FDM Group (Holdings) plc

Preliminary Results

FDM Group (Holdings) plc ("the Company") and its subsidiaries (together "the Group" or "FDM"), today announces its results for the year ended 31 December 2019.

Highlights

	31 December 2019	**31 December 2018 Restated for IFRS 16 [1]**	**% change**
Revenue	£271.5m	£244.9m	+11%
Mountie revenue[2]	£268.2m	£239.0m	+12%
Adjusted operating profit[3]	£55.2m	£51.8m	+7%
Profit before tax	£52.5m	£48.2m	+9%
Adjusted profit before tax[3]	£54.5m	£51.2m	+6%
Basic earnings per share	37.3p	34.2p	+9%
Adjusted basic earnings per share[3]	38.8p	36.3p	+7%
Cash flow generated from operations	£57.7m	£49.3m	+17%
Cash conversion[4]	108.4%	100.9%	+7%
Ordinary dividend per share	34.5p	30.0p	+15%
Net cash position at period end	£37.0m	£33.9 m	+9%

- Solid operational and financial progress
- Mounties assigned to client sites at week 52[5] were up 5% at 3,924 (2018: 3,747)
- Mountie utilisation[6] rate is down marginally at 96.1% (2018: 97.3%)
- 2,115 training completions in 2019, a 2% decrease (2018: 2155), with the timing of training courses flexed to align with client demand
- 97 new clients secured globally during the year (2018: 77); continued sector diversification, with 67% of new clients outside the financial services sector
- Continued investment in people, training, technology and new disciplines to support future growth, including major new Academy in Sydney
- Global total training capacity[7] of 988 at year end, up by 5% over December 2018
- Further geographic expansion, including strong growth in Mounties on site in EMEA (+48%) and APAC (+29%); Mounties placed for the first time in the Netherlands and good progress in Australia
- Non-core revenue generated from contractors continues its managed decline, down 44%
- Final dividend of 18.5 pence per share giving a total ordinary dividend for the year of 34.5 pence, an increase of 15% on 2018
- Group well positioned for continued success in 2020 and beyond

[1] The Company has restated comparative figures following the fully retrospective adoption of IFRS 16 'Leases' at 1 January 2019. See Note 4 for more information.

[2] Mountie revenue excludes revenue from contractors.

[3] The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expenses (including social security costs) of £2.0 million (2018: £3.0 million). The adjusted basic earnings per share is calculated before the impact of Performance Share Plan expenses (including social security costs and associated deferred tax).

[4] Cash conversion is calculated by dividing cash flow from operations by operating profit. Previously cash conversion was calculated by dividing cash flows from operations by profit before tax. Following the adoption of IFRS 16 'Leases', the calculation was amended and the 2018 comparative restated, to provide a more meaningful indicator.

[5] Week 52 in 2019 commenced on 16 December 2019 (2018: week 52 commenced on 17 December 2018).

[6] Utilisation is calculated as the ratio of cost of utilised Mounties to the total Mountie payroll cost.

[7] Total training capacity seats is combined permanent capacity (2019: 844; 2018: 848) and temporary capacity (2019:144; 2018: 90).

Rod Flavell, Chief Executive Officer, said:

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

2020 has started promisingly and in line with management expectations, with strong levels of client activity and demand. We anticipate a further year of good operational and financial progress. The Coronavirus is presenting us with a range of challenges relating to remote working, attendance on client sites and mobility for our trainers; the financial impact to date of these has not been significant, but we continue to monitor the situation closely."

Enquiries

For further information:

FDM	Rod Flavell - CEO	0203 056 8240
	Mike McLaren - CFO	0203 056 8240
Nick Oborne (financial public relations)		07850 127526

Forward-looking statements

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

We are FDM

FDM operates in the Recruit, Train and Deploy ("RTD") sector. Our mission is to bring people and technology together, creating and inspiring exciting careers that shape our digital future.

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

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

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

INTRODUCTION

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

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

STRATEGY

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

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

GROUP RESULTS

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

Summary income statement

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

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

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

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

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

[2] Week 52 in 2019 commenced on 16 December 2019 (2018: week 52 commenced on 17 December 2018).

Restated comparative figures

The Group has adopted IFRS 16 'Leases' applying the full retrospective transition approach and has restated the 2018 results as a result. Under IFRS 16 a liability and a right-of-use asset are recognised at the inception of the lease, the lease liability being the present value of future lease payments. The charge to the Income Statement comprises i) an interest expense on the lease liability (included within finance expense) and ii) a depreciation expense on the right-of-use asset (included within operating costs).

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

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. The adjusted results are stated before Performance Share Plan expenses including associated taxes. The Performance Share Plan expenses including social security costs were £2.0 million in 2019 (2018: £3.0 million). The Directors believe that excluding these costs provides a more meaningful comparison of performance and cash generation.

Net finance expense

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

Taxation

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

Earnings per share

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

Dividends

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

The Board reviews the Group's dividend policy on a regular basis and is confident that there are currently no significant constraints which would impact this policy. The Group is debt free, has no significant capital commitments (with the exception of its leasehold properties) and has sufficient distributable reserves and cash balances to continue to apply this policy. As at 31 December 2019, the Company had distributable reserves of £40.2 million.

Cash flow and Statement of Financial Position

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

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

SEGMENTAL PERFORMANCE

UK and Ireland

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

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

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

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

North America

North America Mountie revenue grew by 18%. Mounties placed on site increased by 7% to 1,277 at year end (2018: 1,196). Adjusted operating profit[1] increased by 20% to £16.5 million (2018 restated: £13.8 million).

We won 17 new clients in the year. This new client growth has been primarily in banking and financial services, with demand in that sector improving in the second half of the year after weaker market conditions had slowed activity in the second quarter. We have also widened our presence in insurance, retail and professional services.

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

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

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

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

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

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

APAC (Asia Pacific)

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

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

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

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

THE BOARD

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

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

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

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

Sheila Flavell was recognised in the 2020 New Year's Honours List, being awarded a CBE for her services to gender equality in IT and the employment of graduates and returners.

OUR PEOPLE

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

GLOBAL HEALTH ISSUES

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

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

CURRENT TRADING AND OUTLOOK

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

Consolidated Income Statement
for the year ended 31 December 2019

	Note	2019	2018 Restated*
		£000	£000
Revenue	5	**271,529**	244,910
Cost of sales		**(139,953)**	(125,875)
Gross profit		**131,576**	119,035
Administrative expenses		**(78,401)**	(70,210)
Operating profit	6	**53,175**	48,825
Finance income	7	**194**	140
Finance expense	7	**(886)**	(763)
Net finance expense		**(692)**	(623)
Profit before income tax		**52,483**	48,202
Taxation	8	**(11,856)**	(11,252)
Profit for the year		**40,627**	36,950

Earnings per ordinary share

	Note	2019	2018
		pence	**pence**
Basic	9	**37.3**	34.2
Diluted	9	**37.2**	33.7

*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 ‘Leases’.

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

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

*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 'Leases'.

Consolidated Statement of Financial Position

as at 31 December 2019

	Note	2019	2018 Restated*
		£000	£000
Non-current assets			
Right-of-use assets		**17,832**	**14,045**
Property, plant and equipment		**6,789**	**6,117**
Intangible assets		**19,799**	**19,409**
Deferred income tax assets		**1,732**	**2,692**
		46,152	**42,263**
Current assets			
Trade and other receivables		**39,937**	**37,152**
Cash and cash equivalents		**36,979**	**33,907**
		76,916	**71,059**
Total assets		**123,068**	**113,322**
Current liabilities			
Trade and other payables		**22,737**	**23,070**
Lease liabilities	10	**5,680**	**4,656**
Current income tax liabilities		**2,105**	**3,166**
		30,522	**30,892**
Non-current liabilities			
Lease liabilities	10	**17,482**	**13,485**
Total liabilities		**48,004**	**44,377**
Net assets		**75,064**	**68,945**
Equity attributable to owners of the parent			
Share capital	11	**1,092**	**1,083**
Share premium		**9,687**	**8,771**
All other reserves		**(3,241)**	**3,221**
Retained earnings		**67,526**	**55,870**
Total equity		**75,064**	**68,945**

*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 ‘Leases’.

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019	2018 Restated*
		£000	£000
Cash flows from operating activities			
Group profit before tax for the year		**52,483**	48,202
Adjustments for:			
Depreciation and amortisation	6	**6,237**	4,934
(Profit)/ loss on disposal of non-current assets		**(9)**	3
Finance income	7	**(194)**	(140)
Finance expense	7	**886**	763
Share-based payment charge (including associated social security costs)		**2,106**	2,972
Increase in trade and other receivables		**(3,283)**	(7,013)
Decrease in trade and other payables		**(564)**	(439)
Cash flows generated from operations		**57,662**	49,282
Interest received		**194**	140
Income tax paid		**(11,009)**	(11,407)
Net cash flow from operating activities		**46,847**	38,015
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(2,711)**	(2,684)
Acquisition of intangible assets		**(321)**	(16)
Net cash used in investing activities		**(3,032)**	(2,700)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**9**	8
Proceeds from sale of shares from EBT		**271**	-
Principal elements of lease payments		**(4,828)**	(3,732)
Interest elements of lease payments		**(827)**	(632)
Lease incentives received		**1,930**	-
Payment for shares bought back		**(2,958)**	(3,664)
Finance costs paid		**(59)**	(94)
Dividends paid	12	**(34,113)**	(30,718)
Net cash used in financing activities		**(40,575)**	(38,832)
Exchange (losses)/ gains on cash and cash equivalents		**(168)**	578
Net increase/ (decrease) in cash and cash equivalents		**3,072**	(2,939)
Cash and cash equivalents at beginning of year		**33,907**	36,846
Cash and cash equivalents at end of year		**36,979**	33,907

*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 ‘Leases’.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Share capital	Share premium	All Other reserves	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2019 (Restated)*	1,083	8,771	3,221	55,870	68,945
Profit for the year	-	-	-	**40,627**	**40,627**
Other comprehensive income for the year	-	-	**(496)**	-	**(496)**
Total comprehensive (expense)/ income for the year	-	-	**(496)**	**40,627**	**40,131**
Share-based payments	-	-	**2,825**	-	**2,825**
Transfer to retained earnings	-	-	**(5,189)**	**5,189**	-
New share issue	**9**	**916**	-	-	**925**
Own shares bought back	-	-	**(3,921)**	-	**(3,921)**
Own shares sold	-	-	**319**	**(47)**	**272**
Dividends (note 12)	-	-	-	**(34,113)**	**(34,113)**
Total transactions with owners, recognised directly in equity	**9**	**916**	**(5,966)**	**(28,971)**	**(34,012)**
Balance at 31 December 2019	**1,092**	**9,687**	**(3,241)**	**67,526**	**75,064**

	Share capital	Share premium	All Other reserves	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2018 (Restated)*	1,075	7,873	6,991	47,122	63,061
Profit for the year (Restated)*	-	-	-	36,950	36,950
Other comprehensive income for the year	-	-	630	-	630
Total comprehensive income for the year (Restated)*	-	-	630	36,950	37,580
Share-based payments	-	-	2,678	-	2,678
Transfer to retained earnings	-	-	(2,516)	2,516	-
New share issue	8	898	-	-	906
Own shares bought back	-	-	(4,562)	-	(4,562)
Dividends (note 12)	-	-	-	(30,718)	(30,718)
Total transactions with owners, recognised directly in equity	8	898	(4,400)	(28,202)	(31,696)
Balance at 31 December 2018 (Restated)*	**1,083**	**8,771**	**3,221**	**55,870**	**68,945**

*See note 4 for details regarding the restatement as a result of the adoption of IFRS 16 ‘Leases’.

Notes to the Consolidated Financial Statements

1 General information

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

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

2 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 31 December 2019 and 31 December 2018, for the purpose of the Companies Act 2006, but is derived from those accounts. The audited statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 were approved for issue on 10 March 2020. The Group's auditor reported on the Annual Report and Accounts for the year ended 31 December 2019 on 10 March 2020. Their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted for the use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended 31 December 2018 with the exception of the following standards and amendments which were effective from 1 January 2019 and were adopted by the Group in preparing the financial statements. With the exception of IFRS 16 'Leases' the adoption of these standards and amendments has not had a material impact on the Group's financial statements in the year, see note 4 for details of the impact of the fully retrospective adoption of IFRS16 'Leases':

- IFRS 16, 'Leases'
- Interpretation 23, 'Uncertainty over Income Tax Treatments'
- Amendment to IAS 1 and IAS 8 regarding the definition of materiality
- Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation'
- Amendments to IAS 28, 'Investments in associates', on long term interests in associates and joint ventures
- Amendments to IAS 19, 'Employee benefits', plan amendment, curtailment or settlement
- Amendment to IFRS 3, 'Business combinations'
- Amendment to IFRIC 23, 'Uncertainty over income tax'

3 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.

4 Adoption of IFRS 16 'Leases'

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

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

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

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

Initial adoption

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

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

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

Income Statement for year ending 31 December 2018 (extract)

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

Statement of Financial Position (extract)

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

Retained earnings	**48,440**	**(1,318)**	**47,122**	**57,296**	**(1,426)**	**55,870**
Translation reserve	**791**	**-**	**791**	**1,421**	**-**	**1,421**
Total equity	**64,379**	**(1,318)**	**63,061**	**70,371**	**(1,426)**	**68,945**

Statement of cash flows for year ending 31 December 2018 (extract)

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

Lease liabilities as at 31 December 2018

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

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

5 Segmental reporting

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

At 31 December 2019, the Board of Directors considers that the Group is organised on a worldwide basis into four core geographical operating segments:

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

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

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

For the year ended 31 December 2019

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

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

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

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
31 December 2019	**29,586**	**4,134**	**1,435**	**9,265**	**44,420**

For the year ended 31 December 2018 (Restated)

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

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

	UK and Ireland £000	North America £000	EMEA £000	APAC £000	Total £000
31 December 2018	**30,745**	**5,470**	**1,728**	**1,628**	**39,571**

Information about major customer

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

	2019 £000	2018 £000
Revenue from customer A	**28,838**	25,874

6 Operating profit

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

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

7 Finance income and expense

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

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

8 Taxation

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

	2019 £000	2018 Restated £000
Current income tax:		
Current income tax charge	**13,144**	11,820
Adjustments in respect of prior periods	**(308)**	71

Total current tax	**12,836**	11,891
Deferred tax:		
Relating to origination and reversal of temporary differences	**(980)**	(639)
Total deferred tax	**(980)**	(639)
Total tax expense reported in the income statement	**11,856**	11,252

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

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

Factors affecting future tax charges

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

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

9 Earnings per ordinary share

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

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

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

		2019	2018 Restated
Profit for the year (basic earnings)	£000	**40,627**	36,950
Share-based payment expense (including social security costs)	£000	**2,037**	2,972
Tax effect of share-based payment expense	£000	**(468)**	(685)

Adjusted profit for the year	£000	**42,196**	39,237
Average number of ordinary shares in issue (thousands)		**108,822**	107,978
Adjusted basic earnings per share	Pence	**38.8**	36.3

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

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

10 Leases

(i) Right-of-use assets

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

(ii) Lease liabilities

	2019 £000	2018 £000 Restated
Current lease liabilities	**5,680**	4,656

Non-current lease liabilities	**17,482**	13,485
	23,162	18,141

Contractual maturities of lease liabilities (at net present value)

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

The total cash outflow for leases was £5,655,000 (2018; £4,363,000). Where there is reasonable certainty that an option to extend a lease will be exercised, lease liabilities have been recognised accordingly.

(iii) Amounts recognised in the Income Statement

The Income Statement shows the following amounts relating to leases:

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

11 Share capital

Authorised, called up, allotted and fully paid share capital

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

Ordinary shares

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

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

12 Dividends

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

2019

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

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

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

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

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

2018

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

13 Directors' remuneration

Details of the Directors' (who also represent the key management personnel of the Group) remuneration in respect of the year ended 31 December 2019 is set out below:

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

14 Financial instruments

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

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