15 June 2021

Tatton Asset Management PLC
("TAM plc", the "Group" or the "Company")
AIM: TAM

AUDITED FINAL RESULTS
For the year ended 31 March 2021

TAM plc, the investment management and IFA support services group, today announces its audited final results for the year ended 31 March 2021.

FINANCIAL HIGHLIGHTS

- Group revenue increased 9.3% to £23.4m (Mar 2020: £21.4m)
- Adjusted operating profit[1] up 25.6% to £11.4m (Mar 2020: £9.1m)
- Adjusted operating profit[1] margin 48.8% (Mar 2020: 42.5%)
- Adjusted fully diluted EPS[2] increased 22.8% to 14.74p (Mar 2020: 12.00p)
- Profit before tax £7.3m (2020: £10.3m)
- Final dividend up 17.2% to 7.5p (Mar 2020: 6.4p), full year dividend of 11.0p (Mar 2020: 9.6p)
- Strong financial liquidity position, with net cash of £16.9m
- New banking facility, giving access to up to £30 million of funds

1 Operating profit before exceptional items, share-based payment charges and amortisation of acquired intangibles
2 Adjusted fully diluted earnings per share is calculated by dividing the adjusted operating profit less cash interest and less tax on operating activities by the weighted average number of ordinary shares in issue during the year plus potentially dilutive ordinary shares.

OPERATIONAL HIGHLIGHTS

- Assets Under Management (AUM) increased **35.2% to £9.0 billion** (31 Mar 2020: £6.7 billion), an increase of £2.3 billion for the 12 month period. Current AUM at 15 June 2021 c.£9.5bn
- Organic net inflows were **£755 million**, an increase of 11.4% of AUM with H2 £427m, 30% increase on H1. Current average run rate of £100m per month, back to pre-COVID levels
- Tatton increased the number of IFA firms by **12.3% to 668** (31 Mar 2020: 595) and the number of accounts increased 9.6% to 72,450 (31 Mar 2020: 66,100)
- Tatton's Ethical Portfolios increased **141% to £441m** (2020: £121m)
- Demonstrating the power of strategic partnering, Tatton's long-term business partnership with Tenet continues to develop well with 104 IFA firms (31 Mar 2020: 81 IFA firms) and AUM reaching £541m (31 Mar 2020: £226m)
- Paradigm Mortgages increased its Gross Lending by 15.0% to £11.34bn (2020: £9.86bn), and member firms by 4.4% to 1,612 members (31 March 2020: 1,544 members)
- Paradigm Consulting increased its members by 3.3% to 407 (31 Mar 2020: 394)

Paul Hogarth, Chief Executive Officer, commented:

"This has been a significant year for the Group, a year that has seen unprecedented change and one in which I am pleased to report we have continued to grow and prosper. We are proud to have played a very positive role in supporting all our clients in what has been a very tough environment, but one which we have navigated successfully. Tatton has a long track record of putting the client first and our success has been built on the core values of putting the IFA at the heart of our business. This year this philosophy has been critical and our ability to adapt to their changing needs has paid dividends.

I am pleased to report the Group has now reached a milestone of £9.0bn of AUM, an increase of over £5bn in under four years from the point the business listed in July 2017. Impressively, the vast majority of this £5bn growth has been achieved organically.

As we enter the new financial year we do so with a degree of optimism. The industry is tuned into the new environment and while we look to return to more face-to-face interaction, there is no doubt we will continue to utilise the alternative solutions of online interaction and home working and essentially adopt a hybrid model to best leverage the use of time and resources. At the time of writing, activity and IFA engagement have been stable and this has been reflected in the new net inflows in the final quarter of the financial year under review. This momentum has also carried forward into the start of the new financial year.

Our ambition remains focused on continuing to deliver organic growth in AUM, supported by acquisition opportunities and strategic partnerships. We remain confident the Group will continue to make progress and we look forward to reporting on this as the year unfolds."

For further information please contact:

Tatton Asset Management plc	**+44 (0) 161 486 3441**
Paul Hogarth (Chief Executive Officer)	
Paul Edwards (Chief Financial Officer)	
Lothar Mentel (Chief Investment Officer)	
Zeus Capital – Nomad and Broker	**+44 (0) 20 3829 5000**
Martin Green (Corporate Finance)	
Dan Bate (Corporate Finance and QE)	
N+1 Singer – Joint Broker	
Peter Steel (Corporate Finance)	**+44 (0) 20 7496 3061**
Rachel Hayes (Corporate Broking)	**+44 (0) 20 7496 3189**
Belvedere Communications – Financial PR	
John West / Llew Angus (media)	**+44 (0) 7407 023147**
Cat Valentine / Keeley Clarke (investors)	**+44 (0) 7715 769078**
	tattonpr@belvederepr.com
Trade Media Enquiries	
Roddi Vaughan Thomas	**+44 (0) 20 7139 1452**

For more information, please visit: www.tattonassetmanagement.com

CHAIRMAN'S STATEMENT

During the year, the Group has continued to deliver on its strategic objectives and maintained strong growth in revenue, adjusted profits and assets under management ("AUM").

The impact of the COVID-19 pandemic over the reporting period ended 31 March 2021 has been widely reported and is now broadly understood. Notwithstanding the challenges that have arisen in this connection the Group has delivered on expectations for growth in revenue, adjusted operating profit[1] and AUM as well as on its strategic objectives. For this we have, in particular, our remarkable staff and a wide range of discriminating Independent Financial Advisers ("IFAs"), and their clients to thank. Their adaptability, commitment and resilience are at the heart of what Tatton has been able to achieve over the last 12 months.

Financial Performance

Despite the challenges of the pandemic over the whole of the review period the Group has performed well. At the start of the year, we reacted swiftly to changing circumstances by transitioning to a new working and trading environment, redeploying resources to direct online engagement, running multiple online events and employing a communication strategy which included frequent online investment updates to support the IFA community and their clients. Operating along these lines the Group's business model has proved very resilient. Group revenues increased by 9.3% to £23.4 million (2020: £21.4 million). Adjusted operating profit increased by 25.6% to £11.4 million (2020: £9.1 million) and profit before tax, after incurring exceptional costs and share-based payment charges, was £7.3 million (2020: £10.3 million). The resulting impact on fully diluted adjusted earnings per share was an increase of 22.8% to 14.74p (2020: 12.00p). Basic earnings per share were 10.86p (2020: 14.98p).

Strategy

In the early part of this year when the outlook was very uncertain, we implemented a capital investment, pay and recruitment freeze as we sought clarity on the impact of the pandemic on both our business and the wider industry. This was quickly lifted, and in the second half of this year we resumed investment in people and technology to develop the business. While this has been a challenging period, we have deployed our agility and resilience not only to engage with the immediate issues, but also to advance our capabilities for the future.

We remain committed to the growth of AUM by providing products and services that are designed to support IFAs in advising their clients, and we will continue to invest in both people and technology that will grow the business by enhancing our relationships with the IFA community. While we aim to at least sustain our rate of organic growth, we also intend to supplement this growth through targeted M&A activity.

This year has seen an increase in corporate activity in our industry driven by the continued trend for consolidation and supported by the low cost of capital. In considering the opportunities, and threats, implicit in these developments our focus remains on assets that are strategically relevant and aligned, and those that will enhance our products and services, and support the maintenance of our position as an innovative and forward thinking business. By paying close attention to fundamentals, we aim to continue to create long-term value for all our stakeholders.

Board and Corporate Governance

Tatton Asset Management remains committed to the highest standards of corporate governance. The Board and its Committees guide the Company and lead its strategic outlook, and we are determined to ensure that we have the right mix of skill sets to steer the Group forward. In support of this aim I would like to welcome Lesley Watt who joins the Board as an independent Non-Executive Director. Lesley will serve on the Audit and Risk, Remuneration and Nominations Committees, and brings with her a significant amount of Board and M&A experience. Following this appointment Chris Poil will become the Senior Non-Executive Director. In a business evolving in the current challenging environment, we will maintain a governance structure that underpins and facilitates growth, while ensuring effective controls and safeguards are in place.

Dividends

The Group has continued its growth trajectory and delivered against its financial performance targets maintaining both a strong balance sheet and cash generation which remain a key focus for the Board. The Board is proposing a final dividend of 7.5p per share, bringing the total ordinary dividend for the year to 11.0p per share, an increase of 14.6%, which is 2.0 times covered by adjusted earnings per share. The Board continues to operate a progressive dividend policy and targets a payout ratio in the region of 70% of annual adjusted earnings per share over the medium term.

Outlook

While the ever-changing market in which we operate can be quick to take advantage of any reliance on historical achievement, we believe that the momentum built up over this reporting period, combined with the potential of a number of opportunities currently under review, supports a sense of confidence, and optimism, as we view both the year ahead and the longer-term future of the Group.

Roger Cornick
Chairman

CHIEF EXECUTIVE'S REVIEW

This has been a significant year for the Group, a year that has seen unprecedented change and one in which I am pleased to report we have continued to grow and prosper. We are proud to have played a very positive role in supporting all our clients in what has been a very tough environment, but one which we have navigated successfully. We maintained our focus and continued to adopt our clear and sustainable business strategy, which is to drive revenue and profitability through broadening our appeal, widening our client base and further developing and growing our AUM. We continue to achieve this through engagement with our existing client base while at the same time attracting new firms that value our services and propositions, which in turn drives our growth. I am pleased to report the Group has now reached a milestone of £9.0bn of AUM, an increase of over £5bn in under four years from the point the business listed in July 2017. Impressively, the vast majority of this £5bn growth has been achieved organically except for a small acquisition of £135m relating to the Sinfonia funds in 2019.

This reported financial year has run in parallel with the COVID-19 pandemic and whilst our business has continued to prosper it is certainly not lost on me that it has been a difficult time for many other corporates and indeed, more importantly, for many individuals who have been affected in what has been a distressing and challenging year in lots of different ways. Tatton has a long track record of putting the client first and our success has been built on the core values of putting the IFA at the heart of our business. This year this philosophy has been critical and our ability to adapt to their changing needs has paid dividends. We have done this through an ongoing process of IFA engagement, listening to what they want and need and then delivering this to enable our IFAs to concentrate on running their business, meeting clients and ensuring their client needs are satisfied.

The business model has been tested and proved to be very resilient both financially but also operationally as we have adapted to change. I am proud of the way in which everyone in the Group addressed the challenges they have faced, both personally and professionally, while protecting the health and safety of their colleagues and communities. This mindset enabled us to adapt quickly and seamlessly to a new trading environment and implement a broad range of changes, which included the redeploying of resources to direct online engagement and running multiple interactive virtual events and frequent video investment updates. While this year has seen a material change in the way we operate and interact with our clients, it has also been a period where we have learned a lot about ourselves and our business and in many ways, we have become a stronger and better business for it. Following the end of the transition period on 31 December 2020 with the United Kingdom finally leaving the European Union on the 31 January 2020, there have been no direct material financial or operational impacts to the Group as a consequence.

Review of The Financial Year and Market Overview

I am pleased to report we delivered another record year for revenue and profit driven by solid organic growth. Revenue increased by 9.3% to £23.4m (2020: £21.4m) and adjusted operating profit increased by 25.6% to £11.4m (2020: £9.1m) with adjusted operating profit[1] margin increasing to 48.8% (2020: 42.5%). Pre-tax profit after exceptional items, amortisation of customer relationship intangibles, finance costs and share-based payment charges decreased to £7.303m (2020: £10.296m) due to the increase in share-based payment charges in the period, following a release of the provision at the March 2020 year end. This release was solely related to the increased level of uncertainty in the market due to the COVID-19 pandemic.

As reported in the interim accounts, there is little doubt that the pandemic impacted our business in the first half of this financial year. There remained a significant amount of uncertainty as we entered the second half of the year and we prudently anticipated delivering a similar financial performance across the business. While we could not predict the length of the downturn, the work we did very early in this pandemic gave us a strong platform from which to push on and continue to grow. As such, the second half performance was a significant gain on the first and we improved our performance across all our metrics. We continued to benefit from a reduction in costs as we continued to work and engage with our firms and client base remotely, but the improved second half was fundamentally underpinned by improving markets, net inflows in Tatton which increased 30% in the second half of the year compared to the first half of the year, and an increase in gross lending (£6.3bn vs £5.0bn) in Paradigm.

TATTON

Tatton has continued to grow from strength to strength over the last 12 months in what has been a difficult year for all IFAs. We continue to grow organically, attracting new firms to our propositions, and continue to see positive net inflows. We now work with 668 (2020: 595) adviser firms and support over 72,450 (2020: 66,000) clients and we have continued to experience new net inflows through the year totalling £755m (2020: £1.129bn).

As reported in the interims the first few months of this year were difficult times as we all adjusted to the new circumstances that the pandemic placed on us; however, we adjusted quickly and built up momentum throughout the year and delivered a much stronger second half with flows in H2 being £427m, a 30% increase on the £328m in H1. Overall, the business saw its AUM increase 35% or £2.3bn year on year to a new milestone of £9.0bn (2020: £6.7bn). In addition to the £755m of new net inflows, markets contributed £1.6bn or 24%.

This year has seen us continue to broaden our propositions, expanding the number of platforms we operate on to 15 with plans to add more in the near future, and we have implemented a suite of new global models to complement our growing blended models. The Tatton environmental, social and governance ("ESG") proposition continues to grow strongly and now accounts for over 5% of the overall AUM or £0.4bn and is anticipated to make further strides given its strong performance and the ongoing trends in the market for ESG propositions.

The strategic partnership agreement with Tenet has completed its first full year and we now have £0.5bn of AUM from 104 firms. We will continue to focus on the development of our AUM both organically but also through acquisitions of targeted funds, further strategic alliances and joint ventures where these fit with our strategy and direction.

Paradigm (IFA Support Services Division)

The Paradigm division has shown considerable strength over the last 12 months. In what was a particularly difficult start to the financial year it has ultimately delivered a very resilient performance. Revenue for the year was £5.2m (2020: £5.4m), and costs were tightly controlled ensuring its adjusted operating profit[1] contribution was not impacted, delivering £2.0m (2020: £1.8m). Importantly, the second half performance was significantly stronger as the business took advantage of the increasing demand in the housing market. To put this in context, following the lifting of the lockdown restriction in the first half of the year, which halted all physical in-situ valuations, it soon became clear the UK public had not lost their desire to move and improve. In fact, in many ways the pandemic has stimulated many homeowners to re-evaluate their living arrangements, reconsider lifestyle, and look for homes with more room and the ability to accommodate working from home either fully or part of the time. This in turn fed through to the mortgage market and was further aided by government stimulus and the July 2020 reduction in stamp duty that was extended to end June 2021 from its original 31 March 2021 deadline. While initially access to lending was harder, as lenders limited products, restricted criteria and critically withdrew high loans to value (“LTVs”), as the year progressed more funds became available and lending restrictions were relaxed more towards pre-pandemic terms. The increase in activity improved gross lending from £5.0bn in the first half to £6.3bn in the second half. Overall revenue increased by 21%, £0.5m, compared to the first half of the year, and with continued cost control positively impacted the contribution in year.

Although some way off pre-pandemic levels, lenders have now returned to 95% LTV lending, helped partly by the government mortgage guarantee scheme and also with many lenders choosing to lend at this level through their own means. As the market continues to stabilise, we believe the specialist lending sector will play a more prominent role, particularly with regard to self-employed clients and those with new earnings complexities, for example those borrowers who were furloughed. While in many ways there remains a degree of uncertainty and it is therefore difficult to predict, on balance, we believe the next 12 months for the mortgage market remain positive. While we do not anticipate a significant increase in the volume of gross mortgage lending, retention business is strong and growing and we believe we are well placed to continue to take advantage of the opportunities to grow our lending and cross-sales activities across the Paradigm business, for example Protection and General Insurance and Compliance services.

Paradigm Consulting has continued to maintain close links to its firms and advisers and supply best-in-class solutions and support to ensure IFA firms can effectively navigate the constantly changing regulatory landscape. This year was a difficult year for advisers and Paradigm as a partner needed to be adaptable in the way it provided its regulatory and compliance services. Paradigm successfully adopted virtual support processes at the same time as remaining focused on delivering bespoke consultancy to satisfy the varying needs and wants of the IFAs. Over the period the business has increased the number of firms we work with to 407 (2020: 394) and demonstrates the importance of flexibility and service.

Current Trading and Outlook

As we enter the new financial year we do so with a degree of optimism. The industry is tuned into the new environment and while we look to return to more face-to-face interaction, there is no doubt we will continue to utilise the alternative solutions of online interaction and home working and essentially adopt a hybrid model to best leverage the use of time and resources. At the time of writing, activity and IFA engagement have been stable and this has been reflected in the new net inflows in the final quarter of the financial year under review. This momentum has also carried forward into the start of the new financial year.

While the past 12 months have been challenging, our ambition remains focused on continuing to deliver the organic growth in AUM and with £10bn in touching distance we set our sights well beyond this milestone. To support this ambition, corporate activity remains part of our strategy. This year has seen us participate in a number of corporate processes commencing early in the year with the proposed acquisition in the first half of this financial year of £5.5bn of funds and, while we were ultimately unsuccessful, we followed a disciplined process and with a developing pipeline our ambition for acquisitive growth remains undimmed, either through funds, entities or joint ventures that are value creating and fit with the strategic direction of the Group. To supplement this, we will also pursue other strategic partnerships and we are delighted to bring on board new IFA partners following a due diligence process with Threesixty Services, a provider of compliance and business support services to over 900 directly authorised client firms and 9,000 advisers. This further extends our reach, which will support our organic growth plans alongside other exciting strategic partnerships and acquisition opportunities.

As we enter the new financial year, we remain confident the Group will continue to make progress and we look forward to reporting on this as the year unfolds.

Paul Hogarth
Chief Executive Officer

CHIEF INVESTMENT OFFICER'S REPORT

2020, from an investment perspective a year that at times seemed the ultimate annus horribilis, ended well, despite the global economy suffering the worst recessionary decline on record.

The key for us was to look through the noise and mayhem of March 2020 and rapidly develop our understanding of how capital markets would react to the duress caused by the short-term evaporation of earnings, vs the counterbalancing efforts by governments and central banks and their determination to prevent major damage to the output potential of their economies and the wellbeing of society.

At Tatton we stood closely by our investors and, knowing that fear is the worst imaginable adviser, we provided relentless client communication insights into the drivers of market dynamics that once again were welcomed as valuable reassurance. Once global policy support commitment materialised, we adeptly positioned portfolios for the recovery.

Proposition and Business Developments

As previously reported, we managed the change to remote working seamlessly and were able to support adviser businesses and their clients during this time in exactly the same way as if we had been office based. After an initial adjustment period, advisers took advantage of the changed landscape and discovered operational efficiencies arising from remote business practices that enabled them to extend their own regional footprint to mutual benefit.

The widespread acceptance of online meetings successfully transformed the modus operandi of our lead generation team and the increased use of technology within day to day operations acted as a catalyst for the introduction of segmentation, targeting and positioning business practices with advisers. Our continued investment in new digital infrastructure has delivered significant improvements in processing new business mandates and meaningful enhancements to online IFA client management through the Tatton Portal, which were well received by all adviser firms.

The fallout from Brexit and the shifts in the world economy from the COVID-19 pandemic acted as a catalyst to bring forward changes in our investment offering. In July we launched the Tatton Global Portfolios, giving investor the choice to invest in portfolios weighted towards a global market capitalisation or in our Tatton Classic Portfolios with their more traditional UK home biased asset allocation.

The pandemic has also stimulated a surge in interest towards ethical and ESG investing. Tatton has one of the longest-running Ethical Managed Portfolio Services ("MPS") (launched in 2014) in the UK and we have seen interest grow significantly in our portfolios. This led to a noticeable change in the distribution of inflows with a much larger proportion now going towards our Ethical portfolios as investors reprioritised their balance of investment aims. The exceptionally strong outperformance of growth and momentum assets during 2020 also led to increased flows into our Tatton Tracker Portfolio range as market capitalisation weighted investment exposures appeared superior.

2020/2021 Capital Markets and Returns

1 April 2020 – 31 March 2021
Tatton investment returns (%) – core MPS product set (after discretionary fund management ("DFM") charge and fund costs)

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical	ARC PCI[1]
Defensive	13.2	10.6	11.9	16.2	11.5
Cautious	20.9	17.4	19.1	22.2	18.5
Balanced	26.2	22.5	24.3	25.9	18.5/24.8[2]
Active	32.7	28.1	30.4	30.2	24.8
Aggressive	39.0	33.7	36.3	35.0	31.7
Global Equity	41.1	37.9	39.5	39.4	31.7

5 YEARS, 1 APRIL 2016 – 31 MARCH 2021

Tatton investment returns (%) – core MPS product set (annualised, after DFM charge and fund costs)

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical[3]	ARC PCI[1]
Defensive	4.6	4.5	4.5	–	3.6
Cautious	6.3	6.2	6.3	–	5.3
Balanced	7.3	7.5	7.4	9.1	5.3/7.2[2]
Active	8.7	8.9	8.8	–	7.2
Aggressive	10.1	10.2	10.1	–	8.9
Global Equity	13.5	13.2	13.4	–	8.9

1 ARC PCI – Asset Risk Consultants Private Client Indices ("PCI").

2 Balanced Portfolios are measured against both ARC Balanced Asset PCI and ARC Steady Growth PCI as in risk terms the Balanced Portfolios lie in the middle of these Indices.

3 Only Tatton Ethical Balanced has existed for five years.

Adapting to living and operating under constraints that Western societies last experienced during WWII and the resultant worst recession on record dominated all aspects of life and business. However, the key difference of the pandemic recession was its deliberate creation by governments to mitigate the public health impact of the COVID-19 virus, not market forces. Nevertheless, the early rapid market recovery was initially interpreted as a temporary reversal (known as a bear market bounce). This recovery diverted from historical precedent and became sustained when it became evident that the global economy was unlikely to suffer long-lasting scarring damage and that demand was likely to rebound very strongly.

The rebound was led by China and Eastern Asia, where we had an overweight position to benefit, as it emerged first from the pandemic. Likewise beneficial was the reiteration of an overall equity overweight in early April while distinctly underweighting UK equities. The US followed China in the recovery of its stock market, as the home to the bulk of digital global enterprises such as Amazon, Microsoft, Netflix and other big tech benefited from consumers being homebound.

The second pandemic wave in the autumn created an inevitable market setback but markets then reversed dramatically in light of rapid progress of vaccine developments. This also marked the beginning of the "great rotation" with value and income investment assets staging a massive recovery – the flip side being underperformance of growth and momentum-style investments that had been the leaders of the initial market recovery.

The new US administration instigated a faster vaccination campaign and a greater post-pandemic stimulus programme than anticipated, which extended positive market sentiment – despite the ever-rising death toll and subsequent return of tightened restrictions. As society learned to live with the pandemic, but also started to see it coming to an end, a level of orthodoxy returned to capital markets. In this environment active stock picking made a strong comeback with sectoral and market understanding becoming a premium once again and rapidly closing the return gap to index trackers and momentum investing that had opened up in the first half of 2020.

We were very pleased that our diversified investment approach, actively tilting towards trends in investments rather than following them exclusively, delivered strong and consistent returns. I am very satisfied that our stewardship approach, with a determined focus on sustainable and repeatable returns, has been well received by our investors.

Outlook for 2021

The outlook for the remainder of 2021 is brightened by the anticipation of a widespread economic recovery boom. Beyond that it remains unclear if global GDP growth rates can be maintained at higher than pre-pandemic levels, or will return to the post-Global Financial Crisis ("GFC") decade of subdued demand and growth. Nevertheless, the necessity to reinvigorate the economy decisively in order to mitigate the negative impact of the vastly increased public sector debt provides policy makers with a strong incentive not to repeat their demand suppressing post-GFC mistakes.

Tatton's investment and business model has emerged successfully from the 2020/2021 years and we have been able to prove our commitment to the IFA sector through decisive action in the depth of the crisis and now by adapting and enhancing the way we do business. As advisers and their clients reflect on what worked well for them during the stresses of the pandemic, we are confident that we remain well positioned with a cost-effective and broad investment offering.

Lothar Mentel
Chief Investment Officer

CHIEF FINANCIAL OFFICER'S REPORT

Overview

In a year which has seen significant uncertainty and market volatility, the Group has shown a considerable level of resilience across all areas of the business. The Group's business model has been resoundingly tested and proved to be robust as the Group delivered strong growth across revenue, adjusted operating profit and earnings while maintaining a strong balance sheet and liquidity position.

Record Revenue and Profits

Revenue – Group reported revenue increased by 9.3% to £23.353 million (2020: £21.369 million).

Tatton revenue increased 13.6% to £18.097 million (2020: £15.924 million). AUM increased 35.2% to reach £8.990 billion (2020: £6.651 billion). This increase in AUM includes net inflows of £755 million despite the challenging market conditions and was supported by investment returns of 23.8% as markets recovered following the deterioration of asset values in February 2020 due to the COVID-19 pandemic. The mix of the investment income continues to evolve with income from MPS continuing to show strong growth. Tatton funds continue to make an increase in contribution as we further expand our proposition beyond purely MPS. Funds, or non-MPS, AUM now accounts for £0.5 billion of AUM (2020: £0.3 billion).

Paradigm's revenue reduced by 3.4% to £5.240 million (2020: £5.426 million) as the initial lockdown and subsequent restrictions impacted valuations and marketing income, predominately in H1. However, despite the restrictions in place, Paradigm Mortgages adapted quickly to the new environment and increased its member firms to 1,612 (2020: 1,544) driving an increase of 15.0% in gross lending from completions to £11.34 billion (2020: £9.86 billion). Paradigm Consulting member firms increased to 407 (2020: 394).

Profit – The Group delivered adjusted operating profit of £11.402 million (2020: £9.076 million), an increase of 25.6%. Adjusted operating profit margin increased to 48.8% (2020: 42.5%), supported by our business model and the low level of operational gearing but also uniquely this year has seen a reduction in costs of circa £0.6 million related to travel and marketing. Total Group operating profit was £7.508 million (2020: £10.302 million) which includes the impact of the cost of separately disclosed items of £3.894 million with the prior year benefiting from a credit from separately disclosed items of £1.227 million, largely relating to the VAT refund received in 2020.

In order to better understand the profitability of the divisions, each division has been allocated an element of central overhead costs. The allocation is based on the amount of time spent by central functions and the central services used by the divisions. The operating profit figures for the current and prior year reflect the allocation of these central costs so that the prior year figures are comparable.

Tatton continues to make investments which underpin our growth, increasing our sales team at the start of the financial year by an additional three people to help drive and support future growth. Adjusted operating profit increased by 26.4% to £10.901 million (2020: £8.622 million[3]) and its adjusted margin increased to 60.2% (2020: 54.1%[3]). Tatton's continued strong growth has ensured it remains the largest part of the Group, contributing 77.5% of the revenue and 95.6% of the adjusted operating profit (see note 4), a trend that is expected to continue. Paradigm's adjusted operating profit contributed £2.028 million (2020: £1.891 million[3]), with margin of 38.7% (2020: 34.9%[3]).

3 Restated for the allocation of central overhead costs in the year ending March 2020

Change in VAT Treatment

At the end of March 2020, the Group agreed with HM Revenue & Customs ("HMRC") that Tatton's supplies of DFM services in respect of model portfolios would be exempt from VAT. As a result, the Group received a VAT refund of £1.7 million in the prior year relating to the years 2015 to 2019. During this financial year, HMRC has continued correspondence with the Group to seek further understanding and clarification around the Group's MPS service, with a further claim relating to 2020 remaining outstanding.

Separately Disclosed Items

Separately disclosed items include the cost of share-based payments of £3.740 million, amortisation of customer relationship intangible assets of £0.120 million, £0.218 million of acquisition-related fees and a credit relating to the change in fair value of contingent consideration of £0.184 million; see note 6. There has been a significant increase in share-based payments this year as a consequence of the release of the majority of the provision in the prior year due to the uncertainty around the impact that the COVID-19 pandemic would have on the financial performance of the Group. Due to the Group's response and management of the business, the Group has delivered a strong financial performance effectively requiring two years' charge to be taken in the current financial year. Although some of these items may recur from one period to the next, operating profit has been adjusted for these items to give better clarity of the underlying performance of the Group. The alternative performance measures ("APMs") are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

Earnings Per Share

Basic earnings per share reduced to 10.86p (2020: 14.98p) due to the impact of the share-based payments charge in the year and the benefit in 2020 of the credit relating to the VAT refund. Adjusted earnings per share increased by 22.9% to 16.14p (2020: 13.13p) and adjusted fully diluted earnings per share increased by 22.8% to 14.74p (2020: 12.00p).

Statement of Financial Position and Cash

The Group continues to strengthen its balance sheet and net assets increased to £24.446 million (2020: £17.778 million). The Group continued to see healthy cash generation and ended the year with cash on the balance sheet of £16.934 million (2020: £12.757 million). Net cash generated from operating activities before exceptional items was £10.906 million (2020: £9.831 million), 95.6% of adjusted operating profit[1]. The Group received £3.212 million on the issue of new shares following the exercise of employee share options and, following demand from institutional investors, Zeus Capital, the Company's Broker, elected to exercise their warrant over 1,118,151 ordinary shares. The warrant was granted at the point of listing in July 2017 and there are no other warrants outstanding.

Debt Facility

Earlier this year the Group has put in place a new debt facility giving access to up to £30 million of funds. The new facility is split between a £10 million three-year committed revolving credit facility which remains undrawn, with an accordion option of £20 million. The accordion feature remains uncommitted at this stage but accessible on short notice and provides financial flexibility for future corporate transactions.

Dividends

The Board is recommending a final dividend of 7.5p. When added to the interim dividend of 3.5p this gives a full year dividend of 11.0p. This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business. If approved at the Annual General Meeting the final dividend will be paid on 28 July 2021 to shareholders on the register on 25 June 2021.

Risk Management

Risk is managed closely and is spread across our businesses and managed to individual materiality. Our key risks have been referenced in the 2021 Annual Report primarily on pages 32 and 33. We choose key performance indicators that reflect our strategic priorities of investment, growth and profit and these are detailed on pages 28 and 29 of the 2021 Annual Report.

The Strategic Report has been approved and authorised for issue by the Board of Directors and signed on their behalf on 14 June 2021 by:

PAUL EDWARDS
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	**31-Mar 2021 (£'000)**	31-Mar 2020 (£'000)
Revenue		**23,353**	21,369
Other exceptional income	6	**–**	1,588
Administrative expenses		**(15,845)**	(12,655)
Operating profit		**7,508**	10,302
– Share-based payment costs	6	**3,740**	108
– Amortisation of intangibles – customer relationships	6	**120**	60
– Exceptional items	6	**34**	(1,394)
Adjusted operating profit (before separately disclosed items)[1]		**11,402**	9,076
Finance costs	7	**(205)**	(6)
Profit before tax		**7,303**	10,296
Taxation charge	8	**(1,192)**	(1,933)
Profit attributable to shareholders		**6,111**	8,363

Earnings per share – Basic	9	**10.86p**	14.98p
Earnings per share – Diluted	9	**10.31p**	14.54p
Adjusted earnings per share – Basic[2]	9	**16.14p**	13.13p
Adjusted earnings per share – Diluted[2]	9	**14.74p**	12.00p

1 Adjusted for exceptional items, amortisation on client relationship intangibles and share-based payments. See note 22.
2 Adjusted for exceptional items, amortisation on client relationship intangibles and share-based payments and the tax thereon. See note 22.

All revenue, profit and earnings are in respect of continuing operations.

There were no other recognised gains or losses other than those recorded above in the current or prior year and therefore a Statement of Other Comprehensive Income has not been presented.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	**31-Mar 2021 (£'000)**	31-Mar 2020 (£'000)
Non-current assets			
Goodwill	11	**6,254**	6,254
Intangible assets	12	**1,436**	1,495
Property, plant and equipment	13	**992**	1,034
Deferred tax assets	16	**1,420**	–
Total non-current assets		**10,102**	8,783
Current assets			
Trade and other receivables	14	**4,302**	3,431
Financial assets at fair value through profit or loss	17	**163**	–
Corporation tax		**48**	–
Cash and cash equivalents		**16,934**	12,757
Total current assets		**21,447**	16,188
Total assets		**31,549**	24,971
Current liabilities			
Trade and other payables	15	**(6,587)**	(6,186)
Corporation tax		**–**	(199)
Total current liabilities		**(6,587)**	(6,385)
Non-current liabilities			
Other payables	15	**(516)**	(702)
Deferred tax liabilities	16	**–**	(106)
Total non-current liabilities		**(516)**	(808)
Total liabilities		**(7,103)**	(7,193)
Net assets		**24,446**	17,778
Equity attributable to equity holders of the Company			
Share capital	18	**11,578**	11,182
Share premium account		**11,534**	8,718
Own shares	19	**(1,969)**	(996)
Other reserve		**2,041**	2,041
Merger reserve		**(28,968)**	(28,968)
Retained earnings		**30,230**	25,801
Total equity		**24,446**	17,778

The financial statements on were approved by the Board of Directors on 14 June 2021 and were signed on its behalf by:

PAUL EDWARDS
DIRECTOR

Company registration number: 10634323

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Note	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2019		11,182	8,718	–	2,041	(28,968)	22,315	15,288
Profit and total comprehensive income		–	–	–	–	–	8,363	8,363
Dividends	9	–	–	–	–	–	(4,920)	(4,920)
Share-based payments	20	–	–	–	–	–	86	86
Deferred tax on share-based payments		–	–	–	–	–	(43)	(43)
Own shares acquired in the year	19	–	–	(996)	–	–	–	(996)
At 31 March 2020		11,182	8,718	(996)	2,041	(28,968)	25,801	17,778
Profit and total comprehensive income		**–**	**–**	**–**	**–**	**–**	**6,111**	**6,111**
Dividends	9	**–**	**–**	**–**	**–**	**–**	**(5,551)**	**(5,551)**
Share-based payments	20	**–**	**–**	**–**	**–**	**–**	**2,954**	**2,954**
Deferred tax on share-based payments		**–**	**–**	**–**	**–**	**–**	**915**	**915**
Issue of share capital on exercise of employee share options		**396**	**2,816**	**–**	**–**	**–**	**–**	**3,212**
Own shares acquired in the year	19	**–**	**–**	**(973)**	**–**	**–**	**–**	**(973)**
At 31 March 2021		**11,578**	**11,534**	**(1,969)**	**2,041**	**(28,968)**	**30,230**	**24,446**

The other reserve and merger reserve were created on 19 June 2017 when the Group was formed, where the difference between the Company's capital and the acquired Group's capital has been recognised as a component of equity being the merger reserve. Both the other reserve and the merger reserve are non-distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	**31-Mar 2021 (£'000)**	31-Mar 2020 (£'000)
Operating activities			
Profit for the year		**6,111**	8,363
Adjustments:			
Income tax expense		**1,192**	1,933
Finance costs	7	**205**	6
Depreciation of property, plant and equipment	13	**351**	298
Amortisation of intangible assets	12	**341**	195
Share-based payment expense	6	**3,740**	108
Changes in:			
Trade and other receivables		**(537)**	(1,016)
Trade and other payables		**(531)**	1,338
Exceptional items	6	**34**	(1,394)
Cash generated from operations before exceptional items		**10,906**	9,831
Cash generated from operations		**10,872**	11,225
Income tax paid		**(2,051)**	(2,278)
Net cash from operating activities		**8,821**	8,947
Investing activities			
Payment for the acquisition of subsidiary, net of cash acquired		**(160)**	(2,002)
Purchase of intangible assets		**(282)**	(271)
Purchase of property, plant and equipment		**(67)**	(294)
Net cash used in investing activities		**(509)**	(2,567)
Financing activities			
Interest (paid)/received		**(36)**	162
Transaction costs related to borrowings		**(613)**	–
Dividends paid	9	**(5,551)**	(4,920)
Proceeds from the issue of shares		**3,212**	–
Purchase of own shares	19	**(973)**	(996)
Repayment of lease liabilities		**(174)**	(61)
Net cash used in financing activities		**(4,135)**	(5,815)
Net increase in cash and cash equivalents		**4,177**	565
Cash and cash equivalents at beginning of period		**12,757**	12,192
Net cash and cash equivalents at end of period		**16,934**	12,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

Tatton Asset Management plc ("the Company") is a public company limited by shares. The address of the registered office is Paradigm House, Brooke Court, Lower Meadow Road, Wilmslow, SK9 3ND. The registered number is 10634323.

The Group comprises the Company and its subsidiaries. The Group's principal activities are discretionary fund management, the provision of compliance and support services to independent financial advisers ("IFAs"), the provision of mortgage adviser support services and the marketing and promotion of Tatton Oak funds.

News updates, regulatory news and financial statements can be viewed and downloaded from the Group's website, www.tattonassetmanagement.com. Copies can also be requested from: The Company Secretary, Tatton Asset Management plc, Paradigm House, Brooke Court, Lower Meadow Road, Wilmslow, SK9 3ND.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement.

2 Accounting Policies

The principal accounting policies applied in the presentation of the annual financial statements are set out below.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the United Kingdom and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") and the Companies Act 2006. The financial statements of the Company have been prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

The consolidated financial statements have been prepared on a going concern basis and prepared on the historical cost basis.

The consolidated financial statements are presented in sterling and have been rounded to the nearest thousand (£'000). The functional currency of the Company is sterling as this is the currency of the jurisdiction where all of the Group's sales are made.

The preparation of financial information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events may ultimately differ from those estimates.

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

2.2 GOING CONCERN

These financial statements have been prepared on a going concern basis. The Directors have prepared cash flow projections and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. To form the view that the consolidated financial statements should continue to be prepared on an ongoing basis in light of the current COVID-19 pandemic and the resulting economic uncertainty, the Directors have assessed the outlook of the Group by considering various market scenarios and management actions. This review has allowed management to assess the potential impact on income, costs, cash flow and capital and the ability to implement effective management actions that may be taken to mitigate the impact. The Directors have also considered the risks associated with Brexit, including considering the effect on clients' wealth, attitude towards savings and investment and changes in government policy. The Directors do not consider that the impact of Brexit will affect the Group continuing as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

2.3 BASIS OF CONSOLIDATION

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 March 2021. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 March.

All transactions between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, up to the effective date of disposal, as applicable.

2.4 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year

The following revised standards and interpretations have been adopted in the current year, being amendments to the Conceptual Framework in IFRS Standards, IAS 1 'Presentation of Financial Statements', IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', IFRS 16 'Leases', IFRS 3 'Business Combinations', IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'. These amendments have not had a material impact on the financial statements of the Group.

Standards in issue not yet effective

The following IFRS and IFRIC interpretations have been issued but have not been applied by the Group in preparing the historical financial information, as they are not yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

Effective date 1 January 2023

IFRS 17 'Insurance Contracts'

In addition the following standards each have amendments will be effective for accounting periods beginning on or after 1 January 2021:

IFRS 10 'Consolidated Financial Statements' IAS 28 'Investments in Associates and Joint Ventures', IAS 1 'Presentation of Financial Statements', IFRS 3 'Business Combinations', IAS 16 'Property, Plant and Equipment', IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Directors do not expect that the adoption of the new or revised Standards listed above will have a material impact on the financial statements of the Group in future periods.

2.5 REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated rebates and other similar allowances. Revenue is recognised when control is transferred and the performance obligations are considered to be met.

The Group's revenue is made up of the following principal revenue streams:

- Fees for discretionary fund management services in relation to on-platform investment assets under management ("AUM"). Revenue is recognised daily based on the AUM.
- Fees charged to IFAs for compliance consultancy services, which are recognised when performance obligations are met.
- Fees for providing investment platform services. Revenue is recognised on a daily basis, in line with the satisfaction of performance obligations, on the assets under administration held on the relevant investment platform.

- Fees for mortgage-related services including commissions from mortgage and other product providers and referral fees from strategic partners. Commission is recognised when performance obligations are met.
- Fees for marketing services provided to providers of mortgage and investment products, which is recognised when performance obligations are met.

2.6 EXCEPTIONAL ITEMS

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the underlying financial performance of the Group. These include material items of income or expense that are shown separately due to the significance of their nature and amount.

2.7 INTEREST INCOME AND INTEREST EXPENSE

Finance income is recognised as interest accrued (using the effective interest method) on funds invested outside the Group. Finance expense includes the cost of borrowing from third parties and is recognised on an effective interest rate basis, resulting from the financial liability being recognised on an amortised cost basis.

2.8 IMPAIRMENT

Assets which have an indefinite useful life are not subject to amortisation and are tested for impairment at each Statement of Financial Position date. Assets subject to depreciation and amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses on previously revalued assets are recognised against the revaluation reserve as far as this reserve relates to previous revaluations of the same assets. Other impairment losses are recognised in the Statement of Total Comprehensive Income based on the amount by which the carrying value exceeds the recoverable amount. The recoverable amount is the higher of the fair value less the costs to sell and the value in use.

Impairment losses recognised in respect of cash-generating units ("CGUs") are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

The impairment review has also considered the COVID-19 pandemic as a potential indicator of impairment and as a result of this review, none of the assets held by the Group were impaired. See note 11 for further details.

2.9 GOODWILL AND INTANGIBLE ASSETS

Goodwill is initially recognised and measured as set out in note 2.11.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's CGUs (or groups of CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Following initial recognition, intangible assets are held at cost less any accumulated amortisation and any provision for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Intangible assets acquired separately are measured on initial recognition at cost.

Computer software licences acquired are capitalised at the cost incurred to bring the software into use and are amortised on a straight-line basis over their estimated useful lives, which are estimated as being five years. Costs associated with developing or maintaining computer software programs that do not meet the capitalisation criteria under IAS 38 are recognised as an expense as incurred.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, the customer relationship intangible assets have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over their useful lives, estimated at ten years.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset. The difference is then recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that an asset in use may be impaired. If any such indication exists and the carrying values exceed the estimated recoverable amount at that time, the assets are written down to their recoverable amount. The recoverable amount is measured as the greater of fair value less costs to sell and value in use. Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Directors have reviewed the intangible assets as at 31 March 2021 and have considered the COVID-19 pandemic as a potential indicator of impairment. As a result of the review, it was determined that none of the assets are impaired (2020: none).

2.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets are stated at cost net of accumulated depreciation and accumulated provision for impairment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Principal annual rates are as follows:

- Computer, office equipment and motor vehicles – 20-33% straight-line.
- Fixtures and fittings – 20% straight-line.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2.11 BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that: deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively; and assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.12 LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use (“ROU”) asset and a lease liability at the inception date of the lease. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU assets are subsequently depreciated on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability. At the end of each reporting period, the ROU assets are assessed for indicators of impairment in accordance with IAS 36.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured by adjusting the carrying amount to reflect the interest charge, the lease payments made and any reassessment or lease modifications. The lease liability is remeasured if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Where the Group is an intermediate lessor in a sub-lease, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and bank balances for the purpose only of the Consolidated Statement of Cash Flows.

2.14 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and bank balances, loans and borrowings, and trade and other payables.

Financial investments

Financial investments are classified as fair value through profit or loss if they are either held for trading or specifically designated in this category on initial recognition. Assets in this category are initially recognised at fair value and subsequently remeasured, with gains or losses arising from changes in fair value being recognised in the Statement of Comprehensive Income.

Financial assets at fair value through profit or loss include investments in a regulated open-ended investment company and an investment portfolio, which are managed and evaluated on a fair value basis in line with the market value.

Trade receivables

Trade receivables do not carry interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are recognised when the Group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of lifetime credit losses from initial recognition and are determined using an expected credit loss approach.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, where applicable or required. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid.

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

Interest-bearing borrowings

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

2.15 TAXATION

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences where it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.16 RETIREMENT BENEFIT COSTS

The Group pays into personal pension plans for which the amount charged to income in respect of pension costs and other post-retirement benefits is the amount of the contributions payable in the year. Payments to defined contribution retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions. Differences between contributions payable and paid are accrued or prepaid. The assets of the plans are invested and managed independently of the finances of the Group.

2.17 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.18 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior period retained profits or losses.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

2.19 EMPLOYEE BENEFIT TRUST

The Company provides finance to the EBT to purchase the Company's shares on the open market in order to meet its obligation to provide shares when an employee exercises awards made under the Group's share-based payment schemes. Administration costs connected with the EBT are charged to the Statement of Comprehensive Income. The cost of shares purchased and held by the EBT is deducted from equity. The assets held by the EBT are consolidated into the Group's financial statements.

2.20 SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model or Monte Carlo model as appropriate.

2.21 OPERATING SEGMENTS

The Group comprises the following two operating segments which are defined by trading activity:

- Tatton – investment management services
- Paradigm – the provision of compliance and support services to IFAs and mortgage advisers

The Board is considered to be the chief operating decision maker.

2.22 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described above, management have made judgements and estimations about the future that have an effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Changes for accounting estimates would be accounted for prospectively under IAS 8.

Goodwill and client relationship intangibles

Critical judgement

IMPAIRMENT OF GOODWILL AND CLIENT RELATIONSHIP INTANGIBLES

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment testing, the recoverable amount of goodwill is determined using a discounted cash flow model, as detailed in note 11. The results of the calculation indicate that goodwill and client relationship intangibles are not impaired.

Business combinations

Estimation uncertainty

VALUATION OF THE EARN-OUT CONSIDERATION

On 30 September 2019, the Group acquired the entire share capital of Sinfonia Asset Management Limited ("Sinfonia"). The Group accounted for the transaction as a business combination. The purchase price payable for the acquisition was split into a number of different parts. The payment of certain elements has been deferred. At 31 March 2021, there remained one element of deferred consideration unvested and subject to ongoing vesting conditions. The value of earn-out consideration is variable, dependent on performance by the acquired business against certain operational targets by 30 September 2021. The estimated value of earn-out consideration that will be payable at these dates is £nil, based on projections of growth in funds under management over that period.

Under the terms of the agreements, the maximum possible payment under the remaining earn-out and incentivisation award is capped at £345,000, which represents qualifying funds under management of approximately £132.5 million at 30 September 2021.

Share-based payments

Estimation uncertainty

Given the significance of share-based payments as a form of employee remuneration for the Group, share-based payments have been included as a significant accounting estimate. The principal estimations relate to:

- forfeitures (where awardees leave the Group as "bad" leavers and therefore forfeit unvested awards); and
- the satisfaction of performance obligations attached to certain awards.

These estimates are reviewed regularly and the charge to the Statement of Total Comprehensive Income is adjusted accordingly (at the end of the relevant scheme as a minimum). Based on the current forecasts of the Group, the charge for the year is based on 100% of the options vesting for the element relating to non-market-based performance conditions. A decrease of 10% in the vesting assumptions would reduce the charge in the year by £341,000. In considering the level of satisfaction of performance obligations, the Group's forecast has been reviewed and updated for the expected impact of the COVID-19 pandemic, various market scenarios and management actions. This forecast has been used to estimate the relevant vesting assumptions for the Enterprise Management Incentive ("EMI") schemes in place.

There are no other judgements or assumptions made about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.23 ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRSs. The Group believes that these APMs provide users with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets. The APMs used by the Group are set out in note 22 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant. There is also further information on separately disclosed items in note 6.

3 Capital Management

The Group's objectives when managing capital are (i) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; (ii) to maintain a strong capital base and utilise it efficiently to support the development of its business; and (iii) to comply with the regulatory capital requirements set by the FCA. Capital adequacy and the use of regulatory capital are monitored by the Group's management and Board. There is one active regulated entity in the Group: Tatton Investment Management Limited, regulated by the FCA.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive IV prescribed in the UK by the FCA. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review) requirements is met.

Pillar 1 imposes a minimum capital requirement on investment firms which is calculated as the higher of the sum of the credit and market risk capital requirements and the fixed overheads requirement ("FOR"). The FOR equates to 25% of the fixed overheads reported in the most recent audited financial statements.

Pillar 2 requires investment firms to assess firm-specific risks not covered by the formulaic requirements of Pillar 1, the objective of this being to ensure that investment firms have adequate capital to enable them to manage their risks. The Group completes its assessment of regulatory capital requirements using its Internal Capital Adequacy Assessment Process ("ICAAP") under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action.

As required by the FCA, Tatton Investment Management Limited holds capital based on a multiple of Pillar 1 and maintains a significant surplus over this requirement at all times.

The Group manages its total equity which totalled £24.4 million as at 31 March 2021 (2020: £17.8 million). Surplus regulatory capital was maintained throughout the year at both a consolidated Group level and individual regulated entity level. There were no changes in the Group's approach to capital management during the year.

4 Segment Reporting

Information reported to the Board of Directors as the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segmental performance is focused on the type of revenue. The principal types of revenue are discretionary fund management and the marketing and promotion of the funds run by the companies under Tatton Capital Limited ("Tatton") and the provision of compliance and support services to IFAs and mortgage advisers ("Paradigm").

The Group's reportable segments under IFRS 8 are therefore Tatton, Paradigm, and "Central" which contains the Operating Group's central overhead costs. During the financial year, it was decided that centrally incurred overhead costs should be allocated to the Tatton and Paradigm divisions on an appropriate pro rata basis and this is how financial information is presented to the Group's CODM. The March 2020 comparative figures have been presented on a like for like basis showing the relevant allocation of central costs on the prior year.

The principal activity of Tatton is that of discretionary fund management ("DFM") of investments on-platform and the provision of investment wrap services.

The principal activity of Paradigm is that of provision of support services to IFAs and mortgage advisers.

For management purposes, the Group uses the same measurement policies used in its financial statements.

The following is an analysis of the Group's revenue and results by reportable segment:

Year ended 31 March 2021	**Tatton (£'000)**	**Paradigm (£'000)**	**Central (£'000)**	**Group (£'000)**
Revenue	**18,097**	**5,240**	**16**	**23,353**
Administrative expenses	**(7,132)**	**(3,212)**	**(5,501)**	**(15,845)**
Operating profit/(loss)	**10,965**	**2,028**	**(5,485)**	**7,508**
Share-based payments	**–**	**–**	**3,740**	**3,740**
Exceptional items	**(184)**	**–**	**218**	**34**
Amortisation of client relationship intangible assets	**120**	**–**	**–**	**120**
Adjusted Operating profit/(loss) (before separately disclosed items)[1]	**10,901**	**2,028**	**(1,527)**	**11,402**
Finance costs	**(21)**	**(4)**	**(180)**	**(205)**
Profit/(loss) before tax	**10,944**	**2,024**	**(5,665)**	**7,303**

Year ended 31 March 2020 restated[2]	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	15,924	5,426	19	21,369
Other exceptional income	1,588	–	–	1,588
Administrative expenses	(7,492)	(3,599)	(1,545)	(12,655)
Operating profit/(loss)	10,020	1,827	(1,545)	10,302
Share-based payments	–	–	108	108
Exceptional items	(1,458)	64	–	(1,394)
Amortisation of client relationship intangible assets	60	–	–	60
Adjusted operating profit/(loss) (before separately disclosed items)[1]	8,622	1,891	(1,437)	9,076
Finance (costs)/income	(20)	13	1	(6)
Profit/(loss) before tax	10,000	1,840	(1,544)	10,296

All turnover arose in the United Kingdom.

1 Alternative performance measures are detailed in note 22.

2 Administrative expenses in March 2020 have been restated to include an allocation of central overhead costs to aid comparability with the current year.

5 Operating Profit

The operating profit and the profit before taxation are stated after charging/(crediting):

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Amortisation of software	**221**	135
Depreciation of property, plant and equipment	**175**	160
Depreciation of right-of-use assets	**176**	138
Gain arising on financial assets designated as FVTPL	**(35)**	–
Separately disclosed items (note 6)	**3,894**	(1,226)
Services provided by the Group's auditor:		
Audit of the statutory consolidated and Company financial statements of		
Tatton Asset Management plc	**69**	34
Audit of subsidiaries	**66**	58
Other fees payable to auditor:		
Non-audit services	**25**	86

Total audit fees were £135,000 (2020: £92,000). Total non-audit fees payable to the auditor were £25,000 (2020: £86,000).

6 Separately Disclosed Items

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Restructuring costs	**–**	97
Acquisition-related expenses	**218**	97
Gain arising on changes in fair value of contingent consideration	**(184)**	–
VAT reclaim income	**–**	(1,588)
Total exceptional costs/(income)	**34**	(1,394)
Share-based payment charges	**3,740**	108
Amortisation of client relationship intangible assets	**120**	60
Total separately disclosed items	**3,894**	(1,226)

Separately disclosed items shown separately on the face of the Statement of Total Comprehensive Income or included within administrative expenses reflect costs and income that do not relate to the Group's normal business operations and that are considered material (individually (or in aggregate if of a similar type) due to their size or frequency.

EXCEPTIONAL ITEMS

During the period, the Group pursued a potential acquisition of a business which fitted the strategic direction of the Group and would have been both material and complementary to the Tatton portfolio of products. The Group incurred professional fees of £218,000 during the process which have been treated as exceptional items.

Acquisition-related expenses during the financial year ended 31 March 2020 related to the acquisition of the share capital of Sinfonia Asset Management Limited ("Sinfonia"), incurring acquisition-related costs of £97,000.

During the current financial year, the Group revalued its financial liability at FVTPL relating to the deferred consideration on the acquisition of Sinfonia. This has resulted in a credit from the change in fair value of £184,000 being recognised in the year.

During the financial year ended 31 March 2020, the Group incurred a restructuring charge relating to the rationalisation and restructuring of various departments and functions. The headcount reduction resulted in redundancy costs, payment in lieu of notice, settlement and other restructuring-related costs. These have been excluded from underlying earnings in view of their one-off nature.

In addition, during the financial year ended 31 March 2020, the Group agreed with HMRC that Tatton's supplies of discretionary fund management services in respect of model investment portfolios are exempt from VAT. As a result, the Group recognised income of £1,756,000 relating to the four-year period ended 31 March 2019, £1,675,000 of which has been received from HMRC as a VAT refund. This is offset by £168,000 of professional fees. The Group reflected this change in treatment of revenue and the level of irrecoverable input VAT in revenue and administrative expenses from 1 April 2019.

SHARE-BASED PAYMENTS

Share-based payments is a recurring item, though the value will change depending on the estimation of the satisfaction of performance obligations attached to certain awards. It has been excluded from the core business operating profit since it is a significant non-cash item. Underlying profit, being adjusted operating profit, represents largely cash-based earnings and more directly relates to the financial reporting period. The current year charge of £3,740,000 has seen a material increase on the prior year charge of £108,000, as in the prior year a significant amount of the provision for share-based payments was released due to the uncertainty around the impact that the COVID-19 pandemic would have on the financial performance of the business. In the current year, there is an increased expectation of the amount of options that will vest for the schemes currently in place, so increasing the charge in the Statement of Comprehensive Income.

AMORTISATION OF CLIENT RELATIONSHIP INTANGIBLE ASSETS

Payments made for the introduction of customer relationships that are deemed to be intangible assets are capitalised and amortised over their useful life, which has been assessed to be ten years. This amortisation charge is recurring over the life of the intangible asset, though has been excluded from the core business operating profit since it is a significant non-cash item. Underlying profit, being adjusted operating profit, represents largely cash-based earnings and more directly relates to the financial reporting period.

7 Finance Costs

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Bank interest income	**1**	3
Other interest income	**–**	13
Interest expense on lease liabilities	**(25)**	(22)
Interest payable in servicing of banking facilities	**(181)**	–
	(205)	(6)

8 Taxation

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Current tax expense		
Current tax on profits for the period	**1,790**	1,986
Adjustment for under-provision in prior periods	**13**	7
	1,803	1,993
Deferred tax expense		
Share-based payments	**(563)**	(12)
Origination and reversal of temporary differences	**7**	57
Adjustment in respect of previous years	**(55)**	(95)
Effect of rate changes	**–**	(10)
Total tax expense	**1,192**	1,933

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profit for the year are as follows:

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Profit before taxation	**7,303**	10,296
Tax at UK corporation tax rate of 19% (2020: 19%)	**1,388**	1,956
Expenses not deductible for tax purposes	**63**	87
Income not taxable	**(34)**	–
Adjustments in respect of previous years	**(42)**	(88)
Differences in tax rates	**–**	(10)
Fixed asset differences	**6**	–
Share-based payments	**(189)**	(12)
Total tax expense	**1,192**	1,933

In the 3 March 2021 Budget, it was announced that the UK corporation tax rate will change to 25% from 1 April 2023 but this has not yet been substantively enacted. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

9 Earnings per Share and Dividends

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the year.

NUMBER OF SHARES

	31-Mar 2021	31-Mar 2020
Basic		
Weighted average number of shares in issue	**56,835,807**	55,907,513
Effect of own shares held by an EBT	**(551,954)**	(72,355)
	56,283,853	55,835,158
Diluted		
Effect of weighted average number of options outstanding for the year	**2,966,507**	1,694,831
Weighted average number of shares (diluted)[1]	**59,250,360**	57,529,989
Adjusted diluted		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	**2,370,976**	3,545,946
Adjusted diluted weighted average number of options and shares for the year[2]	**61,621,336**	61,075,935

1 The weighted average number of shares is diluted due to the effect of potentially dilutive contingent issuable shares from share option schemes.

2 The dilutive shares used for this measure differ from that used for statutory dilutive earnings per share; the future value of service costs attributable to employee share options is ignored and contingently issuable shares for long-term incentive plan options are assumed to fully vest. The Directors have selected this measure as it represents the underlying effective dilution by offsetting the impact to the calculation of basic shares of the purchase of shares by the EBT to satisfy options.

Own shares held by an EBT represents the Company's own shares purchased and held by the Employee Benefit Trust ("EBT"), shown at cost. In the year ended 31 March 2021 the EBT purchased 361,746 (2020: 413,411) of the Company's own shares.

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	**6,111**	8,363
Share-based payments – IFRS 2 option charges	**3,740**	108
Amortisation of intangible assets – customer relationships	**120**	60
Exceptional costs/(income) – see note 6	**34**	(1,394)
Tax impact of adjustments	**(923)**	194
Adjusted basic and diluted profits for the period and attributable earnings	**9,082**	7,331
Earnings per share (pence) – Basic	**10.86**	14.98
Earnings per share (pence) – Diluted	**10.31**	14.54
Adjusted earnings per share (pence) – Basic	**16.14**	13.13
Adjusted earnings per share (pence) – Diluted	**14.74**	12.00

DIVIDENDS

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute its strategy and to invest in opportunities to grow the business and enhance shareholder value.

During the year, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2020 of £3,552,000, representing a payment of 6.4p per share. In addition, the Company paid an interim dividend of £1,999,000 (2020: £1,789,000) to its equity shareholders. This represents a payment of 3.5p per share (2020: 3.2p per share).

The Company's dividend policy is described in the Directors' Report on page 49 of the 2021 Annual Report. At 31 March 2021, the Company's distributable reserves were £28.6 million (2020: £25.8 million).

10 Staff Costs

The staff costs shown below exclude key management compensation which is shown separately below.

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Wages, salaries and bonuses	**4,971**	5,995
Social security costs	**619**	594
Pension costs	**200**	160
Termination benefits	**54**	88
Share-based payments	**1,257**	123
	7,101	6,960

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

	31-Mar 2021	31-Mar 2020
Administration	**82**	79
Key management	**3**	3
	85	82

KEY MANAGEMENT COMPENSATION

The remuneration of the statutory Directors who are the key management of the Group is set out below in aggregate for each of the key categories specified in IAS 24 'Related Party Disclosures'.

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Short-term employee benefits	**1,730**	940
Post-employment benefits	**5**	11
Other long-term benefits	**4**	3
Share-based payments	**2,483**	(15)
	4,222	939

In addition to the remuneration above, the Non-Executive Chairman and Non-Executive Directors have submitted invoices for their fees as follows:

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Total fees	**160**	160

The Group incurred Social security costs of £235,000 (2020: £126,000) on the remuneration of the Directors and Non-Executive Directors.

The remuneration of the highest paid Director was:

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Total	**794**	347

The highest paid Director did not exercise any share options in the period. There were 174,758 share options granted to the highest paid Director in the year.

11 Goodwill

	Goodwill (£'000)
Cost and carrying value at 31 March 2020 and 31 March 2021	6,254

The carrying value of goodwill includes £5.9 million allocated to the Tatton operating segment and CGU. This is made up of £2.5 million arising from the acquisition in 2014 of an interest in Tatton Oak Limited by Tatton Capital Limited consisting of the future synergies and forecast profits of the Tatton Oak business, £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited and £1.4 million of goodwill generated on the acquisition of Sinfonia. The carrying value of goodwill also includes £0.4 million allocated to the Paradigm operating segment and CGU relating to the acquisition of Paradigm Mortgage Services LLP.

None of the goodwill is expected to be deductible for income tax purposes.

IMPAIRMENT LOSS AND SUBSEQUENT REVERSAL

Goodwill is subject to an annual impairment review based on an assessment of the recoverable amount from future trading. Where, in the opinion of the Directors, the recoverable amount from future trading does not support the carrying value of the goodwill relating to a subsidiary company then an impairment charge is made. Such impairment is charged to the Statement of Total Comprehensive Income.

IMPAIRMENT TESTING

For the purpose of impairment testing, goodwill is allocated to the Group's operating companies which represent the lowest level within the Group at which the goodwill is monitored for internal management accounts purposes.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of units that are expected to benefit from that business combination. The Directors test goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The Directors have reviewed the carrying value of goodwill at 31 March 2021 and do not consider it to be impaired.

GROWTH RATES

The value in use is calculated from cash flow projections based on the Group's forecasts for the year ending 31 March 2022 which are extrapolated for a further four years. The Group's latest financial forecasts, which cover a three-year period, are reviewed by the Board.

DISCOUNT RATES

The pre-tax discount rate used to calculate value is 10.8% (2020: 7.7%). The discount rate is derived from a benchmark calculated from a number of comparable businesses.

CASH FLOW ASSUMPTIONS

The key assumptions used for the value in use calculations are those regarding discount rate, growth rates and expected changes in margins. Changes in prices and direct costs are based on past experience and expectations of future changes in the market. The growth rate used in the calculation reflects the average growth rate experienced by the Group for the industry.

The headroom compared to the carrying value of goodwill as at 31 March 2021 is £245 million (2020: £414 million). From the assessment performed, there are no reasonable sensitivities that result in the recoverable amount being equal to the carrying value of the goodwill attributed to the CGU.

12 Intangible Assets

	Computer software (£'000)	Customer relationships (£'000)	Total (£'000)
Cost			
Balance at 31 March 2019	266	–	266
Additions	271	–	271
Acquired on acquisition of a subsidiary	–	1,196	1,196
Balance at 31 March 2020	537	1,196	1,733
Additions	282	–	282
Balance at 31 March 2021	**819**	**1,196**	**2,015**
Accumulated amortisation and impairment			
Balance at 31 March 2019	(43)	–	(43)
Charge for the period	(135)	(60)	(195)
Balance at 31 March 2020	(178)	(60)	(238)
Charge for the period	(221)	(120)	(341)
Balance at 31 March 2021	**(399)**	**(180)**	**(579)**
Net book value			
As at 31 March 2019	223	–	223
As at 31 March 2020	359	1,136	1,495
As at 31 March 2021	**420**	**1,016**	**1,436**

All amortisation charges are included within administrative expenses in the Statement of Total Comprehensive Income.

13 Property, Plant and Equipment

	Computer, office equipment and motor vehicles (£'000)	Fixtures and fittings (£'000)	Right-of-use assets – buildings (£'000)	Total (£'000)
Cost				
Balance at 31 March 2019	507	478	–	985
Increase attributable to change in accounting standards	–	–	689	689
Additions	81	213	–	294
Balance at 31 March 2020	588	691	689	1,968
Additions	67	–	242	309
Disposals	(223)	(214)	–	(437)
Balance at 31 March 2021	**432**	**477**	**931**	**1,840**
Accumulated depreciation and impairment				
Balance at 31 March 2019	(397)	(239)	–	(636)
Charge for the period	(73)	(87)	(138)	(298)
Balance at 31 March 2020	(470)	(326)	(138)	(934)
Charge for the period	(80)	(95)	(176)	(351)
Disposals	223	214	–	437
Balance at 31 March 2021	**(327)**	**(207)**	**(314)**	**(848)**
Net book value				
As at 1 April 2019	110	239	–	349
As at 31 March 2020	118	365	551	1,034
As at 31 March 2021	**105**	**270**	**617**	**992**

All depreciation charges are included within administrative expenses in the Statement of Total Comprehensive Income.

The Group leases buildings and IT equipment. The Group has applied the practical expedient for low value assets and so has not recognised IT equipment within ROU assets. The average lease term is five years. No leases have expired in the current financial period.

All depreciation charges are included within administrative expenses in the Statement of Total Comprehensive Income.

RIGHT-OF-USE ASSETS

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Amounts recognised in profit and loss		
Depreciation on right-of-use assets	**(176)**	(138)
Interest expense on lease liabilities	**(25)**	(22)
Expense relating to short-term leases	**(44)**	(94)
Expense relating to low value assets	**(1)**	(1)
	(246)	(255)

At 31 March 2021, the Group is committed to £nil for short-term leases (2020: £nil).

The total cash outflow for leases amounts to £220,000 (2020: £156,000).

14 Trade and Other Receivables

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Trade receivables	**172**	116
Amounts due from related parties	**29**	108
Prepayments and accrued income	**3,060**	1,948
Other receivables	**1,041**	1,259
	4,302	3,431

All trade receivable amounts are short term. The carrying value is considered a fair approximation of their fair value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") for trade receivables at an amount equal to lifetime ECLs. In line with the Group's historical experience, and after consideration of current credit exposures, the Group does not expect to incur any credit losses and has not recognised any ECLs in the current year (2020: £nil).

The amounts due from related parties are net of provisions. At 31 March 2021 Tatton Asset Management plc made full provision of £60,000 against the recoverability of amounts due from Jargonfree Benefits LLP in addition to the full provision of £1,251,000 made at 31 March 2017 by Paradigm Mortgage Services LLP. During the year, Paradigm Partners Limited wrote off a debt with Amber Financial Investments Limited ("Amber") of £350,000 which had been fully provided for. Amber was previously a related party as an entity controlled by Paul Hogarth until its sale in November 2020.

The carrying value of the provisions as at 31 March 2021 was £1,311,000 (2020: £1,601,000).

Trade receivable amounts are all held in sterling.

15 Trade and Other Payables

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Trade payables	**294**	275
Amounts due to related parties	**236**	222
Accruals	**3,330**	2,476
Deferred income	**132**	131
Contingent consideration	**–**	344
Other payables	**3,111**	3,440
	7,103	6,888
Less non-current portion:		
Contingent consideration	**–**	(172)
Other payables	**(516)**	(530)
Total non-current trade and other payables	**(516)**	(702)
Total current trade and other payables	**6,587**	6,186

The carrying values of trade payables, amounts due to related parties, accruals and deferred income are considered reasonable approximation of fair value.

Trade payable amounts are all held in sterling.

16 Deferred Taxation

	Deferred capital allowances £'000	Share-based payments £'000	Acquisition intangibles £'000	Total £'000
Asset/(liability) at 31 March 2019	(45)	149	–	104
Acquisition of subsidiary	–	–	(227)	(227)
Income statement (charge)/credit	(81)	130	11	60
Equity charge	–	(43)	–	(43)
(Liability)/asset at 31 March 2020	(126)	236	(216)	(106)
Income statement credit	25	563	23	611
Equity credit	–	915	–	915
Asset/(liability) at 31 March 2021	**(101)**	**1,714**	**(193)**	**1,420**

17 Financial Instruments

The Group's treasury activities are designed to provide suitable, flexible funding arrangements to satisfy the Group's requirements. The Group uses financial instruments comprising borrowings, cash and items such as trade receivables and payables that arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risks, credit risks and liquidity risks. The Board reviews policies for managing each of these risks and they are summarised below.

The Group finances its operations through a combination of cash resource and other borrowings. Short-term flexibility is satisfied by overdraft facilities in Paradigm Partners Limited which are repayable on demand.

FAIR VALUE ESTIMATION

IFRS 7 requires disclosure of fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All financial assets except for financial investments are categorised as loans and receivables and are classified as level 1. Financial investments are categorised as financial assets at fair value through profit or loss and are classified as level 1 and the fair value is determined directly by reference to published prices in an active market.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (LEVEL 1)

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Financial investments in regulated funds or model portfolios	**163**	28

All financial liabilities except for contingent consideration are categorised as financial liabilities measured at amortised cost and are also classified as level 1. The only financial liabilities measured subsequently at fair value on level 3 fair value measurement represent contingent consideration relating to a business combination.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (LEVEL 3)

Contingent consideration	£'000
Balance at 1 April 2020	344
Paid in the year	(160)
Changes in fair value of contingent consideration	(184)
Balance at 31 March 2021	–

INTEREST RATE RISK

The Group finances its operations through a combination of retained profits and a bank facility which currently remains undrawn. The Group would have an exposure to interest rate risk should this facility be drawn as it has a floating rate above the base rate. The Group's cash and cash equivalents balance of £16,934,000 was its only financial instrument subject to variable interest rate risk. The impact of a 0.1% increase or decrease in interest rate on the post-tax profit is not material to the Group. At 31 March 2021, total borrowings were £nil (2020: £nil).

CREDIT RISK

Credit risk is the risk that a counterparty will cause a financial loss to the Group by failing to discharge its obligation to the Group. The financial instruments are considered to have a low credit risk due to the mitigating procedures in place. The Group manages its exposure to this risk by applying Board approved limits to the amount of credit exposure to any one counterparty, and employs strict minimum credit worthiness criteria as to the choice of counterparty thereby ensuring that there are no significant concentrations. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 March, as summarised below:

Classes of financial assets – carrying amounts:	**31-Mar 2021 (£'000)**	31-Mar 2020 (£'000)
Cash and cash equivalents	**16,934**	12,757
Trade and other receivables	**3,808**	3,110
	20,742	15,867

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with credit worthy counterparties.

The Group's management consider that all of the above financial assets that are not impaired or past due for each of the 31 March reporting dates under review are of good credit quality.

At 31 March the Group had certain trade receivables that had not been settled by the contractual date but were not considered to be impaired. The amounts at 31 March, analysed by the length of time past due, are:

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Not more than 3 months	**147**	75
More than 3 months but not more than 6 months	**16**	19
More than 6 months but not more than 1 year	**5**	17
More than 1 year	**4**	5
Total	**172**	116

Trade receivables consist of a large number of customers within the UK. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good. The Group has rebutted the presumption in paragraph 5.5.11 of IFRS 9 that credit risk increases significantly when contractual payments are more than 30 days past due.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

LIQUIDITY RISK

Liquidity risk is the risk that companies within the Group will encounter difficulty in meeting obligations associated with financial liabilities. To counter this risk, the Group operates with a high level of interest cover relative to its net asset value and no debt. In addition, it benefits from strong cash flow from its normal trading activities. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day to day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below.

The totals for each category of financial instruments, measured in accordance with IFRS 9 and IFRS 7 as detailed in the accounting policies to this historical financial information, are as follows:

At 31 March 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
At 31 March 2021	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	**6,228**	**–**	**–**	**–**
Lease liabilities	**113**	**114**	**516**	**–**
Total	**6,341**	**114**	**516**	**–**

This compares with the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

	Current		Non-current	
At 31 March 2020	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	5,761	–	–	–
Lease liabilities	37	84	530	–
Contingent consideration	–	172	172	–
Total	5,798	256	702	–

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

MARKET RISK

The Group has made investments in its own managed funds and portfolios and the value of these investments is subject to equity market risk, being the risk that changes in equity prices will affect the Group's income or the value of its holdings of financial instruments. If equity prices had been 5% higher/lower, the impact on the Group's Statement of Comprehensive Income would be £8,000 higher/lower due to changes in the fair value of financial assets at fair value through profit or loss.

18 Equity

	Number
Authorised, called up and fully paid £0.20 ordinary shares	
At 1 April 2020	55,907,513
Issue of share capital on exercise of employee share options	863,401
Issue of share capital on exercise of share warrant	1,118,151
At 31 March 2021	**57,889,065**

Each share in Tatton Asset Management plc carries one vote and the right to a dividend.

19 Own Shares

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 April 2020	413,411	996
Acquired in the year	361,746	973
At 31 March 2021	**775,157**	**1,969**

Own shares represent the cost of the Company's own shares, either purchased in the market or issued by the Company, that are held by an EBT to satisfy future awards under the Group's share-based payment schemes (note 20). 775,157 shares were held in the EBT at 31 March 2021 (2020: 413,411).

20 Share-Based Payments

During the year, a number of share-based payment schemes and share options schemes have been utilised by the Company, described under 20.1 Current schemes, below.

20.1 CURRENT SCHEMES

(i) Tatton Asset Management plc EMI Scheme ("TAM EMI Scheme")

On 7 July 2017 the Group launched an EMI share option scheme relating to shares in Tatton Asset Management plc to enable senior management to participate in the equity of the Company. 3,022,733 options with a weighted average exercise price of £1.89 were granted, exercisable in July 2020. There have been 673,568 options exercised during the period from this scheme and 696,099 of these options lapsed.

The scheme was extended on 8 August 2018, 1 August 2019 and 28 July 2020 with 1,720,138, 193,000 and 1,000,000 zero cost options granted in each respective year. These options are exercisable on the third anniversary of the grant date. A total of 3,022,733 options with a weighted average exercise price of £1.89 were granted, each exercisable in July 2020. The options vest in August 2021, August 2022 or July 2023 provided certain performance conditions and targets, set prior to grant, have been met. If the performance conditions are not met, the options lapse.

A total of 4,386,070 options remains outstanding at 31 March 2021, 1,522,617 of which are currently exercisable. No options were forfeited in the period (2020: 68,319 options were forfeited).

Within the accounts of the Company, the fair value at grant date is estimated using the appropriate models including both the Black-Scholes and Monte Carlo modelling methodologies.

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2019	4,631,056	1.19
Granted during the period	193,000	–
Forfeited during the period	(68,319)	0.52
Outstanding at 31 March 2020	4,755,737	1.15
Exercisable at 31 March 2020	–	–
Outstanding at 1 April 2020	4,755,737	1.15
Granted during the period	1,000,000	–
Exercised during the period	(673,568)	1.70
Lapsed during the period	(696,099)	1.83
Forfeited during the period	–	–
Outstanding at 31 March 2021	**4,386,070**	**0.66**
Exercisable at 31 March 2021	**1,522,617**	**1.89**

(ii) Tatton Asset Management plc Sharesave Scheme ("TAM Sharesave Scheme")

On 7 July 2017, 5 July 2018, 3 July 2019 and 6 July 2020 the Group launched all employee Sharesave schemes for options over shares in Tatton Asset Management plc, administered by Yorkshire Building Society. Employees are able to save between £10 and £500 per month over a three-year life of each scheme, at which point they each have the option to either acquire shares in the Company or receive the cash saved.

Over the life of the 2018 TAM Sharesave scheme it is estimated that, based on current saving rates, 48,688 share options will be exercisable at an exercise price of £1.90. Over the life of the 2019 TAM Sharesave scheme it is estimated that, based on current savings rates, 75,610 share options will be exercisable at an exercise price of £1.79. Over the life of 2020 TAM Sharesave scheme it is estimated that, based on current savings rates, 134,656 share options will be exercisable at an exercise price of £2.29. During the period, 189,833 options have been exercised and 2,940 options have been forfeited.

Within the accounts of the Company, the fair value at grant date is estimated using the Black-Scholes methodology for 100% of the options. Share price volatility has been estimated using the historical share price volatility of the Company, the expected volatility of the Company's share price over the life of the options and the average volatility applying to a comparable group of listed companies. Key valuation assumptions and the costs recognised in the accounts during the period are noted in 20.2 and 20.3 below respectively.

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2019	131,976	1.70
Granted during the period	102,493	1.75
Forfeited during the period	(10,741)	1.85
Outstanding at 31 March 2020	223,728	1.73
Exercisable at 31 March 2020	26,176	1.70
Outstanding at 1 April 2020	223,728	1.73
Granted during the period	70,894	2.08
Exercised during the period	(189,833)	1.70
Forfeited during the period	(2,940)	2.01
Outstanding at 31 March 2021	**101,849**	**1.81**
Exercisable at 31 March 2021	**10,588**	**1.70**

20.2 VALUATION ASSUMPTIONS
Assumptions used in the option valuation models to determine the fair value of options at the date of grant were as follows:

	EMI scheme				Sharesave scheme			
	2020	2019	2018	2017	2020	2019	2018	2017
Share price at grant (£)	2.84	2.12	2.40	1.89	2.85	2.14	2.34	1.89
Exercise price (£)	–	–	–	1.70	2.29	1.79	1.90	1.70
Expected volatility (%)	34.80	30.44	28.48	26.00	34.80	30.44	28.48	26.00
Expected life (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Risk free rate (%)	(0.06)	0.35	0.81	0.66	(0.06)	0.35	0.81	0.66
Expected dividend yield (%)	3.38	3.96	2.75	4.50	3.38	3.96	2.75	4.50

20.3 IFRS 2 SHARE-BASED OPTION COSTS

	31-Mar 2021 (£’000)	31-Mar 2020 (£’000)
TAM EMI scheme	**3,716**	84
TAM Sharesave scheme	**24**	24
	3,740	108

21 Related Party Transactions

ULTIMATE CONTROLLING PARTY
The Directors consider there to be no ultimate controlling party.

RELATIONSHIPS

The Group has trading relationships with the following entities in which Paul Hogarth, a Director, has a beneficial interest:

Entity	Nature of transactions
Amber Financial Investments Limited	The Group provides discretionary fund management services, as well as accounting and administration services.
Paradigm Investment Management LLP	The Group incurs finance charges.
Suffolk Life Pensions Limited	The Group pays lease rental payments on an office building held in a pension fund by Paul Hogarth.

From 30 November 2020 Amber Financial Investments Limited is no longer a related party. The transactions shown below are those which took place in the financial period during which the company was a related party. The balance receivable/payable is the year end balance.

RELATED PARTY BALANCES

		2021		2020	
	Terms and conditions	**Value of income/ (cost) (£'000)**	**Balance receivable/ (payable) (£'000)**	Value of income/ (cost) (£'000)	Balance receivable/ (payable) (£'000)
Amber Financial Investments Limited	Payable within 30 days	**226**	**29**	297	25
Jargonfree Benefits LLP	Repayment on demand	**–**	**–**	15	66
Paradigm Management Partners LLP	Repayment on demand	**–**	**–**	1	5
Paradigm Investment Management LLP	Repayment on demand	**(2)**	**(235)**	(5)	(234)
Suffolk Life Pensions Limited	Payable in advance	**(76)**	**(1)**	(57)	9
Hermitage Holdings (Wilmslow) Limited	Repayment on demand	**(18)**	**–**	4	4

Balances with related parties are non-interest bearing.

KEY MANAGEMENT PERSONNEL REMUNERATION

Key management includes Executive and Non-Executive Directors. The compensation paid or payable to key management personnel is as disclosed in note 10.

22 Alternative Performance Measures ("APMs")

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Adjusted operating profit before separately disclosed items	Operating profit	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Adjusted profit before tax; before separately disclosed items	Profit before tax	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Adjusted earnings per share – Basic	Earnings per share – Basic	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Adjusted earnings per share – Diluted	Earnings per share – Diluted	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. The dilutive shares for this measure assume that all contingently issuable shares will fully vest. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Net cash generated from operations before separately disclosed items	Net cash generated from operations	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.23.

OTHER MEASURES

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Tatton – assets under management ("AUM") and net inflows	None	Not applicable	AUM is representative of the customer assets and is a measure of the value of the customer base. Movements in this base are an indication of performance in the year and growth of the business to generate revenues going forward. Net inflows measure the net of inflows and outflows of customers assets in the year.
Paradigm Consulting members and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Paradigm Mortgages lending, member firms and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Dividend cover	None	Not applicable	Dividend cover (being the ratio of the proposed final dividend against diluted earnings per share before exceptional items and share-based charges) demonstrates the Group's ability to pay the proposed dividend.
CAGR in AUM and CAGR in Tatton firm numbers	None	Not applicable	The Cumulative Annual Growth Rate in AUM and Tatton firm numbers since the Group listed on the AIM Stock exchange in July 2017.
Average annual net inflows	None	Not applicable	The average annual net inflows since the Group listed on the AIM stock exchange in July 2017.

23 Post Balance Sheet Events
There were no material post balance sheet events.

24 Capital Commitments
At 31 March 2021, the Directors confirmed there were no capital commitments (2020: none) for capital improvements.

25 Contingent Liabilities
At 31 March 2021, the Directors confirmed there were no contingent liabilities (2020: none).