

Registered No. 03456028

Hudson Advisors UK Limited

Directors' Report and Consolidated Financial Statements

31 December 2022

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Directors and Other Information

Directors

Jodi Cason (USA)
Adam Campbell

Bankers

Citibank NA
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London E14 5HP

JP Morgan Chase Bank N.A.
Northeast Market
PO Box 659754
San Antonio
TX 78265-9754

Auditor

Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2

Registered Office
17 Dominion Street
London
EC2M 2EF

Registered No. 03456028

Directors' report for the year ended 31 December 2022

The directors present their report and audited financial statements of Hudson Advisors UK Limited ("the Company") and its subsidiary, Hudson Agency Services Limited (together the "Group"), for the year ended 31 December 2022.

Results for the year and dividends

The profit for the year for the Group after taxation amounted to £6,135,833 (2021: £6,686,882). The Company paid a dividend of £6,900,000 (2021: £350,000) during the year to its parent, Hudson Advisors L.P.

Principal activities and business review

The principal activity of the Group continues to be that of the provision of asset management services, advisory services and agency services.

The Company is an exempt CAD firm registered and regulated by the Financial Conduct Authority. The Company is specifically authorised by the Financial Conduct Authority to advise on investments (except pension transfers and pension opt outs) and to arrange deals in investments.

The Company was granted permissions for debt administration, and debt collection by the Financial Conduct Authority, effective from 12 December 2014. These permissions allow the Company to service loans and credit agreements to individual borrowers in the UK.

While there has been no significant change in the principal activities of the Company during the year, the Group has seen a decrease in turnover. This is due to a decrease in the subservicing activity into the company from affiliated companies. The main highlights of the year for the Company are as follows:

- Decrease in turnover of 0.17% compared to 2021
- Increase in administration expenses of 3.91% compared to 2021
- Retention in the average number of employees at 92 equal to the previous year

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis, in preparing the financial statements, can be found in the Accounting Policies (Note 2).

Directors' report for the year ended 31 December 2022 (continued)

Principal risks and uncertainties

The Company manages and services investments acquired directly or indirectly by its clients. In accordance with the general risk management standards of the Company, an internal audit system has been established.

The principal risks from our general business is that the growth of the Group depends on its clients' investment strategies. This could potentially leave the volume of advisory, underwriting, monitoring and asset management services provided, subject to some fluctuation. We are aware that senior management is in regular contact with the Group's principal client, so the two parties can disclose changes in strategy in confidence and can forward plan accordingly.

The Group monitors its profit before taxation on ordinary activities as the indication of its performance during the year. The net profit percentage of profit on ordinary activities before taxation for the Group in 2022 was 12.15% (2021 – 13.49%).

Directors

The directors who served the Company during the year as well as those who are serving as at the date of this report are as follows:

Adam Campbell
Jodi Cason (USA)

The directors who held office on 31st December 2022 did not hold any shareholder interests in the Company or any group undertaking at the beginning or end of the accounting period, or at the date of appointment if later.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires of the Group's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Events after balance sheet date

Other than as described in the Principal Risks and Uncertainties section above, there were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Group, which require adjustment to or disclosure in the financial statements.

Directors' report for the year ended 31 December 2022 (continued)

Auditors

Ernst & Young were auditors to the Company for the year ended 31st December 2022.

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Adam Campbell
Director

Date: 23rd MARCH 2023

Group strategic report for the year ended 31 December 2022

The directors present their strategic report on the Group for the year ended 31 December 2022.

Review of the business

The Company is an exempt CAD firm registered and regulated by the Financial Conduct Authority. The principal activity of the Company continues to be that of the provision of asset management services, advisory services, and agency services.

Results and performance

The results of the Group for the year, and financial position as of the year then ended as set out on pages 14 and 15, show a profit on ordinary activities before tax of £7,537,972 (2021 - £8,181,307). The shareholder's funds of the Group total £10,866,785 (2021 - £11,517,835). The Company paid a dividend of £6,900,000 (2021 - £350,000) during the year.

Business environment

The Company acts as the servicer of European investment portfolios and body corporates indirectly acquired by its clients.

Strategy

The Group has been able to leverage from the long established servicing operations of Hudson Advisors L.P. and its subsidiaries (together, the "Hudson Advisors L.P. Group"). The centralization of shared services such as IT support, audit and risk management allows servicing staff to focus solely on their servicing duties.

The Group's process and track record for servicing and management of corporate, commercial real estate and loan portfolio opportunities for clients is a particular strength and remains an opportunity for continued growth. The Group's servicing IT platform is well-established and has shown adaptability and capability in the servicing of loans that can often be complex, in our opinion.

Key Performance indicators ('KPIs')

	2022	2021
Average Employees	92	92
Net Profit Before Tax %	12.15%	13.49%
Net Profit After Tax %	9.89%	11.03%
Rating Agency - S&P	2022	2021
Primary servicing - commercial mortgages	N/A	N/A
Special servicing - commercial mortgages	N/A	N/A
Financial position	N/A	N/A
Rating Agency - Fitch	2022	2021
Special servicing - commercial mortgages	N/A	CSS2

Group strategic report for the year ended 31 December 2022 (continued)

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Group and the compliance team and Group's finance department take on an important oversight role in this regard. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The principal risks from our general business is that the growth of the Group depends on its clients' investment strategies and this can potentially leave servicing portfolio volumes subject to fluctuation. We are aware that senior management is in regular contact with representatives of the Group's principal client, so the two parties can disclose changes in strategy in confidence and can forward plan accordingly.

Future developments

The Group experienced fluctuating market conditions during 2022, which reflected the investment activity of certain of the Group's clients. We expect that certain of the Group's clients will sell certain real estate/loan portfolio investments, as well as certain investments made in European corporate entities in 2023, and that the Group will be involved with management of such sales processes. We also expect more buoyant investment conditions during the course of 2023 to which the directors believe the Company will be able to capitalise on.

By order of the Board


Adam Campbell
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Accounting Standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in England and Wales, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether FRS102 has 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 Group or the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUDSON ADVISORS UK LIMITED

Opinion

We have audited the financial statements of Hudson Advisors UK Limited ('the Company') and its subsidiaries (collectively the 'Group') for the year ended 31 December 2022 which comprise Group Statement of Income and Retained Earnings, the Group and Company Statement of Financial Position, Group Statement of cash flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard 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 financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 and company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUDSON ADVISORS UK LIMITED (CONTINUED)

Other information (continued)

Our opinion on the 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 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 this gives rise to a material misstatement in the 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the Company financial statements are not in agreement with the accounting records; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUDSON ADVISORS UK LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are:
 - Companies Act 2006
 - Financial Reporting Council (FRC)
 - Tax compliance regulation in the United Kingdom.
- We understood how the company is complying with those frameworks through discussions with the key management personnel and the compliance officer. We inquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations. We also reviewed compliance with the Financial Conduct Authority by requesting and reviewing correspondence between the Company and the Financial Conduct Authority.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by holding discussions with key management personnel and the compliance director. We performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the Company business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiry with key management and reviewing key policies, the legal compliance log, reviewing minutes of meetings of board of Directors, gaining assurance that dividend payments complied with the relevant accounting and legal requirements, and performing sample testing of legal expenses.

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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUDSON ADVISORS UK LIMITED
(CONTINUED)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

A handwritten signature in black ink, which appears to read 'Dean Phillips', is located below the 'Use of our report' section.

Dean Phillips
for and on behalf of Ernst & Young, Statutory Auditor
Dublin
Date 30 March 2023

Group Statement of Income and Retained Earnings

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Operating income - continuing operations			
Turnover	3	73,959,322	74,083,364
Direct costs		<u>(11,926,715)</u>	<u>(13,455,708)</u>
Group gross profit		62,032,607	60,627,656
Administrative expenses		<u>(54,494,635)</u>	<u>(52,446,349)</u>
Group operating profit	4	7,537,972	8,181,307
Interest payable and similar charges		<u>-</u>	<u>-</u>
Group profit on ordinary activities before taxation		7,537,972	8,181,307
Taxation	7	<u>(1,402,139)</u>	<u>(1,494,425)</u>
Group profit for the financial year	15	6,135,833	6,686,882
All amounts relate to continuing activities.			
Retained Earnings at 1 January	15	11,517,835	5,180,953
Dividend Paid	18	<u>(6,900,000)</u>	<u>(350,000)</u>
Retained Earnings at 31 December		<u>10,753,668</u>	<u>11,517,835</u>

There are no other recognised gains or losses in the year other than those in the consolidated statement of income.

The notes on pages 17-29 form part of these financial statements.

Group Statement of Financial Position


as at 31 December 2022

	Notes	2022 £	2021 £
Fixed assets			
Property, plant and equipment	8	287,291	453,568
Investments in subsidiaries		-	-
		<u>287,291</u>	<u>453,568</u>
Current assets			
Debtors	9	37,190,225	38,043,883
Cash at bank and in hand		<u>2,863,623</u>	<u>2,456,897</u>
		40,053,848	40,500,780
Creditors: amounts falling due within one year	10	(29,568,587)	(29,371,953)
Net current assets		<u>10,485,261</u>	<u>11,128,827</u>
Total assets less current liabilities		<u>10,772,552</u>	<u>11,582,395</u>
Provisions for liabilities	11	(18,884)	(64,560)
Total Net Assets		<u>10,753,668</u>	<u>11,517,835</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account	15	<u>10,753,666</u>	<u>11,517,833</u>
Shareholder's funds	16	<u>10,753,668</u>	<u>11,517,835</u>

The notes on pages 17-29 form part of these financial statements.

The financial statements were approved by:


Adam Campbell
Director


Jodi Cason
Director

Date: 21st March 2023

Registered No. 03456028

Company Statement of Financial Position

as at 31 December 2022

	Notes	2022 £	2021 £
Fixed assets			
Property, plant and equipment	8	287,291	453,568
Investments in subsidiaries		<u>2</u>	<u>2</u>
		287,293	453,570
Current assets			
Debtors	9	38,688,920	38,043,881
Cash at bank and in hand		<u>2,736,317</u>	<u>2,327,111</u>
		41,425,237	40,370,992
Creditors: amounts falling due within one year	10	(31,563,673)	(29,368,718)
Net current assets		<u>9,861,564</u>	<u>11,002,274</u>
Total assets less current liabilities		<u>10,148,857</u>	<u>11,455,842</u>
Provisions for liabilities	11	(18,884)	(64,560)
Total Net Assets		<u>10,129,973</u>	<u>11,391,282</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account	15	<u>10,129,971</u>	<u>11,391,280</u>
Shareholder's funds	16	<u>10,129,973</u>	<u>11,391,282</u>

The financial statements were approved by:


Adam Campbell
Director


Jodi Cason
Director

Date: 23rd March 2023

Registered No. 03456028

Group Statement of Cash Flows

For the year ended 31 December 2022

	<i>Note</i>	2022 £	2021 £
Net cash generated from operating activities			
Operating profit	17(a)	7,537,972	8,181,307
Depreciation on tangible fixed assets		168,064	208,676
Decrease/(Increase) in debtors		3,193,426	(16,638,601)
Increase in creditors within one year		154,727	4,181,474
(Decrease) in provision for liabilities		(45,676)	(102,165)
Cash from operating activities		11,008,513	(4,169,309)
Corporation tax paid		(3,700,000)	(402,148)
Net cash Inflow/(outflow) from operating activities		7,308,513	(4,571,457)
Cashflows from investing activities			
Investment in subsidiaries		-	-
Purchase of tangible fixed assets	8	(1,787)	(51,158)
Net cash outflow from investing activities		(1,787)	(51,158)
Cashflows from financing activities			
Dividend Paid	18	(6,900,000)	(350,000)
Net cash outflow from financing activities		(6,900,000)	(350,000)
Net Increase/(decrease) in cash and cash equivalents	17(c)	406,726	(4,972,615)
Cash and cash equivalents at 1 January		2,456,897	7,429,512
Cash and Cash equivalents at 31 December		2,863,623	2,456,897

Notes to the Group Financial Statements

For the year ended 31 December 2022

1. General Information

Hudson Advisors UK Limited is a private limited company incorporated in the UK under the Companies Act 2006.

2. Accounting policies

The significant accounting policies and estimation techniques adopted by the Group and the Company are as follows:

Basis of preparation

The financial statements are prepared under the historical cost convention.

The Company has opted to prepare a statement of income and retained earnings as opposed to income statement and statement of changes in equity.

Basis of consolidation

The Group financial statements consolidate the financial statements of Hudson Advisors UK Limited and Hudson Agency Services Limited, its subsidiary undertaking, drawn up to 31 December each year. The Group profit and loss account and statement of cash flows also include the results and cash flows of Hudson Agency Services Limited for the year. No profit and loss account is presented for Hudson Advisors UK Limited as permitted by section 408 of the Companies Act 2006.

In the Company's financial statements, investments in its subsidiary are accounted for at the lower of cost and net realisable value.

Statement of Compliance

The financial statements have been prepared in accordance with FRS 102 and applicable UK law for the year ended 31 December 2022

The financial statements are expressed in British Pounds (£) which is the presentational currency of the Company and rounded to the nearest British Pound (£).

Going Concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group and the Company have the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's or the Company's ability to continue as a going concern. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Turnover represents amounts receivable for asset management, agency and advisory services rendered during the year.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that result in an obligation to pay more tax, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are only recognised to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Notes to the Group Financial Statements

For the year ended 31 December 2022

2. Accounting Policies (continued)

Deferred taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

The Company's functional currency is British Pounds (£). Assets and liabilities denominated in foreign currencies are translated into British Pounds (£) at the rates of exchange in effect as of the date of these financial statements, 31 December 2022. Transactions affecting the Company's statement of income in foreign currencies throughout the year ended 31 December 2022 are recorded at the exchange rate in effect at the date each transaction occurred. All differences are taken to statement of income and retained earnings.

Expenses

All other operating expenses are accounted for on an accruals basis.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Rent free periods are recognised over the lease term on a straight line basis.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of tangible fixed assets over their expected useful lives by equal annual instalments.

Tangible fixed assets are depreciated on a straight line basis at the following rates:

Fixtures, fittings and equipment	-	20% per annum
Leasehold improvements	-	20% per annum

Provisions for liabilities

A provision is recognised when the Group or the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for rental costs relating to a rent-free period have been provided for in the Company's financial statements. Provisions are discounted where the effect of the time value of money is material.

Cash at bank and in hand

Cash and cash equivalents comprise cash at bank and in hand.

Debtors and creditors

Debtors and creditors with no stated interest rates and debtors and creditors within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of income and retained earnings.

Current tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Notes to the Group Financial Statements

For the year ended 31 December 2022

3. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and to other companies within the Hudson Advisors L.P. Group and is attributable to one continuing activity of asset management, agency and advisory services. An analysis of turnover by geographical market is given below:

	2022	2021
	Group	Group
	£	£
Europe	19,681,502	17,589,516
Outside Europe	54,277,820	56,493,848
	<u>73,959,322</u>	<u>74,083,364</u>

4. Operating Profit

The Group operating profit of £7,537,972 is stated after charging / (crediting):

	2022	2021
	Group	Group
	£	£
Auditor's remuneration - audit fees	30,240	22,423
- taxation services	-	-
	<u>30,240</u>	<u>22,423</u>

There were no other assurance services, tax advisory services or other non-audit services provided by Ernst & Young as auditors for the Company.

	2022	2021
	Group	Group
	£	£
Depreciation on leasehold improvements	160,475	196,492
Depreciation on fixtures, fittings and equipment	7,589	12,184
(Gain) on foreign exchange transactions	<u>(1,041,336)</u>	<u>(590,663)</u>

Notes to the Group Financial Statements

For the year ended 31 December 2022

5. Directors' Remuneration

	2022 Group £	2021 Group £
Remuneration for qualifying services	612,000	600,000
Total remuneration	612,000	600,000
Aggregate remuneration paid in respect of the highest paid director	612,000	600,000

6. Staff Costs

	2022 Group £	2021 Group £
Wages and salaries	33,446,884	34,076,863
Severance costs	992,010	68,333
Employee Benefits	2,612,143	2,541,902
Education & Training	81,458	23,899
Social security costs	4,603,759	4,845,750
	41,736,254	41,556,747

The average monthly number of employees during the year was made up as follows:

	No.	No.
Management	1	1
Operational and administration	91	91
	92	92

Hudson Advisors UK recognises a liability and an expense for deferred bonus payment. As of 31st December 2022 the deferred Bonus Liability stood at £6,160,228. Of which £4,340,228 will still be outstanding in 12 months time.

Notes to the Group Financial Statements

For the year ended 31 December 2022

7. Taxation

(a) Tax on profit on ordinary activities

	2022 Group £	2021 Group £
Current tax:		
UK corporation tax on profit for the year	1,623,160	1,617,713
Adjustment in respect of previous periods	(4,751)	(34,093)
Total current tax	1,618,409	1,583,620
Deferred tax:		
Adjustment in respect of previous periods	119,818	67,298
Movement in Deferred Tax	(188,791)	(43,376)
Rate Change	(147,297)	(113,117)
Total tax charge for the year (note 7(b))	1,402,139	1,494,425

The tax charge is made up as follows:

(b) Factors affecting the current tax charge for the year

On the 3rd March 2020 the UK Government announced the UK corporation tax rate will be increased to 25% with effect from the 1st April 2023. The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below.

	2022 Group £	2021 Group £
Profit on ordinary activities before taxation	7,537,972	8,181,307
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021-19%).	1,432,215	1,554,449
Effects of:		
Expenses not deductible for tax purposes	2,011	19,721
Other timing differences	144	167
Deferred Tax Rate Change	(147,297)	(113,117)
Adjustments in respect of previous periods	115,066	33,205
Total current tax (note 7(a))	1,402,139	1,494,425

Notes to the Group Financial Statements

For the year ended 31 December 2022

7. Taxation (continued)

	2022 Group £	2021 Group £
Included in debtors (note 9)	1,433,763	1,175,587
Included in creditors (note 10)	(45,644)	(3,738)
	2022 Group £	2021 Group £
Accelerated capital allowances	(45,644)	(3,738)
Short term timing differences	1,433,763	1,175,587
Deferred tax asset/(liability)	<u>1,388,119</u>	<u>1,171,849</u>

(d) Factors that may affect future tax charges

The British Government announced on Wednesday 3rd March 2020 its intention to raise corporation tax to 25% in April 2023 as the government looks to restore public finances in the aftermath of the Covid-19 pandemic.

8. Tangible Fixed Assets

	Leasehold Improvement Group £	Fixtures, Fittings & Equipment Group £	Total Group £
Cost			
At 1 January	2,013,606	265,751	2,279,357
Additions	<u>811</u>	<u>976</u>	<u>1,787</u>
At 31 December	<u>2,014,417</u>	<u>266,727</u>	<u>2,281,144</u>
Depreciation			
At 1 January	1,572,034	253,755	1,825,789
Charge for the year	<u>160,475</u>	<u>7,589</u>	<u>168,064</u>
At 31 December	<u>1,732,509</u>	<u>261,344</u>	<u>1,993,853</u>
Net Book Amount			
At 31 December 2022	<u>281,908</u>	<u>5,383</u>	<u>287,291</u>
At 31 December 2021	<u>441,572</u>	<u>11,996</u>	<u>453,568</u>

All tangible fixed assets are held by the Company.

Notes to the Group Financial Statements

For the year ended 31 December 2022

9. Debtors

	2022 Group	2021 Group
	£	£
Trade debtors	1,999,870	3,981,429
Amounts owed by parent and fellow subsidiaries (note 19)	30,022,830	31,972,076
Other debtors	1,504,447	767,067
Corporation tax	2,229,315	147,724
Deferred tax asset	1,433,763	1,175,587
	<u>37,190,225</u>	<u>38,043,883</u>

	2022 Company	2021 Company
	£	£
Trade debtors	3,498,575	3,981,429
Amounts owed by parent and fellow subsidiaries	30,022,827	31,972,074
Other debtors	1,504,440	767,067
Corporation tax	2,229,315	147,724
Deferred tax asset	1,433,763	1,175,587
	<u>38,688,920</u>	<u>38,043,881</u>

10. Creditors: amounts falling due within one year

	2022 Group	2021 Group
	£	£
Amounts owed to parent and fellow subsidiaries (note 19)	13,575,606	13,078,089
Deferred tax liability	45,644	3,738
Other taxes and social security costs	8,327,762	9,788,990
Other creditors	171	1,964
Accruals and deferred income	7,619,404	6,499,172
	<u>29,568,587</u>	<u>29,371,953</u>

	2022 Company	2021 Company
	£	£
Amounts owed to parent and fellow subsidiaries	15,600,778	13,078,606
Deferred tax liability	45,644	3,738
Other taxes and social security costs	8,327,762	9,788,990
Other creditors	171	1,715
Accruals and deferred income	7,589,318	6,495,669
	<u>31,563,673</u>	<u>29,368,718</u>

Notes to the Group Financial Statements

For the year ended 31 December 2022

11. Provisions for Liabilities

	2022 Group £	2021 Group £
Opening balance 1 January 2022	64,560	166,726
Charge for the year	(45,676)	(102,166)
At 31 December 2022	<u>18,884</u>	<u>64,560</u>

	2022 Company £	2021 Company £
Opening balance 1 January 2022	64,560	166,726
Charge for the year	(45,676)	(102,166)
At 31 December 2022	<u>18,884</u>	<u>64,560</u>

The provision relates to rent-free periods in relation to two separate lease agreements which the Company has entered into. The relevant lease agreements were entered into in March 2017 and December 2019. The provision will be utilised over the life of each lease, which is eight years, and five years respectively.

12. Leasehold Commitments

	Within 1 Year £	2 – 5 Years £	Over 5 Years £	Total £
Leasehold commitments 2021	575,683	496,452	-	1,072,135

	Within 1 Year £	2 – 5 Years £	Over 5 Years £	Total £
Leasehold commitments 2022	458,263	38,189	-	496,452

The Company entered into a six year ten month lease on 24th March 2017 for an additional premises at 7-10 Chandos Street, London. The obligation is amortised over the six year ten month life of the lease.

The Company entered into a four year one month lease on 11th December 2019 for an additional floor at 7-10 Chandos Street, London. The obligation is amortised over the four year one month life of the lease.

The Company over the course of the year paid £458,263 in rent, relating to the lease agreements entered into with regards to Chandos Street.

Notes to the Group Financial Statements

For the year ended 31 December 2022

13. Pensions

The Company commenced the operation of a defined contribution pension scheme in 2015. The Company incurred a charge for the year of £785,092 (2021 - £869,623), of which £ nil was outstanding at 31 December 2022 (2021 - £ nil). There are no unfunded commitments for which a provision has not been created. Furthermore there are no unfunded commitments relating to past directors.

14. Issued Share Capital

	2022 Group & Company £	2021 Group & Company £
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. Movements on Shareholder Funds

	P&L Account 2022 Group £	P&L Account 2021 Group £
At beginning of year	11,517,833	5,180,951
Profit for the year	6,135,833	6,686,882
Dividend paid	<u>(6,900,000)</u>	<u>(350,000)</u>
At 31 December 2022	<u>10,753,666</u>	<u>11,517,833</u>

	P&L Account 2022 Company £	P&L Account 2021 Company £
At beginning of year	11,391,280	5,053,516
Profit for the year	5,638,691	6,687,764
Dividend paid	<u>(6,900,000)</u>	<u>(350,000)</u>
At 31 December 2022	<u>10,129,971</u>	<u>11,391,280</u>

The Company is required under Financial Conduct Authority regulations to have a minimum capital reserve of £50,000.

Notes to the Group Financial Statements

For the year ended 31 December 2022

16. Reconciliation of Shareholder's Funds

	2022 Group £	2021 Group £
Opening shareholder's funds	11,517,835	5,180,953
Profit for the year	6,135,833	6,686,882
Dividend paid	(6,900,000)	(350,000)
Closing shareholder's funds	<u>10,753,668</u>	<u>11,517,835</u>

	2022 Company £	2021 Company £
Opening shareholder's funds	11,391,282	5,053,518
Profit for the year	5,638,691	6,687,764
Dividend paid	(6,900,000)	(350,000)
Closing shareholder's funds	<u>10,129,973</u>	<u>11,391,282</u>

17. Notes to the Group Statement of Cash Flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2022 £	2021 £
Operating profit	7,537,972	8,181,307
Depreciation of tangible fixed assets	168,064	208,676
Decrease/(Increase) in debtors	3,193,426	(16,638,601)
Increase in creditors within one year	154,727	4,181,474
(Decrease) in provision for liabilities	(45,676)	(102,165)
Net cash Inflow/(outflow) from operating activities	<u>11,008,513</u>	<u>(4,169,309)</u>

(b) Return on investments and servicing of finance

	2022 £	2021 £
Interest paid	-	-

Notes to the Group Financial Statements

For the year ended 31 December 2022

17. Notes to the Group Statement of Cash Flows (Continued)

	At 1 January 2021	Cash flow	At 31 December 2021
	£	£	£
Cash at bank and in hand	7,429,512	(4,972,615)	2,456,897
Bank Loan	-	-	-
Net funds	<u>7,429,512</u>	<u>(4,972,615)</u>	<u>2,456,897</u>
	At 1 January 2022	Cash flow	At 31 December 2022
	£	£	£
Cash at bank and in hand	2,456,897	406,726	2,863,623
Bank Loan	-	-	-
Net funds	<u>2,456,897</u>	<u>406,726</u>	<u>2,863,623</u>

(d) Reconciliation of net cash inflow to movement in net funds

	2022	2021
	£	£
Increase/(Decrease) in cash	406,726	(4,972,615)
Loan facility	-	-
Movement in net funds in the year	<u>406,726</u>	<u>(4,972,615)</u>
Net funds at 1 January	<u>2,456,897</u>	<u>7,429,512</u>
Net funds at 31 December	<u>2,863,623</u>	<u>2,456,897</u>

18. Dividend Paid

	2022	2021
	£	£
Declared and paid during the year:		
Equity dividend on ordinary shares	<u>6,900,000</u>	<u>350,000</u>
	<u>6,900,000</u>	<u>350,000</u>

Notes to the Group Financial Statements

For the year ended 31 December 2022

19. Related Party Transactions

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has availed itself of the Related Party disclosure exemption under FRS 102, section 33.1A as the transactions are between members of the Hudson Advisors L.P. Group.

The Group's trading balances outstanding at 31 December 2022 and 2021 are as follows:

	Amounts owed from related parties		Amounts Owed to Related Parties	
	2022 £	2021 £	2022 £	2021 £
Hudson Advisors L.P.	26,920,494	29,389,943	7,907,154	6,272,019
Hudson Advisors Germany GmbH	2,964	9,723	(27,283)	1,998,422
Hudson Advisors Ireland DAC	3,021,099	2,399,624	698,181	168,231
Hudson Advisors Spain S.L.U.	48,762	157,646	907,555	118,168
Hudson Advisors Europe DAC	4,395	31	12,485	11,693
Hudson Advisors Netherlands B.V.	855	1,260	(147,750)	124,638
Hudson Advisors Luxembourg S.A.R.L.	-	-	197,196	113,171
Hudson Advisors France S.d.r.l.	15,432	8,359	1,556,825	2,274,372
Hudson Advisors Portugal "Unipessoal" Lda.	8,829	5,490	2,454,800	1,943,169
Hudson Americas L.P.	-	-	16,443	54,206
Total	30,022,830	31,972,076	13,575,606	13,078,089

During the year, the Company rendered services of £13,862,558 (2021 - £13,622,176) to affiliates of certain of the Lone Star Funds (the "Lone Star Funds"). At the year end, the Company was owed £1,999,870 (2021 - £3,931,520) by affiliates of certain of the Lone Star Funds and owed £113 (2021 - £107). The Company and the general partners of certain of the Lone Star Funds are related parties.

During the year, the Company paid costs of £346,686 (2021 - £97,468) on behalf of Lone Star Global Acquisitions, Ltd. and its affiliates ("Lone Star"). Lone Star paid costs of £354,715 (2021 - £8,874) on behalf of the Company. At the year end, the Company was owed £Nil (2021 - £38,576) and owed £113,465 (2021 - £144). The Company and Lone Star are related parties.

Amounts owed and owing at year end include amounts not yet billed to the entities referred to above.

20. Subsidiary Companies

Name	Registered Office	Nature of Business	% Owned
Hudson Agency Services Limited	17 Dominion Street London EC2M 2EF	The principal activity of the Company is that of agency services.	100%

Hudson Agency Services Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts under S479A of the Companies Act 2006.

Notes to the Group Financial Statements

For the year ended 31 December 2022

21. Ultimate Parent Undertaking and Controlling Party

The ultimate parent undertaking and controlling party of the Company is Hudson Advisors L.P., a company registered in the United States of America.

The largest and smallest Group in which the results are consolidated is that headed by Hudson Advisors L.P. The consolidated financial statements are not publicly available.

22. Events since the statement of financial position

The Company confirms that there have been no subsequent events to report.

23. Approval of Financial Statements

The financial statements were approved and authorised for release by the Board of Directors on 23rd March 2023.