



MJ Hudson Group plc

Annual Report and Accounts 2021



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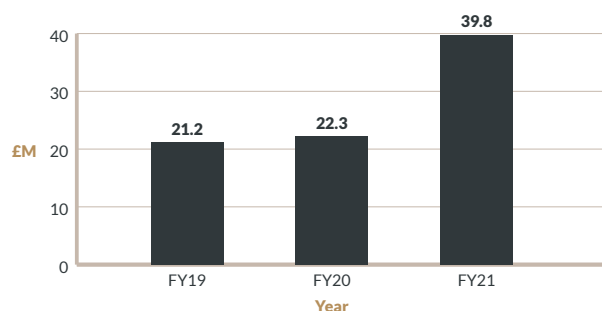


Financial highlights

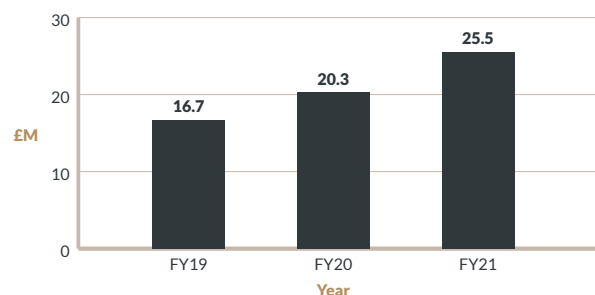
Alternative Performance Measures (APMs).

(APMs are identified by "*" in the charts below. Definitions of APMs can be found in the Glossary of Terms section of this report.)

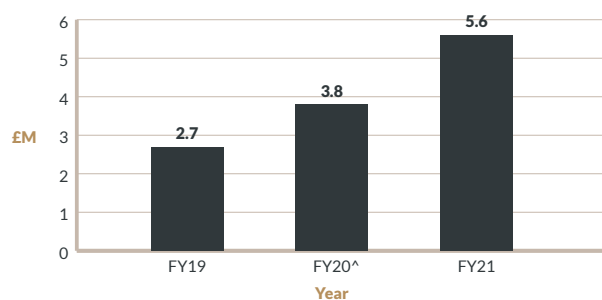
Statutory revenue



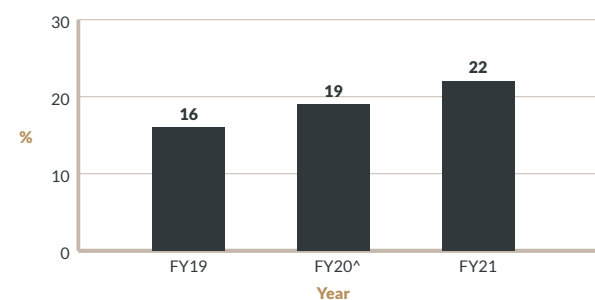
Underlying revenue*



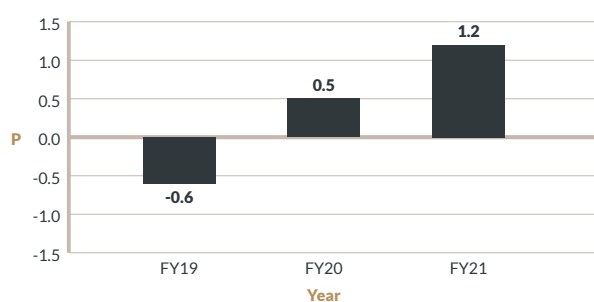
Underlying continuing EBITDA*



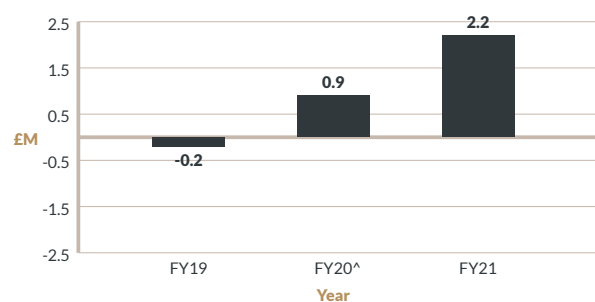
Underlying EBITDA margin*



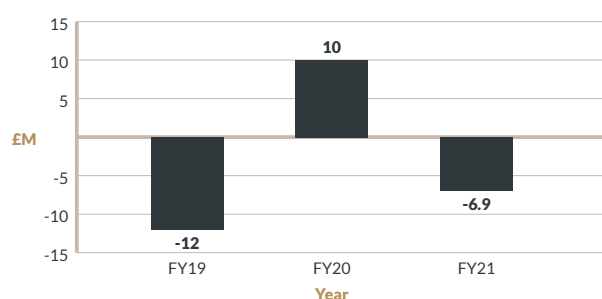
Underlying diluted EPS*



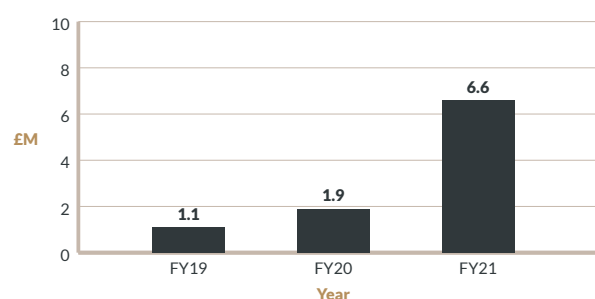
Underlying profit/(loss) before tax*



Net cash position



Underlying net cash from operating activities

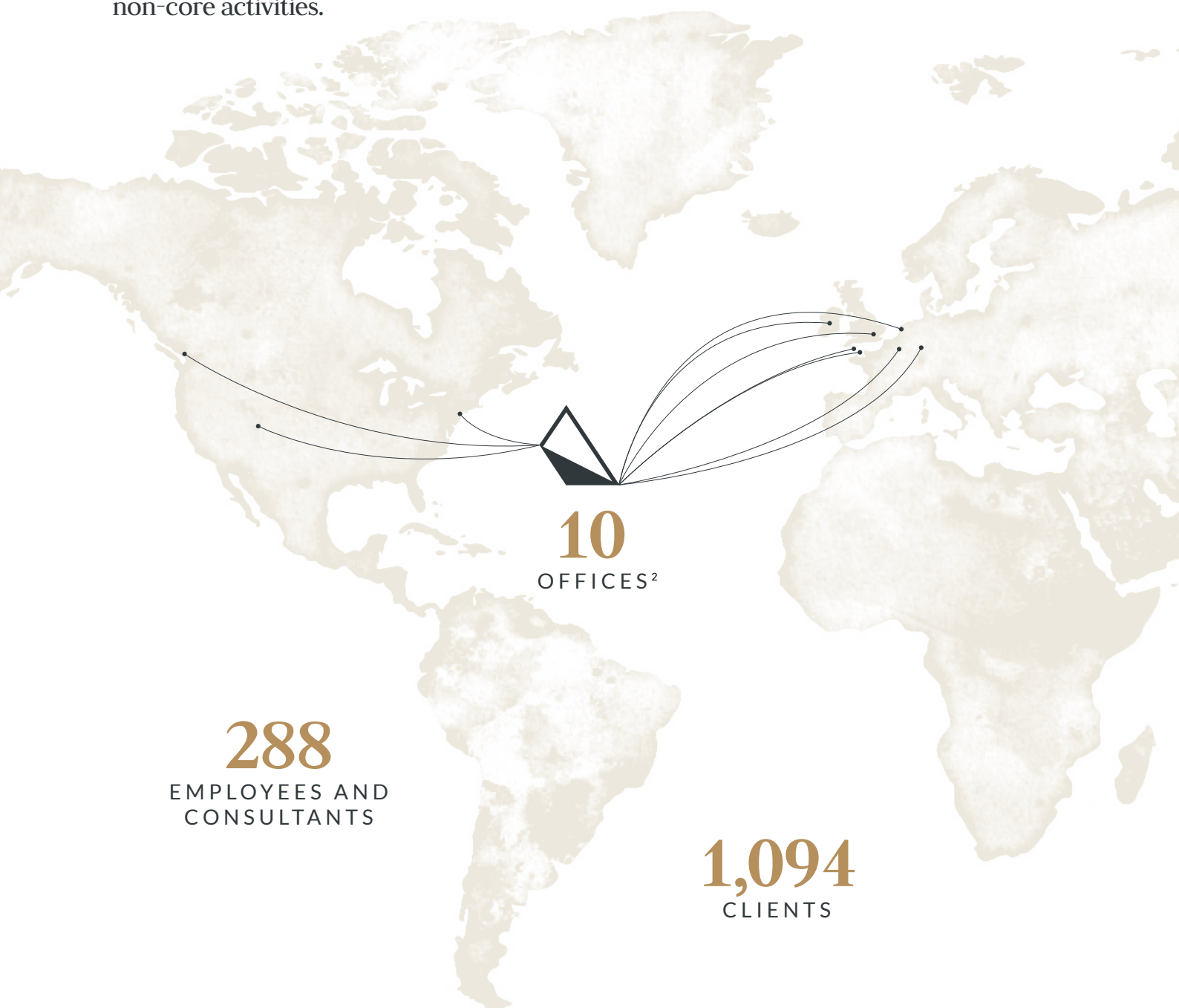


[^]restated

MJ Hudson at a glance

MJ Hudson is a one-stop-shop specialist service provider to the global \$100+ tn asset management industry, concentrating on its fastest growing segment, alternative investments¹.

We benefit from increasing client demand, as operating in asset management becomes more complex and more highly regulated as well as the continuing trend to outsource non-core activities.



1. Private equity, venture capital, hedge funds, and real estate are all examples of alternative investments. The word "alternative" in alternative investments indicates that these investments are often more difficult to access than traditional ones, such as stocks, bonds, and mutual funds and so are unlikely to find their way into most investor portfolios. However, public and corporate pension funds are significant and longstanding investors into alternative investments, so many people will already have some indirect exposure to the asset class. Investors in alternative investments often cite enhanced returns and diversification away from stock market returns as key reasons behind their decision.

2. By offices we mean a place from which our services are offered to our clients and where MJ Hudson staff are based, on a day-to-day basis (localised lockdowns notwithstanding).

Chairman's statement

Overview

MJ Hudson is a growth company focussed on a global growth sector – alternative investments. Undaunted by the combined effects of COVID-19, supply chain disruption and staggered lock downs, the business has made real progress in reaching important financial milestones and strategic objectives over our first full financial year as a quoted company.




Against this challenging backdrop, the key constant theme is management's belief in the business's growth opportunity, emboldened by the resilience of the industry and clients which we serve. Underlying Revenues in the year grew by 14% on an organic basis with an encouraging first/second half trend. Including the benefit of acquisitions, the group has now grown by more than 50% in two years on an Underlying Revenue basis. Matthew Hudson and Peter Connell, ably supported by the other senior management and staff, deserve credit for such an impressive achievement in extraordinary times and they provide detailed updates on our strategy and financials in their reports that follow.

Management and staff

The Board would like to congratulate our executive team on navigating our first full financial year as a quoted company. As I noted last year, these are less than ideal circumstances for such a debut, when first contact with clients, potential acquisitions and even shareholders is often originated online, as opposed to in person. Many clients froze activities during the worst of the lockdowns, too.

We would like to thank the staff once again for their hard work and efforts over the year which have generated excellent financial results. This has been a challenging period for all, and we never take them for granted. As we welcome all our colleagues back into the traditional office environment, we are very aware that COVID-19 remains a threat. Of course, as a professional services company our people remain at the heart of the business. Matthew provides an insight in his section as to how our various teams work together, along with some explanation as to how we approach the human side of acquisitions. In the People and Wellbeing section, you will find more about the individual perspectives on the business of some recent joiners.

With the benefit of both organic growth and acquisitions, the group now has 288 staff, an increase of 40% over the prior year. You can read more about the make-up of our team in the People and Wellbeing section, below, and in our ESG report, also included in this document. 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.



“The key constant theme is management’s belief in the business’s growth opportunity, emboldened by the resilience of the industry and clients which we serve.”

Shareholders

The Group made three further acquisitions during the period and a fourth that completed in recent weeks. That totals seven transactions since June 2019, which we have financed with both the equity raised at the IPO and the senior debt facilities provided by Santander which we announced in April of this year. The latter is a significant milestone for us as a public company and we were delighted to attract the support of such a leading global bank during the lockdown period. The Santander facility adds judicious leverage to our balance sheet, on attractive terms, with the potential to do more as the business expands.

We welcome the many new investors who have joined the shareholder register during the period. One of MJ Hudson’s distinguishing features is the degree of equity ownership within the management team and staff. As detailed in the Governance section, senior management (including the Board) hold 31% of the company’s shares. We believe management is best aligned with shareholders when they are fellow owners rather than just ‘renters’ of the corporate assets. The ability to think and act like business owners as well as management has undoubtedly informed the Board’s decisions in the year.

The Board is pleased to announce we are proposing to recommend a maiden dividend to shareholders for the six-month period ended 30 June 2021. We remain a growth company but believe a progressive, albeit modest, dividend policy further aligns shareholders with management’s goals.

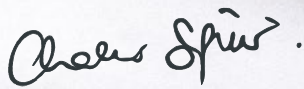
Board and governance

I would also like to thank each of my board members, and particularly the non-executive directors, for their wisdom, patience, and flexibility during what was a logistically frustrating year for all public company boards. Each brings varied and complementary skills sets of which we have made full use and have offered sterling support to our executive team and me over the year.

Given one of our fastest growing business areas is championing ESG in both the alternative investments and public company worlds, we strive to weave awareness of ESG into everything we do, so I commend our second ESG report to our shareholders and other valued stakeholders.

Outlook

MJ Hudson is in a strong position, both in terms of the financial milestones it is achieving and the prospects for the industry it serves. While we cannot ignore the continued risks posed by coronavirus and its impact on business confidence, we have now witnessed the resilience of the sectors in which we operate. As we build on the early advances that we have made in valuable secular growth trends, such as ESG and outsourcing in private markets, the Board is optimistic as to growth in the current year, encouraged by both the trading in the first few months and the potential within our M&A pipeline.



Charles Spicer

Charles Spicer
Chairman,
24 November 2021



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CEO review

Introduction

In my statement last year, I said that success would come from: ‘listening to our clients, optimising our services and delivery models and investing in the future’. I am pleased to report that this is exactly what we have been doing and that it has helped us emerge quickly and strongly from the pandemic and the economic turbulence that has impacted so many. Indeed, we remain entirely confident in our immediate and long-term prospects. For us, this has been a year of real growth, underpinned by investment activity, and we expect to see both growth and investment accelerate in the coming year and beyond. So, what is it that gives us this confidence?

“For us, this has been a year of real growth underpinned by investment activity and we expect to see both growth and investment accelerate in the coming year and beyond.”



The financial year in review

Firstly, the financial results, themselves: Peter Connell's CFO review will go through the detail (see page 25), but I wanted to draw some of the key highlights in our underlying results to your attention:

- Group Underlying Revenue of £ 25.5m, a 26% gain on last year. Within this, approximately half of the growth came as a result of acquisitions made in the year.
- Organic revenue growth of 14% for the full year with an accelerating trend first half to second half as we saw a rebound particularly in our Advisory division from a slow first half due to freezing of fund launches at the worst of the economic turbulence of calendar 2020.
- EBITDA margin pre organic investments maintained at 25% despite the degree of revenue growth achieved
- A maiden final dividend of 0.125p in respect of FY21.

Impact

We have shown that we can scale the business by growing revenues organically at a double-digit rate and by adding meaningful and client-relevant acquisitions. The result of this is that the balance of the group is changing. In particular, the EBITDA contributions from the three established divisions are now comparable in scale for the first time. One important driver of this is the organic growth within ESG. This rebalancing effect has other consequences. The recurring revenue profile of the Group has increased with 86% of revenues in the year to 30 June 2021 (FY20 – 84%) coming from repeat or recurring clients.

Our clients and our markets

Early signs of client recovery in the six months to December 2020 were converted into revenue gains in our second half. Calendar year 2020 was marked by a freezing of fund launches by many of our clients, owing to the lockdowns and also economic turbulence. I have seen this movie before in our client markets, from the GFC and Dotcom bust; this was not unexpected. My Chief Operating Officer Odi Lahav and I have both seen and commented on a steady trend of improvement in each six-month period, since the lockdown, as clients have returned to the business of structuring, launching and operating funds and analysing and reporting on their performance. This recovery was underpinned by a series of milestone client wins, listed below. The Advisory division, which had felt the pandemic's effects most keenly, rebounded, achieving organic revenue growth in the six months to 30 June 2021. In addition, a number of our businesses distinguished themselves with transformative growth: ESG & Sustainability (part of the Data & Analytics division) grew revenue by 84% whilst our Organic Investment portfolio (Luxembourg team, Fund Admin in Guernsey and Regulatory Consulting) more than doubled revenues in aggregate, compared with last year.

MJ Hudson is well-positioned for growth. By the end of the financial year, we saw a rebound in funds being launched, and private equity (our largest asset class served), continues its constant march upwards in AUM. Similarly, private debt grows as more traditional banks withdraw from risk, and as clients seek yield in a super-low-yield market. This thirst for yield has also led to more investment in real estate and infrastructure, only enhanced by western Governments' desire to dig their way out of a crisis. In a similar vein, renewables are also seeing a boost, combined with concerns around climate change and ESG. ESG reporting is selling like hot cakes, as you can imagine. Investment into alternative assets is increasing, regulation of the asset class is growing, and clients need expert advice, reliable operational support and the best data and analytics. MJ Hudson provides all three.

You can find more on this growth and the people behind it, later in this report, in a series of MJ Hudson growth stories.

The results suggest our increasing scale and service mix is being actively recognised by clients. I have spent all of my career in either private equity itself, private equity law or a combination of the two. From these perspectives I have built a healthy appreciation for the power of a strong brand, and know we have to constantly reinforce our industry knowledge, connections and increasingly depth of data, to stay relevant and in the industry leadership. Led by our Chief Marketing Officer, Matt Craig-Greene, and supported by an award-winning marketing team, we will continue to invest in this content, data and communication. Any of you that have seen our publications or attended our events will already understand our ability to punch above our weight in the markets we serve.

As our reputation grows, we are increasingly able to attract milestone clients (who, in turn, attract others). A few significant wins from the financial year are listed, below:

Client type	Client of/Division	Source	Revenue impact
Large UK based asset manager	Luxembourg ManCo/ Outsourcing	Cross sell from Investment Advisory following strategic consulting project	From FY 2022, recurring revenues
Global Bank	ESG & Sustainability / D&A	Global tender process	Continuing model with revenue expanding with usage from H2 FY 2021
UK based public sector Pensions	Investment Advisory/ Advisory	Tender process	Multiyear project, alternatives focussed from FY 2022
Large UK based global asset manager	MJ Hudson Bridge*/ Outsourcing	Pitch process	Recurring revenue model, impact from FY 2022
Large US PE fund manager	Performance Analytics*/ D&A	Extension of existing client relationship	From FY 2022, recurring revenues

*Acquisitions made in the year to 30 June 2021

Impact

The client wins are milestones for us because they all have the revenue potential to enter our top ten clients list in the current year and, by their example, we believe there should be material follow on opportunities. From another perspective, four of these wins bring a recurring revenue model and two were won on the basis of an international tender process which enabled the group to showcase its expertise and innovative long-term pricing structure.

Securing the new client mandate in our Investment Advisory business is especially rewarding. As a business, we have a reputation for investing in technology where this can improve service delivery for our clients and efficiency for our business. But innovation, for us, doesn't stop there. As a direct result of rethinking our service and delivery models, as I promised we would in my letter, last year, we have set this business on an even more exciting trajectory. The credit for this bold and impactful move goes to the head of Investment Advisory, Joanne Job, and we expect to tell you more about this in the coming months.

Operating growth highlights	FY21	FY20
Total offices	10	11
Total staff	288	206
Total clients	1,094	943
Total Multi-Service clients (taking services from > 1 division)	68	91
Multi-Service client revenue as % of Group total	29%	14%
Total Underlying Revenue growth	26%	22%
% Organic growth in Underlying Revenue	14%	4%
% Underlying Revenue from top 10 clients	16%	17%

In terms of operating highlights, we added a new office in Dublin via the Bridge acquisition. Total staff members grew by 40% (including the effect of acquisitions). The total number of clients taking services from more than one division or segment 68 Compared with 91 last time. However, the bigger change here is that these Multi-Service clients accounted for 29% of Group revenue compared with 14% in FY20. Within the top 10 clients, a total of 6 came from outside the Advisory segment compared with 3 in FY 2020.

From another perspective, the growth of our brand can have surprising effects, across the business. Our most downloaded item is a positioning report on the significance of ESG in private equity. When I tell you that this was published in 2017 and that it prompted a discussion that led to our first acquisition in ESG, you will understand the impact this can have. This point takes me on to our next section.

Investment activity

	2019	2020	2021
M&A spend*	2.6	8.3	10.7
Incubation **	1.2	1.0	0.3
Investment - capitalised expenditure	1.3	2.1	2.1
Total	5.1	11.3	13.1

*Includes planned expenditure on prior deals
 ** losses in Organic Investments

Mergers & Acquisitions

We completed 3 acquisitions in the twelve months to 30th June 2021, with a further deal announced after the period end. That makes eight completed acquisitions since June 2018. Besides Odi, Peter and myself, our M&A team comprises our head of M&A, Andrew Walsh and General Counsel, Guy Grayson. Total investment activity, including incubation and planned expenditure on prior acquisitions, totalled £13.1m in the year, an increase of 16%.

“That makes eight completed acquisitions since June 2018, with on average 31% revenue growth on consolidation.”

I'm often asked, "how do you originate your deals?" Well, we typically go and find them. The founders of the businesses that we engage with are often known to us and our clients. We tend to work with them already and see them as natural bolt-on deals or an opportunity to extend or enhance our core services. For example:

- I have known David Dillon a long time; we both started out as fund lawyers. When he told me he was looking for a partner for his fast-growing governance and ManCo services business, Bridge Consulting, in Dublin, the potential was obvious. Dublin is a key European fund centre (especially for liquids) and one in which we had previously had no presence. He, in turn, was attracted by the range of services within our group (ESG, in particular, had been requested by clients). Although discussions understandably paused in the early weeks of lockdown, we agreed the terms at the end of 2020 and received regulatory approval in early 2021. We have worked together on pitch activity and the revenue run rate has already exceeded expectations set during deal due diligence.
- A tenured professor, Oliver Gottschalg is one of a small number of recognised international academics in the private equity space. I have known him for over a decade. Through his business, PERACS, he has perfected a technique to analyse returns in private equity at a granular level and provide benchmarking and due diligence services. He has an impressive client base of private equity names with a US bias. Via Teams, rather than in person, Oliver came to see Odi, Andrew and me in the second half of last year. We told him about our plans to build recurring revenue streams around proprietary private market data. Oliver told us he wanted to find a partner that believed in his analytics business as much as he did and could help him scale it to the next level. It sounded like a natural partnership. We completed the deal at the end of last year and, by Easter, Oliver had secured his biggest ever client contract.
- We had been speaking to Max Hilton for a while and were already working with him in our ManCo business but the logic for a combination with his risk analytics platform business, Clarus Risk, started to make real sense as our network in ManCo services grew with the addition of Bridge Consulting in Ireland. A fintech by any other name, we completed the acquisition at the end of the June. MJ Hudson is both a client and distributor of Max's services and he and his team are set to play an important role as our Data & Analytics division develops further. I am pleased to add that Max and his team have already landed new clients on a cross sell basis from within the MJ Hudson group despite being consolidated for only a few months.
- MJ Hudson board member and Managing Director of International Administration, Mark Pattimore, was in discussions with the vendor of Guernsey-based, Saffery Champness Funds Limited (SCFL), for many years. Founded in 2007, SCFL's core services include fund administration and fund accounting as well as valuation and corporate secretarial work. Terms were agreed in late July, subject to regulatory approval which arrived as we were finalising these preliminary results. This acquisition is now complete. It adds strength in depth to the Group's Guernsey operations as well as timely expertise in fund systems.

You can read more about the financial impact of these acquisition in Peter's section, below.

We knew David, Oliver and Max and the owners of SCFL prior to the lockdown, last year, but the PERACS deal was one instigated and largely completed without physical meetings.

Generally, acquisition ideas originated internally have had a higher conversion rate into actual deals.

You can read more about our acquisition strategy in the Strategy section, below.

Impact

When we came to the AIM market, at the end of 2019, the MJ Hudson group had historic EBITDA of £2.7m and one dominant division (Advisory). Through a number of judicious acquisitions and organic growth, both the Outsourcing and Data & Analytics divisions are expected to exceed this figure, on a proforma basis, in our current financial year. That transformation has been made possible by the funds raised at our IPO and the industry of our staff in the UK, continental Europe and North America.

Of course, acquiring businesses only makes sense if doing so adds value to the Group and helps us to better serve our clients' needs. An important question we ask ourselves to determine this is are we able to add value to the acquisition? Simply put: can we make it grow faster? We are now in our second year as a quoted company and the acquisitions we have made since June 2018 contributed in aggregate £10.4m to group revenues in the full year to June 2021. Most of our M&A in the year to June 2021 was completed in the final six months. Looking at this same group in the periods immediately prior to their acquisition, we have increased revenues on consolidation by a healthy 31% on average. A key contributor to that is our ESG business in Data & Analytics which has grown revenues by over 130% since being consolidated from July 2019 with staff numbers up from 12 to more than 40, in Amsterdam and London combined.

Organic investments

Sometimes, the market price of potential acquisitions does not make economic sense to us, and we don't limit ourselves to M&A as a growth strategy. Indeed, we are mostly an organic, industry-focussed, growth team. The build over buy question is something we often think about, and we have good experience in this area. The law firm, which is instrumental to the group in many ways, was a business I founded as recently as 2010. We have grown the group with this and other business incubations, as well as acquisitions.

Our incubated businesses form our Organic Investments business segment. We have incubated three businesses: our Luxembourg services, our regulatory solutions team in London and fund administration. Collectively, these businesses had Underlying EBITDA of £0.4m in the year to June 2021 following £0.9m loss in the prior year. I am pleased to report that a series of new client wins, and organic growth, have combined to push them further along the path to profitability. Going forward, these incubated businesses will be reported in our Outsourcing division, which is their natural home.

Over 4 years, we have therefore invested a total of £3.5m, in organic investments, to get to a position of profitability. This is a fraction of what we believe it would cost to acquire them now; on a combined basis, this group generated over £2.3m of revenues in the year to June 2021 with growth of more than 100%, over the prior year. This serves as evidence, I believe, that investing to create goodwill can be cheaper in the long run than the cost of acquiring it.

You can read more about the financials of our Organic Investments and their consolidation going forward in Peter Connell's CFO report.

Investment in technology

Since listing the group in December 2019, we have been investing in technology, this includes investment in the IT infrastructure used by the group; our application development capabilities (including machine learning); and acquisitions of businesses that centre on technology. We expect to continue this investment strategy

In IT infrastructure, we have been embedding Salesforce into our operational and sales processes and upgrading our Finance and HR systems to Workday. I consider both systems to be Tier 1 enterprise-grade systems, that will enable us collectively to scale quickly and to manage our continued global growth more efficiently. We look forward to these systems being rolled out in FY22.

Our investment in our application development capabilities has also been substantial over the year. Much of the resource has been dedicated to our proprietary platform, AdvantageIQ, and our award-winning private markets ESG and sustainability app, ESG Advantage (part of AdvantageIQ). Lastly, two of our recent acquisitions (Clarus Risk and PERACS) had technology and systems at their core. These systems now form part of our asset management technology suite of products, bringing more data and tools to our clients, as well as to ourselves. Several business units across the group are already using these in their day-to-day business. Our plan is to continue to invest in R&D to support and grow these businesses and launch new products, and to enhance and integrate the technology into our eco-system.

It's not all about the systems nor indeed the value of the same on our balance sheet but also the people that make it happen. Over the year, we expanded our team in the UK as well as built out a software development team in Sri Lanka. Today we have 23 staff in our Technology Group (and many more around the group involved in technology and R&D). As part of this expansion, we have invested in bringing in new skills to the team, focusing on application development, data acquisition and machine learning, to build the next generation of services in Data & Analytics. I expect that this team will expand further, and we will continue the strategy of recruiting talent globally to support our ambitious plans.

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Investment in people & culture

As well as in technology, we have been investing in people since our IPO. With the benefit of hiring activity and M&A, we now have 288 staff members in the UK, Europe and North America. This includes some consultants and those on part-time working arrangements in various forms. Full time equivalent headcount has increased from 158 in FY20 to 233 in FY21. That is an increase of 47% on the same period last year.

You can read more about the make-up of our team in the People and Wellbeing section and in our ESG report, below.

The first person I hired when setting up MJ Hudson was our head of People & Wellbeing, Charlene Cowen. She has made an enormous contribution in a difficult year and once again I want to thank her and the team. Growth notwithstanding, what with Covid and the London office move, never have the skills of the People & Wellbeing team been more needed and appreciated. Charlene and her team have helped staff through the early Covid months, the challenge of home working and the start of the office return. It sounds like a straightforward progression as I put it down on the page. As we all know, that was not the case at the time. With Charlene's good advice we were able to navigate our way through with a solution that made sense for us, consulting with staff along the way. One product of that discussion is that we decided we are an office-based company. We understand the value of being flexible in terms of home working and will continue to support staff members in that regard, but as in most professional services and knowledge-based businesses, the office is where we all get to learn, both young and old.

Our culture is vital. It is a culture of intellect, growth and ambition. It incorporates a deep analysis of our clients and sector, and the confidence and encouragement to advance one's career and capabilities. At the same time – as we showed during the worst of the pandemic – it offers care and support. Our business is not just about numbers and the last percentage of margin. We listen to our clients, and we listen to our people.



Current trading

2021 has seen a broad recovery in our markets. Like history repeating, private equity, one of our key client groups, tends to emerge stronger and perhaps more mainstream with each passing crisis. On the stock market, service providers to the alternative investments sector have attracted acquisitive interest. At the same time, there has been investor demand for a number of high-profile new issues in the alternatives fund manager area. Ours is a more diversified business model than a fund management group, but we share the same alternative investments focus. Our strong results, particularly in the second half of the year to June 2021, speak to that.

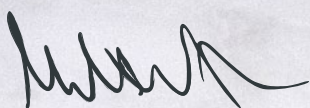
Trading has been strong in the current financial year, continuing the momentum established in the last six months of FY21 and with good contributions from recent acquisitions in Outsourcing and Data & Analytics.

Future prospects

With the benefit of the acquisitions made, to date, and the growth we have already seen, this past financial year, I look forward to the coming twelve months with real confidence. For example, we anticipate further, secular growth for our Data & Analytics services (including ESG). Unlike law and regulation, mathematics and data move easily across international boundaries and our brand opens doors on both sides of the Atlantic. We welcome the many new investors to the register, many of whom are private clients and small family offices, who have come to this same conclusion.

Looking forward, we can understand why the growth of the sector is attracting outside interest and our own prospects are linked to that. Growth remains our focus, both in an organic sense and as a filter for acquisitions. If anything, our conviction in that regard has only increased, through the year. Our plans involve further investment and acquisition activity in the current year, as we think about adding enhanced technology services and extending our reach internationally in alternative markets. As I write, we have a qualified list of M&A opportunities in Europe, North America and Asia which we plan to finance through an intelligent mix of debt and equity over time. I look forward very much to commenting on that in these same pages, in twelve months' time.

“Growth remains our focus... if anything, our conviction in that regard has only increased through the year.”



Matthew Hudson
CEO,
24 November 2021



Business model

Our business model is designed to support our clients throughout the life cycle of their businesses and of the investments they make. Whether our client is a boutique fund manager raising its first fund, or a wealth manager in the FTSE 100, we have developed products and services to help them operate more efficiently and make better-informed decisions. Depending on their needs, we can help our clients grow, consolidate their position or transform. We can help them exit individual investments, divest whole portfolios, and manage spin outs of teams and business units.

How are we able to do this, and why do large firms and new enterprises, alike, trust MJ Hudson with such important work?

The answer to both these questions lies in our history and in the special relationship we hold with our clients:

MJ Hudson was founded in 2010, as a private funds law firm. Through the reputation of our senior team, clients came to us to help them solve complex challenges around spinning out from institutions in the aftermath of the global financial crisis and launching new investment vehicles. They liked our work, and they came back for more. As we became their trusted advisers, they shared their longer-term ambitions with us. We began to see opportunities to provide additional services to these clients (still in law, at first, but then in other areas) and we built out and acquired offshore legal capabilities, as well as a transactions team. At the same time, they were sharing their plans—and needs—with us, they were talking to their peers about their experiences of working with us, building our reputation, for us. As more clients, consequently, came to us, we began to scale more deliberately and, in 2015, we added our first non-law service line (Investor Relations & Marketing Solutions), through a small acquisition. Suddenly, we were not limited to providing legal advice: we could help our clients position themselves, as they went out to raise capital, too.

The more work we do for our clients—and their peers—the better we understand their needs. The better we understand their needs, the more tailored our services become, leading to enhanced outcomes for our clients, greater status for us with those clients, and greater reputation for us, in the market.

We have consistently added products, services and scale to our offering, always led by client needs, which they share with us, their trusted advisers.

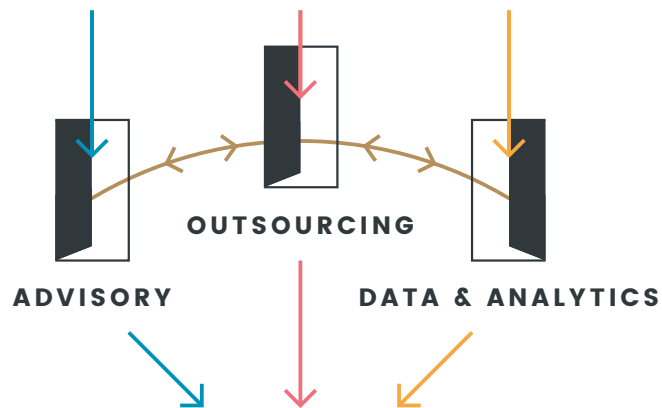
Multiple client touchpoints

The depth and breadth of our market contact allows us to understand our clients' needs from multiple perspectives and engage in ways our competitors cannot.



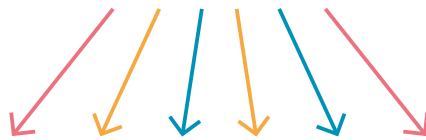
Vital, intergrated services

Our integrated services are built around the advice, expertise and technologies that clients cannot live without. Where it makes sense (often for larger firms), we market the combined group as a single solution, right from the outset.



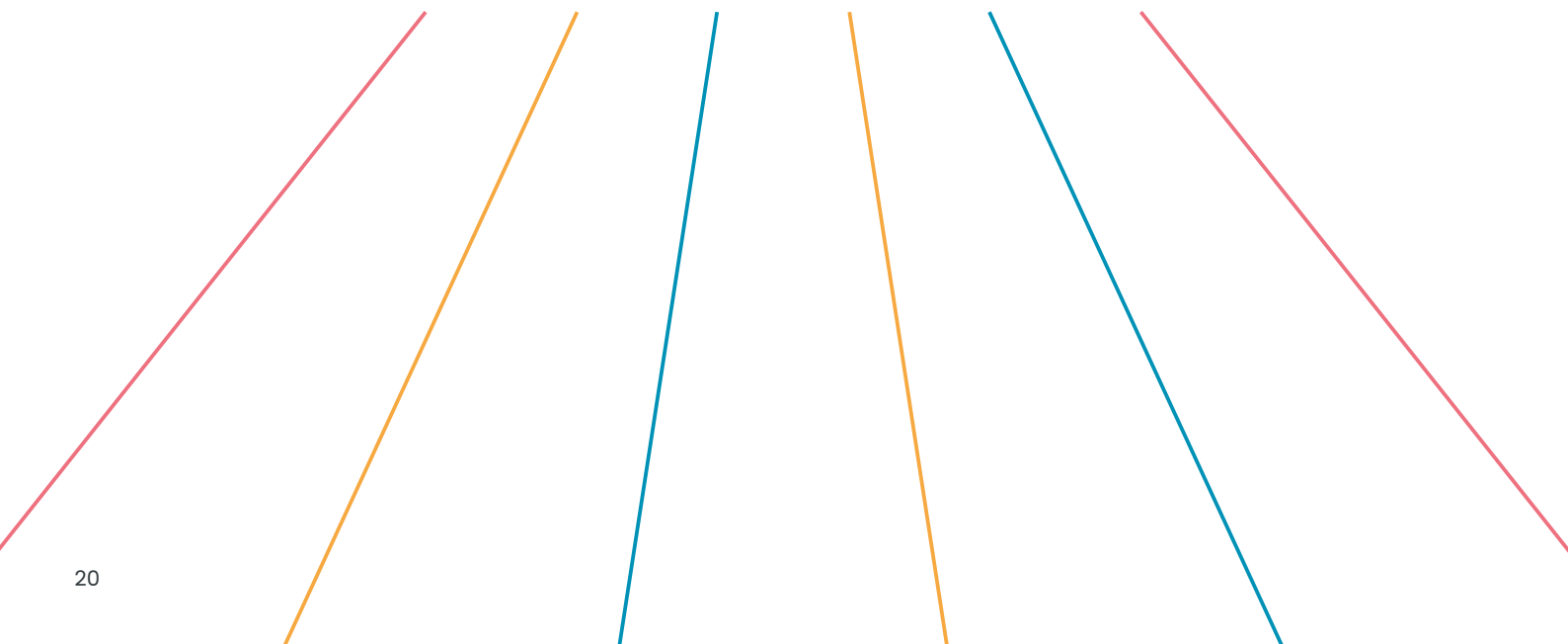
Client knowledge and cross referrals

During our work, we often uncover hidden client needs. Our structure makes it easy to introduce additional MJ Hudson services to satisfy these needs and help our clients become more successful.



Long-term relationships

Once a client is onboarded, we leverage the quality of our work, our client knowledge and our broad range of services to secure continuing, multi-year engagements.



The competitive advantages of our structure

From a commercial perspective, our privileged client relationship gives us a competitive advantage over other would-be service providers; in return, of course, our clients benefit from being able to access all the services they require, from a single firm that understands their needs, perfectly.

As a result of this client-led investment and growth, MJ Hudson can now provide its clients with a unique end-to-end platform of products and services. Although our products and services are delivered in a tightly integrated way, in order to understand the detail of our business model, it may help to think of them grouped into three established divisions and one start-up division:

- Our Advisory division (which includes our law firm and our investment consulting team) is where our business started, and it is often where our client relationships start, too. For example, an established private equity fund manager might be looking to understand the options for a new fund. We would advise on the structure, the jurisdiction and, potentially, a number of related factors, including how to position it to investors.
- Our Outsourcing division (which includes fund and company administration) provides outsourced resources and operating and governance structures. These types of contracts will typically last for many years and may continue across successor funds. Once we had advised our example fund manager on its proposed new fund, we would set up the required infrastructure and could administrate the vehicles, taking on governance, risk management and reporting functions, too. Doing this would help our client focus on its core activities and growing the firm.
- Our Data & Analytics division (which includes our ESG and sustainability practice and our fund performance analytics team) monitors client activity and provides tools and services to analyse and draw insights from it. It can then package this up in reports for investors, regulators and other stakeholders. For our example client, we might put in place an integrated ESG monitoring system, analyse investment activity to identify and prove outperformance, and even track investor engagement with communications.

Together, the above divisions comprise the Established Business Segments

- Our Organic Investments division (which includes our Luxembourg AIFM regulatory platform, fund administration and regulatory consulting) provides additional product or jurisdictional services to clients in markets where the Group has been unable to source an attractive acquisition. Our strategy in this regard is entirely led by client need and we see our incubation capability is a competitive strength. The entities currently within this division will transfer to Outsourcing in FY22 as they have now reached a sufficient level of maturity

Naturally, the data we collect and analyse isn't just interesting to external stakeholders: our clients, themselves (and we, as their advisers), can use this continuous feedback to optimise a variety of different operational aspects of their business. Combined with our aggregated market insights, we believe this gives our clients a tangible competitive advantage over rival firms. For our example client, we might identify new ways to demonstrate the superiority of its investment strategy or find additional opportunities to create value in its portfolio through ESG-related initiatives. We might also find that market trends suggest the client's next fund should consider an alternative fee structure for investors.

Strategy

Our strategy is to continue our growth, led by the needs of our clients, by scaling existing areas of strength, adding new, relevant products and services and extending our presence in attractive markets. In so doing, we hope to become an even better service provider to our industry, an even more efficient and profitable business, and an even better place to work. We believe that successfully executing this strategy will bring significant returns to our stakeholders. To this end we have established three clear growth objectives, supported by specific tactics (see below).

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 and to encourage team members to feel like owners of the business

Tactics

To achieve our objectives

- Focus on UK, Europe and North America, (i.e., those markets with disproportionate exposure to alternative investments), as well as territories with rising potential
- 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
- Provide simple and affordable routes to share ownership for team members

Guiding principles

MJ Hudson is a business with longstanding principles, and these inform all of our activity. These guiding principles are set out below. At all times, in all that we do:

We keep clients at the centre

Our business stands or falls on our ability to understand client needs and provide high quality solutions. Our key executives have personal experience of the markets our clients operate in, and the depth of our client relationships affords us privileged insight into client requirements. Client priorities drive all of our investment activity and help us to prioritise our activity. We do not compete with our clients, and we have procedures to manage conflicts.

We believe in the value of people

We consider our staff to be our most valuable asset. We encourage our staff to take care of their own physical and mental wellbeing and support them in this, fully, including ensuring a proper work-life balance for all staff. We are committed to providing a safe and healthy work environment. From a personal development perspective, the Group encourages staff to keep their skills up-to-date and offers its staff the means to develop additional skills through training and development programmes.

We care about the 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 environmental impact in three areas: our own business; helping clients make sustainable choices where we can; and creating new products and services to address the challenges ahead.

We employ 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 extends beyond commercial aspects of our work into the relationship we have with the planet and our society.

We believe that investment in technology is key to success in today's financial markets

We believe that technology, combined with data, human experience and insight, can improve the value of our services and help clients to grow. 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.

We exercise 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.

We believe in a strong, internal community and we support and cherish diversity

We recognise that we are building a community of staff members and we recognise that diversity makes our business stronger. 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. We strive to provide the same terms, benefits and opportunities to all, including routes to becoming shareholders, be they existing or new members of staff; be they senior executives or those just starting out in their career.

We believe in taking responsibility for our actions

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.

Our clients



CFO review

Introduction

This has been another significant year in the development of the MJ Hudson Group. During the year, three acquisitions were completed and, after the balance sheet date, a fourth was finalised. The Group also secured a new borrowing facility with Santander to complement the funds raised at IPO in December 2019. The Group remains focussed on growth. Despite the challenges presented by COVID-19 lockdowns, the Underlying EBITDA performance of the Group has continued to improve.

“In FY21 underlying revenue was £25.5m (FY20- £20.3m), an increase of 26%.”



Statutory results

	2021 £m	2020 £m	Change
Revenue	39.8	22.3	78.5%
Operating loss	(5.1)	(5.1)	0%
Loss before taxation	(5.3)	(7.3)	27.4%
Loss for the year	(5.4)	(7.5)	28.0%

In order to assist shareholders' understanding of the underlying performance of the Group, our comments focus on the underlying performance of the business for the 12 months to 30 June 2021 and comparative period to 30 June 2020. 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.

Underlying results

KPI	2021 £m	2020** £m	Change
Underlying Revenue	25.5	20.3	25.6%
Underlying EBITDA	5.6	3.8	47.3%
Underlying Operating profit	3.4	1.9	78.9%
Underlying Profit before taxation	2.4	0.9	166.7%
Underlying Profit for the year	2.3	0.7	228.6%
Underlying EBITDA margin	22%	19%	
Underlying basic earnings per share	1.3p	0.5p	
Net (debt) / cash excluding IFRS16 leases	£(6.9)m	£10.0m	
Proposed dividend per share	0.125p	n/a	

Notes

1. Underlying Revenue is segment revenue less direct cost of sales.

2. Underlying EBITDA is segment profit/(loss) before: share based payments expense (including LTIP), fundraising and acquisition costs, non-recurring costs, and discontinued businesses losses. This also included unallocated group expenses in 2020.

** Certain items have been restated in the results for the financial year to June 2020 as part of the audit for FY21. These restatements have had, in aggregate, a £0.3m impact on statutory profits in FY20 and relate to changes in the reporting of deferred consideration and a credit loss calculation within administrative and other expenses. A more detailed explanation can be found in note 1 to the financial statements.

A reconciliation between the statutory operating loss and the Underlying Operating Profit is included below.

Revenue

In FY21 revenue was £39.8m (FY20 - £22.3m), an increase of 78.5%. Revenue has recovered after being suppressed in FY20 due to the covid lockdowns. As highlighted in previous reporting, the fund management solutions business unit revenue contains significant passthrough revenue of £2.2m in FY21 (FY20 - £2.1m) reflected in direct cost of sales. The remainder of the increase in direct cost of sales of £12.0m relates to one significant new client onboarded by the Luxembourg office. Revenue of £2.2m was contributed by the three new acquisitions in FY21 i.e., PERACS GmbH, Bridge Consulting Limited and Clarus Risk Limited.

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 FY21 Underlying Revenue was £25.5m (FY20 - £20.3m), an increase of 26%. Organic growth for continuing operations was 14% (FY20 - 4%) for the full year (up from 3.6% in first half). Organic growth relates to businesses that have been fully owned by the Group for the whole of FY20 and FY21.

Segmental review

The following table analyses the segmental results for continuing businesses.

£ millions	Advisory	Business Outsourcing	Data & Analytics	Established segments Total	Organic Investments ¹	Consolidated
FY21						
Underlying revenue	9.5	7.1	6.6	23.2	2.3	25.5
Growth	(5%)	54%	43%	20%	130%	26%
Underlying continuing EBITDA ²	1.8	2.1	2.0	5.9	(0.3)	5.6
Margin	19%	30%	30%	25%	(13)%	22%
FY20 (RESTATED)						
Underlying revenues	10.0	4.7	4.6	19.3	1.0	20.3
Underlying continuing EBITDA	1.4	2.0	1.4	4.8	(1.0)	3.8
Margin	14%	43%	30%	25%	(100)%	19%

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

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

At the Group level, Underlying EBITDA grew to £5.6m as in FY21 compared with £3.8m last year, with associated margins for the period increasing from 19% in FY20 to 22%. Excluding the impact of Organic Investments, the EBITDA margin remained at 25%.

Performance by individual segments was as follows:

Advisory

This segment comprises the Group's Law and Investment Advisory business units. Underlying Revenue was £9.5m (FY20 - £10.0m). Advisory revenue saw a 5% contraction in the year (FY20 - 7% reduction) which was due to reduced law revenues. Part of this reduction was due to delays in fund launches and closings in the year but also from internal reorganisations including the cessation of a small loss-making hedge fund practice and also the closure of the Switzerland branch office. Investment Advisory revenue continued its recovery from FY20 and saw revenue growth of 31% in second half of the financial year. The Underlying EBITDA margin increased to 19% from 14% in FY20 due to a focus on margin improvement in the Law business.

Advisory accounted for 37% of Group Underlying Revenue in FY21 (FY20: 49%)

Outsourcing

Through this segment the Group provides ongoing operational and regulatory support for fund managers and funds. This segment achieved 54% (FY20: 49%) Underlying Revenue growth in the year. This was largely due to Bridge Consulting Limited (Ireland) which was acquired on 12 February 2021. 2021 organic growth reduced slightly for the year, albeit with an improving second half trend, due to reduced revenues in the UK AIFM business. Total Underlying Revenue for this segment was £7.1m (FY20: £4.7m) and Underlying EBITDA margin reduced from 43% to 30%. FY20 margins were inflated due to the Covid salary deductions applied across the Group from April to June 2020. We also saw a margin squeeze due to delays in integrating the Jersey administration business, acquired in FY20, with our established Guernsey administration business. This is improving now, and the Jersey administration business is currently rebuilding its new business pipeline as revised travel arrangements make it easier to visit prospective clients based in the UK.

Outsourcing accounted for 28% of Group Underlying Revenue (FY20: 23%)

Data & Analytics

This segment comprises the Group's analytical platform, with a suite of services and products such as ESG, benchmarking, IR & Marketing, Performance Analytics (acquired December 2020) and Quantitative Solutions (acquired June 2021). Organic revenue growth in the segment of 30% (FY20 – all acquisition led) was driven by the growth of the ESG business which grew by 84% in the year. Including acquisitions, Underlying Revenue in the segment grew to £6.6m in FY21 from £4.6m in FY20. Underlying EBITDA increased to £2.0m in FY21 from £1.4m in FY20 and relevant margin was 30% (FY20: 30%) – FY20 margins were inflated by Covid groupwide salary deductions.

Data & Analytics accounted for 26% of the Group's Underlying Revenue (FY20: 23%).

Together the Advisory, Outsourcing and Data & Analytics segments comprise our Established Business Segments.

Organic investments

The Group's three organic investments are to be moved to the Outsourcing segment in FY22, which is their natural home. Their collective underlying revenue improved in the year to £2.3m from £1.0m, driven primarily through expanded offerings within the Luxembourg AIFM business, was offset by a strengthening of teams in each of the three businesses i.e. Luxembourg AIFM, fund administration and regulatory solutions. Losses at the Underlying EBITDA level fell from £1.0m to £0.3m in the period.

Organic investments accounted for 9% of the Group's Underlying revenue (FY20: 5%)

Mergers and acquisitions

During the year we announced three acquisitions – PERACS (now known as Performance Analytics), Bridge Consulting (MJ Hudson Bridge) and Clarus Risk (Quantitative Solutions) - with a further deal completed after the period end (Saffery Champness Fund Services). MJ Hudson Bridge forms part of the results of the Outsourcing division and Performance Analytics and Quantitative Solutions are additions to our Data & Analytics division. Revenue of £2.1m was contributed by the acquisitions completed in FY 2021, most of which was achieved in the second half. We have invested in our internal infrastructure to consolidate acquisitions and the integrations of these deals are performing in line with expectations with MJ Hudson Bridge in particular making good progress. Client reactions have been both positive and supportive.

Each of the businesses acquired, especially Bridge Consulting in Ireland, bring levels of recurring revenue ahead of the group average. Together with the benefit of a full year's contribution, this will impact the balance of recurring revenue in the group in earnest in the current year.

From a cashflow perspective, we invested a total of £10.7m in acquisitions in FY 2021, this figure includes stage and performance payments for acquisitions announced in prior periods. This compares with £8.3m in FY 2020. With the benefit of businesses acquired since our admission to the AIM market and the transfer of organic investments planned for the current year, our Outsourcing segment will be the biggest part of the group by Underlying Revenue, Underlying EBITDA and headcount.



“Revenue of £2.1m contributed by three new acquisitions in the year.”

Underlying Operating Profit

Reconciliation of statutory operating loss to Underlying Operating Profit (FY20 – restated):

£ millions	FY21	FY20
Statutory operating loss (restated)	(5.1)	(5.1)
Underlying adjustments		
Share based payments and LTIP expense	1.8	0.6
Fundraising and acquisition costs	3.2	4.0
Non-recurring costs	1.8	0.9
Discontinued business losses	0.9	0.5
Group expenses	0.0	0.6
Amortisation of acquired intangible assets	0.8	0.4
Underlying Operating Profit	3.4	1.9

Significant drivers of the operating loss of £5.1m (FY20 - £5.1m) were:

- Adjustment to administration expenses is the addback of share-based payments (in FY20 excluding accelerated costs of the scheme incurred at IPO which are within non-recurring costs) and LTIP expense in the Statement of Comprehensive Income
- Fundraising / acquisition costs of £3.2m (FY20 - £4.0m). Fundraising and acquisition costs include £0.7m in respect of payments to former shareholders of Tower Gate Capital relating to the investment gain described in note 17, £0.3m in respect of the historic ESG acquisition, 0.1m relating to debt fundraising and £2.1m in respect of the M&A deals closed in the year, including the transaction which has completed in October 2021 after receipt of regulatory approval, described in note 27. (FY20 - 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 £1.8m (FY20 - £0.9m) The non-recurring costs are one-off in nature and include consultancy costs in respect of the UK regulated entities totalling £0.3m; reorganisation costs in UK law, investment advisory and fund management solutions business units which saw 5 people leave the Group as part of a cost-cutting review – total £0.5m, new product development costs £0.2m, prior accruals adjustments £0.2m and balance being items less than £0.1m.(FY20 - 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);
- Discontinued business losses represent the loss from individual entities that have either been wound up in the year or management has concluded will be discontinued in the near future due to lack of profitability. This is a non-IFRS alternative financial measure.
- Group expenses - Integration infrastructure project FY21 - £0.0m (FY20 - £0.6m) includes central costs not passed on to segments in respect of improving business integration processes and dedicated IT infrastructure. These costs related to FY20.
- Included within depreciation and amortisation is £0.8m in respect of amortisation of acquired intangibles. FY20 included £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

£ millions	FY21	FY20
Bank interest loan	0.6	0.7
Interest on lease liabilities	0.3	0.2
Unwinding of discount on liabilities	-	0.2
Total finance costs	0.9	1.1

Within loan interest in FY20 is £0.3m relating to convertible loan notes which converted into equity at the time of the IPO and are therefore non-recurring. The financing and debt arrangements section below gives details of the debt fundraising round that was concluded during FY21.

Finance costs were previously adjusted for deemed interest on deferred consideration charged in the year to the Statement of Comprehensive Income in arriving at Underlying Profit Before Taxation. As the deferred consideration is contingent upon meeting performance measures this should have been included in Fair Value movements and that has been corrected in these financial statements

Fair value movements are summarised below:

£ millions	FY21	FY20
Investments fair value (gain)/loss (note 17)	1.6	0.1
Deferred consideration fair value gain/(loss) (note 21) restated	(0.8)	(0.6)
Convertible bonds fair value loss	-	(0.5)
Total fair value movements	0.8	(1.0)

The fair value investment gain relates to a former Tower Gate Capital investment which came into the Group as part of the acquisition of that business in 2016 less write downs on the valuation of unlisted investments. This has been added back in the underlying figures as it is not considered to be representative of the underlying business performance.



Financing, debt arrangements and regulatory capital

As at 30 June 2021 the Group had cash and cash equivalent balances of £9.8 million and net debt (excluding lease liabilities) of £6.9 million (2020 – £10.0 million net cash).

During FY21 the Group refinanced its debt facilities and entered into a five-year financing agreement with Santander UK PLC. The financing comprised a facility of up to £17.5m with repayment due in 2026. There is an option to extend this amount over time, on an uncommitted basis. The facility is to be used to finance the Group's M&A pipeline, regulatory capital requirements and general corporate needs. Existing loans totalling approximately £4 million were repaid in May and June 2021. The terms of the facility are set out in more detail in note 21 to the financial statements.

The regulated Irish acquisition, Bridge Fund Management Limited (BFML), has won a significant number of new clients on the back of regulatory changes in Ireland and has seen significant growth. With that growth, has come an accelerated regulatory capital need. €5.5 million was placed in the BFML regulatory capital deposit account in June and a further €2.8 million has been paid in September which will take this entity's regulatory capital up to the cap of €10 million. As reported previously, we have also seen an increase in trade debtors and contract assets due to remote working and lockdown impacts in extending the timing required for clients to complete transactions. This has begun to ease in June with record law firm billing in the month and cashflow patterns are expected to return to previous levels over the next few months.

In order to compensate for this accelerated regulatory capital need and also the increased lockup of working capital the Group entered into discussions with Santander about a further drawdown of £7 million. This drawdown was finalised in August 2021. This facilitated the expansion of the regulated Irish business and restored the working capital buffer.

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

£ millions	FY21	FY20
Current borrowings	0.0	2.5
Non-current borrowings	16.7	0.9
Total borrowings	16.7	3.4

The increase in borrowings relates to the five year loan facility with Santander – see note 21.

Further details in relation to going concern reviews and covid impact are set out in note 2 of the financial statements

Earnings per share (EPS)

The Group's Underlying Basic Earnings Per Share has increased to 1.5p (FY20 restated – 0.5p). This is calculated by dividing the Underlying Profit for the year by the weighted average number of shares in issue in FY21 170.281m (FY20 – 134.308m).

Statutory basic and diluted earnings per share per the financial statements was (3.2)p (FY20 – (5.6)p).

Intangible, tangible and right-of use assets

Included within intangible assets is £15.5m (FY20 – 7.5m) of customer relationships (identified on current and prior years acquisitions) and software development. Additions in the year totalled £9.7m of which £7.2m 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 £31.5m (FY20 – £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 2021, the Board concluded there was no impairment of goodwill and intangible assets. £6.3m (FY20 – £6.6m) of goodwill was added in the year from new acquisitions, a breakdown is contained in note 27.

Tangible fixed assets have reduced from £2.2m to £2.1m in FY21. Leasehold improvements in FY20 in respect of the fitout of the new London office totalled £1.7m of the total additions of £2.1m. FY21 additions totalled £0.2m.

Right-of-use assets have reduced from £7.6m to £7.1m in FY21. Additions in FY21 totalled £0.6m and £0.1m related to the acquisition of Bridge Consulting Limited. 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 2021 was 180 days (FY20 - 145 days). This comprises debtor days of 74 days (FY20 - 45 days) plus WIP days of 107 days (FY20 - 100 days). This uplift relates to the increased working capital cycle referred to previously whereby there has been a trend for projects to take longer to complete and get to billing stage. June 2021 month saw record billing level in the UK law operation, which has distorted the debtor days total. This uplift in lockup is expected to be temporary. This trend has extended to other segments where contract assets are recognised. Debtor days for the Group at June 2021 were 67.9 days (FY20 - 63.9 days).

Deferred consideration

Deferred consideration balances have increased in FY21 due to the three recent acquisitions. Liabilities in respect of deferred consideration have increased from £10.5m in FY20 to £13.6m. The increase is analysed further in note 21 to the financial statements.

Net debt

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

£ millions	FY21	FY20
Cash and cash equivalents	9.8	13.4
Borrowing – financial institutions and other borrowings	(16.7)	(3.4)
Convertible Loan Notes	-	-
Net cash/(debt) excluding IFRS16	(6.9)	10.0

Cash flow

Statutory net cash generated from operating activities for FY21 was an outflow of £3.0m before tax (FY20 - £4.8m). After adjusting for the cash impact of the factors described in Underlying operating profit above, the Underlying Operating Cashflow of the Group is a positive inflow of £5.2m (FY20 - £1.9m).

Cash balances at the end of FY21 were £9.8m (FY20 - £13.4m).

Net cash used in investing activities

Net cash used in investing activities in FY21 totalled £12.5m (FY20 - £10.6m). This comprised:

Cash flows from investing activities (£'million)	2021	2020
Purchases of tangible assets	0.2	2.1
Purchase of intangible assets	1.9	0.1
Purchase of subsidiary undertaking	1.5	5.0
Purchase of financial instruments	0.3	-
Sale of financial instruments	(0.6)	-
Payment of deferred consideration related to acquisitions	9.2	3.4
Net cash used in investing activities	12.5	10.6

Dividend

The Board has recommended a maiden dividend of 0.125p per share in respect of the period to 30 June 2021, payable in January 2022 and a resolution to approve the dividend will be put to shareholders at the AGM. For the purposes of comparison with any future dividends, investors should consider this a payment in respect of the six month period to the end of June 2021. 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.

Peter Connell

Peter Connell
CFO,
24 November 2021



How we manage our risks

Compliance & risk report



Trevor Goodman
Managing Director, Operations

Overview

I am pleased to present my first compliance and risk management report. I joined MJ Hudson in March 2021 and chaired my first Legal, Risk and Compliance Committee in June 2021. I am therefore grateful to Guy Grayson for all of the work he had done in the position up to those points during 2021. Guy has now returned to focus full time on the role of Group General Counsel whilst we continue to work together on legal and compliance matters.

Overview of risk management at MJ Hudson

The Group offers a range of services within the asset management sector and a number of its divisions are subject to regulatory oversight in different jurisdictions (notably the UK, the Channel Islands, Luxembourg and Ireland). The sector is experiencing increasing regulatory scrutiny. This evolution both provides business opportunities to the Group as well as a heavier regulatory overhead. Over the period, we have seen a growing inclination for regulatory review and intervention. Risk management and compliance is at the core of the Group's activities. It is considered at all levels, from group planning to divisional and jurisdictional levels, to ensure group businesses are managed with appropriate systems and controls, governance and a culture to organise and control their affairs responsibly and effectively with adequate risk management systems in place.

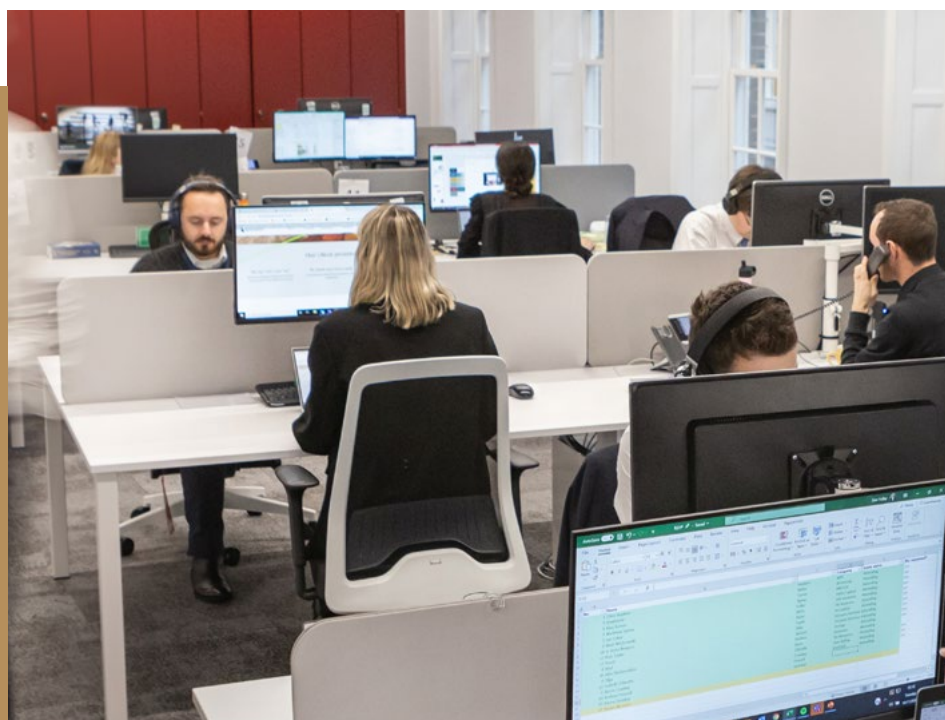
Developments since last year

Since the Company's IPO in December 2019, we have been working to develop the effectiveness, maturity, coverage and governance applied within our businesses. Key developments are these:

- Refinement of our “traffic light” risk categorisation system
- Clearer tracking metrics to ensure issues of concern are owned and followed to conclusion
- More investment in systems, controls and people to permit them to execute their roles
- Advances in data and client information security
- Focus on a litigation and regulatory tracker system to improve management of potential claims and regulatory concerns
- Appointment of a senior independent director in Andreas Tautscher to regulated subsidiary board
- My own appointment as chair of the Legal, Risk and Compliance Committee
- Build out of the Group's compliance function
- Increased regular communications between Group and divisional compliance officers
- Improved linking of Group and divisional policies
- Systematic review of documented Group policies as and when required and on a yearly basis
- Refinement of reporting lines

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. Details of those principal risks and uncertainties that we envisage could affect our business operations can be found on page 39.



Board responsibility

The Board has overall responsibility for the establishment, oversight and effective implementation of the Group's compliance and risk management framework. Our risk management process can be summarised as risk alert, risk assessment, development of mitigation plans and policies, Board reporting, implementation and re-assessment. Our risk management framework ensures the following:

- “Dashboard” reporting by each divisional / jurisdictional compliance officer
- Legal & compliance risk aggregation by the Legal, Risk & Compliance Committee
- Quarterly meetings of the Operations Committee to address operational risks
- Escalation and reporting to the Executive Committee and to the Audit & Risk Committee
- Board quarterly assessment of effectiveness of Group's risk management and internal controls
- Staff compliance training and updates
- Overall culture of accountability
- Transparency

An overview diagram of our tiered risk framework is below:



Internal risk review

The results of internal review activities are reported to the Audit & Risk Committee and the risk-based review plan is updated as required to respond to the risks faced by the Group and to consider forward-looking financial projections and strategic plans, under both business-as-usual and adverse circumstances. This process provides a forward-looking approach to risk assessment and a consideration of how risks may evolve through the economic cycle. This helps us to understand the viability risks to our business model and the sustainability of our strategy. Further the Group's independent auditor reports the results of the annual financial statements audit, including findings related to processes and controls over financial reporting, directly to the Audit & Risk Committee, the findings of which are considered and feed back into the risk based internal audit plan.

Group Executive Committee

The Executive Committee meets quarterly and works with the Board to define and develop the Group's strategy. This involves advising the Board on strategy, making recommendations and presenting relevant plans to the Board. Once approved by the Board, the Executive Committee is responsible for implementing and executing strategy. The work of the Executive Committee involves it considering finance, organisational, resource and risk matters relevant to the Group and its divisions.

Group Operations Committee

The Operations Committee meets quarterly and oversees, provides guidance and makes necessary decisions in relation to the Group's operating model. It has responsibility for considering all risk types that may affect the Group including, but not limited to, strategic, operational, regulatory, legal, human resources, technology (including cyber security), client, fiduciary and performance risks. The Operations Committee reports to the Executive Committee on its work and the outcome of its decisions.

Legal, Risk & Compliance Committee

The Legal Risk and Compliance Committee assists with the assessment of the effectiveness of the Group's risk management and internal controls relevant to the Group's regulated entities. The Group operates a decentralised compliance model which places reliance on each divisional compliance officer for ensuring that the division he/she is responsible for meets all applicable requirements. Each divisional compliance officer is therefore responsible for:

- Escalating and reporting legal, risk and compliance matters to the Legal Risk and Compliance Committee.
- Providing a "dashboard" report containing a divisional report and divisional risk assessment at each Legal Risk and Compliance Committee meeting.

The Legal Risk and Compliance Committee reviews the matters escalated and reported to it and escalates and reports relevant matters to the Operations Committee. The chair of the Legal Risk and Compliance Committee also has a separate communication line into the chair of the Audit and Risk Committee.

Divisional 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 may draw on additional resources and expertise from the Group compliance function.

Technology

The Group continues to further develop its internal Technology development capabilities. It is also undergoing a number of significant developments in relation to IT infrastructure and strategy, including the incorporation of Salesforce and Workday. The Group is continuing to work to improve performance of its IT systems while focusing on developing applications, including in connection with client on-line offerings through partnering arrangements with third parties. The Group has a full-service, in-house IT 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.

Group General Counsel / Compliance with laws and regulations

The Group has maintained an in-house legal function while a public company and uses external legal counsel to advise on legal and regulatory requirements. The in-house legal function has been expanded over the period and is intended to expand further - to service the Group's growing internal legal requirements, an expanding company secretarial function as well as assisting on non-regulated external client facing services.

Principal risks, uncertainties and mitigation

Risk area	Description	Mitigation
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; retention-based staff remuneration planning
IT infrastructure breakdown and IT risks	An infrastructure failure or network service failure resulting in business disruption, regulatory breach, reputational damage and/or financial loss. Cyber breach	We regularly test business continuity planning; robust institutional a-grade public cloud-based back-up; audit and monitoring of infrastructure and hardware. Detailed access controls; specialist in-house IT division; use of firewalls, Cisco Stealthwatch monitoring tools, policies and staff training & penetration testing; suspicious activity reporting; compulsory online security and awareness training; commissioning cyber certification.
Client demand	A dramatic 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 2021/2022.	Redeployment of staff to cyclical activities to optimise utilisation; use of variable remuneration linked to revenue generation; multi-jurisdiction activities and multiple services lines; annuity like revenue streams.
Access to capital	Inability to raise equity or debt financing resulting in inadequate funding to meet business objectives or to fulfil working capital requirements.	Annual budgeting process; cash flow management and credit control process; debt limit controls; access to Santander debt funding facility.
Systemic financial control failure	A gross 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.

Reporting principal risks

The Group's Chief Risk Officer is the COO, Odi Lahav. The Chief Risk Officer plots principal risks on the Consolidated Risks Register and reports quarterly to the Audit & Risk Committee and to the Board.

Current uncertainties

COVID-19

The Group did not furlough any employees. The COVID-19 situation, while disruptive and unpredictable, also presented opportunities for challenging the way we work and ensuring that we innovate to continue to best serve our customers' needs in a post-Covid environment. We continue to ensure safe working practices, which has been our top priority, in line with the guidance from authorities in all relevant jurisdictions. Remote working proved extremely successful, but we are transitioning back to a primarily office based culture. We will continue to monitor working arrangements.

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.

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.

Trevor Goodman
Managing Director, Operations
24 November 2021

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

Our People	Stakeholder key interests	How we engage
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"> • Reward • Career development • Fulfilment • Reputation • Wellbeing 	<ul style="list-style-type: none"> • See the Remuneration Committee Report • Monthly “The Email” communication to staff • Soft skills training
Our Clients	Stakeholder key interests	How we engage
Key to our success	<ul style="list-style-type: none"> • Look for “trusted advisor” • Need wide range of investment services • Look for responsiveness and commerciality 	<ul style="list-style-type: none"> • Webinars • Seminars • Know how communications • Special events • Industry forums • Social media and website
Our Regulators	Stakeholder key interests	How we engage
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"> • Governance • Ensuring compliance with law & rules • Protection of investors • Ensuring appropriate personnel & resources 	<ul style="list-style-type: none"> • Regular correspondence • During statutory required applications • As part of M&A processes • Obtaining necessary approvals
Our Work Partners	Stakeholder key interests	How we engage
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"> • Faith in our service supervision • Responsible procurement, trust and ethics • Effective charging structures • Long-term relationships 	<ul style="list-style-type: none"> • Training forums and presentations • Industry events • Quality management reviews
Our Shareholders	Stakeholder key interests	How we engage
Trust and support from key shareholders underpin our ability to deliver on strategy and performance	<ul style="list-style-type: none"> • Sustained capital growth • Financial performance • Dividends • Governance & transparency 	<ul style="list-style-type: none"> • RNS communications • Investor calls • Via website • Annual reports • AGMs

Key issues considered and key decisions made by the Board over the period:

Key decision	Considerations	Consequences
Senior debt facility	<ul style="list-style-type: none"> • Access to capital to support acquisition and investment activity • Build stakeholder confidence 	<ul style="list-style-type: none"> • Capital raise on terms that reflect listed status • Leverage of balance sheet within defined parameters
Data & Analytics investments	<ul style="list-style-type: none"> • Build new digital and cross border services • Support new venture with global bank in ESG • Expansion of our partnerships • MJ Hudson IQ 	<ul style="list-style-type: none"> • Development of client portals • Growth of in-house IT expertise in AI, machine learning and software development generally in support of new products
Acquisitions <ul style="list-style-type: none"> • Performance & Analytics -PERACS (Germany) • Bridge Consulting (Ireland) • Quantitative Analytics - Clarus Risk (Guernsey) • Saffery Champness* - SCFL (Guernsey) 	<ul style="list-style-type: none"> • Cross referral potential • Access to larger, international clients particularly in US • Target sustainability • Regulatory capital requirements • Unified branding and business development • Motivational consideration structure • Integration planning and benchmarking against prior deals • Succession management 	<ul style="list-style-type: none"> • Accretion of growing revenue streams • Expansion of synergistic business lines • Greater presence in North America • Greater economic balance across the Group's portfolio • Enhanced integration infrastructure
COVID-19	<ul style="list-style-type: none"> • Staff safety • Compliance with changing guidelines • Salary reductions reversed as market volatility improves • Maintaining Group culture and sense of belonging outside of office environment 	<ul style="list-style-type: none"> • Continued support for work from home regime • Voluntary to office for double vaccinated
IT infra investment	<ul style="list-style-type: none"> • Reduction of dependency on external providers • Digitisation of services • Resilience of infrastructure 	<ul style="list-style-type: none"> • Expansion of internal software development division • Remote working ability
Dividends	<ul style="list-style-type: none"> • Timing • Investor expectations • Investment versus growth 	<ul style="list-style-type: none"> • Maiden six month dividend announced

* Completed 31 October 2021

People, Communities and our Environmental responsibilities

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People & Wellbeing report

The People & Wellbeing team

The People & Wellbeing team oversees the Group's HR and recruitment function. The biggest asset of any organisation is its people, and our team is dedicated to developing and maintaining employee engagement, health, and wellbeing.

The COVID-19 pandemic has further highlighted the importance of keeping employees safe and healthy. We have implemented several initiatives throughout the pandemic, as set out in this report, to assist people during this difficult time.

Significantly, we have invested in a new HR system, Workday, to support the Group with its continued growth. The new system will improve compliance, provide better and more sophisticated data and analytics for decision making, and will increase efficiencies across the Group. We expect the new system to also improve levels of employee engagement and assist employees with their career progression, learning and development.



Charlene Cowen,
Chief People Officer

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 and commercial 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.

Our people

The Group operates across UK, Europe and North America and adheres to regulatory compliance and employment practices to meet local jurisdictional requirements.

Number of employees ¹	2017	2018	2019	2020	2021-YTD
United Kingdom	85.2	88.2	103.0	111.9	130.0
Ireland	-	-	-	-	37.0
Guernsey	9.4	11.4	9.4	9.4	15.1
Netherlands	-	-	11.0	11.0	21.8
Jersey	1.6	1.0	1.0	10.0	14.9
Luxembourg	3.6	4.6	3.8	6.8	5.8
USA	-	4.0	4.0	5.0	4.0
Canada	-	-	-	3.0	3.0
Switzerland	-	-	1.0	1.0	1.0
Total	99.8	109.2	133.2	158.1	232.6

¹ Overview of full-time equivalent staff (FTE).

MJ Hudson growth stories

Vasco Vicini,

Divisional Director of AR Solutions - Regulatory Solutions



The opportunity to join MJ Hudson came unexpectedly during February 2020 as a result of a coffee which was meant to be a catch up with an old contact of mine. It turned out that I could be good fit for the business, so I threw myself at it and pursued the tempting opportunity.

I joined as the Head of the Appointed Representative team in the autumn of 2020 and my objective was to help implement new and more efficient ways of working with our clients and to ensure that the team was united behind common goals. Joining during lockdown presented unique challenges to team building and engaging with clients. For instance, getting to know everyone in the new team was a challenge, but one that was overcome by running virtual “speed dating” meetings to connect with as many people as possible. I immediately felt welcomed.

Right at the start, we ran a virtual team strategy day which was both constructive and fun and gave everyone an opportunity to get to know each other and start to bond. To be honest, it’s hard to believe where we’ve got to as a team in just over a year at MJ Hudson. We doubled in size, grew business, developed our knowledge and confidence, and improved the quality of services and processes. I am incredibly proud of our achievements, but the road to success doesn’t stop here. We have plenty more new goals to achieve.

If I had to describe what makes MJ Hudson a special place to work, I would say it is the ability to be dynamic and innovative. Since day one, I felt empowered to get going and achieve.

Kate Vine,

Senior Analyst - Fund Management Solutions



I joined MJ Hudson in September 2019, as part of the 12-month graduate rotation scheme. This involved rotating through four different departments within MJ Hudson. I was drawn to this opportunity because it is unique; it equips you with a variety of skills to help you fulfil the different roles, but also gives you the opportunity to discover which business area is truly suited to you.

After the scheme I was offered a permanent role in the fund management solutions department, where I help fund managers manage their funds in accordance with the AIFMD. I particularly enjoy the challenge of reviewing and questioning due diligence carried out on investment opportunities and feel very fortunate to have a front row seat to thorough discussions between our clients and my colleagues, where deep knowledge of the industry is shared.

I feel exceptionally lucky to have started my career at MJ Hudson, particularly within the graduate rotation scheme. I have been able to build a strong foundation and develop a variety of transferable skills; the experience has been fundamental to my performance in my current role. I have absorbed knowledge from a vast number of unique individuals, with a wide spanning set of skills and deep expertise. Additionally, I have built special relationships with these individuals, which really makes my day-to-day gratifying, as there is always a friendly face round the corner.

I would really encourage graduates to embark on the rotation scheme as I truly believe it is an excellent kickstart to your career, and MJ Hudson is a really enjoyable place to be. I am excited to continue my journey at MJ Hudson and look forward to what the team can achieve together.

Sebastiaan Greeven,

Manager – ESG and Sustainability



I joined Spring Associates in 2017, two years before it was acquired by MJ Hudson and became our ESG & Sustainability team. I am located in the Amsterdam office, but I work closely with colleagues and teams based across Europe and North America. I feel lucky to be surrounded, physically and virtually, by incredibly talented and driven people, all aiming to make the world a better place. We have experienced incredible growth in the last two years and, while this growth certainly also has its challenges, I feel mostly extremely lucky to work in a field where the opportunities are endless.

I love the freedom and responsibility you get working at MJ Hudson, marking the true entrepreneurial spirit of the firm. The past year I have been working on the development of our digital ESG Advantage platform, enabling our clients to simplify, standardise and streamline ESG assessments of fund managers, portfolios, and underlying assets. I truly believe that we are working on the best digital ESG solution in the private markets space, allowing us to grow even further and thereby create even more positive impact.

Although we have already achieved so much the past few years, I am excited to see what is still to come and I feel honoured to be experiencing that alongside my colleagues. Based on them, I have no doubt we will create even more success, positive impact and have fun while doing so.

Daniel Daines,

Senior Analyst – IR and Marketing Solutions



I joined MJ Hudson in February 2015 on an apprentice scheme, spending my first 14 months gaining marketing experience in the office, whilst also attending various external courses on Digital Marketing. I worked on internal marketing projects for the firm, and then began working on client-facing projects in the IR & Marketing Solutions division.

In 2016, I completed my apprenticeship and was also shortlisted for Microsoft's Apprentice of the Year in the Digital Marketing category. I then joined MJ Hudson full-time, continuing to work on a range of engaging client projects, primarily working with fund managers in need of positioning, communications, and investor relations support. In this role, the projects never fail to provide variety: one week I could be producing fundraising materials for a film fund, and the next I am researching work-life balance sentiments in the private markets.

Over these past 6+ years, I have seen MJ Hudson in three different offices, and have enjoyed watching the firm on its journey from a boutique law firm to a one stop shop service provider to the asset management industry, whilst supporting my own professional growth and development. During my time at the firm, I have had the opportunity to help shape the processes we have in place and the outputs we deliver, as well as training new starters.

The IR & Marketing Solutions team has significantly grown since I joined, particularly since last year's acquisition of Meyler Capital, a US and Canada based marketing agency. Having joined a small marketing team in 2015, it has been great to watch the progress of our team, acquiring quality people along the way, and becoming a larger force that goes above and beyond with every project.

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 are committed to recruiting, developing, and promoting a diverse workforce.



We have focused our diversity and inclusion resourcing strategy on 3 key areas:

- **Expanding our networks and recruitment channels.**

We continue to build partnerships with external networks focused on underrepresented groups historically excluded from the asset management industry. In 2020, we signed up to the Investment 20/20 scheme, focused on investing in future talent for the investment management industry. We recently signed up with the 10,000 Black Interns programme in the UK, which is designed to offer 2,000 internships each year for five years. We continue to work with STEM Women UK.

We also registered with the UK Government's Kickstart Scheme. The purpose of the scheme is to create six-month work placements, aimed at 16-24-year-olds who are on Universal Credit and who, due to the current economic circumstances, are at risk of long term unemployment. COVID-19 has had a significant impact on this age group and the scheme is designed to address concerns over young people's employment opportunities.

We are continuing to offer new apprenticeships in the UK to provide more opportunities to underrepresented groups within the asset management industry.



- **Identifying ways in which to reduce unconscious bias within the recruitment process.**

We have started using a gender decoder tool for job adverts in the UK and Channel Islands to help increase our female candidate pool; we are changing the way we consider job requirements; and we are creating structured interviews with a diverse interview panel where possible, to help avoid hiring based on shared biases.

- **Technology investment**

Investment in our new HR system, Workday will improve our data and analytics capability and support our diversity initiatives, enabling us to track and monitor the progress we are making.



We are strengthening our diversity and inclusion retention strategy.

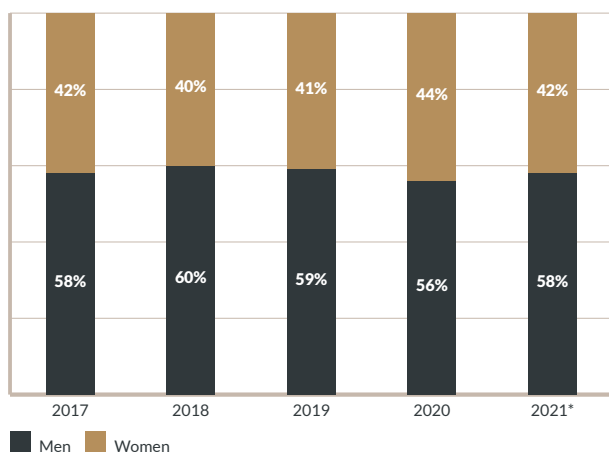
We recognise that working to keep the best talent, which includes supporting women through the executive pipeline, is the best way to retain our market competitiveness. We are therefore looking at ways to help retain, coach and mentor women into senior management positions. In line with this, we seek 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, term-time contracts and flexi-hours.

We have a corporate membership with City Parents, an award-winning organisation that offers tailored, expert-led resources to support all types of professionals in their work and home lives. City Parents offers a variety of both live and on demand events, as well as a wide range of support, podcasts, articles, and resources on topics such as resilience, work-life balance, remote working, diversity, and confidence at work.

We recognise that we are living in an ageing population. We are therefore tailoring support for workers of different ages and creating an age-friendly workplace culture. In line with this, we offer alternative working patterns to an employee reaching retirement age.

Gender Diversity – Total Employees



*Two recently acquired businesses both had a male heavy headcount which has reduced our female ratio.

Gender diversity of board & management		2017	2018	2019	2020	2021-YTD
Board	Men	100%	100%	100%	100%	100%
	Women	-	-	-	-	-
Executive committee	Men	-	-	50%	50%	50%
	Women	-	-	50%	50%	50%
Senior management	Men	67%	67%	100%	100%	83%
	Women	33%	33%	-	-	17%
Management	Men	76%	67%	65%	64%	67%
	Women	24%	33%	35%	36%	33%
Team management	Men	-	-	-	-	50%
	Women	-	-	-	-	50%

*Diversity metrics are based on our headcount of 244 employees and excludes external consultants. Observers of the Board includes a male to female ratio of 3:1. We have changed the definition of Senior Management which now includes Business Unit Heads, Managing Directors and Founders (excluding anyone who has stepped down). We have also included our Team Management numbers to highlight the investment we are making into our female pipeline.



Wellbeing

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 has a strong focus on promoting employee wellbeing, through a number of initiatives including the Recharge Plan – a wellbeing programme which encourages employees to partake in yoga, 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.



In a recent internal wellbeing survey, 83% of participants agreed that the company culture at MJ Hudson supports good wellbeing. 81% of respondents also felt their line manager genuinely cares about their wellbeing.

The COVID-19 pandemic has further highlighted the importance of keeping our employees safe and healthy. We have implemented several initiatives throughout the pandemic to assist people during this difficult time:

- Since working from home, we have adapted our Recharge Plan and moved our yoga, mindfulness and bootcamp sessions online which has made them more inclusive for our other offices across Europe and North America.
- We have created a Remote Working Guide which provided staff with guidance on homeworking, family resources for parents juggling schoolwork with their own work and tips on looking after mental health during the pandemic. We have also provided staff with the right homeworking equipment so they could create an ergonomic workspace that worked for them.
- We have provided immediate support to our colleagues to support them with their wellbeing.
- We understand the importance of social connections. We held a virtual Christmas party which was attended by staff across Europe, the US and Canada. We hosted 'Mental Elf' and 'New Year Natter' check-ins throughout the Christmas period, via Microsoft Teams to gauge how people are. We continued to hold these weekly wellbeing check-in sessions throughout February and March as it was noted that some team members have indicated that they would benefit from more regular catch ups.
- The Group places a particular emphasis on mental health. The implementation of the mental health programme "MARBLÉS" 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 mental health, complemented by a number of tools including the Group's Mental Health First Aid Kit, regular training sessions and workshops and online resources. We have continued with our regular mental health training sessions throughout the pandemic via Microsoft Teams. The Group also has a number of Employee Assistance Programmes in place across its offices in Europe.

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. We have taken a cautious approach to returning to the office and continue to follow government guidance. We have conducted COVID-19 health & safety risk assessments and have drawn up seating plans to allow for social distancing. We have engaged with our staff throughout the process and listened to their needs. We have gradually reintroduced employees to the London office on a part-time basis from mid-June and attendance to date has been optional. As a Group, we have decided that we are an office-based company as we see great value in working collaboratively in person which adds to the fantastic people focussed culture we strive to retain. We do, however, understand the importance of offering flexibility to our employees and therefore will continue to offer working from home on a regular basis for those employees that wish to.

Recruitment

Our recruitment activity is up on pre-pandemic levels, and we continue to recruit successfully, despite the current skills shortage in our industry.

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.



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.

Communities and society



Hudson's 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 directly give back to society.

The Group raises funds for the chosen charity in a variety of ways, including quizzes, inhouse 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 continued to support Headway East London, a local charity supporting people affected by brain injury, offering specialist services to survivors and their families. Moving forward, we want to gain representatives and contribution from across the Group rather than just focus on UK charities.

MJ Hudson's Engine Room

The Engine Room aims to empower its members with the skills they need to grow their professional networks in the world of private equity and venture capital. Aptly named, The Engine Room represents young people working at the core of their companies to fuel future business and become tomorrow's leaders. In 2021 and beyond, we aim to support our members with networking events, which will feature guest speakers, relevant content and, of course, opportunities to meet industry peers. Whether it be market trends or mental health issues, we hope our events will provide attendees with a chance to unwind in an informal setting and discuss what matters to them.



Harlequins Women

We continue to sponsor Harlequins Women and we are proud to be the team's first official corporate partner. This year, the team was crowned Premier 15s champions and a small contingent from the firm was lucky enough to watch them beat Saracens in the final, at Gloucester Rugby's Kingsholm stadium.

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.

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.

Environmental and sustainability performance

“Sustainability is becoming more and more integrated with the way we manage our business and how we think about our long-term strategy, and the impact that we want to make as an organisation.”



Climate risk statement

At MJ Hudson, we are committed to minimising the societal and environmental impacts of climate change and view tackling it as a priority for our stakeholders and our business. We believe our services can support both our clients and the industry in the transition to a low-carbon economy.

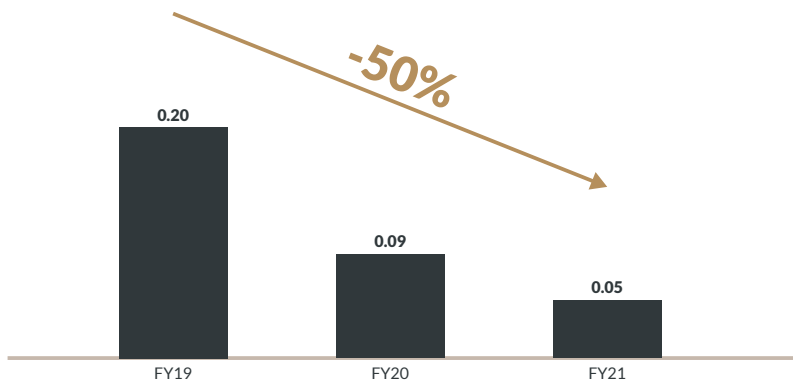
We aim to lead by example and publicly support the TCFD (Task Force on Climate-related Financial Disclosures) and its disclosure framework, while critically assessing our operations to limit the potential impact.

We are developing a TCFD-aligned reporting approach and have analysed the four TCFD pillars: governance, strategy, risk management, metrics and targets. We continue to identify climate-related risks and strategies to mitigate them appropriately, while maximising potential opportunities for positive impact. Our analysis considers a range of climate-related scenarios over varying time horizons and degrees of severity, which we regularly assess for our business operations and our clients. The provision of MJ Hudson’s services means that operations have a relatively small impact on the environment, and we consider both physical and transitional climate-related risks to be low.

The Board and Executive Committee continue their management of climate-related risks and opportunities supported by our ESG and Sustainability team, strengthening our approach.

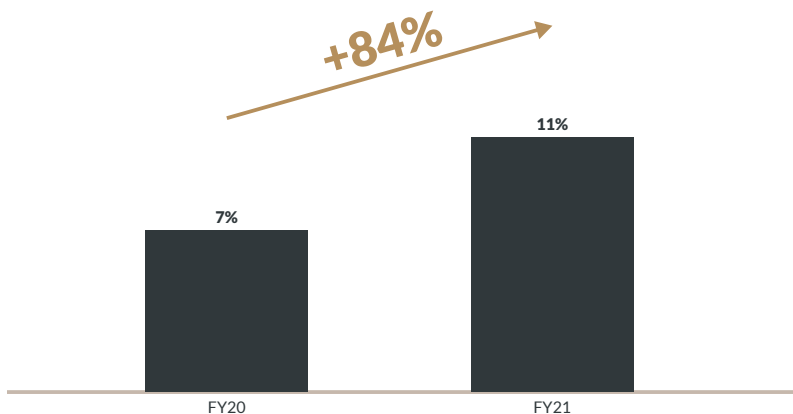
We use metrics to track and assess our performance for both climate-related risks and opportunities while assigning targets to advance our progress. For climate-related risks, we report on metrics that include Carbon Footprint, Carbon Intensity and Carbon Exposure. For climate-related opportunities, we report on metrics such as % of renewable electricity procured, and % of ESG services revenue of total revenue.

Carbon Exposure¹ (tCO₂e x tCO₂ price / EBITDA)



1. tCO₂e x tCO₂e price carbon exposure assumes a £53.2 per tonne CO₂e.

% ESG Services Revenue (ESG revenue vs Group Underlying Revenue)²



2. Values depict ESG revenue as a percentage of the Group’s underlying revenue. Percentage growth is calculated using absolute revenues from the ESG business unit.

Notable developments

PRI – Reporting and signatory

As a service provider in the asset management and alternative investment industry, we believe that incorporating ESG considerations into the investment decision-making process is key for the protection and growth of long-term value, and the long-term protection and prosperity of the planet. By working with investors, asset managers and corporate clients to embed and strengthen their approach to sustainability, we aim to drive positive change across the responsible investment space: firstly, through a better understanding of the impacts of their investments on climate change, ecosystems, and society; and, secondly, to challenge their investments to reduce these impacts, while capturing the opportunities that the transition provides.

We see our membership to the PRI as a natural commitment to support and promote industry best practices, in a world with ever increasing-sustainability challenges, and rapidly developing regulatory requirements. Through the acquisition of the ESG business from Spring Associates in 2019, our dedicated ESG services were covered as a PRI signatory and the wider MJ Hudson group became a signatory in April 2021. Prior to our membership, we have contributed to PRI publications: *Incorporating Responsible Investment Requirements into Private Equity Fund Terms and A GP's Guide to Integrating ESG Factors in Private Equity*; and going forward, we will seek opportunities to contribute to publications or speaking events related to leading best-practice guidance and case studies.

The Group submitted its first PRI reporting this year, which articulates how we support clients to establish their ESG frameworks and integration practices; develop stewardship strategies; and enhance their monitoring and disclosure. We see this as an important step in progressing practices across the industry and will continue to disclose and align ourselves with PRI's reporting framework.

ESG policy

At the start of the financial year, the Board approved the Group's ESG policy. It sets out the Group's commitments to corporate sustainability and the integration environmental stewardship, social responsibility, and sound corporate governance into our decision-making processes. The Policy will continue to be strengthened on an annual basis.

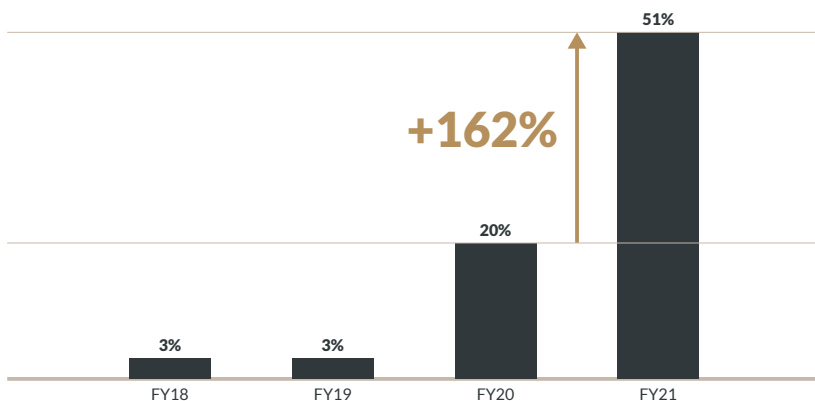
Carbon neutrality

MJ Hudson is committed to becoming a Carbon Neutral organisation from FY2022. This compounds our desire to remain environmentally conscious and minimise the impact of our operations. Integral to this strategy is the transition of all our offices to renewable sources of energy to power daily operations. Residual emissions from operations that are not abated at source, and those arising from business travel (by air) will be offset through certified high-quality sequestration projects.

Renewable energy procurement

The Group continues to increase its share of renewable energy to power its operations. As of the start of 2021, MJ Hudson's London office now procures 100% renewable electricity, certified by OFGEM. It adds to the portfolio of offices that utilise renewable sources of electricity including operations in the Netherlands, Luxembourg and MJ Hudson Quantitative Solutions, based in Guernsey.

Renewable Electricity Procurement³ (% of Total)

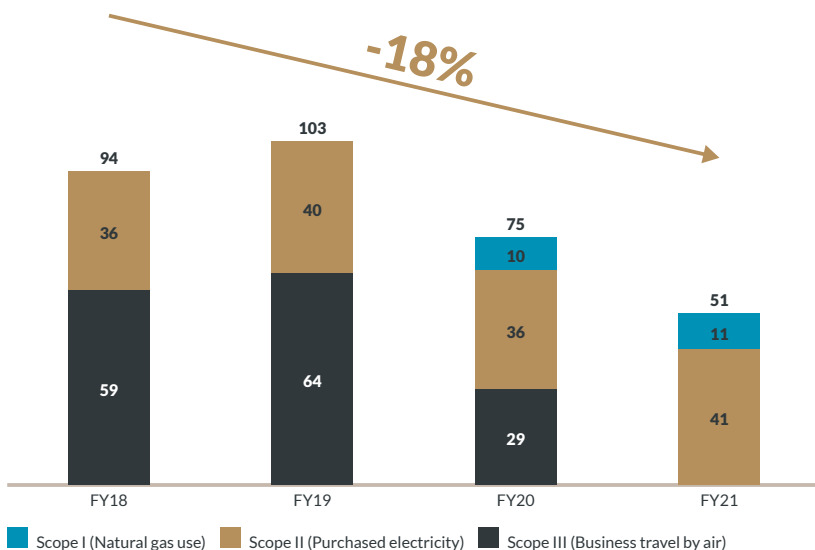


³ Renewable electricity procured is expressed as a percentage of total electricity procured by the group. Data exclude offices in Vancouver & Zurich due to non-available energy data from shared office spaces.

Carbon reporting

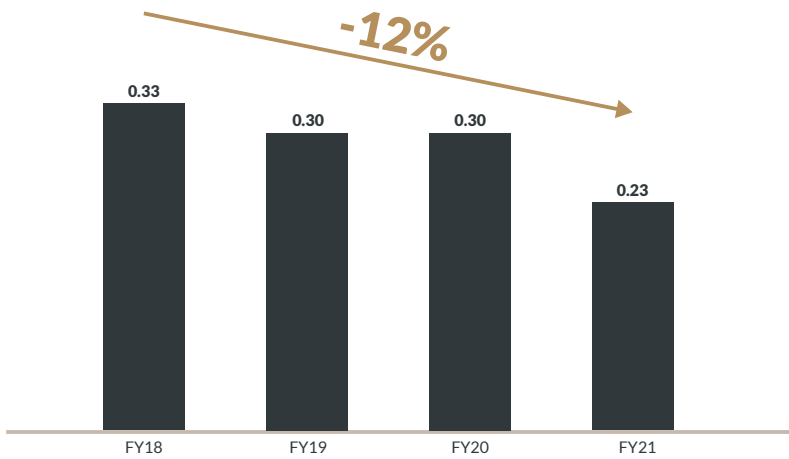
We hold ourselves accountable for our impact. To ensure transparency, we continue the recording of energy use at MJ Hudson offices, business flights and their resultant carbon emissions while aiming to minimise its impact over time. In FY 21, due to the COVID-19 pandemic and subsequent restrictions on air travel, our scope III air travel emissions were reduced to zero.

Total Carbon Footprint⁴ (tCO₂e)



⁴ Difference due to rounding.
⁴ As defined by the internationally accepted corporate accounting and reporting standard: The Greenhouse Gas Protocol; The carbon footprint includes the GHG emissions CO₂, SF₆, CH₄, N₂O, HFCs, PCFs, and is usually expressed in equivalent tons of carbon dioxide (tCO₂e); Natural gas used for heating is from the Netherlands office only, which was acquired in 2019. Direct emissions (Scope I&II) exclude offices in Vancouver & Zurich due to non-available energy data from shared office spaces. Data Source: Greenhouse Gas Protocol, CO₂ Emissiefactoren.nl, Emission factors from the Association of issuing bodies (AIB) 2020.

Direct Carbon Intensity⁵ (tCO₂e/FTE)



5. Carbon intensity is defined as tCO₂ emissions per FTE (tCO₂ / FTE). Direct emissions (Scope I&II) exclude energy and FTE data related to offices in Vancouver & Zurich due to non-available energy data from shared office spaces. Data Source: Greenhouse Gas Protocol, CO₂ Emissiefactoren.nl, Emission factors from the Association of issuing bodies (AIB) 2020.

Our direct carbon intensity has reduced since we started to measure it in FY 18, largely due to the increasing volume of renewable energy procured for our office operations. We acknowledge that in response to the COVID-19 pandemic, governmental remote working orders have also contributed to the reduction in energy use at our locations and will have had an emission impact as our employees continued their work away from our offices. We will continue to support our employees in our physical offices and while remote working to operate as sustainably as possible.

Following the transition of the London office to a new state-of-the-art and energy efficient building, both the Amsterdam and Dublin-based operations will be moving to new offices with improved sustainability credentials in the next year.

The use of public transport, car-pooling and sustainable transport schemes (e.g. cycle to work) are encouraged. The Group's offices implement recycling and waste strategies to minimise the environmental impact of day-to-day operations. Such strategies include the removal of plastic containing beverage supplies, the removal of general waste collection aiming to encourage greater waste sorting and recycling, and migration to efficient printing processes.



Governance

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Board of Directors and Observers

Directors



Charles Spicer,
Independent Non-Executive Chairman

Provides overall management supervision and direction to the Group.

Charles is an experienced director of public and private companies, and currently also serves as non-executive chairman of Creo Medical Group plc, IXICO plc and Korn Wall Limited (KwickScreen). He is a chair of the UK Department of Health's Invention for Innovation (i4i) Funding Panel, deputy chair of The Royal Humane Society and a warden of The Fishmongers' Company. Previously he was chief executive of MDY Healthcare plc, an Aim-quoted strategic investor, and before that, head of healthcare corporate finance at both Numis Securities and Nomura International.



Matthew Hudson,
CEO

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 and legal 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 law firm 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, Collier Capital, and Credit Suisse First Boston.

Peter Connell,
CFO

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.



Board of Directors and Observers

Directors



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 Fund Administration and Corporate Services in the Channel Islands.

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.



Observers

Odi Lahav,
COO (Non-Voting Board Member)

COO looking after Technology, Operations, Risk and executive sponsor for ESG for the Group.

Odi also oversees the Data & Analytics Division and the Investment Advisory business unit. Odi has over 20 years of experience in investment management (specialising in alternative investments), 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 (now MJ Hudson Investment Advisory) 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.



Executive Committee

MJ Hudson's group core executive management team is comprised of the following persons:



Charlene Cowen,
Chief People Officer

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 64.

Peter Connell,
Group CFO

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

Biography page 65.

Odi Lahav,
Group COO

Odi Lahav is responsible for delivering the groups strategic objectives, driving the technology strategy and developing and building out the Data & Analytics Division.

Corporate governance report

Mission, culture & ethics

The principles of accountability and responsibility for risk awareness, excellence in corporate governance and risk management is an important element of MJ Hudson's culture and its training programme. Separate business lines within the Group are given a high degree of autonomy in line with the Group's emphasis on personal responsibility. The Board actively promotes ethical conduct, integrity, and professionalism throughout the organisation. Culture and integrity are promoted in staff handbooks and reinforced through numerous communication channels. The reporting period has also seen enhancements to the risk culture and education across the Company.

Key developments in our approach since last year

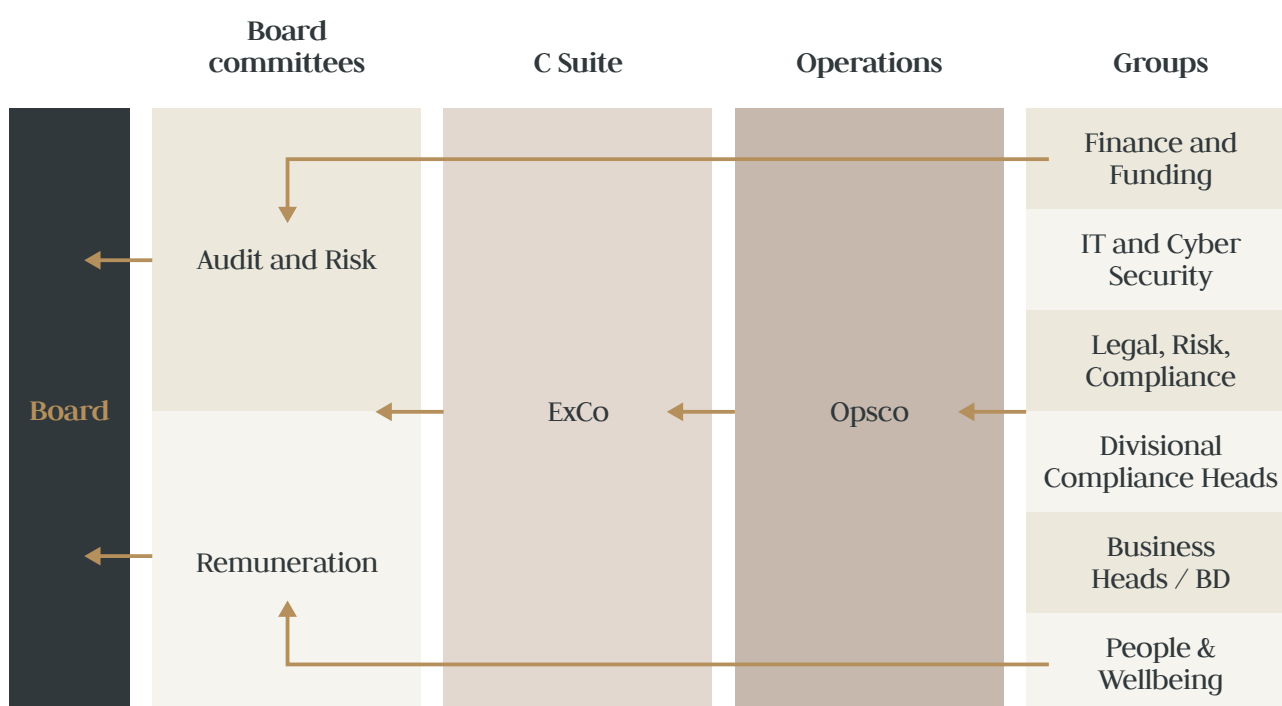
Since last year, the Group has made important strides to ensure robust applicable structures. We have hired Trevor Goodman, as Operations Head and chair of the Legal, Risk and Compliance Committee. We have refined the terms of reference of our internal committees and as a consequence streamlined our reporting processes to meet fixed quarterly 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>

Reporting Framework

The diagram below describes the Company's corporate governance framework.



Board role and experience

The Board has overall responsibility for supervising and approving the implementation of MJ Hudson's strategy and business direction and for instituting suitable systems of governance, internal controls and risk management. It holds a minimum of four scheduled quarterly meetings and in practice also a number of additional ad hoc meetings. All material management decisions in the context of the Group as a whole are required to be approved by the Board. The Company believes that among its members it has aggregated the required skill sets that are considered essential to the management of the Group including financial acumen, experience in listed companies, knowledge of the regulatory environment and in-depth knowledge of the alternative investments sector.

Board composition

The Board continues to comprise the same seven Directors since IPO, four of whom are Executive Directors and three of whom are Non-Executive Directors. 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. The Board has re-considered the external time commitments of the Non-Executive Directors, in light of their other time commitments as noted in their biographies on pages 66 and has concluded that they each fully satisfy their obligations to the Group.

Board Committees

The Board continues to run two specialist committees, Audit and Risk Committee and 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.mjudson.com>. Each of the permanent members and the Committee Chairmen are Non-Executive Directors.

A primary focus of the Board committees is 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. Given the Group's current size, the Board continues to believe that there is no current requirement for a separate nominations committee nor a separate insider committee. Such matters for the time being fall directly under the scope of the Board.

Independence

The three independent Non-Executive Directors (which includes the Chairman) bring constructive challenge to the Board's decision-making processes. Over the period, the Non-executive Directors have liaised with executive management between Board meetings on many matters including in relation to strategy sessions, compliance, budgets and staff remuneration. Breakout meetings between the Chairman, the Non-Executive Directors and the Group CEO are scheduled into the Board's annual board meeting programme. These meetings were encouraged by the Chairman and provided a forum in which to share experiences and to discuss wider business topics, fostering debate in Board and committee meetings and strengthening working relationships.

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 which may conflict with the interests of the Group. The Directors' Register of Conflicts of Interest is maintained by the Group Company Secretary.

Any Director may take independent professional advice at MJ Hudson's expense. The Directors 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.

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.

Re-election of Directors

It has been determined by the Board that at least one third of Directors shall submit themselves for re-election to the Board each year. Andreas Tautscher, Mark Pattimore and Peter Connell shall retire by rotation and re-submit themselves for re-election at the 2021 AGM. The Board recommends their re-election based on their skills, experience and contribution to the Board.

Relationship Agreement

The Company, Cenkos and Matthew Hudson (CEO) entered into a relationship agreement at the time of the Company's IPO in connection with ensuring the independence of the Board. In that agreement, Mr. Hudson, who is the largest shareholder in the Company, 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 (1 July 2020 to 30 June 2021)

Director	Board*	Audit & Risk Committee**	Remuneration Committee
Charles Spicer	8/8	-	-
Andreas Tautscher	8/8	3/3	3/3
Geoff Miller	8/8	3/3	3/3
Matthew Hudson	8/8	-	-
Peter Connell	8/8	-	-
Mark Pattimore	8/8	-	-
Jonathan Bale	8/8	-	-

*Does not include ad hoc sub-committees of the Board

**For Board committees, attendance shown is of relevant members

Director of 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 as a corporate finance lawyer with SJ Berwin, Clifford Chance and Hogan Lovells. He is responsible for setting MJ Hudson's legal strategy and for selection of its legal advisors. He is also involved in the management of regulatory compliance and risk control.

Management alignment

The Directors and certain management 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	31
Institutional investors	55
Staff	6
Broker	6
Others	2
Total	100

Investor relations

The Group maintains an active dialogue with its institutional and retail investors to involve them in performance, strategy and key new developments. The Group CEO and the Group CFO are closely involved in investor relations and Andrew Walsh has day to day responsibility for such matters. The Board also seeks to establish a mutual understanding of core objectives between the Group and its investors by providing information on the Group website. Previously published RNS announcements can be viewed on the Group's website at: <https://investors.mjudson.com>

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 2021. During the year, the Committee met on three 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 no impairment was recorded. During the year the committee initiated and oversaw the tender process in respect of the external audit contract. This is covered in more detail below.

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 Group 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 chair, 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 agreed to undertake a process to tender the external audit contract. This process comprised initial conversations which were followed by written submissions. Following careful consideration of the submissions the Committee recommended to the Board that Ernst & Young LLP be appointed as external auditor.

During the year the Committee discussed the following major topics:

- Auditor selection
- Appointment of Ernst & Young as the Group's statutory auditor and negotiated their remuneration and their terms of engagement;
- Financial impact of new accounting standards in the year;
- Consideration of significant financial reporting issues, revenue recognition, goodwill impairment, intangible, deferred consideration earnout liabilities, acquisition accounting and going concern;
- Evaluation of the impact of upcoming accounting standards;
- Review of the 31 December 2020 interim Consolidated Financial Statements; and
- Evaluation of the current internal controls and risk management framework within the Group;

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 June 2020 audit.

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. As this is the first year of the appointment of Ernst & Young this has not been considered in detail this year.
- 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 4.1 to the financial statements includes disclosure of the auditor's remuneration for the year.



Andreas Tautscher
Chair of the Audit and Risk Committee,
24 November 2021

Directors' report

The Directors present, here, their consolidated report for the year ended 30 June 2021.



Other information

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

Topic	Page reference
Compliance and Risk Management	34
ESG incl. People and Carbon Reporting	58
Directors' Responsibility Statement	93
Board composition, roles and biographies	64
Our Executive Committee	68
AGM Notice	On website

Activity

The principal activity of the Group is acting as a specialist provider, primarily in our key markets of North America and Europe, of advice and outsourcing infrastructure to asset managers, institutional investors and their advisers in the alternative investments sector, which includes private equity, venture capital, real estate and hedge funds.

Company status

MJ Hudson Group plc is public company incorporated in Jersey. It is listed on the AIM market of the London Stock Exchange. The principal activity of the Company is that of a headquarters company.

Subsidiary companies

The Company operates through a number of subsidiaries in different countries. The list of subsidiaries is available at note 31 to the Financial Statements.

Group results and dividend

The Group's loss before taxation for the year ended 30 June 2021 amounted to £5.3m million (2020 - £7.3m). The Group's Underlying Profit Before Taxation for the year ended 30 June 2021 amounted to £2.2m (2020 - £0.9m). The Directors recommend the payment of a maiden dividend of 0.125p per share and a resolution to approve this dividend will be placed before shareholders for approval at the forthcoming AGM.

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 172,627,765 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 9 November 2021 (the latest practicable date prior to the issue of this report), the following had interests in voting rights in the Company's issued share capital, each in excess of a 3% stake.

Shareholder	% of issued share capital as at 9 November 2021
Matthew Hudson	22.5
Canaccord Genuity	10.3
Somers Limited	9.6
Danske Bank	7.2
Katherine Hudson	4.9
Capital Research	4.0
Polygon Group Limited	4.0
Emily Devlin	3.9

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.

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 71. 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>. 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 25 to the Consolidated Financial Statements. The Company does not make use of any financial instruments, including for hedging purposes.

Directors

Details of the Directors in office at the date of this Report and their respective biographies are listed on pages 64 to 67.

It has been determined by the Board that at least one third of Directors shall submit themselves for re-election to the Board each year. Andreas Tautscher, Mark Pattimore and Peter Connell shall retire by rotation and re-submit themselves for re-election at the 2021 AGM. The Board recommends their re-election based on their skills, experience and contribution to the Board.

Directors' interests

Details of the Directors' remuneration, share options, service agreements and interests in the Company's shares are provided in the Directors' Remuneration Report on page 81. Except for Directors' service contracts and Company share options, no Director has a material interest in any contract to which the Company or any of its subsidiaries is a party.

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 Companies (Jersey) Law 1991. 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 30 regarding post balance sheet events.

Statement of Directors' responsibilities

Our statement on Director's Responsibilities has been provided on page 93 of this Report.

Acquisition of shares

Purchase of owned shares by the MJ Hudson Group plc Employee Trust during the period is described in note 22 to the Financial Statements.

Share dealing code

The Company has adopted a share dealing code which applies to the Company's Directors, its other PDMRs and all Group employees. In accordance with the Market Abuse Regulation, the Directors and PDMRs are also responsible for procuring the compliance of their respective connected persons with the Company share dealing code.

Annual General Meeting

The 2021 Annual General Meeting of the Company (2021 AGM) will be held at the Company's offices at Forum 4, Grenville Street, St. Helier, Jersey JE4 8TQ on 20 January 2021. The Notice of the 2021 AGM (2021 AGM Notice) is available on our website <https://investors.mjudson.com>. The Annual Report & Accounts shall be laid before the shareholders at the 2021 Annual General Meeting. An explanation of the resolutions to be put to shareholders at the 2021 AGM and the Directors' recommendations in relation to them are out in the 2021 AGM Notice. Results of proxy voting for and against each resolution, as well as abstentions, are published on the Company's website as soon as practicable after the meeting.

Audit information

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

1. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware
2. 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.

Appointment of auditors

Ernst & Young 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

Particulars of significant events which have occurred since the end of the financial year have been included in note 30 of the Financial Statements

The Directors' Report was approved by the Board of Directors on 24 November 2021.

By Order of the Board



Charles Spicer
Chairman
24 November 2021

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 1 July 2020 – 30 June 2021. The Remuneration Committee (the "Committee") came into existence at the time of the IPO and members were reappointed at the AGM in December 2020. The Committee met three times within the financial year.

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.

The Group continues to review the potential impact of COVID-19 on the business.

A handwritten signature in black ink, appearing to read 'G. Miller'.

Geoff Miller
Chair of the Remuneration Committee,
24 November 2021

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 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 normally 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, an inflation linked review was done across the Group in January 2021 and promotional increases awarded since that time. The wider Group were provided with an increase just above the UK rate of inflation. It was also determined by the Committee that bonus payments would be cancelled as another way in which the Group could reduce its costs.

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 Environmental and Sustainability Performance report on page 58.

2. The Role of the Remuneration Committee

The Committee's Terms of Reference can be accessed here <https://investors.mjudson.com/corporate-governance>.

The members of the Remuneration Committee have been appointed by the Board and include two independent non-executive directors – Geoffrey Miller, as chairman and Andreas Tautscher. 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 1 July 2020 to 30 June 2021 and comparative period from 12 December 2019 to 30 June 2020.

		Salary and fees £'000	Taxable benefits £'000	Pension £'000	COVID-19 reduction ¹ £'000	Share based payments £'000	Total £'000
Executive³							
Matthew Hudson (CEO & Founder)	2021	253	3	-	(12)	788	1,032
	2020	91	2	-	(8)	219	304
Peter Connell (CFO)	2021	248	4	6	(11)	123	370
	2020	211	1	7	(11)	46	254
Mark Pattimore	2021	204	-	8	(10)	123	325
	2020	141	-	-	(11)	41	171
Jonathan Bale	2021	119	-	-	-	1	120
	2020	14	-	-	(1)	-	13
Total Executive	2021	824	7	14	(33)	1,035	1,847
	2020	457	3	7	(31)	306	742
Non-Executive							
Charles Spicer (Chairman)	2021	60	-	-	-	4	64
	2020	33	-	-	(3)	2	32
Geoff Miller (Remuneration Committee Chair)	2021	35	-	-	-	2	37
	2020	19	-	-	(2)	1	18
Andreas Tautscher (Audit & Risk Committee Chair) ²	2021	46	-	-	-	2	48
	2020	19	-	-	(2)	1	18
Total Non-Executive	2021	141	-	-	-	-	149
	2020	71	-	-	(7)	4	68
Total Directors' remuneration	2021	965	7	14	(33)	1,043	1,996
	2020	528	3	7	(38)	310	810

1. In response to the COVID-19 pandemic, all Directors agreed to waive 20% of salary and fees for the three month period from April to June 2020. Three Directors agreed to waive 20% of salary for an additional three months from July to September 2020.

2. Included in the above table for Andreas Tautscher are additional fees that he received in the year of £11,250 in respect of his role as a director of MJ Hudson Advisers Limited.

3. The total of fees paid to the executive directors in the period was £108,750

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

Purpose and Link to Strategy	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.
<p>Operation</p>	<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 normally take place each December and any increases take effect from 1 January. Any subsequent increases will take the following into account:</p> <ul style="list-style-type: none"> • Personal performance • Performance of the Group • External economic conditions, such as inflation • Average change in total workforce salary • Scope of the role • Market benchmarking comparisons
<p>Maximum opportunity</p>	<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>
<p>Framework used to assess performance</p>	<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 full annual salary reviews did not take place this year to help further reduce costs in the hope of carrying the business through these challenging economic times. Salaries were increased for a limited number of individuals who received a promotion. The wider Group were provided with an increase just above the UK rate of inflation.</p>

Pension

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

Benefits

Purpose and Link to Strategy	The aim is to provide a competitive benefits package to encourage retention
Operation	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.
Maximum opportunity	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.
Framework used to assess performance	N/A

Annual Bonus

Purpose and Link to Strategy	The annual bonus scheme aims to reward the delivery of short-term objectives consistent with the Group's business strategy.
Operation	<p>Executive Directors are eligible for a non-pensionable discretionary annual bonus based on individual and Group performance.</p> <p>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</p> <p>In line with best practice, malus and clawback provisions are operated by the Committee in certain circumstances for the Executive Directors.</p> <p>Due to the impact of COVID-19, bonus awards in respect of FY21 were cancelled.</p>
Maximum opportunity	The discretionary annual bonus opportunity for an Executive Director is not capped but is determined based on individual and Group performance.
Framework used to assess performance	<p>Performance targets are set by the Committee annually, based on a range of financial and non-financial measures.</p> <p>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.</p>

Long Term Incentivisation Plan (the "LTIP")

Purpose and Link to Strategy	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.
Operation	<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>
Maximum opportunity	The LTIP awards 17.5% of the Aggregate Gain in value of the business over three 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.
Framework used to assess performance	<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

Purpose and Link to Strategy	<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>
Operation	<p>The Committee is responsible for approving the grant of share options on behalf of the Board. The Unapproved Plan is used for the grant of options that are unapproved for UK tax purposes. The UK 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>
Maximum opportunity	<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>
Framework used to assess performance	<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>

Share Incentive Plan

Purpose and Link to Strategy	<p>The Group launched its first employee share plan, the MJ Hudson Group Plc Share Incentive Plan (the "SIP Plan") in April 2021. The SIP Plan is currently available to all employees in the UK. The Group is also in the process of investigating equivalent SIP Plans for our offices outside of the UK.</p> <p>The SIP Plan helps support long-term commitment to the Group and foster wider employee share ownership.</p>
Operation	<p>By joining the SIP Plan, employees have the opportunity to acquire ordinary shares ("Partnership Shares") in the Group by paying for them directly from their gross monthly salary. In return for every Partnership Share purchased, participants will receive 2 shares at no cost ("Matching Shares"). To obtain tax advantages, a trust will hold these shares for a minimum period of 3 years.</p>
Maximum opportunity	<p>Employees can buy Partnership Shares in the Company for up to £1,800 value per annum. While the shares are in the trust, any capital increase is sheltered from capital gains tax. If a participant decides to withdraw their shares from the trust between year three and year five: income tax is payable but typically on the amount of gross money used to acquire only the Partnership Shares.</p>
Framework used to assess performance	N/A

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. The Non-Executive Directors are entitled to participate in the Group's share option plans and details of the options that have been awarded to them are included in section 5 of this report.

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.

All directors were reappointed at the AGM in December 2020. Details of each Director set out below:

Non-executive Director	Director fees £'000	Committee Chair fees £'000	Expected contribution per month
Charles Spicer (Chairman)	60	-	4 days
Geoff Miller (Remuneration Committee Chair)	30	5	2 days
Andreas Tautscher (Audit & Risk Committee Chair)	30	5	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 as at 30 June 2020 and 30 June 2021 are stated below.

	30 Jun 20		30 Jun 21	
	Number of shares	Issued capital %	Number of shares	Issued capital %
Executive				
Matthew Hudson (CEO & Founder)* ¹	48,248,796	28.2	47,922,046	27.8
Peter Connell (CFO) ²	345,870	0.2	378,552	0.2
Mark Pattimore ⁴	2,078,280	1.2	2,101,930	1.2
Jonathan Bale ³	2,501,550	1.5	2,996,550	1.7
Total Executive	53,166,496	31.1	53,399,078	30.9
Non-Executive				
Charles Spicer (Chairman) ⁴	87,720	0.1	110,793	0.1
Geoff Miller (Remuneration Committee Chair) ⁴	87,720	0.1	117,950	0.1
Andreas Tautscher (Audit & Risk Committee Chair) ⁴	-	-	23,000	0.0
Total Non-Executive	175,440	0.2	251,743	0.2
Total Directors' shareholdings	53,341,936	31.3	53,650,821	31.1

*Including family holdings

1. On 29 July 2020, the MJ Hudson Group plc Employee Benefit Trust (EBT) acquired 350,000 shares from Katherine Hudson, the spouse of Matthew Hudson (CEO).

2. On 11th May 2021, Peter Connell, acquired 319 partnership shares and 638 matching shares, making in total 957 ordinary shares of nil par value in the Company, also as a part of a regular monthly purchase under the terms of the SIP. The partnership shares were acquired applying monies obtained via salary deduction at a price of 47p per share and the matching shares were acquired at a price of 50p by the Company and awarded at nil cost. These shares were acquired in the market and are held, subject to restrictions imposed by the SIP rules, by the SIP trustees. On 8th June 2021, an additional acquisition of 300 partnership shares and 600 matching shares was purchased at 50p per share under the same terms.

3. On 12 February 2021, Jonathan Bale exercised 495,000 options over ordinary shares of nil par value in the Company. The exercise price was 32p per share. As a result, and in satisfaction of such exercise, the Company has transferred to Mr. Bale 495,000 existing Ordinary Shares from its Employee Benefit Trust.

4. Refer to PDMR RNS announcements for purchase of ordinary shares.

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:

Name	Option plan	Number of options				As at 30 Jun 21	Exercise price	Date of grant	Expiry date
		As at 30 Jun 20	Granted during the year	Exercised during the year	Lapsed during the year				
Executive									
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	12.01.23
	USOP	22,564	42,767	-	-	65,331	0.585 0.46	13.01.20 05.02.21	12.01.23 04.02.24
Mark Pattimore	Rollover	821,250	-	-	-	821,250	0.39	12.12.19	11.12.22
	CSOP	-	-	-	-	-	-	-	-
	USOP	76,923	43,478	-	-	120,401	0.585 0.46	13.01.20 05.02.21	12.01.23 04.02.24
Jonathan Bale	Rollover	495,000	-	(495,000) ¹	-	-	0.32	12.12.19	-
	CSOP	-	-	-	-	-	-	-	-
	USOP	-	21,739	-	-	21,739	0.46	05.02.21	04.02.24
Total Executive		4,763,269	107,984	(495,000)	-	4,376,503	-	-	-
Non-Executive									
Charles Spicer	Rollover	-	-	-	-	-	-	-	-
	CSOP	-	-	-	-	-	-	-	-
	USOP	85,470	32,609	-	-	118,079	0.585 0.46	13.01.20 05.02.21	12.01.23 04.02.24
Geoff Miller	Rollover	-	-	-	-	-	-	-	-
	CSOP	-	-	-	-	-	-	-	-
	USOP	42,735	21,739	-	-	64,474	0.585 0.46	13.01.20 05.02.21	12.01.23 04.02.24
Andreas Tautscher	Rollover	-	-	-	-	-	-	-	-
	CSOP	-	-	-	-	-	-	-	-
	USOP	42,735	21,739	-	-	64,474	0.585 0.46	13.01.20 05.02.21	12.01.23 04.02.24
Total Non-Executive		170,940	76,087	-	-	247,027	-	-	-
Total	Rollover	4,612,500	-	(495,000)	-	4,117,500	-	-	-
	CSOP	51,282	-	-	-	51,282	-	-	-
	USOP	270,427	184,071	-	-	454,498	-	-	-
Total Directors' Options		4,934,209	184,071	-	-	4,623,280	-	-	-

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

1. On 12 February 2021, Jonathan Bale exercised 495,000 options over ordinary shares of nil par value in the Company. The exercise price was 32p per share. As a result, and in satisfaction of such exercise, the Company has transferred to Mr. Bale 495,000 existing Ordinary Shares from its Employee Benefit Trust.

LTIP

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 article 74ZA of the Companies (Jersey) Law 1991 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	787
Peter Connell	1,300	6.5	119
Mark Pattimore	1,300	6.5	119

Performance conditions for LTIP are based on 50% TSR and 50% adjusted EBITDA per share. 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 £3.6m for the year ended 30 June 2021.

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 £203,000 plus an additional £25,000 per annum for his appointment as a director of the Group. Subsequent to the balance sheet date, after a benchmarking review, the Board has approved an increase in Mr Hudson's annual salary to £240,000 effective from 1 September 2021. 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 £3,040 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 £199,681 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 £3,667 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 £204,000 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. He is also entitled to life assurance at four times base salary, income protection cover and pension contributions in the last financial year. Mr Pattimore has opted out of the health insurance scheme.

Jonathan Bale

(Director and Group Secretary – Jersey), entered into an employment contract with MJ Hudson Services Jersey Limited with an effective date of 1 December 2020. The employment contract may be terminated by either party giving at least 3 months' written notice at any time. The employment contract contains restrictive covenants for a period of 6 months following termination of his employment. Mr Bale is entitled to an annual salary of £108,000 plus an additional £40,000 per annum for his appointment as a Group Secretary and director of the Group. Mr Bale is entitled to participate in an annual bonus and long-term incentive plan. No further benefits were in force for Mr Bale at the date of this document.

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 and in note 28 of the financial statements, 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 guarantees provided by any member of the Group for the benefit of the Directors.

Directors' responsibility statement

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 Group 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 Report.

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.

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 Group 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 Group'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

Ernst & Young LLP replaced BDO LLP as auditor of the Group. This followed a formal selection process involving senior executives and the Board. The formal appointment was confirmed (following the necessary on boarding procedures), to shareholders in November. A resolution to re-reappoint Ernst & Young 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 Jersey and 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 24th November 2021 and is signed on its behalf by:



Matthew Hudson
CEO,
24 November 2021



Peter Connell
CFO,
24 November 2021

Independent auditor's report

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

Opinion

We have audited the Consolidated Financial Statements of MJ Hudson Group Plc (the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2021 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 the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'); and
- have been properly prepared in accordance with the requirements of the 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, including the UK 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

In auditing the Consolidated Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Consolidated Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the process followed by management to make its going concern assessment;
- obtaining management's latest forecasts that support the Board's assessment and conclusions with respect to the going concern basis of preparation of the Consolidated Financial Statements;
- checking the mathematical accuracy of management's forecasts and corroborating this to supporting documentation;
- discussing with management to understand the judgements applied in the forecasts, challenging the underlying assumptions and considering their potential responses to management's stressed scenarios;
- performing our own reverse stress tests by calculating the required reduction in revenue and resultant impact on cashflow that would impact on the Group's ability to continue to meet the external debt financial covenants and financial commitments as they fall due; and
- assessing the disclosures in the Consolidated Financial Statements relating to going concern to ensure they were in compliance with IFRS.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for the period to 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of 8 components and audit procedures on specific balances for a further 3 components; and • The components where we performed full or specific audit procedures accounted for 81% of Revenue and 63% of Total assets.
Key audit matters	<ul style="list-style-type: none"> • Revenue recognition including the recoverability of contract assets and trade debtors; • Accounting for business combinations in the year under IFRS 3 including deferred consideration; • Impairment of Goodwill assets under IAS 36; and • Long term incentive plan under IFRS 2.
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £201k which represents 0.5% of Revenue.

First year audit considerations

In preparation for our first year audit of the 30 June 2021 Consolidated Financial Statements, we prepared a detailed transition plan. Our audit planning and transition commenced in July 2021 after we had confirmed our independence from the Group to the Audit Committee. Our transition activities included:

- The review of the predecessor auditor's 2020 audit work papers and gaining an understanding of their risk assessment, key judgements and audit approach to address the risks identified;
- Held meetings with the Management and the Audit Committee of the Group agreeing the audit approach for the first year;
- Held an audit planning meeting with the senior members of our team in order to agree our first year audit approach;
- Obtained a specific understanding of the Group's business, culture and operations through review, enquiry and observation; and
- Obtained a detailed understanding of the financial statement close process of the Group.

This transition activity allowed us to gain an understanding of the Group's key processes and controls over financial reporting. We then established our audit base and formalised our audit strategy for the 2021 audit.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls and changes in the business environment when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the Consolidated Financial Statements of the 42 reporting components of the Group, we selected 17 components covering entities within the UK and Channel Islands, Luxembourg, Netherlands and Ireland, which represent the principal business units within the Group. The majority of operations are centralised within the UK.

Of the 17 components selected, we performed an audit of the complete financial information of 8 components ("full scope components") which were selected based on their size or risk characteristics. For 3 components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Consolidated Financial Statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% of the Group's Revenue and 88% of the Group's total assets. For the current year, the full scope components contributed 69% of the Group's Revenue and 61% of the Group's total assets. The specific scope component contributed 12% of the Group's Revenue and 17% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant account tested for the Group. We also instructed 6 locations to perform specified procedures over certain aspects of Revenue, Accrued Income, Debtors, Cash and Other assets that were individually material to the Consolidated Financial Statements. These specified procedures components contributed 13% of the Group's Revenue and 10% of the Group's assets.

Of the remaining 8 components that together represent 6% of the Group's Revenue, none are individually greater than 1.5% of the Group's Revenue. For these components, we performed other procedures, including analytical review and testing consolidation eliminations to respond to any potential risks of material misstatement to the Consolidated Financial Statements.

The table below illustrates the coverage obtained from the work performed:

	Number	% of revenue	% Group assets
Full scope	8	69%	61%
Specific scope	3	12%	17%
Full and specific scope	11	81%	78%
Specified procedures	6	13%	10%
Total reporting components	17	94%	88%
Remaining components	8	6%	12%
Total	25	100%	100%

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 8 full scope components, audit procedures were performed on 7 of these directly by the primary audit team and 1 of these by the component audit team, EY Luxembourg. For the 3 specific scope components, audit procedures were performed on 2 of these directly by the primary audit team and 1 of these by the component audit team, EY Netherlands. For the 1 full scope and 1 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team as primary team interacted regularly with component teams where appropriate during various stages of the audit, including regular audit team conference/video calls covering audit approach, issues arising from their work, and results prior to inter-office reporting. The group audit team also performed reviews of key audit working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Consolidated Financial Statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 Consolidated Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Revenue recognition including the recoverability of contract assets and trade debtors Revenue: £39.8m (note 6) Contract assets: £5.0m (note 19) Trade debtors £7.0m (note 19) Revenue is recognised by reference to the stage of completion for fixed fee contracts and based on a time spent basis for client matters which have yet to be billed. These amounts are reflected in contract assets which are required to be stated at the amount which is recoverable. Trade debtors are amounts due from customers for services performed in the ordinary course of business. Trade receivables and contract assets are assessed for objective evidence of impairment in accordance with IFRS 9 The assessment of the Expected Credit Loss ("ECL") of the contract assets and trade debtors at year-end constitutes estimation uncertainty and requires judgements and estimates. (See notes 6 and 19)</p>	<p>We performed a fully substantive audit approach which included the following procedures over revenue, contract assets and trade debtors:</p> <p>We identified and evaluated design of the processes and controls established in relation to revenue recognition, contract assets and trade receivables by walking through the processes with management, but we did not test the operating effectiveness of the control.</p> <p>We performed an analytical review on the full year population of revenue, contract assets and trade debtors developing our expectations based on budgets and prior year actuals and investigated movements and differences that are inconsistent with these expectations.</p> <p>We performed an objective evaluation of the implied expected recovery of contract assets and trade debtors in order to assess whether there are any indicators of management bias in the applied ECL.</p> <p>We assessed the adequacy of the disclosures in the Consolidated Financial Statements with regard to revenue, contract assets and trade receivables to the requirements of IFRS 15 and IFRS 9.</p> <p>Revenue</p> <p>Our procedures included agreeing a sample of revenue to supporting documentation, including contracts, invoices and cash receipts.</p> <p>We performed cut off testing on a sample basis around the year end to identify fees raised or contract assets being recognised to assess if revenue was recorded in the correct accounting period.</p> <p>We performed journal entry testing at Group and component level which focused on revenue accounts.</p> <p>Contract Assets</p> <p>For a sample of clients we, obtained contracts, understood the stage of completion of the project, confirmed subsequent billing and the amounts recovered post year end recovery.</p>	<p>Based on the procedures performed we did not identify any evidence of material misstatement in the revenues, contract assets or trade receivables.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>Contract Assets</p> <p>Where contract assets were not billed post year end within our sample, we challenged management's judgement and rationale associated with the recoverability of the amounts through analysis of underlying agreements and historic billing and payment patterns.</p> <p>We challenged management's judgements and estimates and evaluated the inputs and assumptions used to determine the ECL on contract assets by comparing the assumptions to historical performance, taking into consideration current risks including the Covid-19 pandemic.</p> <p>We tested the mathematical accuracy of the ECL calculation.</p> <p>Trade debtors</p> <p>We challenged management's judgements and evaluated the inputs and assumptions used to determine the ECL on trade debtors by comparing the assumptions to historical performance, taking into consideration current risks including the Covid-19 pandemic.</p> <p>We tested the mathematical accuracy of the ECL calculation.</p> <p>For a sample of trade debtors we agreed the settlement of outstanding balances at the year end to post year end cash receipts. Where we identified credit notes raised post year end we enquired of management to obtain an explanation to determine if such amounts were reflective of conditions which were known at the year end.</p> <p>Our audit procedures were led by the primary team with input from our teams in Luxemburg and Netherlands.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Accounting for business combinations in the year under IFRS 3 (£15.68m value of risk) and deferred consideration (£13.68).</p> <p>Refer to Note 27. Business Combinations and Note 21. Borrowings and deferred consideration for the respective Accounting policies and disclosures.</p> <p>Given the significant judgements applied in determining the fair value of acquired assets and the allocation of the purchase price, we have determined this as a key audit matter in the current year.</p> <p>The estimation aspect includes the assumptions contained within the valuation models which are used to determine the fair values of intangible assets acquired. There is also a judgement applied by management when considering whether these acquisitions meet the definition of a business.</p> <p>Included in the consideration for businesses acquired are amounts whose payments are deferred. The deferred consideration on each acquisition has key estimates in relation to forecasted earnings or revenue (as per the SPA for each respective acquisition) and/or the discount rate. These estimates, including whether considerations are contingent on performance impacts the purchase price and the accounting treatment of the deferred consideration.</p>	<p>We understood the design and implementation of controls around the preparation, review and accounting for business combinations by walking through the processes with management, but we did not test the operating effectiveness of the control.</p> <p>Business combinations</p> <p>We obtained support for the acquisitions made in the year, including the Share Purchase Agreements (SPA) and agreed significant balances back to supporting evidence, such as bank statements.</p> <p>We obtained management's assessment of the acquisitions in the year under IFRS 3, including the treatment of amounts paid or payable as consideration or any remuneration for compensation of employees under future employment arrangements.</p> <p>We used EY specialist valuation professionals to support our audit consideration of the appropriateness of the methodology applied by management in their business combination calculations. Specifically, the valuation professionals utilised their knowledge of similar businesses and transactions to challenge the judgments applied by management in their determination of the weighted average cost of capital (WACC) and internal rate of return (IRR) used in their calculations.</p> <p>We reconciled the source data used in the deferred consideration calculations for consistency with management's forecasts, budgets and going concern analysis performed</p> <p>We used our EY specialist valuations professionals to assess whether the reported value fell within a range of reasonable outcomes for Goodwill and acquired intangibles, comparing these results to the values calculated by Management and their Specialists.</p> <p>We assessed the adequacy of the disclosures in the Consolidated Financial Statements with regard to business combinations to the requirements of IFRS.</p> <p>Deferred consideration</p> <p>We obtained each SPA and Purchase Price Allocation report (PPA) prepared by Management's specialist.</p> <p>We read the SPAs and agreed deferred consideration in management's schedule to the SPA and PPA.</p> <p>We gained an understanding of the SPA to determine whether the amounts should be accounted for as deferred consideration or remuneration.</p>	<p>Based on the procedures performed we did not identify any evidence of material misstatement in the accounting for business combinations.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<p>We recalculated the deferred consideration amounts using the budgeted revenue provided and compared this to the budgeted earnings or revenue (as per the SPA for each respective acquisition) used in management's calculations.</p> <p>We agreed any payments relating to deferred consideration during the year to the bank statements.</p> <p>For payments made post year end, we determined the actual amount paid to be the fair value and we used this amount in our recalculation.</p> <p>We used EY specialist valuation professionals to support our audit consideration of the appropriateness of the discount rates applied by management. Specifically, the valuation professionals utilised their knowledge of similar businesses and macro-economic factors to challenge the judgments applied by management in their determination of the discount rate used in their calculations.</p> <p>For deferred consideration in foreign currencies, we recalculated the translation based on observed market foreign exchange rates.</p> <p>We agreed the movement in fair value calculated to that disclosed in the accounts.</p> <p>We assessed the adequacy of the disclosures in the Consolidated Financial Statements with regard to deferred consideration to the requirements of IFRS.</p> <p>The audit procedures were performed centrally by the primary team.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Impairment of Goodwill under IAS 36 (£31.47m)</p> <p>Refer to Note 13 of the Consolidated Financial Statements</p> <p>There is a risk that Goodwill is impaired, and as such, management is required to perform an annual impairment assessment as required under IAS 36.</p> <p>The significant estimates determined by management when conducting the impairment review include the discount rate to be applied, the volatility of share price, the growth rate and the forecasted future level of adjusted EBITDA.</p>	<p>We performed the following audit procedures to address the risk identified:</p> <p>We understood the design and implementation of controls around the preparation and review of management's assessment of impairment and the associated controls around the accounting for the impairment amounts identified by this assessment. We developed this understanding by performing a walkthrough of the processes with management. We did not test the operating effectiveness of the controls.</p> <p>We performed the follow substantive procedures over Goodwill:</p> <p>We obtained management's experts assessment and evaluated the assumptions used in the forecast to calculate the value in use for each of the cash generating units (CGUs). We assessed management's forecasts and understood the assumptions made behind the forecasts, including performing a sensitivity analysis on them and tested the mathematical accuracy of management's calculations.</p> <p>We involved EY business valuation specialists to assist us in our testing of the management's impairment assessment, including assessing the valuation methodology used by management's specialist and challenging specific inputs used in the determination of the discount rate with referenced to independently sourced external data and benchmarks; and in developing independently a reasonable range of discount rates against which we compared managements chosen rate.</p> <p>We identified those inputs which are most sensitive to change and performed sensitivity analysis to ascertain what changes in estimates could produce significantly different outcomes. In doing so we noted the future forecast revenues, and the discount rate are the most sensitive assumptions. We ascertained the extent of changes that individually, or in combination, would be required for the assets to be impaired; and</p> <p>We assessed the fairness, accuracy and completeness of required disclosures required by IAS36.</p> <p>The audit procedures were performed centrally by the primary team.</p>	<p>Based on the procedures performed we did not identify any evidence of material misstatement in the accounting for Goodwill.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Long term incentive Plan under IFRS 2 (£2.28m)</p> <p>Refer to Note 24 of the Consolidated Financial Statements</p> <p>There is a risk that the Long term incentive Plan (LTIP) is incorrectly valued and that modifications to the scheme are not appropriately accounted for under IFRS 2.</p> <p>In the prior year the LTIP was accounted for as cash settled and the Company's settlement policy changed in the current year to equity settled.</p> <p>There are significant judgements applied by management in their forecasting of adjusted EBITDA and risk free rate and made by their specialists over the valuation methodology and the volatility used.</p> <p>We consider this a key audit matter due to the complexity of calculation and the modification in settlement policy.</p>	<p>We performed the following audit procedures to address the risk identified:</p> <p>We understood the design and implementation of controls around the preparation, review and accounting for the Long term incentive plan by walking through the processes with management, but we did not test the operating effectiveness of the controls.</p> <p>We performed a fully substantive audit approach which included the following procedures over the LTIP:</p> <p>We obtained the date of modification of the settlement policy from management, we obtained and read the underlying scheme documentation and agreed the ability of the Group to unilaterally modify the settlement policy in accordance with IFRS 2.</p> <p>We obtained management's expert's calculation of the fair value of the LTIP as at the modification date. We involved EY valuation specialists to assist in performing audit procedures including assessing the methodology used by management's specialist, challenging specific inputs into the determination of the discount rate with reference to independently sourced external data and benchmarks, and in developing independently a reasonable range of discount rates. We assessed management's choice of discount rate, in the context of our independently determined range.</p> <p>We agreed the adjustments made to EBITDA to derive adjusted EBITDA and agreed that this was input into the LTIP fair value calculation in accordance with the scheme rules.</p> <p>We agreed the LTIP expense for the year and the reclassification, in accordance with IFRS 2, of the liability recognised under the cash settled basis to the share based payment reserve as a result of the modification of the LTIP settlement policy from cash to equity settled.</p> <p>The audit procedures were performed centrally by the primary team.</p>	<p>Based on the procedures performed we did not identify any evidence of material misstatement in the accounting for the LTIP.</p>

Changes from the Prior year

In the prior year the following matters were reported by BDO LLP as key audit matters: 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. In the current year our key audit matters are set out above and which includes a key audit matter Long term Incentive Plan under IFRS 2.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £201k, which is 0.5% of Revenue. In their prior year audit, BDO LLP, adopted a materiality of £330k based on 1.5% of reported revenue.

As a result of the loss making position of the group we have determined that a profit based measure for determined materiality is not appropriate. Therefore, we have selected revenue as this is a measure of performance that we understand is relevant to the users of the financial statements as a key performance measure against which the group reports.

As this our first period of appointment as auditor the basis above has been determined based on our understanding of the current business and its ownership and operation in the current year, including the level at which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

We reassessed our materiality basis throughout the audit. We did not make any changes to our materiality as the reported revenue was not materially different to the amount used during our planning phase given this utilised preliminary year-end data.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £100k. In their prior year audit, BDO LLP, adopted a performance materiality of £215k based on 65% of materiality.

We have set performance materiality at this percentage due to the fact this is a first year audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £10k to £60k. In their prior year audit, BDO LLP, carried out work on the components of the group using a performance materiality up to £165k.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £10k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. In their prior year audit, BDO LLP, reported all uncorrected differences in excess of £7k.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 96 and 159 to 164, other than the Consolidated Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the Consolidated Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the course of 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 Consolidated Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the Company's 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' responsibility statement set out on pages 93 to 94, the directors are responsible for the preparation of the Consolidated 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 the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 Consolidated Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and its underlying entities and determined that the most significant are the regulations of the International Financial Reporting Standard as adopted in the European Union (IFRS), the Companies (Jersey) Law 1991, AIM listing rules and the regulatory requirements of its underlying entities.
- We understood how the Group and Company is complying with those frameworks by making inquiries with management from various parts of the Group and the Directors who are responsible for legal and compliance procedures and corroborated this by reading minutes of meetings of the Board of Directors and correspondence between the Group and the London Stock Exchange.
- We assessed the susceptibility of the Consolidated Financial Statements to material misstatement, including how fraud might occur by designing specific audit procedures in response to the key audit matters described above. We supported our understanding through the following:
 - o Walkthroughs with management of the relevant transaction flows from initiation to financial reporting to identify any potential susceptibilities to fraud.
 - o Reading minutes of the Group and key components board meetings throughout the year to date of authorisation of the Consolidated Financial Statements to determine whether any matters of fraud or non compliance have been identified or associated risks discussed.
 - o Reading correspondence with regulators in relation to compliance with laws and regulations for the Group and its underlying entities.
 - o Performing specific procedures relating to judgemental areas which are subject to significant estimation or subject to the application of accounting judgment.
 - o Incorporating a level of unpredictability surrounding the nature, timing or extent of testing when designing audit procedures.
 - o Performing journal entry testing over manual journals and used data analysis techniques to identify journals deemed susceptible to fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reading minutes of meetings of the Board of Directors and correspondence between the Group and its subsidiaries with their respective regulators, making inquiries of those charged with governance and of management in key components, including understanding how the Group and its regulated components maintain their capital requirements, and testing journal entries deemed susceptible to fraud risk.
- No instances of non-compliance or alleged non-compliance with laws were identified in responding to those matters in relation to our audit work are set out above under key audit matters or components of the Group.

No instances of non-compliance or alleged non-compliance with laws were identified in responding to those matters in relation to our audit work are set out above under key audit matters or components of the Group.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



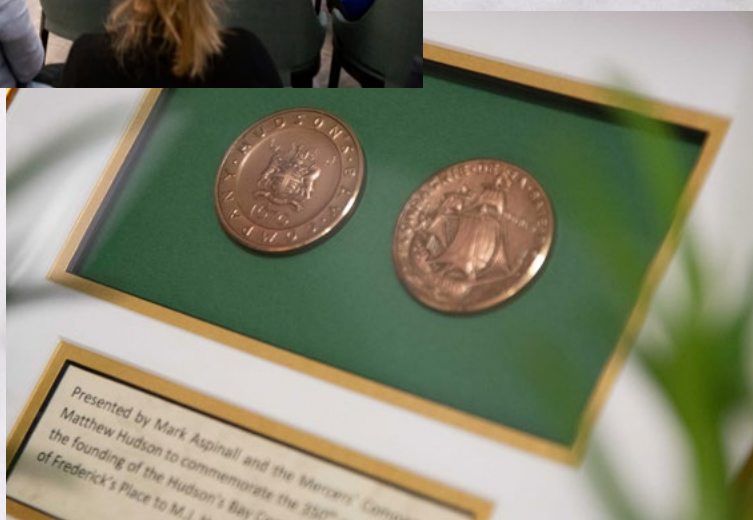
Richard Geoffrey Le Tissier
for and on behalf of Ernst & Young LLP
St Helier
24 November 2021

Notes:

1. The maintenance and integrity of MJ Hudson Group Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom and Jersey governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

Consolidated financial statements

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Consolidated statement of comprehensive income

For the year ended 30 June 2021

	Note	2021 £'000	2020 £'000 (restated)
Revenue	6	39,823	22,284
Direct cost of sales		(14,285)	(1,973)
Other cost of sales		(1,026)	(1,209)
Gross profit		24,512	19,102
Administrative and other expenses	7	(29,201)	(23,717)
Expected credit loss on trade receivables and contract assets	19	(788)	(585)
Other operating income		331	65
Operating loss		(5,146)	(5,135)
Finance expense	8	(973)	(1,134)
Fair value movements	9	835	(1,053)
Share of profit of a joint venture		6	-
Loss before taxation		(5,278)	(7,322)
Tax expense	11	(122)	(214)
Loss for the year		(5,400)	(7,536)
Attributable to:			
Equity holders of the parent		(5,380)	(7,536)
Non-controlling interest		(20)	-
Loss for the year		(5,400)	(7,536)
Earnings per share attributable to the ordinary equity holders of the parent			
Basic and diluted EPS	12	(0.032)	(0.056)
Other comprehensive income			
May be reclassified to profit or loss in subsequent periods and attributable to equity holders of the parent:			
Exchange differences arising on translation of foreign operations		(116)	77
Total comprehensive loss for the year		(5,516)	(7,459)

The results above are all from continuing operations. The notes on pages 113 to 158 form part of these financial statements

Consolidated statement of financial position

As at 30 June 2021

	Note	2021 £'000	2020 £'000 (restated)
ASSETS			
Non-current assets			
Intangible assets	13	46,935	32,689
Tangible assets	15	2,067	2,196
Right-of-use asset	16	7,056	7,578
Investments	17	2,568	1,308
Other receivables	19	416	398
Total non-current assets		59,042	44,169
Current assets			
Trade and other receivables	19	14,857	10,988
Income tax receivables		150	-
Cash and cash equivalents		9,785	13,388
Total current assets		24,792	24,376
Total assets		83,834	68,545
LIABILITIES AND EQUITY			
Non-current liabilities			
Borrowings	21	16,658	873
Deferred consideration	21	5,120	5,719
Lease liabilities	16	6,377	6,497
Other payables	20	405	497
Total non-current liabilities		28,560	13,586
Current liabilities			
Trade and other payables	20	8,027	5,831
Income tax liabilities		396	114
Deferred tax liabilities		182	203
Borrowings	21	12	2,538
Deferred consideration	21	8,556	4,758
Lease liabilities	16	897	798
Total current liabilities		18,070	14,242
EQUITY			
Issued share capital	22	-	-
Share premium account	22	56,023	55,527
Owned shares	22	(928)	-
Other reserves	23	2,828	509
Retained loss		(20,699)	(15,319)
Total equity		37,224	40,717
Non-controlling interest		(20)	-
Total equity		37,204	40,717
Total liabilities and equity		83,834	68,545

The notes on pages 113 to 158 form part of these financial statements. The Consolidated Financial Statements on pages 109 to 158 were approved by the Directors, authorised for issue and signed by:



Andreas Tautscher
24 November 2021

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Share Capital £'000	Share Premium £'000	Owned Shares £'000	Other Reserves £'000	Retained Loss £'000	Total £'000	NCI £'000	Total Equity £'000
Balance as at 30 June 2019	20	15,344	-	1,443	(9,027)	7,780	-	7,780
Share based payments	-	-	-	437	-	437	-	437
Exercise of options	1	1,506	-	(565)	565	1,507	-	1,507
Convertible loan note options exercised	-	11,826	-	(883)	883	11,826	-	11,826
Loss for the year (restated)	-	-	-	-	(7,536)	(7,536)	-	(7,536)
Other comprehensive income	-	-	-	77	-	77	-	77
Net shares issue (note 22)	-	28,861	-	-	-	28,861	-	28,861
Cost of shares issued through IPO	-	(2,232)	-	-	-	(2,232)	-	(2,232)
Group restructure	(21)	21	-	-	(204)	(204)	-	(204)
B shares issued	-	201	-	-	-	201	-	201
Balance as at 30 June 2020	-	55,527	-	509	(15,319)	40,717	-	40,717
Share based payments	-	-	-	2,446	-	2,446	-	2,446
Exercise of options	-	(82)	236	(11)	-	143	-	143
Loss for the year	-	-	-	-	(5,380)	(5,380)	(20)	(5,400)
Other comprehensive income	-	-	-	(116)	-	(116)	-	(116)
Shares issued (note 22)	-	578	-	-	-	578	-	578
Shares repurchased	-	-	(1,164)	-	-	(1,164)	-	(1,164)
Balance as at 30 June 2021	-	56,023	(928)	2,828	(20,699)	37,224	(20)	37,204

The notes on pages 113 to 158 form part of these financial statements

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	2021 £'000	2020 £'000 (restated)
Cash flows from operating activities:			
Loss for the financial year before taxes		(5,278)	(7,322)
Adjustments for:			
Depreciation and impairment of fixed assets and right-of-use assets	7	1,499	1,134
Amortisation and impairment of intangible assets	13	1,504	1,271
Loss on disposal of tangible and intangible assets	13/15	126	198
Revaluation (gain)/ loss on investments	17	(1,644)	(139)
Fair value (gain)/loss on deferred consideration	21	809	(856)
Fair value loss on convertible loan notes	9	-	543
Share based payments expense	24	1,998	437
Interest payable	8	973	2,639
(Increase)/decrease in trade and other receivables		(2,329)	(861)
Decrease in trade and other payables		(79)	(1,729)
Foreign exchange gains and losses		(582)	(45)
Cash from operations		(3,003)	(4,730)
Taxation paid		(54)	(85)
Net cash used in operating activities		(3,057)	(4,815)
Cash flows from investing activities:			
Purchases of tangible assets	15	(241)	(2,084)
Purchase of intangible assets	13	(1,887)	(127)
Purchase of subsidiary undertaking	27	(1,524)	(4,995)
Payment of deferred consideration related to acquisitions		(9,236)	(3,350)
Purchase of financial instruments		(173)	-
Proceeds from sale of financial instruments		575	-
Net cash used in investing activities		(12,486)	(10,556)
Cash flows from financing activities:			
Interest paid		(837)	(1,124)
Equity subscription		496	28,133
Owned shares purchased		(928)	-
Proceeds from issue of bank loan	26	18,191	1,023
Finance costs on bank loans	26	(760)	-
Repayment of bank loan	26	(3,590)	(964)
Repayment of loan notes	26	-	(600)
Repayment of loans to directors	20	(18)	(386)
Payment of lease liabilities	26	(614)	(422)
Net cash generated from financing activities		11,940	25,660
Net (decrease)/increase in cash and cash equivalents		(3,603)	10,289
Cash and cash equivalents at beginning of year		13,388	3,099
Cash and cash equivalents at end of year		9,785	13,388
Cash and cash equivalents comprise:			
Cash at bank and in hand		9,785	13,388
Cash and cash equivalents at end of year		9,785	13,388

The notes on pages 113 to 158 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 P.O. Box 264, Forum 4, Grenville Street, St Helier, Jersey JE4 8TQ. 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.

Correction of errors

Three errors have identified in relation to the FY 2020 financial statements which have been corrected as prior year misstatements in these financial statements. They are described below:

An error was identified in the expected credit loss calculation for the prior year. This has resulted in an additional £334,000 charge to administrative and other expenses (notes 5 & 7) with an associated decrease in trade debtors (note 19). This resulted in the basic and diluted loss per share increasing from (0.053) to (0.056) (note 12)

As described in note 21 Deferred consideration includes payments which is dependent upon the results of the acquired businesses and are accounted for at fair value through profit or loss. The fair value movement of £649,000 was previously disclosed within Finance expenses in error and therefore have been reclassified as fair value movements in these financial statements (notes 8 & 9)

In considering the completeness of related party disclosures (note 28) the directors have identified certain related parties and associated disclosures that were omitted from the 2020 financial statements. These include information pertaining to directors’ interests in other companies in which transactions had occurred, associated outstanding balances and deferred consideration loans from directors of subsidiaries of the Group.

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 the financial statements 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, along with the impact of the COVID-19 pandemic.

As described in note 24 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. In determining if the Group is a going concern, the Directors have considered the group's operations and principal risks and uncertainties, along with the impact of the COVID-19 pandemic.

During FY21 the Group refinanced its debt facilities and entered into a five-year financing agreement with Santander UK PLC. The financing comprises a facility of up to £17.5m, with repayment due in 2026 (see note 21). There is an option to extend this amount over time, on an uncommitted basis. The facility is to be used to finance the Group's M&A pipeline including deferred consideration, regulatory capital requirements and general corporate needs. The previous loans totalling approximately £4 million, were repaid in May and June 2021.

The regulated Irish acquisition, Bridge Fund Management Limited (BFML), has won a significant number of new clients off the back of regulatory changes in Ireland and has seen significant growth. With that growth, has come an accelerated regulatory capital need. £4.7 million (€5.5 million) was placed in the BFML regulatory capital deposit account in June and a further £2.4 million (€2.8 million) has been paid in September which has taken this entity's regulatory capital up to the cap of £8.6 million (€10 million). As reported previously, we have also seen an increase in trade debtors and accrued income due to remote working and lockdown impacts in extending the timing required for clients to complete transactions. This has begun to ease in June with record law firm billing in the month and cashflow patterns are expected to return to previous levels over the next few months.

In order to compensate for this accelerated regulatory capital need and also the increased lockup of working capital a further drawdown of £7 million was finalised in August 2021. This facilitated the expansion of the regulated Irish business and restored the working capital buffer. £24.5 million of the facility has been drawn down to date.

To assess going concern the Directors have prepared 'Base case' financial forecasts for the period to 31 December 2022. The base case budget data is derived from granular bottom-up data which was produced in conjunction with Business Unit Heads.

In addition, the Directors have considered the impact COVID-19 could have on the Group and assessed that impact on the business has diminished considerably since the beginning of 2021 with strong levels of growth returning. In considering a 'Worst case' scenario the Group have reviewed the ability of the business to withstand reductions in revenue as set out in the table below:

	Jul 2021 to Dec 2021	Jan 2022 to Dec 2022
Business units with primarily project based revenue (Advisory and part of Data & Analytics)	15%	10%
Business units with 12 months contracted revenue (Outsourcing and part of Data & Analytics)	10%	10%

In addition to the above 'Worst case' revenue assumptions this scenario assumes that debtor days do not recover from current levels until 2022 across all business units. This is to reflect slowdown in cash collection as a result of a prolonged COVID-19 and slow wider economic recovery. This is assumed to be mitigated by suspension of recruitment and reductions (assumed halved) in FY22 salary reviews and bonuses.

The Directors 'Worst case' financial modelling showed that the Group could withstand these revenue reductions, if combined with a 50% reduction in budget salary review and bonus levels and meet ongoing covenants as well as 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 could also take further cost mitigating actions not currently included within the 'Worst case' forecast. It is estimated that cost mitigating factors could generate further savings in excess of £2 million in FY22. In addition, non-essential spending could be deferred e.g. continued delay in launch of US Law operations. If cost mitigation factors are necessary, they may include reductions in recruitment, further reduction in holiday pay accrual as highlighted in 2.3 below

and restructuring. Group funds are not specifically earmarked for transactions. 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 to 31 October 2021 and the 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 a period to 31 December 2022 from the date of signing of these financial statements. Accordingly, the Group continues to adopt the going concern basis in preparing its financial statements.

2.3 COVID-19 impact

As reported in our June 2020 Annual Report & Accounts, 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 compliant and are currently in a transitional phased return period, which will see a gradual return to normal working patterns. Some increase in flexible working is part of a move to the 'new normal' and the Group is well placed to support this.

As at October 2021 the current status is that all our offices are open and we are currently phasing staff back to the office over the remainder of the year and assessing flexible working opportunities on a case by case basis. We remain ready to adapt should another lockdown occur in any of our jurisdictions.

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. We have adopted some of these measures again in FY21 with senior executive management taking salary cuts for the first 3 months of 2021, scrapping of general bonuses re FY21 and reduction in holiday pay accrual by requiring staff to take accrued leave by 30 June 2021. Other factors including reduced travel and entertainment costs, office costs and marketing events costs also assisted and these remain suppressed compared to pre-pandemic levels. The Group took advantage of the UK HMRC VAT deferral scheme in June 2020 but has not taken any additional government funding to support the operation. No staff have been furloughed at any time.

The revenue shortfall experienced by the Advisory division from March 2020 to June 2020 was due to the temporary suspension of client new fund launches and M&A activity. Since then we have seen a strong recovery in organic growth, particularly in the second half of our financial year and new business pipelines are strong in most of our business units.

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 2021.

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.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of comprehensive income. On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is reclassified to profit or loss.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial information of each of the Company'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 Company'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'.

2.6 Company only financial statements

Under Article 105(11) of the Companies (Jersey) Law 1991, the directors of a holding company need not prepare separate financial statements (i.e. company only financial statements). Separate financial statements for the Company are not prepared unless required to do so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by law, the Directors have elected not to prepare separate financial statements.

3. Changes in account policies and disclosures

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

3.1 New standards, amendments and interpretations effective from 1 July 2020

To the extent that they are relevant, the Group has adopted from 1 July 2020 all IFRS standards and interpretations including amendments that were in issue and effective for accounting periods beginning on 1 July 2020. These are as follows:

- Definition of Material
- Amendments to IAS 1 and IAS 8
- Definition of a Business – Amendments to IFRS 3
- Interest Rate Benchmark Reform
- Amendments to IFRS 7, IFRS 9 and IAS 39
- Revised Conceptual Framework for Financial Reporting

These standards and interpretations have had no material impact for the Group.

3.2 New standards, amendments and interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

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. The details of key accounting estimates and assumptions are included within their respective notes as follows:

- Going concern, note 2.2
- Measurement of contract assets and liabilities, note 6
- Impairment of intangible assets and goodwill, note 14
- Impairment of trade receivables and contract assets, note 19
- Contingent consideration, note 21
- Long term incentive plan, note 24
- Valuation of level 3 investments, note 17

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 judgement was required around deciding cash generating unit and expected credit losses, which are discussed in their respective notes. Management has concluded that there are no other judgements which 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 established reportable segments plus organic investments as follows:

- **Advisory:** the provision of legal and investment consultancy services for alternative asset management and investors across all areas of the alternative investment industry. This includes legal 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 consulting services and the provision of individual independent investment advisers and professional trustees to corporate pension schemes, local government pension schemes and charitable organisations.
- **Outsourcing:** a multi-service platform providing regulatory cover and support via a variety outsourced services to asset managers and advisers. This includes the provision of all key front, middle and back office functions, including portfolio management, risk management, fund and corporate administration, accounting and fiduciary services.
- **Data & Analytics:** research, consulting, benchmarking services underpinned by data and software tools to support sustainable investment, tax-advantaged investing, risk monitoring and investor relations. These services are designed to help investor and asset manager clients make better strategic choices, improve investment performance and investor communications, and obtain better value from their service providers.
- **Organic investments:** incubated businesses form the organic investments business segment. This includes three separate businesses including Luxembourg services, regulatory consulting team in London and international fund administration business. This has been presented separately from the other segments to increase the transparency of the profitability of the group before these activities. Going forward, these incubated businesses will be reported in our Outsourcing division.

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 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 2021

	Advisory £'000	Outsourcing £'000	Data & Analytics £'000	Established Segments total £'000	Organic investments £'000	Consolidated £'000
Revenue	9,541	9,360	6,599	25,500	14,323	39,823
Direct cost of sales	-	(2,229)	-	(2,229)	(12,056)	(14,285)
Revenue less direct cost of sales	9,541	7,131	6,599	23,271	2,267	25,538
Other cost of sales	(520)	(171)	(313)	(1,004)	(22)	(1,026)
Gross profit	9,021	6,960	6,286	22,267	2,245	24,512
Administrative and other expenses	(8,354)	(5,550)	(4,786)	(18,690)	(3,263)	(22,953)
Other operating income	179	49	71	299	3	302
Segment profit/(loss)	846	1,459	1,571	3,876	(1,015)	2,861
Group income (expenses)						36
Fundraising and Acquisition costs						(3,166)
Non-recurring costs						(1,874)
Depreciation and amortisation						(3,003)
Operating loss						(5,146)
Finance expenses						(973)
Fair value movements						835
Share of profit in a joint venture						6
Tax						(122)
Loss for the year						(5,400)

Year ended 30 June 2020 (restated)

	Advisory £'000	Outsourcing £'000	Data & Analytics £'000	Established Segments total £'000	Organic investments £'000	Consolidated £'000
Revenue	10,022	6,708	4,566	21,296	988	22,284
Direct cost of sales	-	(1,973)	-	(1,973)	-	(1,973)
Revenue less direct cost of sales	10,022	4,735	4,566	19,323	988	20,311
Other cost of sales	(967)	-	(242)	(1,209)	-	(1,209)
Gross profit	9,055	4,735	4,324	18,114	988	19,102
Administrative and other expenses	(8,182)	(2,962)	(3,313)	(14,457)	(1,910)	(16,367)
Other operating income	18	15	-	33	3	36
Segment profit/(loss)	891	1,788	1,011	3,690	(919)	2,771
Group expenses						(660)
Fundraising and Acquisition costs						(3,990)
Non-recurring costs						(853)
Depreciation and amortisation						(2,403)
Operating loss						(5,135)
Finance expenses						(1,783)
Fair value movements						(404)
Share of profit in a joint venture						-
Tax						(214)
Loss for the year						(7,536)

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 until completion (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.

(i) 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.

(ii) 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:

- 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. Refer to note 19 for sensitivity analysis.

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

Year Ended 30 June 2021

	Advisory £'000	Outsourcing £'000	Data & Analytics £'000	Established Segments total £'000	Organic investments £'000	Consolidated £'000
Legal and consultancy	8,633	-	4,637	13,270	-	13,270
Service and subscription	908	9,360	1,962	12,230	14,323	26,553
Total revenue	9,541	9,360	6,599	25,500	14,323	39,823

Year Ended 30 June 2020

	Advisory £'000	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
Total revenue	10,022	6,708	4,566	21,296	988	22,284

During the year ended 30 June 2021 the Group derived over 10% of its revenue from one customer, which amounted to £12,308,000 arising from sales in Organic investments. This amount is offset by direct cost of sales and on a net basis would not be greater than 10% of gross profit. During the year ended 30 June 2021 the Group did not derive over 10% of its revenue from any one customer.

Contract balances are as follows:

	2021 £'000	2020 £'000 (restated)
Trade receivables (note 19)	7,013	4,109
Contract assets (note 19)	4,979	3,902
Contract liabilities (note 20)	(2,521)	(2,165)

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 2021, £468,000 (2020 - £713,000) 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:

	2021 £'000	2020 £'000
Opening balance 1 July	3,902	3,600
Contract assets acquired through purchase of a subsidiary (note 27)	302	521
Invoiced relating to previous years	(4,128)	(2,333)
Accrued in the current year	4,881	2,114
Closing balance 30 June	4,957	3,902

Contract liabilities include short-term advances received to render services. The outstanding balances of these accounts increased in 2021 and 2020 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 £53,000 in 2021 (2020 - £626,000), see note 27. The contract liabilities satisfied over time are all 12 months or less in duration, as such the full amount of contract liabilities outstanding in 2020 have been recognised into revenue in 2021.

7. Administrative and other expenses (restated)

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.

Expenses are accounted for on the accrual basis and recognised into profit and loss as incurred.

	2021 £'000	2020 £'000 (restated)
Employment costs	16,456	12,424
Professional fees	2,491	1,325
Auditor's remuneration (note 7.1)	300	894
Marketing, training, travel & entertainment	403	775
IT costs	930	439
Premises and office costs	790	610
Depreciation of tangible fixed assets (note 15)	386	256
Amortisation charge of right-of-use assets (note 16)	1,113	878
Amortisation and impairment of intangible assets (note 13)	1,504	1,271
Fundraising and Acquisition costs (note 5)	3,166	3,990
Non-recurring costs (note 5)	1,874	853
Foreign exchange movements	(212)	2
Total administrative and other expenses	29,201	23,717

For the year ended 30 June 2021, there were employment related costs of £1,391,000 (2020 - £1,758,000) 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 current and former auditor:

	2021 £'000	2020 £'000
Audit fee for audit of consolidated and subsidiary financial statements	248	201
Non-audit fees	52	486
Other services	-	207
Total remuneration	300	894

Please note that 2021 balances refer to Ernst and Young LLP and 2020 balances refer to BDO LLP

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.

Employment costs

	2021 £'000	2020 £'000
Staff costs (including directors) consist of:		
Wages and salaries	13,464	11,518
Social security costs	1,394	1,155
Contributions to defined contribution scheme	662	451
Share based payments (note 24)	166	437
Other staff costs	330	174
Long term incentive plan (note 24)	1,832	447
Total employment costs	17,848	14,182

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

	2021 Number	2020 Number
Advisory	53	52
Outsourcing	57	29
Data & Analytics	37	28
Administration	59	41
Total average employees	206	150

Organic investment employee count is included in Outsourcing in the above table.

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 £662,000 (2020 - £451,000). Contributions amounting to £104,000 (2020 - £49,000) were payable to the fund at year end and are included in payables.

Key management compensation

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

	2021 £'000	2020 £'000
Wages and salaries	2,501	2,265
Social security costs	302	275
Cost of defined contribution scheme	96	82
Share based payments and other staff costs	1,862	541
Total key management compensation	4,761	3,163

Total remuneration to highest paid key management personnel in the year amounted to £551,460 (2020 - £685,000).

8. Finance income and costs (restated)

Accounting policy

(i) 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 £48,000 was included within other operating income for the year end 30 June 2021 (2020 - £58,000).

(ii) 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.

Finance costs

	2021 £'000	2020 £'000 (restated)
Bank loan interest	628	704
Interest on lease liabilities	345	223
Deferred consideration fair value loss (note 21)	-	207
Total finance costs	973	1,134

June 2020 Finance costs have been restated to move the unwind of discount on deferred consideration totalling £649,000 to Fair value movements shown in note 9 as described note 1.

9. Fair value movements (restated)

Accounting policy

Refer to notes 17 and note 21 respectively for accounting policy regarding fair value recognition.

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

	2021 £'000	2020 £'000 (restated)
Investments fair value gain (note 17)	1,644	139
Deferred consideration fair value loss (note 21)	(809)	(649)
Convertible bonds fair value loss	-	(543)
Total fair value movements	835	(1,053)

June 2020 Fair value movements have been restated to move the unwind of discount on deferred consideration totalling £649,000 from Finance income and costs shown in note 8 as described note 1.

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.

The Directors recommend the payment of a maiden dividend of 0.125p per share and a resolution to approve this dividend will be placed before shareholders for approval at the forthcoming AGM (2020 – 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 income statement, 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 temporary differences that are differences that arise between the carrying amount of an asset or liability and that taxable basis.

Deferred tax is recognised on all temporary 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 temporary 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 temporary 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. The deferred tax temporary differences noted in the table below all relate to capital allowances for tax purposes and net book value.

	2021 £'000	2020 £'000
Current tax		
Current tax arising for the year	220	82
Adjustment in respect of previous periods	(77)	(43)
Total current tax	143	39
Deferred tax		
Arising from origination and reversal of temporary differences	(65)	178
Adjustment in respect of previous periods	(15)	(3)
Effect of tax rate change on opening balances	59	-
Taxation on loss on ordinary activities	122	214

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

	2021 £'000	2020 £'000
Loss on ordinary activities before tax	(5,278)	(7,322)
Loss on ordinary activities at the standard rate of Corporation tax in Jersey of 0% (2020 - 0%)	-	-
Effects of:		
Tax arising on UK domiciled subsidiaries	(77)	145
Tax arising on Netherlands domiciled subsidiaries	97	54
Tax arising on Ireland domiciled subsidiaries	77	-
Tax arising on Jersey domiciled subsidiaries	25	-
Tax arising on Guernsey domiciled subsidiaries	-	13
Tax arising on Luxembourg domiciled subsidiaries	-	2
Total tax charge/(credit) for the year	122	214

12. Earnings per share (EPS) (restated)

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.

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

	2021 £'000	2020 £'000 (restated)
Loss for the year attributable to equity holders of the Group	(5,380)	(7,536)
Weighted average number of ordinary shares for basic EPS (Thousands)	170,281	134,308
Basic loss per share attributable to the ordinary equity holders of the parent	(0.032)	(0.056)

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:

	2021 Thousands	2020 Thousands
Share options (note 24)	14,569	11,845
Total of antidilutive instruments not included	14,569	11,845

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 - 15 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	Goodwill £'000	Total £'000
Cost or valuation				
At 1 July 2019	2,752	2,305	18,587	23,644
Additions	127	-	113	240
FX translation adjustments	-	24	32	56
Acquisition of subsidiaries	-	4,318	6,634	10,952
At 30 June 2020	2,879	6,647	25,366	34,892
Additions	1,887	-	92	1,979
Disposals	(918)	-	-	(918)
FX translation adjustments	(17)	(81)	(111)	(209)
Acquisition of subsidiaries (note 27)	570	7,243	6,275	14,088
At 30 June 2021	4,401	13,809	31,622	49,832
Amortisation				
At 1 July 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
Charge for the year	747	757	-	1,504
Disposals	(799)	-	-	(799)
FX translation adjustments	(1)	(10)	-	(11)
At 30 June 2021	1,449	1,293	155	2,897
Net book value				
At 30 June 2020	1,377	6,101	25,211	32,689
At 30 June 2021	2,952	12,516	31,467	46,935

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 the asset may be impaired. The assessment is performed annually or more frequently if there is an indication of impairment. For the assessment 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 2020	5,714	9,203	10,294	25,211
At 30 June 2021	5,714	10,288	15,465	31,467

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% (2020 - 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% (2020 - 12.1%) and has been assessed for any country specific risk factors. The range for the Group allocated to individual CGU's is between 12.1% - 14%.

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	Outsourcing	Data & Analytics
Compound annual growth rate (CAGR) of revenue over three years	17.9%	24.5%	24.1%
Estimated excess over carrying values	150.7%	53.4%	58.2%
Decrease in forecasted revenues to trigger an impairment	10.4%	8.9%	8.8%
Increase in discount rate required for impairment	13.3%	5.3%	7.3%

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 four CGU's which have a reasonably possible risk of impairment. The CGU's at risk of potential impairment are: MJH Investment Advisors and MJH Services Jersey CGU's within the Advisory segment; MJH Fiduciaries Jersey CGU within the Outsourcing segment, and Amaces CGU within the Data & Analytics segment the headroom and sensitivities are outlined in the following table:

	MJH Investment Advisors £'000	MJH Services Jersey £'000	MJH Fiduciaries Jersey £'000	Amaces £'000
Goodwill	1,458	770	3,264	6,800
Total carrying value	2,841	974	7,137	10,119
Headroom based on forecast, as a percentage of carrying value	29.4%	3.2%	18.3%	1.5%
CAGR forecasted	21.1%	20.5%	17.6%	14.2%
CAGR required to trigger an impairment	19.8%	20.0%	16.0%	13.8%
Discount rate required to trigger an impairment	14.9%	12.7%	13.9%	12.5%

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	Office Equipment £'000	Fixtures, fittings, tools & equipment £'000	Total £'000
Cost or valuation				
At 1 July 2019	295	454	172	921
Additions	1,919	159	6	2,084
Acquisition of subsidiary	19	71	11	101
Disposals	(295)	(14)	(141)	(450)
At 30 June 2020	1,938	670	48	2,656
Additions	134	99	8	241
Acquisition of subsidiary	-	26	4	30
Disposals	-	(34)	(4)	(38)
FX translation adjustments	(1)	(10)	(1)	(12)
At 30 June 2021	2,071	751	55	2,877
Depreciation				
At 1 July 2019	107	241	108	456
Charge for the year	123	112	21	256
Disposals	(133)	(14)	(105)	(252)
At 30 June 2020	97	339	24	460
Charge for the year	222	153	11	386
Disposals	-	(28)	(3)	(31)
FX translation adjustments	-	(5)	-	(5)
At 30 June 2021	319	459	32	810
Net book value				
At 30 June 2020	1,841	331	24	2,196
At 30 June 2021	1,752	292	23	2,067

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.

	2021	2020
Number of active leases	17	15

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 2021 and 2020 is materially consistent with the ongoing costs of the leases as seen below during the year of £61k (2020: £54k).

Right-of-use assets

	Leasehold property £'000	Office equipment £'000	Total £'000
At 1 July 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
Additions	485	106	591
Depreciation charge for the year	(1,035)	(78)	(1,113)
At 30 June 2021	6,837	219	7,056

Lease liability and movements during the period

	2021 £'000	2020 £'000
At 1 July	7,295	554
Additions	591	7,104
Interest expense	345	223
Lease payments	(957)	(586)
At 30 June	7,274	7,295
Current (note 25)	897	798
Non-current (note 25)	6,377	6,497

Amounts recognised in profit or loss

	2021 £'000	2020 £'000
Depreciation of right-of-use assets	1,113	878
Interest on lease liabilities	345	223
Expenses relating to low value and short term-leases (included in administrative expenses)	61	54
	1,519	1,155

17. Investments

Accounting policy

Investments in equity instruments and convertible loan notes are held at fair value.

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 considers this basis to be materially reflective of the fair value of those shares.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss. Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

	2021 £'000	2020 £'000
Listed investments	1,970	586
Unlisted investments	572	722
Investment in joint venture	26	-
Total investments	2,568	1,308

In February 2020, the Group's investment in Making Science Group ("Making science") listed on the Spanish stock exchange. During the year ended 30 June 2021, the Group disposed of 23,525 shares in Making science at a value of £589,000. The fair value as at 30 June 2021 is based on the listed price of EUR5.7 per share.

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. The primary significant unobservable input into valuation of the fair value of unlisted investments is the share value from the most recent funding rounds for the related company that the Group holds and investment in. Management performed a sensitivity analysis over the unlisted investment at the end of the year and the fair value would need to be increased or decreased by 58-88% (2020 - 56-85%) in order to have a significant impact on the financial statements.

The Group has a 50% interest in Bridge Independent Risk Solutions Ltd, a joint venture brought on as part of the Bridge Group acquisition. The Group's interest is accounted for using the equity method.

	2021 £'000	2020 £'000
Fair value		
At 1 July	1,308	707
Additions during the year	180	462
Acquisition of joint venture	26	-
Disposal	(589)	-
Fair value gain/(loss) during the year	1,643	139
At 30 June	2,568	1,308

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 2021 was £nil (2020 - £nil).

19. Trade and other receivables (restated)

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.

Impairment provisions for trade receivables and contract assets 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 and contract assets. For trade receivables and contract assets, 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 or contract asset 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.

The General Approach utilises a forward looking expected credit loss model. The methodology to determine the amount of the provision is based on credit risk of the financial asset. For financial assets with no significant increase in credit risk, twelve month expected credit losses along with gross interest income are recognised. For those where the credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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.

The following table summarises the current trade and other receivables:

	2021 £'000	2020 £'000 (restated)
Current trade and other receivables		
Trade receivables	7,013	4,109
Prepayments	1,578	1,239
Contract assets	4,979	3,902
Other receivables	1,287	1,738
Total current	14,857	10,988
Non-current trade and other receivables		
Other receivables	416	398
Total trade and other receivables	15,273	11,386

The June 2020 trade receivables balance has been decreased by £334,000 to reflect additional expected credit loss as discussed in note 1.

The primary decrease to current other receivables for the year ended 30 June 2021 is from repayments of amounts receivable from directors of £426,000 (2020 – £888,000), refer to note 28. The balance within non-current other receivables relates to the lease rental deposit for the lease of 1 Frederick's place with a fair value of £416,000 (2020 – £398,000) 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

	Contract assets	Trade receivables					Total £'000
		< 30 £'000	31-60 £'000	61-90 £'000	91-120 £'000	> 120 £'000	
30 June 2021							
Expected credit loss rate	8.63%	0.77%	1.83%	10.88%	12.50%	63.83%	
Gross carrying amount	5,425	4,242	867	298	739	2,877	9,023
Expected credit loss	(468)	(33)	(16)	(32)	(92)	(1,837)	(2,010)
Net receivable	4,957	4,209	851	266	647	1,040	7,013

30 June 2020 (restated)	Contract assets	Trade receivables					Total £'000
		< 30 £'000	31-60 £'000	61-90 £'000	91-120 £'000	> 120 £'000	
Expected credit loss rate	15.45%	1.14%	4.01%	8.70%	22.22%	51.37%	
Gross carrying amount	4,615	2,488	222	476	267	1,633	5,086
Expected credit loss	(713)	(28)	(9)	(41)	(59)	(840)	(977)
Net receivable	3,902	2,460	213	435	208	793	4,109

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a provision matrix to calculate a lifetime expected loss allowance for all trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. 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 provision matrix and ECL rates have been determined based on historical loss data available to management in addition to forward looking information utilising management knowledge. 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, 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.

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 2021 included within the ECL for trade receivables is a provision of £1,009,000 (2020 - £532,000 one debtor) related to two specific debtors that were added after considering their current financial status and other forward looking factors.

Management performed a sensitivity analysis over contract assets and trade receivables at the end of the year. If the full ECL provision noted above was increased or decreased by 10% this would have a £247,000 impact on the provision and related expense (2020 - £169,000).

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

	2021 £'000	2020 £'000 (restated)
As at 1 July	1,690	1,105
Provision for expected credit losses	2,430	1,662
Write-offs	(1,642)	(1,077)
As at 30 June	2,478	1,690

20. Trade and other payables

Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at transaction price, which approximates the fair value due to the short term natures of these balances, and subsequently measured at amortised cost using the effective interest method.

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.

	2021 £'000	2020 £'000
Current trade and other payables		
Trade payables	1,629	1,115
Accruals	1,969	1,342
Other payables	783	372
Current financial liabilities (note 25)	4,381	2,829
Contract liabilities	2,521	2,165
Social security and other taxes	1,186	837
Total current	8,027	5,831
Non-current trade and other payables		
Other payables (note 25)	405	497
Total trade and other payables	8,432	6,328

Other payables include amounts payable in the next 12 months in respect of deferred consideration loan from a director of nil (2020 - £18,000), and non-current of nil (2020 - nil).

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, using the effective interest rate method. Meaning that 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. 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.

Borrowings

	2021 £'000	2020 £'000
Current borrowings		
Bank loans	12	2,538
Non-current borrowings and other liabilities		
Bank loans	16,658	144
Other loans	-	729
Total non-current	16,658	873
Total borrowings and other liabilities (note 25)	16,670	3,411

Bank loans

In April 2021 the Group secured a five-year loan facility with Santander for a mix of Sterling and Euros of which £8,573,000 and £8,932,000 (€10,301,000) were drawn down at an interest rate of 3.5% above Bank of England and EURIBOR, respectively, payable quarterly in arrears. The loan facility is subject to specific debt covenants, the covenants are monitored to ensure that the Group remains in compliance. There have been no breaches to these covenants for the year ended 30 June 2021. Management has performed a sensitivity analysis over the debt balances and if there was a 1.0% increase to the interest rate the total interest expense and related payable would increase by £110,000. Since there is a minimum interest rate, as noted above, the amount of interest expense will not decrease from current rates.

This loan facilitated the repayment of £2,000,000 from Bermuda Commercial Bank (interest of 7% was previously payable 6-monthly in arrears), Metro bank secured loan (interest at 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 balance at 2020 - £214,000) and a majority of the capital loans to facilitate cashflow management. The remaining loan balances of £12,000 (2020 - £1,200,000) have now been repaid (2020 - length of the loans varied from 3 months to 5 years and the interest rates are between 0.6% - 1.9%).

Deferred consideration

	2021 £'000	2020 £'000
Current deferred consideration	8,556	4,758
Non-current deferred consideration	5,120	5,719
Total deferred consideration (note 27)	13,676	10,477

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 which is dependent upon the results of the acquired business.

Deferred consideration is initially recognised at an estimated fair value amount where the contingent 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, is assumed to be at a risk-free rate, while cash flows contingent on business performance are discounted based on the acquiree's weighted average cost of capital.

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.

During the year ended 30 June 2021 a net fair value loss of £809,000 (2020 restated - £649,000) was recorded in profit and loss (note 9) resulting in a corresponding decrease to the deferred consideration. This fair value adjustment was due to revisions in the consideration agreements and changes in the expected performance of the businesses acquired.

Key assumptions in calculating the fair value of deferred consideration can be summarised as follows:

- future business performance - which is based on past performance and expected changes based on management knowledge of the business;
- risk-free rate - range used between 1.0% - 2.5%
- discount rate adjusted for the risk associated with the acquired business - range used between 10.6% - 25.0%

Included in the above total deferred consideration is £2,243,000 (2020 - £1,979,000) that is due after the passage of time. The remaining £11,433,000 deferred 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 £2,414,000 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. Management performed a sensitivity analysis over the various expected pay outs for a range of possible outcomes. Changing the future business performance by increasing revenue by 10% all acquisitions, with no corresponding increase in costs, would result in an additional £1,221,000 of undiscounted consideration. A decrease in revenue of 10% would result in a decrease to undiscounted consideration of £1,634,000.

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. Owned shares represent the shares of the Company that are unallocated and current held by the MJ Hudson Group plc Employee Benefit Trust (EBT). Owned shares are recorded at cost and deducted from equity.

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.

	2021 £'000	2020 £'000
Issued Ordinary Share capital		
<i>Allotted, called up and fully paid</i>		
172,627,765 Ordinary shares in MJ Hudson Group plc at £nil each (2020 – 171,320,220)	-	-
Share premium*	56,023	55,527
Treasury shares		
1,881,658 Ordinary shares in MJ Hudson Group plc at £nil each (2020 – £nil)	(928)	-

*Share premium includes premium paid on B shares of Subsidiary as stated below

	Date	Shares	Share Capital £'000	Share premium £'000
Ordinary Share capital				
Opening balance	1 Jul 2020	171,320,220	-	55,326
Shares issued in MJ Hudson Group plc		1,307,545	-	578
Cost of owned shares in excess of cash on exercise of share options		-	-	(82)
Outstanding at the end of the year	30 Jun 2021	172,627,765	-	55,822

	Date	Shares	Owne d shares £'000
Owned shares			
Opening balance	1 Jul 2020	-	-
Shares repurchased		(2,429,824)	(1,164)
Issued for cash on exercise of share options		495,000	236
Outstanding at the end of the year	30 Jun 2021	(1,934,824)	(928)

At the time of the admission to AIM 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 2020 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.

	Date	Shares	Share Capital	Share premium
B Shares				
Opening balance	1 Jul 2020	20,000	-	201
Outstanding at the end of the year	30 Jun 2021	20,000	-	201

The total share premium includes share premium from ordinary shares of £55,822,000 and the share premium of B shares of £201,000 total of £56,023,000.

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. In addition, the Group capital management policy takes into consideration debt covenants with lenders and the capital adequacy requirements of relevant regulatory bodies to ensure that capital structure is in compliance with those requirements. 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 and stated in the table above, plus debt as disclosed in note 21. 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 number 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
Balance as at 1 July 2019	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
Balance as at 30 June 2020	456	-	53	509
Share based payments	2,446	-	-	2,446
Exercise of options	(11)	-	-	(11)
Currency translation difference	-	-	(116)	(116)
Balance as at 30 June 2021	2,891	-	(63)	2,828

Share-based payments

Employees of the Group are granted options to acquire shares in the Group, refer to note 24. The charge for the period was £166,000 ended 30 June 2021 (2020 - £437,000). There were also charges related to the long-term incentive plan (LTIP) for the period of £1,385,000. The LTIP may be settled in cash or shares. Management has modified the settlement policy as of 30 June 2021 and concluded that this plan will be settled with shares rather than in cash. As such the Group has transferred the liability of £447,000 previously recorded into the share-based payment reserve from other long term liabilities. The valuation has been updated effective 30 June 2021, refer to note 24 below for further details.

24. Share-based remuneration

Share-based payment scheme

The Group operates two equity-settled share-based payment scheme.

In the Employee Share Option 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 £166,000 (2020 - £437,000).

The Share Incentive Plan was introduced in April 2021 whereby employees of the UK subsidiaries are granted two shares in the Company if two vesting conditions are met. The first being the employee must buy and hold in trust one share in the Group for the vesting period of three years and the second being the employee is employed during the three-year vesting period, alternatively if an exit event occurs, which triggers vesting of the options. The total cost recognised in the income statement was £600 (2020 - £nil). Given the immaterial nature of this scheme this scheme is not included in any of the further disclosures.

	2021 Number of options in issue	Weighted average exercise price £	2020 Number of options in issue	Weighted average exercise price £
Outstanding at the beginning of the year	11,845,030	0.43	18,485,100	0.42
Granted during the year	3,732,888	0.48	3,391,509	0.58
Forfeited during the year	(514,042)	0.55	(1,253,729)	(0.44)
Cancelled during the year	-	-	-	-
Exercised during the year	(495,000)	0.32	(8,777,850)	0.45
Outstanding at the end of the year	14,568,876	0.44	11,845,030	0.43

The exercise price of options per share outstanding at the end of the year ranged between £0.18 and £0.58 (2020 -between £0.18 and £0.58) and their weighted average contractual remaining life was 0.9 years (2020 -0.9 years).

The estimated fair value of the awards granted during the year under the option plan was £301,000 (2020 - £406,000)

Of the total number of options outstanding at the end of the year, 8,007,750 (2020 - 8,502,750) have vested and are exercisable at the year-end date.

The options were awarded with non-market performance conditions. 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 stock option exercise prices below are shown at the original exercise prices at the date of issue. The exercise prices had a corresponding decrease in price and increase in the number of share options resulting in no impact to the option holders.

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%

Grant Date	Share price at grant date	Exercise Price	Expected life	Risk free Rate/ Modified Rate	Volatility
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%
12 Oct 2020	£0.59	£0.59	4.5	-0.04%	25%
14 Dec 2020	£0.59	£0.59	4.5	-0.05%	25%
14 Dec 2020	£0.46	£0.46	4.5	-0.05%	25%
5 Feb 2021	£0.46	£0.46	4.5	0.11%	25%
23 Mar 2021	£0.43	£0.43	4.5	0.27%	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 (2020 – 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 of the Subsidiary, the rights of which are linked to performance under the rules of the LTIP.

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 TSR gain and an adjusted EBITDA per share gain ("The 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 shares, refer to note 23 above for details of the change in settlement policy.

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 pay out of £896,000 for the year ended 30 June 2021. Key inputs to the model were:

- share price - £0.57 on date of award and £0.52 on date of valuation 30 June 2021
- expected life - 1.5 years;
- volatility - 35%; and
- risk free rate - 0.05% expected to be settled in the normal operating cycle.
- Dividend yield - 0%

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 £3,575,000 for the year ended 30 June 2021. 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. This utilises a weighted average of possible outcomes;
- estimated total number of shares outstanding at hurdle date - which has been assumed to be 194,970,000 based on the average historical growth and expected issuances
- discount rate - 15%

The combined total of both measures is an estimated a pay out of £4,471,000 to be settled on the third anniversary of the date of admission. Of this future obligation, £2,280,000 is recognised in other reserves and £1,832,000 has been recognised in the profit and loss of the current year to reflect the proportion earned in the current financial year.

25. 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 fair value, which is the transaction price, due to the short term nature of these instruments. Such assets are subsequently carried at amortised cost using the effective interest method.

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 fair value, which is the transaction price, due to the short term nature of these instruments, 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.

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.

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

The Group's financial instruments may be analysed as follows:

	Level	2021 £'000	2020 £'000 (restated)
Financial assets:			
Financial assets measured at fair value:			
Listed investments	1	1,970	586
Unlisted investments	3	572	722
Financial assets measured at amortised cost:			
Cash and bank balances		9,785	13,388
Trade and other receivables		13,695	10,147
Total financial assets		26,022	24,843
Financial liabilities:			
Financial liabilities measured at fair value:			
Deferred consideration	3	13,676	10,477
Financial liabilities measured at amortised cost:			
Bank loans	3	16,670	3,411
Trade and other payables		4,725	3,326
Lease Liabilities		7,274	7,295
Total financial liabilities		42,345	24,509

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 deferred consideration related to various business acquisitions, refer to note 21 above for further details.

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 counter party 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.

(i) 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 balance as at 30 June 2021 was £13,695,000 (2020 – £10,147,000) as stated in the table above. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts, considering historic, current and forward-looking information, refer to note 19 for further details.

In order to minimise the credit exposure to financial institutions that are counterparties to cash holdings, the Group's largest cash & cash equivalents are held with large banks and recognised financial intermediaries with acceptable credit ratings of BBB or higher according to Standard & Poor's Rating Services and Fitch Ratings Ltd for long-term credit rating. As a result, the credit risk on cash and cash equivalents is considered to be very low since the counterparties are all substantial banks with high credit ratings. The Group's net exposure and credit assessment of its counterparties are continuously monitored to ensure any risk is minimised.

(ii) 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 currently has an operating cash outflow. The Group benefits from sufficient working capital for the near term, and also currently makes use of a debt facility as described in note 21 above. 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's 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 including maintenance of regulatory capital in certain subsidiaries and to take advantage of business opportunities.

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

	Bank loans £'000	Trade and other payables £'000	Deferred consideration £'000	Lease liabilities £'000	Total £'000
Year ended 30 June 2021					
In one year or less, or on demand	622	4,381	8,555	897	13,845
In more than one year but not more than two years	610	55	3,652	878	4,585
In more than two years but less than five	19,116	-	3,223	4,668	28,227
In more than 5 years	-	355	-	2,406	2,761
	20,348	4,791	15,430	8,849	49,418
Expected future charges through the income statement	(3,678)	(5)	(1,754)	(1,575)	(7,012)
Financial liabilities	16,670	4,786	13,676	7,274	42,406

	Bank loans £'000	Trade and other payables £'000	Deferred consideration £'000	Lease liabilities £'000	Total £'000
Year ended 30 June 2020					
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)
Financial liabilities	3,411	3,326	10,477	7,295	24,509

(iii) 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 variable rate loans and borrowings. The applicable interest rates and quantitative sensitivity analysis on the Group's borrowings are shown in note 21 above.

(iv) 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.

26. 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 2021	2020 £'000	Repayments £'000	New loans £'000	New leases £'000	Interest paid £'000	Non cash £'000	Total £'000
Long term borrowings	873	(873)	16,746	-	-	(88)	16,658
Short term borrowings	2,556	(2,735)	685	-	(494)	-	12
Lease liabilities	7,295	(614)	-	591	(343)	345	7,274
Total debt liabilities	10,724	(4,222)	17,431	591	(837)	257	23,944

The non-cash decrease in long term borrowings of £88,000 for the year ended 30 June 2021 is due to the foreign currency translation of Euro denominated loans introduced during the year.

Year 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
Total debt liabilities	16,095	(1,986)	1,023	7,104	(1,029)	(10,483)	10,724

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.

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 is assumed to be at a risk-free rate, while cash flows contingent on business performance are discounted based on the acquiree's Weighted Average Cost of Capital (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. No contingent liabilities were identified for the acquisitions in the current year.

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.

Acquisitions during the year

On 13 October 2020, the Group acquired 100% of Bridge Group Limited (Bridge), a funds service provider based in Ireland, conditional on regulatory approval for £9,793,000 paid in cash, shares and deferred consideration. Full regulatory approval from the Central Bank of Ireland was obtained on 12 February 2021. The acquisition will build on the Group's specialist funds operations in London, Luxembourg and Guernsey and adds a strategically important geography to the Group's network. It also brings a number of new international asset management clients.

On 29 December 2020, the Group acquired 100% of Prof. Gottschalg UG and its subsidiary PERACS GmbH (PERACS), a fund and portfolio performance specialist company for £3,902,000 paid in cash, shares and deferred consideration. The acquisition of PERACS extends the services provided by MJ Hudson's Data & Analytics division. PERACS Group offers investors and asset managers in the alternative assets industry a set of proprietary tools to produce authoritative metrics and insights into the performance of funds. The business was subsequently renamed to MJ Hudson Performance Analytics (German) UG.

On 24 June 2021, the Group acquired 100% of FinTech risk specialist Clarus Risk Limited (Clarus), for £1,984,000 paid in cash, shares and deferred consideration, to widen the breadth of services in the Group's data and analytics division. Clarus offers its clients risk and regulatory risk reporting either as managed service, or via software as a service (SaaS). Such services are deployed through an advanced, customisable dashboard environment.

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.

	PERACS £'000	Bridge £'000	Clarus £'000	Total £'000
Intangible fixed assets	388	-	182	570
Tangible fixed assets	-	30	1	31
Right-of-use asset	-	99	-	99
Investments	-	20	-	20
Trade receivables	447	612	65	1,124
Other receivables	15	98	32	145
Contract assets	-	302	-	302
Cash at bank and in hand	73	1,730	9	1,812
Total assets	923	2,891	289	4,103
Trade and other payables	(698)	(1,003)	(83)	(1,784)
Contract liabilities	(53)	-	-	(53)
Lease liability	-	(106)	-	(106)
Net assets	172	1,782	206	2,160
Customer relationships	20	6,757	467	7,244
Goodwill at cost (note 13)	3,710	1,254	1,311	6,275
Total purchase consideration	3,902	9,793	1,984	15,679

Initial cash consideration of £3,336,000 was paid at the time of acquisitions, which is shown net of cash acquired within the statement of cashflows. In the current period £7,243,000 has been settled of the total consideration of £15,679,000 noted above. Included within the remaining £8,436,000 of consideration to be paid to the vendors of businesses acquired £6,909,000 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. Refer to note 21 above for further details on contingent consideration.

The useful economic life of customer relationships has been estimated to be 5 years for PERACS; 15 years for Bridge and 11 years for Clarus 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 2021 are as follows:

	PERACS £'000	Bridge £'000	Clarus £'000	Total £'000
Results since acquisition				
Revenue	181	1,931	13	2,125
Profit/(loss) for the year	(88)	275	3	190
Estimated results if owned since the beginning of the reporting period				
Revenue	1,273	4,007	595	5,875
Profit for the year	(70)	831	76	837

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. In considering the completeness of related party disclosures the directors have identified certain related parties and associated disclosures that were omitted from the 2020 financial statements. These include information pertaining to directors' interests in other companies in which transactions had occurred, associated outstanding balances and deferred consideration loans from directors of subsidiaries of the Group.

Transactions with related entities

Matthew Hudson ("Mr. Hudson") is a director and shareholder of HCO Global Limited. Mr. Hudson's wife, Katherine, is also a shareholder and director of this company. During the year the Group was charged £61,449 (2020 - £205,923) by HCO Global Limited. At 30 June 2021 the Group owed HCO Global Limited £nil (2020 - £20,973).

Mr. Hudson is a director and shareholder of Sports Apps Limited. Mr. Hudson's wife, Katherine, is also a shareholder of this company. During the year the Group invoiced Sports Apps Limited £98,035 (2020 - £61,311) in respect of legal and corporate administration services and this was settled by addition to a convertible loan note. At 30 June 2021 Sports Apps Limited owed the Group £33,700 (2020 - £4,752). As at the 30 June 2021 Sports Apps Limited owed the Group £161,831 (2020 - £143,683) in respect of the convertible loan note which has been written down to £nil. At 30 June 2021 the fair value of the Group's equity investment in the entity is £nil (2020 - £83,029).

Mr. Hudson is a director of Alpha Hawk Limited. During the year the Group invoiced Alpha Hawk Limited £18,187 (2020 - £nil) in respect of legal services. As at 30 June 2021 Alpha Hawk Limited owed the Group £117,291 (2020 - £55,873). Due to performance of this business the Group has made a full provision in respect of this loan balance in the 2021 financial statements.

Bridge Consulting Limited was acquired by the Group on 13th October 2020 (refer to note 27). During the year, Bridge Consulting Limited provided £2,534 in funds administration services to Bridge Independent Risk Solutions, a joint venture to the Group.

Directors' loans

Included in the consolidated accounts are certain amounts due from directors of group companies. No new director loans were created in the twelve month period to 30 June 2021.

As disclosed as part of the Group's RNS announcement on 18 November 2020 under AIM Rule 19, the following disclosures were omitted from the Group's 2020 financial statements. As part of the Company's IPO in December 2019 Mr. Hudson and others entered into a share subscription agreement. Under this agreement, Mr. Hudson subscribed but did not pay for 659,191 shares in the Company at the IPO issue price of 57p per share resulting in a payable due to the Company of £375,739. The details of this loan were previously included in other receivables from directors in the 2020 financial statements. The balance of the loan remained unpaid as at 30 June 2020. The loan should originally have been repaid by 3 March 2020. In January of 2021 the repayment date of the loan was extended, with the consent of the Board, to 31 December 2021. The loan was repaid by Mr. Hudson on 30 April 2021.

The remaining loan payable by Mr. Hudson to the Company at 30 June 2021 is £462,703 (2020 - £462,703). This loan balance and the terms remain unchanged in the 12 months ending 30 June 2021. As the loan remained outstanding this triggered corporation tax payable of £150,378, which is fully recoverable at the time of repayment of the loan by the director. The loan is non-interest bearing and is repayable on demand. All amounts are expected to be received in full and no provision has been recorded against these balances (2020 - £nil).

A separate share subscription of £50,000 at the IPO by Charles Spicer, the Company's chairman, was outstanding at 30 June 2020 and was settled on 18 August 2020.

Loans from directors of subsidiaries

Deferred consideration loans from directors of £nil (2020 – £159,236) relate to deferred consideration on the acquisition of Amaces Limited by MJH Group Holdings Limited in December 2018. These loans were repaid during the year in line with the contractual requirement in respect of the acquisition. The loan balances were due to the former directors of Amaces Limited, and their immediate family, and the breakdown was as follows at the end of 2020 – Aidan Dennis £49,761; Sandra Dennis £49,761; and James Economides £59,714. A further deferred consideration loan from Jonathan Bale of £nil (2020 – £17,967) which related to the 2014 acquisition of MJ Hudson Services Jersey Limited (formerly Verras Services Limited) was settled in the year. This loan balance was incorrectly shown as relating to deferred consideration on the acquisition of MJ Hudson Law LLP on 2 December 2013.

29. Provisions and contingent liabilities

The Group is subject to certain unasserted claims related to the provision of services but without contractual support. As of 30 June 2021, none of these claims has resulted in the commencement of legal action. Where losses arising from asserted and unasserted claims are considered probable (and where such losses can be reasonably estimated), the Group is required to record a provision under its accounting policies.

No such provisions have been recognised as of 30 June 2021 (2020: nil) but Management and legal counsel have concluded that there are possible, not probable, unasserted claims in aggregate of £1,391,000. After taking into account insurance that the company has in place, the amount of future losses in aggregate should not exceed £50,000. This includes an unasserted claim in respect of which Management and legal counsel have concluded that there is a possibility of an adverse outcome but the amount of this claim and its likely timing are currently unknown. The Directors consider additional disclosure of the matters would be seriously prejudicial to the outcome of handling of these unasserted claims and the Company is vigorously defending all such matters.

The Group did not have any other contingent liabilities and contractual commitments as of 30 June 2021 (2020 – nil). Refer to note 21 for details of contingent consideration payable for the acquisition of businesses.

30. Post balance sheet events

On 23 July 2021, the Group entered into a share purchase agreement relating to the purchase of the entire share capital of Saffery Champness Fund Services Limited ('SCFS'), a Guernsey based fund administration business, from the accountancy group Saffery Champness. The acquisition is expected to double MJ Hudson's fund administration revenues in Guernsey with a 50% increase in local staff numbers. The deal was approved by the Guernsey Financial Services Commission and completed on 31 October 2021. It is expected to be modestly accretive to earnings per share. The maximum consideration for SCFS is £2.8m in cash and is subject to performance criteria over a two-year period. The acquired business generated revenues of £1.4m for the twelve-month period to March 2021 with an EBITDA margin comparable with the Group's Outsourcing division on a pro forma basis.

On 20 August 2021 the Group borrowed £7 million from Santander under the terms of the Uncommitted Facility described more fully in note 21. This was to fund accelerated regulatory capital required in the Irish operations due to new business gains and working capital.

The Board of Directors have approved a resolution to recommend to shareholders at the AGM of the Company that a final dividend be declared in respect of FY21 of 0.125p per share.

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.

31. Subsidiaries and related undertakings

Company	Nature of business	Country of incorporation and registered address	Class and % holding
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%
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%
MJ Hudson Investment Solution	Investment advisors	(A)	Ordinary - 80%
Amaces Inc	Data and analytics	(F)	Ordinary - 100%
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%
MJ Hudson IR Limited	Marketing and IR	(A)	Ordinary - 100%
MJ Hudson Investment Advisors	Investment advisors	(A)	Ordinary - 100%
VFS Directors One Limited	Nominee	(B)	Ordinary - 100%
VFAS Directors 2 Limited	Nominee	(B)	Ordinary - 100%
VFS Nominees Limited	Nominee	(B)	Ordinary - 100%
VFS Trustees Limited	Nominee	(B)	Ordinary - 100%
MJ Hudson North America Inc	Holding company	(F)	Ordinary - 100%
MJ Hudson IR Inc. (formerly MJ Hudson Meyler Inc.)	Holding company	(F)	Ordinary - 100%
MJ Hudson (IR) LLC (formerly MJ Hudson Meyler LLC)	Marketing and IR	(F)	Ordinary - 100%
MJ Hudson Finance Limited	Capital/Fund raising/AR	(A)	Ordinary - 100%
MJ Hudson ESG B.V. (formerly MJ Hudson Spring B.V.)	ESG Consulting	(G)	Ordinary - 100%
MJ Hudson Trustee Services Limited	Corporate trustee/services	(A)	Ordinary - 100%

31. Subsidiaries and related undertakings

Company	Nature of business	Country of incorporation and registered address	Class and % holding
MJ Hudson Fiduciaries Jersey Limited (formerly 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%
MJ Hudson Capital Limited*	Provision of capital related services	(A)	Ordinary - 100%
MJ Hudson Consulting Limited*	Provision of business and management advice and support to investment management and funds services industry	(A)	
MJ Hudson Fund Administration Limited*	Provision of Fund admin services	(A)	Ordinary - 100%
The Company Machine Limited*	Provision of CoSec, Accounting and related services	(A)	
Peracs GmbH*	Performance of performance analytic services	(H)	Ordinary - 100%
MJ Hudson Performance Analytics (German) UG (formerly Prof Gottschalg UG)*	Performance of performance analytic services	(H)	Ordinary - 100%
Bridge Fund Management Limited*	Investment management services through AIFM platform	(I)	Ordinary - 100%
Bridge Independent Risk Solutions Limited*	Provision of business advisory services	(I)	Ordinary - 50%
Bridge Consulting Limited*	Provision of business and management advice and support to investment management and funds services industry	(I)	Ordinary - 100%
MJ Hudson Quantitative Solutions Limited (formerly Clarus Risk Limited)*	Money and credit broker and other unregulated finance activities	(J)	Ordinary - 100%

*Entities formed or acquired during the year to 30 June 2021.

During the year ended 30 June 2021, MJ Hudson Corporate Services Limited and TGC Investments Limited were dissolved and struck off the UK company register; MJH Group Finance Limited was dissolved and struck off the Jersey company register; and MJH Services (Guernsey) 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	P.O. Box 264, Forum 4, Grenville Street, St Helier, Jersey JE4 8TQ
(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
(H)	Germany	Frankfurt am Main, Römerberg 8, 60311 Frankfurt am Main
(I)	Ireland	Ferry House, 48-53 Mount Street Lower, Dublin 2 D02 PT98
(J)	Guernsey	Anson Court, La Route des Caps, St Martin, Guernsey GY1 6BR

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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.

Net debt

Net Debt is calculated as total borrowings (excluding lease liabilities) less cash and cash equivalents.

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 (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. The table below shows growth of Underlying Revenue in respect of continuing business.

£ millions	FY21	FY20	FY19	FY18	FY17
Revenue	39.7	21.7	21.2	22.6	14.4
Less: Direct cost of sales	14.2	2.0	4.5	8.6	3.2
Underlying Revenue	25.5	19.7	16.7	14.0	11.2
% change	29%	18%	19%	25%	133%

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 acquisition's activity. Since 2014, the Group has set up six start-up operations. 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 FY21 this comprises the Group's Luxembourg AIFMD platform, licenced fund administration in London and Guernsey plus regulatory consulting. This is consistent with FY20 and FY19. These operations are expected to be included within the Outsourcing division's results from FY22.

Underlying EBITDA

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

Underlying Profit Before Tax

Underlying EBITDA adjusted for recurring depreciation and amortisation (note this excludes £0.8m of amortisation in respect of acquired intangible assets (FY20 – 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).

Underlying Profit for the year

Underlying Profit Before Tax less tax expense

Underlying Basic Earnings Per Share

Underlying Profit for year divided by weighted average number of shares in issue during the year

Other definitions

AI	Artificial intelligence
AIM	The AIM market of the London Stock Exchange
Alternative, alternatives, alternative investments	A subsector of the global asset management industry, which includes private equity funds; real estate funds; hedge funds; infrastructure funds; and alternative credit funds
AUM	Assets under management
Benchmarking	The process of comparing a firm or asset manager's performance and metrics to other businesses within their trade
CAGR	Compound annual growth rate
Debtor Days	Debtor days are calculated as trade debtors, net of any associated bad debt provision divided by average daily revenue for the financial period concerned
EBITDA	Earnings before interest, tax, depreciation, and amortisation
ESG	Environmental, social and governance, being factors used to evaluate companies or fund manager's metrics as regards sustainability and ethics
FY21	Financial year ended 30 June 2021
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

Other definitions

IFRS	- International Financial Reporting Standards as adopted in the European Union
Lockup	Debtor days plus WIP days as at a specific point in time
Organic Growth	Growth of a financial measure over a given period adjusted to exclude the impact of acquisitions or the disposal of businesses
Recurring revenue	This is calculated as the amount of revenue in a year that occurs in the financial year from clients onboarded in previous financial years
Underlying Debtor Days	Group debtor days excluding the 'passthrough' revenue in the FMS business unit - see definition of underlying revenue

Financial calendar

AGM

20 January 2022

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