

Johnson's

Accounts | Tax | Wealth

2024

Transparency Report

2024

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J. Stuart Thomson
Group Managing Director

I am delighted to share our successes in our 2024 Transparency Report. The firm is starting to see the fruits of its investments in a number of significant areas. The start of 2024 continued where the firm finished 2023 with significant growth in all areas of the firm.

There were a number of significant milestones in 2024:

1. The firm expanded its headcount significantly and by the end of 2024 had 82 employees. In particular the audit department made some lateral hires which have made significant operational improvements.
2. The firm launched its inaugural apprenticeship programme with much success.
3. The firm secured its first regulated banking audit client and expanded its mining client base.
4. Our audit department revenue grew significantly across all assurance service lines.
5. The firm implemented an incentive scheme for all staff and has started to develop plans to enhance this in coming years.
6. After 3 years of development the firm launched in Q4 the first stage of its new software platform. This has gone well and more is expected of the investment in this area over the next year.
7. The firm set up an audit technical department whose remit is not just responding to technical queries but to drive forward the development of the firm's audit methodology and development of audit staff.

Fundamentally the firm is proving an attractive option for many as indicated by the scale of growth. This inevitably places pressures on the firm's operations. As a result 2024 in many ways was a year of consolidation. The firm developed processes and procedures more akin to the larger firms to which it aspires and with whom it regularly competes. By the end of 2024, the Management Board felt that the firm was better able to cope with the expected growth of the firm.

As a uniquely structured firm, we often find that regulators and new clients are surprised at how quickly we can react and make decisions. This is a key requirement of reacting to the fast paced world we live in today.

We look forward to 2025 and the continued expansion of the firm and its offering to the market.



Edmund Cartwright
Audit Compliance Principal ("ACP")

Audit has a huge part to play in providing confidence and trust to investors, regulators and various other stakeholders. We recognise the value of audit and the public interest element of the work we do in providing trust and confidence within the economy.

The firm's audit business continues to contribute significantly in the overall firm's growth. We are focused on delivering high quality audit services to ensure the needs of various stakeholders are met as intended whilst also meeting the expectations of regulators.

To deliver high audit quality, we have implemented several initiatives during the year:

1. Updated risk assessment procedures prior to client acceptance and continuation.
2. Focused delivery of training that supports audit team in addressing various challenges for compliance with accounting standards, auditing standards and specialist industries.
3. Enhancing audit methodologies that suit the needs of public interest entities and developing methodologies in specialist industries such as Banking.
4. Set up Technical Audit Department to address complex issues in the audits. The Technical Audit Department comprises of the Audit Quality Team focusing on improving audit quality under firm's system of quality management and the training and staff development team.
5. Updated the firm's guidance for group audits involving component auditors ensuring compliance with ISA 600 (Revised).
6. Adoption of Inflo as a collaborative tool in ensuring efficiency.
7. Enhanced documentation requirements with respect to an entity's control environment as required under auditing standards, in particular ISA315(R).

We have continued to update our risk management framework and System of Quality Management for changes in the business and regulatory space. The firm completed its assessment of compliance with ISQM (UK) 1 ("ISQM1") requirements during April 2024 and next such assessment will be performed prior to end of April 2025.

During the year, the firm went through the process of file reviews by ICAEW and FRC as part of regular ongoing monitoring procedures. There are encouraging results from these reviews which the firm plans to build upon and at the same time we have identified scope for improvement. We are committed to addressing in enhancing the delivery of high audit quality services.

We continued to look at resourcing needs more from a proactive approach ensuring that there is built-in capacity to take on additional audits to support our growth plan. Our recruitment strategy continued to focus on recruiting members from top 10 firms. Half of our audit team comprise staff who have experience of working in one of the top 10 firms. The high quality and depth of our team enable us to respond quickly to requests for tenders from prospects as well as ensuring audit work is efficient and effective.



Edmund Cartwright
Audit Compliance Principal ("ACP")

As a firm, we are committed to serving the public interest. In doing so, we recognised the existing PIE market capacity constraints and plan our recruitment ahead of time to respond positively to market demand.

I confirm, on behalf of the Management Board, that:

- our internal quality control systems are effective;
- our independence practices are appropriate; and
- we have policies and procedures in place to ensure that the continuing education of the audit team is as required by relevant law, regulation and professional standards.
- the transparency report is prepared to comply with Article 13 of Regulation No 537/2014 of the European Parliament as retained in UK law.

For and on behalf of the firm:

A handwritten signature in black ink, appearing to read 'Edmund Cartwright', written over a horizontal line.

Edmund Cartwright
Audit Compliance Principal

2025 GOALS AND PROGRESS CHECK ON 2024

The Management Board has agreed the following goals:

- Exceed £10m in annualised recurring revenue;
- Develop a staff led programme to increase the firm's social capital;
- Begin the process of assessing the impact of the firm's activities on the environment and to consider opportunities to reduce any negative impact;
- Increase the number of audit RI's to 3;
- Improve audit efficiency through the use of more risk focused audit methodology and improved technology;
- Launch its next suite of modules from the activities of its software development team comprising UK accountancy and tax technical compliance solutions;
- Implement a program to assess office culture using surveys on a regular basis.
- Further develop the firm's apprenticeship programme.

In terms of the goals set out in the firm's Transparency Report for 2023 the following achievements are identified.

2024 Goal	Outcome
Increase audit RI's to 3	The firm has at the time of issuing this report has 2 RI's and another with ICAEW's Audit Registration Committee.
Increase audit revenue from new clients by 20%	The firm achieved this with well over 20% growth from new clients. The firm believes the market is appreciative of the approach taken by the firm.
Improving audit methodologies, particularly on sampling	The firm implemented the use of Inflo to provide better data analytics and a more focussed sampling methodology. More work is required in this area.
Improved audit efficiency through new project management technology and data analysis	The firm has identified a number of areas where there is scope for significant improvements in efficiencies which it hopes will help to lower audit costs. At the time of writing the firm is in the process of implementing many of the efficiencies identified but believes this will be an ongoing area for a number of years.
Increasing the audit FTE's by 20%	The firm recruits based on need, allowing for expected growth. The firm has had little difficulty in recruiting despite the much publicised industry shortfall in auditors. Accordingly the firm has easily met this goal.

LEGAL STRUCTURE AND OWNERSHIP OF THE FIRM

Legal Structure and Ownership

Johnsons Financial Management Limited ("Company", "firm" or "Johnsons") is a company limited by shares and is incorporated in the United Kingdom. The ultimate beneficial ownership of the Company is with one family, control rests solely with one member who is involved in the day-to-day management of the company as the company's sole director.

At the time of writing this report, the firm has 2 audit partners. The Firm's ACP has responsibility for leading the audit department and ensuring that policies and procedures governing the audit practice are in accordance with regulatory requirements.

Management Board

The sole director has delegated management of the company to a Management Board with responsibility for governing the audit practice and day-to-day operations of the firm. The ACP and sole director of the Company, have equal voting power in relation to the decisions made by the Management Board on the policies and procedures. This board is also responsible for reviewing and updating these policies to ensure compliance with the applicable laws and regulations.

During the year, a number of formal and informal meetings of the Management Board took place and the members of the Management Board have attended all these meetings.

Network of firms

The firm is neither a member of an international network nor an international association of audit and accountancy firms. The Management Board continue to monitor this position as the firm grows.

INTERNAL QUALITY CONTROL SYSTEMS

Culture and leadership

The reputation of Johnsons for providing high-quality professional audit services independently, objectively and ethically is fundamental to its success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence, and professional scepticism. These are fundamental attributes of a high-quality audit. Designing, implementing and operating an effective System of Quality Management is essential to these efforts. The firm promotes strict adherence to the quality control policies and procedures as set out in the ISQM1. Firm's ACP is a member of Management Board and also has ultimate responsibility under ISQM1.

Johnsons' System of Quality Management is governed by a Management Board consisting of the ACP and Group Managing Director with the responsibility for ensuring that the firm is in compliance with the requirements of ISQM1. The Management Board's responsibility includes reviewing the results of monitoring activities and root cause analysis, recommending changes to the existing quality practices and reviewing the results of each annual evaluation of firm's compliance with ISQM1.

The firm's quality procedures govern the audit work that will be performed by the department. Training of audit department employees is carried out through training sessions and on the job training. The firm places more emphasis on ensuring that audit team members are equipped to handle various challenges when dealing with clients and undertaking audit work. Consequently, the firm has made significant investments in ensuring that sufficient training is provided to the members of the audit department.

The firm's leadership has set out strategic priorities and goals for the firm and facilitates a firm-wide culture to achieve these priorities and goals.

Ethical considerations

Stuart Thomson is the firm's Ethics Partner and has the responsibility to oversee the development and implementation of ethical policies. Any ethical issues or matters that put the firm at risk that arise on engagements are referred to the Ethics Partner for further consideration. Final decisions by the Ethics Partner is governed by requirements of the FRC Ethical Standard and the Institute of Chartered Accountants in England and Wales's ("ICAEW") Code of Ethics. Stuart is a working member of the audit team and where a perceived ethical conflict is identified, ethical considerations are delegated to a suitably trained team.

This is monitored on an ongoing basis to ensure the firm adapts quickly to changes in the guidance issued under relevant codes.

INTERNAL QUALITY CONTROL SYSTEMS

Audit methodology and performance

Policies and procedures relating to audit methodology and performance comply with the requirements of ISQM1. The firm's audit software used during the year was "MyWorkpapers" and it is based on the Mercia audit methodology. The Firm's ACP and in consultation with the firm's Head of Technical team reviewed this methodology and made appropriate adjustments to reflect the firm's attitude to risk. During the year, the firm has developed additional guidance required for public interest entities audits and has been working on the Banking methodology to enhance its offerings to the market.

Our audit approach starts with obtaining a detailed understanding of the business and the environment in which the client operates. This is followed by discussions with management to understand the control environment, accounting practices, management structure, remuneration policies, stakeholder pressure and technology infrastructure to assess the risks relevant to the entity. As part of our risk assessment process we reassess any new information identified during the course of the audit and the impact it has on the risk assessment performed at the audit planning stage. All team members provide regular updates to senior members of the audit team during the course of the audit to ensure timely resolution of identified issues. All audits are subject to audit partner and manager reviews. The firm also engages specialists where required to ensure that appropriate challenge is made of management on critical areas of judgements.

The firm is committed to enhancing efficiency in the execution of audit work. To support this goal, it has implemented the Inflo project management tool across all audits. The tool has been well received by clients, who value the increased efficiency it brings to the audit process. Further, the Audit Management Team monitors the performance of each engagement on a regular basis to identify additional areas for improving the firm's overall process.

Acceptance and continuance procedures

The acceptance and continuance procedures focus on review of firm's competencies, resourcing, commercial matters, independence and risk profile of client and its impact on the firm's overall risk profile. This is followed by Anti-money laundering ("AML") procedures. The firm only accepts the engagement upon obtaining satisfactory results from these acceptance procedures.

Our onboarding process also considers the beneficial owners and the directors who are all assessed under the firm's AML procedures and other high risk criteria where appropriate. Where higher risk issues are identified, the Money Laundering Reporting Officer ("MLRO") is required to approve the appointment and may require additional pre-appointment information and may impose additional ongoing monitoring requirements.

During subsequent years, if we note any changes in the entity's ownership structure, nature of business and directors, we will re-perform our risk assessment to assess if client is still within the firm's risk framework.

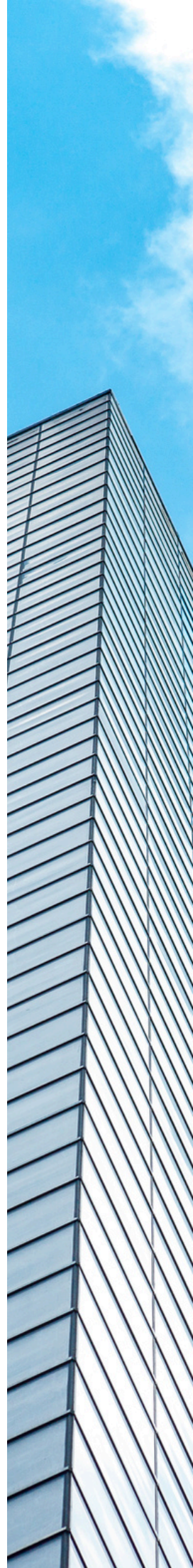
Human resources

Recruitment and development of employees is under the strict control of the Management Board and is a fundamental part of the firm to ensure that people with the right skills and experience across different levels are recruited and developed to maintain quality. The directive for recruitment is confirmed by the heads of the individual department(s) after assessing numbers required to maintain high quality standards across the all service lines. At least two people of manager grade or above must be involved in any recruitment decision of a new staff member.

As a people business it is paramount that staff feel valued and rewarded. This is especially important in areas where the firm has the pressures of growth. In the audit department, for example, every junior member of staff has a mentor and everyone has personal development plans which might, for example, focus on technical development, personal skills or even areas like market presence.

Staff remuneration and incentives are reviewed and agreed by the ACP with the Management Board at least annually for all members of staff and this includes a review of staff performance, including the quality of audit work. During the year, the firm has implemented a process for rewarding team members through "personal development plans" to secure promotion and support employees with below expected performance through "performance improvement plans".

To ensure that the firm complies with the increasing complexity of employment law it works with external HR professionals to develop appropriate policies which are management centrally by the Operations team and implemented at department level.



CONTINUOUS EDUCATION AND TRAINING

Statement on the effectiveness of the firm's internal quality control system

We have continued to update our risk management framework and System of Quality Management for changes in the business and regulatory space. The firm completed its assessment of compliance with ISQM1 requirements during April 2024 and concluded that quality management practices of the firm are working effectively except for compliance with the audit file lockdown process. The Management Board has updated the firm's file lockdown procedures since then. The next annual evaluation is due in April 2025. The Management Board is satisfied that the firm's system of quality management is effective in all material respects.

To support the firm's audit growth plan, the Management Board is ensuring that industry leading adopting best practices to improve audit quality is adopted. In doing so, we consider the latest inspection results by the FRC and the Regulatory Supervisory Bodies ("RSB's") - ICAEW, ICAS and ACCA. The Management Board recognise that there is a room for improvement to be best industry and strives to achieve excellence as the firm grows in size and number of employees.

Staff Development

The firm, during the year, has conducted various training sessions for audit staff. The audit training sessions were specifically designed to meet the learning requirements and relates to industries that form part of firm's portfolio and also include industries that the firm is actively looking to engage in the future.

All staff members are required to comply with the continuing professional development ("CPD") requirements as per the requirements of professional bodies with whom they are registered. Training and CPD takes many forms including in-house training, audit workshops, technical research, webinars, feedback and external courses. The senior members of the department have attended various round tables and technical briefings conducted by the FRC.

The firm has implemented a process of assessing the effectiveness of trainings by conducting "knowledge tests" on completion of each session. Individual performance is monitored and additional guidance is provided in areas that required improvement. For completed trainings the firm has started issuing CPD certificates.

For all qualified staff, the firm undertakes a review of compliance with CPD requirements on an annual basis.

QUALITY MONITORING

Audit culture and behaviours

The firm is committed to the highest standards of audit quality. The audit findings from external and internal reviews are discussed by the Management Board and then with audit department management in detail. During these discussions, the changes required to the existing policies and procedures are agreed ensuring that any findings are addressed and are not repeated in the future. Given the size of our department, managers and assistant managers communicate the details of revised processes and policies to junior audit staff through formal training and on the job training. Upon implementing the agreed changes, the Management Board performs a review to ensure that the relevant findings are addressed to its satisfaction.

Regulatory inspections

As with all firms regulated by the ICAEW, the firm is subject to periodic Quality Assurance Department ("QAD") visits by the ICAEW. The latest review took place in July 2024 and the next visit is expected to take place in 3 years time. During 2024 visit, the ICAEW has reviewed 2 audit files. One file was generally acceptable and the second file was awarded a significant improvement required rating by the ICAEW. Of particular note was a matter concerning revenue recognition, where the ICAEW representative opined that an audit of the client's customer record or an audit of the client's systems that is considered outside the scope of IT environment under ISA 315 is reported. To confirm this view, the Management Board consulted with other RSB's, ACCA and ICAS, on the technical aspects of this issue by providing all relevant facts. Both ACCA and ICAS advised that the matter falls within the realm of professional judgement. We submitted the evidence of these consultations to the ICAEW as part of QAD review process; however this did not change ICAEW's conclusion. The firm has established its own technical department to add weight to any technical issues that may arise.

QUALITY MONITORING

Regulatory inspections (continued)

On a more unfortunate matter the firm has had an investigation into a formerly listed client by the ICAEW where the client published single entity accounts, not meant for public consumption, which had incorrect disclosures for single entity accounts, instead of group accounts which were in the process of being audited. On this matter, during early 2025, the firm was fined by the ICAEW. The firm believes that the fine was not set in compliance with all the guidelines for determining fines. However, firm chose not to pursue the matter further, as the time and cost required were not deemed an efficient use of resources. The firm had long since updated its processes so that this could not occur in the future.

In 2024, the FRC performed an AQR inspection on the audit of a public interest entity signed by the firm in the same year. As a result of this review, FRC recommended that the firm perform additional procedures in relation to valuation of unlisted equity investments. The firm appreciates the FRC's feedback and has promptly made the necessary enhancements to its process to incorporate the recommended changes. Our unique organisational structure, particularly our lean management structure, enables us to implement improvements swiftly, reinforcing our ongoing commitment to audit quality.

Engagement with Regulators

The FRC wrote to the firm in July 2024, indicating that it was concerned with the growth of the firm. The firm has since engaged pro-actively with the FRC and taken steps to respond to the FRC's feedback. The firm now engages with the FRC on a more pro-active basis and has taken steps to develop a more constructive relationship with the FRC. We have welcomed the response to our shift in approach to the FRC.

We will continue with this proactive approach so that the FRC can appreciate the developments made by the firm to cope with the growth of the firm.

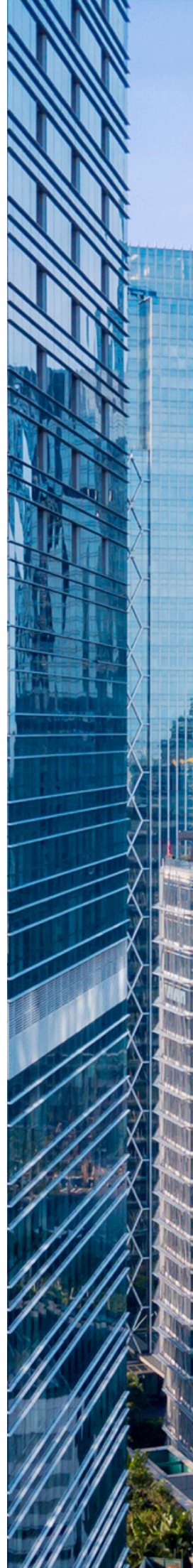
All UK-qualified staff members continue to strengthen their professional networks, technical expertise, and peer engagement by maintaining regular communication with their respective RSBs. The firm also consults with the RSB's on technical matters as needed. To further enhance its capability to address the technical demands of a growing client base, the firm has established its own dedicated technical department.

Internal monitoring

During the year, the firm has established its Technical Audit Department which comprise Audit Quality Team to further enhance its ability to respond effectively to factors that may impact audit quality on a more proactive basis. The role of the Quality team includes undertaking of cold file and hot file reviews and in assessing its compliance with accounting and auditing standards. The Quality team will start to undertake these reviews from 2025.

Our internal policy which is aligned with ISQM1 requires the appointment of an Engagement Quality Reviewer ("EQR") in relation to PIE audits and for this purpose we have engaged another firm of chartered accountants with necessary experience, competence and capability. The EQR performs a hot file review prior to our signing of the audit reports for public interest entities. The firm has regular dialogue with the FRC on various matters in relation to PIE audits.

The firm has also recognised the lack of available EQR's in the market, particularly for PIE audit work and so offers this services to other firms.



PUBLIC INTEREST ENTITIES

PIE Audit Portfolio

The firm during 2024 has completed the audit of the following public interest entities:

- a. Bank Sepah International Plc
- b. Oxford Technology 2 Venture Capital Trust Plc
- c. Codex Acquisition Plc
- d. Polyus Finance Plc

We have also signed off the audit of daVictus Plc, a public interest company.

Subsequent to the year-end and up to the date of this report, the firm has accepted 3 additional PIE audits. The audit work on these entities is currently ongoing. The firm further reviews complexity and size of activity in identifying those clients that require enhanced audit focus for ensuring compliance with the firm's attitude to risk in a not too dissimilar way to that of PIE's. The firm has so categorised 6 such clients.

INDEPENDENCE POLICIES AND PROCEDURES

Independence Policies and Procedures

Independence as an auditor is a fundamental principal of the firm and strict policies and procedures have been developed to ensure this is the case for all audits undertaken by the firm. The policies and procedures ensure that the firm complies with the requirements of the ICAEW's Code of Ethics and the FRC's Ethical Standard. A review of independence compliance for the year was completed in 2024.

The firm's Ethics Partner is responsible for ensuring all employees adhere to the ethical objectives identified under the Code of Ethics. The firm obtains an annual update of all staff involvements of all staff to identify any threats to the firm's independence. The audit team is advised to inform the Audit Partner or Ethics Partner immediately on any changes to circumstances which may impact the firm's independence.

Before acceptance of any audit assignment, the firm's on-boarding processes will identify if there are any threats or risks to the firm's independence. At the planning and completion stages, we consider and confirm with all employees of the firm if they are aware of any risks to independence. If there is any risk identified then the firm's Ethics Partner is required to identify acceptable processes and procedures to enable the firm to continue the audit or the firm will resign from the audit.

The assessment of independence during each audit assignment includes consideration of potential conflicts resulting in various types of threats. Key to this is the threat to the firm's independence arising from the provision of non-audit services to audit clients. Appropriate safeguards are implemented and discussed with those charged with governance where non-audit services are provided. The firm does not provide non assurance based services to public interest entities.

KEY AUDIT PARTNER AND EMPLOYEE ROTATION

We have implemented the key audit partner and employee rotation requirements in accordance with the requirements of the FRC Ethical Standard and ICAEW. The policy adopted by the firm is as follows:

Maximum period of rotation/applicable to	Engagement partner	Engagement quality control reviewer (EQCR)	Other partners and staff in senior positions
Public Interest Entity (PIE)	5 on / 5 off	7 on / 5 off	Apply threats and safeguards approach, specifically in respect of personnel who have been on the engagement for more than 7 years
Other listed	5 on / 5 off	7 on / 5 off	
Non PIE/Listed	For period in excess of 10 years, general requirements as defined in ICAEW technical advisory guidance is applied	N/A	For period in excess of 10 years, general requirements as defined in ICAEW technical advisory guidance is applied

In the case of public interest entities audits, the period of 5 years rotation off the engagement may be increased by an additional 2 years if the Audit Committee of an entity decides to extend the period to maintain audit quality. In such a scenario, the firm ensures its compliance with the Ethical standard including obtaining approval from the firm's Ethics Partner for such extension.

REMUNERATION OF PARTNERS

Remuneration

The ACP is currently paid a fixed salary with additional remuneration based on performance of operational responsibilities and also on the results of business development activities. The amount of revenue derived from non-audit services for audit clients do not form part of his performance evaluation.

The sole director is paid a nominal fixed yearly salary and dividends.

The firm during the year implemented policies and procedures for remunerating audit staff linking performance to audit quality.

FINANCIAL INFORMATION

The firm's revenue for the year-ended 31 December 2024 can be analysed as follows:

Particulars	Revenue (£'m)
Revenue from statutory audit work relating to public interest entities	0.45
Revenue from statutory audit work	3.03
Revenue from non-audit services provided to other entities that are audited by firm	0.29
Revenue from non-audit services to other entities	2.83
Total revenues	6.60

Johnsons

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About Johnsons:

We are a fast growing full service accountancy firm with 3 offices and 82 staff.

Our team has exceptional knowledge of business, local laws and a wide range of industries. We draw upon this knowledge to give our clients incredible service and insight.

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