and Chairman of Audit Committee, appointed October 2017)*

*Note: Keystone Law Group plc has announced that Peter Whiting will step down from its board of directors in early May 2021 following the publication of its financial results for the year ending 31 January 2021.

Andy Brown
Chief Commercial Officer

Date of Appointment
Chief Commercial Officer January 2008
Joined FDM 1994

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

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

External Appointments
Andy has no external appointments.

Mike McLaren
Chief Financial Officer

Date of Appointment
Chief Financial Officer April 2011
Joined FDM 2011

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

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

External Appointments
Mike has no external appointments.

Key

Member of Remuneration Committee	Chair of Remuneration Committee
Member of Audit Committee	Chair of Audit Committee
Member of Nomination Committee	Chair of Nomination Committee

David Lister

Non-Executive Chairman

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

Experience
David has over 40 years of experience in operations and technology roles across multiple industries for international businesses such as Diageo, GlaxoSmithKline, Boots, Reuters, Royal Bank of Scotland and National Grid. He also has experience in the professional services sector where he was a management consultant at PricewaterhouseCoopers LLP ("PwC"). Other former non-executive appointments include Interxion Holdings B.V., HSBC Bank plc, CIS General Insurance Limited and the Department for Work and Pensions.

External Appointments
- HSBC Private Bank (UK) Limited (Non-Executive Chairman, appointed December 2019)
- Marks and Spencer Financial Services Plc (Non-Executive Chairman, appointed September 2020)
- HSBC UK Bank Plc (Non-Executive Director, appointed May 2019)
- Nuffield Health (Member of the Board of Governors, appointed February 2014)

Rod Flavell

Chief Executive Officer

Date of Appointment
Founded FDM in 1990

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

Rod is a strong advocate of improving diversity in the technology industry, as demonstrated by the Group's Women in Tech, Returners Programme, Ex-Forces and veteran career transition initiatives. In 2018 and 2019, Rod was featured in the Management Today Agents of Change Power List for his work promoting gender equality in the workplace.

External Appointments
Rod has no external appointments.

Sheila Flavell CBE

Chief Operating Officer

Date of Appointment
Chief Operating Officer January 2008
Joined FDM 1998

Experience
Sheila has over 30 years of experience in both the public and private IT sectors. She spearheads FDM's global Women in Tech initiative and Returners Programme.

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

Sheila has been invited to advise government committees on improving the digital skills shortage and gender pay gap in the UK. Her work has been recognised by numerous awards, including inclusion in Computer Weekly's 'Most Influential Women in UK Tech, Hall of Fame,' at the 2020 European Tech Women Awards, The Department of Trade and Industry recognised her outstanding achievements by conferring Sheila with a 'Career Recognition' award.

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

Corporate Governance Report

Chairman's Governance Overview

On behalf of the Board I am pleased to present the Corporate Governance Report, which follows the principles of the 2018 Code. This section of our Annual Report aims to provide shareholders and other stakeholders with an understanding of how we manage our Group and the framework of governance and control within which we work, and I hope you find it informative and useful.

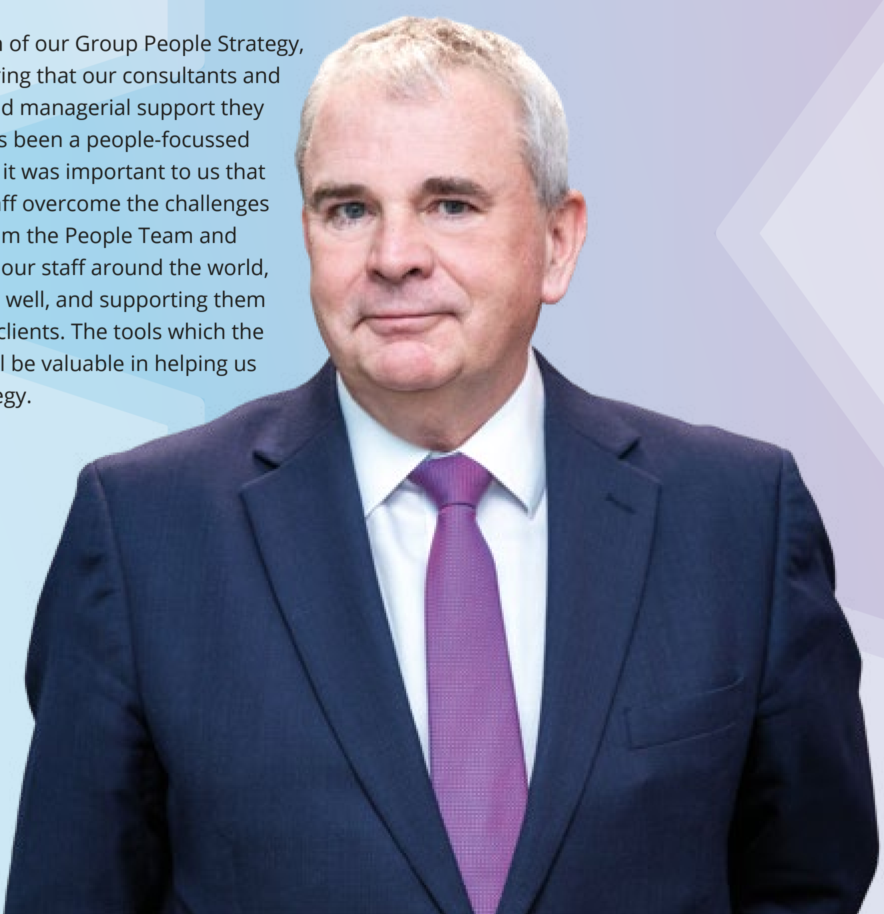
There have been some changes in the composition of the Board, see page 72 for further details.

We take great care to ensure that the content of our Annual Report is fair, balanced and understandable. A review by the Audit Committee can be found on page 82 and a formal statement from the Directors is included on page 118.

Further information on the Board's primary areas of focus in 2020 is set out on page 66. The Board has worked with the business during the year to help ensure that the most effective elements of our response to the pandemic can be developed into positive and longer-term enhancements to our business model which will support the delivery of the cornerstones of our strategy (see page 13).

The Board has also been able to monitor the evolution of our Group People Strategy, pivoting early in 2020 towards a strong focus on ensuring that our consultants and internal staff working remotely had the operational and managerial support they needed to take care of their wellbeing. FDM has always been a people-focussed business, thriving on teamwork and collaboration and it was important to us that we could use this cultural advantage to help all our staff overcome the challenges of remote working. The Board had regular updates from the People Team and was able to guide the team's efforts to engage with all our staff around the world, keeping them connected, ensuring they were safe and well, and supporting them as they continued to deliver an optimal service to our clients. The tools which the People Team have developed during the pandemic will be valuable in helping us track the KPIs which underpin the Group People Strategy.

David Lister
Chairman
9 March 2021



UK Corporate Governance Code 2018

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

Provision 17 of the 2018 Code states that a majority of members of the Nomination Committee should be independent non-executive directors.

Following the retirement of Robin Taylor from the Board on 29 April 2020, the Nomination Committee comprised the following members: David Lister (Board Chair and Committee Chair), Michelle Senecal de Fonseca (independent Non-Executive Director), Peter Whiting (independent Non-Executive Director) and Rod Flavell (CEO).

Jacqueline de Rojas (independent Non-Executive Director) was appointed as an additional member of the Nomination Committee with effect from 1 March 2021, following which the Committee comprised three independent Non-Executive Directors (Jacqueline de Rojas, Michelle Senecal de Fonseca and Peter Whiting), the CEO (Rod Flavell) and the Committee Chair (David Lister).

Further information on the 2018 Code can be found at
www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code

The main principles of the 2018 Code are as follows:

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

1. Board leadership and company purpose

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

In support of this purpose, the Board has developed a strategy which will enable us to continue to launch new careers for our talented Mounties around the world, and ensures that all the investments we make and activities we carry out can deliver quantifiable improvements to our business for our customers, staff and shareholders. You can read more about our strategy and its four key objectives, including how each has been delivered during 2020, on pages 13 and 14 of the Strategic Report.

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

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

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

The Board meets regularly through the year to review operational and financial matters, develop and refine strategy, and monitor progress towards strategic objectives. When setting and monitoring the implementation of the Group's strategy, the Directors keep in mind their individual duty to act in the way that they consider, in good faith, will be most likely to promote the success of the Group for the benefit of its shareholders as a whole, as set out in s.172 of the Companies Act. The Directors act with reasonable care, skill and diligence in their work, taking steps to ensure that they exercise independent judgement at all times and that processes are in place to enable robust decision-making, especially when there are more difficult decisions to be made. FDM's network of stakeholders includes its shareholders, clients, employees, and members of the wider society in which we operate. The interests of these stakeholders are varied but interconnected, and we recognise our responsibilities to engage with them and to take their interests into account. Additionally, in the event of any substantial vote against a Board recommendation proposed at an AGM, FDM will carefully review the voting outcomes and will engage with shareholders to understand their reasons. We will then provide details of the actions taken in response in the next Annual Report.

Further details of the steps taken by the Board to meet the requirements of s.172 of the Act are set out in our s.172 Statement which can be found on page 52.

The Board's financial responsibilities include approving the interim, preliminary and annual financial statements, the annual budget and longer-term forecasts, significant contracts and capital investment. Each of these responsibilities underpins the principles of the 2018 Code.

The Board's other responsibilities include monitoring the impact of its decisions on our employees, promoting strong business relationships with clients, suppliers and others, and considering the impact of our operations on the wider community and the environment. The Board supports the Executive Team in ensuring that the Group's reputation for high standards of business conduct is maintained, and is mindful of the need to achieve a fair balance between the interests of different shareholders and other stakeholders.

The Board and its Committees – a structure for robust governance

The Board understands that the opportunity to promote the long-term sustainable success of the Group is maximised by ensuring that the Board remains effective, has the right blend of skills and experience, and retains the key elements of the entrepreneurial culture is at the core of FDM.

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

The Nomination Committee keeps under review the blend of skills, experience, independence and knowledge across the Board's members, and leads the process for new appointments to the Board, ensuring a fresh and entrepreneurial approach which enables strategic opportunities to be identified, analysed and effectively managed to provide long-term sustainable success. The Nomination Committee also leads the process to facilitate evaluations of the Board's effectiveness. More information about these areas is set out in the "Composition, succession and evaluation" section on page 73 and in the Nomination Committee Report on pages 86 to 89.

The Audit Committee monitors the application of the financial reporting, internal control, and risk management principles set out in the 2018 Code, and ensures that the Group maintains an appropriate relationship with its auditors. More information about risk and internal controls can be found in the "Audit, risk and internal control" section on page 74 and in the Audit Committee Report beginning on page 76.

The Remuneration Committee is responsible for setting the Company's Remuneration Policy, determining each Executive Director's total individual remuneration package (including salary, benefits, bonus and pension entitlements, and participation in share and other incentive schemes) and setting the targets for performance-related pay. The Committee also has oversight of the remuneration of the next tier of senior management below Board level. The Remuneration Committee's work supports the strategy set by the Board, by promoting the opportunity for long-term sustainable success, and by aligning executive and senior managers' remuneration to the achievement of the Group's purpose and promotion of its values, and to the successful delivery of long-term strategic goals. The Remuneration Report, beginning on page 90, contains more information on our application of these principles of the 2018 Code. This year the Remuneration Report also contains a new Remuneration Policy which we will submit to shareholders for approval at our AGM which is planned for 28 April 2021.

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

The Board's agenda

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

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

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

From the first Board meeting of 2020, we adopted a refreshed and restructured board report, which had been developed in consultation with the Company Secretary and individual Directors, with the aim of providing the required information in the most useful format to enable Board members to carry out their oversight role effectively. The new format report has been well received by Board members and we continue to review the information provided to ensure it adds to the effectiveness of the Board's work.

At regular intervals throughout the year, senior managers from around the Group attend Board meetings to update the Board on progress being made and matters arising in their areas of operation. The Board aims to ensure that there is sufficient time for the Board to discuss significant matters or matters of a more discursive nature. To assist with this, the usual approach is to hold Board dinners and other informal gatherings after certain scheduled Board meetings which allow the Directors greater time to discuss key topics with additional internal and external participants. In particular, this enables the Non-Executive Directors to explore business and operational issues in greater depth with the senior managers who have reported to the Board. Although this has not been possible during periods of lockdown in 2020, the Non-Executive Directors have nonetheless been able to use these discussions to acquire a deeper understanding of developments in new business areas and the Group People Strategy.

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

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

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

Details of the number of meetings of the Board and Committees (which only certain Directors are required to attend) and individual attendances by Directors are set out in the table below. During 2020 restrictions on gatherings and rules on social distancing have necessitated that the majority of the meetings of the Board and its Committees have taken place with the Directors in different locations, using virtual conference technology. The Company's Articles of Association allow meetings of the Board to be held validly in this manner. The Group's technology has performed particularly well in these circumstances and in conducting the meetings, the Chair has also adopted an approach which adequately caters for the different dynamic brought about by Board members' remote participation in meetings. As a result, the Board has found that virtual platforms have provided a satisfactory alternative to meetings in person, allowing all members to follow proceedings and participate as fully and effectively as if they were physically present in the same room.

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
	Number of meetings at which present, as a proportion of maximum possible			
Number of meetings held in 2020	**10**	**4**	**5**	**4**
David Lister	10/10	n/ a[1]	n/ a[1]	4/4
Rod Flavell	10/10	n/ a[1,2]	n/ a[1,3]	4/4
Sheila Flavell	10/10	n/ a[1]	n/ a[1]	n/ a[1]
Mike McLaren	10/10	n/ a[1,2]	n/ a[1,3]	n/ a[1]
Andy Brown	10/10	n/ a[1]	n/ a[1]	n/ a[1]
Peter Whiting	10/10	4/4	5/5	4/4
Alan Kinnear	10/10	4/4	5/5	n/ a[1]
Michelle Senecal de Fonseca	10/10	4/4	5/5	4/4
Jacqueline de Rojas	10/10	n/ a[1]	n/ a[1]	n/ a[1]
Robin Taylor	3/3[4]	1/1[4]	1/1[4]	2/2[4]

1 Not applicable, not a member of the Committee and not required to attend.
2 At the invitation of the Audit Committee (but not as members) Rod Flavell and Mike McLaren each attended four meetings of the Committee during the year.
3 At the invitation of the Remuneration Committee (but not as members) Rod Flavell attended two meetings and Mike McLaren attended one meeting of the Committee during the year. No Director was present during any discussion relating to his or her own remuneration.
4 Robin Taylor retired from the Board and its Committees in April 2020. He attended all meetings up to his retirement.

Conflicts of interest

Procedures are in place for the disclosure by the Directors of any interest that conflicts, or may possibly conflict, with the Group's interests and for the appropriate authorisation to be sought if a potential conflict arises, in accordance with the Company's Articles of Association. An up-to-date schedule of Directors' other Board appointments, related parties' interests and relevant shareholdings is included as an appendix to each set of Board papers to ensure full transparency of their respective relevant interests.

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

The key areas of focus by the Board in 2020

During the year there have been a number of areas where the Board has been able to focus its governance to ensure the delivery of the Group's strategy:

- After remote working and delivery of training became a necessity as a result of the pandemic, the Board quickly formed the view that there would be some lasting changes to the world of work. We established a working group to examine how FDM could adapt to these changes to enhance our model. The working group has identified a number of exciting opportunities for innovation which will significantly enhance the delivery of our training, the experience of trainees, and the knowledge and skills they gain from their time in our Academies of the future. As we implement these changes we expect to see significant efficiencies arising in our use of physical office and classroom space in our locations around the world.
- The concept of agile pods of consultants was introduced early in 2020 as a response to the challenges of ensuring that our beached consultants could continue to develop high quality skills between assignments. During the year, the Board has received regular updates from the Executive Team on the development of the concept and in October 2020 a pod of trainees gave a presentation to the Board about their work. Encouraged by the Board, the team has developed the concept further and it is now clear that it will be an important permanent part of our training model, supporting the delivery of our strategy to attract, train and develop high-calibre Mounties, through the development of innovative and leading-edge training capabilities. Further information on the pod concept can be found on pages 16 and 40.

Other areas of focus for the Board during the year are set out below.

Strategy	• Reviewed the Group's three-year plan (2021-2023) • Reviewed the development of new service offerings and training innovations, including a demonstration of the new pod concept (see page 40 for further information) • Received strategic updates from the Group's senior management teams
Operational	• Reviewed the Group's response to the operational restrictions arising from COVID-19 lockdowns • Received regular updates on changes to measures in place to protect the health and safety of staff, trainees, clients and visitors during the pandemic • Reviewed the requirements for Academy space and considered changes to methods of working (including the delivery of training in FDM's Academies) which may continue after the pandemic • Received business updates from the Group's senior management teams • Reviewed information on recruitment and Academy utilisation • Reviewed impact of Brexit on the UK and overseas business
Financial	• Reviewed monthly business performance against strategic goals • Reviewed trading updates, including in particular the impact of the pandemic on the Group's business and the changes to the Board's expectations for financial performance during the year • Reviewed and updated the treasury and risk appetite policy • Reviewed and approved preliminary, full-year, half-year results and three-year plan • Reviewed and approved Group budgets and reforecasts • Reviewed and withdrew the Board's original intention to pay a final dividend in respect of the 2019 financial year • Approved an interim dividend in respect of the period to period ending 30 June 2020
Risk	• Undertook bi-annual reviews of Risk Register and risk management process
Governance	• Reviewed the Group's legal and regulatory obligations arising from the impact of the pandemic on FDM's business • Modified plans for the Company's AGM to ensure compliance with current UK Government social distancing regulations • Reviewed the Company's arrangements with its brokers and appointed new joint brokers • Carried out an internal review of the effectiveness of the Board and its Committees • Monitored the implementation of the Group People Strategy • Reviewed the Group's Gender Pay Gap data and approved the report • Provided an update on Modern Slavery Act compliance • Approved updated terms of reference for the Board's Committees • Assessed and approved viability statement • Conducted a going concern review
Employees	• Received updates on engagement to ensure the wellbeing of employees and trainees during periods of lockdown and remote working, including considering the results of a new programme of employee surveys

Engagement with stakeholders

The Board has identified the following key stakeholders: shareholders, clients, employees, prospective candidates, trainees, university partners, our local communities, and the environment.

Engagement with shareholders

During 2020, the business continued to work to improve its communication with shareholders through a review of its reporting and the information available on the FDM website. We have established an internal investor relations function led by Mark Heather, the Company Secretary, who works with the Group's brokers and financial public relations advisors to operate a programme of regular engagement with current and prospective investors. We will continue to develop our investor relations activities, to include an expansion of the investor area of our website to provide additional information on our strategy, business model, competitive position, financial information and strategic progress.

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

Our usual approach is to host visits from current and prospective shareholders at our offices around the world, offering many of them the opportunity to tour our Academies and speak informally to members of our sales and recruitment teams, as well as trainers and trainees. Those of our investors who take advantage of these visits often tell us that they provide an ideal way to understand our business model, and we are glad to have the opportunity to demonstrate our purpose and the way in which our culture and values support it to drive our business towards our strategic objectives. Although it has not been possible to host the same number of visits in person this year, if possible we hope to be able to welcome shareholders and potential investors at our Academies around the world in the coming year.

The Board will be putting forward a new Directors' Remuneration Policy for approval by shareholders at the AGM in April 2021. Accordingly, in addition to our usual programme of shareholder engagement, in the last quarter of 2020 we offered portfolio managers and compliance managers from our top 20 shareholders the opportunity to meet with David Lister (Board Chair), Peter Whiting (Senior Independent Director and Remuneration Committee Chair) and Mark Heather (Company Secretary and Head of Investor Relations). The principal reason for requesting these meetings was to enable us to explain the Remuneration Committee's approach to executive remuneration, both in respect of 2020, and under the new policy to be introduced in 2021, and to seek the feedback of shareholders on those proposals. We also took the opportunity to widen the scope of the discussions to include other corporate governance matters of interest to our shareholders. We had a successful series of meetings with those who took up our offer of engagement, and were encouraged by the levels of understanding of the business, and support for the Board's approach.

When possible, the Company uses the AGM as an opportunity to communicate with its shareholders and welcomes their participation; shareholders who attend the AGM have the opportunity to ask questions and all Directors are expected to be available to take questions. In accordance with the 2018 Code, the Notice of AGM will be sent to shareholders at least 20 working days before the meeting and any other notice of general meeting will be sent to shareholders at least 14 days before each general meeting and will include details of the proposed resolutions and explanatory notes.

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

Notice of the AGM, which will be held at 10.30am on Wednesday 28 April 2021 at the Company's offices at 3rd Floor, Cottons Centre, Cottons Lane, London SE1 2QG, is enclosed with this report. This year, however, the Company will be unable to hold the AGM in the normal way, as a result of current and anticipated restrictions on gatherings which have been put in place by the UK Government to protect public health. Accordingly, we are unable to permit shareholders to attend the AGM in person, and will limit attendance to two Directors who are also shareholders in order to form the necessary quorum.

However, as stated in the Notice of AGM, shareholders are able to ask questions or raise matters of concern by emailing our Company Secretary, Mark Heather (email: mark.heather@fdmgroup.com) in advance of the meeting.

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

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

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

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

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

Key managers in our People Team work closely with the Board and its Committees to assist them in assessing and monitoring the culture of FDM to ensure that policy and behaviour are aligned with the Group's purpose and strategy. During 2020 the Board recognised that the extraordinary circumstances of the pandemic and the long periods of remote working required a much greater programme of employee engagement to ensure the physical and mental wellbeing of our staff and trainees. The People Team implemented a broad programme of online events to assist our people, including increasing the scope of our employee surveys to ensure that the Board was able to monitor the impact of new ways of working on the wellbeing of our staff. We ran a series of virtual town hall meetings for our staff, and our CEO delivered weekly informal "Rod's Round-Up" updates designed to keep staff motivated and feeling connected with the business whilst working remotely. The themes emerging from these surveys were reported to the Board by the Chief People Officer and, along with other priorities identified from our engagement with employees, have directly influenced a number of areas considered by the Board this year. In particular:

- UK trainees who have successfully completed their training have historically been placed on payroll at the point that they are on-boarded and start their first placement with a client. The Board recognised that the period between trainees being signed-off on completion of training and finding their first placement was extending as a result of client onboarding delays during lockdown. Having considered the challenges which this was creating for our signed-off trainees, in April 2020 the Board introduced a salary for these trainees commencing immediately on completion of training.
- During the pandemic a number of employee networks were established by groups of our people with a particular shared interest. These networks have emphasised to the Board how important our culture is at FDM, and have enabled the Board to engage with the issues which matter to our staff. More information about the networks can be found on pages 38 to 41. For example, the feedback received from our LEAD (Learning, Educating and Aspiring Diversity) Network in response to the Black Lives Matter movement was considered and discussed by the Board. This conversation brought into focus the importance of boards improving their sensitivity to, and knowledge of, racism which many of our colleagues experience in their everyday lives. The Board noted how vital it is to listen to employees' views and enable them to share their experiences. Following this discussion, the People Team provided further events and provided resources to help educate staff. We engaged with employees to develop action plans which will help us to build a culture of zero tolerance when it comes to racism. Jacqueline de Rojas (Non-Executive Director) and Sheila Flavell (COO) subsequently met with the LEAD network to discuss these matters further and are looking at ways to build mandatory training on diversity and inclusion.

Further information about our employee engagement can be found in our Corporate Responsibility report from page 38 to 47.

The results of our programmes will continue to inform our engagement with staff and the Group People Strategy as it continues to be implemented during the coming year. This will assist us in promoting a diverse, inclusive and fulfilling culture in which our people can thrive, optimising our Mounties' experience during their time with us, and ensuring that our employees promote and embody our values and our unique service offering.

In accordance with Provision 5 of the 2018 Code, the Board has appointed Jacqueline de Rojas to engage with the workforce to ensure that the voices of our employees are heard at Board level. During 2020, Jacqueline has worked with the Chief People Officer to roll out a programme of workforce engagement which has supplemented the work which has already been done to enable the views of the workforce to be raised in confidence, on an anonymous basis, which are then taken into account in the Board's discussions and decision-making. Jacqueline de Rojas provides regular updates to the Board on the themes which have arisen from her engagement with the workforce. The Remuneration Committee has targeted the Executive Directors on a metric for their annual bonus in 2021 which relates to employee satisfaction and engagement.

Engagement with clients

Together with members of the Sales team, the CEO, CFO and CCO meet on a regular basis with customers in our different territories to discuss their particular requirements. The senior members of our Sales team maintain close long-term relationships with senior executives in our client organisations to ensure we are able to anticipate our clients' needs. We regularly update the structure and content of our training programme to reflect commercial and technological changes in the sectors in which our clients work.

Engagement with University Partners

We have continued to engage with our University Partners, working to help them develop more effective ways of hosting remote careers fairs. We have also created our new "FDM attraction events" allowing us to engage with students from multiple universities in one event. Further information about these engagements and the changes which we have made to the content of our virtual events for university students can be found on page 46.

Engagement with our local communities
We continue to work with schools in the territories where we operate to promote the importance of STEM subjects and preparing students for careers in technology. Building on our position as a Leeds Cornerstone Employer, we have collaborated with other employers to help teachers and students in local schools during periods of lockdown. On 'Girls in ICT Day' we worked with our schools to help students develop their coding skills.

During a period when so many students in our communities have been challenged to access their learning remotely, we have refurbished and donated significant numbers of laptop and desktop computers to schools and other organisations, some of whom we have connected with through our early talent programme, and others which we have identified through our connection with the Worshipful Company of Information Technologists.

More information about our activities in this area can be found on page 46.

Environmental responsibility
The environment is another of our stakeholders in the sense that it can be affected by the way we do business. During the year we have reflected on how we can mitigate our carbon footprint and the other impacts we have on the environment, for example by considering the source of our electricity supply, reducing travel where possible and virtualising our IT estate. Further information on the steps we have taken can be found on pages 49 and 50.

2. Division of responsibilities

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

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

This separation of roles enhances the independent oversight of executive management by the Board and more closely aligns the Board with shareholders. It also means that no one individual or group of individuals dominates the Board's decision-making. This oversight is further strengthened by the formal reservation of certain matters for the Board's approval, as referred to on pages 65 and 66. The Directors' powers are set out in the Company's Articles of Association.

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

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

As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent external professional advice at the Company's expense in the furtherance of their duties. As stated previously, the Chairman and the

Company Secretary work to ensure that comprehensive information is provided well in advance of Board meetings to give Directors the time and materials they need to contribute to an effective and efficient Board.

Role of the Non-Executive Directors

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

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

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

Board commitment

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

Non-Executive Directors are expected to commit at least 24 days per annum to FDM and in practice may commit considerably more time than this. The Board keeps this under regular review.

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

The 2020 financial year has involved many non-executive directors with positions on the boards of listed companies in additional time commitments. The Board has reviewed the time commitments of its Directors to ensure that they remain able to devote the appropriate amount of time and focus to their work at FDM.

During 2020, Peter Whiting (Non-Executive Director and Chair of the Remuneration Committee) was appointed as non-executive chairman of Kooth Plc, which is listed on AIM. In approving this appointment the Board considered the overall time commitments involved and noted Peter's expectation that he would rebalance his other board commitments in the near future. In line with this expectation, it has since been announced that Peter will be stepping down from his role as non-executive director and chairman of the audit committee at Keystone Law plc in early May 2021, after the publication of its financial results for the year ending 31 January 2021.

The Board also notes that, although David Lister has a number of external commitments, none of the boards on which he serves (other than the FDM Board) is with a listed company.

The Board considers that throughout the year all FDM's Directors (including the Chair) have been, and will continue to be, able to devote sufficient time and focus to their respective roles at FDM.

Details of the remuneration received by each of the Executive Directors for the year ended 31 December 2020 are shown in the single figure table presented on page 97 of the Remuneration Report.

3. Composition, succession and evaluation

Composition of the Board

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

As required by Provision 11 of the 2018 Code, half the Board (excluding the Chairman) are independent Non-Executive Directors.

Board diversity policy

The Board is committed to the promotion of diversity and inclusiveness of all kinds throughout the organisation. In 2020, we reported a median gender pay-gap of -2.1% (2019: 1.7%), and our mean gender pay-gap was 0.4% (2019: 1.3%). We have also been pleased to participate again this year in the Hampton-Alexander Review which set a target for the percentage of women on FTSE boards and leadership teams to reach one third by 2020.

We believe that by making the most of our differences of approach, and using the collective experiences, backgrounds, skill-sets and knowledge of our talented and diverse employees, we will drive innovation and success and achieve more for our stakeholders. This applies equally to our Board. The composition of our Board is vital to its effectiveness and that, in turn, enhances good governance. At year end, 33% of our Board Directors are female and one Director identifies as Mixed White Asian. Diversity at Board level enables our employees who are from traditionally under-represented groups to aspire to senior management positions. This strengthens diversity and inclusion throughout our workforce, and directly supports our strategic aim to attract, train and develop high-calibre Mounties by making FDM attractive to the widest possible group of people as a place for them to launch their careers in technology.

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

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

Appointments to the Board, succession planning and talent management

Alan Kinnear was appointed to the Board on 1 January 2020 following an appointment process which the Nomination Committee carried out during 2019, details of which were included in our 2019 Annual Report. There have been no other new appointments to the Board during the financial year. When making new appointments, the Board operates a formal, rigorous and transparent procedure for the appointment of new Directors, the primary responsibility for which is delegated to the Nomination Committee. There is more information about this procedure and the way the Nomination Committee applies it on page 91.

The Board recognises its responsibility for succession planning and regularly considers the balance of skills, experience and knowledge of the Board, to ensure it remains appropriate to the business and that the Board is best placed to achieve the Group's strategic objectives. During 2020, the Group's People Team has been implementing a detailed Talent Management and Succession Planning programme which was reviewed and approved by the Nomination Committee. The key elements of the programme are:

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

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

Board induction and development

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

Elements of the programme include:

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

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

Evaluation of the Board and its Committees

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

This year the Board conducted an internal evaluation of its effectiveness in 2020, using the priorities identified from the previous year's evaluation report as the basis of the review to enable Board members to recognise key strengths and weaknesses, and to consider the Board's composition, diversity and how effectively the different members of the Board work together to achieve the Board's objectives.

The Board's Committees conducted their own effectiveness evaluations and reported the findings to the Board. Further information about these evaluations is set out in the Nomination Committee report beginning on page 86.

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

Re-election of Directors at the 2021 AGM

The Company's Articles of Association require that existing Directors offer themselves for re-election at intervals of no more than three years. At the 2021 AGM, in compliance with Provision 18 of the 2018 Code (and reflecting the Company's membership of the FTSE 250), all Directors will retire and offer themselves for re-election.

In determining whether a Director should be proposed for re-election at the 2021 AGM, the Board took into account the Nomination Committee's advice based on the results of a review of each Director's contribution to the Board's effectiveness, which formed part of the 2020 Board evaluation. This review confirmed that all Directors continue to be effective and demonstrate commitment to their roles and so the Committee recommended their reappointment.

4. Audit, risk and internal control

Financial and business reporting
In its reporting to shareholders, the Board recognises its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects. The Board has ensured that processes are in place to achieve this and more information on the processes can be found in the Audit Committee Report on page 82. A statement of the Directors' responsibilities in relation to the financial statements is set out on pages 118 to 119.

Independence of internal and external audit functions
The Board has in place processes which are managed on its behalf by the Audit Committee and which are intended to ensure that the services provided by the internal and external auditors remain independent and effective. Further information on these processes is set out in the Audit Committee Report on pages 82 and 83.

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

The Board has established a continuous process for identifying and managing the significant risks faced by the Group (in accordance with the Financial Reporting Council's 'Guidance on Risk Management Internal Control and Related Financial and Business Reporting' (September 2014)). The Board's view of the Group's key risks and how the Group seeks to manage those risks is set out on pages 30 to 37.

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

The Board regularly reviews the effectiveness of the Group's internal controls.

An outsourced Internal Audit function is in place for the Group and the scope of work undertaken during the year was carried out in accordance with the updated three-year Internal Audit Plan which was approved by the Audit Committee on behalf of the Board in 2019. A more detailed overview of the areas of focus and programme of work undertaken by the Internal Audit team in the year appears on page 82.

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

5. Remuneration

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

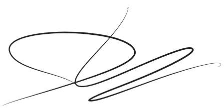
The Board delegates responsibility for developing policy on executive and senior managers' remuneration to the Remuneration Committee to ensure that the development of the policy is formal and transparent. The Committee regularly seeks independent advice from its external remuneration advisors and keeps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

The Directors' Remuneration Report sets out a new Remuneration Policy for approval by shareholders at this year's AGM to be held on 28 April 2021. The new policy contains detailed and transparent information about the rationale behind its key provisions to enable shareholders to understand the link between the policy and delivery of the Group's long-term strategy. Each member of the Remuneration Committee exercises independent judgment and discretion when authorising remuneration outcomes, in line with the policy.

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

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

The Corporate Governance Report was approved by the Board on 9 March 2021 and signed on its behalf by:



David Lister
Chairman
9 March 2021

Audit Committee Report

Chair's introduction

On behalf of the Board, I am pleased to present the Audit Committee Report for the year ended 31 December 2020. This report has been prepared in accordance with the 2018 Code and provides information on the Committee's key responsibilities and activities during the period.

This is the first report of the Committee since I succeeded Robin Taylor as Audit Committee Chair when he retired from the Board at the end of April 2020. I am grateful for the guidance which Robin provided during the handover process in the first quarter of the year, and for the support I have received from Mike McLaren (the CFO) and his Finance team, which has facilitated a smooth transition.

The COVID-19 crisis has affected our business and our clients' businesses in many different ways. During a year which has seen extraordinary global economic, operational and social disruption, there are aspects of the Audit Committee's work which require an even sharper focus. We have continued to monitor the financial performance of the Group, applying scrutiny to management's stress testing of the financial and business models, and satisfying ourselves that the Group's key financial controls continued to operate as designed, despite our transition to remote working during lockdowns. The Executive Team's long experience and lessons learned from previous financial crises have built a business which was financially well prepared to weather the latest storm.

FDM's strong balance sheet and prudent cash buffer have provided resilience, giving the Board confidence that the business is in a solid position to continue as a going concern despite the current macro-economic challenges. The Committee was also able to support the Board in its assessment of the viability of the Company over the longer term.

Our other stakeholders have also felt the impact of the pandemic. Our business continuity plans were last reviewed by our Internal Audit function in late 2018. I am pleased that the enhancements implemented in 2019 as a result of that review worked well this year as lockdowns were imposed in our territories, enabling an agile transition for our Mounties, trainees and staff to remote working (including the successful remote delivery of high-quality Academy training). In 2020, the Internal Audit plan included important reviews of the implementation of our new timesheet and billing system, IT Security and General Controls, Resourcing Management and, in particular, a careful assessment of financial controls in the context of the potential for increased risk during periods of remote working. The review found that those controls have continued to work effectively. Further details of the work undertaken by the Internal Audit team during 2020 are set out on page 82.

I visited FDM's Finance team twice during the year at our office in Brighton, the first time in early March with Robin Taylor as part of the handover process and again in November. I was reassured on both occasions to receive comprehensive updates from the experienced and stable management team on their work and the controls in place to mitigate risk in this area of the business.

Effective risk management is critical to the delivery of the Group's strategic objectives. The Board establishes the nature and extent of the risks which it is prepared to take in order to achieve its strategic aims, and is responsible for ensuring that the Group's internal control and risk management systems are effectively managed across our business.

The Board has delegated to the Audit Committee responsibility for oversight of the measures we have in place, and reviewing the effectiveness of the risk management process remains one of the most important areas of focus for the Committee's work. I was pleased to attend as an observer the Executive Team's half-yearly review of the risk register in January 2021.

As in previous years, the Committee carried out a review of the Group's risk management process. Our overall conclusion is that the process continues to operate effectively across the Group. The broader approach which we introduced in 2019, including discussions with a wider range of employees within the organisation, has been successful in increasing the breadth of information available to us to update our assessment. Further information about the principal risks to our business is set out on pages 30 to 37.

The risk of cyber attacks and the threat to data security are ever increasing and the Committee continues to receive regular updates from the Chief Information Officer and his IT Security team. As a regular agenda item, the Committee has also continued to monitor the potential impact of Brexit on the Group's business.

The Committee continues to provide appropriate challenge to the decisions and approach taken by the management team in relation to the content and disclosures within the Group financial reports and, in particular, has challenged management to explain the rationale and basis for key judgements and estimates before accepting them. The Committee aims to ensure that the information which is provided about the key judgements and estimates made is clear and helpful, and assists investors in reaching a fair assessment of FDM's financial position. The key management judgement areas and significant financial reporting items in respect of the financial year are disclosed in this report on page 81.

In 2021 we expect to see significant change following the reviews by regulators of the role of audit committees and the quality and integrity of external audits. We will continue to monitor developments arising as a result of the Competition and Markets Authority ("CMA"), Kingman and Brydon reviews and the recommendations made by the BEIS Select Committee on the Future of Audit. As the Government crystallises its approach, the Committee will ensure that we implement any changes which may be required in a way which adds value to the Committee's work and enhances assurance for our stakeholders.

Priorities

Last year, in addition to the business as usual work, the Committee set itself four key priorities for 2020. We have made good progress in respect of these priorities, as outlined below:

2020 priorities	Progress
Monitor the impact of the ongoing changes to the UK's relationship with the EU as legal and trading arrangements evolve.	In general, we believe that our business model is resilient against many of the threats and uncertainties which are commonly perceived to arise from Brexit. Some changes to employment and immigration rules in some of our European locations have required us to make some operational adjustments, but the impact has not been significant. We have also reviewed legal requirements in our European entities regarding local document retention. We will continue to monitor this work in 2021 as the new framework settles into place and its impact on our clients' businesses becomes clearer.
Review the Group's cyber security arrangements.	During the year, the Committee received regular updates from the Chief Information Officer and the Information Security team on their work. Our Internal Audit function reviewed the Group's cyber-security arrangements and found that levels of security awareness and understanding were high, which has enabled the establishment of a tiered control environment which is appropriate for the level of risk faced by the different parts of our business. A number of recommendations for further enhancements were made and the Committee will monitor their implementation in the coming year.
Monitor the impact of COVID-19 on the Group's business.	The Committee has invited the CEO and CFO to attend its meetings regularly during 2020 to enable close monitoring of the impact of the pandemic on the Group's trading and financial position. Management has taken a prudent financial approach, maintaining a robust balance sheet and strong cash management to maximise resilience, whilst also doing the right thing by trainees, Mounties and internal staff to ensure their wellbeing and the sustainability of the business.
Focus on the increase in regulatory complexity for boards and audit committees and the proposed changes to the statutory audit profession.	In 2019 the reports of the CMA study of the audit market and the Brydon review were published, and the Business, Energy and Industrial Strategy Select Committee inquiry into "The Future of Audit" delivered its report. The Committee has been monitoring progress, and will continue to focus on this area during 2021 as the various reviews and recommendations converge when the UK Government brings forward legislation, now expected in the first half of 2021.

These areas will remain a key focus for 2021 as we develop a new Internal Audit Plan for the next three years. In addition, the Committee intends to focus on the following in the coming year:

- Review of the impact of digitalisation and the impact of new ways of working, including information security risk in the expanded work environment
- Climate change risk and environmental sustainability, and our reporting on it
- A review of disaster and crisis preparedness, operational resilience, and lessons learned from the response to COVID-19
- Our annual review of the effectiveness of financial controls
- Regulatory change
- Embedding a culture of risk awareness into the development of new projects

Role of the Committee

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

The key responsibilities of the Committee are to:

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

Composition of the Committee

During the year, the members of the Committee were Alan Kinnear (Chair of the Committee from 29 April 2020), Michelle Senecal de Fonseca, Peter Whiting and Robin Taylor (Chair of the Committee until 29 April 2020).

Robin Taylor stepped down from the Committee when he retired from the Board on 29 April 2020.

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

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

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

The Committee's agenda

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

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

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

The Group's external auditors, PwC, attended each of the four Committee meetings during 2020. Following each of those meetings PwC had the opportunity to hold an informal discussion with the Committee members without any of the executive management team being present. The Committee Chair also met with PwC on several occasions outside of the Committee.

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

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

Activity

Principal activities during the year

The following principal activities have been carried out by the Committee during the financial year:

March 2020

- Reviewed the Internal Audit plan for 2020, making some adjustments to reflect the Committee's updated priorities
- Received a report from KPMG covering the implementation of the Group's new time recording, billing and expenses system
- Received a presentation from PwC on their audit of the financial results for the year ended 31 December 2019, and reviewed and approved the Auditors' Report to the Audit Committee
- Reviewed and recommended to the Board the approval of the Preliminary Announcement and the 2019 Annual Report. This work included: ensuring that the report is fair, balanced and understandable; reviewing the significant judgements applied in the Annual Report; reviewing disclosures and the summary of significant accounting policies; considering the appropriateness of the going concern statement and the viability statement; and approving the statement of principal risks to the business as set out in the Annual Report
- Approved the Committee's agenda for the remainder of 2020
- Considered the requirements of Committee members for additional training and development in areas relevant to the Committee's business

May 2020

- Approved the updated Internal Audit plan for the period 2020 to 2021
- Received a report from KPMG following the Internal Audit review of IT Disaster Recovery
- Received an update from the Group Data Protection Officer on business continuity and IT disaster recovery in the context of the need for remote working during the COVID-19 lockdowns
- Received an update on systems and controls in place to mitigate risks during remote working
- Received a progress report on the implementation of the Group's new timesheet and billing system
- Received an update on the reporting, accounting and governance changes applicable to the Group
- Reviewed the Group's approach to risk management
- Reviewed the Audit Committee's Terms of Reference and identified areas for updating
- Reviewed the potential impact of regulatory changes relating to external audit and audit committees
- Reviewed the effectiveness of the external auditors

July 2020

- Received a progress report from KPMG on the ongoing Internal Audit testing of financial controls, IT security and general controls, and the follow-up review of IT Disaster Recovery
- Reviewed the Interim Report, including the going concern statement and key disclosures, and recommended its approval to the Board
- Reviewed and approved the statement of principal risks and uncertainties set out in the Interim Report
- Received a report on the review of, and updates to, the Group Risk Register
- Received a report on an internal review of global tax compliance
- Received a progress update of the project to roll out the new timesheet and billing system
- Reviewed and approved the letter of engagement for the external auditors
- Reviewed PwC's report to the Committee (interim review for the six months to 30 June 2020)
- Received an update from the Chief Information Officer on cyber security and IT strategy
- Approved the updated Audit Committee terms of reference

October 2020

- Reviewed and approved PwC's year-end audit plan and fees for the audit of the 2020 financial results
- Received a report on the findings of the Internal Auditors following their review of: i) IT security; and ii) financial controls. Undertook an initial scoping discussion for the 2021 Internal Audit Plan
- Received a report on a review of, and updates to, the Group Risk Register
- Received an update on reporting, accounting and corporate governance changes and the processes and key themes for inclusion in the Annual Report 2020
- Received a further update on the implementation of the Group's new timesheet and billing system
- Undertook a review of whistleblowing and anti-bribery policies and procedures
- Discussed potential changes arising from regulatory changes in respect of external audit and audit committees

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

In January 2020, PwC attended an informal session to update the Committee on key changes to corporate reporting and governance, including the UK regulatory environment, reporting practice amongst FTSE 250 companies, the 2018 Code and the stakeholder agenda.

Significant financial reporting items

The Committee scrutinises matters it considers important by virtue of their potential impact on the Group's results or the degree of estimation or judgement involved in their application to the Consolidated Financial Statements. To this end, the Committee receives regular reports from the Chief Financial Officer and the Group's external auditors, PwC. During the year the Committee challenged management in respect of their underlying rationale and basis for key judgements and estimates before accepting them. The Committee has considered all significant estimates and judgements identified in note 4 to the Consolidated Financial Statements on page 139 having received drafts of the Annual Report and financial statements in sufficient time ahead of signature to enable a thorough review, and allow for the opportunity to challenge and discuss the Report's content.

The main areas of focus are set out below:

Area of focus	Steps taken to address each area
Revenue Revenue in respect of non-receipted timesheets is accrued at a percentage of the estimated contract value where timesheets have not been received at the cut-off date from Mounties or contractors.	The Committee discussed and reviewed revenue recognition in detail with management and PwC and remains satisfied that Group accounting policies with regard to revenue recognition have been adhered to and that estimates remain appropriate.
Share-based payments For a fifth consecutive year, the Company granted awards under the FDM Performance Share Plan ("the PSP"). Associated with accounting for the awards are estimates relating to the number of shares which will vest.	The Committee is informed of the key assumptions and estimates applied in calculating the share-based payment charge. The Committee is satisfied that the assumptions and estimates applied are appropriate.
Going concern and viability The Committee has considered the going concern basis assumed within the financial statements and viability period. The underlying assumptions, the reasonableness of those assumptions and the headroom/ funding facilities available were considered as part of the Committee's review. The review also considered the impact of a range of sensitivities on the key assumptions.	The Committee received and reviewed a paper prepared by the Finance team supporting the adoption of the going concern basis and the appropriateness of the viability period. The Committee is satisfied with the judgements in these areas and that sufficient work was performed to enable the Committee to conclude on the adoption of the going concern basis. The Committee reviewed and concurred with the reasonableness of the viability period included within the viability statement on page 37.
Provisions The Committee has considered the requirements of IAS 37 'Provisions, contingent liabilities and contingent assets' in determining the appropriateness of the accounting for, and disclosure of, provisions, contingent assets and contingent liabilities within the Annual Report. *Litigation and claims* As detailed on page 140 of the Annual Report, the Group settled a long-standing employment-related legal claim. The Committee has considered the accounting treatment and associated disclosures relating to the settlement of the legal claim and its settlement.	The Committee has discussed with PwC and management the accounting for, and disclosure of, provisions, contingent assets and contingent liabilities, including where it relates to open legal claims, and are satisfied that the application of IAS 37 is appropriate. The Committee received and reviewed separate papers prepared by its legal advisors and the Finance team supporting the accounting treatment and associated disclosures relating to the legal claim. The Committee is satisfied that the accounting treatment and associated disclosures are appropriate and that management's response to the conditions which led to the claim were appropriate.

Area of focus	Steps taken to address each area
COVID-19 specific considerations The Audit Committee has considered the impact that the COVID-19 pandemic has had on both the way FDM has operated during the pandemic and on related key judgements and estimates.	The Committee has reviewed the Group's impairment assessments, including on intangible assets and goodwill under IAS 36 'Impairment of Assets', and the Group's accounts receivable credit loss model under IFRS 9 'Financial Instruments' and is satisfied with the key judgements and estimates applied by management. The expected credit loss allowance at 2020 is £1,029,000 (2019: £202,000). The increase in the year-end allowance is indicative of the impact from COVID-19 that our clients are facing (see note 19 to the Consolidated Financial Statements). The Committee has received updates on the impact of remote working on the overall control environment and is satisfied that the controls continue to operate effectively. The scope of the Internal Audit review of financial controls reflected potentially increased risks from remote working due to COVID-19.

Fair, balanced and understandable

As requested by the Board, the Committee has considered whether, in its opinion, the Annual Report and Accounts 2020 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. In forming its opinion, the Committee considered the information it had received and the discussions that have taken place with senior managers in the business.

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

The Committee concluded that the Annual Report and Accounts 2020, taken as a whole, was fair, balanced, and understandable, and considers that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee made a recommendation to the Board to this effect.

The Directors' statement of responsibilities on a fair, balanced and understandable annual report is given on pages 118 to 119.

Internal control and risk management

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

The key elements of the Group's internal control framework and procedures are set out on page 74.

Internal Audit

The Group's Internal Audit function is wholly outsourced to KPMG. The Committee considers that this approach remains appropriate for the following reasons: first, that outsourcing ensures the process is independent and second, it guarantees that specialist input is available when required, taking into account the international nature of FDM's business and the need for technical specialism, particularly when reviewing non-financial areas of the business (which has been particularly applicable during 2020).

An updated three-year Internal Audit Plan was approved by the Audit Committee in 2019. The financial year 2020 represented the third year of KPMG's original three-year Plan. The Plan is risk-based, prioritising reviews of the areas which are identified as principal risks in the Group Risk Register, and covering all key financial, operational and regulatory parts of the business. Specifically, in 2020, the Committee received reports on reviews of the following areas: Timesheet and Billing System Project Management, Financial Controls, IT Security and General Controls and IT Disaster Recovery (follow-up review). Given the importance of ensuring we have robust controls over our financial processes, it is intended that core financial controls will continue to be reviewed on a regular basis. A follow-up review of the Group's processes for resourcing people was commenced and will report in the current year.

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

The 2021 Internal Audit Plan was presented to and agreed by the Audit Committee in March 2021.

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

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

External auditor

PwC are the Group's current external auditor, having been appointed in 2013. The Group keeps this appointment under review and intends to conduct a competitive tender for the financial year ending 31 December 2023, as required under current EU legislation. The Audit Committee believes that a competitive tender at that point will assist the Committee in ensuring the continued high quality of external audit in the best interests of our shareholders. Until then, any recommendation relating to the reappointment of the external auditor will continue to be the subject of rigorous review each year.

Auditors' independence and objectivity

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

Fees for non-audit work carried out by PwC as a percentage of audit fees for the year ended 31 December 2020 were 22% (2019: 22%) and related solely to PwC's review of our Interim Report. Further disclosure of the non-audit fees paid during the year ended 31 December 2020 can be found in note 8 to the Consolidated Financial Statements.

External audit partners are rotated every five years. The external audit partner in respect of the 2020 financial year has been Katharine Finn, who succeeded Jaskamal Sarai, who completed five years in that role for FDM Group on conclusion of the 2019 audit cycle.

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

Effectiveness of external auditors

During the year, the Committee reviewed the effectiveness and independence of the external auditors, using a questionnaire which was completed by key members of the Finance team and each member of the Committee. The questionnaire asked individuals to rate the performance of the PwC audit team in the following areas: knowledge and expertise; independence and objectivity; effectiveness of the planning process; ability to firmly challenge management; and quality of audit deliverables. The feedback from the questionnaire was then used as the basis for a more wide-ranging discussion at the meeting held in May 2020 (at which PwC were not present). The Committee reviewed the external auditors' reports to, and discussions with, the Committee over the year to examine the degree of objectivity exercised by the external auditors, the robustness of their challenge to management, their views on controls around the Group and their testing of areas which involved the exercise of judgment by the management team.

Based on the feedback and their further discussions, the Committee concluded that:

- the overall audit approach, materiality threshold and areas of audit focus were appropriate to the business;
- the auditors had displayed the necessary level of challenge and objectivity to demonstrate an appropriate level of independence; and
- the audit team possessed the necessary quality, expertise and experience to provide an independent and objective audit.

The findings were fed back to PwC by the Chair of the Committee.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ("CMA Order").
The Group has complied with the CMA Order during 2020.

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

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

The Committee reviewed the Group's whistleblowing policy and procedures in October 2020 and is satisfied that they remain appropriate. There were no instances of whistleblowing during the year. The key aspects of the review were then discussed at the next meeting of the full Board.

Anti-bribery and corruption policy
The Group has a zero-tolerance policy to bribery and corruption. The Group's Anti-bribery and Corruption policy is issued to all employees, and training is provided to all current employees and new starters to ensure that they understand the Group's policy and the importance of compliance. The Committee reviewed the effectiveness of the policy in December 2020 and concluded that it remains an effective tool for managing the anti-bribery and corruption risks faced by the Group.

Audit Committee effectiveness
An evaluation of the effectiveness of the Committee in discharging its duties was conducted internally this year. The evaluation process was facilitated by the Company Secretary and was based on the completion of questionnaires (which included questions to be scored and free text questions) by members of the Committee. The questionnaire was designed to address the key elements of Audit Committee effectiveness which are identified in the 2018 Code, the FRC's Guidance on Board Effectiveness published in July 2019, and the FRC's Guidance on Audit Committees published in April 2016. The results, once reviewed by the Company Secretary, were then discussed with the Committee Chair and tabled at a meeting of the Committee for discussion. The Committee regularly reviews its terms of reference and updates them as necessary to reflect current best practice, and to ensure that its approach remains in line with those terms of reference and the Financial Reporting Council's Guidance for Audit Committees. The Committee is satisfied that it continues to be effective in discharging its duties.

Alan Kinnear
Audit Committee Chair
9 March 2021

The Audit Committee has considered the impact that the COVID-19 pandemic has had on both the way FDM has operated during the pandemic and on related key judgements and estimates

Nomination Committee Report

Chair's introduction

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2020.

The primary role of the Nomination Committee is to lead the process for appointments to the Board, to monitor its composition, diversity and performance, and to plan for orderly succession to the Board and the Group's senior management team. Alan Kinnear was appointed to the Board on 1 January 2020 following an appointment process which the Committee carried out during 2019, details of which were included in our 2019 Annual Report.

The Committee undertook a review of its effectiveness during 2020 and concluded that the Committee continues to operate effectively.

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

Committee composition

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

David Lister (Committee Chair)
Rod Flavell
Robin Taylor (retired from the Board on 29 April 2020)
Peter Whiting
Michelle Senecal de Fonseca

Provision 17 of the 2018 Code states that a majority of members of the Nomination Committee should be independent non-executive directors.

Following the retirement of Robin Taylor from the Board on 29 April 2020, the Nomination Committee comprised two independent Non-Executive Directors, the CEO and the Committee Chair (who is also the Board Chair).

Jacqueline de Rojas (independent Non-Executive Director) was appointed as an additional member of the Nomination Committee with effect from 1 March 2021, following which the Committee comprised three independent Non-Executive Directors, the CEO and the Committee Chair (who is also the Board Chair).

Role of the Nomination Committee

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

The main responsibilities of the Committee are to:

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

Succession planning

- The most important ongoing responsibility of the Committee is to oversee the Company's succession plans for members of the Board and the senior management team over the short, medium and longer term, to ensure that the Board maintains the appropriate balance of skills and experience to carry out its work in the most effective way. In particular, when the opportunity arises for refreshment of the Board, the Board bears in mind the need to ensure that its membership is diverse. In 2018, the Board adopted a new Board diversity policy to assist in this aim, further details of which are set out on page 72.
- The Board's primary aim is to make appointments based on objective criteria which ensure that the best individuals are appointed to each Board role. We believe that a Board made up of individuals with a diverse range of personal attributes, including skills, experience, educational and professional background, gender, race and age, will contribute to innovation in the Board's thinking and approach – and, in turn, will enhance the quality of decision-making.
- During 2020 the Committee worked with the Group's Chief People Officer to monitor the implementation of the formal and detailed succession planning processes for the Board and senior management teams which had been developed during 2019, on the basis of our strategic plans for the growth and development of the Group's business and our expectations of the evolution of the markets in which we operate. This succession planning process is closely linked with our separate organisational design and talent management programme, which was also launched at the beginning of the year and which aims to build a strong talent pipeline for FDM's whole organisation. Good progress was made with the rollout of the new programmes during the first quarter of 2020, with priorities changing as the People Team moved to enhance engagement with remote staff during pandemic lockdowns, and to ensure their wellbeing. The Committee will continue to monitor the progress of this project carefully during 2021 and will review the strengths which are identified in the talent pipeline and actions which are needed to close any gaps in the pipeline which the process identifies. The Committee will also focus closely on the data arising from the programme which will help to assess diversity in the Group, career progression and attrition.

2020 Board effectiveness review
Our view is that Board evaluation is a valuable process that provides a regular mechanism by which the Board can challenge itself to identify any areas where its performance can be improved to enhance the effective and efficient conduct of Board business, for the benefit of FDM and all its stakeholders. The 2018 Code requires that FTSE 250 Companies should arrange for the evaluation of the Board to be externally facilitated at least every three years, and our last external evaluation was carried out by CK Coombs & Co in 2018.

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

The results of the evaluation discussions were collated and reviewed by the Chairman and the Company Secretary and an action plan was subsequently presented to the Board which will enable it to address a number of areas where it was considered that the Board's effectiveness could be improved, as well as recognising the strengths of the Board. The review found that some good progress had been made against the areas which last year's evaluation had identified for further work. In particular:

- Positive progress had been made to embed a boardroom dynamic which enabled open and constructive challenge and diversity of thoughts and views, enabling group-think to be avoided;
- The Board had been successful in enhancing its focus on matters which support the development of the Group's strategy, encouraged partly by the need to respond to the COVID-19 crisis, moving away from an over-emphasis on operational reporting. Examples of this had been the rapid evolution of the agile pod training concept (see page 40) and the development of rapid deployment of remote training into a strategic review of the Academies of the future and how the delivery of training could be revolutionised.

A summary of the key action points arising from the 2020 evaluation is as follows:

- The Board will further develop its programme of engagement with senior and middle management teams, promoting an understanding throughout the business of the work of the Board and its committees. By enhancing visibility and understanding of the Board's work, the Board will be able to encourage a wider and more diverse range of talented individuals to aspire to senior leadership roles, enhancing the Board's work on talent development and succession planning. This approach will also assist the Board in its approach to assessing and monitoring FDM's culture, and enable Directors to reinforce the practices and behaviours which align most closely with the Group's purpose, values and strategy;
- The Board will continue to develop its approach to risk, and will ask the Audit Committee to undertake a review (at the appropriate time) of the Group's response to the COVID-19 pandemic. This will enable the Board to identify which responses contributed to FDM's successful navigation of the challenges arising, and those areas where lessons could be learned to improve future responses. The Board will examine the procedures which are in place to identify and mitigate emerging risks, with the aim of making them as robust as possible.

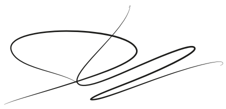
The Board intends to review progress against the action plan on an ongoing basis through 2021 as we consider ongoing assessment of effectiveness most likely to support a sustained focus on improvement.

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

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

Independence and effectiveness

As recommended by the 2018 Code, all the current Directors will be standing for re-election at the AGM in 2021. Having reviewed the independence and contribution of the Directors, the Committee confirms that the performance of each of the Directors continues to be effective and each demonstrates commitment to their roles, including independence of judgement, commitment of time for the Board and (where relevant) Committee meetings and their other duties. Accordingly, the Committee has recommended to the Board that all current Directors of the Company be proposed for re-election at the forthcoming AGM.



David Lister
Chair of the Nomination Committee
9 March 2021

Remuneration Report

Statement from the Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present our Remuneration Report for the year ended 31 December 2020. This report is divided into two sections: the Annual Report on Remuneration which sets out the remuneration earned by Directors in 2020, followed by the Directors' Remuneration Policy for which shareholder approval will be sought at the 2021 AGM. A description of how the Remuneration Committee proposes to implement the new Policy in 2021 is set out in this statement.

In 2020 and the first part of 2021, the Remuneration Committee has needed to address: the new Policy; the Executive Directors' salaries, which have not been fundamentally reviewed since the Company's IPO in June 2014 and have not been changed since April 2018; and the impact of the COVID-19 pandemic on Executive Director and wider workforce remuneration. We consulted with shareholders in relation to our approach to each of these matters. We were grateful for the level of engagement we received from the vast majority of those shareholders that we approached, and were pleased that shareholders with whom we spoke were supportive of our approaches to all of these matters.

Although the Committee did not formally consult with employees in relation to its proposals on these matters, the Board's more general engagement with the workforce was carried out far more comprehensively this year than previously, ensuring that the voices of our employees could be heard in the boardroom on the issues which were most important to them (see pages 68 and 69 for further details). Remuneration was not raised as a priority by employees with whom the Board engaged throughout the year. As in prior years, the Committee considered carefully the approach to equity ownership and pay for performance which are key elements of FDM's culture. These elements run unusually deep through the organisation, tending naturally to produce alignment of executive and wider workforce remuneration with the interests of shareholders. In addition, we have deliberately chosen non-financial annual bonus metrics which can be applied (at a smaller scale) to other managers, and which reflect elements of the bonus targets which will be used for other key teams. As I explain in further detail below, our approach to the outturn of the executive bonus in respect of 2020 entirely reflects FDM's culture of equitable treatment, ensuring that executive performance was rewarded in a way which mirrored the average bonus experience of the wider workforce.

The role of the Committee is to:

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

Details of the attendance at Committee meetings are set out in the Corporate Governance Report on page 66. The full Remuneration Committee terms of reference can be found on the Company's website. Details of the advisors to the Committee are set out on page 104.

New Directors' Remuneration Policy

Our current Directors' Remuneration Policy was approved by shareholders at the 2018 AGM with over 97% of the votes cast in favour of it. At the 2021 AGM, shareholders will be asked to approve our new Policy, which is intended to apply for a further three-year period.

The Remuneration Committee has reviewed the current policy and considers it remains fit for purpose. Therefore, the new Policy is broadly a roll-forward of the current Policy but with updates to reflect governance changes and the formal inclusion in the Policy of changes already made in practice. We also include in the Policy the all-employee Buy-As-You-Earn Plan, in which employees have been able to participate since 2019. The full Policy is set out on pages 105 to 114.

In determining the Policy and taking decisions in relation to the remuneration for 2020 and 2021, the Committee had regard to the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the 2018 Code and explained further on page 96.

The principal changes to the Policy are summarised in the following table. Information on how the new Policy will be implemented in 2021 is set out later in this statement.

Policy element	Current Policy	New Policy
Retirement benefits	• Defined contribution scheme or cash allowance. • Maximum of up to 3% of salary for current Executive Directors and up to 15% for new Executive Directors.	• The maximum of up to 3% of salary has been replaced with a maximum aligned to the pension provision for the wider workforce (which is currently 4%). • The 15% limit for new Executive Directors has been removed.
Annual bonus	• Maximum bonus of 150% of salary, with up to 50% earned for on target performance. • At least 80% of the bonus is assessed against financial measures. • Up to 33% of bonus deferred into shares for two years where an annual bonus opportunity of more than 100% of salary is awarded.	• No increase in the maximum opportunity or the proportion earned at threshold. • In order to increase flexibility, the new Policy provides that at least 50% of the bonus must be assessed against financial measures. In 2021, consistent with 2020, up to 80% of salary will be based on adjusted PBT, up to 20% of salary on Mountie revenue and up to 20% of salary on non-financial/ strategic measures. • Increased flexibility has been included as to the amount of any bonus deferral (enabling deferral of up to 100% of the bonus).

<table>
<tr><th>Policy element</th><th>Current Policy</th><th>New Policy</th></tr>
<tr><td>PSP</td><td>Maximum award of 150% of salary, with 25% vesting at threshold.
The Policy provides that a two-year post-vesting holding period applies to any PSP awards granted in excess of 100% of salary. In practice, PSP awards granted from 2019 onwards have been subject to a two-year post-vesting holding period notwithstanding that they are below 100% of salary.</td><td>No increase to the maximum opportunity or to the threshold vesting.
The Policy formalises the requirement that a two-year holding period will apply to all Executive Directors’ PSP awards, regardless of quantum.
The PSP rules adopted at the time of the IPO provide for a maximum award of up to 100% of salary in ordinary circumstances and an award of up to 200% of salary in exceptional circumstances. In order to align the rules with the Policy, shareholder approval will be sought at the AGM to increase the ordinary limit to 150% of salary, with no increase to the exceptional circumstances limit.</td></tr>
<tr><td>Buy-As-You-Earn Plan (“BAYE”)</td><td>The BAYE was introduced for all employees in 2019 in order to broaden the scope and benefits of employee share ownership, which is fundamental to the Company’s culture. The Executive Directors do not currently participate.</td><td>The BAYE has been added to the Policy in order that the Executive Directors may also participate in this all-employee share plan. This is in line with typical practice and is intended to help encourage greater levels of participation in the plan amongst the wider workforce, promoting FDM’s culture of employee shareholding.
The principal terms of the BAYE are summarised in the notice of AGM, but its key provisions are that:
participants can acquire up to £12,000 of shares in respect of any year from their after tax remuneration and subject, ordinarily, to continued employment;
additional “Matching Shares” are awarded on the basis of a one for three 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. For example, if 900 shares are purchased by a participant in respect of 2021, they will receive an additional 300 Matching Shares following the end of each of 2022, 2024 and 2026 (giving a total of 900 Matching Shares against the 900 shares purchased in 2021).</td></tr>
<tr><td>Shareholding requirements</td><td>200% of salary shareholding requirement during employment.
No post-employment requirement is included within the current policy, but as noted in the 2019 Directors’ Remuneration Report, a post-employment requirement has applied since 1 January 2020.</td><td>No change to the “in employment” requirement.
The new Policy formally includes the post-employment shareholding requirement, pursuant to which each Executive Director must retain:
until the audit sign-off of the financial statements for the year in which Executive Directors leave the business, the number of shares which are subject to the post-cessation policy as are equal to the in-service shareholding guideline; and
until the audit sign-off of the financial statements for the following year, such of those shares as are equal to 50% of the in-service shareholding guideline.
Shares are subject to the requirement if they are acquired from share plan awards granted after 1 January 2020.</td></tr>
<tr><td>Malus and clawback</td><td>Malus and clawback provisions apply to the annual bonus and LTIP.</td><td>The Policy formally includes as “trigger” events for malus and clawback material corporate failure and serious reputational damage, as referred to in the 2018 Directors’ Remuneration Report. The malus and clawback provisions will also apply to Executive Directors’ BAYE matching shares.</td></tr>
</table>

COVID-19

As with all other businesses and society more generally, during 2020 the Company and the Committee have had to address the exceptional and unprecedented impact of COVID-19. The Board provided several updates on the impact on the business of the pandemic throughout 2020. In summary:

- the Group has not accessed the UK Coronavirus Job Retention Scheme ("furlough");
- the Group has not taken any funding from the UK Government (and the majority of the funding we received in APAC was received automatically as part of the Singapore and Hong Kong governments' responses to the pandemic);
- rapid implementation of technical solutions enabled a seamless transition to remote recruitment and training;
- a wage was introduced for signed-off trainees in the UK to help them prior to being placed with clients;
- despite a significantly increased number of 'beached' consultants, COVID-19-related redundancies have been avoided; and
- while the final dividend in respect of 2019 was cancelled pending clarification of the impact of the pandemic, an interim dividend in respect of 2020 of 18.5 pence per share was paid to shareholders on 4 September 2020, followed by a second interim dividend in respect of 2020 of 13.0 pence per share which was paid on 26 February 2021. The Board now intends to resume its normal dividend policy and timetable and will be recommending a final dividend of 15.0 pence per share in respect of the year to December 2020 for approval by shareholders at our AGM to be held on 28 April 2021.

We describe below how the impact of COVID-19 has affected remuneration decisions in 2020.

Remuneration decisions in respect of 2020

Salary

As we reported last year, no increases were made to Executive Directors' salaries for 2020.

PSP

PSP awards were granted in June 2018 vesting by reference to EPS performance over the three years ending 31 December 2020. The threshold vesting level was not achieved and the awards lapsed. Further information is set out on page 99.

2020 bonus

For 2020, Executive Directors were able to earn a bonus of up to 120% of salary based on adjusted profit before tax (up to 80% of salary), Mountie revenue (up to 20% of salary) and measures based on employee engagement and satisfaction (up to 10% of salary) and the diversification of our client base (up to 10% of salary). Targets for these metrics were set in March 2020 by reference to a budget prepared at the end of 2019, before the impact of the pandemic and associated lockdowns became apparent. Some of our clients (for example, in the airline industry) have been particularly hard-hit, and whilst the Group overall has not suffered as much as some organisations, the impact has nonetheless been significant. It became clear shortly after the onset of the pandemic that the adjusted profit before tax and Mountie revenue targets would not be hit, although the Board is of the view that the prompt actions of the Executive Team, including the sympathetic treatment of beached Mounties, introduction of salaries for unplaced trainees and the swift implementation of fully online training, played a major part in averting a potentially much more adverse trading outcome.

For the high proportion of individuals in the Group below the Board who receive some form of annual bonus, we revised targets prior to the end of Q1 2020 with potential outcomes left unaltered, to ensure the teams remained suitably motivated in the face of the new challenging market conditions. The new targets were designed to be as testing as those they replaced, given the changed market context. However, having regard to shareholder expectations, the bonus targets were not reset for the Executive Directors. The Committee decided to keep the original targets but to retain discretion at year end to adjust the formulaic out-turn, taking into account the shareholder and other stakeholder experience and the overall results delivered for the year. In deciding how to exercise discretion, the Committee has had regard to the following factors:

Alignment with wider workforce bonus experience	As noted above, bonus targets for the wider workforce were revised downwards with no reduction in the overall opportunity (and some individuals below Board level have maximum bonus opportunities significantly in excess of 120% of salary). The revised targets, which were set prior to the end of the first quarter, were designed to be no less stretching than the original targets (taking into account the changed market context). Further, as noted below, the final outturn for the Executive Directors has been capped by reference to the outturn for the wider workforce.
The broader experience of the wider workforce	The approach has been determined in the context of the avoidance of redundancies and the introduction of a wage for signed-off trainees, to which we refer above.

The experience of shareholders	The Company's share price has recovered and at the end of 2020 was higher than at the start of the year. Although the proposed 2019 final dividend was cancelled, dividend payments have now resumed and further information on dividends is shown on the previous page.
Alignment with shareholders	Notwithstanding that the current Policy only requires the deferral of 16.67% of the bonus into shares, the full amount of the bonus earned by the Executive Directors in respect of 2020 will be deferred for two years. The deferral of the bonus into shares will mean that the Executive Directors' reward is aligned with the interest of shareholders. The shares subject to a deferred bonus award will be held by a nominee on behalf of the Executive Director in order that the retention of the shares during the deferral period and in respect of any post-employment shareholding requirement can be monitored.
Wider stakeholder experience	As noted above, the Company has neither accessed the UK Coronavirus Job Retention Scheme ("furlough") nor taken any funding from the UK Government.

The Committee reflected on the appropriate approach for the Executive Directors to reward the contribution of the Executive Team for their leadership and contribution and in respect of the achievements delivered this year, based on principles set out below.

- The targets concerning employee engagement and satisfaction and client diversification (accounting for 20% of salary in total) were achieved in full, with further information included on pages 98 to 99.
- The originally set adjusted profit before tax and Mountie revenue targets were not achieved as a result of the exceptional change in circumstances after they were set.
- Had the adjusted profit before tax and Mountie revenue targets been adjusted to reflect the outlook at the end of the first quarter, they would also have been achieved in full.

Notwithstanding this, the Committee does not think it is appropriate to vest Executive Directors' bonuses in full. Instead, the Committee has capped the Executive Directors' bonuses at the average outcome for those members of the wider workforce eligible for a bonus. This results in a bonus outturn for the Executive Directors of 78% of salary, which is 65% of their maximum achievable bonus of 120% of salary. As noted above, the full bonus will be deferred into shares for two years.

PSP awards granted in 2020
The grant of the 2020 PSP awards was delayed until December 2020 in order that the targets could be set taking into account the extraordinary circumstances in 2020. Given the impact of the pandemic, we set the EPS targets as an absolute value to be achieved in 2022, rather than as a growth target. The Committee considers that the targets set strike an appropriate balance between being achievable, and therefore motivating, but requiring the delivery of a stretching level of performance for maximum vesting. Details of the awards and targets are set out on page 99; the Executive Directors' awards are subject to a two-year holding period after vesting.

Remuneration for 2021
Executive Director salaries
The salaries of the Executive Directors have not been fundamentally reviewed since the Company's IPO in June 2014 and have not been changed since April 2018. The percentage increase in Executive Directors' salaries since the IPO is significantly lower than that of other senior managers who have been with the Group during the same period. A review has been scheduled for some time so that the resulting changes could be made to coincide with the introduction of the new Policy. Notwithstanding the challenges of the COVID-19 pandemic, the Committee considered that the review should not be further delayed. Since IPO, the scale, complexity and profile of the Group have changed significantly, as indicated below.

- Mountie numbers have increased by c.186%, and the number of back-office staff by c.156%.
- The Group has developed a truly global footprint, establishing significant local businesses in APAC and materially deepening its presence in the USA. New permanent operational bases have been opened in Leeds, Glasgow, Arlington, Austin, Charlotte, Hong Kong, Singapore and Sydney.
- The Company is now a constituent of the FTSE 250.
- The share price has increased by 292% from £2.87 on Admission to £11.24 at the end of 2020.

In reviewing the salaries, the Committee took into account these significant changes, and also the need to ensure that the salaries remain competitive. Having considered these factors and relevant market data (which illustrated the gap between our Executive Directors' salaries and current market-competitive rates), the Committee proposed the following salary increase, which will take effect from 1 April 2021. The salaries remain below lower quartile for the benchmarking group in the case of the CEO and CFO. Given the small sample size and lack of role comparability for the CCO and COO, the benchmark data is less relevant for those roles, but the proposed salaries remain around the lower quartile. The Committee's view is that the required uplift to restore the salaries to a market competitive level is too significant to achieve in a single year, and so intends to phase the increase over two years. The increases for 2021 are set out below.

	2020 salary	Salary with effect from 1 April 2021	% increase
Executive Director			
Rod Flavell (CEO)	£404,250	£460,000	13.8%
Mike McLaren (CFO)	£288,750	£325,000	12.6%
Andy Brown (CCO)	£300,300	£330,000	9.9%
Sheila Flavell (COO)	£300,300	£330,000	9.9%

We intend to implement the second stage of the phased increase in 2022, subject to continued strong performance. This increase is likely to be ahead of the increase for the wider workforce, but lower in percentage terms than the 2021 increases above. We do not expect that these increases will result in the salaries of the CEO or CFO exceeding the lower quartile of the benchmarking group.

Annual bonus

For 2021 the bonus opportunity will remain up to 120% of salary. Consistent with 2020 up to 80% of salary may be earned based on adjusted PBT, up to 20% of salary based on Mountie revenue, up to 10% of salary based on employee engagement and satisfaction, and up to 10% of salary based on the diversification of our client base. The Committee considers that the targets are commercially sensitive, and they will be disclosed in the 2021 Directors' Remuneration Report.

Approximately 16.7% of any bonus earned will be deferred into shares for two years.

PSP

The Committee proposes to grant PSP awards in 2021. The performance conditions will continue to be based on EPS and the targets will be disclosed both in the regulatory announcement when the grants are made and in the 2021 Directors' Remuneration Report. The awards will be subject to a two-year post-vesting holding period.

Although the current policy and the proposed Policy permit grants of up to 150% of salary, our practice has been to limit grants to Executive Directors to no more than 100% of salary. Our approach to PSP awards throughout FDM is to determine the size of awards by reference to a number of shares, rather than percentage of base salary. The intention for the Executive Directors' awards for 2021 is that the number of shares will have a value of around 100% of the lowest Executive Director's salary.

Feedback

We aim to be clear and transparent in our approach and we take our responsibility to shareholders seriously. We hope this report will demonstrate how we balance appropriate reward with the delivery of value to shareholders, ensuring that Executive Directors' remuneration is linked to the achievement of stretching performance measures, without encouraging the taking of unnecessary risk.

We offered each of the institutions in our top 20 shareholders the opportunity to meet with David Lister (Board Chair), Mark Heather (Company Secretary) and me to discuss the new Policy and our approach to Executive Directors' salaries and 2020 bonuses. This led to a successful series of meetings with those shareholders who took up our offer of engagement, and we reflected on comments received when finalising our remuneration proposals. We were encouraged by the level of understanding of the Group and its culture, and the feedback we received indicates that our shareholders also appreciated the discussions and found them useful. We always welcome feedback from shareholders on any aspect of our Directors' remuneration and will continue to monitor our Directors' Remuneration Policy to ensure it remains aligned to the business strategy and delivery of shareholder value.

PF Whiting

Peter Whiting
Chair of the Remuneration Committee
9 March 2021

Alignment of the new Policy with the Corporate Governance Code

Clarity: remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce **Simplicity:** remuneration structures should avoid complexity and their rationale and operation should be easy to understand	Our remuneration arrangements are clear and simple, and we fully disclose performance outturns and associated vestings in the Directors' Remuneration Report. We follow a standard UK listed company approach to Directors' remuneration with established incentive schemes that operate on a clear and consistent basis. We operate our share plans on a wide basis to broaden the scope and benefits of employee share ownership, which is fundamental to the Company's culture.
Risk: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	Malus and clawback provisions apply to all Executive Director variable remuneration, and have been formally extended within the new Policy to reflect the updated Code. The Committee has discretion to override formulaic vesting outturns in order that any risks associated with targets can be mitigated. Bonus deferral, the holding period for PSP awards and the in-employment and post-employment shareholding requirements mean that Executive Directors' interests are further aligned with the longer term interests of shareholders.
Predictability: the range of possible values of rewards to individual Directors and other limits or discretions should be identified and explained	The charts on page 111 show the amounts that may be earned under the Policy by the Executive Directors in 2021. Discretions reserved to the Committee are set out in the Policy.
Proportionality: the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance	Variable remuneration for Executive Directors is subject to the achievement of performance targets. The Committee has discretion to override formulaic outturns to ensure that poor performance is not rewarded, and delivery of a significant proportion of the variable remuneration in shares means that the overall reward is strongly aligned with the interests of shareholders. The application of strategic measures to part of the annual bonus means that overall reward is linked to the delivery of key strategic measures, in addition to financial performance.
Alignment to culture: incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy	Employee share ownership is fundamental to the Company's culture and reflected by the broad extension of our share plans within the Group's workforce. Below the main Board, a high proportion of the workforce participates in an annual bonus award. This means that the wider workforce remuneration is also aligned with overall performance, and that members of the wider workforce are also able to benefit from their contribution to the overall success of the Group. As we describe above, our approach to below Board bonuses in 2020 ensured that members of the workforce were rewarded for their contribution in this most exceptional year. We also highlight above other remuneration decisions taken by the Group in the year such as the introduction of a wage for signed-off trainees.

Annual Report on Remuneration

Audited Section

Audited section of this report comprises only the following sections:

- Single figure table
- Annual bonus for 2020
- Long-term incentives vesting in respect of 2020
- Payments to former Directors
- Payments for loss of office
- Directors' shareholding and share interests
- Performance Share Plan awards granted in 2020

Single figure table

The table below details the total remuneration receivable by each Director for the financial years ended 31 December 2020 and 31 December 2019. Where necessary, further explanation of the values provided is included in the notes to the table or the additional information that follows it in relation to the 2020 annual bonus and the long-term incentives vesting in respect of 2020.

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

Salary and fees	The total salaries and fees paid in respect of the year.
Benefits	Value of benefits received in the year, comprising private medical insurance and car allowance.
Annual bonus	The value of the bonuses earned in respect of the year.
Long-term incentives	The value of the Executive Directors' long-term incentives vesting by reference to performance in the relevant year.
Pension	The cash value of a salary supplement paid to the Executive Director in lieu of company pension contributions to the Company's defined contribution scheme. No Director participates in a defined benefit pension arrangement in respect of their service with FDM.

		Salary and fees £000	Benefits £000	Annual bonus £000	Long-term incentives £000	Pension £000	Total £000	Total fixed £000	Total variable £000
Executive Directors									
Rod Flavell	**2020**	**404.3**	**20.5**	**315.3**	**–**	**10.4**	**750.5**	**435.2**	**315.3**
	2019	404.3	20.6	201.5	165.2	10.4	802.0	435.3	366.7
Sheila Flavell	**2020**	**300.3**	**13.5**	**234.2**	**–**	**7.8**	**555.8**	**321.6**	**234.2**
	2019	300.3	13.7	149.6	165.2	7.8	636.6	321.8	314.8
Mike McLaren	**2020**	**288.7**	**15.0**	**225.2**	**–**	**7.5**	**536.4**	**311.2**	**225.2**
	2019	288.7	15.2	143.9	165.2	7.5	620.5	311.4	309.1
Andy Brown	**2020**	**300.3**	**13.7**	**234.2**	**–**	**7.8**	**556.0**	**321.8**	**234.2**
	2019	300.3	14.0	149.6	165.2	7.8	636.9	322.1	314.8
Non-Executive Directors									
David Lister[1]	**2020**	**170.0**	**–**	**–**	**–**	**–**	**170.0**	**–**	**–**
	2019	148.8	–	–	–	–	148.8	–	–
Peter Whiting	**2020**	**70.0**	**–**	**–**	**–**	**–**	**70.0**	**–**	–
	2019	70.0	–	–	–	–	70.0	–	–
Robin Taylor[3]	**2020**	**20.0**	**–**	**–**	**–**	**–**	**20.0**	**–**	**–**
	2019	60.0	–	–	–	–	60.0	–	–
Michelle Senecal de Fonseca	**2020**	**50.0**	**–**	**–**	**–**	**–**	**50.0**	**–**	**–**
	2019	50.0	–	–	–	–	50.0	–	–
Jacqueline de Rojas[2]	**2020**	**50.0**	**–**	**–**	**–**	**–**	**50.0**	**–**	**–**
	2019	12.5	–	–	–	–	12.5	–	–
Alan Kinnear[4]	**2020**	**56.7**	**–**	**–**	**–**	**–**	**56.7**	**–**	**–**
	2019	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a

1 David Lister was appointed as Non-Executive Chairman with effect from 5 March 2019.
2 Jacqueline de Rojas was appointed to the Board with effect from 1 October 2019.
3 Robin Taylor retired from the Board with effect from 29 April 2020.
4 Alan Kinnear was appointed to the Board with effect from 1 January 2020 and was appointed Chair of the Audit Committee with effect from 29 April 2020.

Annual bonus for 2020

As described in the Committee Chair's statement on page 94, each Executive Director earned a bonus of 78% of salary for 2020, out of a maximum of 120% of salary. Details of the performance against the applicable targets is set out below.

While the Remuneration Policy permits a payment of 20% of the maximum payable upon achieving a threshold level of performance, the Committee decided not to set such a target.

	Weighting	Threshold (20% of maximum payable)	Target (50% of maximum payable)	Stretch (100% of maximum payable)	Actual performance
Adjusted profit before tax	66.7% (80% of salary)	n/ a	£56.5m	£58.0m	£42.0m
Mountie revenue	16.7% (20% of salary)	n/ a	£282.2m	£286.2m	£266.7m
Employee engagement and satisfaction	8.3% (10% of salary)	2020 was the first year in which these additional metrics were used. Performance for these two elements was assessed by reference to the achievements delivered in the year relative to the measures, as described below.			
Client base diversification	8.3% (10% of salary)				

Strategic measures

The achievements in respect of the strategic measures are described below.

Strategic measure	Achievements
Employee engagement and satisfaction	Achievement in respect of this measure was based on an assessment by the Committee of a series of surveys taken throughout the year related to employee engagement, and wellbeing in the context of the COVID-19 lockdowns. These surveys, which were a core element of a major expansion to the Group's programme of employee engagement and support, gathered feedback from Mounties and internal staff about a wide range of topics which proved to be particularly important to the business in the pandemic year. These included: employees' perceptions of support from management and their connection with the business; their views on the efforts made by management to safeguard the health, safety and wellbeing of staff; and their understanding of the Group's strategy. The surveys also covered employees' views of diversity and inclusion at FDM, and asked whether they would recommend FDM to a friend as a place to work. The experience gained from the surveys has led to the development of a data dashboard which is now available to the Executive Team to help them monitor a wide range of information relating to staff. The Committee will use the relevant elements of that data to refine the focus of the bonus metrics which it sets against this strategic measure in 2021. The Executive Team also implemented Yammer, a new group-wide social engagement and collaboration platform for the Group's teams across all territories as a direct response to feedback from Mounties about how they wanted to engage with each other and subject-matter experts around the Group. The Committee noted that the surveys generated pleasing response rates which increased through the year as management made efforts to raise awareness and encourage participation. Positive scores indicated good levels of engagement and satisfaction with management's actions, particularly during the pandemic. Responses strongly reflected the Group's culture of promoting diversity and inclusion. Employees believed management communication and support during the year had been effective and they felt part of a supportive community where they could develop and feel optimistic about their future careers. A significant majority of staff gave scores of 4 or 5 out of 5 when asked whether they would recommend FDM to a friend as a place to work.

<table>
<tr><th>Strategic measure</th><th>Achievements</th></tr>
<tr><td>Client base diversification</td><td>Achievement in respect of this measure was based on the number of Mounties placed in new sectors by reference to the following performance targets.
<table>
<tr><td>Base Target</td><td>Deploy 24 Mounties into any one or more of the following four sectors: Telecoms, Retail, Pharmaceuticals and Healthcare.

A minimum of ten Mounties must have been deployed in one of the four sectors.</td></tr>
<tr><td>Stretch Target</td><td>Deploy 36 Mounties into any one or more of the four sectors referred to above, with a minimum of twelve Mounties deployed in one of the four sectors.</td></tr>
</table>
Achievement against these targets was that 91 Mounties were deployed across the four sectors, with 47 in one of the sectors; a more granular description of the outturn is not given as the Committee considers the details to be commercially sensitive.</td></tr>
<tr><td colspan="2">Having regard to the achievements in the year in respect of employee engagement and satisfaction, and that performance against the client base diversification measure significantly exceeded the stretch target, the Committee confirmed that each of these measures was satisfied in full.</td></tr>
</table>

The Committee, having reflected on the most appropriate way to recognise the Executive Directors' leadership, contribution and achievements delivered this year, decided to exercise discretion and to award an overall bonus outcome in respect of 2020 which is capped at the average outcome for those members of the wider workforce who are eligible to receive a bonus for the year. The detailed rationale behind this exercise of discretion is set out in the statement from the Committee's Chair on pages 93 and 94.

This results in a bonus outturn for the Executive Directors of 78% of salary, which is 65% of their maximum achievable bonus of 120% of salary. The amounts payable to each Director are £315,315 in the case of Rod Flavell, £234,234 in the case of Sheila Flavell, £225,225 in the case of Mike McLaren, and £234,234 in the case of Andy Brown. The full amount of each bonus will be delivered as a deferred award of shares, vesting after a deferral period of two years. The deferred share awards are not subject to any further performance condition and are subject to the terms of the Policy in relation to continued employment.

Long-term incentive awards vesting in respect of 2020

Each Executive Director was granted an award under the Company's Performance Share Plan on 1 June 2018 over 18,500 shares. Each award was subject to a performance condition based on the compound annual growth in the Company's Earnings Per Share over the performance period 2018 – 2020 in accordance with the following table. The threshold level of performance was not achieved and the awards lapsed.

Compound annual growth in EPS	Percentage of the award that will vest	Performance outcome (compound annual growth in adjusted EPS)	Vesting outcome
10% p.a.	25%		
Greater than 10% p.a. but less than 15% p.a.	Determined on a straight-line basis between 25% and 100%	-4.0%	0%
15% p.a. or greater	100%		

Payment to former Directors

During the year, no payments were made to any former Director of the Company.

Payment for loss of office

During the year, no payments were made in respect of loss of office.

Directors' shareholding and share interests

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

The interests as at 31 December 2020 (or, if earlier, the date of retirement from the Board) were as follows:

	Ordinary shares as at 31 December 2020 (or, if earlier, date of retirement from the Board) Number	Ordinary shares value as at 31 December 2020 (or, if earlier, date of retirement from the Board) £000[1]	Value (x base salary[2])
Executive Directors			
Rod Flavell	8,291,255	93,194	230.5
Sheila Flavell	8,291,254	93,194	310.3
Mike McLaren	520,728	5,853	20.3
Andy Brown	4,540,801	51,039	170.0
Non-Executive Directors			
David Lister	–	–	–
Peter Whiting	10,453	117	1.7
Michelle Senecal de Fonseca	5,523	62	1.2
Alan Kinnear	–	–	–
Jacqueline de Rojas	–	–	–
Robin Taylor	5,226	40	2.0

1 Calculated based on the closing share price of 1,124 pence on 31 December 2020 (or, if earlier, date of retirement from the Board).
2 Calculated on base salary and fees at 31 December 2020 (or, if earlier, date of retirement from the Board).

There have been no changes in the Directors' holdings in the share capital of the Company between 31 December 2020 and the date the financial statements were approved.

Each Executive Director also holds awards under the Company's PSP as set out below. Each Executive Director holds the same awards.

Date of award	Number at 1 January 2020	Granted in 2020	Lapsed in 2020	Exercised in 2020	Number at 31 December 2020	Status
19 April 2017	20,000	–	–	20,000	–	Exercised
1 June 2018[1]	18,500	–	–	–	18,500	Lapsed[2]
17 April 2019	29,000	–	–	–	29,000	Unvested
30 December 2020[3]	–	29,000	–	–	29,000	Unvested

1 Each award granted in 2018 was granted as an "Approved PSP" award to take account of potential tax advantages for the participant and Company. Each award consisted of a PSP award over 15,562 shares, a tax qualifying option over 2,938 shares with an exercise price of £10.21 per share and a "Linked Award" which is principally to fund the exercise price of the option. As the Linked Award was principally to fund the exercise price of the tax qualifying option, each award was equivalent to a PSP award over 18,500 shares.
2 The awards granted in 2018 lapsed on 9 March 2021.
3 The details of the awards granted in 2020 are set out below.

Performance Share Plan awards granted in 2020

Each Executive Director was granted an award under the Company's PSP on 30 December 2020 as set out below.

Award	Number of shares	Exercise price per share	Face value of award
PSP award	29,000	£0.01	£288,347

The face value of the award is calculated by multiplying the number of shares subject to the PSP award (29,000) by £9.943 being the average share price over the three business days preceding approval of the awards by the Committee on 15 December. The awards are subject to a two-year post-vesting holding period.

The awards will vest based on adjusted[1] EPS in the final financial year of the three-year performance period (namely 2020, 2021 and 2022), in line with the following schedule:

Adjusted[1] EPS in the final financial year of the performance period	Percentage of the award that will vest
33.7 pence	25%
Greater than 33.7 pence but less than 35.0 pence	Determined on a straight-line basis between 25% and 100%
35.0 pence or more than 35.0 pence	100%

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

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

Approach to Directors' remuneration for 2021

Base salary and fees

With effect from 1 April 2021, Executive Director salaries will be increased as described in the Chair of the Committee's statement on pages 94 and 95.

We reported in the 2019 Directors' Remuneration Report that the Non-Executive Directors' fees (with the exception of the Chairman's fee) were under review and that any increase was expected to take place during the course of 2020. Given the refocus of the Board's attention onto business and operational matters arising from the COVID-19 pandemic, that review was not completed during 2020 and no changes to Non-Executive Directors' fees were made. The review has now resumed and is expected to be completed in the near future, with any changes expected to be implemented during 2021.

In 2021, as reported in the 2019 Directors' Remuneration Report, a review of the Chairman's fee will also be completed.

Annual bonus for 2021

The maximum annual bonus opportunity for all Executive Directors for 2021 is 120% of salary, as set out in the statement from the Chair of the Committee on page 95. Information in relation to the performance measures, weightings and approach to deferral is also set out in that statement.

Long-term incentives for 2021

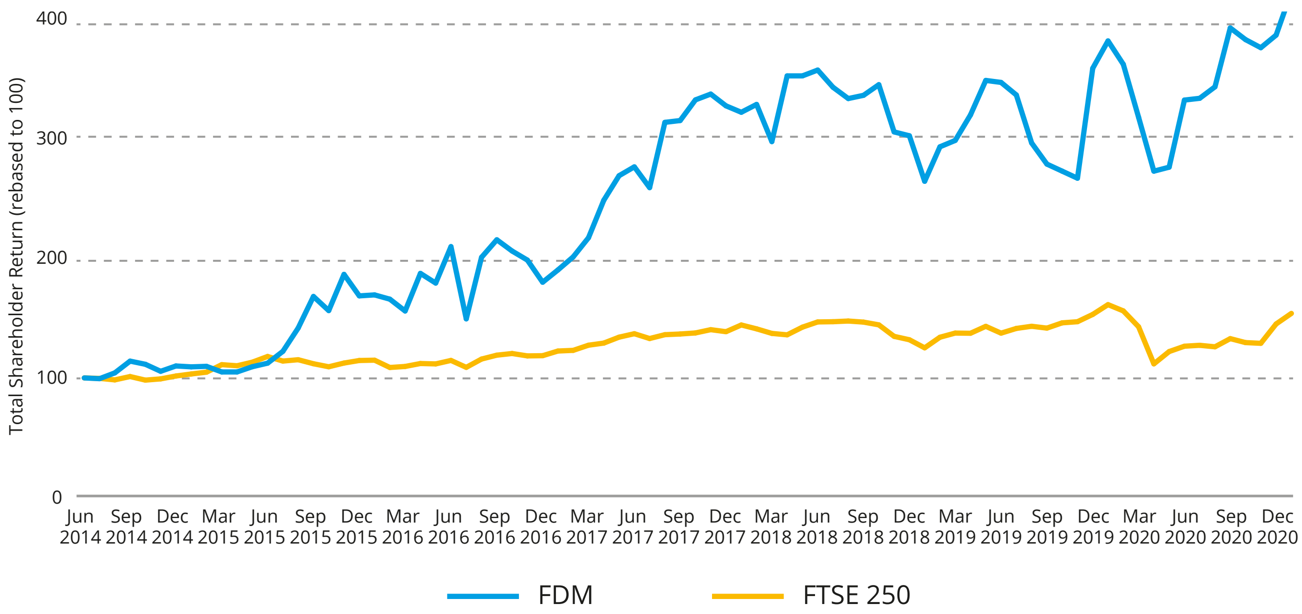
The Committee proposes to grant awards under the PSP in respect of 2021, as discussed in the statement from the Committee Chair. As discussed in that statement the awards will be granted later in 2021 and the performance targets, which will be based on EPS, will be set at that time and disclosed in the regulatory announcement.

In line with the new Policy, the Committee will have discretion to reduce the formulaic vesting outturn including in circumstances where it does not reflect overall performance or is not considered appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant.

The awards will be subject to a two-year post-vesting "holding period" in line with the previous awards and the new Policy.

Performance graph and historical Chief Executive Officer remuneration outcomes

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



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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total remuneration (£000)	639.2	686.2	547.7	658.5	668.1	764.5	1,134.1	995.0	802.0	750.5
Annual bonus as a % of maximum opportunity	100%	100%	68%	55%	82%	100%	80%	58%	50%	65%
Long-term incentives as a % of maximum opportunity	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a	100%	100%	100%	0%

Change in Directors' remuneration in relation to the wider workforce

The table below shows the percentage change in each Director's salary/ fees, benefits and annual bonus between the financial years 2019 and 2020. Alan Kinnear has been excluded from the table as he was appointed to the Board during 2020.

The applicable regulations require us to show the average change in the same elements of remuneration for the employees of FDM Group (Holdings) plc on a full-time equivalent ("FTE") basis. FDM Group (Holdings) plc has no employees other than the Directors. Accordingly, in order to provide a meaningful comparison we have shown the change based on a wider workforce comparator group which, consistent with previous years, includes all UK employees other than Mounties.

	Wider workforce	Rod Flavell	Sheila Flavell	Mike McLaren	Andy Brown	David Lister[1]	Peter Whiting	Michelle Senecal de Fonseca	Jacqueline de Rojas	Alan Kinnear	Robin Taylor[2]
Salary/ fees	7.5%	0%	0%	0%	0%	14.2%	0%	0%	0%	0%	0%
Taxable benefits	3.5%	-0.5%	-1.5%	-1.3%	-2.1%	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a
Annual bonus	-6.8%	56.5%	56.6%	56.5%	56.6%	n/ a	n/ a	n/ a	n/ a	n/ a	n/ a

1 David Lister was appointed Chairman on 5 March 2019.
2 Robin Taylor retired from the Board in 2020. In order to provide a meaningful comparison, his remuneration for 2020 has been annualised.

CEO pay ratio

The following table sets out the ratio of the CEO's total remuneration in respect of the 2020 financial year (taken from the single figure table on page 97) to the 25th percentile, 50th percentile (i.e. the median) and the 75th percentile FTE of the Company's UK employees. In line with the applicable regulations, the corresponding ratios for 2018 and 2019 are also included. For consistency with the "change in CEO remuneration in relation to the wider workforce" disclosure, the table below also provides the same ratio in respect of the Company's UK FTE employees excluding Mounties. As outlined above, this reflects the fact that Mounties' remuneration is not subject to the same annual review process as the rest of the UK workforce.

Year	Method	25th percentile pay ratio		Median pay ratio		75th percentile pay ratio	
		Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties
2018	Option A	43:1	36:1	40:1	23:1	31:1	14:1
2019	Option A	32:1	27:1	29:1	19:1	21:1	13:1
2020	Option A	28:1	29:1	22:1	19:1	17:1	14:1

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

In line with the applicable regulations, we have set out below for the same employee percentiles (and for the CEO) their total remuneration in respect of 2018, 2019 and 2020 and the salary component of that remuneration.

Year	CEO total remuneration (salary component of total remuneration)	25th percentile employee total remuneration (salary component of total remuneration)		Median employee total remuneration (salary component of total remuneration)		75th percentile employee total remuneration (salary component of total remuneration)	
		Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties	Including Mounties	Excluding Mounties
2018	£995,000 (£395,100)	£23,015 (£19,500)	£27,627 (£25,838)	£24,722 (£19,500)	£43,596 (£41,349)	£32,157 (£23,902)	£72,100 (£48,500)
2019	£801,968 (£404,250)	£24,911 (£20,000)	£29,682 (£24,982)	£27,339 (£20,000)	£42,150 (£36,000)	£37,305 (£20,000)	£63,498 (£55,000)
2019	£750,509 (£404,250)	£27,210 (£24,750)	£26,037 (£25,638)	£34,775 (£20,000)	£39,089 (£25,000)	£44,483 (£49,115)	£53,280 (£53,280)

The changes in the 2020 pay ratios relative to the 2019 pay ratios are attributable to a change in the remuneration of the CEO and changes in the pay and benefits of the UK employees taken as a whole. These changes include a significant increase in the proportion of Mounties who had completed their first two years with FDM. These Mounties have a higher total remuneration which reflects their increased level of experience.

Spend on pay

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

	Year ended 31 December 2019 £000	Year ended 31 December 2020 £000	Percentage change
Total dividends paid[1]	34,113	34,230	+0.3%
Overall expenditure on pay to employees	185,813	195,055	+5.0%

1 The dividends for the year ended 31 December 2020 consists of the first interim dividend in respect of 2020 of 18.5 pence per share paid on 4 September 2020 and the second interim dividend in respect of 2020 of 13.0 pence per share which was paid on 26 February 2021.

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

The Company's Directors' Remuneration Policy was approved at the AGM held on 26 April 2018. The Company's 2018 Directors' Remuneration Report was approved at the AGM held on 16 June 2020. The results of the votes are set out below:

Resolution	Votes for	% of votes for	Votes against	% of votes against	Votes withheld
Approve the Directors' Remuneration Policy (2018 AGM)	88,367,484	97.89%	1,905,746	2.11%	0
Approve the Directors' Remuneration Report (2020 AGM)	91,432,157	98.93%	992,671	1.07%	4,671,847

Advisors

During the financial year, the Committee received independent advice from Deloitte LLP ("Deloitte"), which was appointed by the Committee, in relation to the Committee's consideration of matters relating to Directors' remuneration. Deloitte was appointed in 2014 following a formal tender process. Fees for advice provided to the Remuneration Committee during the year were £19,450. Fees were charged on a time and disbursements basis.

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

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

The Chairman, Chief Executive Officer and other members of the executive management attend the Committee by invitation to provide input, but no Executive Director or other member of management is present when his or her own remuneration is discussed. Details of individual attendances by Directors at the Remuneration Committee meetings during 2020 are set out on page 66.

Directors' Remuneration Policy

This part of the Report sets out the Company's Company Directors' Remuneration Policy, which, subject to shareholder approval at the 2021 Annual General Meeting, shall take binding effect from the close of that meeting.

The Company's Directors' Remuneration Policy was most recently approved at the 2018 Annual General Meeting and has applied since the date of that meeting. The new Directors' Remuneration Policy does not make significant changes to the overall structure of the remuneration package, and continues to reflect our reward strategy of providing competitive remuneration packages that promote the long-term success of the Company. The changes which are now proposed to the Remuneration Policy which was approved at the 2018 Annual General Meeting are described in the Statement from the Chairman of the Remuneration Committee on pages 91 to 92.

Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base Salary			
Core element of fixed remuneration to reflect the individual's role and experience as part of a broadly market competitive total remuneration package, to enable the Group to recruit and maintain the required skills and expertise to enable it to achieve its strategy.	Salary levels are determined taking into account a range of factors, which may include (but are not limited to): • Underlying Group performance; • The size and scope of the Executive Director's role and responsibilities; • The Executive Director's skill, experience and performance; • Salary levels for equivalent roles at other listed companies of a similar size and/ or complexity to the Group; and • Pay and conditions elsewhere in the Group.	Whilst there is no maximum salary level, salary increases will normally be within the range of increases awarded to the wider workforce in percentage of salary terms. Salary increases above this level may be awarded in appropriate circumstances including but not limited to: • Where an Executive Director has been promoted or has had a change in scope or responsibility; • To reflect an individual's development or performance in role (e.g. a newly appointed Executive Director being moved to align with the market over time); or • Where there has been a change in the size and/ or complexity of the business. Such increases may be implemented over such time period as the Committee deems appropriate.	Not applicable.
Benefits			
To provide benefits as part of a broadly market competitive total remuneration.	Executive Directors receive benefits set at an appropriate level taking into account total remuneration, market practice, the benefits provided to other employees in the Group and individual circumstances. Benefits provided currently include car allowances and private health insurance. Other benefits may be provided based on individual circumstances. These may include, for example, relocation expenses and expatriate allowances.	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role, the level of benefits provided for other employees in the Group and individual circumstances.	Not applicable.
Retirement benefits			
To provide an appropriate level of retirement benefit (or cash allowance equivalent) as part of a broadly market competitive total remuneration package.	Executive Directors are eligible to participate in the Company's defined contribution scheme. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may take a taxable cash supplement instead of contributions to a pension plan.	Company pension contribution (or cash allowance equivalent) not exceeding the contribution available to the majority of the workforce (currently 4%).	Not applicable.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus			
Rewards Executive Directors for achieving financial, strategic and/ or individual targets in the relevant year, to provide an incentive for achieving the Group's strategy.	Performance measures and targets are reviewed annually and pay-out levels are determined by the Committee after the year end based on performance against the targets. The Committee has discretion to amend the pay-out including in circumstances where any formulaic outcome does not reflect the Committee's assessment of overall performance or is not considered appropriate in the context of circumstances that were unexpected or unforeseen at the start of the relevant year. Ordinarily, up to 33% of the bonus earned will be deferred into an award of shares, which shall be released following the end of a two year deferral period. The Committee may require, or permit the deferral of higher levels of bonus. The Committee may pay the whole of any bonus earned in cash where the deferred amount would otherwise be below £10,000. Deferred bonus awards may take the form of a nil or nominal cost option to acquire the relevant shares following release, or as a requirement to invest the after tax portion of the bonus into shares which must be retained until release. The Committee may award dividend equivalents on deferred amounts to reflect dividends that would have been paid on the deferred award shares over the period to their release; these dividend equivalents may be paid in cash or shares and may assume the reinvestment of dividends into Company shares on such basis as the Committee determines. **Recovery** Recovery provisions apply as summarised below the table.	Maximum bonus opportunity for Executive Directors is 150% of base salary, although for 2021 the opportunity will be limited to 120% of base salary.	Performance measures and targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/ or individual targets. Subject to the Committee's discretion to override formulaic outturns, pay-out of up to 20% of maximum for threshold performance (the minimum level of performance resulting in any payment), 50% of maximum for on-target performance and full pay-out for stretch performance. There is ordinarily straight-line vesting between each of the points. At least 50% of the bonus will be assessed against key financial performance measures which may include revenue, pre-tax profit or other key financial performance metrics of the Company. Any balance of the bonus may be assessed against non-financial strategic measures and/ or individual performance.
Buy As You Earn ("BAYE") Plan			
To create staff alignment with the Group and encourage share ownership.	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. For example, if 900 shares are purchased by a participant in respect of 2021, they will receive an additional 300 Matching Shares following the end of each of 2022, 2024 and 2026 (giving a total of 900 Matching Shares against the 900 shares purchased in 2021). **Recovery** Recovery provisions apply to Matching Shares as summarised below the table.	Maximum value of Purchased Shares that may be acquired in respect of any year is £12,000. The maximum ratio of Matching Shares to Purchased Shares is as described in the "Operation" column.	Not subject to performance measures in line with typical market practice.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan ("PSP")			
To incentivise Executive Directors over the longer term, and to deliver performance-related pay, with a clear line of sight for Executives and direct alignment with shareholders' interests.	Awards under the PSP will typically be granted as a conditional award or the grant of a nil or nominal cost option, in either case vesting subject to the achievement of specified performance conditions, over a period of at least three years. The Committee has discretion to reduce the formulaic vesting outturn including in circumstances where the formulaic outcome does not reflect the Committee's assessment of overall performance or is not considered appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. Awards are granted subject to a holding period of two years beginning on the vesting date either on the basis that they will not ordinarily be released (so that the participant is entitled to acquire the shares) until the end of that period or on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance condition but that (other than as regards sales to cover tax liabilities) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period. The Committee may at its discretion structure awards as APSP awards comprising both an HMRC tax-favoured option granted under the Company Share Option Plan (CSOP) and a PSP award. APSP awards enable an Executive Director and the Company to benefit from HMRC tax-favoured option treatment in respect of part of the award without increasing the pre-tax value delivered to participants. APSP awards would be structured as either: (1) a tax-favoured option and a PSP award, with the vesting of the PSP award scaled back to take account of any gain made on exercise of the tax-favoured option; or (2) a tax favoured option, PSP award over a reduced number of shares and separate PSP award which is to fund the exercise price of the tax-favoured option. Other than to enable the grant of APSP awards, the Company will not grant awards to Executive Directors under the CSOP. **Recovery** Recovery provisions apply as summarised below the table.	The usual maximum award level under the PSP in respect of any financial year for Executive Directors is awards over shares with a value of 150% of salary. The Committee has discretion to grant awards under the PSP in respect of any financial year for Executive Directors up to a maximum of 200% of salary. The Committee may at its discretion structure awards as Approved Performance Share Plan ("APSP") awards as described in the "Operation" column. Reflecting the interaction between the tax-favoured option and the PSP award, the shares subject to the tax-favoured option are not taken into account when assessing these limits in order to avoid double counting.	Performance will be assessed against challenging performance targets. Performance will be based typically on financial measures including, but not limited to, EPS growth. Awards (other than, in accordance with the requirements of the applicable tax legislation, any tax-favoured option granted as part of an APSP award) will also be subject to a financial underpin such that PSP awards will only vest if the Committee is satisfied with the overall performance of the Company. Performance measures (and their weighting where there is more than one measure) are reviewed annually to maintain appropriateness and relevance. For threshold performance up to 25% of the award will vest, rising to 100% of the award vesting for maximum performance, typically with straight-line vesting in between. Below threshold performance, the award will not vest. Where a tax-favoured option is granted as part of an APSP award, the same performance conditions will apply to the tax-favoured option as apply to the PSP award.

Information supporting the policy table

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

The annual bonus can be assessed against financial, strategic and/ or individual targets determined by the Committee with at least 50% subject to key financial targets. The Committee considers financial measures like profit before tax and revenue to be important performance metrics because they encourage behaviours that facilitate profitable growth and the successful future strategic development of the business. Strategic measures will be aligned to the Company's strategy in order that Executive Directors are appropriately rewarded for taking decisions which reflect the overall direction of the Group.

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

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

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

At the discretion of the Committee, awards under the PSP, BAYE and deferred bonus plan may be settled in cash (or granted as a cash award over a notional number of shares). However, the Committee would only settle or grant an Executive Director's award in cash where the particular circumstances made that appropriate – for example in the event of a regulatory restriction on the delivery of shares, or in respect of the tax arising on the vesting or release of the award.

Shareholding guidelines
To align the interests of Executive Directors with those of shareholders, the Committee has adopted shareholding guidelines which apply in employment and after cessation of employment.

In employment
Executive Directors are required to retain half of any shares acquired under the PSP and any deferred bonus award (after sales to cover tax) until such time as their holding has a value equal to 200% of salary.

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

After cessation of employment
Shares are subject to this requirement only if they are acquired from share plan awards (PSP, BAYE Matching Shares and deferred bonuses) granted after 1 January 2020. The Executive Director must retain: (a) until the audit sign-off of the financial statements for the year in which they leave the business, such of those shares as are subject to this requirement as have a value equal to the in-employment guideline; and (b) until the audit sign-off of the financial statements for the following year, such of those shares as have a value equal to 50% of the in-employment guideline, or in either case and if fewer, all of those shares. The vesting of relevant share awards granted from 1 January 2020 onwards will be conditional upon the Executive Director agreeing to the shares being held in a nominee arrangement to enable the effective monitoring and implementation of this policy.

Recovery

Annual bonus

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

PSP and BAYE

At the discretion of the Committee, unvested PSP awards and unvested BAYE matching awards may be reduced, cancelled or have further conditions imposed in certain circumstances including (but not limited to):

- A material misstatement of the Company's audited financial results;
- A material failure of risk management by the Company or any subsidiary company within the Group;
- A material miscalculation of any performance measure;
- Serious reputational damage; or
- Material corporate failure.

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

Early vesting of awards

PSP

In the event of a change of control of the Company or other relevant corporate event (such as a demerger, delisting, special dividend or other event which may affect the value of an award), unvested awards under the PSP may vest in accordance with the rules of the PSP and vested but unreleased awards will be released. The Committee shall determine the extent to which an unvested award vests taking into account the extent to which the relevant performance condition has been satisfied; such vesting would ordinarily be on a time pro rata basis although the Committee has discretion not to apply time prorating.

Deferred bonus plan

In the event of a change of control of the Company or other relevant corporate event (such as a demerger, delisting, special dividend or other event which may affect the value of an award), deferred bonus awards will vest in full.

BAYE awards

In the event of change of control of the Company or other relevant corporate event (such as a demerger, delisting, special dividend or other event which may affect the value of an award), Matching Shares related to Purchased Shares acquired in respect of a completed year will vest. Other Matching Shares will lapse, unless the Committee determines otherwise.

Cessation of employment

The treatment of PSP awards, deferred bonus awards and BAYE awards on cessation of employment is described on pages 113 to 114.

Non-Executive Directors

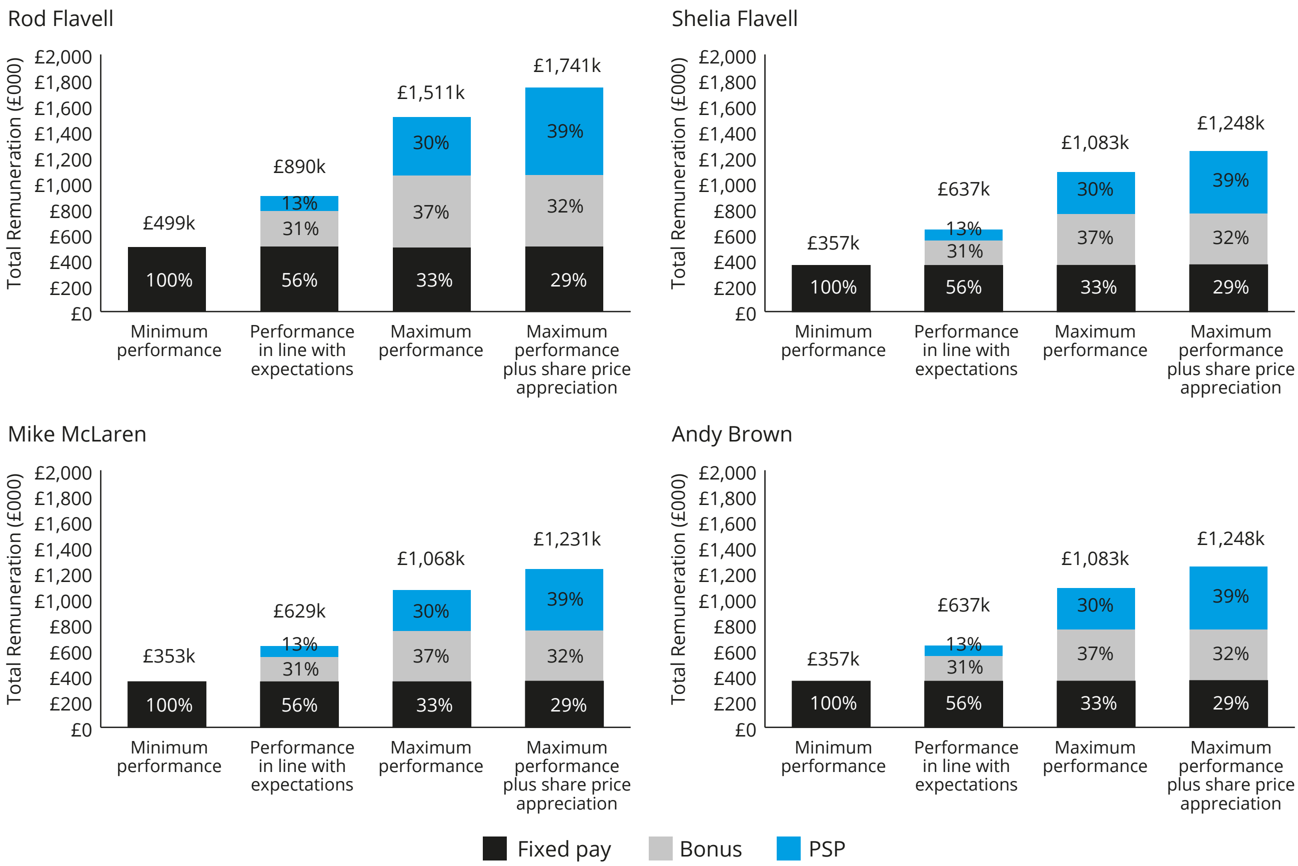
Purpose and link to strategy	Operation	Other items
To enable the Company to attract and retain Non-Executive Directors of the required calibre by offering market competitive rates.	The Chairman is paid a basic Chairman fee and additional fees for chairmanship of any Board committees. Non-Executive Directors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

Illustration of the application of remuneration policy

The following charts set out for each Executive Director an illustration of the application for 2021 of the remuneration policy set out above. The charts show the split of remuneration between fixed pay (base salary, taxable benefits and pension), annual bonus and PSP on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations, maximum remuneration, and maximum remuneration assuming a 50% increase in the share price in the case of the PSP. Having regard to FDM's approach to the determination of the number of shares subject to PSP awards as discussed on page 95, these charts assume, for simplicity, a grant of 100% of salary. No dividends or dividend equivalents are taken into account in the calculations of the values in the charts. The BAYE is not taken into account for the purposes of these illustrations as the level of benefit will depend upon the Executive Director's decision as to the acquisition of Purchased Shares.

In illustrating the potential reward, the following assumptions have been made:

<table>
<tr><th></th><th>Fixed pay</th><th>Annual bonus</th><th>PSP</th></tr>
<tr><td>Minimum performance
Performance below plan approved by the Board.</td><td rowspan="4">Fixed elements of remuneration only:
• Base salary applying from 1 April 2021, as referred to on pages 94 and 95;
• Taxable benefits as disclosed in the single figure table on page 97 for the year ended 31 December 2020; and
• Pension assuming an employer contribution of 4% of salary.</td><td>No bonus</td><td>No PSP vesting</td></tr>
<tr><td>Performance in line with expectations
Performance in line with plan approved by the Board.</td><td>50% of maximum awarded (equivalent to 60% of salary)</td><td>25% of maximum awarded (equivalent to 25% of salary)</td></tr>
<tr><td>Maximum performance
Performance meets stretch target approved by the Board.</td><td>100% of maximum awarded (equivalent to 120% of salary)</td><td>100% of maximum awarded (equivalent to 100% of salary)</td></tr>
<tr><td>Maximum performance plus share price appreciation
Performance meets stretch target approved by the Board and for the purposes of the PSP element there is an assumed 50% increase in the share price.</td><td>100% of maximum awarded (equivalent to 120% of salary)</td><td>100% of maximum awarded (equivalent to 100% of salary) and an assumed 50% increase in the share price to vesting</td></tr>
</table>



Policy for the remuneration of employees more generally

The Group aims to provide a remuneration package that is competitive in an employee's country of employment and which is appropriate to promote the long-term success of the Group. The Group intends to apply this policy fairly and consistently and does not intend to pay more than is necessary to attract and motivate staff. In respect of Executive Directors, a greater proportion of the remuneration package is "at risk" and determined by reference to performance conditions. Executive Directors and other employees are eligible to participate in the BAYE on the same basis.

Approach to recruitment remuneration

When hiring a new Executive Director, the Committee will seek to align the remuneration package with the above policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate and necessary to recruit and retain the individual. However, this discretion is capped and is subject to the limits referred to below:

- Base salary will be set at a level appropriate to the role and the experience of the Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/ or responsibilities, subject to good performance, where it is considered appropriate;
- Benefits and pension will only be provided in line with the above policy;
- The Committee will not offer non-performance related incentive payments (for example a "guaranteed sign-on bonus" or "golden hello"), although a newly appointed Executive Director will be eligible to participate in the BAYE on the same basis as other Executive Directors and employees;
- Other elements may be included in the following circumstances:
    - An interim appointment being made to fill an Executive Director role on a short-term basis;
    - If exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
    - If an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; or
    - If the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee;

- The Committee may also alter the performance measures, performance period, vesting period and holding period of the annual bonus or PSP and the proportion of any annual bonus that must be deferred, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale of any such alterations will be clearly explained in the next Directors' Remuneration Report; and
- The maximum level of variable remuneration which may be granted (excluding buyout awards as referred to below) is 350% of salary, in line with the Policy table set out on pages 105 to 107, plus any participation in the BAYE in line with the Policy table.

The Committee may make payments or awards in respect of hiring an employee to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested or been paid. The Committee will generally seek to structure buyout awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. Buyout awards will ordinarily be granted on the basis that they are subject to forfeiture or 'clawback' in the event of departure within twelve months of joining the Company, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary and subject to the limits referred to above, recruitment awards may be granted outside of these plans.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their terms.

Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the policy in place at the time of appointment.

Letters of appointment for the Directors are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office.

Service contracts

FDM's policy is that Executive Directors' service agreements should have a notice period of up to 12 months, and each Executive Director has a service contract which may be terminated by the Company or Director by giving twelve months' notice. Each Non-Executive Director has a letter of appointment with the Company which may be terminated by the Company or Director by giving three months' notice.

Details of the Directors' service contracts (or letter of appointment in the case of a Non-Executive Director), notice periods and, where applicable, expiry dates are set out below:

Name	Commencement	Expiry	Notice period
Rod Flavell	20 June 2014	–	12 months
Sheila Flavell	20 June 2014	–	12 months
Mike McLaren	20 June 2014	–	12 months
Andy Brown	20 June 2014	–	12 months
Peter Whiting	20 June 2014	–	3 months
Michelle Senecal de Fonseca	15 January 2016	–	3 months
David Lister	9 March 2016	–	3 months
Jacqueline de Rojas	1 October 2019	–	3 months
Alan Kinnear	1 January 2020	–	3 months

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

Payment in lieu of notice

Each Executive Director's service contract contains provision for payment in lieu of notice at the discretion of the Company. Such payment would consist of basic salary plus pension and benefits only for the notice period (or the balance of the notice period if relevant) together with any accrued but untaken holiday pay entitlement. Alternatively, benefits may continue to be provided for the duration of the notice period that would otherwise have applied.

Annual bonus

This will be at the discretion of the Committee on an individual basis and the decision as to whether or not to award a bonus in full or in part will be dependent on a number of factors, including the circumstances of the individual's departure and their contribution to the business during the bonus period in question. Any bonus amounts paid will be prorated for time in service during the bonus period and will be paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances). Where bonus deferral would otherwise apply, the Committee may permit the payment of the whole bonus for the year of departure and previous year in cash.

Deferred bonus awards will continue (other than in the case of summary dismissal, or resignation to join or establish a competing business in which case they will lapse/ be forfeited) and will typically be released at the ordinary release date, although the Committee retains discretion to release the award at cessation or at some other date prior to the ordinary release date; release would be of the full award, unless the Committee decided to apply a time-based reduction to reflect the proportion of the deferral period served.

PSP

The extent to which any unvested award will vest and be released will be determined in accordance with the rules of the PSP. Unvested awards will normally lapse on cessation of employment. However, the Committee may, in its absolute discretion, determine that on cessation of employment an award that has not yet vested will vest and be released at cessation or at the normal release date (or at some other time between those dates). In either case, the extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation as a proportion of the vesting period. Awards may then be exercised during such period as the Committee determines.

If an award has vested but not been released (i.e. if it is in a holding period), that award will:

- lapse/ be forfeited if cessation is due to summary dismissal; and
- be released at the ordinary release date if cessation is for any other reason.

The Committee retains discretion to release the award at cessation or at some other date prior to the ordinary release date. Awards will be released to the extent they vested by reference to the performance conditions.

If an award has vested and, where relevant, been released prior to an individual's cessation of employment, the Committee may, in its absolute discretion, allow the award to be exercised for such period as the Committee determines.

BAYE

If a participant leaves due to death, ill-health, disability or any other reason at the Committee's discretion, Matching Shares related to Purchased Shares acquired in respect of a completed year will vest at the originally anticipated vesting date, unless the Committee decides that they should vest at the date of cessation or some other time. Other Matching Shares will lapse, unless the Committee determines otherwise. Purchased Shares are not forfeit on cessation of employment for any reason.

Other payments

In appropriate circumstances, payments may also be made in respect of outplacement and legal/ other professional advisor fees. Where a buyout award is made, the leaver provisions would be determined at the time of the award. The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Existing contractual arrangements
The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report:

- Where the terms of the payment were agreed before the policy came into effect, provided that, in the case of a payment agreed after 30 April 2015 it is consistent with the Directors' Remuneration Policy applying at the date it was agreed;
- Where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company (or other person to whom the policy applies) and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company (or other such person);
- Under legacy remuneration arrangements.

For these purposes, "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Statement of consideration of employment conditions elsewhere in the Company
The Committee generally considers pay and employment conditions elsewhere in the Company when considering the Directors' remuneration. When considering base salary increases, the Committee reviews overall levels of base pay increases offered to other employees. Employees are not actively consulted on Directors' remuneration. Employee share ownership is fundamental to the Company's culture and is reflected in the wide participation in our share incentive plans.

Statement of consideration of shareholder views
The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on the Directors' remuneration. The Committee consulted with the Company's largest shareholders in respect of the development of this Policy (as referred to in further detail on page 95).

Approval
This Report was approved by the Board on 9 March 2020 and signed on its behalf by:

PF Whiting

Peter Whiting
Chair of the Remuneration Committee
9 March 2021

Directors' Report

The Directors present the Directors' Report and audited Consolidated Financial Statements of FDM Group (Holdings) plc for the year ended 31 December 2020.

Principal activities, business review and future developments

The Group is a global professional services provider with a focus on Information Technology. The Group's principal business activities involve recruiting, training and deploying its own permanent IT and business consultants to clients, either on site or remotely. The Strategic Report on pages 2 to 55 provides a review of the Group's performance during the financial year as well as its future prospects.

Results and dividends

The Group reported a profit after tax for the year of £30.8 million (2019: £40.6 million). Results for the year are set out in the Consolidated Income Statement on page 130.

The Directors propose a final dividend of 15 pence per share for the year to 31 December 2020. Subject to shareholder approval, this dividend will be paid on 4 June 2021 to shareholders of record on 14 May 2021. An interim dividend of 18.5 pence per share was declared by the Directors on 28 July 2020 and was paid on 4 September 2020 to holders of record on 7 August 2020. The Board declared a second interim dividend of 13.0 pence per ordinary share on 27 January 2021, which was paid to shareholders on 26 February 2021 on the register on 5 February 2021.

Directors

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

David Lister	Non-Executive Chairman
Roderick Flavell	Chief Executive Officer
Sheila Flavell	Chief Operating Officer
Michael McLaren	Chief Financial Officer
Andrew Brown	Chief Commercial Officer
Peter Whiting	Non-Executive Director
Robin Taylor	Non-Executive Director (resigned 29 April 2020)
Michelle Senecal de Fonseca	Non-Executive Director
Jacqueline de Rojas	Non-Executive Director
Alan Kinnear	Non-Executive Director (appointed 1 January 2020)

The biographies of the currently serving Directors are provided on pages 59 to 61.

Director share interests

Details of the interests of Directors in the shares of the Company are provided on page 100.

Director long-term incentive schemes

For the purposes of the UK Listing Authority Listing Rules section 9.8.4C R, details of the Group's long-term incentive schemes are disclosed in the Remuneration Report starting on page 90. All other information required to be disclosed by Listing Rule section 9.8.4 R is not applicable for the year under review.

Directors' indemnity and liability insurance

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

Risk management objectives and policies

The Group through its operations is exposed to a number of risks. Details of the Group's financial risk management objectives and policies are set out in note 28 to the Consolidated Financial Statements. The principal risks that the Group faces are set out on pages 30 to 37 of the Strategic Report.

Controls in place over consolidation of financial results

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

Corporate governance

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

Branches outside the UK

The Group operates branches in France, Denmark and Spain.

Substantial shareholders

As at 31 December 2020 and as at 4 March 2021, the Company had been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests (whether directly or indirectly held) in 3% or more of its voting rights:

		As at 31 December 2020		As at 4 March 2021	
Substantial shareholder	Direct/ indirect interest	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Rod Flavell	Direct	8,291,255	7.6%	8,291,255	7.6%
Sheila Flavell	Direct	8,291,254	7.6%	8,291,254	7.6%
Standard Life Investments	Indirect	6,519,230	6.0%	6,519,230	6.0%
Artemis Investment Management	Indirect	5,491,747	5.0%	5,491,747	5.0%
Baillie Gifford & Co	Indirect	5,461,105	5.0%	5,461,105	5.0%
Majedie Asset Management	Indirect	5,435,803	5.0%	5,435,803	5.0%
Ameriprise Financial, Inc. and its group	Direct and indirect	5,314,856	4.9%	5,314,856	4.9%
BlackRock	Indirect	5,210,213	4.8%	5,210,213	4.8%
Andy Brown	Direct	4,540,801	4.2%	4,540,801	4.2%
Kayne Anderson Rudnick Investment Management, LLC	Direct	3,314,175	3.0%	3,314,175	3.0%

Political donations
The Group made no political donations in the year (2019: £nil).

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

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

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

UK Streamlined Energy and Carbon Reporting ("SECR")
In accordance with SECR requirements, a summary of UK and worldwide energy consumption and emissions for 2020 and 2019 is presented on page 51. Details of the Group's compliance with legislation relating to greenhouse gas emissions reporting are set out on pages 49 to 50 and in the Corporate Responsibility report.

Employee engagement
How the Directors have engaged with employees and have regard to their interests are detailed on pages 68 and 69.

We use a number of methods to consult our employees regularly so that their views can be taken into account in making decisions that are likely to affect their interests, and we encourage our staff to become involved in FDM Group's performance through our discretionary Performance Share Plan and our all-employee Buy As You Earn share plan. Further information on these initiatives to engage with our employees is set out on page 44 of the Corporate Responsibility report.

Engagement with other stakeholders
Information on the Directors' engagement with other stakeholders can be found on pages 67 to 70.

Employee information
Information on the Group's employee policies is included on pages 45 and 47 in the Corporate Responsibility report. Information on the Group's policies in respect of persons that become disabled during their employment, and the training, career development and promotion of disabled persons, is set out on page 45 in the Corporate Responsibility report.

Capital structure
The Group's capital structure is detailed in note 22 to the Consolidated Financial Statements. During 2020 the number of ordinary shares in issue increased from 109,186,739 at 1 January 2020 to 109,191,669 at 31 December 2020.

Investment in own shares
During the AGM held on 25 April 2020, the shareholders approved that up to 10% of the Company's shares could be purchased by the Company and held as own shares, renewing the authority agreed on 26 April 2019. The authority expires at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at 23:59 on 31 May 2021.

During 2020, the FDM Group Employee Benefit Trust was established to purchase shares sold by option holders upon exercise of options under the FDM Performance Share Plan. The Group accounts for its own shares held by the Trustee of the FDM Group Employee Benefit Trust as a deduction from shareholders' funds.

Change of control
The Group has agreements in place with certain of its banking customers that give the bank the right to terminate the contract on a change of control following a takeover bid for the Group.

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

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

Post balance sheet events
Details of post balance sheet events are included in note 29 of the Consolidated Financial Statements.

Related party transactions
The Group's related party transactions are detailed in note 27 to the Consolidated Financial Statements.

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

Statement of Directors' responsibilities in respect of the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by European Union 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 Group and Company will continue in business.

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

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

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

Directors' confirmations

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

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

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

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

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

The Directors' Report has been approved by the Board of Directors of FDM Group (Holdings) plc on 9 March 2021 and signed on its behalf by:

Rod Flavell
Chief Executive Officer
9 March 2021

Mike McLaren
Chief Financial Officer
9 March 2021

Financial Statements

Financial Statements


Discussion

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 December 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Cash Flows, and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 3 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- The group financial statements are a consolidation of 17 reporting units
- We performed full scope audits of the UK, USA and Canadian reporting units
- We also audited property leases and the associated property, plant and equipment in the Australian reporting unit
- Our full scope audits covered 80% of revenue and 76% of absolute profit before tax

Key audit matters

- Share option plan expenses (group and parent)
- Consideration on the impact of COVID-19 (group and parent)

Materiality

- Overall group materiality: £2,050,000 (2019: £2,600,000) based on 5% of profit before tax.
- Overall company materiality: £675,000 (2019: £510,000) based on 1% of total assets.
- Performance materiality: £1,500,000 (group) and £506,000 (company).

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, 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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to local employment laws, the Listing Rules of the Financial Conduct Authority (FCA) 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 preparation of 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 group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Review of any employment disputes or litigation to ensure there were no broader non-compliance issues with employment laws and regulations.
- Review of memorandums prepared by the group's legal advisors.
- Review of the financial statement disclosures to underlying supporting documentation.
- Challenging assumptions and judgements made by management in their significant accounting estimates.
- 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.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Consideration on the impact of COVID-19 is a new key audit matter this year. Revenue recognition in respect of uninvoiced amounts and Provision for legal claims, which were key audit matters last year, are no longer included because of in the auditors' professional judgement, they were no longer of most significance in the audit of the financial statements in the current period. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Share option plan expenses (group and parent) Refer to notes 3.3 (n), 4, and 25 to the Consolidated Financial statements for the directors' disclosures of the related accounting policies, judgements and estimates, and page 81 ('Significant financial reporting items') within the Audit Committee Report. During 2015, the group implemented a share option plan for management and senior employees. We focussed on this area because the assumptions used in calculating the charge recognised in the income statement are judgemental and complex, including an estimate of the number of leavers from the scheme in each period as well as an estimate of the future growth in adjusted earnings per share of the group (refer to pages 100 and 101 ('Annual Report on Remuneration') for details on the share option plan). This year these estimations are more challenging to make in light of the impact the COVID-19 pandemic has had, and continues to have, on the global economy and the group.	• We gained an understanding from management of the key assumptions underpinning the share option valuation model. • We evaluated the assumption made by management for forecast growth in adjusted earnings per share by comparing it to recent historical performance as well as reviewing budgets and forecasts approved by the Board of Directors and found it to be appropriate. • We evaluated management's assumption for the number of leavers from the scheme by comparing it to historical leavers from the scheme and found to be appropriate. • We evaluated management's assumption of the performance conditions based on compound earnings per share ("EPS") growth, assessing the assumed future compound EPS growth against board approved budgets and management's history of forecasting, recognising the potential ongoing impact of the COVID-19 pandemic. • We evaluated the sensitivity analysis performed by management to assess the potential impact of changes in key assumptions, noting that a significant change in the assumptions would be needed to cause a material error in the share option plan expense. We concluded that stress testing these assumptions did not have a material impact on the income statement charge. • We checked the mathematical integrity of the model and found it to be accurate. • We tested a sample of options granted to deeds of grant and leavers from the scheme to resignation letters, we noted no exceptions in our testing. • We also considered the disclosures made in note 25 to the financial statements and determined that they are consistent with the requirements of relevant accounting standards. Based on the results of our work we found that the share option payment expense falls within a reasonable range of estimates.

Key audit matter	How our audit addressed the key audit matter
Consideration on the impact of COVID-19 (group and parent) Refer to disclosure on Principal risks on page 30, the Viability statement on page 37, notes 2 and 19 to the Consolidated Financial statements for the directors' disclosures of the related accounting policies, and page 81 ('Significant financial reporting items') within the Audit Committee Report. The COVID-19 pandemic is considered to have a potential impact on certain aspects of the financial statements. The areas which might be expected to be impacted by COVID-19 are as set out below: • Recoverability of accounts receivable • Impairment of goodwill and other intangibles • Going concern and viability • Disclosure of the impact on the business *We have also incorporated the guidance for auditors issued by the FRC regarding COVID-19 and applied this where appropriate.*	We have considered the impact of COVID-19 on various areas of the Annual Report and performed procedures to address the risk around the impact of COVID-19. We have set out our responses to the risk in respective areas of the financial statements as below: • Recoverability of accounts receivable: We have considered the adequacy of provisions for impairment of accounts receivable, testing the IFRS expected credit loss provisions, and considering the history of collections of accounts receivable since the start of pandemic restrictions. We considered that the evidence of uncertainty existing as at 31 December 2020 supported management's decision to increase the provision. • Impairment of goodwill and other intangibles: We have considered the impact of COVID-19 on future cash flows supporting the carrying value of goodwill as set out above, noting that there remains significant material headroom on Goodwill impairment calculations. • Going concern and viability: We have considered the impact on cash flows supporting the going concern assertion, noting there remains significant levels of cash reserves available in each of management's forecast scenarios. • Disclosure of impact in the financial statements: We have evaluated the disclosures provided in the financial statements and assessed the reasonableness of such disclosures, in line with relevant accounting standards and guidance from the FRC. As a result of the procedures performed, we consider that the disclosures are reasonable and appropriate. Overall, we consider management's assessment of the impact of COVID-19 on the financial statements to be reasonable and appropriately reflected within disclosures in the Annual Report.

How we tailored the audit scope

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

The group is structured by division, with significant reporting units in the UK, USA, and Canada, and further smaller reporting units in locations across Europe, Asia, Oceania and South Africa. The group financial statements are a consolidation of 17 reporting units, comprising the group's operating businesses and centralised functions.

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

We determined the type of work that needed to be performed on the reporting units to be able to conclude that sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. Accordingly, we determined that audits of the complete financial information were required for three reporting units, comprising the UK, USA and Canadian trading reporting units. We also included in our audit scope the property leases and associated Property, Plant and Equipment in the Australian reporting unit, which we performed in the UK, where the accounting is administered.

As a result, full scope audit procedures were conducted on reporting units representing 80% of revenue and 76% of absolute profit before tax.

In addition, we performed a full scope audit of the FDM Group (Holdings) plc entity.

Materiality

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

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

	Financial statements – group	Financial statements – company
Overall materiality	£2,050,000 (2019: £2,600,000).	£675,000 (2019: £510,000).
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1,140,000 and £1,947,500. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,500,000 for the group financial statements and £506,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £102,500 (group audit) (2019: £130,000) and £33,750 (company audit) (2019: £25,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and 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 group's and 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 group's and the company's ability to continue as a going concern.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:
- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

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 group's and 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 group or 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 25 July 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2013 to 31 December 2020.

KE Finn

Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 March 2021

Consolidated Income Statement

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	7	**267,737**	271,529
Cost of sales		**(138,957)**	(139,953)
Gross profit		**128,780**	131,576
Administrative expenses		**(87,040)**	(78,401)
Operating profit	8	**41,740**	53,175
Finance income	11	**99**	194
Finance expense	11	**(815)**	(886)
Net finance expense		**(716)**	(692)
Profit before income tax		**41,024**	52,483
Taxation	12	**(10,249)**	(11,856)
Profit for the year		**30,775**	40,627

		2020 pence	2019 pence
Earnings per ordinary share			
Basic	13	**28.2**	37.3
Diluted	13	**28.1**	37.2

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

The notes on pages 135 to 157 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	2020 £000	2019 £000
Profit for the year	**30,775**	40,627
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on retranslation of foreign operations (net of tax)	**(635)**	(496)
Total other comprehensive expense	**(635)**	(496)
Total comprehensive income for the year	**30,140**	40,131

The notes on pages 135 to 157 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

as at 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Right-of-use assets	14	**14,774**	17,832
Property, plant and equipment	15	**5,554**	6,789
Intangible assets	16	**19,885**	19,799
Deferred income tax assets	18	**2,123**	1,732
		42,336	46,152
Current assets			
Trade and other receivables	19	**31,048**	39,937
Cash and cash equivalents	20	**64,725**	36,979
		95,773	76,916
Total assets		**138,109**	123,068
Current liabilities			
Trade and other payables	21	**28,563**	22,737
Lease liabilities	14	**5,502**	5,680
Current income tax liabilities		**2,094**	2,105
		36,159	30,522
Non-current liabilities			
Lease liabilities	14	**13,986**	17,482
Total liabilities		**50,145**	48,004
Net assets		**87,964**	75,064
Equity attributable to owners of the parent			
Share capital	22	**1,092**	1,092
Share premium		**9,705**	9,687
All other reserves	24	**(57)**	(3,241)
Retained earnings		**77,224**	67,526
Total equity		**87,964**	75,064

The notes on pages 135 to 157 are an integral part of these Consolidated Financial Statements.

The financial statements on pages 130 to 157 were approved by the Board of Directors on 9 March 2021 and were signed on its behalf by:

Rod Flavell
Chief Executive Officer
9 March 2021

Mike McLaren
Chief Financial Officer
9 March 2021

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Group profit before tax for the year		**41,024**	52,483
Adjustments for:			
Depreciation and amortisation	8	**6,501**	6,237
Profit/ (loss) on disposal of non-current assets		**19**	(9)
Finance income	11	**(99)**	(194)
Finance expense	11	**815**	886
Share-based payment charge (including associated social security costs)		**2,187**	2,106
Decrease/ (increase) in trade and other receivables		**9,802**	(3,283)
Increase/ (decrease) in trade and other payables		**5,885**	(564)
Cash flows generated from operations		**66,134**	57,662
Interest received		**99**	194
Income tax paid		**(11,464)**	(11,009)
Net cash flow from operating activities		**54,769**	46,847
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(536)**	(2,711)
Acquisition of intangible assets		**(79)**	(321)
Net cash used in investing activities		**(615)**	(3,032)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**–**	9
Proceeds from sale of shares from EBT		**349**	271
Principal elements of lease payments	14	**(5,294)**	(4,828)
Interest elements of lease payments	14	**(746)**	(827)
Lease incentives received		**–**	1,930
Proceeds from sale/ (purchase) of own shares		**405**	(2,958)
Finance costs paid		**(68)**	(59)
Dividends paid	23	**(20,085)**	(34,113)
Net cash used in financing activities		**(25,439)**	(40,575)
Exchange losses on cash and cash equivalents		**(969)**	(168)
Net increase in cash and cash equivalents		**27,746**	3,072
Cash and cash equivalents at beginning of year		**36,979**	33,907
Cash and cash equivalents at end of year	20	**64,725**	36,979

The notes on pages 135 to 157 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £000	Share premium £000	All Other reserves (Note 24) £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	**1,092**	**9,687**	**(3,241)**	**67,526**	**75,064**
Profit for the year	–	–	–	**30,775**	**30,775**
Other comprehensive expense for the year	–	–	**(635)**	–	**(635)**
Total comprehensive income for the year	–	–	**(635)**	**30,775**	**30,140**
Share-based payments (note 25)	–	–	**2,092**	–	**2,092**
Transfer to retained earnings	–	–	**(2,642)**	**2,642**	–
New share issue (note 22)	–	**18**	–	–	**18**
Own shares bought back (note 26)	–	–	**(25)**	–	**(25)**
Own shares sold	–	–	**4,394**	**(3,634)**	**760**
Dividends (note 23)	–	–	–	**(20,085)**	**(20,085)**
Total transactions with owners, recognised directly in equity	–	**18**	**3,819**	**(21,077)**	**(17,240)**
Balance at 31 December 2020	**1,092**	**9,705**	**(57)**	**77,224**	**87,964**

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

The notes on pages 135 to 157 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated 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.

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

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

The Consolidated Financial Statements present the results for the year ended 31 December 2020. The Consolidated Financial Statements were approved by Rod Flavell and Mike McLaren on behalf of the Board of Directors on 9 March 2021.

2 Going concern

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

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

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

3 Accounting policies

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

3.1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/ 2002 as it applies in the European Union.

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

3.2 Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries for the year ending 31 December 2020.

Subsidiaries

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

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

3 Accounting policies continued

3.3 Summary of significant accounting policies

a) Business combinations and goodwill

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group to the former owners of the acquiree. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

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

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

b) Revenue recognition

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

Rendering of services

Revenue from the provision of 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 consultant. Revenue is based on timesheets from our consultants which are authorised by the Group's customers detailing the hours and service provided;
- 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.

c) Foreign currency translation

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the company operates (its functional currency). Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are expressed in Pounds Sterling (£), which is the functional currency of the Parent Company and the presentation currency for the Consolidated Financial Statements.

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

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

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

d) Taxes

Current income tax

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

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

Deferred tax

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

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

e) Property, plant and equipment

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

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

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

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

f) Intangible assets

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

Software and software licences

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

System development costs

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

3 Accounting policies continued

Goodwill

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

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

g) Trade receivables

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

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

h) Cash and cash equivalents

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

i) Trade and other payables

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

j) Financial instruments

Non-derivative financial instruments

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

The Group does not have any borrowings.

k) Pensions and other post-employment benefits

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

l) Provisions

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

FDM is a people business and, in the ordinary course, we receive legal claims from time to time, most commonly employment-related. Our in-house legal team deals 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 Group'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.

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

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

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

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

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

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.

Included within the results for the year ending 31 December 2020 is a charge relating to the Directors' bonus earned during 2020, the balance will be settled via issue of shares equal to the amount which would have been payable to them.

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

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

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

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

3 Accounting policies continued

r) Leases

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

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

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

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

s) Government grants

Government grants are recognised at fair value when there is reasonable assurance that conditions attached to the grant will be complied with and the grant will be received. Income is offset against the expenses the grant is intended to support. The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. During 2020 government grants of £2.8 million were received as part of governments' responses to the pandemic in some operating regions.

4 Significant accounting estimate

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

Share-based payment charge

A share-based payment charge is recognised in respect of share awards based on the Directors' best estimate of the number of shares that will vest based on the performance conditions of the awards, which comprise adjusted EPS growth and the number of employees that will leave before vesting. In estimating the number of shares likely to vest, the Directors have based their assessment of the adjusted EPS growth in the forecasts contained within the Group's three-year plan, adjusted for the impact of potential scenarios that could potentially impact EPS growth. The charge is calculated based on the fair value on the grant date using the Black-Scholes model and is expensed over the vesting period. The key assumptions in respect of the share-based payment charges are set out in note 25.

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

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 Group in preparing the financial statements.

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

Effective in 2020	Effective for accounting periods beginning on or after	Endorsed by the EU
Amendments		
Revised Conceptual Framework for Financial Reporting	1 January 2020	Yes
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies' on Definition of Material	1 January 2020	Yes
Amendment to IFRS 3 'Business Combinations' on Definition of a Business	1 January 2020	Yes
Amendment to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments recognition and measurement' and IFRS 7 'Financial Instruments disclosures' on Interest rate benchmark reform	1 January 2020	Yes

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

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

6 Settlement of legal claim

During the period, after engaging in mediation, the Group reached agreement to settle a long-standing employment-related legal claim brought against FDM on a contingent-fee basis in North America. We remain of the opinion that the claim lacked merit. However, having taken into consideration the likely quantum of future legal fees, and the amount of management time and focus which has been, and would continue to be, required to defend the claim, the Board concluded that it was appropriate at this stage to take the commercial opportunity to agree a settlement. The agreed settlement, which amounts to £3.0 million, was approved by the Court in the past year, such that it has been provided for in these financial statements and as at 31 December is included within accruals and deferred income. The claim was settled via a cash payment of £3.0 million made on 25 February 2021, see note 29.

7 Segmental reporting

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

At 31 December 2020, the Board of Directors consider that the Group is organised on a worldwide basis into four core geographical operating segments:

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

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

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

7 Segmental reporting continued

For the year ended 31 December 2020

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
Revenue	119,835	97,082	20,837	29,983	267,737
Depreciation and amortisation	(2,648)	(1,873)	(239)	(1,741)	(6,501)
Segment operating profit	**24,555**	**12,279**	**3,384**	**1,522**	**41,740**
Finance income*	168	193	3	3	367
Finance costs*	(315)	(103)	(70)	(595)	(1,083)
Profit before income tax	**24,408**	**12,369**	**3,317**	**930**	**41,024**
As at 31 December 2020					
Total assets	**83,229**	**24,431**	**10,782**	**19,667**	**138,109**
Total liabilities	**(9,578)**	**(12,861)**	**(5,391)**	**(22,315)**	**(50,145)**

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

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

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
31 December 2020	**27,405**	**2,812**	**888**	**9,108**	**40,213**

For the year ended 31 December 2019

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

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

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

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
31 December 2019	29,586	4,134	1,435	9,265	44,420

Information about major customer

2020 revenue from customer A is attributed across all four operating segments. Customer A represents 10% or more of the Group's 2020 and 2019 revenues.

	2020 £000	2019 £000
Revenue from customer A	**31,488**	29,121

8 Operating profit

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

	2020 £000	2019 £000
Net foreign exchange differences	**(59)**	(24)
Depreciation of right-of-use assets	**4,551**	4,265
Depreciation of property, plant and equipment and amortisation of software and software licences	**1,950**	1,972
Expense relating to short-term leases	**177**	526

Auditors' remuneration

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

	2020 £000	2019 £000
Fees payable to the Group's auditors for the audit of the Parent Company and Consolidated Financial Statements	**70**	70
Fees payable to the Group's auditors for other services:		
The audit of the Group's subsidiaries	**114**	114
Audit-related assurance services	**41**	41
	225	225

9 Staff numbers and costs

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

	2020 Number	2019 Number
Consultants	**4,626**	4,532
Administration	**605**	612
	5,231	5,144

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**173,073**	165,190
Social security costs	**16,250**	14,568
Other pension costs	**4,744**	4,018
Share-based payments	**988**	2,037
	195,055	185,813

Retirement benefits

The Group operates a number of defined contribution pension plans. The pension charge for the year represents contributions payable by the Group to the schemes. The pension contributions payable at 31 December 2020 were £427,000 (2019: £373,000). There were no prepaid contributions at the end of the financial year (2019: £nil).

10 Directors' remuneration

Details of the Directors' (who also represent the key management personnel of the Group) remuneration in respect of the year ended 31 December 2020 is set out below:

	2020 £000	2019 £000
Short-term employee benefits	**2,778**	2,395
Post-employment benefits	**33**	33
Share-based payments	**57**	364
	2,878	2,792

Included within Short-term employee benefits in 2020 is £1,015,000 relating to annual bonus which was deferred to shares for two years (2019: £ nil). For further information on this and Directors' remuneration, see the audited sections of the Remuneration Report as defined on page 97.

11 Finance income and expense

	2020 £000	2019 £000
Bank interest	**99**	194
Finance income	**99**	194

	2020 £000	2019 £000
Interest on lease liabilities	**(746)**	(827)
Finance fees and charges	**(69)**	(59)
Finance expense	**(815)**	(886)

12 Taxation

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

	2020 £000	2019 £000
Current income tax:		
Current income tax charge	**11,536**	13,144
Adjustments in respect of prior periods	**(577)**	(308)
Total current income tax	**10,959**	12,836
Deferred tax:		
Relating to origination and reversal of temporary differences (note 18)	**(710)**	(980)
Total deferred tax	**(710)**	(980)
Total tax expense reported in the income statement	**10,249**	11,856

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

	2020 £000	2019 £000
Profit before income tax	**41,024**	52,483
Profit multiplied by UK standard rate of corporation tax of 19% (2019: 19%)	**7,795**	9,972
Effect of different tax rates on overseas earnings	**2,051**	1,445
Effect of expenses not deductible for tax purposes	**128**	207
Adjustments in respect of prior periods	**(577)**	(308)
Effect of unused tax losses not recognised for deferred tax assets	**852**	540
Total tax charge	**10,249**	11,856

Factors affecting future tax charges

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

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

13 Earnings per ordinary share

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

		2020	2019
Profit for the year	£000	**30,775**	40,627
Average number of ordinary shares in issue (thousands)		**109,191**	108,822
Basic earnings per share	Pence	**28.2**	37.3

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

		2020	2019
Profit for the year (basic earnings)	£000	**30,775**	40,627
Share-based payment expense (including social security costs) (note 25)	£000	**988**	2,037
Tax effect of share-based payment expense	£000	**(341)**	(468)
Adjusted profit for the year	£000	**31,422**	42,196
Average number of ordinary shares in issue (thousands)		**109,191**	108,822
Adjusted basic earnings per share	Pence	**28.8**	38.8

Diluted earnings per share

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

		2020	2019
Profit for the year (basic earnings)	£000	**30,775**	40,627
Average number of ordinary shares in issue (thousands)		**109,191**	108,822
Adjustment for share options (thousands)		**207**	492
Diluted number of ordinary shares in issue (thousands)		**109,398**	109,314
Diluted earnings per share	Pence	**28.1**	37.2

14 Leases
(i) Right-of-use assets

Properties	2020 £000	2019 £000
Cost		
At 1 January	**35,839**	28,641
Additions	**1,894**	8,502
Disposals	**(1,208)**	(787)
Effect of movements in foreign exchange	**126**	(517)
At 31 December	**36,651**	35,839
Accumulated depreciation		
At 1 January	**18,007**	14,596
Depreciation charge for the year	**4,551**	4,265
Disposals	**(491)**	(603)
Effect of movements in foreign exchange	**(190)**	(251)
At 31 December	**21,877**	18,007
Net book value at 31 December	**14,774**	17,832

(ii) Lease liabilities

	2020 £000	2019 £000
Current lease liabilities	**5,502**	5,680
Non-current lease liabilities	**13,986**	17,482
	19,488	23,162

Movement in lease liabilities in the year	2020 £000	2019 £000
At 1 January	**23,162**	18,141
New leases	**1,894**	10,432
Interest expense	**746**	827
Cash payments	**(6,040)**	(5,655)
Termination of leases	**(717)**	(247)
Effect of movements in foreign exchange	**443**	(336)
At 31 December	**19,488**	23,162

Contractual maturities of lease liabilities:

	At net present value		Not discounted	
	2020 £000	2019 £000	2020 £000	2019 £000
Less than one year	**5,502**	5,013	**5,516**	5,660
Between 1 and 2 years	**4,485**	4,384	**4,794**	4,919
Between 2 and 5 years	**6,344**	8,780	**7,057**	9,668
Over 5 years	**3,157**	4,985	**3,938**	5,319
Total lease liabilities	**19,488**	23,162	**21,305**	25,566

The total cash outflow for leases was £6,040,000 (2019: £5,655,000), see also the Consolidated Statement of Cash Flows on page 133.

Where there is reasonable certainty that an option to extend a lease will be exercised, lease liabilities have been recognised accordingly. During the year, due to the impact of COVID-19, the decision was made not to extend one lease, which at 31 December 2019 we had reasonable certainty that we would extend. The termination of this lease has been recognised as a disposal of the right-of-use asset and an adjustment to the lease liability, in note 14 (i) and in note 14 (iii).

(iii) Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

	2020 £000	2019 £000
Depreciation of right-of-use assets – properties	**4,551**	4,265
Profit on disposal of right-of-use asset	**3**	–
Interest expense (included in finance cost)	**746**	827
Expense relating to short-term leases	**177**	526

15 Property, plant and equipment

2020	Leasehold improvements £000	Fixtures and fittings £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2020	**8,207**	**1,704**	**4,222**	**14,133**
Additions	**70**	**20**	**445**	**535**
Disposals	**–**	**(15)**	**(552)**	**(567)**
Effect of movements in foreign exchange	**78**	**(3)**	**(14)**	**61**
At 31 December 2020	**8,355**	**1,706**	**4,101**	**14,162**
Accumulated depreciation				
At 1 January 2020	**3,332**	**1,365**	**2,647**	**7,344**
Depreciation charge for the year	**996**	**146**	**711**	**1,853**
Disposals	**–**	**(13)**	**(535)**	**(548)**
Effect of movements in foreign exchange	**(16)**	**(9)**	**(16)**	**(41)**
At 31 December 2020	**4,312**	**1,489**	**2,807**	**8,608**
Net book value at 31 December 2020	**4,043**	**217**	**1,294**	**5,554**

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

16 Intangible assets

2020	Software and software licences £000	Goodwill £000	Total £000
Cost			
At 1 January 2020	**836**	**19,450**	**20,286**
Additions	**79**	**–**	**79**
Disposals	**(217)**	**–**	**(217)**
Effect of movements in foreign exchange	**–**	**107**	**107**
At 31 December 2020	**698**	**19,557**	**20,255**
Accumulated amortisation			
At 1 January 2020	**487**	**–**	**487**
Amortisation for the year	**97**	**–**	**97**
Disposals	**(214)**	**–**	**(214)**
Effect of movements in foreign exchange	**–**	**–**	**–**
At 31 December 2020	**370**	**–**	**370**
Net book value at 31 December 2020	**328**	**19,557**	**19,885**

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

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

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

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
Cost and NBV at 31 December 2019	14,843	1,690	2,917	–	19,450
Cost and NBV at 31 December 2020	14,843	1,633	3,081	–	19,557

17 Impairment testing of goodwill

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

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

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

	2020 %	2019 %
UK and Ireland	**10.37**	9.90
North America	**14.53**	13.13
EMEA	**9.74**	10.92

The review found that the present value of future cash flows was significantly higher than the value of goodwill. As a result of the review the Directors did not identify any impairment for the goodwill in each CGU. In considering sensitivities, no reasonable change in any of the above key assumptions would cause the recoverable amount to fall below the carrying value of the CGUs.

18 Deferred tax assets

Deferred tax assets and liabilities are offset where the Group has a legal enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £000	2019 £000
Non-current:		
Non-current temporary differences	**2,123**	1,732
Deferred tax asset	**2,123**	1,732

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

Movement in deferred tax during 2020:	1 January 2020 £000	Recognised in income statement £000	Recognised in other reserves £000	Transferred to retained earnings £000	Exchange difference £000	31 December 2020 £000
Share-based payments	**1,309**	**26**	**25**	**(273)**	**(101)**	**986**
Right-of-use assets	**307**	**(101)**	**–**	**–**	**–**	**206**
Property, plant and equipment	**(167)**	**105**	**–**	**–**	**1**	**(61)**
Other	**283**	**680**	**–**	**–**	**29**	**992**
	1,732	**710**	**25**	**(273)**	**(71)**	**2,123**

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

The Group has unused tax losses for which no deferred tax asset has been recognised with a potential tax benefit of £2,116,000 (2019: £1,140,000), no asset has been recognised as the losses have been generated in regions where the Group does not expect to generate profits in the short term. The losses can be carried forward indefinitely.

19 Trade and other receivables

Due to their short-term nature, the Directors consider that the carrying amount of trade receivables approximates to their fair value. The standard credit terms are 30 days.

	2020 £000	2019 £000
Trade receivables	**24,118**	33,115
Other receivables	**1,477**	1,021
Prepayments and accrued income	**5,453**	5,801
	31,048	39,937

Included within prepayments and accrued income is £2,441,000 of accrued income (2019: £1,551,000).

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

31 December 2020	Expected loss rate	Gross trade receivable £000	Loss allowance £000
Not overdue	**4%**	**19,554**	**811**
Not more than three months past due	**4%**	**5,448**	**217**
More than three months but not more than six months past due	**–**	**107**	**–**
More than six months but not more than one year past due	**3%**	**38**	**1**
Older than one year past due	**–**	**–**	**–**
		25,147	**1,029**

31 December 2019	Expected loss rate	Gross trade receivable £000	Loss allowance £000
Not overdue	–	24,932	–
Not more than three months past due	1%	8,033	49
More than three months but not more than six months past due	43%	343	146
More than six months but not more than one year past due	78%	9	7
Older than one year past due	–	–	–
		33,317	202

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

	2020 £000	2019 £000
At 1 January	**202**	204
Increase recognised during the year	**827**	–
Amount written off in the year	**–**	–
Unused amount reversed	**–**	(2)
At 31 December	**1,029**	202

The Group 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 Group has identified relevant factors including the GDP and the unemployment rate of the countries in which it trades, and accordingly adjusts the loss rates based on expected changes in these factors. The impact of the COVID-19 pandemic and associated lock downs has resulted in the Group assessing and increasing its loss allowance in 2020, notably in respect of clients in particularly vulnerable sectors.

20 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**64,725**	36,979

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

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

Cash at bank by credit rating	2020 £000	2019 £000
A	**49,631**	36,472
BB	**15,019**	–
BBB	**75**	507
	64,725	36,979

21 Trade and other payables

Due to their short-term nature, the Directors consider that the carrying amount of trade payables approximates to their fair value.

	2020 £000	2019 £000
Trade payables	**1,153**	1,923
Other payables	**2,029**	599
Other taxes and social security	**6,502**	8,319
Accruals and deferred income	**18,879**	11,896
	28,563	22,737

The increase in accruals and deferred income is due primarily due to the settlement accrual in North America and the impact of other timing differences.

22 Share capital

Authorised, called up, allotted and fully paid share capital

	2020 Number of shares	2020 £000	2019 Number of shares	2019 £000
Ordinary shares of £0.01 each				
At 1 January	**109,186,739**	**1,092**	108,271,708	1,083
New issues	**4,930**	**–**	915,031	9
At 31 December	**109,191,669**	**1,092**	109,186,739	1,092

Ordinary shares

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

During the year 4,930 (2019: 915,031) shares were issued, the difference between market value and par value at issue resulted in an amount of £18,000 (2019: £916,000) being recognised in share premium with £49.30 (2019: £9,150.31) being recognised as an increase in issued share capital.

23 Dividends

	2020 £000	2019 £000
Dividends paid		
Paid to shareholders	**20,085**	34,113

2020

An interim dividend of 18.5 pence per ordinary share was declared by the Directors on 28 July 2020 and was paid on 4 September 2020 to holders of record on 7 August 2020. The Board declared a second interim dividend of 13.0 pence per ordinary share on 27 January, the amount payable was £14,146,000, which was paid to shareholders on 26 February 2021 to holders of record on 5 February 2021.

The Board is proposing a final dividend of 15.0 pence per share in respect of the year to 31 December 2020, for approval by shareholders at the AGM on 28 April 2021, the total amount payable will be £16,322,000. Subject to shareholder approval the dividend will be paid on 4 June 2021 to shareholders of record on 14 May 2021.

This brings the Company's total dividend for the year to 46.5 pence per share (2019: 16.0 pence per share).

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

2019

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

The Board updated its recommendation included in the 2019 Annual Report and Accounts and did not propose a final dividend in respect of the year to 31 December 2019 following the global outbreak of COVID-19.

24 All Other Reserves

	Capital redemption reserve £000	Own shares reserve £000	Translation reserve £000	Other reserves £000	Total of All other reserves £000
Balance at 1 January 2020	**52**	**(8,164)**	**925**	**3,946**	**(3,241)**
Other comprehensive expense for the year	**–**	**–**	**(635)**	**–**	**(635)**
Total comprehensive expense for the year	**–**	**–**	**(635)**	**–**	**(635)**
Share-based payments (note 25)	**–**	**–**	**–**	**2,092**	**2,092**
Transfer to retained earnings	**–**	**–**	**–**	**(2,642)**	**(2,642)**
Own shares sold	**–**	**4,394**	**–**	**–**	**4,394**
Own shares bought back (note 26)	**–**	**(25)**	**–**	**–**	**(25)**
Total transactions with owners, recognised directly in equity	**–**	**4,369**	**–**	**(550)**	**3,819**
Balance at 31 December 2020	**52**	**(3,795)**	**290**	**3,396**	**(57)**

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

25 Share-based payments

Recognised in Income Statement	2020 £000	2019 £000
Expenses arising from equity-settled share-based payment transaction	**888**	1,601
Social security accrued thereon	**100**	436
Expenses arising from bonus deferred as shares	**1,230**	–
Expenses arising from equity-settled share-based payment transaction	**2,218**	2,037

Recognised in Equity	2020 £000	2019 £000
Expenses arising from equity-settled share-based payment transaction	**2,118**	1,601
Deferred tax recognised in other reserves arising from equity-settled share-based payment transaction (note 18)	**25**	1,112
Transfer to retained earnings – Deferred tax	**(273)**	(1,092)
Transfer to retained earnings – Recharge	**(2,369)**	(4,084)
Currency difference on retranslation	**(51)**	99
	(550)	(2,364)

During the year the share options issued in 2017 vested, of which 404,961 were exercised, and 14,707 linked shares lapsed (linked shares which were not required to fund the price at date of exercise). The share options exercised were satisfied primarily via sale of shares from the FDM Group Employee Benefit Trust, with 409,677 shares issued. A small number of exercises were satisfied via the issue of 4,930 new shares, of which 2,374 were subsequently sold to the FDM Group Employee Benefit Trust, at the market value at date of exercise. For detail of the shares held in the FDM Group Employee Benefit Trust see note 26. A transfer of £2,369,000 was made from Other reserves to Retained earnings in respect of the exercise of share options during the period (2019: transfer of £4,084,000).

As disclosed in the Directors' Remuneration Report, the Company granted awards on 30 December 2020, in the form of nominal cost options over ordinary shares in the Company under the FDM 2014 Performance Share Plan ("PSP"). As with the awards made in 2015 to 2019, the vesting of the awards is subject to the achievement of a three-year performance condition relating to earnings per share.

In the years 2015 to 2019 awards granted to UK participants have been structured as Approved Performance Share Plan ("APSP") awards to enable participants to benefit from UK tax efficiencies. Each APSP award consists of a tax qualifying option under the FDM 2014 Company Share Option Plan ("CSOP") over shares with a value of up to £30,000 and a separate award under the PSP for amounts in excess of the HMRC £30,000 limit. A Linked Award is also provided under the PSP to enable participants to fund the exercise price of the CSOP option. In 2020 no options were issued.

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

The table below summarises the outstanding share options:

	2020		2019	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at 1 January	**1,807,777**	**131p**	2,292,325	159p
Granted during the year	**892,500**	**1p**	703,875	1p
Forfeited during the year	**(131,453)**	**130p**	(274,169)	163p
Exercised during the year	**(412,357)**	**104p**	(914,254)	90p
Expired during the year	**–**	**–**	–	–
Outstanding at 31 December	**2,156,467**	**82p**	1,807,777	131p
Exercisable at the end of the year	**86,189**	**242p**	18,800	269p
Weighted average remaining contractual life (years)	**1.27**	**n/ a**	1.31	n/ a

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2020 was 996 pence (2019: 959 pence).

25 Share-based payments continued

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

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

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

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

2017	PSP	CSOP
Share price at date of grant	724p	724p
Exercise price	1p	724p
Dividend yield	3%	3%
Expected volatility	28%	28%
Risk free interest rate	0.25%	0.25%
Expected life	4 years	4 years
Fair value at date of grant- issue on 1 June 2018	641p	115p

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

26 Investment in own shares

During the AGM held on 16 June 2020, the shareholders approved that up to a maximum of 10% of the Company's shares could be purchased by the Company and held as own shares, renewing the authority agreed on 25 April 2019. The authority expires at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at 23:59 on 15 September 2021.

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

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

	31 December 2020	31 December 2019
Number of shares in the Company owned by the EBT	**385,777**	830,224
Nominal value of shares held	**£3,858**	£8,302
Cost price of shares held	**£3,794,551**	£8,165,217
Prevailing valuation per share	**£11.24**	£10.34
Total market value of shares	**£4,336,133**	£8,584,516
Minimum number of shares in the Company owned by EBT during the year	**385,777**	449,182
Maximum number of shares in the Company owned by EBT during the year	**830,224**	834,660

27 Related parties

In 2019, the Group paid rental of £24,000 to Rod Flavell, Chief Executive Officer and Sheila Flavell, Chief Operating Officer, for rent of a London apartment used for short-term employee accommodation. The agreement expired in September 2019. The rent payable was at market rate, no balances were outstanding at year end 2019. At no time during 2019 was the apartment used by any of the Directors. There was no equivalent arrangement in 2020.

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

The full registered addresses of all subsidiaries of the Parent Company are disclosed on page 161.

28 Financial risk management

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

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

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

Credit risk

Credit risk is managed on a Group basis and arises from cash and cash equivalents and trade receivables. The Group provides credit to customers in the normal course of business and the amount that appears in the Consolidated Statement of Financial Position is net of an allowance for expected credit losses of £1,029,000 (2019: £202,000).

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

Credit risk is managed through agreed procedures which include managing and analysing the credit risk for new customers and managing existing customers. For new customers we obtain and review credit ratings and set credit limits based upon our past experience.

£477,000 of trade receivables at 31 December 2020 (2019: £1,841,000) is owed from new customers (less than six months).

Interest rate risk

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

28 Financial risk management continued

Liquidity risk

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

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

Capital management

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

The Board monitors the capital structure on a regular basis and determines the level of annual dividend. The Group is not exposed to any externally imposed capital requirements.

Fair values

There is no significant difference between the carrying amounts shown in the Consolidated Statement of Financial Position and the fair values of the Group and Company's financial instruments. For current trade and other receivables or payables with a remaining life of less than one year, the amortised cost is deemed to reflect the fair value. There are no assets or liabilities measured at fair value through profit and loss, no derivatives used for hedging, or other financial liabilities at amortised cost.

Foreign currency risk

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

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

Cash and cash equivalents

The Group's cash and cash equivalents are denominated in the following currencies:

	2020 £000	2019 £000
Pounds Sterling	**43,759**	25,005
US Dollar	**5,270**	3,027
Canadian Dollar	**1,748**	1,553
Euro	**6,424**	3,384
Hong Kong Dollar	**2,409**	1,083
South African Rand	**959**	956
Chinese Renminbi	**896**	625
Swiss Franc	**819**	511
Singapore Dollar	**1,312**	494
Australian Dollar	**1,129**	341
	64,725	36,979

Trade receivables

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

	2020 £000	2019 £000
Pounds Sterling	**13,105**	15,766
US Dollar	**4,293**	6,285
Canadian Dollar	**1,996**	3,260
Euro	**1,977**	3,692
Hong Kong Dollar	**1,117**	1,506
Australian Dollar	**1,055**	831
Singapore Dollar	**841**	1,003
Chinese Renminbi	**548**	62
Swiss Franc	**193**	364
South African Rand	**22**	346
	25,147	33,115

Trade and other payables

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020 £000	2019 £000
Pounds Sterling	**13,834**	15,023
US Dollar	**5,926**	2,170
Canadian Dollar	**3,025**	2,286
Euro	**2,442**	1,830
Hong Kong Dollar	**635**	458
Singapore Dollar	**583**	344
Australian Dollar	**1,735**	418
Swiss Franc	**209**	102
South African Rand	**58**	47
Chinese Renminbi	**116**	59
	28,563	22,737

29 Post balance sheet event

On 25 February 2021, the Group paid £3.0 million in full satisfaction of the agreed settlement in respect of the long-standing legal claim (see note 6).

Parent Company Statement of Financial Position

as at 31 December 2020

	Note	2020 £000	2019 £000
Non-current assets			
Investments	3	**3,277**	3,567
		3,277	3,567
Current assets			
Trade and other receivables	4	**64,105**	47,513
Cash and cash equivalents	5	**182**	35
Total current assets		**64,287**	47,548
Total assets		**67,564**	51,115
Current liabilities			
Trade and other payables	6	**56**	55
Total liabilities		**56**	55
Net assets		**67,508**	51,060
Equity attributable to equity holders of the parent			
Share capital	7	**1,092**	1,092
Share premium		**9,705**	9,687
Capital redemption reserve		**52**	52
Own shares reserve		**(3,795)**	(8,164)
Other reserves		**3,277**	3,567
Retained earnings		**57,177**	44,826
Total equity		**67,508**	51,060

The Parent Company made a profit for the year of £33,701,000 (2019: profit of £36,648,000). In accordance with section 408 of the Companies Act 2006, the Parent Company's individual profit and loss account is not included in these financial statements.

The notes on pages 161 to 164 are an integral part of the Parent Company Financial Statements (Registered Company 07078823).

These financial statements on pages 158 to 164 were approved by the Board of Directors on 9 March 2021 and were signed on its behalf by:

Rod Flavell
Chief Executive Officer
9 March 2021

Mike McLaren
Chief Financial Officer
9 March 2021

Parent Company Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Company profit before tax for the year		**33,701**	36,648
Adjustments for:			
Dividends received		**(34,000)**	(37,000)
Increase in trade and other receivables		**(14,730)**	(3,880)
Increase in trade and other payables		**1**	14
Cash flows used in operations		**(15,028)**	(4,218)
Cash flows from investing activities			
Dividends received	10	**34,000**	37,000
Recharge for share-based payment		**506**	4,037
Net cash generated from investing activities		**34,506**	41,037
Cash flows from financing activities			
Proceeds from issuance of new shares		**–**	9
Proceeds from sale of shares from EBT		**349**	271
Proceeds from sale/ (purchase) of own shares		**405**	(2,958)
Dividends paid	10	**(20,085)**	(34,113)
Net cash used in financing activities		**(19,331)**	(36,791)
Net increase in cash and cash equivalents		**147**	28
Cash and cash equivalents at beginning of year		**35**	7
Cash and cash equivalents at end of year	5	**182**	35

The notes on pages 161 to 164 are an integral part of the Parent Company Financial Statements.

Parent Company Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £000	Share premium £000	Capital redemption reserve £000	Own shares reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2020	**1,092**	**9,687**	**52**	**(8,164)**	**3,567**	**44,826**	**51,060**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**33,701**	**33,701**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**33,701**	**33,701**
Share-based payments (note 3)	**–**	**–**	**–**	**–**	**2,079**	**–**	**2,079**
Transfer to retained earnings	**–**	**–**	**–**	**–**	**(2,369)**	**2,369**	**–**
New share issue	**–**	**18**	**–**	**–**	**–**	**–**	**18**
Own shares bought back	**–**	**–**	**–**	**(25)**	**–**	**–**	**(25)**
Own shares sold	**–**	**–**	**–**	**4,394**	**–**	**(3,634)**	**760**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(20,085)**	**(20,085)**
Total transaction with owners, recognised directly in equity	**–**	**18**	**–**	**4,369**	**(290)**	**(21,350)**	**(17,253)**
Balance at 31 December 2020	**1,092**	**9,705**	**52**	**(3,795)**	**3,277**	**57,177**	**67,508**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Own shares reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	1,083	8,771	52	(4,562)	5,955	38,254	49,553
Profit for the year	–	–	–	–	–	36,648	36,648
Total comprehensive income for the year	–	–	–	–	–	36,648	36,648
Share-based payments (note 3)	–	–	–	–	1,696	–	1,696
Transfer to retained earnings	–	–	–	–	(4,084)	4,084	–
New share issue	9	916	–	–	–	–	925
Own shares bought back	–	–	–	(3,921)	–	–	(3,921)
Own shares sold	–	–	–	319	–	(47)	272
Dividends paid	–	–	–	–	–	(34,113)	(34,113)
Total transaction with owners, recognised directly in equity	9	916	–	(3,602)	(2,388)	(30,076)	(35,141)
Balance at 31 December 2019	**1,092**	**9,687**	**52**	**(8,164)**	**3,567**	**44,826**	**51,060**

The notes on pages 161 to 164 are an integral part of the Parent Company Financial Statements.

Notes to the Parent Company Financial Statements

1 Going concern

The Directors have a reasonable expectation that with the continued support of other Group companies, the Company will have adequate resources to continue in operational existence as a holding company for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for preparing the financial statements.

2 Accounting policies

The Company Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Company has taken the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The profit for the year was £33,701,000 (2019: profit of £36,648,000).

The financial information has been prepared on a historical cost basis.

The accounting policies of the Company are the same as those of the Group and have been applied consistently. These are set out in note 3 in the Notes to the Consolidated Financial Statements, except that the Company has no policy in respect of consolidation. Investments are carried at historical cost.

Details of the Company's significant accounting estimates, being the share-based payments, are consistent with those disclosed in note 4 to the Consolidated Financial Statements on page 140.

3 Investments

	2020 £000	2019 £000
At 1 January	**3,567**	5,955
Additions	**2,079**	1,696
Recharge of IFRS 2 investment	**(2,369)**	(4,084)
At 31 December	**3,277**	3,567

The value investments represents the accounting in respect of the costs associated with the PSP, as the awards relate to employees of its subsidiary undertakings and the investment in subsidiaries. For further details of the PSP see note 25 to the Consolidated Financial Statements.

The total cost of investments in subsidiaries, is £2 (2019: £2). Astra 5.0 Limited acts as an intermediate holding company and provides human resources and marketing services to the Group. The remaining subsidiaries carry out the principal activity of the Group.

3 Investments continued

The Company holds the following investments in its subsidiaries:

Company	Country of incorporation	Class of share held	Direct/ indirect	Ownership
Astra 5.0 Limited	Great Britain	Ordinary	Direct	100%
FDM Group Limited	Great Britain	Ordinary	Indirect	100%
FDM Astra Ireland Limited	Ireland	Ordinary	Indirect	100%
FDM Group Inc.	USA	Ordinary	Indirect	100%
FDM Group Canada Inc.	Canada	Ordinary	Indirect	100%
FDM Group NV	Belgium	Ordinary	Indirect	100%
FDM Group GmbH	Germany	Ordinary	Indirect	100%
FDM Switzerland GmbH	Switzerland	Ordinary	Indirect	100%
FDM Luxembourg S.A.	Luxembourg	Ordinary	Indirect	100%
FDM South Africa (PTY) Limited	South Africa	Ordinary	Indirect	100%
FDM Singapore Consulting PTE Limited	Singapore	Ordinary	Indirect	100%
FDM Technology (Shanghai) Co. Limited	China	Ordinary	Indirect	100%
FDM Group HK Limited	Hong Kong	Ordinary	Indirect	100%
FDM Group Australia Pty Ltd	Australia	Ordinary	Indirect	100%
FDM Group Austria GmbH	Austria	Ordinary	Indirect	100%
FDM Group BV	The Netherlands	Ordinary	Indirect	100%

The registered address for each subsidiary of the Company as at 31 December 2020 is listed below. The principal place of business of each company is considered the same as the registered office.

Company	Registered address
Astra 5.0 Limited	3rd Floor, Cottons Centre, Cottons Lane, London SE1 2QG, UK
FDM Group Limited	3rd Floor, Cottons Centre, Cottons Lane, London SE1 2QG, UK
FDM Astra Ireland Limited	25-28 North Wall Quay, Dublin 1, Ireland
FDM Group Inc.	14 Wall Street, New York, NY 10005, USA
FDM Group Canada Inc.	1 Place Ville Marie, 37th Floor, Montreal, QC H3B 3P4, Canada
FDM Group NV	Rue Medori 99, B-1020 Brussels, Belgium
FDM Group GmbH	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, Singapore 068896
FDM Technology (Shanghai) Co. Limited	22/F Jing'an Kerry Centre Office Tower 3, 1228 Middle Yan An Road, Jing An, Shanghai, 200040, China
FDM Group HK Limited	6/F, The Annex, Central Plaza, 18 Harbour Road, Hong Kong
FDM Group Australia Pty Ltd	Level 21, Tower Three, International Towers, 300 Barangaroo Avenue, NSW 2000, Sydney, Australia
FDM Group Austria GmbH	Handelskai 92/Gate 2/7A, 1200 Wien, Austria
FDM Group BV	Westerdoksdijk 423, 1013 BX, Amsterdam, Nederland

4 Trade and other receivables

	2020 £000	2019 £000
Amounts owed by subsidiary undertakings	**64,095**	47,470
Other receivables	**2**	29
Prepayments and accrued income	**8**	14
	64,105	47,513

All trade and other receivables are receivable in Pounds Sterling and are fully performing. Amounts owed by subsidiary undertakings are unsecured, non-interest bearing and repayable on demand.

5 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	**182**	35

The Company's cash is held with a financial institution with a credit rating of A at the date of signing the financial statements.

6 Trade and other payables

	2020 £000	2019 £000
Trade payables	**15**	12
Other payables	**3**	–
Accruals and deferred income	**38**	43
	56	55

7 Share capital

Authorised, called up, allotted and fully paid share capital

	2020 Number of shares	2020 £000	2019 Number of shares	2019 £000
Ordinary shares of £0.01 each				
At 1 January	**109,186,739**	**1,092**	108,271,708	1,083
New issues	**4,930**	**–**	915,031	9
At 31 December	**109,191,669**	**1,092**	109,186,739	1,092

Ordinary shares

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

During the year 4,930 (2019: 915,031) shares were issued, the difference between market value and par value at issue resulted in an amount of £18,000 (2019: £916,000) being recognised in share premium with £49.30 (2019: £9,150.31) being recognised as an increase in issued share capital.

8 Related parties

The Company holds inter-company balances with certain of its subsidiary undertakings. The transactions that have taken place are in relation to inter-company loan repayments/ additions and dividends which are listed below:

	Dividends from related parties 2020 £000	Amounts owed by related parties 2020 £000	Dividends from related parties 2019 £000	Amounts owed by related parties 2019 £000
Astra 5.0 Limited	**34,000**	**4,454**	37,000	4,333
FDM Group Limited	**–**	**59,620**	–	43,137
FDM Group Inc.	**–**	**21**	–	–
	34,000	**64,095**	37,000	47,470

9 Financial risk management

The financial risks and uncertainties the Company faces are the same as those of the Group. These are set out on pages 155 to 157.

10 Dividends

	2020 £000	2019 £000
Dividends received		
Received from subsidiaries	**34,000**	37,000
Dividends paid		
Paid to shareholders	**20,085**	34,113

2020
An interim dividend of 18.5 pence per ordinary share was declared by the Directors on 28 July 2020 and was paid on 4 September 2020 to holders of record on 7 August 2020. The Board declared a second interim dividend of 13.0 pence per ordinary share on 27 January, the amount payable was £14,146,000, which was paid to shareholders on 26 February 2021 to holders of record on 5 February 2021.

The Board is proposing a final dividend of 15.0 pence per share in respect of the year to 31 December 2020, for approval by shareholders at the AGM on 28 April 2021, the total amount payable will be £16,322,000. Subject to shareholder approval the dividend will be paid on 4 June 2021 to shareholders of record on 14 May 2021.

This brings the Company's total dividend for the year to 46.5 pence per share (2019: 16.0 pence per share).

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

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

The Board updated its recommendation included in the 2019 Annual Report and Accounts and did not propose a final dividend in respect of the year to 31 December 2019 following the global outbreak of COVID-19.

11 Directors' remuneration

Directors' remuneration was paid by FDM Group Limited in both the current and prior year and no recharge was made to the Company. For further details see note 10 to the Consolidated Financial Statements on page 146.

12 Auditors' remuneration

Auditors' remuneration of £7,000 was charged in relation to 2020 (2019: £7,000), the fees were paid by FDM Group Limited in both the current and prior year and no recharge was made to the Company.

13 Employees

The Company had no employees during the current or prior year.

Shareholder Information

Directors	David Lister Rod Flavell Sheila Flavell Mike McLaren Andy Brown Peter Whiting Michelle Senecal de Fonseca Jacqueline de Rojas Alan Kinnear	Non-Executive Chairman Chief Executive Officer Chief Operating Officer Chief Financial Officer Chief Commercial Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director	
Company Secretary	Mark Heather		
Registered office	3rd Floor Cottons Centre Cottons Lane London SE1 2QG		
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH		
Bankers	HSBC Bank plc 8 Canada Square London E14 5HQ		
Registrars	Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL		
Stockbrokers (joint)	Investec Bank plc 30 Gresham Street London EC2V 7QP	HSBC Bank plc 8 Canada Square London E14 5HQ	Shore Capital Cassini House St James's Street London SW1A 1LD
Legal advisors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW		

Notes

Produced by emperor

UK

Ireland

USA

Canada

Germany

Switzerland

Austria

France

Spain

Luxembourg

The Netherlands

South Africa

Hong Kong

Singapore

China

Australia

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