

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 2021.

	31 December 2021	31 December 2020	% change
Revenue	£267.4m	£267.7m	Unchanged
Adjusted operating profit ¹	£47.3m	£42.7m	+11%
Profit before tax	£41.4m	£41.0m	+1%
Adjusted profit before tax ¹	£46.7m	£42.0m	+11%
Basic earnings per share	29.1p	28.2p	+3%
Adjusted basic earnings per share ¹	33.2p	28.8p	+15%
Cash flow generated from operations	£52.1m	£66.1m	-21%
Cash conversion ²	124.1%	158.4%	-22%
Adjusted cash conversion ¹	110.3%	154.8%	-29%
Dividend per share ³	33.0p	46.5p	-29%
Cash position at period end	£53.1m	£64.7m	-18%

- FDM made good progress in 2021, delivering a strong operational and financial performance, comfortably in line with the Board’s expectations.
- Strong levels of demand for our Mounties and high deal volumes across most of our regions.
- Mounties assigned to clients at week 52⁴ were 4,033 (2020: 3,580), with the UK and APAC delivering the strongest growth in Mounties deployed. In North America, Canada performed well with a more subdued performance in the US, where we are introducing a number of initiatives that should enable us to respond better to strong demand.
- Mountie utilisation rate⁵ improved to 97.3% (2020: 94.8%).
- Group revenue was flat against the prior year (up 2% on a constant currency basis), reflecting the phasing of headcount year on year; adjusted operating profit increased by 10.8% to £47.3 million (2020: £42.7 million).
- Mountie training completions during the year of 2,410 (2020: 1,341) were the highest in FDM’s history and the Group ended the year with a record number in training.
- 78 new clients secured globally (2020: 52) of which 66 were outside the financial services sector; progress in the software and IT services, government, and commercial and professional services sectors.
- Continued investment in the Academy Transformation and Accreditation Programmes to underpin the future growth of the business.
- Strong balance sheet, with £53.1 million of cash at year end (2020: £64.7 million), after dividend payments during the year of £46.8 million (2020: £20.1 million).
- Cash conversion of 124.1% (2020: 158.4%), in line with the Board’s expectations. Cash conversion in the prior year reflected a higher level of accruals.
- Final dividend of 18.0 pence per share, following an interim dividend of 15.0 pence per share declared in July 2021, giving a total dividend for the year of 33.0 pence.
- FDM is committed to reducing its carbon footprint; the Group’s Carbon Reduction Plan was approved in 2021 and will be published later this year.
- 2022 has started well, with very strong demand for our Mounties across all our geographies and excellent levels of deal volumes.

¹ The adjusted operating profit and adjusted profit before tax are calculated before Performance Share Plan expense (including social security costs) of £5.3 million (2020: £1.0 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). The adjusted cash conversion is calculated by dividing cash flow generated from operations by adjusted operating profit.

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

³ See note 13.

⁴ Week 52 in 2021 commenced on 20 December 2021 (2020: week 52 commenced on 21 December 2020).

⁵ Utilisation is calculated as the ratio of cost of utilised Mounties to the total Mountie payroll cost.

Rod Flavell, Chief Executive Officer, said:

“FDM made good progress in 2021, with the numbers of Mounties trained during the year and of Mounties in training at the year-end both a record high.

The Group continued with its significant investment in Academy transformation and accreditation programmes to underpin the future growth of the business. This year we are targeting a significant increase in the numbers of Mounties that we train and deploy and plan to accelerate our internal staff recruitment and other internal development programmes, with a particular focus on our sales and Academy training teams.

During these first weeks of 2022, demand for our people across all our operating territories has been very strong and we are achieving excellent levels of deal volumes. We have seen client ordering patterns at greater levels than ever before with established and new clients of the Group looking for very significant quantities of Mounties, across a broad range of skill sets.

Notwithstanding the wider geopolitical issues ongoing in the world, the Group is well placed to deliver a good performance in 2022 and beyond.”

Enquiries

For further information:

FDM	Rod Flavell - CEO	0203 056 8240
	Mike McLaren - CFO	0203 056 8240
Nick Osborne (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 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, returners to work and apprentices, providing the training and experience required to make a success of launching or relaunching their careers. We have dedicated training centres and sales operations located in London, Leeds, Glasgow, New York NY, Arlington VA, Charlotte NC, Austin TX, Toronto, Frankfurt, Singapore, Hong Kong, Shanghai and Sydney. We also operate in Ireland, Luxembourg, the Netherlands, Poland, Switzerland, Austria, Spain, South Africa, and New Zealand.

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

FDM is a collective of over 5,500 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

FDM made good progress in 2021, delivering a strong operational and financial performance. The Group continued its significant investment in Academy transformation and accreditation programmes to underpin the future growth of the business, and the numbers of Mounties trained during the year and of trainees at the year-end were both a record high. The strength of our response to the many challenges presented by the COVID-19 pandemic has been pleasing.

Throughout the year, we consistently saw average weekly deal volumes exceed expectations. We experienced strong client demand across the majority of our markets, most notably in the UK and APAC, and the levels of beached and signed-off Mounties returned to pre-pandemic levels. To meet this growth in demand, 2,410 Mounties were trained during the year (2020: 1,341 training completions; 2019: 2,115 training completions) which is the highest in the Group's history, and the Group ended the year with a record number in training.

We ended the year with 4,033 Mounties placed with clients, ahead of the pre-pandemic closing 2019 headcount of 3,924. The Group recorded revenue of £267.4 million and delivered an adjusted operating profit¹ of £47.3 million.

We maintain a strong focus on cash management and cash collection, ending the year with £53.1 million of cash and no debt.

Our strategy

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

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

Strategic objectives

Attract, train and develop high-calibre Mounties

As client demand increased throughout 2021, we were able to ramp up recruitment and training and delivered a record number of training completions in the year. The efforts made by our Recruitment teams globally throughout the pandemic to maintain engagement with potential candidates and our university partners benefited our recruitment significantly. Our Academy Transformation Programme, which is discussed in more detail below, offers market-leading, flexible training to increasing numbers of trainees, using the latest technologies and training methods, further enhancing the quality and efficiency of training and making our offering more attractive than ever to candidates, and further differentiating FDM in the current high-wage inflationary environment.

Our Ex-forces and Returners programmes remain an important source of talent for the business and we continue to invest in those programmes. We are also investing in our programme of apprenticeships, which will further diversify our talent pipeline.

In total, there were 2,410 training completions in 2021, an increase of 80% on the previous year (2020: 1,341), and the highest number in the Group's history. In 2022 we shall target a significant increase in the numbers of Mounties that we train.

Invest in leading-edge training capabilities

As previously reported, one of our key responses to the pandemic was the introduction of remote training. Realising the benefits that remote training brings to our business, we have been heavily focussed on developing our strategy for the longer-term delivery of our training programmes and in June 2021 we formally started our Academy Transformation Programme. This consists of five key areas:

Accreditation – External validation of FDM's programme content, delivery approach, and assessment

Standardisation – Ensuring the programmes we deliver are consistent across the global business

Academy Change – Trials of new ways of working within the Academy – including larger classes, cross-regional deliveries, hybrid training (remote and classroom-based training) and agile training delivery

Physical Infrastructure – Understanding the needs and configuration of the physical space of the FDM Academy of the future

Technological Infrastructure – Updating our existing IT systems to better support remote training delivery

Working with our accreditation partner, TechSkills, we achieved the Tech Industry Gold Standard accreditation for seven of our programmes – Business Analysis, Business Consulting (accredited as 'Project Management Office'), Business Intelligence, Software Testing, Software Development, RRC (Risk Regulation and Compliance) and Robotic Process Automation. This accreditation provides assurance for candidates and clients that the content that we deliver meets industry standards for job readiness. Once the initial FDM training has been completed, our Mounties receive their Foundation Certification, with digital credentials provided by Credly. Mounties will also have the opportunity to undertake their Practitioner Certification, which is based on the successful completion of learning outcomes during their first two years in industry with our clients.

Alongside accreditation, we are standardising our programmes globally, allowing us to offer accredited programmes in more locations. We have already reduced the impact of regional borders with UK trainers delivering to Frankfurt trainees, and North American and APAC trainers delivering throughout their respective regions. Standardising our content will enable this model to become more widespread over time.

With trainees able to join training remotely, we have seen a reduction in the number of trainees who leave within the initial 14-day cooling off period, and an increase in average class sizes. Remote training also offers greater accessibility to those with travel restrictions, children and other caring responsibilities. Reinforcing inclusivity in this way will enable our trainee population to become more diverse.

We have implemented hybrid training trials in the UK, utilising a combination of classroom-based and remote training. These trials will continue throughout 2022 as we work towards the best training delivery solution for the post-COVID world of work. Our permanent Academies, of which we have nine, remain a key part of our training model as we trial and assess the benefits of bringing trainees into physical classrooms for some elements of their training.

Grow and diversify our client base

We continue to deliver the highest level of service to our clients and have worked closely with them as demand for our Mounties increased throughout in the year. We secured 78 new clients in the year (2020: 52), of which 33 were in the UK, 20 in North America, 17 in APAC and 8 in EMEA. 85% were secured from outside the financial services sector. We have made good progress in the software and IT services, government, and commercial and professional services sectors.

Expand and consolidate our geographic presence

The expansion and consolidation of our geographic presence is a key growth driver for FDM. APAC Mountie headcount at week 52 increased to 880 compared to 633 in 2020 and 497 in 2019. The UK also delivered a very strong performance, increasing Mountie headcount by 232 over 2020. Headcount in North America increased by nine overall, led by a strong performance from our Canadian operation; our performance in the US was more subdued, primarily reflecting continued pandemic-related uncertainties, but demand improved during the second half and has strengthened further in the opening months of 2022, and we have introduced a number of new initiatives in the US which should enable us to meet that demand as it continues to grow. EMEA, which now includes Ireland (please see 'Segmental performance' section), closed with 252 Mounties deployed, down 35 compared with 2020 after the completion of a major client project in Luxembourg during the second half; we saw good activity levels in our nascent location of Poland.

With high client engagement and high demand for Mounties in all territories, we anticipate continued growth of our international footprint in 2022 and beyond, both in our longer-established territories and our newer locations.

Our service offerings

We continually review our training content to ensure we deliver, at scale, a consultant workforce that meets our clients' current and future requirements. We have numerous exciting client projects in progress across the mainstream cloud providers including AWS, GCP, and Microsoft Azure. As the financial regulators gain increasing confidence in the security that cloud providers offer, we have seen our banking clients look to accelerate their cloud-specific programmes of work. Software Engineering continues to be a strong area of demand, with clients making the most of this skillset's adaptable nature. We have also seen strong interest across our Data products, especially around hard-to-source-skillsets such as Data Engineering. Further, we have supported our clients' regulatory programmes of work with large order fulfilment across KYC (Know Your Customer) and programmes of work related to specific regulatory deadlines.

Throughout 2021 we have also developed deeper partnerships with technology providers such as AWS and their 'AWS re/Start programme', A Cloud Guru, Microsoft, and Salesforce, providing additional strength to our industry-accredited training.

Following the success of our Agile Pods in 2020, we have continued to develop this initiative, which allows our Mounties to develop skills remotely in a multi-disciplinary and collaborative setting which closely simulates the client environments in which they will be placed.

GROUP RESULTS

Summary income statement

	Year ending 31 December 2021	Year ending 31 December 2020	% change
Revenue	£267.4m	£267.7m	Unchanged
Adjusted operating profit ¹	£47.3m	£42.7m	+11%
Operating profit	£42.0m	£41.7m	+1%
Adjusted profit before tax ¹	£46.7m	£42.0m	+11%
Profit before tax	£41.4m	£41.0m	+1%
Adjusted basic EPS ¹	33.2p	28.8p	+15%
Basic EPS	29.1p	28.2p	+3%

Overview

The Group delivered a solid performance in 2021, evidencing good recovery from the impact of the pandemic. Whilst revenue was flat in comparison to the prior year at £267.4 million (2020: £267.7 million), adjusted operating profit¹ increased by 10.8% to £47.3 million (2020: £42.7 million), with adjusted basic earnings per share¹ up 15%, to 33.2 pence (2020: 28.8 pence). We ended the year with a robust balance sheet, including cash of £53.1 million and converted 124% of our operating profit into operating cash flow. We remain well positioned for future growth with a proven and agile business model that allows us to respond rapidly and effectively to market fluctuations.

Revenue was flat against the prior year at £267.4 million (2020: £267.7 million); on a constant currency basis revenue increased by £5.6 million. The change in revenue is less than the increase in Mountie headcount due to the phasing of headcount year on

year. Mounties assigned to clients at week 52 2021 increased by 13%, totalling 4,033 (week 52 2020: 3,580; week 52 2019: 3,924). At week 52 2021 our Ex-Forces Programme accounted for 196 Mounties deployed worldwide (week 52 2020: 194). Our Returners Programme had 156 Mounties deployed at week 52 2021 (week 52 2020: 112). The Mountie utilisation rate improved to 97.3% (2020: 94.8%).

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

	Year ending 31 December 2021 Revenue £m	Year ending 31 December 2020 Revenue £m	2021 Mounties assigned to clients at week 52 ²	2020 Mounties assigned to clients at week 52 ²
UK ³	121.8	116.7	1,806	1,574
North America	81.4	97.1	1,095	1,086
EMEA ³	25.0	23.9	252	287
APAC	39.2	30.0	880	633
	267.4	267.7	4,033	3,580

Adjusted Group operating profit margin increased to 17.7% (2020: 16.0%) with overheads decreasing to £84.7 million (2020: £87.0 million). As previously disclosed, the prior year adjusted operating profit margin was impacted by an increase in overheads after the Board took the pragmatic and commercial decision in 2020 to settle for £3.0 million a long-standing legal claim which the Board considered to be unmeritorious.

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 2021 commenced on 20 December 2021 (2020: week 52 commenced on 21 December 2020).

3 Reflecting internal management and reporting, performance and headcount results for Ireland, previously included within 'UK and Ireland' region, are included within EMEA. All results, including prior year comparatives, have been updated to reflect this change. Ireland Mountie headcount was 20 at the end of 2021 (2020: 51).

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 £5.3 million was recognised in the year to 31 December 2021 relating to Performance Share Plan expenses including social security costs (2020: £1.0 million).

Net finance expense

The finance expense costs include lease liability interest of £0.6 million (2020: £0.7 million). The Group continues to have no borrowings.

Taxation

The Group's total tax charge for the year was £9.6 million, equivalent to an effective tax rate of 23.2%, on profit before tax of £41.4 million (2020: effective tax rate of 25.0% based on a tax charge of £10.2 million and a profit before tax of £41.0 million). The effective tax rate in 2021 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

Basic earnings per share increased in the year to 29.1 pence (2020: 28.2 pence), whilst adjusted basic earnings per share were 33.2 pence (2020: 28.8 pence). Diluted earnings per share were 28.8 pence (2020: 28.1 pence).

Dividend

During the year, the Group paid three dividends totalling £46.8 million, representing 43.0 pence per share.

On 27 January 2021, taking into account the decision not to recommend a final dividend in 2020 in respect of the 2019 financial year, the Board declared a second interim dividend for 2020 of 13.0 pence per share which was paid to shareholders on 26 February 2021. On 28 April 2021, a final dividend of 15.0 pence per share for 2020 was approved by shareholders at the AGM and was paid on 4 June 2021. On 27 July 2021, an interim dividend of 15.0 pence per share for 2021 was declared which was paid on 3 September 2021.

The Board has recommended a final dividend of 18 pence per share, subject to shareholder approval at the forthcoming AGM, taking the total dividend to 33.0 pence per share.

The Board has set 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 2021 the Company had distributable reserves of £51.2 million. This statement does not form part of the audited financial statements and the distributable reserves figure of £51.2 million is therefore not audited by PwC.

Cash flow and Statement of Financial Position

The Group's cash balance decreased to £53.1 million (2020: £64.7 million) with the variation of the timing of dividends bolstering the prior year end financial position. Cash conversion remained good at 124.1% (2020: 158.4%) reflecting strong cash generation and cash collection performance by our credit control team.

Dividends paid in the year totalled £46.8 million (2020: £20.1 million). Net capital expenditure was £0.4 million (2020: £0.6 million) and tax paid was £10.6 million (2020: £11.5 million).

SEGMENTAL PERFORMANCE

UK¹

The UK experienced strong growth in Mountie headcount with Mounties deployed at week 52 increasing 15% to 1,806 (2020: 1,574). Revenue increased by 4.4% to £121.8 million (2020: £116.7 million), less than the increase in Mountie headcount due to the phasing of headcount year-on-year, and adjusted operating profit² increased 17.8% to £28.4 million (2020: £24.1 million). We progressively increased training during the year to meet client demand with 1,035 training completions during the year, an increase of 150% over the previous year (2020: 414).

In 2020, in response to reduced client demand we decreased our number of trainees, instead focussing on upskilling those already onsite and those who were signed off. Demand returned in 2021 and the proportion of consultants who are within their first year increased to 49% (2020: 21%), while the proportion who have completed their first two years with FDM reduced to 33% (2020: 41%); we anticipate that this will continue to rebalance to more normal levels over the next two to three years.

In the second half of the year we introduced paid training in the UK, recognising a cost of £2.0 million in 2021. Trainees are now employed and paid a salary from the first day of training, in line with our operations elsewhere in the world.

¹ 2020 results for both the UK region and EMEA region have been restated to show results for Ireland as part of EMEA. Previously, results for Ireland were included in the region "UK and Ireland".

² The adjusted operating profit is calculated before Performance Share Plan expenses (including social security costs).

North America

North America Mounties deployed at week 52 increased slightly to 1,095 from 1,086 in 2020. Revenue decreased by 16.2% to £81.4 million (2020: £97.1 million) due to the phasing of headcount year-on-year as during 2020 North America headcount was largely resilient to the effects of the pandemic until the last quarter. During 2021, we increased our training output by 27%, with 661 training completions compared with 520 in 2020.

Despite Canada's strict lockdown for much of 2021, client demand has been good; US trading was more subdued, primarily reflecting continued pandemic-related uncertainties. However, demand for our Mounties in the US improved during the third and fourth quarters and has strengthened further in the opening months of 2022, and we have introduced a number of new initiatives in our recruitment, training and sales processes which should enable us to optimise the throughput of quality talent to meet that demand as it continues to grow. We continued to focus on expanding our client base and added a further 20 new clients during the year (2020: 10), a record for the region.

Adjusted operating profit decreased by 4.8% to £13.1 million (2020: £12.5 million).

EMEA (Europe, Middle East and Africa, excluding UK) ¹

EMEA Mounties deployed decreased by 12.2% to 252 at week 52 (2020: 287), reflecting the anticipated completion of a major Risk, Regulation and Compliance project for a client in Luxembourg. We had 197 training completions in the period, a record for the region and double the prior year (2020: 96), while revenue increased 4.6% to £25.0 million (2020: £23.9 million).

During the year we established a presence in Poland, where we have seen good initial demand and we ended the year with 38 consultants deployed with clients.

Adjusted operating profit decreased 24.4% to £3.4 million (2020: £4.5 million).

APAC (Asia Pacific)

APAC continued to grow at a rapid pace in 2021, led by growth in Australia, which now holds the largest headcount in the region. Mounties deployed at week 52 increased 39.0% to 880 (2020: 633) and revenue increased by 30.7% to £39.2 million (2020: £30.0 million). During the year we trained 517 consultants, an increase of 66% (2020: 311).

We continued to expand our client base, adding a further 17 clients in the year (2020: 16). During the year we established a trading entity in New Zealand, to meet client demand and benefit from the reciprocal visa arrangements between Australia and New Zealand.

Adjusted operating profit increased 50.0% to £2.4 million (2020: £1.6 million).

THE BOARD

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

Jacqueline de Rojas (independent Non-Executive Director) was appointed as an additional member of the Nomination Committee with effect from 1 March 2021, and Rod Flavell (CEO) stepped down as a member of that Committee with effect from 27 April 2021. Following those changes, the Committee now comprises three independent Non-Executive Directors (Jacqueline de Rojas, Michelle Senecal de Fonseca and Peter Whiting), in addition to David Lister as the Committee Chair.

OUR PEOPLE

FDM is a people business and looking after our people has remained our top priority this year. Our results reflect the dedication and hard work of all our colleagues; our consultants working with clients and our recruiters, trainers, internal staff and those in support roles. Our people understand that our clients' success is our success, and the Board would like to thank them again for their great contribution to our performance during the year.

The People Team continues to engage with staff to ensure that their wellbeing is 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.

As in 2020, we have not accessed the UK Coronavirus Job Retention Scheme (commonly known as furlough), nor have we taken any UK government funding.

CURRENT TRADING AND OUTLOOK

During these first weeks of 2022, demand for our Mounties across all operating territories has been very strong and we are achieving excellent levels of deal volumes. We have seen client ordering patterns at greater levels than ever before with established and new clients of the Group looking for very significant quantities of Mounties, across a broad range of skill sets.

Notwithstanding the wider geopolitical issues ongoing in the world, the Group is well placed to deliver a good performance in 2022 and beyond.

Consolidated Income Statement

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue	4	267,356	267,737
Cost of sales		(140,641)	(138,957)
Gross profit		126,715	128,780
Administrative expenses		(84,700)	(87,040)
Operating profit	5	42,015	41,740
Finance income	6	58	99
Finance expense	6	(650)	(815)
Net finance expense		(592)	(716)
Profit before income tax		41,423	41,024
Taxation	7	(9,594)	(10,249)
Profit for the year		31,829	30,775
Earnings per ordinary share			
		2021 pence	2020 pence
Basic	8	29.1	28.2
Diluted	8	28.8	28.1

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	2021	2020
	£000	£000
Profit for the year	31,829	30,775
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on retranslation of foreign operations (net of tax)	(47)	(635)
Total other comprehensive expense	(47)	(635)
Total comprehensive income for the year	31,782	30,140

Consolidated Statement of Financial Position

as at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Right-of-use assets		11,631	14,774
Property, plant and equipment		4,069	5,554
Intangible assets		19,597	19,885
Deferred income tax assets		2,484	2,123
		<u>37,781</u>	<u>42,336</u>
Current assets			
Trade and other receivables	9	35,841	31,048
Cash and cash equivalents	10	53,120	64,725
		<u>88,961</u>	<u>95,773</u>
Total assets		<u>126,742</u>	<u>138,109</u>
Current liabilities			
Trade and other payables	11	31,235	28,563
Lease liabilities		5,413	5,502
Current income tax liabilities		2,147	2,094
		<u>38,795</u>	<u>36,159</u>
Non-current liabilities			
Lease liabilities		9,817	13,986
Total liabilities		<u>48,612</u>	<u>50,145</u>
Net assets		<u>78,130</u>	<u>87,964</u>
Equity attributable to owners of the parent			
Share capital	12	1,092	1,092
Share premium		9,705	9,705
All other reserves		5,126	(57)
Retained earnings		62,207	77,224
Total equity		<u>78,130</u>	<u>87,964</u>

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Group profit before tax for the year		41,423	41,024
<i>Adjustments for:</i>			
Depreciation and amortisation	5	6,160	6,501
Loss on disposal of non-current assets		2	19
Finance income	6	(58)	(99)
Finance expense	6	650	815
Share-based payment charge (including associated social security costs)		5,622	2,187
(Increase)/ decrease in trade and other receivables		(5,123)	9,802
Increase in trade and other payables		3,471	5,885
		<hr/>	<hr/>
Cash flows generated from operations		52,147	66,134
Interest received		58	99
Income tax paid		(10,606)	(11,464)
		<hr/>	<hr/>
Net cash inflow from operating activities		41,599	54,769
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(368)	(536)
Acquisition of intangible assets		-	(79)
		<hr/>	<hr/>
Net cash used in investing activities		(368)	(615)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from sale of shares from EBT		450	349
Principal elements of lease payments		(5,294)	(5,294)
Interest elements of lease payments		(564)	(746)
Proceeds from sale of own shares		50	405
Finance costs paid		(85)	(68)
Dividends paid	13	(46,820)	(20,085)
		<hr/>	<hr/>
Net cash used in financing activities		(52,263)	(25,439)
		<hr/>	<hr/>
Exchange losses on cash and cash equivalents		(573)	(969)
		<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents		(11,605)	27,746
Cash and cash equivalents at beginning of year		64,725	36,979
		<hr/>	<hr/>
Cash and cash equivalents at end of year	10	53,120	64,725
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £000	Share premium £000	All Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2021	1,092	9,705	(57)	77,224	87,964
Profit for the year	-	-	-	31,829	31,829
Other comprehensive expense for the year	-	-	(47)	-	(47)
Total comprehensive income for the year	-	-	(47)	31,829	31,782
Share-based payments	-	-	5,320	-	5,320
Transfer to retained earnings	-	-	(1,530)	1,530	-
Own shares sold	-	-	1,440	(938)	502
Recharge of net settled share options	-	-	-	(618)	(618)
Dividends (note 13)	-	-	-	(46,820)	(46,820)
Total transactions with owners, recognised directly in equity	-	-	5,230	(46,846)	(41,616)
Balance at 31 December 2021	1,092	9,705	5,126	62,207	78,130

	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	-	18	-	-	18
Own shares bought back	-	-	(25)	-	(25)
Own shares sold	-	-	4,394	(3,634)	760
Dividends (note 13)	-	-	-	(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

Notes to the Consolidated Financial Statements

1 General information

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

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

2 Basis of preparation

The financial information set out in this preliminary announcement does not constitute statutory accounts for the years ended 31 December 2021 and 31 December 2020, for the purpose of the Companies Act 2006, but is derived from those accounts. The audited statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 were approved for issue on 16 March 2022. The Group's auditor reported on the Annual Report and Accounts for the year ended 31 December 2021 on 16 March 2022. 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 UK-adopted International Financial Reporting Standards, this announcement does not itself contain sufficient information to comply with UK-adopted International Financial Reporting Standards. The accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended 31 December 2020 with the exception of the following standards and amendments which were effective from 1 January 2021 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
- COVID-19-related Rent Concessions – Amendments to IFRS 16
- 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
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 7, IFRS 4 and IFRS 16

3 Settlement of legal claim

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. The claim was provided in full at 31 December 2020.

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 2021, the Board of Directors consider that the Group is organised on a worldwide basis into four core geographical operating segments:

- (1) UK;
- (2) North America;
- (3) Europe, Middle East and Africa, excluding UK ("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 2021

	UK ¹ £000	North America £000	EMEA ¹ £000	APAC £000	Total £000
Revenue	121,846	81,387	24,963	39,160	267,356
Depreciation and amortisation	2,489	1,714	241	1,716	6,160
Segment operating profit	24,570	12,215	3,237	1,993	42,015
Finance income ²	159	174	-	4	337
Finance costs ²	(231)	(60)	(88)	(550)	(929)
Profit before income tax	24,498	12,329	3,149	1,447	41,423
As at 31 December 2021					
Total assets	75,995	21,038	11,937	17,772	126,742
Total liabilities	(13,053)	(8,669)	(6,193)	(20,697)	(48,612)

¹ Reflecting internal management and reporting changes, the results for FDM Group Ireland Limited are now included within the EMEA segment, The results were previously included within segment 'UK & Ireland' which is now presented as 'UK'. All results, including prior year comparatives, have been updated to reflect this change.

² 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 ¹ £000	North America £000	EMEA ¹ £000	APAC £000	Total £000
31 December 2021	24,839	2,144	1,030	7,284	35,297

For the year ended 31 December 2020

	UK ¹ Restated £000	North America £000	EMEA ¹ Restated £000	APAC £000	Total £000
Revenue	116,744	97,082	23,928	29,983	267,737
Depreciation and amortisation	(2,648)	(1,873)	(239)	(1,741)	(6,501)
Segment operating profit	23,465	12,279	4,474	1,522	41,740
Finance income ²	168	193	3	3	367
Finance costs ²	(314)	(103)	(71)	(595)	(1,083)
Profit before income tax	23,319	12,369	4,406	930	41,024
As at 31 December 2020					
Total assets	82,517	24,431	11,494	19,667	138,109

Total liabilities	(9,163)	(12,861)	(5,806)	(22,315)	(50,145)
--------------------------	---------	----------	---------	----------	----------

¹ Reflecting internal management and reporting changes, the results for FDM Group Ireland Limited are now included within the EMEA segment, The results were previously included within segment 'UK & Ireland' which is now presented as 'UK'. All results, including prior year comparatives, have been updated to reflect this change.

² 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 ¹ Restated £000	North America £000	EMEA ¹ Restated £000	APAC £000	Total £000
31 December 2020	27,405	2,812	888	9,108	40,213

Information about major customer

2021 revenue from customer A is attributed across all four operating segments. Customer A represents 10% or more of the Group's 2021 and 2020 revenues.

	2021 £000	2020 £000
Revenue from customer A	35,942	31,488

5 Operating profit

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

	2021 £000	2020 £000
Net foreign exchange differences	39	(59)
Depreciation of right-of-use assets	4,294	4,551
Depreciation of property, plant and equipment and amortisation of software and software licences	1,866	1,950
Expense relating to short-term leases	78	177

6 Finance income and expense

	2021 £000	2020 £000
Bank interest	58	99
Finance income	58	99
	2021 £000	2020 £000
Interest on lease liabilities	(564)	(746)
Finance fees and charges	(86)	(69)
Finance expense	(650)	(815)

7 Taxation

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	2021	2020
	£000	£000
Current income tax:		
Current income tax charge	9,904	11,536
Adjustments in respect of prior periods	(418)	(577)
	<hr/>	<hr/>
Total current income tax	9,486	10,959
Deferred tax:		
Relating to origination and reversal of temporary differences	108	(710)
	<hr/>	<hr/>
Total deferred tax	108	(710)
	<hr/>	<hr/>
Total tax expense reported in the income statement	9,594	10,249
	<hr/> <hr/>	<hr/> <hr/>

The standard rate of corporation tax in the UK is 19% (2020: 19%), accordingly, the profits for 2020 and 2021 are taxed at 19%. The tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK. The differences are set out below:

	2021	2020
	£000	£000
Profit before income tax	41,423	41,024
	<hr/>	<hr/>
Profit before income tax multiplied by UK standard rate of corporation tax of 19% (2020: 19%)	7,870	7,795
Effect of different tax rates on overseas earnings	1,695	2,051
Effect of expenses not deductible for tax purposes	143	128
Adjustments in respect of prior periods	(418)	(577)
Effect of unused tax losses not recognised for deferred tax assets	304	852
	<hr/>	<hr/>
Total tax charge	9,594	10,249
	<hr/> <hr/>	<hr/> <hr/>

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.

The Finance Act 2021 confirmed an increase of UK corporation tax rate from 19% to 25% with effect from 1 April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements.

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.

		2021	2020
Profit for the year	£000	31,829	30,775
Average number of ordinary shares in issue (thousands)		109,192	109,191
		<hr/>	<hr/>
Basic earnings per share	Pence	29.1	28.2
		<hr/> <hr/>	<hr/> <hr/>

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.

		2021	2020
Profit for the year (basic earnings)	£000	31,829	30,775
Share-based payment expense (including social security costs)	£000	5,261	988
Tax effect of share-based payment expense	£000	(837)	(341)
Adjusted profit for the year	£000	36,253	31,422
Average number of ordinary shares in issue (thousands)		109,192	109,191
Adjusted basic earnings per share	Pence	33.2	28.8

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.

		2021	2020
Profit for the year (basic earnings)	£000	31,829	30,775
Average number of ordinary shares in issue (thousands)		109,192	109,191
Adjustment for share options (thousands)		1,386	207
Diluted number of ordinary shares in issue (thousands)		110,578	109,398
Diluted earnings per share	Pence	28.8	28.1

9 Trade and other receivables

Due to their short-term nature, the Directors consider that the carrying amount of trade receivables approximates to their fair value. The standard credit terms are 30 days.

	2021	2020
	£000	£000
Trade receivables	26,727	24,118
Other receivables	3,464	1,477
Prepayments and accrued income	5,650	5,453
	35,841	31,048

10 Cash and cash equivalents

	2021	2020
	£000	£000
Cash at bank and in hand	53,120	64,725

11 Trade and other payables

Due to their short-term nature, the Directors consider that the carrying amount of trade payables approximates to their fair value.

	2021 £000	2020 £000
Trade payables	1,113	1,153
Other payables	1,725	2,029
Other taxes and social security	8,444	6,502
Accruals and deferred income	19,953	18,879
	<u>31,235</u>	<u>28,563</u>

12 Share capital

Authorised, called up, allotted and fully paid share capital

	2021 Number of shares	2021 £000	2020 Number of shares	2020 £000
<i>Ordinary shares of £0.01 each</i>				
At 1 January	109,191,669	1,092	109,186,739	1,092
New issues	-	-	4,930	-
	<u>109,191,669</u>	<u>1,092</u>	<u>109,191,669</u>	<u>1,092</u>

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.

There were no changes in the authorised, called up, allotted and fully paid share capital during the year. During 2020 4,930 shares were issued, the difference between market value and par value at issue resulted in an amount of £18,000 being recognised in share premium with £49.30 recognised as an increase in issued share capital.

13 Dividends

	2021 £000	2020 £000
Dividends paid		
Paid to shareholders	46,820	20,085

2021

An interim dividend of 15.0 pence per ordinary share was declared by the Directors on 27 July 2021 and was paid on 3 September 2021 to holders of record on 6 August 2021.

The Board is proposing a final dividend of 18.0 pence per share in respect of the year to 31 December 2021, for approval by shareholders at the AGM on 24 May 2022, the total amount payable will be £19,655,000. Subject to shareholder approval the dividend will be paid on 10 June 2022 to shareholders of record on 20 May 2022.

This brings the Company's total dividend for the year to 33.0 pence per share (2020: 46.5 pence per share).

The Board has resumed its 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.

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 2021, 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 paid a final dividend of 15.0 pence per share on 4 June 2021, the total amount payable was £16,322,000.