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 2020.

	31 December 2020	31 December 2019	% change
Revenue	£267.7m	£271.5m	-1%
Adjusted operating profit[1]	£42.7m	£55.2m	-23%
Profit before tax	£41.0m	£52.5m	-22%
Adjusted profit before tax[1]	£42.0m	£54.5m	-23%
Basic earnings per share	28.2p	37.3p	-24%
Adjusted basic earnings per share[1]	28.8p	38.8p	-26%
Cash flow generated from operations	£66.1m	£57.7m	+15%
Cash conversion[2]	158.4%	108.4%	+46%
Dividend per share	46.5p	16.0p	+191%
Cash position at period end	£64.7m	£37.0m	+75%

- Resilient performance for the year given challenges presented by the COVID-19 pandemic
- A key focus for the Group during the year has been to safeguard the wellbeing of our staff and clients
- The Group performed strongly in the first quarter. Trading levels fell in the second quarter as lockdown restrictions were imposed; as the second half progressed, conditions in the majority of sectors and geographies in which we operate trended towards normality and deal volumes improved
- FDM's agile and robust business model enabled us to respond rapidly and effectively to changing conditions, including the move to remote recruitment and training, and Mounties working for clients remotely
- Mounties assigned to clients at week 52[3] were down 9% from a year previous at 3,580 (2019: 3,924); Mountie utilisation rate[4] was 94.8% (2019: 96.1%)
- Good performance by EMEA and APAC, with revenues up 30% and 33% respectively
- The Group has not accessed the UK Coronavirus Job Retention Scheme (UK furlough) nor taken any funding from the UK Government
- Training courses have been revised to include greater emphasis on technical disciplines to meet the changing market demand; "pod" solution launched, allowing clients to select teams of Mounties who have collaborated during training
- 52 new clients secured globally (2019: 97) of which 24 were secured in the second half and 75% were outside the financial services sector
- Strong balance sheet, with £64.7 million cash at period end (2019: £37.0 million)
- Reported cash conversion of 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 (see note 3 to the Consolidated Financial Statements), cash conversion was 147.8%
- Final dividend of 15.0 pence per share, following a first interim dividend of 18.5 pence per share declared in July 2020 and a second interim dividend of 13.0 pence per share declared in January 2021, giving a total dividend for the year of 46.5 pence, an increase of 191% on 2019's dividend of 16.0 pence
- 2021 has started well, with good levels of demand and strong deal volumes across most of our geographies; recruitment and training levels have been significantly ramped up to meet this demand

[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).

[2] Cash conversion is calculated by dividing cash flow generated from operations by operating profit.

[3] Week 52 in 2020 commenced on 21 December 2020 (2019: week 52 commenced on 16 December 2019).

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

Rod Flavell, Chief Executive Officer, said:

"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.

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."

Enquiries

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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 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 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.

INTRODUCTION

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.

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 we saw an 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.

The Group delivered an adjusted profit before tax 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.

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. The Board is 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.

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.

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.

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, Pharmaceutical and Healthcare sectors.

Expand and consolidate our geographic presence

Whilst our APAC operations saw Mountie headcount increase by 27% 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 2% in headcount to 236, the UK and Ireland region saw a decrease of 15% to 1,625, as did North America 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.

GROUP RESULTS

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

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) (constant currency basis 1%), 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).

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 deployed at week 52 2020 (week 52 2019: 108).

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 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).

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 3).

[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). 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 28.2 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 26th 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%.

SEGMENTAL PERFORMANCE

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 3).

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, continued to grow rapidly, increasing headcount by 60% and adding six new clients during the period. Across the region we gained 16 new customers.

The 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.

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. There have been no other changes to the Board since the publication of our last Annual Report.

OUR 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.

CURRENT TRADING AND OUTLOOK

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.

Consolidated Income Statement
for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue		**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	5	**41,740**	53,175
Finance income	6	**99**	194
Finance expense	6	**(815)**	(886)
Net finance expense		**(716)**	(692)
Profit before income tax		**41,024**	52,483
Taxation	7	**(10,249)**	(11,856)
Profit for the year		**30,775**	40,627

Earnings per ordinary share

	Note	2020 pence	2019 pence
Basic	8	**28.2**	37.3
Diluted	8	**28.1**	37.2

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

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

Consolidated Statement of Financial Position

as at 31 December 2020

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

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	5	**6,501**	6,237
Loss/ (profit) on disposal of non-current assets		**19**	(9)
Finance income	6	**(99)**	(194)
Finance expense	6	**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		**(5,294)**	(4,828)
Interest elements of lease payments		**(746)**	(827)
Lease incentives received		**-**	1,930
Proceeds from sale/ (purchase) of own shares		**405**	(2,958)
Finance costs paid		**(68)**	(59)
Dividends paid	10	**(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		**64,725**	36,979

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £000	Share premium £000	All Other reserves £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	-	-	**2,092**	-	**2,092**
Transfer to retained earnings	-	-	**(2,642)**	**2,642**	-
New share issue (note 9)	-	**18**	-	-	**18**
Own shares bought back	-	-	**(25)**	-	**(25)**
Own shares sold	-	-	**4,394**	**(3,634)**	**760**
Dividends (note 10)	-	-	-	**(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 £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	-	-	2,825	-	2,825
Transfer to retained earnings	-	-	(5,189)	5,189	-
New share issue (note 9)	9	916	-	-	925
Own shares bought back	-	-	(3,921)	-	(3,921)
Own shares sold	-	-	319	(47)	272
Dividends (note 10)	-	-	-	(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**

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 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.

2 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 31 December 2020 and 31 December 2019, for the purpose of the Companies Act 2006, but is derived from those accounts. The audited statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 were approved for issue on 9 March 2021. The Group's auditor reported on the Annual Report and Accounts for the year ended 31 December 2020 on 9 March 2021. 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 2019 with the exception of the following standards and amendments which were effective from 1 January 2020 and were adopted by the Group in preparing the financial statements. The adoption of these standards and amendments has not had a material impact on the Group's financial statements in the year:

- Revised Conceptual Framework for Financial Reporting
- Amendments to IAS 1 'Presentation of Financial Statements and IAS 8 'Accounting policies' on Definition of Material
- Amendment to IFRS 3 'Business Combinations' on Definition of a Business
- Amendment to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments recognition and measurement' and IFRS 7 'Financial Instruments disclosures' on Interest rate benchmark reform

3 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 has been approved by the Court in the past year, as such it has been provided for in these financial statements and 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.

4 Segmental reporting

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

At 31 December 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.

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

5 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 licenses	**1,950**	1,972
Expense relating to short-term leases	**177**	526

6 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)

7 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	**(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.

8 Earnings per ordinary share

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

		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)	£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

9 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.

10 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 total dividends of 46.5 pence per share will be covered 0.6 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.

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.

12 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 3).