



MJ Hudson Group plc  
Annual Report and  
Accounts 2020

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## Glossary of terms

**AI** - Artificial intelligence

**AUM** - Assets under management

**Alternative, alternatives, alternative assets** - A subsector of the global asset management industry, which includes: private equity funds; real estate funds; hedge funds; infrastructure funds; and alternative credit funds

**Benchmarking** - The process of comparing a firm or asset manager's performance and metrics to other businesses within their trade

**ESG** - Environmental, social and governance, being factors used to evaluate companies or fund manager's metrics as regards sustainability and ethics

**CAGR** - Compound annual growth rate

**EBITDA** - Earnings before interest, tax, depreciation and amortisation

**Underlying continuing EBITDA** - Underlying continuing EBITDA is segment profit/(loss) before: share based payments expense (including LTIP); fundraising and acquisition costs; nonrecurring costs; unallocated group expenses; and discontinued business losses

**IFRS** - International Financial Reporting Standards

**Organic Growth** - Growth of a financial measure over a given period adjusted to exclude the impact of acquisitions or the disposal of businesses

Refer to page 136 for complete glossary

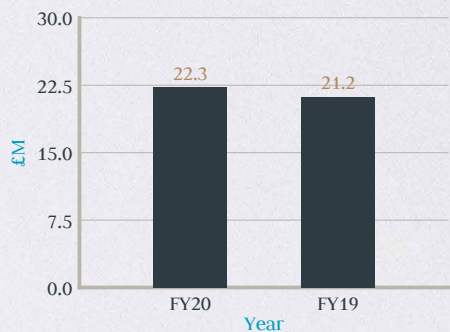


# Overview

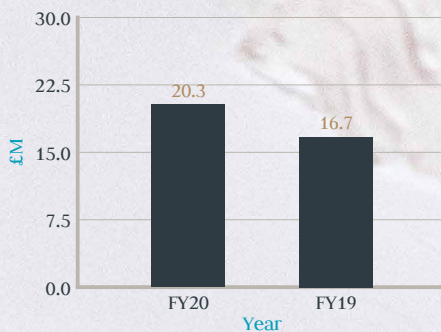
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# Financial highlights

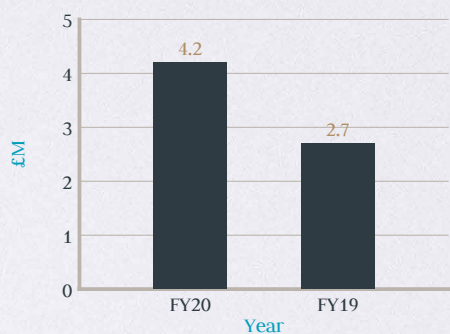
Statutory revenue (audited)



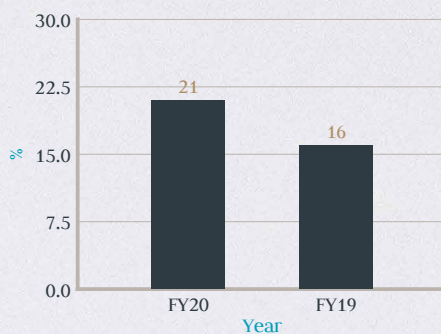
Underlying revenue



Underlying continuing EBITDA



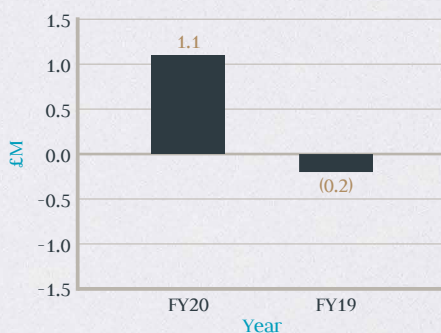
Underlying EBITDA margin



Underlying diluted EPS



Underlying profit/(loss) before tax



Net cash position



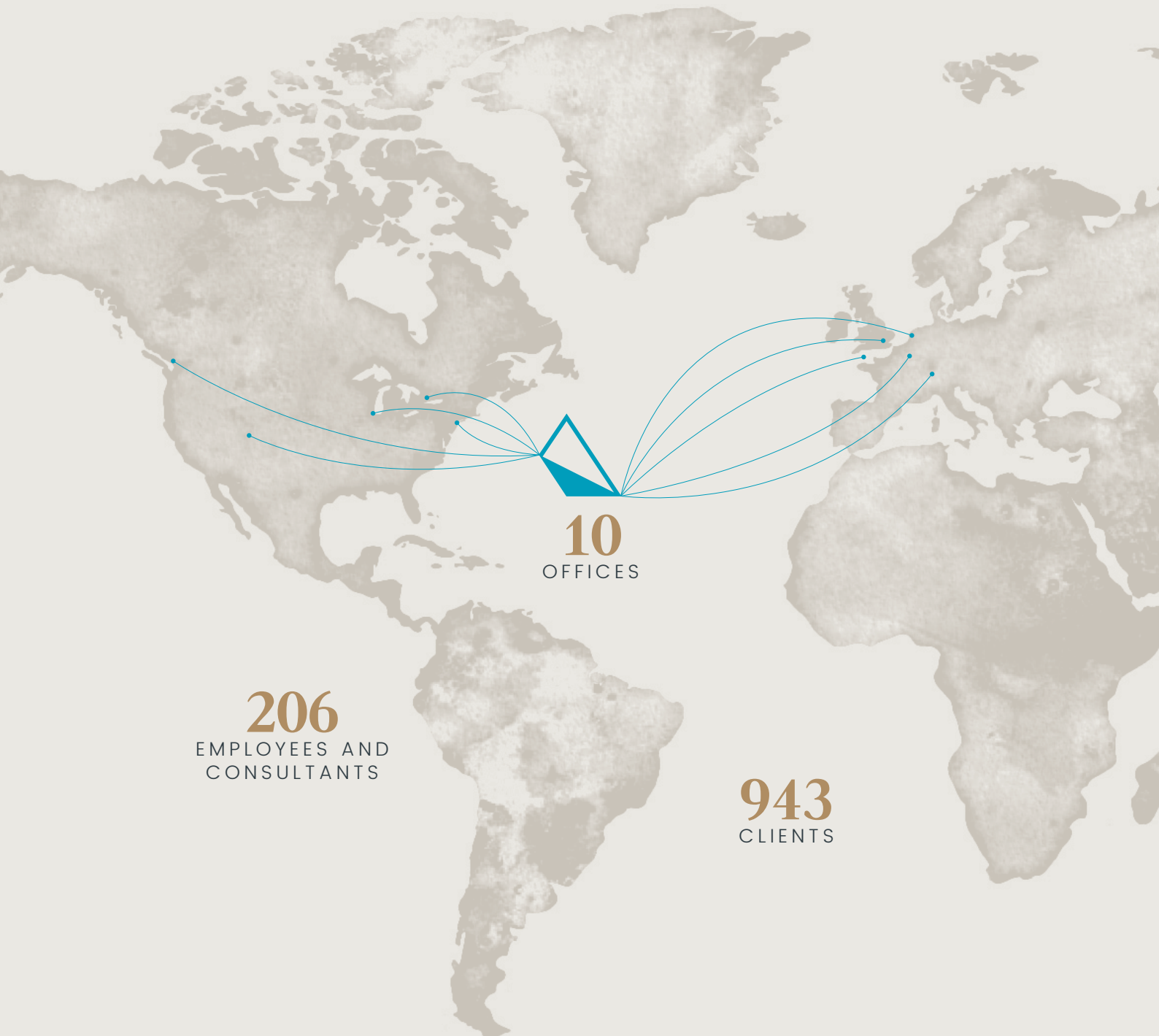
Underlying net cash from operating activities



The charts above and operational highlights are explained further in the CFO review on page 18.

## MJ Hudson at a glance

MJ Hudson is a financial services support provider, capitalising on the shift to investing in alternative investments, the outsourcing of non-core services and consolidation in the asset management sector.



## Chairman's statement

We report here on the progress made by the Company in the twelve months ended June 2020 and the key milestones achieved in that period. We also comment on key developments made after the year end. Matthew and Peter provide more detail in the reports that follow and set out our vision for growth.

### Overview

Born in the wake of the Global Financial Crisis, MJ Hudson is no stranger to challenge. It was perhaps fitting then that the Company had its public market debut on election day and has then gone on to build relationships with its new investors and advisers almost exclusively in lock down.

Taking stock at the end of the period, MJ Hudson has risen to that challenge. This has been a year of record investment in acquisitions, new business and people. It has also been a period of organic and underlying growth which is a testament to both the resilience of our business model and the combined efforts of our staff.

### Management and staff

I would like to congratulate our executive team and staff on a successful debut as a public company in what has not always been the most stable of markets. As this report details, the team has stuck to its investment plans, both organic and inorganic, and delivered impressive revenue and continuing EBITDA growth on improving margins.

Nor has the business stood still. Over the course of the year, we have added expertise in business and corporate development as well as new recruits. When we include acquisition activity in the period, our total staff has grown by over 13% to 206 since we came to market.

“THIS HAS BEEN A YEAR OF RECORD INVESTMENT IN ACQUISITIONS, NEW BUSINESS AND PEOPLE. IT HAS ALSO BEEN A PERIOD OF ORGANIC AND UNDERLYING GROWTH.”

Charles Spicer, Chairman



“THE TEAM HAS STUCK TO ITS INVESTMENT PLANS, BOTH ORGANIC AND INORGANIC, AND DELIVERED IMPRESSIVE REVENUE AND CONTINUING EBITDA GROWTH ON IMPROVING MARGINS.”

Charles Spicer, Chairman

### Shareholders

A key milestone in the year was the equity fundraising, completed in December, which raised £28.7m. This followed two pre-IPO rounds supported by investors at Canaccord and Killik & Co, both of whom I am pleased to say added to their holdings as the company went public.

We are indebted to all our new shareholders who showed faith in the business and our people in one of the quietest years for equity issuance and on one of most volatile periods of this and any year, election day.

We came to market to raise money to accelerate our plans for investment. With our three acquisitions announced in the financial year just closed and a further deal announced after the year end, we have made a good start in a difficult market. We expect the alternatives market to emerge from the current crisis with added scale and relevance, as it has from the previous crises. We are confident that our investments in ESG, outsourced fund services and marketing analytics put us in a preferred position both now and ahead of those changes.

### Board and governance

I would also like to thank my non-executive colleagues who have come together quickly as a board bringing complementary skill sets from the worlds of funds, accounting, the City, and investor relations.

From a governance perspective, I am especially pleased to see the company make real strides in the important areas of E and S as well as G. Following the timely acquisition of an ESG consulting and reporting business last summer, we are practising what we preach. These pages include an ESG report for the first time and the company itself is in the process of signing up to the UN PRI charter.

### Coronavirus (COVID 19)

We continue to monitor the impact of COVID-19 on our team, clients, and processes. Fortunately, we operate in an industry with a limited supply chain and where our stock in trade, insight and advice, can easily and instantaneously be delivered over the internet. That said, we are very aware of the toll this period of dislocation has on our staff and we are grateful for their constancy and professionalism.

### Outlook

The Board is encouraged by the Group’s resilience across its three divisions and the continuing growth of the alternatives sector which they collectively serve. With our developing critical mass and the early months of the global pandemic behind us, we are now in a better position to model and assess our prospects. Whilst we should not ignore the risk posed by a sustained coronavirus pandemic and its impact on global stock markets and investing, as well as business confidence, we remain cautiously confident about our alternatives focus and business outlook in the current financial year.



**Charles Spicer**

Chairman,  
13th October 2020



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## CEO review

MJ Hudson celebrated its tenth anniversary at the end of the financial year to June 2020. From a standing start, we now employ more than 200 staff and consultants and service more than 940 clients. To date, we have made nine strategic investments and acquisitions on both sides of the Atlantic and we were admitted to the London AIM market on the day of the 2019 UK General Election. In this ten year period, we have scaled our business in step with the alternative assets industry we serve. In a post pandemic world, framed by market volatility and customer uncertainty, what will it take to repeat this success over the next decade?

For me, this is perhaps the key question, as I review the events of the past financial year and think about the future. The answer to this question is important to me not only in my capacity as Chief Executive Officer but also as a significant investor.

“THE DRIVERS FOR OUR BUSINESS THAT EXISTED IN THE WAKE OF THE GLOBAL FINANCIAL CRISIS STILL EXIST TODAY AND, IF HISTORY IS A GUIDE, WE EXPECT THEM TO ONLY INTENSIFY AS TIME GOES ON.”

Matthew Hudson, CEO



As a company born in the wake of the Global Financial Crisis, we do understand a thing or two about operating in a time of market disruption. We are proud of the fact that, by working with MJ Hudson, our clients can access the advice, support and data they need to maintain focus on their objectives, without distraction. We are committed to helping our clients knock aside the obstacles, whilst capturing the opportunities that materialise, too. I believe this determination will prove to be a key attribute over the next decade.

Of course, we have an excellent understanding of what our clients need. Not only are we focused on a single sector, I and others in the business have spent many years in the same roles as the clients we serve. As well as an entrepreneurial lawyer, I have been a private equity investor, platform builder and venture capitalist. Drawing on our own experiences and by listening carefully to our customers, we have built a suite of high-value, integrated services tailored to the needs of the private funds sector (including legal advice, fund management and administration, investment advisory services, benchmarking and ESG consultancy), all accessible under a single brand.

The drivers for our business that existed in the wake of the Global Financial Crisis still exist today and, if history is a guide, we expect them to only intensify as time goes on.

### The year in review

As it was for many, the financial year to June 2020 was a period of unprecedented change for our company. I am proud of the way the business has both driven and responded to these changes and evolved as a result. I want to use my first CEO review statement to shareholders in our inaugural Report and Accounts to address that.

Our shares were admitted to London's AIM market in December, raising £28.7m from institutional investors, as well as myself, the senior management team and staff. We raised the money to enable us to continue our plans to extend the breadth of services we can offer our clients and the locations in which

they can access them. As before, our plan is to do this through acquisition, incubation activities and by investing in R&D to drive the development of new services.

Securing admission to the AIM market took a huge effort from the whole team, not made any easier by being on UK general election day, in a difficult year for market flotations. Our stockbrokers and the foresight of our new investors deserve credit, too.

With the benefit of the listing, and over the year as whole, we invested a total of £9.2m in the business, including acquisitions and the funding of organic investments. This is more than twice the amount in the prior period (£3.8m in FY19) and will serve to underpin future growth.

Indeed, this investment is already bearing fruit. Acquisitions and improvements in organic investments in FY20 contributed to a 56% gain in underlying EBITDA on the prior period to £4.2m (refer to CFO report on page 18). We will continue to prioritise a mix of investment activity going forward, meanwhile our opportunity set has only increased.

Originally, we only had one division, Advisory, home to our law firm and investment consulting business. The Business Outsourcing division was created in FY17 with investment in our administration and fiduciary services and the 100% acquisition of Tower Gate Capital (a regulatory platform). Our Data & Analytics division was created in earnest with acquisition of Amaces at the start of FY19. As we continue to build out our holistic business model, we are now starting to see the effects of scale across our 3 divisions with a common client base.

Operating growth highlights	FY20	FY19
Total offices	10	8
Total staff	206	153
Total clients	943	638
Total clients taking services from > 1 division	91	54
Total underlying revenue growth	22%	20%
% organic growth in underlying revenue	4%	5%
% underlying revenue from top 10 clients	17%	23%

In particular, in FY 2020:

- We increased the total number of clients we deal with by 48% across 2 continents (Europe and North America) with a targeted expansion of staff and offices;
- our clients include 18 constituents of the FTSE100 index; this is a comment on both the continued growth of the alternatives sector and the stature of clients we are increasingly doing business with;
- our revenues now include over 200 clients from the US. We expect to increase this figure in absolute terms and as a % of our group total, as we continue to expand in North America, the largest addressable market for the alternatives sector; and
- we grew faster than last year with the benefit of recent acquisitions (total underlying revenue growth of 22% vs 20%). Despite disruption from the global pandemic and market volatility, we have once again achieved this growth at the same time as improving underlying EBITDA margins (FY 2020 - 21% vs 16%).

One factor in this improvement was the establishment of a business development function within the business and further investment in our marketing team. Together, this has enabled us to extend the reach of our business and more efficiently drive revenue and improve revenue quality.

### M&A comments

We came to the AIM market to raise capital so we could continue to invest in our business and make acquisitions. I am very aware of the trust from and expectations of shareholders in this regard, set at the time of our listing. As I write these words, however, all our actions are influenced by the new level of uncertainty in which we all live. That said, we have detailed plans, our opportunities set is expanding and we expect to deliver on that trust and expectation in this financial year.

During FY20, we made three acquisitions (compared with one in the prior period): we completed the acquisition of our ESG business, Spring Associates (July 2019), received regulatory approval for our acquisition of fiduciary services provider Anglo Saxon Trust (January 2020) and announced the March 2020 acquisition of Meyler LLC, a North American marketing services and analytics business, with an alternatives client base. All now operate under the MJ Hudson brand.

After the year end we also announced the acquisition of Bridge Consulting Limited and its subsidiaries ('Bridge Group'), an Irish funds service provider. Based in Dublin, it has 27 staff, including senior account managers and an experienced regulatory department. The transaction is conditional upon regulatory approval from the Central Bank of Ireland.

### People & culture

Unprecedented change brings its own challenges. To bring about that change during the heightened risks of the COVID-19 pandemic is especially tough. Our timing could have been better. As our chairman noted to me, we have now spent more than 70% of our time as a quoted company in a lock down arrangement, whether formally or informally. Adapting to change is unquestionably harder without the camaraderie and support of the shared office space and I thank all our staff and also our Board for all of their hard work and concerted efforts this last year. There are numerous names I could mention who have made a real difference, but I would like to single out our enormously effective People & Wellbeing team who have shouldered these challenges and helped everybody through.

### Current trading

The COVID-19 pandemic caused a freezing of new private funds launches and thus held back revenue in our Advisory division in the four months to end June 2020. Despite that, June remained the strongest revenue month for the Group. Activity levels in law – a forward indicator of revenues – in recent months have been ahead of the previous year. Outside of our advisory division, the Group's organic revenue growth accelerated in the second half.

### Future prospects

Returning to the question I set myself and thinking about current markets, how are we placed? We have a number of advantages both compared with 2010's MJ Hudson and in the context of current uncertainties.

The business has achieved a certain critical mass after a transformative year. Our balance sheet was improved following the successful AIM flotation at the end of last year. Our business model has evolved: we now provide services and advice over three divisions of comparable financial scale. We learned a lot in the Global Financial Crisis when our business was formed. Then as now, we are exposed to an industry, the alternative investment industry, with persuasive growth potential and our activities are internationally scalable. The Group now presents three divisions with more economic balance than at any prior point. There will inevitably be bumps in the road but, for me, as CEO and as a significant investor, I look to the next ten years with confidence.

What will it take to repeat our success? I believe it is exactly the things that we are doing: listening to our clients, optimising our services and delivery models and investing in our future.



**Matthew Hudson**

CEO,  
13th October 2020

## Business model

Our business model is centred on clients and has evolved in step with changes in their needs. We offer a unique combination of advisory, business outsourcing and data & analytics services to clients at all points in their life cycle. These clients include some of the world's largest alternative investors and asset managers.

We are building a vertically integrated, one industry, end-to-end platform of services and infrastructure support. Our starting point was as a private funds

law firm, created in the wake of the Global Financial Crisis. Our business is thus built on a range of long-standing, trusted adviser style relationships.

The ability today to assemble cross-discipline teams with multiple perspectives on a single issue has been key in winning and servicing clients. With the skills and resources to simultaneously design, operate and monitor funds and investor solutions, we believe we have significant competitive advantages over peers who do not share our multi divisional structure.

### The competitive advantages of our structure



Our business model is holistic with each division informing the service offer and marketing reach of the other two.

Our advisory division (legal services and investment advisory) often acts as the main point of entry for new clients to the group or as a service multiplier given its trusted adviser relationships. Increasingly our data & analytics division is playing a similar role given its unique intellectual property and insights.

With the benefit of our business development team, we are starting to market the whole group as a combined solution for larger clients looking for specialist support.

# Strategy

## Strategy

Growth is at the heart of our group strategy; breadth of services is important to our clients and scale is important to our business model. We set out, below, the elements of our strategy: we focus on three clear growth objectives by following certain tactics whilst at all times abiding by our key principles.

### OBJECTIVES

*To deliver growth*

Build a group of integrated, complementary services, in one industry vertical, unique in their combination under one brand, to serve clients in the evolving asset management sector, with a particular emphasis on alternative investments

Offer services at each point in the life cycle of our clients and increasingly add value using proprietary data and analytics

Provide an environment for individuals to learn, collaborate and thrive

### TACTICS

*To achieve our objectives*

- Focus on Europe and North America, i.e. those markets and territories with disproportionate exposure to alternative investments
- Use the capital markets to create bespoke financing solutions for investment in services, companies and people
- Innovate, invest in, or acquire businesses and services where we see a measurable synergy with our existing activities and client relationships, where there is a cultural fit in terms of our approach to our people and otherwise on terms that are financially attractive and consistently applied
- Attract, train and retain the highest quality expertise in our industry and provide career opportunities that benefit from our breadth of services, continuous training, international reach and multi-divisional approach

## Key principles

To observe at all time:

**Clients at the centre** – Our business stands or falls on our ability to understand clients' needs and provide high quality solutions. Our key executives have personal experience of the markets our clients operate in. This drives all our investment activity and help us to prioritise our resources. We do not compete with our clients and we have procedures to manage conflicts.

**Environment** – We are a trusted adviser to our clients and are aware that this brings both influence and responsibility. We intend to use that to promote positive change on sustainability and the environment in three areas: our own business; helping clients make sustainable choices where we can; and, creating new products and services for the challenges ahead.



**Long term thinking** – We manage our business for the long term, which means, for example, placing an emphasis on continuous staff training and opting to incubate new businesses as opposed to acquisitions, where investment returns over the longer term make more sense. This long-term thinking combines with our client focus (we put ourselves in their shoes).

**Technology** – We believe that technology, combined with data, human experience and insight, can improve the value of our services and help clients to grow and ourselves to innovate. We believe technology can create and sustain competitive advantage. We aim to build a digital end-to-end platform of services and infrastructure support for our clients and industry.

**Financial prudence** – We strive for a high level of financial prudence in all our activities including communication with new and existing investors and lenders, liaison with our advisers and agents and reporting to our auditors and external stakeholders

**The value of people** – We consider our staff to be our most valuable asset. We strive for high-health, safety and wellbeing standards while aiming to ensure a proper work-life balance for all staff. The Group encourages staff to keep their skills up-to-date and offers its staff the means to develop additional competencies through training and development programmes.

**Internal community** - We recognise that we are building a community of staff members which means we strive to provide the same terms, benefits and opportunities to all, including routes to becoming shareholders, be they existing members of staff, business vendors and their teams as well as new joiners.

**Responsibility** – We are committed to being a responsible company in every social aspect. The Group supports applicable national and international labour laws and complies with internationally recognised human rights principles (UN Declaration of Universal Human Rights & the European Convention on Human Rights). These principles also guide the Group's relationship with internal and external stakeholders. Therefore, the Group may refuse to do business with parties that disregard or violate these principles.


**Diversity** - We recognise that diversity makes for good business. We are committed to the maintenance of a professional, inclusive environment that recruits, retains, develops, remunerates, and promotes all of our people regardless of gender, race, nationality, marital status, sexual orientation, age, religion or beliefs or disability.

## Our clients



## CFO review

This has been a transformational year for the MJ Hudson Group. MJ Hudson Group plc successfully listed on the AIM market in December 2019 and three acquisitions were completed. Despite the challenges presented by COVID-19 lockdowns, the underlying continuing EBITDA performance of the Group has continued to improve.

A portrait of Peter Connell, CFO, smiling. He is wearing a dark blue suit, a white shirt, and a blue patterned tie. The background is a blurred outdoor setting with a building and steps.

“IN FY20 UNDERLYING REVENUE WAS £20.3M (FY19 - £16.7M), AN INCREASE OF 22%.”

Peter Connell, CFO

### Key performance indicators (KPI's)

In order to assist shareholders' understanding of the underlying performance of the Group, our comments focus on the adjusted underlying performance of the business for the 12 months to 30 June 2020 and comparative period to 30 June 2019. The Group includes non-GAAP measures as we consider these to be useful

and necessary. They are used by the Group for internal performance analysis and facilitates comparison with industry peers. A reconciliation from underlying to statutory results is presented to assist the users of the financial statements to understand the underlying performance of the Group.

Key performance indicators highlighted <sup>7</sup>	Statutory result			Adjustments		Underlying result		
	2020	2019	change (%)	2020	2019	2020	2019	change (%)
<b>KPI: Revenue</b>	<b>22.3</b>	<b>21.2</b>	<b>5%</b>	-	-	<b>22.3</b>	<b>21.2</b>	<b>5%</b>
Direct cost of sales	(2.0)	(4.5)	(56)%	-	-	(2.0)	(4.5)	(56)%
<b>KPI: Underlying revenue<sup>1</sup></b>	<b>20.3</b>	<b>16.7</b>	<b>22%</b>	-	-	<b>20.3</b>	<b>16.7</b>	<b>22%</b>
Other cost of sales	(1.2)	(0.8)	50%	-	-	(1.2)	(0.8)	50%
Administrative and other expense <sup>2</sup>	(16.0)	(13.8)	16%	0.6	0.3	(15.4)	(13.5)	14%
Other operating income	-	0.3	(100)%	-	-	-	0.3	(100)%
<b>Segment profit/(loss)</b>	<b>3.1</b>	<b>2.4</b>	<b>29%</b>	<b>0.6</b>	<b>0.3</b>	<b>3.7</b>	<b>2.7</b>	<b>37%</b>
Fundraising and acquisition costs	(4.0)	(1.4)	186%	4.0	1.4	-	-	-
Non-recurring costs	(0.9)	(0.8)	13%	0.9	0.8	-	-	-
Group expenses	(0.6)	(0.2)	200%	0.6	0.2	-	-	-
Discontinued business losses	-	-	-	0.5	0.0	0.5	-	-
<b>KPI: Continuing EBITDA<sup>3</sup></b>	<b>(2.4)</b>	<b>0.1</b>	<b>(2500)%</b>	<b>6.6</b>	<b>2.7</b>	<b>4.2</b>	<b>2.7</b>	<b>56%</b>
Depreciation and amortisation	(2.4)	(1.1)	118%	0.3	0.0	(2.1)	(1.1)	91%
<b>KPI: Operating profit / (loss)</b>	<b>(4.8)</b>	<b>(1.1)</b>	<b>336%</b>	<b>6.9</b>	<b>2.7</b>	<b>2.1</b>	<b>1.6</b>	<b>31%</b>
Finance costs and fair value movements <sup>4</sup>	(2.2)	(2.3)	4%	1.2	0.5	(1.0)	(1.8)	44%
<b>KPI: Profit / (Loss) before tax<sup>5,6</sup></b>	<b>(7.0)</b>	<b>(3.4)</b>	<b>106%</b>	<b>8.1</b>	<b>3.2</b>	<b>1.1</b>	<b>(0.2)</b>	<b>650%</b>
Tax	(0.2)	(0.2)	-	-	-	(0.2)	(0.2)	-
<b>Loss after tax</b>	<b>(7.2)</b>	<b>(3.6)</b>	<b>100%</b>	<b>8.1</b>	<b>3.2</b>	<b>0.9</b>	<b>(0.5)</b>	<b>280%</b>

1. Underlying revenue is statutory revenue less direct cost of sales.

2. Adjustment to Administrative expenses is the addback of share based payments (excluding accelerated costs of the scheme incurred at IPO which are within non-recurring costs) and LTIP expense in Statement of Comprehensive Income.

3. Underlying continuing EBITDA is segment profit/(loss) before: share based payments expense (including LTIP), fundraising and acquisition costs, non recurring costs, unallocated group expenses and discontinued business losses.

4. Finance costs and fair value movements are adjusted for costs of convertible loan notes which converted to equity at IPO and the deemed interest on the deferred consideration.

5. Underlying profit/(loss) before tax is underlying continuing EBITDA after depreciation and amortisation, finance costs and fair value movements.

6. The FY20 underlying profit before tax includes an adjustment for depreciation is £0.3m in respect of doubled rent depreciation for the period from December 2019 to April 2020 where the new and former London office leases overlapped.

7. Totals may not add due to rounding.

	2020	2019
Underlying continuing EBITDA margin <sup>1</sup>	21%	16%
Underlying diluted earnings per share (p) <sup>2</sup>	0.6p	(0.6)p
Net cash/debt excluding IFRS 16 leases <sup>3</sup>	10.0	(12.0)

1. Continuing and underlying continuing EBITDA margin is the continuing (underlying continuing) EBITDA divided by underlying revenue.

2. Underlying profit before tax divided by weighted average number of shares.

3. Net cash/(debt) excluding IFRS 16 leases is cash and cash equivalents less borrowings. Further details below.

Fundraising and acquisition costs, non-recurring items and group expenses are analysed in the Operating loss section below.

## Revenue

In FY20 revenue was £22.3m (FY19 - £21.2m), an increase of 5%. Organic growth in gross revenue was (6)% suppressed largely to reduction in the fund management solutions business unit of £2.1m from a client with significant pass through revenue reflected in direct cost of sales, offset by the full year impact of ownership of Amaces (increase of £0.4m owing to having been owned for only 9 months in FY19). Revenue of £2.7m was contributed by the three new acquisitions for the year, Spring, Anglo Saxon Trust and Meyler. Direct cost of sales has reduced to £2.0m in FY20 from £4.5m in FY19. Underlying revenue represents gross revenue less direct cost of sales and is analysed below.

The Group considers that underlying revenue is a better guide to the development of the business. In FY20 underlying revenue was £20.3m (FY19 - £16.7m), an increase of 22%. Organic growth was 4% (FY19 - 5%) for the full year (down from 12% in first half due to the reduction in revenue in the Advisory segment) offsetting the small underlying revenue contribution of £2.1m that was lost from fund management clients in 2019 as noted above. Organic growth relates to businesses that have been fully owned by the Group for the whole of FY19 and FY20.

## Segmental review

The following table shows the segmental results for key performance indicators on page 19.

£000s	Advisory	Business Outsourcing	Data & Analytics	Segments Total	Organic Investments <sup>1</sup>	Consolidated
<b>FY20</b>						
Underlying revenue	10.0	4.7	4.6	19.3	1.0	20.3
<i>Growth</i>	(7%)	49%	88%	18%	215%	22%
Underlying continuing EBITDA <sup>2</sup>	1.5	2.1	1.5	5.1	(0.9)	4.2
Underlying continuing EBITDA margin	14%	45%	33%	26%	(90%)	21%
<b>FY19</b>						
Underlying revenues	10.8	3.2	2.4	16.4	0.3	16.7
Underlying continuing EBITDA	1.8	1.1	1.0	3.9	(1.2)	2.7
Underlying continuing EBITDA margin	17%	34%	42%	24%	(400%)	16%

1. Organic investments represent investment into start-up AIFM operations in Luxembourg, fund administration and regulatory consulting (see glossary for more detail).

2. Underlying continuing EBITDA is segment profit/(loss) before: share based payments expense (including LTIP), fundraising and acquisition costs, nonrecurring costs, unallocated group expenses and discontinued business losses.

At the Group level, Underlying EBITDA grew to £4.2m as at June 2020 compared with £2.7m last time, with associated margins for the period improving from 16% to 21% as at June 2020. Performance by individual segments as follows:

### Advisory

This segment comprises the Group's Law and Investment Advisory business units. Underlying revenue was nearly 50% of the Group total at £10.0m. Advisory saw 7% revenue contraction in the year due to reduced Law revenues in second half of the financial year, which reversed the growth in first half. Temporary delay of new fund launches due primarily to the COVID-19 lockdowns between March and June caused this reduction. As per the COVID-19 section below, this has now recovered and 4-week average law activity levels in mid-September were tracking ahead of the previous year. Investment Advisory, meanwhile, was more resilient and benefitted from healthy new business activity in the first half. The underlying EBITDA margin reduced to 14% from 17% in FY19 due to the second half year reductions in revenues which were not entirely offset by cost reduction measures in the segment. With effect from August 2020, the Group closed its small loss-making Guernsey law operation.

### Business Outsourcing

Through this segment the Group provides ongoing business support for fund managers and funds. Specifically, this is provided through fund management solutions, international administration and IR & reporting business units. This segment achieved 49% underlying revenue growth in the year, of which 21% was organic. The MJ Hudson Anglo Saxon Trust Limited Jersey administration business was acquired on 31 January 2020. In the second half of the financial year the organic growth increased to 27% from 14% in the first half due to fund management mandates in H2 compared to H1 2019. Total underlying revenue for this segment was £4.7m (FY19 - £3.2m) and underlying EBITDA margin increased from 34% to 45% due primarily to the strong level of organic underlying revenue growth. The division saw double digit growth in all its business units in FY20.

"REVENUE OF £2.7M  
CONTRIBUTED BY THE  
THREE NEW ACQUISITIONS  
FOR THE YEAR."

Péter Connell, CFO

### Data & Analytics

This segment comprises the Group's benchmarking business (acquired in October 2018), ESG operations (acquired July 2019) and North American alternative marketing and analytics business (acquired March 2020). The Group decided to discontinue loss making elements of its small Wealth Management operations in April 2020 (2020 revenue was £0.3m, underlying EBITDA loss of £(0.3m) – part of this business has been transferred into the Investment Advisory business unit.

Revenue growth in the segment was derived from acquisitions and underlying revenue increased to £4.6m from £2.4m in FY19. Underlying EBITDA margin reduced to 33% from 42%. The fall in margin reflects the change in the mix of businesses, with the earlier stage ESG business unit blending with benchmarking business unit established margins. It is envisaged that this will grow as MJ Hudson Spring matures. Data & Analytics now accounts for 23% of the Group's underlying revenues.

### Organic investments

The three investments are at different stages of maturity. The revenue improvement in the year to £1.0m from £0.3m, driven primarily through expanded offerings within the Luxembourg AIFM business, was offset by strengthening of teams in each of the three businesses i.e. Luxembourg AIFM, fund administration and regulatory consulting.

Losses at the underlying EBITDA level fell from £1.2m to £0.9m in the period. Underlying revenue increased from £0.3m to £1.0m.

### IPO costs

On 12 December 2019 the Group was successfully admitted to AIM. The Group raised £28.7m (prior to expenses). IPO costs were £4.5m of which £2.2m has been allocated to the Share Premium reserve and the balance of £2.3m has been expensed in the year.

### Operating loss

Reconciliation of operating loss to underlying EBITDA is included on page 19. Significant drivers of the operating loss of £4.8m (FY19 - £1.1m) are:

- fundraising / acquisition costs of £4.0m (FY19 - £1.4m). Fundraising and acquisition costs include direct IPO costs of £2.3m, accelerated share option costs that crystallised at IPO of £0.3m and acquisition costs of £1.3m;
- non-recurring costs £0.9m (FY19 - £0.8m) include London office move costs £0.3m, IT infrastructure costs (move from Jersey to London) £0.2m, US launch costs (suspended due to COVID-19) £0.2m;
- group expenses - Integration infrastructure project (FY20 - £0.6m) includes central costs not passed on to segments in respect of improving business integration processes and dedicated IT infrastructure. The aim of the project is to enable the group as a whole to scale at an accelerated pace and in a more cost efficient manner. Third party software and other providers were consulted but with recent investments in the Group's technology team we decided to use our own Group resources. It is expected that the resultant cost efficiencies will influence group operating margins and be delivered in future financial years. These costs are preparatory in nature and considered to be outside the underlying operations of the business in the financial period in which they fall. They are not part of reported underlying EBITDA nor underlying profit before tax; and
- included within depreciation is £0.3m in respect of doubled rent depreciation for the period from December 2019 to April 2020 where the new and former London office leases overlapped.

### Finance expenses and fair value movements

Finance expenses in the year were:

£million	FY20	FY19
Bank interest loan	0.7	0.8
Interest on lease liabilities	0.2	-
Unwinding of discount on liabilities	0.9	0.4
<b>Total finance costs</b>	<b>1.8</b>	<b>1.2</b>

Within loan interest is £0.3m relating to convertible loan notes which converted into equity at the time of the IPO and are therefore non-recurring.

Fair value movements are down 60% to £0.4m (FY19 - £1m) as the convertible loan notes were converted on IPO, resulting in a 5.5 month fair value movement compared to twelve month movement in FY19 and the remaining decrease is due to the revaluation of investments.

### COVID-19 impact and going concern

The COVID-19 pandemic has impacted the Group in a number of ways. Operationally, all our offices have been subject to lockdowns of varying lengths and severity.

In lockdown, all the offices have been made COVID-19 compliant ready for the phased return to normal working. Increased flexible working is now expected as part of a move to the 'new normal' and the Group is well placed to support this. At the time of writing, the easing of lockdown varies considerably by jurisdiction. Guernsey now has no restrictions so that office is fully reopened. Other offices have gradual easing plans and will reopen in line with local government and medical guidance. The London office has been operating a phased voluntary return since July in line with government and medical guidance.

The Group introduced full remote working for all its offices on Monday 16th March 2020 – one week prior to the full lockdown announced in the UK.

In March a shortfall of time generated activity, compared to prior year, in the Advisory division of between 20% to 25% emerged and this continued through April to June. This revenue shortfall was due to the temporary suspension of client new fund launches and M&A activity. In July this shortfall closed considerably and the 4 week average for 2020 as at mid-September was running consistently ahead of 2019 levels. Business Outsourcing and Data & Analytics divisions have remained busy throughout the period and continued to grow. Just under 80% of law firm revenue in FY20 (and previous years) comes from clients onboarded in earlier financial years – this reflects the recurring nature of the work over the 10 to 12 year typical closed ended fund lifecycle once the Group has been appointed as the legal adviser to the fund.

The Executive Committee meets weekly specifically to discuss the impact of COVID-19. In response to the COVID-19 pandemic the Group took swift and decisive action as a result of the anticipated reduction in revenue and put in place a series of cost saving measures in April 2020 in order to preserve cash and liquidity to create a cash buffer cushion in the event of a possible protracted downturn. These measures included groupwide salary reductions for the quarter ending 30 June 2020 – ranging from 5% to 20% based on bandings linked to base salary (including non-executive directors); cancellation of bonuses in respect of FY20; reduction in holiday pay accrual by requiring staff to take accrued leave by 30 June 2020 and discretionary spend over £1,000 or equivalent to be approved by an Executive Committee member. Other factors including reduced travel and entertainment costs, office costs and marketing events costs also assisted. The Group has also taken advantage of the UK HMRC VAT deferral scheme with amounts scheduled for repayment in the Group Base and Worst-case financial models in March 2021. Trading in the first two months of the financial year is showing growth in organic and acquired Underlying revenue compared to FY20 at the same stage.

The combined impact of the savings (net of increased costs in technology and telecommunications) totalled £1.2 million.

In addition to the cost saving measures put in place, management also considered the potential accounting impact of COVID-19. While preparing the analysis for going concern and value in use models management reduced forecasts to a conservative basis to reflect a potential slow recovery of the business following the impact of COVID-19. As a result, there are two cash generating units that have a reasonably possible chance of impairment when sensitivities are applied to the variables as described in note 14 of the Financial statements.

Consideration of provisions for trade receivables and contract assets was performed on a more robust basis. Particular focus was given to any indicators of liquidity concerns for customers. We have increased ECL provisions as a result, as per note 19.

We also performed a detailed review of investment balances. This involved challenging current fair values to confirm that these appear to be recoverable based on the future forecast performance of those investees and share prices for transactions throughout the COVID-19 period, refer to note 17 for further details and sensitivity analysis.

### Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the group's operations and principal risks and uncertainties along with the impact of the COVID-19 pandemic. A summary of the impact of COVID-19 on the Group's operational performance between March 2020 and June 2020 is provided above.

As at 30 June 2020 the Group had cash and cash equivalent balances of £13m and net cash after debt (excluding lease liabilities) of £10m. Cash balances as at 30 September 2020 were £11m (September 2019: £1.1m).

To assess going concern the Directors have prepared 'base-case' financial forecasts for FY21 and FY22 to cover the going concern review. In addition, the Directors have also carried out sensitivity analysis on those 'base-case' financial forecasts to reflect a more prolonged COVID-19 impact than is currently expected by the Board. The uncertainty as to the future impact of the COVID-19 pandemic has been considered as part of the Group's adoption of the going concern basis.

The following table shows the assumed revenue reductions applied to the 'base-case' financial forecasts to reflect a 'worst-case' financial forecast:

	Jul 20 to Mar 21	Apr 21 to Sep 21	Oct 21 to Mar 22
Business Units with primarily project-based revenue (Advisory and part of Data & Analytics)	25%	15%	10%
Business Units with 12 months' contracted revenue (Business Outsourcing and part of Data & Analytics)	10%	10%	10%

In addition to the above 'worst-case' revenue assumptions an increase in debtor days to 60 days (from forecast 45 days) across all business units has been assumed. This was to reflect possible slowdown in cash collection as a result of a prolonged lockdown and slow wider economic recovery.

The Directors 'worst-case' financial modelling showed that the Group could withstand both revenue reductions and an increased debt collection period (as noted) and still operate within existing borrowing facilities to enable the Group to meet its liabilities as they fell due. In the event that the 'worst-case' scenario arose the Directors would also take appropriate cost mitigating actions not currently included within the 'worst-case' forecast. It is estimated that cost mitigating factors could generate savings in excess of £1.5m in FY21. In addition, non-essential spending could be deferred e.g. launch of US Law operations. If cost mitigation factors are necessary, they may include reductions in FY21 salary reviews and bonuses, further

reduction in holiday pay accrual and restructuring. The Group has a £500,000 overdraft facility with Metro Bank to call upon if needed for short-term liquidity needs and the Group's IPO proceeds are not specifically earmarked for acquisitions. Further information on borrowing and deferred consideration payments in respect of acquisitions is included in note 21 to the financial statements.

Based on the Group's trading through March 2020 to September 2020 and the assumptions included in the 'worst-case' financial forecasts together with the possible cost mitigating actions available, the Board has a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and for at least 12 months from the date of signing of these financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.



### Earnings per share (EPS)

The Group's underlying basic earnings per share has increased to 0.7p (fully diluted 0.6p). This is calculated by dividing the Underlying Profit After Tax by the weighted average number of shares in issue in FY20 i.e. 134.3m.

Statutory basic and diluted earnings per share per the financial statements was (5.3)p (FY19 – (4.5)p).

### Intangible, tangible and right-of use assets

Included within intangible assets is £7.5m of customer relationships (identified on current and prior year acquisitions) and software development. Additions in the year totalled £4.4m of which £4.3m related to the valuation of the useful economic life of customer relationships of acquired companies. Note 27 contains a breakdown of these additions by acquisition.

The balance of intangible assets relates to goodwill of £25.2m arising on acquisitions. This is analysed in note 14 in the financial statements. The Board carries out an impairment review of goodwill each year to ensure that the carrying value is supportable. As at 30 June 2020, the Board concluded there was no other goodwill and intangible assets impaired aside from £0.2m in respect of the goodwill previously capitalised on the Infomain investment. £6.6m of goodwill was added in the year from new acquisitions, a breakdown is contained in note 27.

Tangible fixed assets have increased from £0.5m to £2.2m in FY20. Leasehold improvements in respect of the fitout of the new London office totalled £1.9m. This is covered in more detail in the Capital Expenditure paragraph below.

Right-of-use assets have increased from £0.6m to £7.6m following the signing of the lease for the new London office. Additions in FY20 totalled £7.9m of which £7.7m related to property leases - £7.4m related to the London lease, £0.2m related to property leases acquired with Saris B.V. and £0.1m related to the acquisition of Anglo Saxon Trust Limited.

### Working capital

Management of lockup days remained a key focus of the Group over the period. Lockup days is a measure of the time it takes to convert work into cash. It is calculated as the combined debtor and WIP days for the Group. This is a key indicator for management and the Board as it drives the cash generation required to support the Group strategy.

The UK legal advisory business unit lockup at June 2020 was 145 days (FY19 – 162 days, FY18 – 174 days). This comprises debtor days of 45 days plus WIP days of 100 days.

Underlying debtor days for the Group at June 2020 were 63.9 days (FY19 – 72.7 days, FY18 – 62.3 days).

### Borrowings and other liabilities

Borrowings and other liabilities are set out in the table below:

£million	FY20	FY19
Current liabilities	2.5	0.8
Non-current liabilities	0.9	14.3
Total borrowings and other liabilities	3.4	15.1

The reduction in borrowings relates to convertible loan notes which converted to equity at IPO – see note 21.

### Deferred consideration

Deferred consideration balances have increased in FY20 due to the three recent acquisitions. Liabilities in respect of deferred consideration have increased from £6.4m in FY19 to £10.5m in FY20. The increase is analysed further in note 21 to the financial statements.

### Net debt

The Group has a strong balance sheet after IPO in FY20 and the net cash / debt table is set out below. Net debt position excluding IFRS16 leases has improved by £22.0 million compared to FY19.

The Group calculated net debt as total of cash and short-term deposits, credit facilities and hire purchase. The Group uses this measure to improve comparability with previous financial years.

£million	FY20	FY19
Cash and cash equivalents	13.4	3.1
Borrowing – financial institutions	(3.4)	(3.3)
Convertible Loan Notes	-	(11.8)
Net cash/(debt) excluding IFRS16	10.0	(12.0)

### Cashflow

Statutory net cash generated from operating activities for FY20 was an outflow of £4.7m before tax (2019: £1.6m). The Group has had a £3.1m increase in its operating cash loss this year due to similar factors noted within the analysis of operating loss on page 19 to 22. After adjusting for the cash impact of these items, the underlying operating cash flow of the Group is a positive inflow of £1.9m (FY19 - £1.1m).

A portion of the IPO proceeds of £28.1m (net of management shares not paid) have been discharged against covering the £4.8m operating outflow and supporting investment cash flows of £10.6m and finance outflows of £2.4m (separate analysis of which is documented in the consolidated cash flow statement), resulting in an 30 June 2020 balance of £13.4m (2019: £3.1m).

	FY20 £m	FY19 £m
<b>Cash flows from operating activities</b>		
<b>Statutory cash expended from operations</b>	(4.7)	(1.6)
Underlying adjustments		
Share based payments	0.6	0.3
Fundraising and acquisition costs	4.0	1.4
Non-recurring costs	0.9	0.8
Discontinued losses	0.5	-
Group expenses	0.6	0.2
<b>Net cash generated from underlying operating activities</b>	<b>1.9</b>	<b>1.1</b>

### Investments

Net cash used in investing activities in FY20 totalled £10.5m (FY19 £3.9m).

### Capital expenditure

During the year the Group completed two major capital expenditure projects designed to provide professionals with a high-quality working environment and consistent technology across the Group to aid integration. The first was in respect of an office move in London by exercising a lease break in respect of the former office. The new office at 1 Frederick's Place has undergone a complete fitout and total costs in respect of the leasehold improvements were £1.9m and additional office equipment cost £0.2m. The second project was the migration of the Group's IT infrastructure from Jersey to UK which was successfully concluded prior to the COVID-19 lockdown and the UK network has proved resilient in supporting the Group in working from home. The capital cost of the networking and equipment is included in the totals in respect of the London new office cost above.

### Dividend

The Group's intention in the short to medium term is to introduce a progressive dividend policy. The Group's primary focus being on delivery of capital growth for shareholders. The Board has not recommended a dividend in respect of the year ended 30 June 2020.



**Peter Connell**  
Chief Financial Officer,  
13th October 2020

# How we manage our risks

## Compliance & risk report

### Overview

The Company provides a range of services in the asset management sector and is itself subject to regulatory oversight in different jurisdictions as owner of a number of regulated entities. The sector is experiencing rapidly evolving scrutiny. Risk management and compliance is therefore at the core of the Group’s activities. It is considered at all levels, from strategic group planning to local jurisdictional level.

### Core principle

The Group’s system of internal controls is designed to protect the Group’s assets and to ensure the reliability of information used within the business and for publication. Our controls seek to mitigate the risk of failure to achieve business goals and to reduce risk of damage.

## Tiered compliance structure

In response to a “dashboard” reporting channel, operating committees and jurisdictional compliance officers report into the Group’s Legal, Risk & Compliance Committee, whose functions are coordinated by the General Counsel, Guy Grayson. This committee identifies those legal and compliance risks our business is exposed to, evaluates them using a traffic light system and reports quarterly to the Audit & Risk Committee.

The Audit & Risk Committee reviews the residual risk position, considers the effectiveness of any associated mitigating actions and compensating controls and elevates material risks to the full Board. This upstream reporting enables the Board to develop a cumulative assessment of the effectiveness with which internal controls are managed and risks mitigated. The Group’s executive level head of risk is the COO, Odi Lahav.



### Culture

The principles of individual accountability and responsibility for risk awareness and risk management is an important element of MJ Hudson's culture and its training programme.

### Local compliance officers

Each jurisdiction in which the Company operates possesses an individual compliance officer who is responsible for ensuring that the regulated business conducted in that jurisdiction is in compliance with local rules and regulations and that it responds appropriately to requests from the applicable local regulator(s). Local compliance officers comprise the core of the jurisdictional tier of the risk model and have the necessary authority and expertise to perform their role. They draw on additional resources and expertise from the Group compliance function.

## Jurisdictions with regulated entities



\*Fund Management Solutions – the fund management division.

### Regulated entities within the Group

The following table lists each of the Group's subsidiaries that are licenced by a statutory regulator.

Name	Company Number	Jurisdiction	Regulator	Role
<b>INTERNATIONAL ADMINISTRATION</b>				
Anglo Nominees Limited	109281	Jersey	JFSC	Fiduciaries & Secretarial Services
AST Nominees Limited	109288	Jersey	JFSC	Fiduciaries & Secretarial Services
AST Secretaries Limited	109283	Jersey	JFSC	Fiduciaries & Secretarial Services
First Director Limited	109281	Jersey	JFSC	Fiduciaries & Secretarial Services
Georgian Nominees Limited	88860	Jersey	JFSC	Fiduciaries & Secretarial Services
Georgian Trust Limited	88843	Jersey	JFSC	Fiduciaries & Secretarial Services
MJ Hudson Anglo Saxon Trust Limited	92038	Jersey	JFSC	International Fiduciary
MJ Hudson Fiduciaries Limited	59697	Guernsey	GFSC	International Fiduciary
Second Director Limited	109871	Jersey	JFSC	Fiduciaries & Secretarial Services
Verras Professional Services Limited	104408	Jersey	JFSC	Sponsor Vehicle
VFS Directors 1 Limited	60712	Guernsey	GFSC	Fiduciaries & Secretarial Services
VFS Directors 2 Limited	60713	Guernsey	GFSC	Fiduciaries & Secretarial Services
VFS Nominees Limited	60715	Guernsey	GFSC	Fiduciaries & Secretarial Services
VFS Trustees Limited	60714	Guernsey	GFSC	Fiduciaries & Secretarial Services
<b>FUND MANAGEMENT SOLUTIONS</b>				
MJ Hudson Fund Management Guernsey Limited	64536	Guernsey	GFSC	Fund Management Solutions
MJ Hudson Fund Management Limited	3924137	England	FCA	Fund Management Solutions
MJ Hudson Management S.A.	B208453	Luxembourg	CSSF	Fund Management Solutions
MJ Hudson Advisers Limited	9414196	England	FCA	Fund Management Solutions
<b>INVESTMENT ADVISORY</b>				
MJ Hudson Finance Limited	12571080	England	FCA	Capital Fundraising Company
MJ Hudson Investment Consulting Limited	7435167	England	FCA	Investment Adviser - Tax & Wealth Management
MJ Hudson Investment Advisers Limited	04533331	England	FCA	Investment Adviser - Institutional
<b>LAW</b>				
MJ Hudson Limited	8607159	England	SRA	Legal Services

### Internal controls

Our risk management process can be summarised as identification of risk, risk assessment, development of mitigation plans and policies, Board reporting, implementation and re-assessment. Our risk management framework ensures the following:

- quarterly “dashboard” reporting by each local jurisdictional compliance officer;
- legal & compliance risk aggregation by Group Legal, Risk & Compliance Group;
- quarterly meetings of Operations Committee to address operational risks;
- escalation and reporting to Executive Committee and to the Audit & Risk Committee;
- board assessment of the effectiveness of the Group’s risk management and internal controls;
- defined risk responsibilities, policies and implementation;
- resilient IT platform and business continuity policy
- strong risk awareness culture with senior management investment;
- staff compliance training and updates (in person and on-line);
- overall culture of accountability; and
- transparency.

### Information Technology

Following the recruitment of the Group IT Director and the establishment of an internal development capability, the Group has undergone a number of changes in relation to the IT infrastructure and strategy. We are continuing to work to improve performance of our IT systems while focusing on developing applications. The Group has a full- service, in-house team, which includes business analysts, developers, IT architects and tech support. With significant strategic investment, we are actively strengthening mitigation of potential impacts related to data management, infrastructure stability and cyber security.

### Auditor review

The Group’s independent auditor, BDO LLP, does not perform a comprehensive review of internal control procedures but reports to the Audit & Risk Committee on any significant deficiencies during the course of the annual audit, which covers a number of key subsidiaries within the Group as well as consolidated financial reporting.

### Consolidated risks matrix

The Group’s risk appetite and risk tolerances are determined and monitored by the Board on review of our Consolidated Risks Register which is designed to summarise the material risk landscape while reflecting the nature and scale of our business. The register is designed to map risk trends and seeks to introduce standard risk language and methodology to ensure a consistency of approach.

Further details about the principal risks and uncertainties that could affect our business operations can be found in the Principal risks and uncertainties section below.

# Principal risks and uncertainties

Risk area	Description	Mitigation
<b>EMPLOYMENT</b>		
Key Person	A loss of a key person in the executive management team, particularly the CEO but also the CFO or COO	Succession planning; LTIP; key person insurance.
Recruiting Talent	We are dependent on the recruitment and retention of key personnel to develop and maintain relationships with clients and to deliver high quality services.	Significant elements of senior remuneration are variable and linked to financial and other performance measures.
<b>IT AND SYSTEMS</b>		
IT Infrastructure Breakdown	An infrastructure failure resulting in business disruption, regulatory breach, reputational damage and/or financial loss.	We regularly test business continuity planning; robust institutional a-grade public cloud-based back-up; audit and monitoring of infrastructure and hardware, service level agreements with our major infrastructure suppliers.
Cyber Risk	A cyber breach resulting in loss of client information, data protection breach and/or theft of intellectual property.	Use of firewalls, Darktrace monitoring tools, policies and staff training & penetration testing. We are also looking to commission Cyber Certification.
<b>ECONOMY AND EXTERNAL FACTORS</b>		
Access to Capital	Inability to raise equity or debt financing resulting in inadequate funding to meet business objectives or to fulfil working capital requirements.	Significant cash buffer raised at IPO; annual budgeting process; cash flow management and credit control process; debt limit controls.
Client Demand	A drop in demand for services may adversely impact revenues and profits. The COVID-19 pandemic has significantly impacted the demand for project related services as we enter 2020/2021 (as further described below).	Redeployment of staff to cyclical activities to optimise utilisation; use of variable remuneration linked to revenue generation; multi-jurisdiction activities and multiple services lines operate as a mitigation; annuity like revenue streams (e.g. fund administration). Under M&A transactions, payment of deferred consideration to vendor managers is linked to them increasing revenues.
Hard Brexit	Areas of concern include the macro economic impact, the use of the UK as a preferred fund formation destination and ensuring on-going approvals remain in place to market to investors and to manage funds out of the UK.	Establishment of our Luxembourg domiciled AIFM platform and the recently announced acquisition of our Dublin domiciled UCITS AIFM platform.



Risk area	Description	Mitigation
<b>COMPLIANCE AND LITIGATION</b>		
Regulatory Non- Compliance	A failure of existing controls or a failure to keep pace with dynamic regulatory change resulting in sanction or loss of licence, inability to perform a business function along with reputational damage.	Robust risk and compliance framework; highly qualified compliance team; staff governance training; constructive relationships with regulators; three tier compliance function.
Financial Statements / Reporting Error	This may result in a requirement to restate projections or statements, resulting in loss of investor confidence and damage to reputation and inability to execute business plans. Any failure to adequately manage our internal financial reporting obligations may cause poor management decisions, unexpected costs and inaccurate external financial reporting.	Centralised finance group; enhanced quality controls and supervision; integrated financial planning and processes
AML Compliance	This item relates to risks inherent in on-boarding new clients and / or new projects for existing clients with attendant AML failure.	Continuing roll out of unified IT on-boarding system across all divisions; use of powerful search engines to verify client data.
Material Litigation	Litigation brought by a client, third party or an employee that results in financial loss or reputational damage.	Ensuring provision of quality service provision; senior management supervision of client engagements; promotion of internal culture of following due process and procedure; regular PI reporting process and maintenance of appropriate PI cover; People & Wellbeing function follows best practices on employment matters.
Tax Evasion & Transaction Monitoring	There is an increasing onus on professional service providers to monitor and report tax evasion and fraud. Examples include: (i) the Criminal Finance Act that imposes criminal liability on firms that fail to prevent their associated parties from facilitating tax evasion; and (ii) the EU Directive on Administrative Cooperation which shall soon require extensive reporting of transactions to national tax authorities.	Use of external experts to advise on adoption of preventive measures; adoption and roll out of applicable policy measures, including division specific measures; staff training.

Risk area	Description	Mitigation
<b>ACQUISITIONS AND OPERATIONS</b>		
M&A Delivery	A key component of MJ Hudson's strategy is growth through acquisition. A failure to deliver this strategy and/or a failure to identify related risks may result in loss of investor confidence and/or slower growth.	Establishment of internal M&A team including head of M&A in Andrew Walsh; use of premium external advisors; robust due diligence process; detailed presentation of investment case to Non-Executive Directors for their scrutiny.
Integration of Acquired Businesses	An ability to integrate acquired businesses and realise their values, resulting in financial loss, operational failure and/or impairment of goodwill.	Stress testing acquisition rationale; embedding integration aspects inside purchase agreements; efficient harmonisation, rebranding, HR & IT inclusion including using interim period prior to receipt of regulatory approval to acquisition.
Reputational Damage	This may result from failure to avoid another risk set out in this table, resulting in damage to brand and subsequent loss of clients / revenues.	Overall strong risk and compliance framework; promotion of culture to ensure delivery of high quality professional services and protection of reputation; centralised brand & PR controls.
Financial Control Failure	A failure to manage competently the financial performance of the Group leading to financial losses, fraud or loss of investor confidence	Quarterly financial planning and budgeting; use of central integrated finance group; highly qualified reporting team; detailed bottom-up budgeting exercise supplemented with quarterly reforecasting exercises; regular financial reporting; Audit & Risk Committee oversight and involvement.

## Current uncertainties

### COVID-19

From a staff perspective, we moved quickly to put in place working practices to ensure the safety and wellbeing of employees, which has been our top priority, in line with the guidance from authorities in all relevant jurisdictions. Remote working has proved extremely successful. The move to our new London office at 1 Frederick's Place near Bank went ahead as planned in April 2020 although, at the time of writing and with circumstances still unfolding, only a fraction of staff have opted to return to work at that office.

From a revenue perspective, the Group has been relatively well positioned to withstand the impact of COVID-19 on client instructions due to the variety of services it offers. There has been a reduction in project based and consultancy services, for example with respect to new PE fund launches and M&A transactions in the law division. But conversely recurring revenue streams in other support service divisions, such as in International Fiduciary, FMS and Fund Administration, have remained relatively constant and predictable. The Group's financial year end means that the timing of the impact of the pandemic had consequences for the final quarter.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

## Brexit

The UK left the EU (“Brexit”) on 31 January 2020. At the date of this report the transition period is due to end on 31 December 2020. The precise disruption Brexit may cause to the alternative investment industry still remains unclear.

Although the macro level impact may be significant over the long-term, following a business assessment we believe the likely short-term impact on specific Group services and on the specific categories of clients we serve is likely to be less significant. Areas of current concern include the use of the UK as a preferred fund formation destination and ensuring on-going approvals remain in place to market to investors and to manage funds out of the UK.

Where the UK does not receive passporting rights, the ability to market funds would be through the national private placement regime of each EU member state. However, cooperation arrangements would need to be in place between the UK and each EU member state. These would need to be agreed upon before the 31 December 2020 for a seamless transition. In practice, few of our FMS authorised representative clients apply the European marketing passport and a limited number of the Group’s law firm clients use the marketing passport route to fundraising in Europe.

In case of a no-deal Brexit, UK AIFMs will most likely be treated as third-country AIFMs and will no longer be eligible to manage EEA AIFs, pursuant to the EEA management passport or market their AIFs under AIFMD. To an extent the Group has sought to mitigate any likely impact caused by this eventuality of loss of the management passport through its establishment of a Luxembourg domiciled AIFM platform.

As a risk mitigant to Brexit, we have regulated AIFM fund management platforms in Luxembourg and have recently announced the addition of a Dublin platform.

In terms of the impact on the sector and clients more widely, a cause for concern for UK based asset manager clients was that they may only be granted 30 days’ notice of revocation of access to cross-border service rights. This uncompromising deadline has already caused a number of London-based asset managers to start preparations for ‘no deal’ and to start relocating part of their operations to meet substance requirements in European offices.

## Control attestation

At the time of writing this report, the Directors consider that the business model is appropriately diversified, that there are sufficient mitigating actions available to the Board and that the Group is suitably resilient to deal with crystallisation of risks and/or adverse economic conditions.

The Directors believe that there continues to be growing demand for a full service asset management consultancy, such as MJ Hudson, to provide a range of integrated services to the asset management and investment industries.

## Compliance with section 172(1) of the Companies Act 2006

This rule requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. This requires a director to have regard, amongst other matters, to:

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

## Statement by the Directors in performance of section 172(1)

To discharge their section 172(1) duties the Directors consider that acting together, and in good faith, they had regard to the factors set out above in making the principal decisions taken by the Company and that would most likely promote the success of the Company for the benefit of its members as a whole.

### Our key stakeholders, their primary interests and how we engage with them:

	Stakeholder key interests	How we engage
<b>OUR PEOPLE</b>		
As a group that provides services to senior staff within clients, having “best in class” employees who are committed over the longer term is key to our expanding business model	<ul style="list-style-type: none"> <li>• Reward</li> <li>• Career development</li> <li>• Fulfilment</li> <li>• Reputation</li> <li>• Wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• See the Directors’ Remuneration Report</li> <li>• Monthly “The Email” communication to staff</li> <li>• Annual “option holder” meetings</li> <li>• Soft skills training</li> </ul>
<b>OUR CLIENTS</b>		
Key to our success	<ul style="list-style-type: none"> <li>• Look for “trusted adviser”</li> <li>• Need wide range of investment services</li> <li>• Look for responsiveness and commerciality</li> </ul>	<ul style="list-style-type: none"> <li>• Webinars</li> <li>• Seminars</li> <li>• Know how communications</li> <li>• Special events</li> <li>• Industry forums</li> <li>• Social media and website</li> </ul>
<b>OUR REGULATORS</b>		
For our regulated divisions, the on-going positive approval of regulators is critical to those businesses continuing to function	<ul style="list-style-type: none"> <li>• Ensuring compliance with law &amp; rules</li> <li>• Protection of investors</li> <li>• Ensuring appropriate personnel &amp; resources</li> </ul>	<ul style="list-style-type: none"> <li>• Regular correspondence</li> <li>• During statutory required applications</li> <li>• As part of M&amp;A processes</li> <li>• Obtaining necessary approvals</li> </ul>
<b>OUR WORK PARTNERS</b>		
It is important we maintain trusted relationships with other professional service providers who work alongside us to supply co-ordinated services to clients	<ul style="list-style-type: none"> <li>• Faith in our service supervision</li> <li>• Responsible procurement, trust and ethics</li> <li>• Effective charging structures</li> <li>• Long-term relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Training forums and presentations</li> <li>• Industry events</li> <li>• Quality management reviews</li> </ul>
<b>OUR INVESTORS</b>		
Trust and support from key shareholders underpins our ability to deliver on strategy and performance	<ul style="list-style-type: none"> <li>• Sustained capital growth</li> <li>• Financial performance</li> <li>• Dividends</li> <li>• Governance &amp; transparency</li> </ul>	<ul style="list-style-type: none"> <li>• RNS communications</li> <li>• Investor calls</li> <li>• Via website</li> <li>• Annual reports</li> <li>• AGMs</li> </ul>

### Our investors

The Group continues to maintain an active dialogue with its institutional investors to involve them in performance, strategy and new developments. The Non-Executive Directors are available to discuss any matter institutional stakeholders raise and the independent Chairman and Non-Executive Directors on the Board have attended meetings with investors and analysts as required. We keep investors up to date with releases through the regulatory news service (RNS) and press releases. Previously published RNS announcements can be viewed on the Group's website at: [www.mjHUDSON.com](http://www.mjHUDSON.com)

### Key issues considered and principal decisions taken by the Board during the year

The Board considered a wide range of usual matters during the period as well as making the key decisions below:

Key decision	Considerations	Consequences
IPO	<ul style="list-style-type: none"> <li>• Access to capital</li> <li>• Brand recognition</li> <li>• Build stakeholder confidence</li> </ul>	<ul style="list-style-type: none"> <li>• Capital raise</li> <li>• Widened investor community</li> <li>• Improved market recognition</li> <li>• Enhanced corporate governance</li> </ul>
Sales team expansion	<ul style="list-style-type: none"> <li>• Promotion of cross selling</li> <li>• Targeting larger investment management groups</li> <li>• Potential for synergies</li> </ul>	<ul style="list-style-type: none"> <li>• Cross-divisional mandates acquired</li> <li>• Enhanced marketing systems</li> </ul>
Brand harmonisation	<ul style="list-style-type: none"> <li>• Move away from operating brands to unified Group branding</li> </ul>	<ul style="list-style-type: none"> <li>• Improved market recognition</li> </ul>
Acquisitions: <ul style="list-style-type: none"> <li>• MJ Hudson (AST) (Jersey)</li> <li>• MJ Hudson (Spring) (Amsterdam);</li> <li>• MJ Hudson Meyler (U.S.)</li> </ul>	<ul style="list-style-type: none"> <li>• Target sustainability</li> <li>• Branding approach</li> <li>• Motivational consideration structure</li> <li>• Integration aspects</li> <li>• Succession issues</li> </ul>	<ul style="list-style-type: none"> <li>• Accretion of growing revenue streams</li> <li>• Expansion of synergistic business lines</li> <li>• First step to ESG reporting (Spring)</li> <li>• Bridgehead into U.S. market (Meyler)</li> </ul>
COVID-19	<ul style="list-style-type: none"> <li>• Salary reductions</li> <li>• Staff safety</li> <li>• Compliance with guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Offices vacated by staff starting w/c 16 March 2020</li> <li>• Work from home regime</li> </ul>
IT capital investment	<ul style="list-style-type: none"> <li>• Reduction of dependency on external providers</li> <li>• Digitisation of services</li> <li>• Resilience of infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of internal software development division</li> <li>• Remote working ability</li> </ul>
New London office	<ul style="list-style-type: none"> <li>• Increased space requirement</li> <li>• Location</li> </ul>	<ul style="list-style-type: none"> <li>• Premium City centre HQ</li> </ul>
Dividends	<ul style="list-style-type: none"> <li>• Timing</li> <li>• Investor expectations</li> </ul>	<ul style="list-style-type: none"> <li>• No dividend over period</li> </ul>

# Governance

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## Board of Directors

Each of the Directors was appointed to their role as a Director of the Company as part of a group reorganisation at the time of the Company's IPO on 12 December 2019.



### Charles Spicer

**Independent  
Non-Executive Chairman**  
*Provides overall management supervision and direction to the Group*

Charles is an experienced director of and adviser to public and private companies. He is also non-executive chairman of Creo Medical Group plc and IXICO. He is a chair of the UK Department of Health's Invention for Innovation (i4i) Funding Panel. Previously, he was a director of Aircraft Medical which was acquired by Medtronic Inc. and Stanmore Implants which was acquired by Stryker Inc. Prior to that, he was chief executive of MDY Healthcare plc, a strategic healthcare investor and before that, head of healthcare corporate finance at both Numis Securities and Nomura International.



### Matthew Hudson

**Chief Executive Officer & Founder**  
*Provides business strategies to deliver growth in line with objectives approved by the Board*

Matthew founded the Group in 2010. He has over 30 years of private equity experience. Matthew is a well-known industry figure, regularly speaks on new developments concerning the Alternative Assets industries and has authored the leading text of "Funds: Private Equity, Hedge and All Core Structures", as well as a follow up: "Fund Managers: The Complete Guide". Prior to MJ Hudson, Matthew co-founded the private equity team at SJ Berwin, which became a market leader in Europe. He also established or re-established the London offices of two major US law firms: Proskauer; and O'Melveny & Myers. Matthew has previously founded or worked in a number of private equity and venture capital houses, including Far Blue Ventures, Tower Gate Capital, Coller Capital, and Credit Suisse First Boston.



### Peter Connell

**Chief Financial Officer**  
*Manages and directs financial strategy. His responsibilities also extend to M&A activities.*

Peter previously held numerous directorships including finance director of Mayo Wynne Baxter LLP; finance director and CEO at Hastings Insurance Services Limited; founding chairman of Advantage Insurance Company (Gibraltar); and non-executive director of Creechurch Managing Agency at Lloyd's. Peter is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA) and qualified while working for Peat, Marwick, Mitchell (now KPMG).



### Jonathan Bale

#### Director

*Company Secretary*

As well as being the Company Secretary in Jersey, Jonathan is the principal of the Group's law practice in Jersey. He joined the Group following its merger with VerrasLaw, which formed the Group's Jersey legal practice in 2014. Jonathan was the founding partner of VerrasLaw. Prior to this, he worked for the Jersey law firms Walkers and Ogier.



### Geoffrey Miller

#### Independent Non-Executive Director

*Chairman of Remuneration Committee*

Geoff has over 20 years' experience of working in financial services, both as a rated equity analyst covering investment banks, asset managers and investment companies and as a senior fund manager. Geoff is currently the non-executive chairman of Globalworth Group, a quoted international property business with a market capitalisation over €1 billion. He is a director of several private companies and a principal in a venture capital business based in Guernsey, focussed on financial and technology sectors.



### Andreas Tautscher

#### Independent Non-Executive Director

*Chairman of the Audit and Risk Committee*

Andreas has over 30 years' experience in the financial services industry, with particular experience in banking, fiduciary services, investment services and fund management. For the last ten years of his Deutsche Bank career, which spanned from 1994 to 2018, he was a C suite executive with a regional and business responsibility reporting to group board members. He also sat on the Virgin Group board as a non-executive director which coordinated the whole of the Virgin group businesses. Andreas is a Chartered Accountant and qualified at PWC in 1994.



### Mark Pattimore

#### Executive Director

*Managing Director of International Administration in Guernsey*

Mark has over 35 years' experience in offshore financial services, the last 25 of which have been as a director. His experience covers Investment and Insurance with Old Mutual to Fiduciary with Equity Trust and in the last 15 years in both fund administration and Fiduciary. He is a former Chairman of the Guernsey Association of Trustees and is a Fellow of the Chartered Association of Certified Accountants working with Peat, Marwick, Mitchell (now KPMG) in Guernsey and in Grand Cayman.



## Executive Committee

MJ Hudson's group executive management team is comprised of industry specialists. The Executive Committee reports to the Board and operates to support the CEO in the running of the Group. The Executive Committee is also responsible for managing the day-to-day operations of the Group. Prior to each quarterly meeting, the Executive Committee typically receives written reports from each of the following three key underlying operational reporting groups: the Operations Committee, the Legal, Risk and Compliance Committee and the Business Development Committee. The Executive Committee reports to the Board and escalates all material matters for consideration by the Board.



**Odi Lahav**  
Group COO

Odi Lahav is the COO for the Group and oversees the Investment Advisory (Institutional) sub-division, trading under the brand MJ Hudson Allenbridge. Odi has over 20 years of experience in investment management (specialising in Alternatives), risk and governance. He has worked primarily in the private sector, but also spent a number of years in the public sector, in supervision at the Canadian financial regulator OSFI. Prior to founding Allenbridge Investment Solutions in 2012, he was vice president and head of the Alternative Investment Group at Moody's in London. Odi is an Actuary and Associate of the Institute and Faculty of Actuaries. Odi is also executive head of risk management for the Group.



**Charlene Cowen**  
Director of People & Wellbeing

Charlene heads up the Group's People & Wellbeing function. Charlene was the first employee of the Group, joining Matthew Hudson as an associate (solicitor) to launch the Group in 2010. Charlene qualified as a solicitor in the corporate department of the London office of O'Melveny & Myers in 2007. Charlene's focus is ensuring that the People & Wellbeing function provides the optimal environment for colleagues to deliver excellent service to clients.



**Matthew Hudson**  
Group CEO

Matthew is responsible for developing business strategies to deliver growth. Biography page 39.



**Peter Connell**  
Group CFO

Peter is responsible for managing and directing the financial operations of the business. Biography page 39.

# Corporate governance report

## Statement on corporate governance

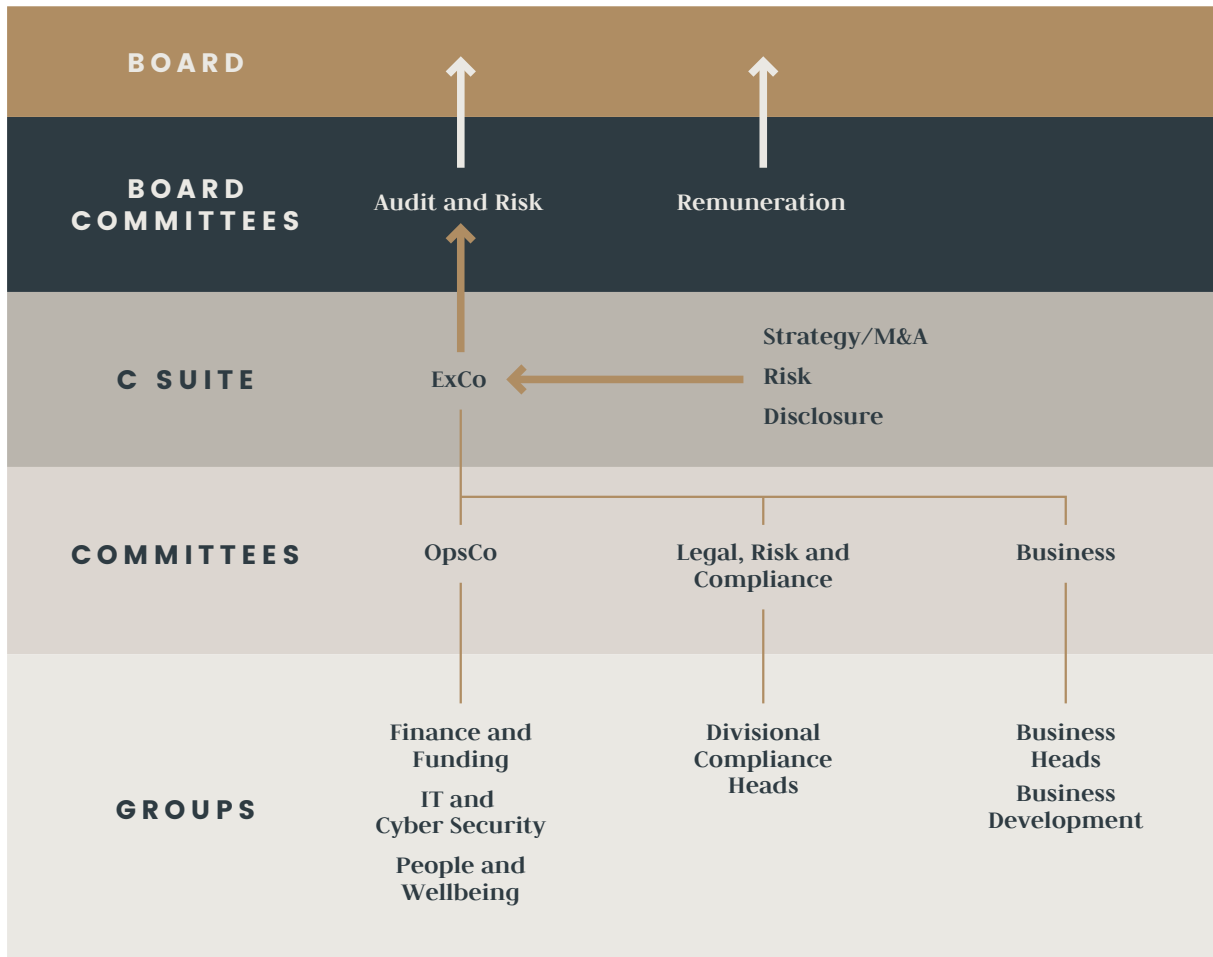
The Directors acknowledge the importance of high standards of corporate governance and believe that good corporate governance creates shareholder value by improving performance whilst mitigating the risks that a company faces as it seeks to create sustainable growth.

Since its IPO in December 2019, the Group has made a focus of ensuring the efficacy of its corporate governance structures and that efficient upstream reporting occurs in accordance with the Board meeting cycles. The Board believes the overall governance framework is strong and suitable for the Group's size.

## Corporate governance code

MJ Hudson Group plc is traded on the AIM market of the London Stock Exchange (LSE: MJH). The Board has applied the principles set out in the Quoted Companies Alliance's Corporate Governance Code ("QCA Code"). The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies. In accordance with the AIM Rules, the Company has published, in broad terms, a summary setting out how the Company complies with the QCA Code. This summary and the extent to which the Company has departed from any of the provisions of the QCA Code it has provided details on its website as required and these disclosures can be found at <https://investors.mjhudson.com/corporate-governance>.

## Corporate governance framework



### Board role

The Board has responsibility for overseeing and approving the implementation of MJ Hudson's overall strategy and business direction and for instituting suitable systems of governance, internal controls and risk management. It meets a minimum of four times each year and Directors liaise with executive management between Board meetings. All material management decisions in the context of the Group as a whole are required to be approved by the Board.

### Chairman

Charles Spicer, the Chairman, has the primary responsibility to lead the Board effectively and to oversee the adoption and delivery of the Groups corporate governance model. Charles also ensures the Board receives appropriate information and advice in advance to reach its decisions and to facilitate the Board role in the development and implementation of the Company's strategy and objectives.

### Board composition

The Board comprises seven Directors, four of whom are Executive Directors and three of whom are Non-Executive Directors. The Board has considered the external time commitments of the Non-Executive Directors, in light of their other time commitments as noted in their biographies on pages 39 and 40 and has concluded that they each fully satisfy their obligations to the Group.

### Board committees

The Board has established two specialist committees, the Audit and Risk Committee and the Remuneration Committee, each with formally delegated duties and responsibilities and with written terms of reference that are reviewed annually. These terms of reference are available on the Group's website <https://investors.mjhudson.com/corporate-governance>. Each of the permanent members of these Board committees are Non-Executive Directors on the Board. A primary focus of the Board committees is on accountability. Those Directors who are not members of a particular Committee, as well as executive managers, may attend by invitation of the relevant Committee Chairman. Matters addressed by each Committee are reported by its Committee Chairman to each subsequent Board meeting and reviewed by the full Board so that the Board is made aware of any material issues arising.

The Board has decided that, given the Group's current size, there will not be a separate nominations committee nor a separate insider committee. Such matters for the time being fall directly under the scope of the Board.

#### The Audit & Risk Committee

The Board's Audit & Risk Committee is responsible for reviewing the effectiveness of the Company's internal control and risk management systems. It ensures auditor independence has not been compromised. During the period under audit, the Committee met on two occasions. The Committee has two members who are both independent Non-Executive Directors: Andreas Tautscher, as chairman, and Geoff Miller.

#### The Remuneration Committee

The Remuneration Committee approves all senior level remuneration and ensures, among other matters, that senior remuneration is proportionate and directly linked to the success of the Group. In the period to 30 June 2020, the committee has met once. The Remuneration Committee has two members who are both independent Non-Executive Directors, being Geoff Miller, as chairman, and Andreas Tautscher.

### Board experience

In establishing the Board, the Company believes it has aggregated the following key skill sets that are considered essential to the management of the Group: financial acumen, Board experience in listed companies, knowledge of the regulatory environment and in-depth knowledge of the alternative assets sector.

### Time commitments

Under their letters of appointment, the Non-Executive Chairman is expected to spend four days per month on Company business and each of the other two Non-Executive Directors are expected spend two days per month on Company business.

### Independence

All Directors have complied with the Companies (Jersey) Law 1991 to disclose to the Company the nature and extent of any interest of the Director (whether direct or indirect) of which the Director is aware in any transaction entered into, or proposed to be entered into, by the Group or any of its subsidiaries, which conflicts, or may conflict, to a material extent with the interests of the Group. The Directors' Register of Conflicts of Interest is maintained by the Group Company Secretary.

The three independent Non-Executive Directors (which includes the Chairman) bring constructive challenge to the Board's decision-making processes. The independent Non-Executive Directors engage directly with the Group's executive team and certain operational committees.

### Direct reporting

To ensure an independent reporting structure, reports produced by the People & Wellbeing Group are shared directly with the Chairman of the Remuneration Committee of the Board and reports produced by the Legal, Risk and Compliance Committee are shared directly with the Chairman of the Audit & Risk Committee.

### Independent advice

Any Director may take independent professional advice at MJ Hudson's expense. The Directors may and have directed the Company during the year to take independent advice to assist them in decision making in relation to the performance of their duties, including legal and accounting advice.

### Re-election of Directors

In accordance with provision 18 of the QCA Code, all current Directors will submit themselves for re-election at the 2020 AGM. The Board recommends the re-election of each current member of the Board based upon their skills, experience and contribution to the Board.

### Relationship agreement

The Company, Cenkos and Matthew Hudson entered into a relationship agreement dated 11 December 2019 around the time of the Company's IPO in connection with ensuring the independence of the Board. In that agreement, Mr. Hudson undertakes to vote as a shareholder to procure: (i) the Group is managed for the benefit of its shareholders as a whole and independently of the interests of Mr. Hudson and his associates; (ii) all transactions between the Group and Mr. Hudson and any of his associates shall be on an arm's length basis, on materially normal commercial terms; and (iii) any dispute arising between the Group and Mr. Hudson and his associates is finally determined only by the independent Non-Executive Directors.

### Business conflicts

In the event of a business (client) conflict the Board is required to convene a conflicts committee, consisting of divisional compliance officers and the CEO, which shall act by majority (with the positive approval of the CEO). Such a committee has authority to resolve any area of dispute regarding a conflict of interest that arises across more than one MJ Hudson group business.

### Board and committee attendance (since July 2019 incorporation until 30 June 2020)

Director	Board <sup>1</sup>	Audit & Risk Committee <sup>2</sup>	Remuneration Committee
Charles Spicer	10/12	2/2	1/1
Andreas Tautscher	10/12	2/2	1/1
Geoff Miller	10/12	2/2	1/1
Matthew Hudson	10/12		
Peter Connell	10/12		
Mark Pattimore	10/12		
Jonathan Bale	10/12		

1. The Board held 12 meetings during the period. Two board meetings were held prior to the appointment of the current Board.

2. For Board committees, attendance shown is of the relevant members.

### Jersey Company Secretary

The Company is a Jersey company. Jonathan Bale, who is a Jersey qualified lawyer based in Jersey, is the Company Secretary and is responsible for ensuring that applicable Board procedures are followed in Jersey and that the Company complies with applicable Jersey laws.

### Head of M&A and Corporate Development

Andrew Walsh previously worked as an equity analyst and corporate broker at Bridgewell Securities, Altium and Schroders. After this he worked as a senior adviser to a corporate finance boutique and ran a consultancy helping clients with M&A and IR. Andrew joined the firm in January of 2020 after advising on the IPO. He is Director of Corporate Development at MJ Hudson where he manages the M&A function and leads on investor relations.

### Group General Counsel

Guy Grayson previously worked with SJ Berwin, Clifford Chance and Hogan Lovells. He is responsible for setting MJ Hudson's legal strategy. In conjunction with divisional compliance officers, he is involved in the management of regulatory compliance and risk control. Guy ensures that the Board receives the information it needs to fulfil its duties effectively and he heads the Legal, Risk and Compliance Committee.

### Economic substance

The Directors manage and control the affairs of the Company such that it is solely resident for tax purposes in Jersey in accordance with the Taxation (Companies – Economic Substance) (Jersey) Law 2019 (the “Substance Law”). The Company falls within the scope of the Substance Law acting as a “headquarters company” and its affairs are managed in such a way as will ensure compliance with the requirements of that law.

### Management alignment

The Directors hold a material interest in the Group which aligns their interests to shareholders. The division of shareholdings at the date of this report is approximately as follows:

Type of shareholder	% of total issued share capital
Directors	30
Institutional investors	53
Staff	7
Broker	1
Others	9
<b>Total</b>	<b>100</b>

### Investor relations

The Board seeks to build on a mutual understanding of objectives between the Group and its shareholders by communicating regularly during the year and providing information on the Group website. We have a dedicated investor relations champion in Andrew Walsh.

### Culture, ethics, diversity and inclusion

The Board actively promotes ethical conduct, integrity, and professionalism throughout the organisation. Culture and integrity are promoted in the staff handbooks and reinforced through numerous communication channels. The reporting period has also seen significant enhancements to the risk culture and education across the Company. Culture, ethics, inclusion and diversity are covered in the ESG Report below.

# ESG Report & Carbon Reporting

## Corporate Social Responsibility

The Group is committed to ensuring its business operations are performed to the highest ethical standards and to make a positive impact with its stakeholders and society. This is led by the Board, which actively promotes ethical conduct, integrity, and professionalism throughout the organisation.

The Board is responsible for the environmental, social and governance (ESG) impact of the Group's business operations and ensures any risks and opportunities are managed appropriately. During the reporting year, the company has formalised its reporting of ESG factors and has concluded that the Group's exposure to ESG risks is limited, primarily by the company's operations being service-based.

The Group is in the process of signing up to the UN PRI Charter, which sets out principles for responsible investment and is used as a standardisation tool and for benchmarking.

## Our people

The Group operates across Europe, the US and Canada and adheres to regulatory compliance and employment practices to meet local jurisdictional requirements.

Number of employees <sup>1</sup>	2017	2018	2019	2020 - YTD
London	85.2	88.2	103.0	111.9
Guernsey	9.4	11.4	9.4	9.4
Netherlands			11	11
Jersey	1.6	1	1	10
Luxembourg	3.6	4.6	3.8	6.8
USA		4.0	4.0	5.0
Canada				3.0
Switzerland			1.0	1.0
Total	99.8	109.2	133.2	158.1

<sup>1</sup> Overview of FTE equivalents (FTE).

## Diversity and inclusion

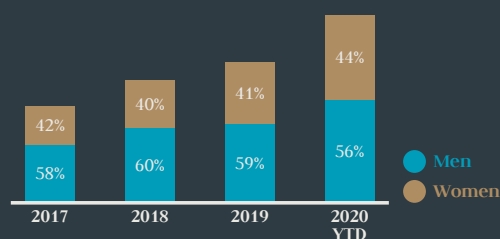
The Group recognises that diversity makes for good business as it stimulates more ideas, opinions and perspectives. The Group maintains a professional, inclusive environment, that recruits, retains, develops, remunerates, and promotes all of MJ Hudson's people, regardless of gender, race, nationality, marital status, sexual orientation, age, religion, beliefs or disability. In short, the Group embraces diversity as fundamental to the promotion of the company's values and recognises that diversity and inclusion has an invaluable influence on MJ Hudson and all that society aspires to be.

We recognise that working to keep the best talent, which includes supporting women through the executive pipeline, is the best way that we can retain our market competitiveness. We are therefore looking at ways to help retain, coach and mentor women into senior management positions. We are also working with universities on graduate recruitment to try to recruit both more BAME and female applicants to the alternative asset industry.

In line with this, we seek to support our female employees as much as possible by encouraging shared parental leave and offering equal company pay for maternity and shared parental leave for up to 26 weeks and full pay for paternity leave for qualifying employees.

We actively encourage and support female employees back into work by offering phased return schemes for new mothers, as well as mentoring programmes for those who wish to participate. We also offer flexible working practices to staff, such as working from home and flexi-hours.

Gender Diversity – Total Employees



Gender diversity of board & management <sup>1</sup>		2017	2018	2019	2020 - YTD
BOARD	Men	100%	100%	100%	100%
	Women	-	-	-	-
EXECUTIVE COMMITTEE	Men	-	-	50%	50%
	Women	-	-	50%	50%
SENIOR MANAGEMENT	Men	67%	67%	100%	100%
	Women	33%	33%	-	-
MANAGEMENT	Men	76%	67%	65%	64%
	Women	24%	33%	35%	36%

<sup>1</sup> Diversity metrics are based on employee headcount and excludes external consultants. Executive committee was formed in 2018. The promotion of women into Executive Committee coupled with recently acquired business units having male senior management has increased the male percentage in Senior Management in 2019-20.

## Wellbeing

We understand that one of the biggest assets of any organisation is its people – that’s why we want to ensure that the wellbeing of our team is not just good, but excellent – both physically and mentally. The People and Wellbeing department focus heavily on promoting employee wellbeing through a number of initiatives including the Recharge Plan – a wellbeing programme which encourages employees to partake in one of the Plan’s elements including yoga, massage, mindfulness, running club, book club and boot-camp sessions. The Group also operates a switch-off policy, enabling staff to switch off their emails from their devices when on holiday.

The Group places a particular emphasis on mental health. The implementation of the mental health programme “MARBLER” assists staff and managers in recognising and coping with mental health issues. The programme is designed to reduce the stigma and create a greater understanding of how best to look after your mental health, complemented by a number of tools including the Company’s Mental Health First Aid Kit, regular training sessions and workshops and online resources. The Group also has a number of Employee Assistance Programmes in place across its offices in Europe and is a signatory of the UK ‘Time to Change’ employer pledge committing to change the way we think and act about mental health in the workplace.



## Health & safety

The Group is committed to ensuring the health and safety (H&S) of all employees and everyone affected by day-to-day business activities, therefore providing a safe suitable environment for all those attending MJ Hudson business premises. The Group's H&S policy sets out arrangements related to the assessment, control, and prevention of H&S risks as well as information, training and supervision of safe working methods and emergency procedures. These policies are regularly reviewed (internally and (in the UK) by our external H&S consultants) and updated to reflect changes in legislation and best practice.

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## Recruitment

MJ Hudson is an equal opportunity employer, with motivations to employee the best candidates regardless of gender, race, nationality, marital status, sexual orientation, age, religion or beliefs or disability. The Group has recently expanded its reach to a wider network of Universities for graduate recruitment as a commitment to being an inclusive employer. The Group has specialist development schemes for new graduates, including training contracts, rotational schemes, apprenticeships and internships.

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## Training & development

The Group is dedicated to the development of its employees and maintains a schedule of training and group seminars for a range of topics, including risk & compliance, skills & knowledge sharing and personal & professional growth. Employees are encouraged to seek out tailored and specific training to support their individual development.

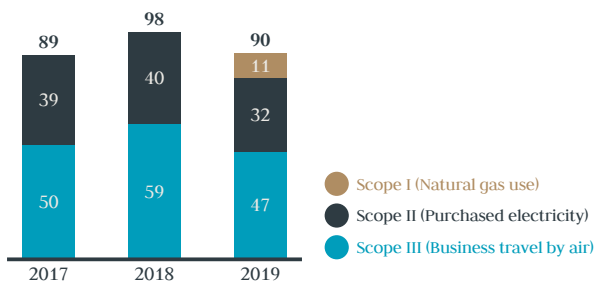
Mandatory Skillcast online training requires all employees to complete training modules concerning data privacy, security & GDPR, Bribery Prevention, and Equality & Diversity in the workplace.



## Environment

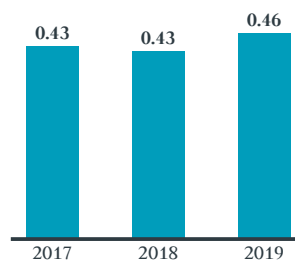
The Group’s operations are service-orientated, therefore the impact on the environment is relatively small. The Group is committed to minimising its environmental impact where practical. Integral to this strategy is the recording of energy use at MJ Hudson offices, business flights and their resultant carbon emissions. The group aims to provide a transparent overview of its carbon emissions with the long-term strategy to minimise its impact over time. The use of public transport, car-pooling and sustainable transport schemes (e.g. cycle to work) are encouraged, while MJ Hudson’s division in the Netherlands procures certified renewable electricity to power day-to-day operations.

Total carbon footprint<sup>1</sup> (tCO<sub>2</sub>e)



<sup>1</sup> As defined by the internationally accepted corporate accounting and reporting standard: The Greenhouse Gas Protocol; The carbon footprint includes the GHG emissions CO<sub>2</sub>, SF<sub>6</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PCFS, and is usually expressed in equivalent tons of carbon dioxide (tCO<sub>2</sub>e); Natural gas used for heating is from the Netherlands office only, which was acquired in 2019. Direct emissions (Scope I&II) exclude offices in Guernsey, New York, Vancouver & Zurich due to non-available energy data from shared office spaces. Data Source: Greenhouse Gas Protocol, CO<sub>2</sub> Emissiefactoren.nl, Emission factors from the Association of issuing bodies (AIB) 2019.

Direct carbon intensity<sup>1</sup> (tCO<sub>2</sub>e/fte)



<sup>1</sup> Carbon intensity is defined as tCO<sub>2</sub> emissions per FTE (tCO<sub>2</sub> / FTE). Direct emissions (Scope I&II) excludes energy and FTE data related to offices in Guernsey, New York, Vancouver & Zurich due to non-available energy data from shared office spaces. Data Source: Greenhouse Gas Protocol, CO<sub>2</sub> Emissiefactoren.nl, Emission factors from the Association of issuing bodies (AIB) 2019.

The group has implemented recycling and waste strategies to minimise the environmental impact of day-to-day operations. Such strategies include the removal of plastic beverage containers, the removal of general waste collection aiming to encourage greater waste sorting and recycling and migration to efficient printing processes.

MJ Hudson’s London-based operations moved to a new state-of-the-art office building, with improved sustainability credentials including a greater energy efficiency label, motion-sensor enabled LED lighting, improved water efficiency and floor-by-floor energy usage monitoring. A gallery can be found here: [www.mjHUDSON.com/1-fredericks-place](http://www.mjHUDSON.com/1-fredericks-place).



## External Impact

### Hudson Heroes

MJ Hudson is dedicated to making positive changes in society and aims to support local and national causes by way of the Hudson's Heroes programme. Every year the company selects a charity to volunteer with, so the MJ Hudson team can uniquely help society.

The Group raises funds for the chosen charity in a variety of ways, including quizzes, in-house competitions and marathon and sports participant sponsorship. Giving back to the community in this way not only benefits those that we help but strengthens the Group's friendly and integrative culture.

This year Hudson's Heroes selected Headway East London, a local charity supporting people affected by brain injury, offering specialist services to survivors and their families.



### MJ Hudson Spring acquisition

In July 2019, MJ Hudson acquired MJ Hudson Spring, a specialist ESG data, analytics, and reporting business to bolster sustainable focused product offerings for alternative investment markets. The business supports investors and fund managers in the design and implementation of responsible investment (RI) strategies, throughout their investment process. With over 10 years of experience in ESG and RI, they assist a wide array of funds, including private equity firms, asset managers, institutional investors, and family offices.

### Group ethics

The Board actively promotes ethical conduct, integrity, and professionalism throughout the organisation. Culture and integrity are promoted in the staff handbooks and reinforced through numerous communication channels. The reporting period has also seen significant enhancements to the risk culture and education across the Company.

### Modern Slavery Act statement

This voluntary statement has been made as MJ Hudson is below the turnover threshold required for it to publish a mandatory statement under the Modern Slavery Act 2015. Nonetheless, the Group continually review and evaluate the company's position concerning the Act and will seek to implement a robust policy and Section 54 compliant statement when this becomes necessary.

MJ Hudson uses the term "modern slavery" to encapsulate slavery, servitude, forced or compulsory labour and human trafficking. To date, the Group confirms that no occurrence of modern slavery in our organisation or supply chain has been identified.

MJ Hudson operates in the financial services sector and provides advice to asset managers, fund managers and investors to enable them to operate more efficiently and invest more successfully.

The Group regularly advise clients on their legal and regulatory responsibilities and hold the Group to the same high professional standards.

The business is office-based and primary supply chain categories support our office operations. Supply categories include office-space and services, the provision of security and cleaning, IT and technology, professional services and business travel.

As a regulated provider of legal and financial services and employer of predominantly professionally qualified and highly skilled people, the risk of modern slavery within our business is very low.

The Group ensures a high level of understanding of the risks of modern slavery and human trafficking in supply chains and primary business. The Group plans to implement mandatory training for all employees before the end of the next financial year.

### Anti-bribery & anti-corruption (ABC)

The Group takes a zero-tolerance approach to bribery and corruption (ABC) and is committed to acting professionally, fairly and with integrity in all business dealings and relationships in all areas of operation and implementing and enforcing effective systems to counter bribery and corruption. This must be reflected in every aspect of how the Group operates. The Group must bring integrity to all dealings. Bribery and Corruption harm the societies in which these acts are committed and prevent economic growth and development.

The Group's ABC policy states the requirement to conduct all business honestly and ethically, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage.

The Group Compliance team has conducted a group-wide risk assessment to identify potential ABC risks, mitigation strategies, and monitoring and review procedures.

### Whistleblowing

The Group is committed to conducting business with honesty and integrity and holds employees to maintain high standards in accordance with the Group's Whistleblowing Policy and any other rules, regulations or codes of practice/conduct applicable. The Group acknowledges the risk of unknowingly harbouring illegal or unethical conduct and promotes a culture of openness and accountability which is essential to prevent such situations occurring and to address them swiftly and appropriately.

# Audit & Risk Committee report

The Audit & Risk Committee oversees the Group's financial reporting and internal control framework and provides the primary link between the Board and the external auditor.

## Report from Audit & Risk Committee chair



I am pleased to present the report of the Audit and Risk Committee (the 'Committee') for the year ended 30 June 2020. This inaugural report relates to the period from the IPO of the Group (12 December 2019) to 30 June 2020. This Committee came into existence at the time of the IPO.

During the period, the Committee met on two occasions. The Committee has monitored and reviewed the financial reporting process to ensure the integrity of the financial information provided to shareholders. The Committee has also overseen the development and management of the Group's risk management and internal control framework. Appropriate impairments of business units have been considered and, with the exception of the small writedown of a business acquisition that was closed down in 2019, no impairment was recorded.

Assessment of new accounting standards and a review of the potential impact of COVID-19 and Brexit has been undertaken. The committee has met with the External Auditor and has invited the CFO, COO, Group Counsel and Financial Controller to join the meetings.

## Composition of the committee

The Audit & Risk Committee shall have at least two members who shall each be independent Non-Executive Directors. The Audit & Risk Committee shall be composed of (as a minimum) Andreas Tautscher, as chairman, and Geoffrey Miller.

## Role of the Committee

The Committee's primary responsibilities are to review the consolidated financial statements and any changes in accounting policy, to have assurance that there are suitable internal controls and risk management systems in place; to develop, implement and monitor the Group's policy on external audit; and to review audit effectiveness.

The main roles and responsibilities of the Committee include:

- monitoring the integrity of the consolidated financial statements of the Group, including its annual and half yearly reports;
- reviewing and reporting to the Board of Directors on significant financial reporting issues and judgements;
- reviewing and challenging the consistency of, and any changes to, accounting policies on a year on year basis and across the Group;
- assisting the Board of Directors in ensuring the annual report and accounts, taken as a whole, is fair and balanced and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- reviewing the Group's internal financial control systems and other internal control and risk management systems;
- making recommendations to the Board of Directors in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing the independence and objectivity of the external auditor and the effectiveness of the external audit process;
- reviewing the adequacy of the Group's arrangements for its employees, contractors and external parties to raise concerns in confidence about possible wrongdoing in financial reporting and other matters; and
- reporting to the Board of Directors on how it has discharged its responsibilities.

The membership of the Committee and its terms of reference are set out on the Group's website.

## Operation of the Committee

### External audit

The Committee has primary responsibility for the relationship between the Group and its external auditor.

During the year the Committee discussed the following major topics:

- reappointment of BDO as the Group's statutory auditor and negotiated their remuneration and their terms of engagement;
- financial impact of new accounting standards in the year including the transition to IFRS, completed as part of the IPO process, and, primarily, the adoption of IFRS9, IFRS15 and IFRS16;
- consideration of significant financial reporting issues, revenue recognition, goodwill impairment, earnout liabilities, acquisition accounting and going concern;
- evaluation of the impact of upcoming accounting standards;
- review of the 31 December 2019 interim Consolidated Financial Statements;
- evaluation of the current internal controls and risk management framework within the Group; and
- carried out a detailed review of the external auditor's Audit Planning Report.

### Risk and internal control

Risk management is the responsibility of the Board of Directors. Further details about the process followed and principal risks and uncertainties that could affect business operations can be found in the Principal risks and uncertainties section above.

The Committee keeps under review the adequacy and effectiveness of the Group's internal controls and risk management systems.

During the period the Committee has received and reviewed the Group's Legal, Risk and Compliance Report, discussed the most significant risks highlighted in the report and reported to the Board of Directors on risk and internal control matters.

The Committee has also reviewed audit recommendations with regard to internal controls and management responses following completion of the interim internal audit in June 2020.

## External auditor independence, effectiveness and fees

### Independence

The committee has carried out a structured review of the independence and objectivity of the independent auditor and has in place procedures to ensure this is not compromised. This review will be carried out on an annual basis and the procedures include:

- Audit partner rotation – the Committee considers this to be a key control in ensuring continued independence and objectivity by reducing the risk of familiarity. Tim Neathercoat has been an audit partner within the Group’s external audit provision since the appointment of BDO LLP in 2017, and in 2019 became the Group’s lead audit partner when BDO LLP replaced BDO Limited (Jersey) as the Group auditor. It is anticipated that he will rotate off as engagement partner after FY21.
- Restrictions on the nature and amount of non-audit work – the Committee monitors the external auditor’s proposed scope of work and value of fees paid, to ensure that independence is not compromised. This prevents the auditor being able to provide certain services to the Group. The Committee monitors the engagement of the External Auditor for non-audit services. The objective of the review is to ensure that the provision of non-audit services by the External Auditor does not impair, or is not perceived to impair, the External Auditor’s independence or objectivity.
- Relationship of the auditor with senior management – The committee reviews the relationship to ensure it has not become compromised due to familiarity or other factors.

### Audit effectiveness

The Committee reviews the external audit plan proposed by the auditor and participated in the review of the quality of the service that they provided. The Committee’s consideration includes:

- a review of the external audit plan;
- the auditor’s assessment of Group accounting and business risks;
- the auditor’s own quality control procedure;
- the auditor’s assessment of the key risks of misstatement;
- consideration of the audit strategy and its communication;
- whether the staffing of the external audit has continuity whilst maintaining independence; and
- communication of the findings of the Committee and the quality and key features of its work.

### Fees

Note 7.1 to the financial statements includes disclosure of the auditor’s remuneration for the year.



**Andreas Tautscher**

Chair of the Audit and Risk Committee,  
13 October 2020



# Directors' report

The Directors present, here, their consolidated report for the year ended 30 June 2020.



## Other information

Other information relevant to this Directors' report and which is incorporated by reference can be located as follows:

Topic	Page reference
Important events / likely future developments	Operating review pages 10 to 37
Section 172(1) Statement	Page 35
Compliance and Risk Management	Page 32
ESG including People and Carbon Reporting	Page 46
Directors' Responsibility Statement	Page 70
Board composition, roles and biographies	Page 39
Our Executive Committee	Page 41
Rights attaching to shares under share schemes	Remuneration Report page 60
AGM notice	On website

### Activity

The principal activity of the Group is acting as an independent advisory and infrastructure business, serving fund managers, investors and advisers active in private equity, venture capital, hedge, credit, real estate and infrastructure.

The group owns two UK full scope AIFM management platforms to fund managers and another in Luxembourg. The principal activity of the Company is that of a headquarters company.

### Group results and dividend

The Group's loss before taxation from continuing operations for the year ended 30 June 2020 amounted to £7.0m (2019: loss of £3.4m). The directors do not recommend the payment of a dividend.

### Share capital structure

Details of the Company's share capital are set out in note 22 to the Consolidated Financial Statements. As at the date of this report, there was a total of 171,320,220 ordinary shares of no par value in issue. The share capital of the Company comprises one class of ordinary shares of no par value and these are admitted on the AIM market of the London Stock Exchange. Subject to usual lock in arrangements entered into with certain shareholders in connection with the Company's IPO, all shares are freely transferable and rank pari passu for voting and dividend rights.

There are no restrictions on voting rights or restrictions on the transfer of shares in the Company except for usual market lock-in agreements entered into with certain shareholders at IPO. No persons hold special rights in connection with control of the Company.

### Significant interests

As at 13 October 2020 (the latest practicable date prior to the issue of this report), the Company had been notified, in accordance with DTR Chapter 5, of the following interests in voting rights in the Company's issued share capital, each in excess of a 3% stake.

Shareholder	% of issued share capital
Matthew Hudson	22.7
Canaccord Genuity	11.8
Somers Limited	9.6
Danske Bank	6.5
Katherine Hudson	5.0
Capital Research	4.8
Emily Devlin	4.1
Polygon Group Limited	4.1

Save as referred to above, the Directors are not aware of any persons as at such date who were interested in 3% or more of the voting rights of the Company or could directly or indirectly, jointly or severally exercise control over the Company.

### Directors' interests

The Directors' interests in the shares of the Company are disclosed in the Remuneration Report on page 60. No Director had, during or at the end of the period, a material interest in any contract which was significant in relation to the Group's business except in respect of service agreements and share options and as disclosed in the Directors' Remuneration Report.

### Change of control provisions

Neither the Company nor any of its subsidiary undertakings has entered into any significant agreement that takes effect, alters or terminates on a change of control of the Company following a takeover except in respect of acceleration of staff share options under the Company's share option plans. Neither the Company nor its subsidiaries has entered into any agreement that provides any of their directors or employees compensation for loss of office or employment that occurs because of a takeover bid.

### Relationship agreement

Details of the relationship agreement between Matthew Hudson, the Company and Cenkos Securities plc, the Company's Nomad, are set out on page 44. The Company confirms that it and, in so far as it is aware, Mr. Hudson has complied with his undertakings in the relationship agreement such that the Company has, during the year, been able to operate as an independent business.

### Articles of Association

The rules governing the appointment and replacement of directors, and the powers of the Company's directors, are set out in the Company's Articles of Association which are available on the Company's website at <https://investors.mjHUDSON.com/corporate-governance>. The Articles of Association may be amended by a special resolution of the Company's shareholders.

### Political donations

The Company has not made any political donations, including to a non-EU political party, and does not incur any political expenditure.

### Financial risk management and financial instruments

The Company's risk management objectives and policies are shown in note 24 to the Consolidated Financial Statements. The Company does not make use of any financial instruments, including for hedging purposes.

### Directors' indemnity provisions

During the period, and up to the date of approval by the Board of the Consolidated Financial Statements, the Group purchased and maintained Directors and Officers Liability Insurance for all of the Directors and Officers to indemnify them from any losses that may arise in connection with the execution of their duties and responsibilities to the extent permitted by the Companies Act 2006. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by director and officer liability insurance.

### Post balance sheet events

Please refer to the Consolidated Financial Statements note 29 regarding post balance sheet events.

### Annual General Meeting

The 2020 Annual General Meeting of the Company (2020 AGM) will be held at the Company's offices at Forum 4, Grenville Street, St. Helier, Jersey JE4 8TQ on 10 December 2020. The Notice of the 2020 AGM (2020 AGM Notice) is available on our website [www.mjHUDSON.com/investors](http://www.mjHUDSON.com/investors). The Annual Report & Accounts shall be laid before the shareholders at the 2020 Annual General Meeting. An explanation of the resolutions to be put to shareholders at the 2020 AGM and the Directors' recommendations in relation to them are set out in the 2020 AGM Notice.

### Audit information

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the UK Companies Act 2006.

### Re-appointment of auditors

BDO LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in note 29 of the Financial Statements - Post balance sheet events.

The Directors' Report was approved by the Board of Directors on 13 October 2020.

By Order of the Board



**Charles Spicer**

Chairman,  
13 October 2020

# Directors' remuneration report

## Annual Statement from the Remuneration Committee Chair



Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' remuneration report, covering MJ Hudson's Remuneration Policy and practice since becoming a listed company.

This report relates to the period from the IPO of the Group (12 December 2019) to 30 June 2020. The Remuneration Committee (the "Committee") came into existence at the time of the IPO. To date, the Committee has met once within the financial year and once in September 2020.

The Group carried out a review of MJ Hudson's remuneration policy prior to Admission and in doing so sought independent, specialist advice. The Remuneration Policy set out in this report is designed to attract, retain and motivate directors to achieve the Group's strategic goals. A review of the potential impact of COVID-19 has also been taken into consideration.

A handwritten signature in black ink, appearing to read 'G. Miller', written in a cursive style.

**Geoff Miller**

Chair of the Remuneration Committee,  
13 October 2020

## 1. Statement of policy on Directors' remuneration

The Board has decided, as a matter of good corporate governance, to adhere to the requirements of the UK remuneration reporting regulations although, as a Jersey registered company, the Group is not technically required to do so.

The composition and appointment of the Executive Directors on admission was the result of reviewing market rates, discussions with the Group's English Counsel, DAC Beachcroft, and with Cenkos Securities plc and their lawyers, Gowlings WLG, the Group's Nomad, and followed a negotiation with the Non-Executive Directors, the CEO and the Director of Corporate Development. The Remuneration Committee does not consult with employees on remuneration policy for Directors.

The Group has taken a balanced approach to executive remuneration and the objective of this policy is to attract, retain and motivate directors without paying more than necessary.

The Group's remuneration strategy is based on the following six principles:

- 1) promote the long-term success of the Group;
- 2) attract, retain and motivate high calibre senior managers and directors in order to deliver the Group's strategic goals and business objectives;
- 3) reward delivery of the Group's business plan and key strategic goals;
- 4) achieve consistency of approach to senior managers and directors to the extent appropriate and informed by relevant market benchmarks;
- 5) encourage widespread equity ownership across the senior executive team and wider Group to ensure a long-term focus and alignment of interests with Shareholders and other external stakeholders; and
- 6) align employees with the interests of shareholders and other external stakeholders and encourage widespread equity ownership across the Group.

Salary reviews take place in December each year, with any increases taking effect from 1 January. With the Group focused on reducing its costs due to the impact of COVID-19, any increases this year will be minimal (excluding promotions). Bonus payments will be reviewed next year after not being paid in FY20.

### Consideration of employment conditions elsewhere in the group

The Committee takes the remuneration and employment conditions of its broader employee population into account when setting the remuneration policy for its Executive Directors. This ensures that any increases to the Executive Directors' basic salary is in line and relative to the average level of increase awarded to other employees in the Group. The Committee also considers its responsibilities to its shareholders and the wider economic environment and market developments.

### Consideration of shareholders

The Committee recognises the importance of taking its shareholders' views into account when making decisions regarding the Remuneration Policy for Executive Directors. The Committee will consider shareholder feedback received at the AGM each year and at other times, as appropriate.

### Considerations of ESG issues

Please refer to the ESG report on page 46.

## 2. The Role of the Remuneration Committee

The Remuneration Committee was constituted at a full meeting of the Board of Directors held on 11 December 2019 in accordance with the articles of association of the Group. The Committee's Terms of Reference can be accessed here <https://investors.mjHUDSON.com/corporate-governance>.

The members of the Remuneration Committee have been appointed by the Board and include three independent non-executive directors – Geoffrey Miller, as chairman, Andreas Tautscher and Charles Spicer. The Remuneration Committee meets at least twice a year. The Remuneration Committee shall, among other matters:

- determine and agree with the board the framework or broad policy for the remuneration of the Group's chairperson and the executive directors including pension rights and compensation payments. The remuneration of non-executive directors shall be a matter for the board. No director or senior manager shall be involved in any decisions as to their own remuneration;
- review the ongoing appropriateness and relevance of the remuneration policy;
- review for approval by the board the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes; and
- review the design of all share Incentive Plans for approval by the board and shareholders.

## 3. Directors' remuneration

The remuneration of the Board of Directors for the period from AIM admission, 12 December 2019 to 30 June 2020 was:

	Salary and fees £'000	Taxable benefits £'000	Pension £'000	COVID-19 reduction <sup>1</sup> £'000	Share based payments £'000	Total £'000
<b>Executive</b>						
Matthew Hudson (CEO & Founder)	91	2	-	(8)	219	304
Peter Connell	211	1	7	(11)	46	254
Mark Pattimore	141	-	-	(11)	41	171
Jonathan Bale	14	-	-	(1)	-	13
<b>Total Executive</b>	<b>457</b>	<b>3</b>	<b>7</b>	<b>(31)</b>	<b>306</b>	<b>742</b>
<b>Non-Executive</b>						
Charles Spicer (Chairman)	33	-	-	(3)	2	32
Geoff Miller (Remuneration Committee Chair)	19	-	-	(2)	1	18
Andreas Tautscher (Audit & Risk Committee Chair)	19	-	-	(2)	1	18
<b>Total Non-Executive</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>4</b>	<b>68</b>
<b>Total Directors' remuneration</b>	<b>528</b>	<b>3</b>	<b>7</b>	<b>(38)</b>	<b>310</b>	<b>810</b>

1. In response to the COVID-19 pandemic, all Directors agreed to waive 20% of salary and fees for the three months of April to June 2020.

### i. Executive Directors Remuneration

The table below provides a summary of the key aspects of the Group's remuneration policy for executive directors.

#### Base Salary

<b>Purpose and Link to Strategy</b>	The aim is to provide competitive basic salary that will attract and retain the executive directors and reflect their experience and position in the Group.
<b>Operation</b>	<p>Basic salaries are initially set at a level required to recruit suitable executives reflecting their experience and expertise.</p> <p>The executive's current salaries were agreed pre-IPO and the only increases since then have been contractual.</p> <p>Annual salary reviews take place each December and any increases normally take effect from 1 January. Any subsequent increases will take the following into account:</p> <ul style="list-style-type: none"> <li>• Personal performance</li> <li>• Performance of the Group</li> <li>• External economic conditions, such as inflation</li> <li>• Average change in total workforce salary</li> <li>• Scope of the role</li> <li>• Market benchmarking comparisons</li> </ul>
<b>Maximum opportunity</b>	<p>Any increases in basic salary will typically be in line with the average level of increase awarded to other employees in the Group.</p> <p>The Committee retains the flexibility to award larger increases than those awarded to the general workforce where it considers it appropriate and/or necessary (such as in exceptional circumstances or if an individual assumes a new or expanded role with further scope and responsibility).</p>
<b>Framework used to assess performance</b>	<p>The Committee considers the individual salaries of the Executive Directors at a Committee meeting each year, taking into account the factors listed under 'Operation' and 'Maximum Opportunity'.</p> <p>The Group was asked to take a temporary reduction in salary to help the Group reduce its costs in response to the current challenging economic times. 100% of the Board, including Non-Executive Directors, agreed to a 20% reduction in salary from April 2020 to June 2020.</p>

#### Pension

<b>Purpose and Link to Strategy</b>	The aim is to provide a market- competitive benefit for retirement
<b>Operation</b>	<p>Executive Directors may receive an employer's pension contribution depending on the jurisdiction and personal circumstances of the individual.</p> <p>The Group's pension scheme is reviewed periodically by the Committee to ensure it remains market competitive.</p>
<b>Maximum opportunity</b>	Employer pension contributions are fixed as a percentage of base salary up to a maximum of 5%.
<b>Framework used to assess performance</b>	N/A

## Benefits

<b>Purpose and Link to Strategy</b>	The aim is to provide a competitive benefits package to encourage retention
<b>Operation</b>	The Group's benefit schemes are reviewed periodically by the Committee to ensure they remain market competitive. Benefit values vary year on year depending on premiums.
<b>Maximum opportunity</b>	A range of contractual benefits are provided that, depending on the jurisdiction and personal circumstances of the individual, may include health insurance, life assurance, critical illness cover and income protection.
<b>Framework used to assess performance</b>	N/A

## Annual Bonus

<b>Purpose and Link to Strategy</b>	The annual bonus scheme aims to reward the delivery of short-term objectives consistent with the Group's business strategy.
<b>Operation</b>	Executive Directors are eligible for a non-pensionable discretionary annual bonus based on individual and Group performance. The Committee meets in June and decides upon bonus payments which are paid in two (2) instalments (in July and December) each year. This is designed to incentivise high performance and achievement of the Group's business objectives In line with best practice, malus and clawback provisions are operated by the Committee in certain circumstances for the Executive Directors. Due to the impact of COVID-19, bonus awards in respect of FY20 were cancelled.
<b>Maximum opportunity</b>	The discretionary annual bonus opportunity for an Executive Director is not capped, but is determined based on individual and Group performance.
<b>Framework used to assess performance</b>	Performance targets are set by the Committee annually, based on a range of financial and non-financial measures. It was determined by the Committee that due to the impact of COVID-19, these bonuses should be cancelled as another way in which the Group could reduce its costs – there was therefore £nil bonus payment.



### Long Term Incentivisation Plan (the “LTIP”)

<b>Purpose and Link to Strategy</b>	The LTIP was put in place for the Executive Directors, targeted at the long-term performance of the Group. It also provides a mechanism to retain key individuals and align their interests with shareholders.
<b>Operation</b>	<p>The LTIP incentivises the Executive Directors to seek to achieve superior returns for shareholders over a three-year period.</p> <p>The LTIP is a “subsidiary growth share plan”. Its rules are contained in the articles of association of the Subsidiary.</p> <p>Participants in the LTIP hold B Shares, the rights of which are linked to performance under the rules of the LTIP.</p>
<b>Maximum opportunity</b>	The LTIP awards 17.5% of the Aggregate Gain in value of the business over 3 years from the date of Admission. The Aggregate Gain is calculated using two independent measures, namely a TSR gain and an adjusted EBITDA per share gain giving a 50% weighting to each.
<b>Framework used to assess performance</b>	<p>Pay-out to participants in the LTIP is conditional on the Group achieving certain three year performance targets, timed to run from the date of Admission.</p> <p>Where a target is met, the participant has the right to exercise his or her LTIP rights as soon as possible after the third year anniversary.</p> <p>The performance targets will be assessed periodically by the Committee to ensure they remain appropriate.</p>

### Share Option Plans

<b>Purpose and Link to Strategy</b>	<p>The Group has the following two all- employee Share Option Plans in place: 1) the Unapproved Plan 2) the CSOP Plan</p> <p>The Share Plans help support long-term commitment to the Group and foster wider employee share ownership.</p>
<b>Operation</b>	<p>The Committee is responsible for approving the grant of share options on behalf of the Board.</p> <p>The Unapproved Plan is used for the grant of options that are unapproved for UK tax purposes.</p> <p>The CSOP Plan is intended to enable options to be granted to UK taxpayers in a tax efficient manner.</p> <p>The Share Plans are discretionary and will only operate in those years that the Committee determines. Currently, it is expected that options under the Share Plans will be granted twice per year.</p>
<b>Maximum opportunity</b>	<p>Options granted under the CSOP Plan are subject to a statutory limit such that no employee may at any one time hold subsisting options over shares worth more than £30,000 granted under the CSOP Plan.</p> <p>Subject to the above limit, the aggregate market value of Shares in respect of which options may be granted to an employee at any time shall be determined by the Committee.</p>
<b>Framework used to assess performance</b>	<p>The Committee may, in its absolute discretion, make the exercise of an option subject to the achievement of objective performance conditions.</p> <p>The Committee has the power to vary the terms of any performance conditions attaching to an outstanding option in appropriate circumstances, provided that the amended conditions shall be no more difficult to satisfy than was the original performance condition(s).</p>

## ii. Non-Executive Directors remuneration

The remuneration for the Non-Executive Directors is determined by the Board within the limits set by the Articles and is based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned. The fees are reviewed each year as part of the annual budgeting process. The Non-Executive Directors receive additional remuneration for chairing Committees.

No finders' fees were paid in respect of the Non-Executive Directors.

As Non-Executive Directors are not employees, they do not receive benefits or pension contributions and they are not entitled to participate in any of the Group's short-term bonus or long-term incentive plans.

Non-Executive Directors serve under the terms of a letter of appointment. DAC Beachcroft provided specific advice in relation to the letters of appointment and the cost of the advice sought was incorporated into the IPO costs. The letters of appointment may be terminated by either party giving at least 3 months' written notice after a minimum term from 12 December 2019 to the next AGM set to take place on 10 December 2020.

All directors were appointed on 13 November 2019. Details of each Director set out below:

Non-executive Director	Annual fee cap £'000	Expected term	Expected contribution per month
Charles Spicer (Chairman)	60	2-3 years	4 days
Geoff Miller (Remuneration Committee Chair)	35	2-3 years	2 days
Andreas Tautscher (Audit & Risk Committee Chair)	35	2-3 years	2 days

## 4. Directors' shareholdings

The business address of all of the Directors is Forum 4, Grenville Street, St. Helier, Jersey JE4 8TQ. Directors' shareholdings following Admission on 12 December 2019 and as at 30 June 2020 are stated below.

	On admission 12.12.2019		30.6.20	
	Number of shares	Issued capital %	Number of shares	Issued capital %
<b>Executive</b>				
Matthew Hudson (CEO & Founder)*	48,240,796	28.2	48,240,796	28.2
Peter Connell	345,870	0.2	345,870	0.2
Mark Pattimore	2,078,280	1.2	2,078,280	1.2
Jonathan Bale	2,501,550	1.5	2,501,550	1.5
<b>Total Executive</b>	<b>53,166,496</b>	<b>31.1</b>	<b>53,166,496</b>	<b>31.1</b>
<b>Non-Executive</b>				
Charles Spicer (Chairman)	87,720	0.1	87,720	0.1
Geoff Miller (Remuneration Committee Chair)	87,720	0.1	87,720	0.1
Andreas Tautscher (Audit & Risk Committee Chair)	-	-	-	-
<b>Total Non-Executive</b>	<b>175,440</b>	<b>0.2</b>	<b>175,440</b>	<b>0.2</b>
<b>Total Directors' shareholdings</b>	<b>53,341,936</b>	<b>31.3</b>	<b>53,341,936</b>	<b>31.3</b>

\*including family holdings

## 5. Directors' options

Details of options over shares in the Company held by Directors who served during the period, all of which have been granted at no cost to the Directors, are set out below:

	Option plan	Number of options				As at 30.06.20	Exercise price	Date of grant	Expiry date
		On Admission at 12.12.19	Granted during the year	Exercised during the year	Lapsed during the year				
<b>Executive</b>									
Matthew Hudson	Rollover	2,475,000	-	-	-	2,475,000	0.36	12.12.19	11.12.22
	CSOP	-	-	-	-	-	-	-	-
	USOP	-	-	-	-	-	-	-	-
Peter Connell	Rollover	821,250	-	-	-	821,250	0.38	12.12.19	11.12.22
	CSOP	-	51,282	-	-	51,282	0.585	13.01.20	12.01.26
	USOP	-	22,564	-	-	22,564	0.585	13.01.20	12.01.26
Mark Pattimore	Rollover	821,250	-	-	-	821,250	0.39	12.12.19	11.12.22
	CSOP	-	-	-	-	-	-	-	-
	USOP	-	76,923	-	-	76,923	0.585	13.01.20	12.01.26
Jonathan Bale	Rollover	495,000	-	-	-	495,000	0.32	12.12.19	11.12.22
	CSOP	-	-	-	-	-	-	-	-
	USOP	-	-	-	-	-	-	-	-
<b>Total Executive</b>		4,612,500	150,769	-	-	4,763,269			
<b>Non-Executive</b>									
Charles Spicer	Rollover	-	-	-	-	-	-	-	-
	CSOP	-	-	-	-	-	-	-	-
	USOP	-	85,470	-	-	85,470	0.585	13.01.20	12.01.26
Geoff Miller	Rollover	-	-	-	-	-	-	-	-
	CSOP	-	-	-	-	-	-	-	-
	USOP	-	42,735	-	-	42,735	0.585	13.01.20	12.01.26
Andreas Tautscher	Rollover	-	-	-	-	-	-	-	-
	CSOP	-	-	-	-	-	-	-	-
	USOP	-	42,735	-	-	42,735	0.585	13.01.20	12.01.26
<b>Total Non-Executive</b>		-	170,940	-	-	170,940			
<b>Total</b>	Rollover	4,612,500	-	-	-	4,612,500			
	CSOP	-	51,282	-	-	51,282			
	USOP	-	270,427	-	-	270,427			
<b>Total Directors' Options</b>		4,612,500	321,709	-	-	4,934,209			

Options are not linked to any market or other performance conditions.

## LTIP

As at Admission, the interests of the Directors and their immediate families (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the 2006 Act) in the LTIP and Share Plans are as follows:

Director	Number of B shares in subsidiary	Percentage of share capital in subsidiary (%)	Value included in share based payments (£'000)
Matthew Hudson	8,600	43.0	192
Peter Connell	1,300	6.5	30
Mark Pattimore	1,300	6.5	30

Performance conditions for LTIP are based on 50% TSR and 50% adjusted EBITDA per share. For the period ended 30 June 2020, the company share price had reduced to £0.42 compared to opening price of £0.57 resulting in a reduction to the expected TSR payout. The underlying adjusted EBITDA per share was up 12% over the reference EBITDA per share in the prior period.

For further information on Directors holdings and options, refer to the Admissions doc on our website.

## 6. Service Contracts

DAC Beachcroft provided specific advice for the Director Service Contracts. The total cost of the advice was incorporated into the IPO costs. The Contracts aim to protect both the individual and the Group's interests. No contractual payments are to be made on termination. Set out below are summary details of the employment contracts of each of the Executive Directors of the Board:

### Matthew Hudson

(Chief Executive Officer), entered into an employment contract with MJ Hudson Holdco Limited on 13 November 2019, with an effective date of 1 November 2019. Mr Hudson is entitled to receive an annual salary of £140,000 rising to £200,000 from 1 July 2020 plus an additional £25,000 per annum for his appointment as a director of the Group. The employment contract may be terminated by either party giving at least 6 months' written notice at any time. The employment contract contains restrictive covenants for a period of 6 months following termination of his employment. Mr Hudson is entitled to participate in a long term incentive plan. He is also entitled to life assurance at four times base salary, critical illness cover up to £100,000, family private medical insurance and other de minimis benefits in kind equal to £3,662 in aggregate in the last financial year. Mr Hudson has opted out of the Group pension plan.

### Peter Connell

(Chief Finance Officer), entered into an employment contract with MJ Hudson Holdco Limited on 13 November 2019, with an effective date of 1 November 2019. Mr Connell is entitled to receive an annual salary of £196,730 plus an additional £25,000 per annum for his appointment as a director of the Group. The employment contract may be terminated by either party giving at least 6 months' written notice at any time. The employment contract contains restrictive covenants for a period of 6 months following termination of his employment. Mr Connell is entitled to participate in an annual bonus and long-term incentive plan. He is also entitled to life assurance at four times base salary, family private medical insurance, pension contributions, critical illness cover up to £100,000 and income protection up to fifty per cent of base salary and other de minimis benefits in kind equal to £13,557 in aggregate in the last financial year.

### Mark Pattimore

(Director – Guernsey), entered into an employment contract with MJ Hudson Fiduciaries Limited on 13 November 2019, with an effective date of 1 November 2019. The employment contract may be terminated by either party giving at least 6 months' written notice at any time. The employment contract contains restrictive covenants for a period of 6 months following termination of his employment. Mr Pattimore is entitled to an annual salary of £200,000 plus an additional £25,000 per annum for his appointment as a director of the Group. Mr Pattimore is entitled to participate in an annual bonus and long-term incentive plan. No further benefits were in force for Mr Pattimore at the date of this document.

### Jonathan Bale

(Director and Group Secretary – Jersey), entered into a letter of appointment with the Group 13 November 2019. The letter of appointment may be terminated by either party giving at least 3 months' written notice after a minimum term from the date of Admission to the next AGM. The annual fee payable to Mr Bale will be £20,000, along with a further £5,000 for his Group secretarial and other directorships. The number of days Mr Bale will be expected to spend on Group business is 2 days per month.

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## 7. Other

Other transactions that occurred with Directors during the year are detailed in note 28 to the financial statements under Related Party Disclosures.

Save as disclosed above, none of the Directors or Senior Managers nor any member of their immediate family or any person connected with him holds or is beneficially or non-beneficially interested directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or in any Group Company. In respect of the Directors, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have, which have not been disclosed to and approved by the Board. There are no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Directors were selected as member(s) of the Board. There are no outstanding loans granted by any member of the Group to the Directors or any guarantees provided by any member of the Group for the benefit of the Directors.

Save as otherwise disclosed in this document, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

## Directors' responsibility statement

Each financial year, the Directors are responsible for preparing the annual report and the consolidated financial statements in accordance with applicable law and regulations.

The Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. The Directors are also required to prepare consolidated financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are also required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies (Jersey) Law 1991.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for ensuring that the annual report including consolidated financial statements, taken as a whole, are fair and balanced and understandable and provide the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

The Directors are also responsible for preparing a Strategic Report (comprised of the overview and operating review within this annual report), Directors' report, Directors' remuneration report and Corporate Governance Statement.

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

### Directors' Responsibility Statement

The Directors confirm to the best of their knowledge:

- they have complied with all the above requirements in preparing the consolidated financial statements;
- the consolidated financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic report and the Directors' report include a fair view of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- the directors consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy; and
- there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Reappointment of Auditor

A resolution to reappoint BDO LLP as auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with the Companies (Jersey) Law 1991.

### Website publication

The Directors are responsible for ensuring the Annual Report and the Consolidated Financial Statements are made available on a website. Consolidated Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Consolidated Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Consolidated Financial Statements contained therein.

This Directors Responsibility Statement has been approved by the Board of Directors of MJ Hudson Group plc on 13 October 2020 and is signed on its behalf by:



**Matthew Hudson**

CEO,  
13th October 2020



**Peter Connell**

Chief Financial Officer,  
13th October 2020

# Independent auditor's report

## Independent auditor's report to the members of MJ Hudson Group Plc

### Opinion

We have audited the financial statements of MJ Hudson Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2020 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of Companies (Jersey) Law 1991.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Key audit matters

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

The key audit matters communicated to those charged with governance as part of our audit were as follows:

- valuation of contract assets under IFRS 15 in respect of work performed by the Group's legal division operating within MJ Hudson Limited;
- accounting for business combinations in the year under IFRS 3; and
- impairment review of intangible assets under IAS 36.



We explain the work performed in response to each of the above key audit matters above as follows:

### 1) Recognition and valuation of contract assets in respect of work performed by the Group's legal division operating within MJ Hudson Limited

Key audit matter	How our audit addressed the matter
<p>Revenue is recognised by reference to the stage of completion for fixed fee contracts and based on the accumulated recoverable time worked for time and materials based-contracts with customers. This requires judgements and estimates in order to determine the recoverability of contract assets and the completeness and occurrence of revenue and contract liabilities at the year-end.</p> <p>To determine the timing of the recognition of revenue and the value of contract assets to be recognised in the consolidated statement of financial position an estimate has to be made of the stage of completion of a performance obligation and the right to consideration at the year-end for each individual engagement based upon the individual contractual terms.</p> <p>This can involve complex and highly subjective judgements in determining the stage of completion of performance obligations and the value of consideration receivable. As such, the valuation of contract assets and the measurement of the underlying revenue associated with those assets is considered a key area of audit focus.</p> <p>Refer to note 6 'Legal and consultancy contracts' for further details.</p>	<p>Our work over recognition of the contract assets and the valuation thereof was as follows:</p> <ul style="list-style-type: none"> <li>• Selection of a sample of contract assets from the accrued income ledger at 30 June 2020, focussing specifically on those items where there have been manual adjustments to provisioning by matter partners to reverse automatic provisioning policies in place (primarily governed by ageing of the time recorded).</li> <li>• Agreement of the gross time recorded as a contract asset to the time recorded to date net of bills and write offs booked within the accounting system.</li> <li>• Tested a sample of the bills raised against the sampled matters, and fee earner time cards to the centralised charge rate database to ascertain accuracy of the charge rates applied (corroborating special rates to underlying engagement terms).</li> <li>• Reviewed the engagement letter for each of the above matters to ascertain the contractual rights to revenue under IFRS 15 and how Management have accounted for revenue on the engagement under the 5 step model, specifically whether recognition occurs over time or at a point in time.</li> <li>• Compared the sample of matters selected to post-year-end invoices and cash receipts raised to identify whether the contract assets have been recovered after the year end.</li> <li>• Where those contract assets sampled were not recovered, or where the measurement of the asset was based on the percentage of completion applied to a fixed fee arrangement, the judgments made around the recoverability of the contract asset and its valuation were challenged with Management and corroborated to further documentation where required, including supporting correspondence, financial statements of clients and commitment levels achieved toward fund launches.</li> </ul>
<p><b>Key observations:</b></p> <p>Based on our work performed we consider that contract assets recognised in respect of revenue earned within the Group's legal division have been recognised appropriately and are valued appropriately and in accordance with the Group's revenue recognition policies.</p>	

## 2) Business combinations in the year under IFRS 3

Key audit matter	How our audit addressed the matter
<p>During the year ended 30 June 2020 Management completed the acquisition of MJ Hudson Spring B.V., Anglo Saxon Trust Limited and Meyler LLC, giving rise to the recognition of £11.1m purchased goodwill and customer relationships across three different business combinations.</p> <p>Management have concluded that these fall within the definition of business combinations under IFRS 3. Accordingly, they have:</p> <ul style="list-style-type: none"> <li>Reviewed the terms of the combination to establish the different streams of consideration paid/payable and to remove any elements attributable to future remuneration ('employment') of the vendor(s).</li> <li>Performed a valuation of the net assets acquired including off-balance sheet intangible assets such as customer relationships, using assumptions around future growth, operating margin and attrition rates.</li> <li>Calculated the Weighted Average Cost of Capital ('WACC') to apply in discounting the above relationships and future consideration streams as appropriate.</li> <li>Calculated the goodwill figure expected as a result of subtracting the fair value of acquired assets from the fair value of consideration paid/payable.</li> </ul> <p>Key judgments made by Management are around the growth rate of recurrent clients and the future expected growth rate, the operating profit margin, discount rate applied to deferred consideration streams and cash flows attributable to customer relationships, and the nature and completeness of off-balance sheet assets identified for capitalisation as part of the acquisition.</p> <p>These judgments materially impact on the business combination accounting and are sensitive to reasonably small variations in the input assumptions, therefore have been an area of key audit focus and challenge.</p> <p>Refer to note 27 for further details.</p>	<p>We performed the following work on the business combinations during the year:</p> <ul style="list-style-type: none"> <li>Reviewed and challenged Management's assessment of the transaction under IFRS 3 including judgments made around the date on which control of Anglo Saxon Trust Limited passed to MJ Hudson Group Plc.</li> <li>Confirmed the extraction of terms and details from the Share Purchase Agreement into the calculations of goodwill and valuation of intangible assets to ensure complete and accurate capture of all consideration streams and assets acquired.</li> <li>Challenged judgments made by Management around the inclusion and exclusion of consideration paid/payable as either consideration under IFRS 3 or remuneration for compensation of the employees under future employment arrangements.</li> <li>Agreed a sample of balances from the 31 January 2020 balance sheet of Anglo Saxon Trust Limited to supporting documentation and agreeing material balances to evidence including bank statements and cash receipts.</li> <li>Reviewed calculations and discounting thereof applied to consideration streams for the acquisitions to ensure that these have been correctly present-valued under IFRS 3.</li> <li>Challenged the WACC and Internal Rate of Return ('IRR') derived by Management through assistance of our internal Valuations specialists.</li> <li>Challenged management on significant assumptions made in the measurement of customer relationships (attrition rates, revenue growth rates and operating margins) and contingent consideration targets assumed in measuring the fair value of consideration payable.</li> <li>Reviewed the models for technical accuracy with assistance of our internal Valuations specialists.</li> <li>Challenged management on the completeness of off-balance sheet assets identified on acquisition to ensure all intangibles have been appropriately capitalised and disclosed.</li> </ul>
<p><b>Key observations:</b></p> <p>Based on our work performed we believe management's judgments made in identifying and measuring the amounts associated with the acquisition, and subsequently the valuation of the business combinations, are appropriate.</p>	

## 3) Impairment review of intangible assets under IAS 36

Key audit matter	How our audit addressed the matter
<p>As at 30 June 2020 the Group had £31.3m of goodwill and customer relationships which are subject to an annual impairment review to which Management have responded by preparing a value in use analysis over the future cash flows of each of nine cash generating units and comparing the total allocable assets of the cash generating unit.</p> <p>Management's analysis did not identify any impairments.</p> <p>Management have however identified two different cash generating units where a "reasonably possible" downside in key assumptions (notably revenue growth and WACC) could lead to an impairment being recorded. Disclosures around the sensitivities of these cash generating units to reasonably possible fluctuations in the underlying variables are given in note 14.</p> <p>There is inherent uncertainty involved in the forecasting and discounting future cash flows and accordingly this is an area of key judgement affecting the direction and strategy of our audit. Refer to note 14 for further details.</p>	<p>We have performed the following work on the impairment reviews performed by Management:</p> <ul style="list-style-type: none"> <li>• Considered and provided feedback on Management's accounting note on the distribution and allocation of assets to cash generating units under IAS 36.</li> <li>• Reviewed value in use calculations prepared by Management including corroboration of underlying cash flows (generated through revenues, EBITDA and net working capital movements) to supporting budgets for each cash generating unit, corroboration of statement of financial position date ('test date') assets to the underlying trial balance(s) audited as part of our Group audit and checked the correct discounting of all cash flows at the WACC.</li> <li>• We reviewed the allocation of corporate assets (largely held centrally and including right of use assets for the Group's headquarters) by reviewing the basis of group headcount on which the apportionment of such centralised assets have been allocated to different cash generating units.</li> <li>• Our specialist Valuations team reviewed the technical accuracy of the discounted cash flow models prepared and checked the accuracy of calculation of the WACC including the consideration of the comparator Group used for derivation of the average geared beta.</li> <li>• We sense checked and challenged figures from all of the nine cash generating units to ensure that the budgets are prepared on a reasonable basis looking forward, including revenue growth percentage applied and the EBITDA margin considered.</li> <li>• We challenged in detail the underlying forecasts and budgets for the CGUs noted where there is a risk of material impairment in the event of a reasonably possible downside on key assumptions. This challenge involved discussions with business leaders in each of the identified underlying entities and understanding the build-up of growth projections in the EBITDA figure to the terminal period.</li> </ul>
<p><b>Key observations:</b></p> <p>Based on our work performed, Management's judgments and disclosures around impairment reviews under IAS 36 were considered to be appropriate.</p>	

### Our application of materiality

We consider materiality to be the magnitude by which misstatements, individually or in aggregate, including omissions, could reasonably influence the economic decisions of users that are made on the basis of the financial statements. We apply the concept of materiality both in planning and performing our audit, and in evaluating the results of our work. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the Group financial statements as a whole to be £330,000 (2019: £350,000) which represents approximately 1.5% of the Group's revenue for the year.

Performance materiality was set at £215,000 (2019: £227,500) being 65% of the above materiality level.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £7,000 (2019: £7,000).

We used revenue as a benchmark for setting materiality as this is considered to be a key performance measure for shareholders as the group is still in a start-up phase.

Audit work on components of the group was carried out using performance materiality levels of up to £165,000 (2019: £175,000), depending on the financial significance of the component concerned.

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the group and its environment, as well as assessing the risks of material misstatement in the financial statements at group level.

In approaching the audit, we considered how the group is organised and managed.

We conducted full scope audits on the financial information of the parent company and of MJ Hudson Limited and MJ Fund Management Limited, being the other two subsidiaries we considered

to be significant components of the group. These components contributed 59% to group revenue. For a number of other components contributing 22% of group revenue the group audit team carried out analytical procedures together with specific audit procedures on balances material to the Group and in areas where there was considered to be a risk of material misstatement.

Audit procedures on the remaining components contributing 19% to group revenue was carried out by other firms within the BDO International network in the Netherlands, Luxembourg, Guernsey and Jersey either as full scope audits or through specific audit work on material and risk balances as instructed by the group audit team. In our role as Group auditors we directed the approach, samples selected, and review of the work performed by the component auditors on the balances considered to be material to our Group audit opinion.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company, or proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 70, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



### Tim Neathercoat

For and on behalf of BDO LLP,  
London  
13 October 2020

# Consolidated Financial statements

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# Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
<b>Revenue</b>	6	22,284	21,234
Direct cost of sales		(1,973)	(4,520)
Other cost of sales		(1,209)	(836)
<b>Gross profit</b>		19,102	15,878
Administrative and other expenses	7	(23,968)	(17,321)
Other operating income		65	350
<b>Operating loss</b>		(4,801)	(1,093)
Finance expense	8	(1,783)	(1,348)
Fair value movements	9	(404)	(980)
<b>Loss before taxation</b>		(6,988)	(3,421)
Tax expense	11	(214)	(207)
<b>Loss for the year</b>		(7,202)	(3,628)
<b>Other comprehensive income</b>		(77)	(24)
Exchange differences arising on translation of foreign operations			
<b>Total comprehensive loss for the year</b>		(7,125)	(3,652)
<b>Earnings per share attributable to the ordinary equity holders of the parent</b>			
Basic and diluted EPS	12	(0.053)	(0.045)

The notes on pages 83 to 134 form part of these financial statements

# Consolidated statement of financial position

As at 30 June 2020

	Note	2020 £'000	2019 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	32,689	22,716
Tangible assets	15	2,196	465
Right-of-use asset	16	7,578	555
Investments	17	1,308	707
Other receivables	19	398	-
<b>Total non-current assets</b>		<b>44,169</b>	<b>24,443</b>
<b>Current assets</b>			
Trade and other receivables	19	11,322	9,274
Cash and cash equivalents		13,388	3,099
<b>Total current assets</b>		<b>24,710</b>	<b>12,373</b>
<b>Total assets</b>		<b>68,879</b>	<b>36,816</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-current liabilities</b>			
Borrowings	21	873	14,358
Deferred consideration	21	5,719	4,308
Lease liabilities	16	6,497	228
Other payables	20	497	255
<b>Total non-current liabilities</b>		<b>13,586</b>	<b>19,149</b>
<b>Current liabilities</b>			
Trade and other payables	20	6,148	6,701
Borrowings	21	2,538	779
Deferred consideration	21	4,758	2,081
Lease liabilities	16	798	326
<b>Total current liabilities</b>		<b>14,242</b>	<b>9,887</b>
<b>Equity</b>			
Issued share capital	22	-	20
Share premium account	22	55,527	15,344
Other reserves	23	509	1,443
Retained loss		(14,985)	(9,027)
<b>Total equity</b>		<b>41,051</b>	<b>7,780</b>
<b>Total liabilities and equity</b>		<b>68,879</b>	<b>36,816</b>

The notes on pages 83 to 134 form part of these financial statements



Andreas Tautscher  
13 October 2020



## Consolidated statement of changes in equity

For the year ended 30 June 2020

	Share Capital £'000	Share Premium £'000	Preference Shares £'000	Other Reserves £'000	Retained Loss £'000	Total Equity £'000
<b>Balance as at 30 June 2018</b>	17	9,474	50	1,166	(5,399)	5,308
Share based payments	-	-	-	301	-	301
Loss for the year	-	-	-	-	(3,628)	(3,628)
Other comprehensive loss	-	-	-	(24)	-	(24)
Shares Issued	3	5,870	-	-	-	5,873
Shares redeemed	-	-	(50)	-	-	(50)
<b>Balance as at 30 June 2019</b>	20	15,344	-	1,443	(9,027)	7,780
Share based payments	-	-	-	437	-	437
Exercise of options	1	1,506	-	(565)	565	1,507
Convertible loan note options exercised	-	11,826	-	(883)	883	11,826
Loss for the year	-	-	-	-	(7,202)	(7,202)
Other comprehensive income	-	-	-	77	-	77
Net shares issued (note 22)	-	28,861	-	-	-	28,861
Cost of shares issued through IPO	-	(2,232)	-	-	-	(2,232)
Group restructure	(21)	21	-	-	(204)	(204)
B shares issued	-	201	-	-	-	201
<b>Balance as at 30 June 2020</b>	-	55,527	-	509	(14,985)	41,051

The notes on pages 83 to 134 form part of these financial statements

## Consolidated statement of cash flows

For the year ended 30 June 2020	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities:</b>			
Loss for the financial year before taxes		(6,988)	(3,421)
<b>Adjustments for:</b>			
Depreciation and impairment of fixed assets and right-of-use assets	7	1,134	526
Amortisation and impairment of intangible assets	13	1,271	621
Loss on disposal of fixed assets	15	198	-
Revaluation (gain)/ loss on investments	17	(139)	172
Fair value loss on convertible loan notes	9	543	808
Share based payments expense	26	437	301
Interest payable	8	1,783	1,348
(Increase)/decrease in trade and other receivables		(1,195)	303
Decrease in trade and other payables		(1,729)	(2,069)
<b>Cash from operations</b>		<b>(4,685)</b>	<b>(1,411)</b>
Taxation paid		(85)	(150)
<b>Net cash used in operating activities</b>		<b>(4,770)</b>	<b>(1,561)</b>
<b>Cash flows from investing activities:</b>			
Purchases of tangible assets	15	(2,084)	(48)
Purchase of intangible assets	13	(127)	(1,244)
Purchase of subsidiary undertaking	27	(4,995)	(2,561)
Payment of deferred consideration related to acquisitions		(3,350)	-
<b>Net cash used in investing activities</b>		<b>(10,556)</b>	<b>(3,853)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(1,124)	(781)
Equity subscription		28,133	5,873
Proceeds from issue of bank loan	25	1,023	-
Repayment of bank loan	25	(964)	(78)
Proceeds from issue of convertible loan notes	25	-	5,850
Repayment of loan notes	25	(600)	(1,592)
Repayment of loans to directors	20	(386)	(570)
Payment of lease liabilities	25	(422)	(491)
<b>Net cash generated from financing activities</b>		<b>25,660</b>	<b>8,211</b>
Net increase in cash and cash equivalents		10,334	2,797
Cash and cash equivalents at beginning of year		3,099	326
Foreign exchange gains and losses		(45)	(24)
<b>Cash and cash equivalents at end of year</b>		<b>13,388</b>	<b>3,099</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		13,388	3,099
Bank overdrafts	18	-	-
<b>Cash and cash equivalents at end of year</b>		<b>13,388</b>	<b>3,099</b>

The notes on pages 83 to 134 form part of these financial statements

# Notes to the financial statements

## 1. General information

MJ Hudson Group plc (the “Company”) is a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law 1991. The address of the registered office is 2nd Floor, Hilgrove House, Hilgrove Street, St Helier, JE2 4SL. The financial statements consolidate the financial statements of the company and its subsidiary undertakings (together the “Group”).

The principal activity of the Group is acting as an independent advisory and infrastructure business, serving fund managers, investors and advisers active in private equity, venture capital, hedge, credit, real estate and infrastructure. The group owns two full scope AIFM management platform to fund managers, one in the UK and another in Luxembourg.

## 2. Basis of preparation and consolidation

### 2.1 Basis of Preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The financial statements are prepared on a going concern basis, under the historical cost convention, except for certain financial assets and liabilities, which are revalued and measured at fair value through profit or loss. The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to this historical information are disclosed in note 4.

### 2.2 Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the group’s operations and principal risks and uncertainties (as detailed on page 32) along with the impact of the COVID-19 pandemic. A summary of the impact of COVID-19 on the Group’s operational performance between March 2020 and June 2020 is provided below (refer to section 2.3)

As at 30 June 2020 the Group incurred a loss of £7.2m (2019 - £3.6m) and had cash and cash equivalent balances of £13m and net cash after debt (excluding lease liabilities) of £10m. Cash balances as at 30 September were £11m (September 2019: £1.1m).

To assess going concern the Directors have prepared ‘base-case’ financial forecasts for FY21 and FY22 to cover the going concern review. In addition, the Directors have also carried out sensitivity analysis on those ‘base-case’ financial forecasts to reflect a more prolonged COVID-19 impact than is currently expected by the Board. The uncertainty as to the future impact of the COVID-19 pandemic has been considered as part of the Group’s adoption of the going concern basis.

The following table shows the assumed revenue reductions applied to the ‘base-case’ financial forecasts to reflect a ‘worst-case’ financial forecast:

	Jul 2020 to Mar 2021	Apr 2021 to Sep 2021	Oct 2021 to Mar 2022
Business units with primarily project based revenue	25%	15%	10%
Business units with 12 months contracted revenue	10%	10%	10%

In addition to the above ‘worst-case’ revenue assumptions the Directors have assumed an increase in debtor days to 60 days (from forecast 45 days) across all business units. This was to reflect a possible slowdown in cash collection as a result of a prolonged lockdown and slow wider economic recovery.

The Directors ‘worst-case’ financial modelling showed that the Group could withstand both revenue reductions and an increased debt collection period (as noted) and still operate within existing borrowing facilities to enable the Group to meet its liabilities as they fell due. In the event that the ‘worst-case’ scenario arose the Directors would also take appropriate cost mitigating actions not currently included within the ‘worst-case’ forecast. It is estimated that cost mitigating factors could generate savings in excess of £1.5m in FY21. In addition, non-essential spending could be deferred e.g. launch of US Law operations. If cost mitigation factors are necessary, they may include reductions in FY21 salary reviews and bonuses, further reduction in holiday pay accrual and restructuring. The Group has a £500,000 overdraft facility with Metro Bank to call upon if needed for short-term liquidity needs and the Group’s IPO proceeds are not specifically earmarked for acquisitions. Further information on borrowing and deferred consideration payments in respect of acquisitions are included in note 21 to the financial statements.

Based on the Group’s trading through March 2020 to September 2020 and the assumptions included in the ‘worst-case’ financial forecasts, together with the possible cost mitigating actions available, the Board has a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

The period considered by the Board in preparing the financial statements on a going concern basis is a period of not less than 12 months from the expected date of signing these financial statements.

### 2.3 COVID-19 impact

The COVID-19 pandemic has impacted the Group in a number of ways. Operationally, all of our offices have been subject to lockdowns of varying lengths and severity. In lockdown, all of the offices have been made COVID-19 compliant ready for the phased return to normal working. Increased flexible working is now expected as part of a move to the ‘new normal’ and the Group is well placed to support this. At the time of writing, the easing of lockdown varies considerably by jurisdiction. Guernsey now has no restrictions so that office is fully reopened. Other offices have gradual easing plans and will reopen in line with local government and medical guidance. The London office has been operating a phased voluntary return since July in line with government and medical guidance.

The Group introduced full remote working for all of its offices on Monday 16th March 2020 – one week prior to the full lockdown announced in the UK.

In March 2020 a shortfall of revenue in the Advisory division of between 20% to 25% emerged and this continued through April to June. This revenue shortfall was due to the temporary suspension of client new fund launches and M&A activity. In July this shortfall closed considerably and the 4 week average for 2020 as at mid-September was running consistently ahead of 2019 levels. Business Outsourcing and Data & Analytics divisions have remained busy throughout the period and continued to grow. Just under 80% of law firm revenue in FY20 (and previous years) comes from clients onboarded in earlier financial years – this reflects the recurring nature of the work over the 10 to 12 year typical closed ended fund lifecycle once the Group has been appointed as the legal adviser to the fund.

The Executive Committee meet weekly specifically to discuss impact of COVID-19. In response to the COVID-19 pandemic the Group took swift and decisive action as a result of the anticipated reduction in revenue and put in place a series of cost saving measures in April 2020 in order to preserve cash and liquidity to create a cash buffer cushion in the event of a possible protracted downturn. These measures included groupwide salary reductions for the quarter ending 30 June 2020 – ranging from 5% to 20% based on bandings linked to base salary (including non-executive directors); cancellation of bonuses in respect of FY20; reduction in holiday pay accrual by requirement for staff to take accrued leave by 30 June 2020 and discretionary spend over £1,000 or equivalent to be approved by an Executive Committee member. Other factors including reduced travel and entertainment costs, office costs and marketing events costs also assisted. The Group has also taken advantage of the UK HMRC VAT deferral scheme with amounts scheduled for repayment in the Group Base and worst-case financial models in March 2021. Trading in the first two months of the financial year is showing a 3% uplift in Underlying revenue compared to budget and a 17% organic increase compared to FY19 at the same stage (excludes Anglo Saxon Trust and Meyler acquisitions which completed during FY20 and includes Spring as this acquisition completed effective 1 July 2019).

The combined impact of the savings (net of increased costs in Technology and telecommunications) totalled £1.2m.

In addition to the cost saving measures put in place, management also considered the potential accounting impact of COVID-19. While preparing the analysis for going concern and value in use models management reduced forecasts to a conservative basis to reflect a potential slow recovery of the business following the impact of COVID-19. As a result, there are two cash generating units that have a reasonably possible chance of impairment when sensitivities are applied to the variables as described in note 14 of the consolidated financial statements.

Consideration of provisions for trade receivables and contract assets was performed on a more robust basis. Particular focus was given to any indicators of liquidity concerns for customers. We have increased ECL provisions as a result, as per note 19.

We also performed a detailed review of investment balances. This involved challenging current fair values to confirm that these appear to be recoverable based on the future forecast performance of those investees and share prices for transactions throughout the COVID-19 period, refer to note 17 for further details and sensitivity analysis.

## 2.4 Basis of consolidation

The Group financial statements include the results of the Company and all of its subsidiary undertakings up to 30 June 2020.

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the financial statements. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

## 2.5 Foreign currency translation

### (i) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in 'pounds sterling', which is the Company's functional and the Group's presentation currency.

On consolidation, the results of foreign operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of foreign operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

### (ii) Transactions and balances

Foreign currency transactions are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income or expense'.

### 3. Changes in account policies and disclosures

#### 3.1 New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted in preparing the financial statements of the Group are described below. As part of the admission to the AIM market of London Stock Exchange plc the IFRS's applied to the financial statements were those expected to be applicable to the first annual financial statements of the Group post admission to the AIM market of London Stock Exchange plc which is for the year ending 30 June 2020. As such, the Group chose to early adopt IFRS 16 – Leases in preparing the financial statements.

#### 3.2 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. The Group does not currently act in the capacity of a lessor.

The Group adopted IFRS 16 using the full retrospective method of adoption, with the date of initial application of 1 July 2018. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease. The Group applied the standard only to contracts that were previously identified as leases and applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). The impact of adoption of this standard is shown in the admissions document and has been in full effect for the year ended 30 June 2020.

#### 3.3 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

The Group has assessed the impact of this interpretation. The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies judgement in identifying uncertainties over income tax treatments. Since the Group operates in a multinational environment, it assess whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Group.

## 4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1. Key accounting estimates and assumptions

#### (i) Impairment of intangible assets and goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The valuation of goodwill is based on management's best estimate of the period over which future profits and cash flows are likely to be derived from the purchased assets. This is subject to the following assumptions that reflect potential material uncertainty:

- the timing and crystallisation of revenues in relation to work performed, subject to the factors described above;
- the time value of money inherent in placing a valuation on such an asset where cash flows and profits track into future periods; and
- the long-term growth rate.

Refer to note 14 of the consolidated financial statements for further details and sensitivity analysis.

#### (ii) Going concern

The Group has limited forward visibility and like all organisations, at this stage it is hard to predict the full extent of the impact of COVID-19. Consequently, there is a high degree of uncertainty in respect of future outcomes, however, the various stress test scenarios indicate that the Group can continue to operate within its banking facilities.

In the event that there is a more significant downturn than in the scenarios tested, there are further mitigating actions which could include but are not limited to, further reductions in capital expenditure, further reductions in non-business critical expenditure as well as the potential for headcount reductions. As a consequence, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due over the three-year assessment period. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. Accordingly, the Group and the Company continues to adopt the going concern basis in preparing its financial statements. Refer to note 2.2 for further information.

#### (iii) Impairment of trade receivables and contract assets

The Group uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. An asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is an estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 of the consolidated financial statements.



**(iv) Measurement of contract assets and liabilities****(a) On service and subscriptions provided**

Contract assets and contract liabilities are measured as the difference between services billed and revenue rendered on agreements with clients of the Group. In the absence of detailed timekeeping records, one-off assignments are presumed to be worked on consistently over the time for which the one-off assignment spans, therefore leading to revenue being recognised evenly over this time period.

**(b) On the rendering of legal and consultancy services provided**

Contract assets are measured at the valuation of the fair value of consideration receivable from clients, which is determined by management on the basis of best estimates of the value of time spent by reference to the percentage of the project completed and the subsequent entitlement to revenue. Its valuation is subject to the following assumptions that reflect potential material uncertainty:

- the reliability of estimates of the percentage of completion on projects that span the statement of financial position date, bearing in mind that the final result can be different to the budgeted costs expected to be incurred; and
- the probability of receiving the income based on the underlying circumstances of the work being undertaken, this generally being a product of the structure on which the Group is advising proceeding to completion.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors. Management believe that the present method of estimating the valuation of contract assets is reasonable in the context of the nature of the business and the availability of previous experience with clients on which preliminary judgments can be formed. Management performed a sensitivity analysis over contract assets and at the end of the year the estimate would need to be increased or decreased by 14-21% (2019 – 15-25%) in order to have a material impact on the financial statements.

**(v) LTIP**

The Group has put in place a long term incentive plan (“LTIP”) for management, targeted at the long term performance of the Group. The LTIP incentivises the CEO, CFO and COO, together with nine other members of the senior management team, to seek to achieve superior returns for shareholders over a three-year period. It also provides a mechanism to retain key individuals and align their interests with shareholders.

Pay-out to participants in the LTIP was conditional on Admission occurring and the Group achieving certain three year performance targets, timed to run from the date of Admission. The LTIP awards 17.5 percent of the aggregate gain (“Aggregate Gain”) in value of the business over 3 years from the date of Admission. The Aggregate Gain is calculated using two independent measures, namely a Total shareholder return (TSR) gain and an adjusted EBITDA gain giving a 50 percent weighting to each. The pay out to participants can be settled in cash or shares in the Company. Management has accounted for these within the financial statements as if the full amount will be settled in cash.

The fair value of the LTIP options granted is estimated using an appropriate model to consider market conditions attaching to the model for the TSR component. This was valued using the Monte-Carlo. Key inputs to the model are:

- share price on date of award;
- expected life;
- volatility; and
- risk free rate.

The pay-out of adjusted EBITDA gain is estimated based on discounted cash flow projections for the Group. Key assumptions are as follows:

- future level of adjusted EBITDA - which is based on past performance and expected changes based on management knowledge of the business;
- number of outstanding shares' growth - based on the average historical growth;
- discount rate - which is the Group's pre-tax weighted average cost of equity plus an additional risk premium; and
- minority discount - to reflect the fact that the holders of B shares are minority investors and their interests in MJ Hudson do not confer control of the Group.

Refer to note 26 below for further details and sensitivity analysis.

#### **(iv) Contingent consideration**

The Group Contingent consideration is initially recognised at an estimated fair value amount where the consideration is probable and can be measured reliably. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rates used are selected on the basis of the assessed risks and expected returns. A market rate on cash flows of high certainty are assumed to be at a risk free rate, while cash flows contingent on business performance are discounted based on the acquiree's WACC.

The contingent consideration based on business performance is estimated based on forecasts for the respective business acquired and linked to achieving certain performance thresholds. If these performance thresholds are not met the total consideration will decrease, or if the thresholds initially considered to not be probable are met or exceeded the total consideration may increase. Refer to note 21 below for further details and sensitivity analysis.

#### **4.2. Critical accounting judgements**

Critical judgements represent key decisions made by management in the application of the Groups' accounting policies. Where a significant risk of materially difference outcomes exists due to management assumptions this will represent a critical accounting judgement. Accounting judgements are continually reviewed in light of new information and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Management concluded that there were no critical accounting judgements that could have a material impact on the financial statements.

## 5. Segment information

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments as follows:

- **Advisory:** the provision of legal and consultancy services for alternative asset management across all areas of the alternative investment industry. This includes services to alternative asset managers, corporate entities and institutional investors to advise on M&A and establishing investment funds along with support for primary fund investments, co-investments and secondaries. This segment also includes the provision of individual independent investment advisers and professional trustees to corporate pension schemes, local government pension schemes and charitable organisations.
- **Business outsourcing:** a multi-service platform providing regulatory cover and a variety of management, operations and marketing support services to asset managers and advisers. This includes the provision of all key front, middle and back office functions, including investor relations, portfolio management, risk management, fund and corporate administration, accounting and fiduciary services.
- **Data & analytics:** research, consulting, benchmarking services and tools to support sustainable investment, tax-advantaged investing and stronger relationships with investors, custodian banks and others. This includes providing assistance to clients to make strategic choices, improve investment performance and obtain better value from their service providers.

No operating segments have been aggregated to form the above reportable operating segments. Key management are the Chief Operating Decision Makers (CODM) and they monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted operating profit or loss. The adjustments include unallocated central costs, organic investments, fundraising and acquisition costs, non-recurring items, and depreciation and amortisation. Unallocated central costs (Group expenses) are items incurred centrally which are neither directly attributable nor can be reasonably allocated to individual segments, but are considered recurring in nature. The organic investments are revenues and costs related to newly formed businesses which are still considered to be in their start-up phase. Fundraising and acquisition costs are professional fees incurred relating to new debt or equity issuances and acquisition of new entities. Non-recurring costs are one-off in nature such as office relocation costs, and other one-off costs.

Business unit performance is not driven from assets given the nature of business being primarily the provision of services. For this reason, the CODM does not regularly obtain the split of asset and liabilities by reporting segment, which are monitored on a Group basis. The Group's depreciation and amortisation, financing costs (including finance costs, finance income and other income), fair value movements and income taxes are also managed on a Group basis and are not allocated to operating segments.

## Year ended 30 June 2020

	Advisory £'000	Business Outsourcing £'000	Data & Analytics £'000	Segments total £'000	Organic investments £'000	Consolidated £'000
<b>Revenue</b>	10,022	6,708	4,566	21,296	988	22,284
Direct cost of sales	-	(1,973)	-	(1,973)	-	(1,973)
<b>Revenue less direct cost of sales</b>	10,022	4,735	4,566	19,323	988	20,311
Other cost of sales	(967)	-	(242)	(1,209)	-	(1,209)
<b>Gross profit</b>	9,055	4,735	4,324	18,114	988	19,102
Administrative and other expenses	(8,055)	(2,846)	(3,253)	(14,154)	(1,890)	(16,044)
Other operating income	18	15	-	33	3	36
<b>Segment profit/(loss)</b>	1,018	1,904	1,071	3,993	(899)	3,094
Group expenses						(649)
Fundraising and Acquisition costs						(3,990)
Non-recurring costs						(853)
Depreciation and amortisation						(2,403)
<b>Operating loss</b>						(4,801)
Finance expenses						(1,783)
Fair value movements						(404)
Tax						(214)
<b>Loss for the year</b>						(7,202)

## Year ended 30 June 2019

	Advisory £'000	Business Outsourcing £'000	Data & Analytics £'000	Segments total £'000	Organic investments £'000	Consolidated £'000
<b>Revenue</b>	10,794	7,691	2,435	20,920	314	21,234
Direct cost of sales	-	(4,520)	-	(4,520)	-	(4,520)
<b>Revenue less direct cost of sales</b>	10,794	3,171	2,435	16,400	314	16,714
Other cost of sales	(574)	-	(262)	(836)	-	(836)
<b>Gross profit</b>	10,220	3,171	2,173	15,564	314	15,878
Administrative and other expenses	(8,625)	(2,269)	(1,336)	(12,230)	(1,549)	(13,779)
Other operating income	272	71	2	345	-	345
<b>Segment profit/(loss)</b>	1,867	973	839	3,679	(1,235)	2,444
Group expenses						(196)
Fundraising and Acquisition costs						(1,434)
Non-recurring costs						(760)
Depreciation and amortisation						(1,147)
<b>Operating loss</b>						(1,093)
Finance expenses						(1,348)
Fair value movements						(980)
Tax						(207)
<b>Loss for the year</b>						(3,628)

## 6. Revenue

### Accounting policy

The Group revenue recognition policy is in line with the requirements of IFRS 15 and the five step model. The majority of contracts are identified by signed engagement letters. Revenue is generally recognised over time based on the satisfaction of performance obligations stipulated in the letters. This is set out below by revenue stream.

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of refunds, discounts and rebates allowed by the Group and value added taxes. There are no incentives given to customers that would have a material effect on the financial statements.

The transaction price is determined by:

- fixed fee – the consideration is clearly allocated to the different performance obligations within the contract; or
- hourly rate specified in the contract – to account for the fact that these pieces of work can frequently be complex and open ended; and
- in rare instances the contracts contain variable consideration however these are immaterial and Management's policy is to recognise these only when there is sufficient certainty over non-reversal of any income accrued on these work streams.

The allocation of the transaction price to performance obligations is non-complex for the Group as the amounts are specifically stated within the contracts. Therefore, there is limited judgement involved in allocating the contract price to each service provided. The allocation is reassessed in the event of any contract modifications.

The Group has three operating segments and the revenue policy is consistent across the segments based on two distinct categorisations of services provided as follows:

#### (i) Legal and consultancy contracts

Where legal and consultancy services are provided, revenue comprises amounts chargeable to clients for services performed during the period, exclusive of value added tax and net of discounts where applicable. The services provided are bespoke advice specific to the contract with no alternative use for the advice created and the Group has an enforceable right to receive payment for services rendered to date. Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract.

The stages of work detailed in the engagement terms and conditions are heavily interrelated, completed sequentially and rarely utilised separately. The revenue is recognised over time based on the period services are rendered. The Group is entitled to bill for work completed to date in the event of a contract termination and since no alternative use for this work exists, over time recognition is appropriate. If a project spans the year end and entitlement to revenue exceeds amounts billed, an adjustment is made to the Consolidated Statement of Financial Position for amounts receivable using the estimated percentage completion of the project based on expected costs to complete post year end and cost incurred to date as a percentage of the total project cost.

The majority of contract modifications undertaken are expansions of previous performance obligations at the same rates. These are treated as a contract continuation under IFRS 15.

#### (ii) Service and subscription contracts

Where service and subscriptions are offered, revenue is the amount receivable for services provided to third parties to the extent that there is a right to consideration and is recorded at the value of the consideration due. The customer receives the benefit of services provided simultaneously with their delivery, as such the revenue is recognised evenly over the period for which services are provided. Revenue earned in excess of amounts billed at the year end date are brought onto the consolidated statement of financial position as accrued income.

Within the services and subscription contracts there are generally several performance obligations running concurrently. These are separable into distinct promises of services to be provided, which are capable of being utilised separately by clients of the Group. Revenue is recognised over time in the period services are rendered and the amount recognised to revenue is based on the percentage of completion, which is calculated based on the amount of time at the agreed upon rate spent on the project relative to the value of the contract for the specific performance obligation. For any contracts that have been determined to be based on a point in time, revenue is recognised only once a performance obligation has been met.

Contract modifications are less common within the service and subscription contracts but typically result in new services or prices which leads to contract termination and replacement with the new contract.

### Contract assets and liabilities

Contract assets are measured at the fair value of consideration receivable from clients, being the expected value of revenue that will be received and recognised in the consolidated statement of financial position only to the extent that management determine it more probable than not that these amounts will be recovered from clients. Due to the nature of the Group's clients, performance obligations part-satisfied on many of the Group's legal and consultancy contracts are typically not invoiced (even though the Group retains the right to bill and collect for work performed to date) to allow the clients to raise sufficient liquidity with which to pay the Group's invoices. This leads to the accumulation of contract assets on the consolidated statement of financial position (see below).

Contract liabilities are attributable to the continuing activity of the provision of advisory, investment and management services to external clients and recognised evenly over the period of coverage. Amounts billed in advance that relate to future periods as at the year-end date are brought onto the consolidated statement of financial position as contract liabilities.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

#### Year Ended 30 June 2020

	Advisory £'000	Business Outsourcing £'000	Data & Analytics £'000	Segments total £'000	Organic investments £'000	Consolidated £'000
Legal and consultancy	9,163	434	2,358	11,955	40	11,995
Service and subscription	859	6,274	2,208	9,341	948	10,289
<b>Total revenue</b>	<b>10,022</b>	<b>6,708</b>	<b>4,566</b>	<b>21,296</b>	<b>988</b>	<b>22,284</b>

#### Year Ended 30 June 2019

	Advisory £'000	Business Outsourcing £'000	Data & Analytics £'000	Segments total £'000	Organic investments £'000	Consolidated £'000
Legal and consultancy	9,992	241	653	10,886	-	10,886
Service and subscription	802	7,450	1,782	10,034	314	10,348
<b>Total revenue</b>	<b>10,794</b>	<b>7,691</b>	<b>2,435</b>	<b>20,920</b>	<b>314</b>	<b>21,234</b>

Set out below is the disaggregation of the Group's revenue by geographic location. This information is not monitored by the CODM at the segment level and as such it is presented in aggregate for the Group.

### Geographic information

	2020 £'000	2019 £'000
United Kingdom	9,746	13,408
Channel Islands	3,920	1,855
North America	2,258	1,828
Rest of Europe	1,847	782
Luxembourg	1,372	217
Netherlands	1,041	171
Switzerland	988	1,232
Rest of World	822	408
Cayman Islands	290	1,333
	22,284	21,234

The revenue information above is based on the locations of the customers. During the year ended 30 June 2020 the Group did not derive over 10% of its revenue from any one customer. During the year ended 30 June 2019 the Group derived over 10% of its revenue from one customer, which amounted to £2,187,000 arising from sales in Business Outsourcing.

Contract balances are as follows:

	2020 £'000	2019 £'000
Trade receivables (note 19)	4,443	4,019
Contract assets (note 19)	3,902	3,600
Contract liabilities (note 20)	2,165	1,899

The acquisition of subsidiaries resulted in an increase in trade receivables of £832,000 in 2020 (2019 - £571,000), refer to note 27.

Contract assets relate to revenue earned from ongoing services. As such, the balances of this account vary and depend on the number of ongoing services at the end of the year. In 2020, £713,000 (2019 - £953,000) was recognised as provision for expected credit losses on contract assets, see note 19.

The following table outlines the movements in contract assets for the year:

	2020 £'000	2019 £'000
Opening balance 1 July	3,600	3,581
Contract assets acquired through purchase of a subsidiary (note 27)	521	223
Invoiced relating to previous years	(2,333)	(3,002)
Accrued in the current year	2,114	2,798
Closing balance 30 June	3,902	3,600

Contract liabilities include short-term advances received to render services. The outstanding balances of these accounts increased in 2020 and 2019 due to the continuous increase in the Group's customer base. The acquisition of a subsidiary also resulted in an increase in contract liabilities of £626,000 in 2020 (2019 - £532,000), see note 27. The contract liabilities satisfied over time are all for a maximum of 12 months in duration, as such the full amount of contract liabilities outstanding in 2019 have been recognised into revenue in 2020.



## 7. Administrative and other expenses

### Accounting policy

Direct costs of sales are comprised of costs incurred by the Group to provide services for customers that are outsourced to a third party where the Group meets the definition of a principal, but does not add value or influence the nature and level of those specific services provided. Other costs of sales are primarily comprised of direct labour costs that are subcontracted to a third party under the direct supervision of the Group.

The split of the costs into direct and other costs of sales provides additional disclosure on the impact of costs (direct costs of sales) that are not considered to be a significant contributor to the Group's gross profit or result before taxation.

	2020 £'000	2019 £'000
Employment costs	12,424	10,951
Professional fees	1,576	1,070
Auditor's remuneration (note 7.1)	894	457
Marketing, training, travel & entertainment	775	555
IT costs	439	425
Premises and office costs	610	448
Depreciation of tangible fixed assets (note 15)	256	145
Amortisation charge of right-of-use assets (note 16)	878	381
Amortisation and impairment of intangible assets (note 13)	1,271	621
Fundraising and Acquisition costs (note 5)	3,990	1,434
Non-recurring costs (note 5)	853	760
Foreign exchange movements	2	74
<b>Total administrative and other expenses</b>	<b>23,968</b>	<b>17,321</b>

For the year ended 30 June 2020, there were employment related costs of £1,758,000 (2019 - £267,000) that were considered non-recurring or related to fundraising and acquisitions and have been included within those respective categories in the table above.

### 7.1 Auditor remuneration

During the year the Group incurred the following costs in relation to the Group's auditor:

	2020 £'000	2019 £'000
Audit fee for audit of consolidated and subsidiary financial statements	201	114
Non-audit fees	486	58
Other services	207	285
<b>Total remuneration</b>	<b>894</b>	<b>457</b>

## 7.2 Employees and key management

### Accounting policy

The Group provides a range of benefits to employees, including annual bonus arrangements and paid holiday arrangements.

#### (i) Annual bonus plan

The Group operates a discretionary annual bonus plan for employees. An expense is recognised in the consolidated profit and loss account when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### (ii) Share based payments

The Group provides share based payment arrangements to certain employees. Equity-settled arrangements are measured at fair value (excluding the effect of nonmarket based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss account.

#### (iii) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

#### (iv) Pension obligations

A defined contribution pension scheme is operated by the Group on behalf of the employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Contributions payable by the group to the fund at year end and are included in payables. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

	2020 £'000	2019 £'000
Staff costs (including directors) consist of:		
Wages and salaries	11,518	9,384
Social security costs	1,155	904
Contributions to defined contribution scheme	451	324
Share based payments (note 26)	437	301
Other staff costs	174	305
Long term incentive plan (note 26)	447	-
	14,182	11,218

The average number of employees (including directors) during the year was as follows:

	2020 Number	2019 Number
Advisory	52	57
Business outsourcing	29	22
Data & Analytics	28	5
Administration	41	28
	150	112

A defined contribution pension scheme is operated by the Group on behalf of the employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £451,000 (2019 - £324,000). Contributions amounting to £49,000 (2019 - £61,000) were payable to the fund at year end and are included in payables.

#### Key management compensation

Key management personnel includes all directors of the Company, who together have authority and responsibility for planning, directing, and controlling the activities of the Group.

	2020 £'000	2019 £'000
Wages and salaries	2,265	1,588
Social security costs	275	166
Cost of defined contribution scheme	82	47
Share based payments and other staff costs	541	66
	3,163	1,867

Total remuneration to highest paid key management personnel in the year amounted to £685,000 (2019 - £420,000).

## 8. Finance costs

### Accounting policy

#### (i) Finance costs

Finance costs comprise interest on bank loans, lease obligations and other interest payable. Interest on bank loans and other interest is charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### (ii) Finance income

Finance income comprises interest receivable on funds invested and loans to related parties. Interest income is recognised in profit or loss as it accrues using the effective interest method. Interest income of £58,000 was included within other operating income for the year end 30 June 2020 (2019 - £5,000).

### Finance costs

	2020 £'000	2019 £'000
Bank loan interest	704	822
Interest on lease liabilities	223	38
Unwinding of discount on deferred consideration	856	488
	1,783	1,348

## 9. Fair value movements

During the year the Group recorded the following fair value adjustments:

	2020 £'000	2019 £'000
Investments fair value (gain)/impairment (note 17)	(139)	172
Convertible bonds fair value loss (note 21)	543	808
	404	980

## 10. Dividends

### Accounting policy

Dividends and other distributions to Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Group's shareholders. These amounts are recognised in the consolidated statement of changes in equity.

No dividends have been declared or distributed the year ended 30 June 2020 (2019 - nil).

## 11. Taxation on profit on ordinary activities

### Accounting policy

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

#### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation across differing jurisdictions is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences that have originated, but not reversed at the reporting date except for:

- unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where timing differences relate to interests in subsidiaries and associates and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities. The deferred tax assets and deferred tax liabilities must also relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis. The Group will also offset deferred tax liabilities or assets to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts are expected to be settled or recovered.

	2020 £'000	2019 £'000
<b>Current tax</b>		
Current tax arising on losses for the year	82	207
Adjustment in respect of previous periods	(43)	-
<b>Total current tax</b>	<b>39</b>	<b>207</b>
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	178	-
Adjustment in respect of previous periods	(3)	
<b>Taxation on loss on ordinary activities</b>	<b>214</b>	<b>207</b>

The tax assessed for the year is higher than the standard rate of corporation tax in Jersey applied to the loss before tax. The differences are explained below:

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(6,988)	(3,421)
Loss on ordinary activities at the standard rate of Corporation tax in Jersey of 0% (2019 - 0%)	-	-
<b>Effects of:</b>		
Tax arising on UK domiciled subsidiaries	145	195
Tax arising on Luxembourg domiciled subsidiaries	2	-
Tax arising on Netherlands domiciled subsidiaries	54	-
Tax arising on Guernsey domiciled subsidiaries	13	12
Recognition of deferred tax asset on losses	-	-
<b>Total tax charge/(credit) for the year</b>	<b>214</b>	<b>207</b>

## 12. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

During the reorganisation of the Group on 12 December 2019 shares in MJH Group Holdings Limited were exchanged for shares in MJ Hudson Group plc at a ratio of 45 to 1. The 30 June 2019 share figures below are restated as if this split had already occurred for comparative purposes.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2020 £'000	Restated 2019 £'000
Loss for the year attributable to equity holders of the Group	(7,125)	(3,652)
Weighted average number of ordinary shares for basic EPS (Thousands)	134,308	81,156
Basic and diluted loss per share	(0.053)	(0.045)

The following instruments are not included in the diluted EPS calculation because they would have an antidilutive effect on EPS. The number of instruments outstanding is as follows:

	2020 Thousands	2019 Thousands
Share options (note 26)	11,845	17,943
Convertible loan notes	-	13,480
<b>Total of antidilutive instruments not included</b>	<b>11,845</b>	<b>31,423</b>

## 13. Intangible assets

### Accounting policy

#### (i) Internal software development

Research expenditure is written off in the year in which it is incurred. Expenditure on internally developed products is capitalised if, and only if an entity within the Group can demonstrate all of the following:

- its ability to measure reliably the expenditure attributable to the asset under development;
- the product or process is technically and commercially feasible;
- its future economic benefits are probable;
- its ability to use or sell the developed asset;
- the availability of adequate technical, financial and other resources to complete the asset under development; and
- its intention to use or sell the developed asset.

Where the costs are capitalised, they are written off over their economic life which is considered by the Directors to be 3 to 5 years.

#### (ii) Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the fair value of the Group's share of the identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

#### (iii) Other intangible assets

Other intangible assets are initially recognised at cost or, if recognised as part of a business combination, at fair value. After recognition, intangible assets are measured at cost or fair value less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write off the cost or fair value of intangible assets on a straight line basis over their estimated useful lives and is included within administrative expenses. The estimated useful lives for other intangible assets range as follows:

- customer relationships – 10 - 13 years; and
- acquired software – 3 - 5 years.

The useful lives of intangible assets have been chosen at the above rates as this reflects the period in which assets will stop receiving economic benefit.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

#### (iv) Impairment of non-financial assets

Refer to note 14 below for accounting policy on impairment of non-financial assets.



	Software £'000	Customer relationships £'000	Assets under construction £'000	Goodwill £'000	Total £'000
<b>Cost or valuation</b>					
At 1 July 2018	1,188	-	-	11,787	12,975
Additions	1,217	-	27	-	1,244
Transfer from tangible fixed assets	-	-	270	-	270
Construction completion	297	-	(297)	-	-
Acquisition of subsidiary	50	2,305	-	6,800	9,155
At 30 June 2019	2,752	2,305	-	18,587	23,644
Additions	127	-	-	113	240
FX translation adjustments	-	24	-	32	56
Acquisition of subsidiary (note 27)	-	4,318	-	6,634	10,952
At 30 June 2020	2,879	6,647	-	25,366	34,892
<b>Amortisation</b>					
At 1 July 2018	307	-	-	-	307
Charge for the year	488	133	-	-	621
At 30 June 2019	795	133	-	-	928
Charge for the year	707	409	-	-	1,116
Impairment	-	-	-	155	155
FX translation adjustments	-	4	-	-	4
At 30 June 2020	1,502	546	-	155	2,203
<b>Net book value</b>					
At 30 June 2019	1,957	2,172	-	18,587	22,716
At 30 June 2020	1,377	6,101	-	25,211	32,689

## 14. Goodwill and intangibles with indefinite useful lives

### Accounting policy

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use (VIU) is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

Goodwill acquired through business combinations are allocated to cash generating units (CGU) and there are no other intangibles with indefinite useful lives. The goodwill as summarised by the operating segments to which its CGU belongs is as follows:

	Advisory £'000	Business Outsourcing £'000	Data & Analytics £'000	Total £'000
At 30 June 2019	5,190	6,186	7,211	18,587
At 30 June 2020	5,714	9,203	10,294	25,211

The goodwill allocated to each CGU is tested annually for impairment. The VIU calculations use pre-tax cash flow projections covering a three year period. Cash flows beyond the three year period are extrapolated using long term average growth rates.

The key assumptions in the discounted cash flow projections for the CGU's are as follows:

- the future level of revenue - which is based on past performance and expected changes based on management knowledge of the business;
- long term growth rate - which has been assumed to be 2.0% (2019 - 2.0%) per annum based on the average historical growth in gross domestic product in the United Kingdom over the past fifty years; and
- the discount rate - which is the Group's pre-tax weighted average cost of capital and has been assessed at 12.1% (2019 - 10.1%), and is applied uniformly to each CGU.

Based on the discounted cash flow projections, the value in use exceeds recoverable amount. The Group performed sensitivity analysis by adjusting the discount rate and reducing revenues. The decrease in future forecast revenues was performed without a corresponding reduction in costs for each of the CGUs. The recoverable amount and sensitivity analysis are provided below:

	Advisory	Business Outsourcing	Data & Analytics
Compound annual growth rate (CAGR) of revenue over three years	10.8%	9.5%	18.2%
Estimated excess over carrying values	65.2%	62.1%	36.8%
Decrease in forecasted revenues to trigger an impairment	7.1%	14.4%	6.4%
Increase in discount rate required for impairment	7.0%	6.6%	3.7%

The percentage decrease in future forecast revenues and the increase in the discount rate noted above are the amounts that would be required for the carrying amounts to exceed the recoverable amount under the VIU calculation. Management believes that the carrying value of goodwill remains recoverable given the conservative nature of the underlying forecasts prepared.

Within the reportable segment totals above there are two CGU's which have a reasonably possible risk of impairment and one in which we recorded an impairment. Goodwill of £155,000 was recognised in the year ended 30 June 2017 with the acquisition of Infomain PTY Limited within the Business Outsourcing segment. This business was since wound up and the company's workforce subsumed into the Group, as such the goodwill balance related to this acquisition has been impaired to nil.

The CGU's at risk of potential impairment are the Amaces CGU (acquired in the year ended 30 June 2019) within the Data & Analytics segment and the MJH Investment Advisors CGU within the Advisory segment the headroom and sensitivities are outlined in the following table:

	Amaces £'000	MJH Investment Advisors £'000
Goodwill	6,800	1,458
Total carrying value	9,655	3,285
Headroom based on forecast, as a percentage of carrying value	12.2%	20.3%
CAGR forecasted	12.5%	8.9%
CAGR required to trigger an impairment	11.5%	7.9%
Discount rate required to trigger an impairment	13.4%	14.3%

The changes to CAGR and discount rate to trigger an impairment have been evaluated independently of each other. The percentages stated above would result in the CGU's headroom being completely eliminated and therefore are considered to be sensitive input assumptions. Management concludes there are sufficient cashflow projections to support the carrying value and associated goodwill, but continues to monitor as the threshold for impairment is reasonably close to being breached.

## 15. Tangible fixed assets

### Accounting policy

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

#### (i) Depreciation and residual values

Depreciation on tangible assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvements – over lease periods up to 10 years
- Office equipment – 3 - 5 years
- Fixtures and fittings – 3 - 7 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

#### (ii) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

#### (iii) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income.

	Leasehold improvements £'000	Assets under construction £'000	Office Equipment £'000	Fixtures, fittings, tools & equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 July 2018	295	333	350	163	1,141
Additions	-	-	39	9	48
Acquisition of subsidiary	-	-	2	-	2
Transfer to intangible assets	-	(270)	-	-	(270)
Transfer between categories	-	(63)	63	-	-
At 30 June 2019	295	-	454	172	921
Additions	1,919	-	159	6	2,084
Acquisition of subsidiary	19	-	71	11	101
Disposals	(295)	-	(14)	(141)	(450)
<b>At 30 June 2020</b>	<b>1,938</b>	<b>-</b>	<b>670</b>	<b>48</b>	<b>2,656</b>
<b>Depreciation</b>					
At 1 July 2018	77	-	128	106	311
Charge for the year	30	-	113	2	145
At 30 June 2019	107	-	241	108	456
Charge for the year	123	-	112	21	256
Disposals	(133)	-	(14)	(105)	(252)
<b>At 30 June 2020</b>	<b>97</b>	<b>-</b>	<b>339</b>	<b>24</b>	<b>460</b>
<b>Net book value</b>					
At 30 June 2019	188	-	213	64	465
At 30 June 2020	1,841	-	331	24	2,196

## 16. Leases

### Accounting policy

At inception of a contract the Group assesses whether the contract is, or contains a lease that transfers the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement. All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term (excluding any adjustments related to an inflation index), with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the remaining payments to be made over the revised term, and reviews the discount rate applied to ensure it is still appropriate and will adjust if applicable. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

### Nature of leasing activities

The Group leases a number of assets including buildings and office equipment in the jurisdictions from which it operates in. Leases generally have lease terms between 3 and 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the lease. The majority of lease payments fixed are over the lease term or are linked with an inflation index.

	2020	2019
Number of active leases	15	11

There are several lease contracts that include extension and termination options, which have been taken into consideration upon recognition of the right-of-use asset and reassessed annually. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic life of assets purchased for the fit out of the lease if applicable;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

Each individual lease is assessed as to whether or not management expects to exercise the break clause. Where we have concluded it is reasonably certain to be exercised the carrying amounts of lease liabilities are reduced by the amount of payments that would be avoided from exercising break clauses. During the year, one of the Group's leases was terminated in respect of its London property. This termination did not result in the recognition of any accelerated depreciation of the right of use asset or amendment to the accounting for the lease liability since the Group originally made the assessment that the Group would take advantage of the early termination option on this lease.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. The short-term and low-value leases portfolio at 30 June 2020 and 2019 is materially consistent with the ongoing costs of the leases as seen below during the year of £54k (2019: £16k).

## Right-of-use assets

	Leasehold property £'000	Office equipment £'000	Total £'000
At 1 July 2018	872	64	936
Additions	-	-	-
Depreciation charge for the year	(365)	(16)	(381)
At 30 June 2019	507	48	555
Additions	7,730	171	7,901
Depreciation charge for the year	(850)	(28)	(878)
At 30 June 2020	7,387	191	7,578

## Lease liability and movements during the period

	2020 £'000	2019 £'000
At 1 July	554	1,007
Additions	7,104	-
Interest expense	223	38
Lease payments	(586)	(491)
At 30 June	7,295	554
Current (note 24)	798	326
Non-current (note 24)	6,497	228

## Amounts recognised in profit or loss

	2020 £'000	2019 £'000
Depreciation of right-of-use assets	878	381
Interest on lease liabilities	223	38
Expenses relating to low value and short term-leases (included in administrative expenses)	54	16
	1,155	435



## 17. Investments

### Accounting policy

Investments in equity instruments and convertible loan notes are held at fair value. The Group has not taken the irrevocable election to record movements in these investments through other comprehensive income and so as per the requirements of IFRS 9 these instruments are revalued to their fair value through the consolidated income statement (“fair value through profit and loss”).

Where the investment is not traded on a public market, the fair value is estimated by management based on a number of factors including but not limited to, the net asset value of the shares as per the most recently prepared statutory accounts, recent shares and prices offered for new subscribers to those investments and prices given to private sales where investors have exited those investments. Management consider this basis to be materially reflective of the fair value of those shares.

	2020 £'000	2019 £'000
Listed investments	586	-
Unlisted investments	722	707
<b>Total investments</b>	<b>1,308</b>	<b>707</b>

In February 2020, the Group’s investment in Making Science Group listed on the Spanish stock exchange. The fair value is based on the listed priced of EUR5.7 per share at 30 June 2020. Valuation of unlisted investments is based on the management’s estimate of the value of investments that will be realised, which is dependent on the investments performing as expected.

Management performed a sensitivity analysis over unlisted investments assets at the end of the year and the estimates would need to be increased or decreased by 56-85% (2019 – 42-71%) in order to have a material impact on the financial statements.

	2020 £'000	2019 £'000
<b>Cost</b>		
At 1 July	1,225	1,155
Additions during the year	462	70
<b>At 30 June</b>	<b>1,687</b>	<b>1,225</b>
<b>Fair value adjustments</b>		
At 1 July	(518)	(346)
Fair value gain/(loss) during the year	139	(172)
<b>At 30 June</b>	<b>(379)</b>	<b>(518)</b>
<b>Fair value</b>	<b>1,308</b>	<b>707</b>

## 18. Cash and cash equivalents

### Accounting policy

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities if applicable. Bank overdraft for the year ended 30 June 2020 was £nil (2019 - £nil).

## 19. Trade and other receivables

### Accounting policy

The Group presents assets in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 7 to 30 days and therefore are all classified as current. The majority of trade and other receivables are non-interest bearing. Where the effect is material, outstanding balances are discounted using discount rates which reflect the relevant costs of financing. The carrying amount of trade and other receivables approximates fair value. An outstanding balance is written off when there is no reasonable expectation of recovering the contractual cash flows. The following table summarises the current trade and other receivables:

	2020 £'000	2019 £'000
<b>Current trade and other receivables</b>		
Trade receivables	4,443	4,019
Prepayments	1,239	1,003
Contract assets	3,902	3,600
Other receivables	1,738	652
<b>Total current</b>	<b>11,322</b>	<b>9,274</b>
<b>Non-current trade and other receivables</b>		
Other receivables	398	-
<b>Total trade and other receivables</b>	<b>11,720</b>	<b>9,274</b>

The primary increase to current other receivables for the year ended 30 June 2020 are amounts receivable from directors of £888,000 (2019 - nil), refer to note 28. The increase to non-current other receivables relates to the lease rental deposit for the lease of 1 Frederick's place with a fair value of £398,000 (2019 - nil) which is expected to be returned after a minimum of three years subject to meeting specific financial performance criteria. The deposit and amounts receivable from directors do not have expected credit loss allowances booked against them as they are expected to be repaid in full to the business.

## Analysis of trade receivables and contract assets based on age of invoices

30 June 2020	Contract assets	Trade receivables					Total
		< 30 £'000	31-60 £'000	61-90 £'000	91-120 £'000	> 120 £'000	
Expected credit loss rate	15.45%	1.12%	2.92%	7.19%	12.50%	33.19%	
Gross carrying amount	4,615	2,488	222	476	267	1,633	5,086
Expected credit loss	713	28	6	34	33	542	643

30 June 2019	Contract assets	Trade receivables					Total
		< 30 £'000	31-60 £'000	61-90 £'000	91-120 £'000	> 120 £'000	
Expected credit loss rate	20.93%	0.61%	1.62%	3.23%	4.15%	23.05%	
Gross carrying amount	4,553	2,532	827	122	204	486	4,171
Expected credit loss	953	15	13	4	8	112	152

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The balances are segmented by age for the entire Group as there is no sector or client type within the Group that has a disparate loss rate compared to the other sectors in the Group.

The ECL rates have been determined based on historical loss data available to management in addition to forward looking information utilising management knowledge. For the forward looking element this is evaluated on a client by client basis and an additional provision is recorded for any specific debtors that are considered to be individually doubtful. As at 30 June 2020 included within the ECL for trade receivables is a provision of £532,000 (2019 - £nil) related to one specific debtor that was added after considering their current financial status and other forward looking factors.

Set out below is the movement in allowance for expected credit losses of trade receivables and contract assets:

	2020 £'000	2019 £'000
As at 1 July	1,105	1,232
Provision for expected credit losses	1,328	1,186
Write-offs	(1,077)	(1,313)
As at 30 June	1,356	1,105

## 20. Trade and other payables

### Accounting policy

The Group presents liabilities in the statement of financial position based on current/non-current classification. A liability is current when its:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. There are no contingent liabilities or provisions recognised except for those acquired as a result of business combinations, refer to note 27 for additional details.

	2020 £'000	2019 £'000
<b>Current trade and other payables</b>		
Trade payables	1,115	1,240
Accruals	1,342	1,841
Other payables	372	644
Current financial liabilities (note 24)	2,829	3,725
Contract liabilities	2,165	1,899
Taxation and social security	1,154	1,077
<b>Total current</b>	<b>6,148</b>	<b>6,701</b>
<b>Non-current trade and other payables</b>		
Other payables (note 24)	497	255
<b>Total trade and other payables</b>	<b>6,645</b>	<b>6,956</b>

Other payables include amounts payable in the next 12 months in respect of deferred consideration loans from directors of £18,000 (2019 - £199,000), and non-current of nil (2019 - £205,000).

The Group did not have any other contingent liabilities and contractual commitments as of 30 June 2020 (2019 - nil). Claims for damages are made against the Group from time to time in the ordinary course of business. The Directors are not aware of any claim that is expected to result in material costs or damages.

## 21. Borrowings and deferred consideration

### Accounting policy

Borrowings and deferred consideration are initially recognised at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of any transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### Borrowings

	2020 £'000	2019 £'000
<b>Current borrowings</b>		
Bank loans	2,538	779
<b>Non-current borrowings and other liabilities</b>		
Bank loans	144	2,209
Other loans	729	357
Convertible bonds	-	11,792
<b>Total non-current</b>	873	14,358
<b>Total borrowings and other liabilities (note 24)</b>	3,411	15,137

### Bank loans and other loans

During the 2016 financial year, the Group borrowed £2,000,000 from Bermuda Commercial Bank under a debt instrument that is repayable in April 2021. Interest of 7% is payable 6-monthly in arrears.

Metro bank lending to MJ Hudson Limited is secured by a fixed rate of 4.25% plus an additional floating charge on the assets of that company, which was 0.5% at the commencement of the loan. The loan commenced in May 2018 and has a five-year term. The balance outstanding on that loan at 30 June 2020 was £214,000 (2019 - £281,000).

The remaining loan balances of £1,200,000 (2019 - £1,160,000) are working capital loans to facilitate cashflow management and come from a variety of loan providers. These all have fixed payment terms with fixed interest rates. The length of the loans vary from 3 months to 5 years and the interest rates are between 0.6% - 1.9%.

### Convertible bonds

The Group had seven convertible bond instruments which have all been repaid or converted into equity during the year ended 30 June 2020. The fair value loss recorded to the consolidated statement of comprehensive income for the year ended 30 June 2020 was £543,000 (2019 - £808,000).

### Deferred consideration

	2020 £'000	2019 £'000
Current deferred consideration	4,758	2,081
Non-current deferred consideration	5,719	4,308
<b>Total deferred consideration (note 24)</b>	<b>10,477</b>	<b>6,389</b>

Deferred consideration relates to outstanding payments due on acquisitions. This includes payments that are due after the passage of time with no other conditions attached to payments and contingent consideration. Contingent consideration is initially recognised at an estimated fair value amount where the consideration is probable and can be measured reliably. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rates used are selected on the basis of the assessed risks and expected returns. A market rate on cash flows of high certainty are assumed to be at a risk-free rate, while cash flows contingent on business performance are discounted based on the acquiree's WACC.

Included in the above total deferred consideration is £1,979,000 (2019 - £3,764,000) that is due after the passage of time. The remaining £8,498,000 contingent consideration is linked to the achievement of future performance criterion by the businesses acquired. If these performance thresholds are not met the total consideration will decrease, or if the thresholds initially considered to not be probable are met or exceeded the total consideration may increase.

For those acquisitions that have a cap on the maximum amount of consideration this could result in an additional £1,400,000 of undiscounted consideration in addition to the amounts currently recognised. For other acquisitions there are no caps on the amount of consideration as the subsequent amounts paid out are set at a percentage of financial performance metrics. If the revenue of all acquisitions were to increase by 10% with no corresponding increase in costs this would result in an additional £742,000 of consideration. A decrease of 10% would result in a decrease to consideration of £664,000.

## 22. Share capital and Share Premium

### Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

MJ Hudson Group plc was incorporated on 29 July 2019 and was admitted to the Alternative Investment Market (AIM) on 12 December 2019. Prior to admission the Group undertook a reorganisation such that MJ Hudson Group plc was established as the parent and holding company of MJH Group Holdings Limited. MJ Hudson Group plc determined that the acquisition of MJH Group Holdings Limited did not represent a business combination as defined by IFRS 3 Business Combinations. The appropriate accounting treatment for recognising the new group structure has been determined to be a continuation of the business. Refer to note 27 for further details.

	2020 £'000	2019 £'000
<b>Ordinary Share capital</b>		
<i>Allotted, called up and fully paid</i>		
171,320,220 Ordinary shares in MJ Hudson Group plc at £nil each (2019 - 1,969,371 ordinary shares in MJH Group Holdings Limited of £0.01 each)	-	20
<b>B Shares</b>		
20,000 B Shares in MJH Group Holdings Limited at £0.01 each (2019 - nil)	-	-
<b>Share premium</b>	55,527	15,344

	Date	Shares	Share Capital £'000	Share premium £'000
<b>Ordinary Share capital</b>				
Opening balance	1 Jul 2020	1,969,371	20	15,344
Shares issued in MJH Group Holdings Limited <sup>1</sup>	10 Jul 2019	18,700	-	445
Shares issued in MJH Group Holdings Limited <sup>1</sup>	9 Oct 2019	1,573	-	38
Shares issued in MJH Group Holdings Limited <sup>1</sup>	15 Oct 2019	786	-	19
Exercise of options in MJH Group Holdings Limited	12 Dec 2019	83,427	1	1,506
Conversion of capital into MJ Hudson Group plc	12 Dec 2019	91,249,708	(21)	21
Convertible bonds exercised	12 Dec 2019	26,609,138	-	11,826
Shares issued in MJ Hudson Group plc on AIM admission <sup>1,2</sup>	12 Dec 2019	55,024,958	-	30,433
Shares sold in MJ Hudson Group plc on AIM admission <sup>1</sup>	12 Dec 2019	(3,652,211)	-	(2,082)
Transaction costs of issuing new equity	12 Dec 2019	-	-	(2,232)
Shares issued in MJ Hudson Group plc <sup>1</sup>	17 Mar 2020	14,770	-	8
<b>Outstanding at the end of the year</b>	30 Jun 2020	171,320,220	-	55,326
<b>B Shares</b>				
Shares issued in MJH Group Holdings Limited	12 Dec 2019	20,000	-	201
<b>Outstanding at the end of the year</b>	30 Jun 2020	20,000	-	201

1. The sum of these share issuances agrees with the net shares issued of £28,861,000 on the Consolidated Statement of Changes in Equity

2. The share premium amount recorded represents the shares issued at £0.57 per share net of cash payments to employees to settle fully vested equity options

At the time of the reorganisation the ordinary share capital of MJH Group Holdings Limited contained 2 classes of shares – A and B shares. The A ordinary shares were all acquired by MJ Hudson Group plc in exchange for 45 shares in MJ Hudson Group plc and each share issued carries one voting right. The B share capital of MJH Group Holdings Limited, a subsidiary of MJ Hudson plc, was not acquired under the takeover. The B shares were issued during the period at market value of £201,000 to senior management under a subsidiary growth share plan. The 20,000 B shares issued have no voting rights and a par value of £0.01 each. There are no restrictions on the distribution of dividends and the repayment of capital.

### Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged throughout the periods presented. Capital is regarded as total equity, as recognised in the consolidated statement of financial position, plus debt. Net debt is calculated as total borrowings (excluding lease liabilities) less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue new debt or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current share price at the time of the investment. The Group will explore new acquisitions as part of its growth strategy and continues to integrate and grow its existing businesses in order to maximise synergies.

## 23. Other Reserves

	Share based payment reserve £'000	Convertible debt option reserve £'000	Foreign currency translation reserve £'000	Total other Reserves £'000
<b>Balance as at 1 July 2018</b>	283	883	-	1,166
Share based payments	301	-	-	301
Currency translation difference	-	-	(24)	(24)
<b>Balance as at 30 June 2019</b>	584	883	(24)	1,443
Share based payments	437	-	-	437
Exercise of options	(565)	-	-	(565)
Exercise of convertible debt	-	(883)	-	(883)
Currency translation difference	-	-	77	77
<b>Balance as at 30 June 2020</b>	456	-	53	509

### Fair value movement on convertible debt

The adjustment to reserves on issue of the stepped interest bond dated April 2016 and convertible bond dated March 2016 (which were separated into an equity and liability component) were recognised in other reserves. As part of the IPO process during the year ended 30 June 2020 this debt was converted into equity and the reserves were transferred into retained earnings.

### Share based payments

Employees of the Group are granted options to acquire shares in the Group, refer to note 26. The charge for the period was £437,000 ended 30 June 2020 (2019 - £301,000). As part of the IPO process during the year ended 30 June 2020 options were exercised and the reserves were transferred into retained earnings.



## 24. Financial instruments

### Accounting policy

#### (i) Financial assets

Financial assets that meet the criteria required under IFRS 9 to be held at amortised cost (being held for collection and passing the test of comprising solely payments of principal and interest) include trade and other receivables and cash and bank balances. These are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

Impairment provisions for trade receivables are assessed for objective evidence of impairment based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

For other receivables, at the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment based on the general impairment model within IFRS 9. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### (ii) Financial liabilities

Financial liabilities recognised at amortised cost as required under IFRS 9 include trade and other payables, overdraft and bank and other loans, and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The proceeds received on issue of the Group's convertible debt that are considered to meet the fixed return criteria are separated into their liability and equity components and presented separately in the statement of financial position. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

The proceeds received on issue of the Group's convertible debt that is not considered to meet the fixed return criteria (the output return to the holder being dependent on a variable outside of the Group's control) are revalued and accounted for at fair value through profit and loss, per the requirements of IFRS 9. This requires us to estimate fair value of the combined compound instrument on an annual basis. The Group's financial instruments may be analysed as follows:

	Level	2020 £'000	2019 £'000
<b>Financial assets</b>			
Financial assets measured at fair value:			
Listed investments	1	586	-
Unlisted investments	3	722	707
Financial assets measured at amortised cost:			
Cash and bank balances		13,388	3,099
Trade and other receivables		10,481	8,271
<b>Total financial assets</b>		<b>25,177</b>	<b>12,077</b>
<b>Financial assets</b>			
Financial liabilities measured at fair value:			
Convertible bonds	3	-	8,831
Financial liabilities measured at amortised cost:			
Bank loans, non-convertible bonds and overdrafts		3,411	3,345
Convertible bonds		-	2,961
Trade and other payables		3,326	3,980
Deferred consideration		10,477	6,389
Lease Liabilities		7,295	554
<b>Total financial liabilities</b>		<b>24,509</b>	<b>26,060</b>

Financial assets measured at fair value are comprised of investments in listed and unlisted company shares.

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors. It does not include other taxes receivable or prepayments.

Financial liabilities measured at fair value are comprised of convertible bonds that were issued on October 2016, August 2017, November 2018 and August 2018. The fair value of these convertible bonds have been derived using the expected value approach taking into consideration the debt and conversion components of the instrument, the potential pay-off dates weighted by probability and the present value using an applicable discount rate.

Financial liabilities measured at amortised cost are comprised of convertible loan stock, bank loans and overdrafts, trade payables, other payables and accruals. It does not include other taxes and social security payable or contract liabilities.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

**Level 1:** Quoted prices in active markets for identical items;

**Level 2:** Observable direct or indirect inputs other than Level 1 inputs; and

**Level 3:** Unobservable inputs, thus not derived from market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

### Financial risk management

The Group's activities expose it to a variety of financial risks: credit and counterparty risk, liquidity risk, market risk (including cash flow and interest rate risk), and foreign exchange risk. These risks are described in additional detail below. Risk management is carried out by Key management of the Group. The Group finances its operations through a mixture of debt finance, cash and liquid resources and various items such as trade debtors and trade payables which arise directly from the Group's operations.

#### Credit and counterparty risk

The Group's revenues derive principally from selling the services of its people on a time and materials basis. The Group typically does not work on a contingent fee basis and so invoices its clients as projects progress. The Group's financial position and access to working capital is dependent on collecting cash on a timely basis. There is a risk that clients will not pay invoices on a timely basis, due to administrative issues, financial restrictions or other reasons. The Group does not have any other significant liquid assets other than cash in hand, and so an inability to collect substantial debts on a timely basis may result in a material adverse effect on the Group's financial position. In order to minimise the risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored.

The Group does not consider that there is any concentration of risk within either trade or other receivables. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts, considering historic, current and forward-looking information.

Credit risk on cash and cash equivalents is considered to be very low as the counterparties are all substantial banks with high credit ratings.

#### Liquidity and cash flow risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is currently cash generative and benefits from sufficient working capital for the near term. However, there is a risk that the Group may need to raise funding in the future for a number of reasons, including working capital, to fund an acquisition or expansion, general corporate purposes or to restructure its balance sheet. There can be no guarantee that such funding will be made available on terms acceptable to the Group or in the timescale envisaged.

The Group seeks to maintain sufficient cash balances. The Group manages liquidity cash flow risk to maintain adequate reserves by regular review around the working capital cycle using information on forecast and actual cash flows. This ensures the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

A maturity analysis of the Group's gross financial liabilities is shown below.

Year ended 30 June 2020	Convertible bonds £'000	Bank loans, non- convertible bonds and overdrafts £'000	Trade and other payables £'000	Deferred consideration £'000	Lease liabilities £'000	Total £'000
In one year or less, or on demand	-	2,813	2,829	4,839	798	11,279
In more than one year but not more than two years	-	617	-	3,376	689	4,682
In more than two years but less than five	-	426	506	3,771	4,150	8,853
In more than 5 years	-	-	-	-	3,529	3,529
	-	3,856	3,335	11,986	9,166	28,343
Expected future charges through the income statement	-	(445)	(9)	(1,509)	(1,871)	(3,834)
<b>Financial liabilities</b>	-	3,411	3,326	10,477	7,295	24,509

Year ended 30 June 2019	Convertible bonds £'000	Bank loans, non- convertible bonds and overdrafts £'000	Trade and other payables £'000	Deferred consideration £'000	Lease liabilities £'000	Total £'000
In one year or less, or on demand	709	1,042	3,729	2,500	326	8,306
In more than one year but not more than two years	4,034	2,576	256	3,500	84	10,450
In more than two years but less than five	8,906	149	-	1,000	190	10,245
In more than 5 years	-	-	-	-	-	-
	13,649	3,767	3,985	7,000	600	29,001
Expected future charges through the income statement	(1,857)	(422)	(5)	(611)	(46)	(2,941)
<b>Financial liabilities</b>	11,792	3,345	3,980	6,389	554	26,060

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The applicable interest rates on the Group's borrowings are shown in note 21 above.

### Foreign currency risk

The Group presents its financial statements in pounds sterling, but has business units operating in Europe and North America (and may choose to expand elsewhere) that generate revenues and costs in other currencies. To the extent that the Group does not hedge against currency fluctuations, the income and cash flow generated by those international operations, and the value of any assets located outside of the UK, may fluctuate with exchange rates. The Group maintains bank accounts in foreign currencies in order to mitigate this risk and the net foreign currency risk is not considered material by the Group.

## 25. Changes in liabilities from financing activities

The following is a reconciliation of cash flow and non-cash flow movements relating to financing of the Group, in accordance with the requirements of IAS 7.44(A).

Year ended 30 June 2020	2019 £'000	Repayments £'000	New loans £'000	New leases £'000	Interest paid £'000	Non cash £'000	Total £'000
Long term borrowings	14,563	(805)	499	-	(627)	(12,757)	873
Short term borrowings	978	(759)	524	-	(238)	2,051	2,556
Lease liabilities	554	(422)	-	7,104	(164)	223	7,295
<b>Total debt liabilities</b>	<b>16,095</b>	<b>(1,986)</b>	<b>1,023</b>	<b>7,104</b>	<b>(1,029)</b>	<b>(10,483)</b>	<b>10,724</b>

The non-cash decrease in long term borrowings of £12,757,000 for the year ended 30 June 2020 is due to the conversion of convertible loan notes into equity of £10,706,000 and the transfer from long term to short term borrowings of £2,051,000.

30 June 2019	2018 £'000	Repayments £'000	New loans £'000	New leases £'000	Interest paid £'000	Non cash £'000	Total £'000
Long term borrowings	9,301	(1,642)	5,850	-	(269)	1,323	14,563
Short term borrowings	2,159	(648)	-	-	(336)	(197)	978
Lease liabilities	1,007	(491)	-	-	-	38	554
<b>Total debt liabilities</b>	<b>12,467</b>	<b>(2,781)</b>	<b>5,850</b>	<b>-</b>	<b>(605)</b>	<b>1,164</b>	<b>16,095</b>

The non-cash movements of long term borrowings of £1,323,000 for the year ended 30 June 2019 is primarily comprised of the fair value movement on the Group's convertible bonds and interest unwinding on the stepped interest bonds dated April 2016 and convertible bonds dated March 2016.

## 26. Share based remuneration

### Share based payment scheme

The Group operates an equity-settled share based payment scheme. Employees of the Group are granted options to acquire shares in the Company, which are exercisable on the condition that either the three year vesting period is worked by the employee, or that there is an exit event which triggers vesting of the options. The total cost recognised in the income statement was £437,000 (2019 - £301,000).

Due to the takeover of MJ Hudson Group Holdings by MJ Hudson Group Plc, option holders were granted 45 share options per one option held in MJH Group Holdings. If options of 410,780 in MJH Group Holdings at 30 June 2019 were converted, this would result in 18,485,100 options in MJ Hudson Group Plc. The 30 June 2019 share split figures are shown for comparatives.

	2020 Number of options in issue	Weighted average exercise price £	Converted 2019 Number of options in issue	Weighted average exercise price £	2019 Number of options in issue	Weighted average exercise price £
Outstanding at the beginning of the year	18,485,100	0.42	14,194,350	0.40	315,430	18.02
Granted during the year	3,391,509	0.58	5,328,000	0.47	118,400	0.22
Forfeited during the year	(1,253,729)	0.44	(1,037,250)	0.38	(23,050)	(16.97)
Lapsed during the year	-	-	-	-	-	-
Exercised during the year	(8,777,850)	0.45	-	-	-	-
Outstanding at the end of the year	11,845,030	0.43	18,485,100	0.42	410,780	18.97

The exercise price of options per share outstanding at the end of the year ranged between £0.18 and £0.58 (2019 - between £8 and £28) and their weighted average contractual remaining life was 0.9 years (2019 - 0.78 years).

The estimated fair value of the awards granted during the year under the option plan was £406,000 (2019 -£456,000)

Of the total number of options outstanding at the end of the year, 8,502,750 (2019 - 109,967) have vested and are exercisable at the year-end date.

The options were awarded with non-market performance conditions. Fair values are calculated using the Black-Scholes option pricing model. Inputs into the model at initial grant are as follows:

Grant Date	Share price at grant date	Exercise Price	Expected life	Risk free Rate/ Modified Rate	Volatility
1 Jan 2014	£6.85	£8.00	5.5	2.32%	25%
1 Sep 2014	£7.00	£8.00 - £16.00	5.0	1.82%	25%
1 Jan 2015	£7.00	£8.00 - £18.00	5.0	1.20%/0.91%	25%
1 July 2015	£7.00	£8.00 - £18.00	4.5	1.51%/0.91%	25%
1 Jan 2016	£7.00	£16.00 - £18.00	4.5	1.28%/0.91%	25%
27 April 2016	£13.44	£14.00	4.5	0.90%	25%
1 July 2016	£13.44	£7.95-£18.00	4.5	0.34%/0.91%	25%
1 Jan 2017	£15.00	£18.00	4.5	0.46%/0.91%	25%
1 April 2017	£15.00	£18.00	4.5	0.36%/0.91%	25%
1 July 2017	£17.50	£18.00	4.5	0.57%/0.91%	25%
1 Jan 2018	£17.50	£18.00-£24.00	4.5	0.69%/0.91%	25%
1 July 2018	£17.50	£20.00	4.5	0.92%	25%
1 Jan 2019	£22.00	£23.00	4.5	0.87%	25%
13 Jan 2020	£0.59	£0.59	4.5	0.50%	25%

Expected volatility is determined based on a number of listed comparable entities. The expected useful life used in the model has been determined based on management's best estimate of the effects of non-transferability, vesting/exercising restrictions and behavioural conditions. Risk free rate is the yield on a zero coupon government security for the period equivalent to the expected life of the option, at the respective grant date. A nil dividend yield (2019 – nil) has been used for all options.

### Long term incentive plan

The Group has put in place a long term incentive plan ("LTIP") for management, targeted at the long term performance of the Group. The LTIP incentivises the CEO, CFO and COO, together with nine other members of the senior management team, to seek to achieve superior returns for shareholders over a three-year period. It also provides a mechanism to retain key individuals and align their interests with shareholders.

The LTIP is a subsidiary growth share plan. Its rules are contained in the articles of association of MJ Hudson Group Holdings Limited (the "Subsidiary"). Participants in the LTIP hold B Shares, the rights of which are linked to performance under the rules of the LTIP.

Pay-out to participants in the LTIP is conditional on Admission occurring and the Group achieving certain three-year performance targets, timed to run from the date of Admission. The LTIP awards 17.5 percent of the aggregate gain ("Aggregate Gain") in value of the business over 3 years from the date of Admission. The Aggregate Gain is calculated using two independent measures, namely a TSR gain and an adjusted EBITDA per share gain ('The Adjusted EBITDA Gain') giving a 50 percent weighting to each.

The TSR gain is the capital appreciation, adjusted for the payment of dividends, over three years with reference to the total shares in issue immediately following the Admission.

The Adjusted EBITDA Gain is the gain in value of the Company implied by the growth of adjusted EBITDA with respect to a reference adjusted EBITDA figure. The gain is calculated as the growth in adjusted EBITDA per share over three years multiplied by the market capitalisation immediately following Admission.

The calculation of the Aggregate Gain is subject to two limits, an upper and a lower limit. The lower limit is a CAGR of 7.5 percent applied for the TSR Gain and 8.9 percent for the Adjusted EBITDA Gain. In the case of the TSR Gain, TSR performance below CAGR 7.5 percent over the three-year period shall result in no reward under this measure as part of the LTIP. In the case of the Adjusted EBITDA Gain, adjusted EBITDA in year 3 below a figure of £4.73m (being CAGR 8.9 percent applied to a base target adjusted EBITDA of £3.66m) shall result in no reward under this measure as part of the LTIP. The upper limit will be a total value payable under the LTIP of £20m being a maximum of £10m applied separately to each measure.

The fair value of the LTIP options granted is estimated using an appropriate model to take into account market conditions attaching to the model in particular for determining the TSR portion noted above. This was valued using the Monte-Carlo model and resulted in an expected TSR payout of £697,000 for the year ended 30 June 2020. Key inputs to the model were:

- share price on date of award - £0.57;
- expected life - 3 years;
- volatility - 40%; and
- risk free rate - (0.09)% expected to be settled in the normal operating cycle.

The pay-out of Adjusted EBITDA Gain is estimated based on discounted cash flow projections for the Group and resulted in an expected EBITDA gain payout of £1,775,000 for the year ended 30 June 2020. Key assumptions are as follows:

- future level of adjusted EBITDA - which is based on past performance and expected changes based on management knowledge of the business;
- number of outstanding shares' growth - which has been assumed to be 0.8% per annum based on the average historical growth;
- discount rate - which is the Group's pre-tax weighted average cost of equity plus and additional risk premium and has been assessed at 35.0%; and
- minority discount - of 60.0% to reflect the fact that the holders of B shares are minority investors and their interests in MJ Hudson do not confer control of the Group.

The combined total of both measures is an estimated a pay out of £2,472,000 to be settled on the third anniversary of the date of admission. Of this future liability, £447,000 has been recognised in the current year to reflect the proportion earned in the current financial year.



## 27. Business combinations

### Accounting policy

Business combinations are accounted for by applying the acquisition method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued and the amount of any non-controlling interest in the acquiree. Where control is achieved in stages the cost is the consideration at the date of each transaction. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Contingent consideration is initially recognised at an estimated fair value amount where the consideration is probable and can be measured reliably. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rates used are selected on the basis of the assessed risks and expected returns. A market rate on cash flows of high certainty are assumed to be at a risk-free rate, while cash flows contingent on business performance are discounted based on the acquiree's WACC.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

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

### Group reorganisation

The Company converted to a public company on 12 December 2019, when it was admitted onto the LSE Alternative Investment Market (AIM). Immediately prior to listing, the Company acquired 100% of the ordinary shares of MJH Group Holdings Limited (“MJH Holdings”) from the existing shareholders for a consideration of 45 shares in the Company for 1 A share in MJH Holdings.

The share for share takeover of MJH Holdings is assessed as a capital reorganisation under common control and out of scope of IFRS 3 Business Combinations for the following reasons:

- MJH Holdings prior to take over is recognised as a business under IFRS 3 with an established and integrated set of activities and assets which is conducted and managed for the purpose of providing a return;
- The Company was incorporated for the purposes of the IPO transaction and does not have any assets or employees. It does not have any of the input, outputs and processes which meet the definition of a business under IFRS 3; and
- on acquisition of MJH Holdings, the Company became the ultimate parent and controller of MJH Holdings and its subsidiaries. However, outside the changes to the structure of the Group, there is no substantive economic change to the business operations.

The combination of the entities reflects the results and financial position of the previous MJH Holdings business. No new goodwill is recognised and the Company incorporated the assets and liabilities of MJH Holdings at the pre combination carrying value in the books of MJH Holdings without any fair value uplift. The consolidated accounts herein reflect MJH Holdings full year results and comparatives as if they entities had always been combined and continue to carry on a business.

For further information on the reorganisation steps, refer to the MJ Hudson admission to AIM document on our website <https://investors.mjhudson.com/corporate-governance>.

### Acquisitions during the year

On 10 July 2019, the Group acquired 100% of Saris B.V. an environmental, social and corporate governance consultancy company based in the Netherlands for £3,591,000 paid in cash, shares and deferred consideration. The business was subsequently renamed to MJ Hudson Spring B.V. (Spring). The Group acquired Spring in order extend the global reach of the Group and expand the services that are offered to its customers.

On 31 January 2020, the Group acquired 100% of Anglo Saxon Trust Limited and its subsidiaries for £6,208,000. Anglo Saxon Trust Limited is an administrator based in Jersey. The business was subsequently renamed to MJ Hudson Anglo Saxon Trust Limited (AST). The Group acquired AST in order extend the global reach of the Group and expand the services that are offered to its customers.

On 17 March 2020, the Group acquired 100% of Meyler LLC a marketing services and analytics business based in the United States for £1,940,000. The business was subsequently renamed to MJ Hudson Meyler LLC (Meyler). The Group acquired Meyler to create transatlantic marketing services offering for alternative assets fund managers.

The goodwill represents the experience and expertise of the staff of businesses acquired and non-contractual relationships. In calculating the goodwill arising on acquisition, the fair values of net assets of businesses have been assessed and adjustments from book value have been made where necessary. The goodwill values recorded upon acquisition are not deductible for tax purposes.

	Spring £'000	AST £'000	Meyler £'000	Total £'000
Tangible fixed assets	26	73	2	101
Right-of-use asset	-	68	-	68
Trade and other receivables	207	592	33	832
Contract assets	372	149	-	521
Cash at bank and in hand	-	624	35	659
<b>Total assets</b>	<b>605</b>	<b>1,506</b>	<b>70</b>	<b>2,181</b>
Trade and other payables	(300)	(385)	(15)	(700)
Contract liabilities	-	(613)	(13)	(626)
Lease liability	-	(68)	-	(68)
<b>Net assets</b>	<b>305</b>	<b>440</b>	<b>42</b>	<b>787</b>
<b>Customer relationships</b>	<b>1,394</b>	<b>2,596</b>	<b>328</b>	<b>4,318</b>
<b>Goodwill at cost (note 13)</b>	<b>1,892</b>	<b>3,172</b>	<b>1,570</b>	<b>6,634</b>
<b>Total purchase consideration</b>	<b>3,591</b>	<b>6,208</b>	<b>1,940</b>	<b>11,739</b>

In the current period £5,939,000 has been settled of the total consideration of £11,739,000 noted above. Included within the remaining £5,800,000 of consideration to be paid to the vendors of businesses acquired £5,182,000 is contingent upon the achievement of future performance criterion by those businesses. This consideration is based on the estimated fair value where the achievement of targets is probable and can be measured reliably.

If these performance thresholds are not met the total consideration will decrease, or if the thresholds initially considered not probable are met or exceeded the total consideration may increase. For one of the acquisitions noted above this could result in an additional £900,000 of undiscounted consideration in addition to the amounts currently recognised. For the other two acquisitions there is no cap on the amount of consideration as the subsequent amounts paid out are set at a percentage of financial performance metrics. Refer to note 21 above for further details on contingent consideration.

The useful economic life of customer relationships has been estimated to be 12 years for Spring and 10 years for AST and Meyler based on estimates of the timing of the expected future net present cashflows attributable to the business.

The results of the businesses since their acquisition for the year ended 30 June 2020 are as follows:

	Spring £'000	AST £'000	Meyler £'000	Total £'000
<b>Results since acquisition</b>				
Revenue	1,478	913	290	2,681
Profit for the year	(169)	228	154	213
<b>Estimated results if owned since the beginning of the reporting period</b>				
Revenue	1,478	2,092	694	4,264
Profit for the year	(169)	507	185	523

## 28. Related party disclosures

### Accounting policy

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

### Deferred consideration loans to and from related parties

Included in the consolidated accounts are various amounts due to directors of group companies as set out below. Deferred consideration loans from directors of MJ Hudson Limited of £18,000 (2019 - £109,000) relate to deferred consideration on the acquisition of MJ Hudson Law LLP on 2 December 2013. In the current year amounts receivable from directors was £888,000 (2019 - £nil). Of this amount £462,000 relates to loans to directors which is non-interest bearing and repayable on demand. The remaining balance of £426,000 is unpaid share capital receivable from directors, which is also repayable on demand with no interest charged. Both amounts are expected to be received in full and no provision has been recorded against these balances.

### Transactions with related entities

M Hudson was a director in Quadrivio International Limited and resigned during the year ended 30 June 2020. M Hudson is a director of HCO Global Limited. During the year the Group was charged £206,000 (2019 - £12,000) by HCO Global Limited. At 30 June 2020 the Group owed HCO Global Limited £nil (2019 - £nil).

## 29. Post balance sheet events

On 7 July 2020, MJ Hudson Group PLC made a £1 million loan to Apex Financial Services (“Apex Trustee”) in relation to the establishment of The MJ Hudson Group Plc Employee Benefit Trust (“The Trust”). The loan will be on-lent to The Trust to fund acquisition of shares in MJ Hudson Group Plc.

With effect from August 2020, the Group has put its Guernsey legal operation into run-off and plans to wind up MJH Services (Guernsey) Limited during the financial year ending 30 June 2021. The impact of this closure is not expected to have a material impact on performance in that financial year.

On 13 October 2020 the Group entered into a share purchase agreement relating to the purchase of the entire issued share capital of Bridge Consulting Limited and its subsidiaries (“Bridge Group”). Based in the Republic of Ireland, Bridge Group provides governance, compliance and risk services to the fund management industry and owns Bridge Fund Management Limited which is an Irish domiciled super management company which provides fund management services. This is subject to approval by the local regulator, Central Bank of Ireland. The approximate net value of the assets to be acquired (subject to performance of a full purchase price allocation) is £2.1m whilst the consideration payable for the acquisition is subject to further agreement. The expected impact of the acquisition on the results of the Group cannot yet be identified with any certainty.

There are no other transactions which occurred in the period after the consolidated statement of financial position date up to the date of the authorisation of these financial statements which would affect the figures stated within these financial statements.

### 30. Subsidiaries and related undertakings

Company	Nature of business	Country of incorporation and registered address	Class and % holding
MJ Hudson Corporate Services Limited	Corporate management services for Tower Gate Capital group	(A)	Ordinary - 100%
MJ Hudson Advisers Limited	Provision of appointed representative services to third party clients	(A)	Ordinary - 100%
Tower Gate Guernsey GP Limited	General Partner of limited partnership	(B)	Ordinary - 100%
Tower Gate Capital Limited	Holding company	(A)	Ordinary - 100%
MJ Hudson Fund Management Limited	Investment management services through AIFM platform	(A)	Ordinary - 100%
TG FAR Blue II LP	Investment in technology	(A)	Ordinary - 100%
MJ Hudson Management S.A	Investment management services through AIFM platform	(C)	Ordinary - 100%
MJ Hudson Investment Consulting Limited	Investment Consulting	(A)	Ordinary - 100%
TGC Investments Limited	Venture capital investment in start-up entities	(A)	Ordinary - 100%
Verras Professional Services Limited	Channel Islands Securities	(D)	Ordinary - 100%
MJ Hudson Switzerland GmbH	Legal Services	(E)	Ordinary - 100%
Amaces Limited	Data and Analytics	(A)	Ordinary - 100%
Amaces Inc	Data and Analytics	(F)	Ordinary - 100%
MJ Hudson Investment Solution	Investment advisors	(A)	Ordinary - 80%
MJ Hudson Fund Management Guernsey Limited	Investment management	(B)	Ordinary - 100%
MJ Hudson IQ Limited	Investor Relations	(A)	Ordinary - 100%
MJ Hudson Fiduciaries Limited	Fiduciary and secretarial services	(B)	Ordinary - 100%
MJ Hudson Services Jersey Limited	Legal Infrastructure	(D)	Ordinary - 100%
MJ Hudson Holdco Limited	Holding and management company for UK companies of the group	(A)	Ordinary - 100%
MJH Group Holdings Limited	Holding company	(D)	Ordinary - 100%
MJ Hudson Limited	Legal Services	(A)	Ordinary - 100%
MJH Group Finance Limited	Intra-group funding	(D)	Ordinary - 100%
MJH Services (Guernsey) Limited	Legal Infrastructure	(B)	Ordinary - 100%
MJ Hudson IR Limited (formerly MJ Hudson Allenbridge Holdings Limited)	Holding Company	(A)	Ordinary - 100%
MJ Hudson Investment Advisers	Investment advisors	(A)	Ordinary - 100%
VFS Directors 1 Limited	Nominee	(B)	Ordinary - 100%
VFS Directors 2 Limited	Nominee	(B)	Ordinary - 100%
VFS Nominees Limited	Nominee	(B)	Ordinary - 100%
VFS Trustees Limited	Nominee	(B)	Ordinary - 100%

Company	Nature of business	Country of incorporation and registered address	Class and % holding
MJ Hudson North America Inc	Holding company	(F)	Ordinary - 100%
MJ Hudson Meyler Inc	Holding company	(F)	Ordinary - 100%
MJ Hudson Meyler LLC	Marketing and IR	(F)	Ordinary - 100%
MJ Hudson Finance Limited	Capital/Fund raising/AR	(A)	Ordinary - 100%
MJ Hudson Spring B.V.	ESG Consulting	(G)	Ordinary - 100%
MJ Hudson Trustee Services Limited	Corporate trustee/services	(A)	Ordinary - 100%
MJ Hudson Anglo Saxon Trust Limited	Administrator/Co-Sec	(D)	Ordinary - 100%
Georgian Nominee Limited	Nominee	(D)	Ordinary - 100%
Georgian Trust Limited	Administrator/Co-Sec	(D)	Ordinary - 100%
Anglo Nominee Limited	Nominee	(D)	Ordinary - 100%
AST Nominee Limited	Nominee	(D)	Ordinary - 100%
AST Secretaries Limited	Nominee	(D)	Ordinary - 100%
First Director Limited	Nominee	(D)	Ordinary - 100%
Second Director Limited	Nominee	(D)	Ordinary - 100%

During the year ended 30 June 2020, Tower Gate Guernsey GP II Limited was dissolved and struck off the Guernsey company register.

Country of incorporation and registered office address:

Reference	Country of incorporation	Registered address
(A)	England & Wales	1 Frederick's Place, London, EC2R 8AE
(B)	Guernsey	Hadsley House, Lefebvre Street, St Peter Port, Guernsey, GY1 2JP
(C)	Luxembourg	99 Grand-Rue, 1661 Luxembourg
(D)	Jersey	10 Hilgrove Street St, 2nd Floor Hilgrove House, St Helier, Jersey JE2 4SL
(E)	Switzerland	Löwenstrasse 66, PO Box 4016, CH-8021, Zurich, Switzerland
(F)	United States of America	3500 South Dupont Highway, Dover, Delaware 19901, Kent, USA
(G)	The Netherlands	Stadhouderskade 140, 1074 BA Amsterdam, Netherlands

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# Glossary of Terms

## Alternative Financial Performance Measures

This document contains certain financial measures which are not defined or separately recognised under IFRS. We believe that this information is useful to the Board, investors other users of the accounts to evaluate the Group's underlying trading performance excluding the impact of any non-recurring items and items that do not reflect the underlying operational performance of the Group. These measures are not audited and are not standard measures under IFRS. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Non-IFRS financial measures as reported by us may not be comparable with similarly titled amounts reported by other companies.

## Underlying Revenue

Revenue under IFRS as set out in the consolidated statements of comprehensive income in this document adjusted for direct cost of sales. Within the Group's FMS subdivision (Business Outsourcing) a material proportion of revenue is typically passed through to clients as a specific payment linked to the performance of the clients' funds. This is reflected in direct costs of sales. In managing the business and looking at underlying trends for the Group as a whole, management consider that these payments can have a distorting effect. Underlying revenue is a measure defined to specifically exclude these items. It provides a more representative metric, especially in relation to the value created by the Group, its underlying growth and the operating efficiency of its activities

£million	FY20	FY19	FY18	FY17	FY16 <sup>1</sup>
Revenue	22.4	21.2	22.6	14.4	4.8
Less: Direct cost of sales	2.0	4.5	8.6	3.2	-
Underlying Revenue	20.4	16.7	14.0	11.2	4.8
% change	22%	19%	25%	133%	n/a

1. FY16 financial information is unaudited and was also prepared under UK GAAP rather than IFRS

## Organic investments

The Group has made a number of organic investments in new businesses over time and sees this growth strategy as an important adjunct to its acquisitions activity. Since 2014, the Group has set up six start-up operations as well as the establishment of a legal franchise in Italy. Amongst these start-ups, the Group's investment into Guernsey fiduciary services has already reached profitability.

Management has prioritised investing activities, where: the target client base is known to the Group and where such investment offers more attractive returns than available acquisitions. This activity is informed by management's assessment of customer needs; typically, they have reached profitability on a three-year timescale, supported by the introduction of a material client.

As at FY20 this comprises the Group's Luxembourg AIFMD platform, licenced fund administration in London and Guernsey plus regulatory consulting. This is consistent with FY19 and FY18. These operations are expected to be included within the Business Outsourcing division's results from FY22.

## Underlying continuing EBITDA

Underlying continuing EBITDA is segment profit/(loss) before: share based payments expense (including LTIP), fundraising and acquisition costs, nonrecurring costs, unallocated group expenses and discontinued business losses.



### Underlying profit / (loss) before tax

Underlying continuing EBITDA adjusted for recurring depreciation and amortisation, share based payments and finance charges (note this excludes £0.3m doubled depreciation relating to rent cost for the period from December 2019 to April 2020 where London leases overlapped and £0.5m of finance charges relating to interest on convertible loan notes that converted at IPO and the deemed interest on the deferred consideration).

### Other definitions

AIM	The AIM market of the London Stock Exchange
Debtor days	Debtor days are calculated as trade debtors, net of any associated bad debt provision divided by average daily billing for the financial period concerned
FY20	Financial year ended 30 June 2020
FY19	Financial year ended 30 June 2019
FY18	Financial year ended 30 June 2018
FY17	Financial year ended 30 June 2017
FY16	Financial year ended 30 June 2016
Lockup	Debtor days plus WIP days as at a specific point in time
Recurring revenue	This is calculated as the amount of revenue in a year that reoccurs in the financial year from clients onboard in previous financial years
Underlying debtor days	Group debtor days excluding the 'pass through' revenue in the FMS business unit – see definition of underlying revenue.
WIP days	WIP (Work in Progress) days are calculated based on the accrued income in the financial statements and calculating how many days billing this relates to based on revenue for the financial period concerned

# Financial calendar

AGM	10 December 2020
FY21 Interim results	March 2021
FY21 Preliminary results	October 2021

These dates are provisional and subject to change

## Shareholder contacts and company advisers

### Registered Office

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Company Number 129535

### Nominated adviser and joint broker

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London EC2R 7AS

### Joint broker

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London EC2V 7QP

### Auditors

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London W1U 7EU

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