13 June 2023

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

AUDITED FINAL RESULTS
For the year ended 31 March 2023

TAM plc, the investment management and IFA support services group, today announces its audited final results for the year ended 31 March 2023 ("FY23"), which show strong, double-digit growth across all metrics in line with market expectations.

FINANCIAL HIGHLIGHTS

- Group revenue increased 10.1% to £32.327m (2022: £29.356m)
- Adjusted operating profit[1] up 12.9% to £16.402m (2022: £14.526m)
- Adjusted operating profit[1] margin 50.7% (2022: 49.5%)
- Adjusted fully diluted EPS[2] increased 10.7% to 20.61p (2022: 18.62p)
- Final dividend up 17.6% to 10.0p (2022: 8.5p), full year dividend of 14.5p (2022: 12.5p)
- Strong financial liquidity position, with net cash of £26.494m (2022: £21.710m)
- Strong balance sheet – Net assets increased 34.6% to £41.781m (2022: £31.044m)

1 Operating profit before exceptional items, share-based payment charges and amortisation of acquired intangibles and changes in fair value of contingent consideration.
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 12.3% to £12.735bn (2022: £11.341bn). Current AUM at June 2023 c.£13.204bn (AUM/AUI: c.£14.325bn)
- Organic net inflows were £1.794bn (2022: £1.277bn), an increase of 15.8% of opening AUM with an average run rate of £150m per month
- Acquisition of 50% of the share capital of 8AM Global Limited ("8AM" or "8AM Global") adding assets under influence ("AUI") of £1.136bn, resulting in AUM/AUI totalling £13.871bn
- Tatton's non-Managed Portfolio Services ("MPS") propositions now account for c.£1.2bn of AUM
- Tatton's IFA firms increased by 16.5% to 869 (2022: 746) and the number of accounts increased 19.2% to 107,010 (2022: 89,780)
- Paradigm Mortgages completions up by 10.3% to £14.50bn (2022: £13.15bn). Paradigm Mortgages member firms increased to 1,751 members (2022: 1,674 members)
- Paradigm Consulting increased its members increased to 431 (2022: 421)

Paul Hogarth, Chief Executive Officer, commented:

"This is the 10th anniversary year for Tatton and I am delighted with the progress we have continued to make throughout that decade. It is fitting that in this 10th anniversary year, we have raised the bar further, delivering our best performance to date with record net inflows of £1.8bn, AUM/AUI of £13.9bn and involvement in lending through Paradigm of £14.5bn.

"While it has been a difficult and volatile year for many asset managers and businesses, we have continued to execute our strategy and build on our strengths, leveraging our wide distribution capability, deep industry expertise, robust long-term investment performance and talented team across the whole business.

"As we look forward, we are mindful that we remain in uncertain times, both from an economic and geo-political standpoint. While not unaffected by these conditions, despite this uncertainty we are optimistic about the Group's prospects. Assets on platform continue to grow and our MPS proposition is becoming increasingly attractive to IFAs and their clients. With our long-term consistent investment track record rewarding and enhancing client outcomes, wide distribution footprint and competitive market position we are well placed to capitalise on these conditions and achieve our goal of delivering long-term, sustainable growth for all our stakeholders."

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 – Nomad and Broker	**+44 (0) 20 3829 5000**
Martin Green/Dan Bate (Investment Banking)	
Singer Capital Markets – Joint Broker	
Peter Steel / Charles Leigh-Pemberton (Investment Banking)	**+44 (0) 20 7496 3000**
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

Teamwork and talent delivers results

DEAR SHAREHOLDER

The 12 month period ended 31 March 2023, in common with the previous trading period, has been a challenging time for asset management, with economic stimuli, both positive and negative, constantly changing, while the political landscape, globally as well as in the UK, has done little to brighten prospects. An uncertain trading environment has encouraged the Group to sustain a focus on our core strategies, so it is satisfying to be able to report further progress with increases in assets under management, revenues, profits and, as a result, the dividend.

Our strategic ambition continues to be growth centred on organic development, augmented by appropriate M&A activity when opportunities arise, and we aspire to be the provider of choice for the independent financial adviser ("IFA") community as a result of providing products and services that enable them to better advise their clients.

In common with businesses globally, and throughout the UK, the Group has been buffeted by economic and political shocks, the pandemic, the war in Ukraine, and the economic consequences of these events, which have led to widely reported volatility and difficult trading conditions. Riding these storms measures the resilience of any organisation, so it is gratifying to be able to report that TAM finds itself, at the end of this financial year, a larger and stronger organisation with record asset net inflows, higher levels of assets managed and influenced, and with an increasing number of IFAs and their clients supporting the business.

A material factor behind the results that we are reporting now is the significant growth in demand for Model Portfolio Services ("MPS") generally. As provision for income in later life becomes an ever more important consideration in the minds of investors, the combination of clarity, positive investment returns, and low charges is fuelling an appetite for MPS products, leading to new entrants and increasing inflows as the MPS concept becomes a leading strategic pillar for investors and their advisers. Increasing demand is growing the overall market and validating the proposition.

In my statement last year, I highlighted our "Roadmap to Growth" aspiration based on a three-year target, set in 2021, of assets under management increasing from £9.0bn to £15.0bn by March 2024. Despite the difficult trading conditions alluded to above, assets under management at 31 March 2023 stood at £12.735bn, excluding the assets derived from the acquisition of 8AM Global Ltd of £1.136bn.

Paradigm Consulting, our consultancy business, has performed in line with expectations, delivering expert regulatory consulting to the IFA community and is well positioned to continue to do so. The Mortgage business enjoyed a very positive performance this year, with involvement in record mortgage completions of £14.50bn (2022: £13.15bn). While the results of Government policy on interest rates over the trading period are still being felt, the situation has stabilised, and rates and products have reverted to near normal, although the mortgage market remains uncertain. Nevertheless, we are confident that the business remains well placed in its markets and strongly positioned to take advantage of opportunities that will undoubtedly lie ahead.

FINANCIAL HIGHLIGHTS

Group revenue increased by 10.1% to £32.3m (2022: £29.4m), while adjusted operating profit[1] rose by 12.9% to £16.4m (2022: £14.5m) and profit before tax, after incurring exceptional costs and share-based payment charges, improved further to £16.0m (2022: £11.3m). The impact of the above on fully diluted adjusted earnings per share[1] was an increase of 10.7% to 20.61p (2022: 18.62p), while basic earnings per share was 22.43p (2022: 15.92p).

OUR PEOPLE

As ever, we believe our people are the most important factor in the successful delivery of the Group's strategy and the maintenance of long-term growth and value creation. On behalf of the Board, I would like to thank every member of staff for their outstanding performance over the past year, which is behind the delivery of a gratifying set of results.

It has been a difficult year for many businesses, more so for many employees across the country with the increased cost of living and the impact of acute energy issues. With this in mind, the Group made a one-off "winter support" payment to all employees of £1,000 in recognition of the pressures people have faced and to reflect the hard work and dedication that our employees have shown in difficult times.

1.Alternative performance measures are detailed in note 23.

ROLE OF THE BOARD AND ITS EFFECTIVENESS

My primary role as Chairman is to provide leadership to the Board and to provide the right environment to enable each of the Directors, and the Board as a whole, to perform effectively to optimise the success of the Company for the benefit of its shareholders and other stakeholders.

It is my view that the Board has an appropriate balance of skills and is highly effective, with a thorough understanding of the opportunities and threats facing the Group.

UK CORPORATE GOVERNANCE

TAM plc remains committed to the highest standards of corporate governance. The Board understands that this commitment is necessary for managing our business effectively and for maintaining investor confidence. Good governance adds value and reduces risk, and in a business which continues to grow and evolve, we look to sustain, develop, and improve our governance arrangements continually. Details of how we have approached and applied corporate governance are provided throughout our Annual Report and detailed on pages 54 to 57 and to be published on 13 June 2023.

SECTION 172 STATEMENT

Section 172 ("s.172") of the Companies Act 2006 requires the Directors to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, s.172 requires a Director to have regard, amongst other matters, to the likely consequences of any decisions in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and environment; the desirability of the Company to maintain a reputation for high standards of business conduct; and the need to act fairly between members of the Company. Further information can be found on pages 48 to 51 of our Annual Report.

DIVIDENDS

We remain on track to deliver against our set strategic goals and create long-term sustainable shareholder value. Given the continued progress, the Board is proposing to increase the final full year dividend by 17.6% to 10.0p per share (see note 9), bringing the total ordinary dividend for the year to 14.5p per share, an increase of 16.0%, which is 1.4 times covered by adjusted earnings per share. Subject to shareholder approval at the forthcoming Annual General Meeting, the dividend will be paid on 15 August 2023 to shareholders on the register on 7 July 2023. The ex dividend date will be 6 July 2023.

OUTLOOK

While the general economic outlook for the year ahead looks no better than the period under review, both nationally and internationally, there are factors that promote some optimism. Momentum is a very useful ally, and we have confidence in being able to increase our market share in what is widely recognised as a growing sector of the asset management world. By remaining focused on our stated strategy over the past year, we have been able to grow the business significantly, and sustaining this focus, while remaining alert to other opportunities, should enable us to report further progress at the end of the 12 month trading period in front of us.

ROGER CORNICK
Chairman

CHIEF EXECUTIVE'S REVIEW

10 years of continued growth: Model portfolios have come of age

This year has seen the Group continue its progress and deliver another year of strong financial performance. We have also made good progress against our Strategic Goals and Priorities which I set out in detail last year.

We move closer to delivering our stated goal of £15.0bn of assets under management ("AUM") by March 2024 and we have complemented our strong organic growth of AUM with a successful acquisition strategy. Acquisitions in prior years have not only delivered improved AUM but also expanded our distribution footprint, giving us greater access to more IFAs and potential new flows. This year, we have continued this strategy through the acquisition of a 50% share in 8AM Global Limited, which now contributes £1.136bn of assets under influence ("AUI") and a solid management team. We are enjoying working together and look forward to developing the business further together in the coming years.

FINANCIAL PERFORMANCE

This year has been a difficult year for many businesses against the backdrop of war in Ukraine, global economic instability, high inflation, labour shortages and major geo-political events that have unsettled markets. While not wholly unaffected by these issues, we have been able to make excellent progress this year through a combination of our resilient markets, strong business model, the strength of our distribution and quality of our propositions that continue to resonate with our firms and their clients.

Group revenue increased 10.1% to £32.3m (2022: £29.4m) and Group adjusted operating profit[1] increased 12.9% to £16.4m, with margins improving to 50.7% (2022: 49.5%). Cash generation remains very strong and we ended the year with cash on the balance sheet of £26.5m (2022: £21.7m).

Tatton revenue increased by 11.1% to £25.9m, further underpinned by record organic new net inflows in the year of £1.794bn or 15.8% of opening AUM, an average of £149.5m per month. In addition to organic flows, we also added £1.136bn of AUI in the year following the acquisition of 50% of 8AM Global. While markets improved in the second half of the year, annually they contracted, reducing AUM by £400m or 3.5%, which ultimately delivered a total AUM/AUI of £13.871bn or a 22.3% increase on the prior year.

AUM Movement	£bn
Opening AUM 1 April 2022	11.341
Organic net flows	1.794
Market and investment performance	(0.400)
Total AUM 31 March 2023	12.735
Acquisition 50% 8AM Global (AUI)	1.136
Total AUM/AUI 31 March 2023	13.871

Tatton adjusted operating profit[1] increased by 13.9% to £15.8m and margins were maintained at 61.1%, as investment to drive the future growth of the business continued. Tatton continues to account for a greater proportion of the income and now stands at 80.2% of Group revenue and also 96.5% of the Group's trading profits.

Paradigm revenue increased by 6.8% to £6.4m. The Paradigm Mortgage business delivered a very good year, with involvement in mortgage completions exceeding £14.5bn for the first time, a 10.3% increase in the year. Operating profit[1] remains in line with the prior year at £2.4m following investment in our cost base. Including new personnel and cost inflation, the corresponding margin reduced to 37.6%.

1.Alternative performance measures are detailed in note 23.

STRATEGY, PROGRESS AND MARKET TRENDS

Tatton

We are delighted to celebrate the 10th Anniversary of the incorporation of Tatton this year. The last 10 years have flown by since we created the business and in all honesty I never envisaged we would be so successful with a product that had yet to fully find its place in the investment management market. There have been many milestones on the way but our first billion of AUM to break even and our AIM listing back in 2017, which has been very beneficial for the business, remain the standout points. I am humbled by our success and I would like to thank all our IFAs and firms that have supported us over the years, and also every one of our employees who have helped in this journey, as our success would not have been possible without their contribution.

Over these last 10 years, Tatton has been at the forefront of a changing financial services and investment landscape and, from a standing start in January 2013, we have created a market leading investment business which now manages over £12.7bn. This growth has principally been through the creation and promotion of a range of risk-rated model portfolios, which makes discretionary fund management (“DFM”) available to the mass affluent while delivering value and consistent investment returns at a market leading cost, exclusively on their chosen Retail Investment Platform (“Platform”).

Strategic Goals and Priorities

As part of our stated Strategic Goals and Priorities, I want to update you on our continued progress in delivering our “Roadmap to Growth” strategy, a three-year target of increasing AUM by £6.0bn, from £9.0bn in FY21 to £15.0bn by FY24, with 50% growth delivered from organic net inflows and 50% of the growth through acquisition. With one year to go or being two thirds of the way through that journey, we have AUM/AUI of £13.9bn. We have delivered 82% of the target, with approximately three quarters of the target achieved through new organic flows. In fact, this year alone we delivered record net inflows of £1.794bn (2022: £1.277bn), a 40.5% increase on the prior year.

Market development

The assets held on platforms and in Model Portfolio Services (“MPS”) are now the fastest growing area for wealth managers, with a consistent growth rate of c.25% per annum. MPS now accounts for over £81bn of advised assets on Platforms and accounts for 12% of the £680bn total adviser platform assets. The level of advised assets on platform is forecast to grow to over a trillion in the next few years, with the proportion of MPS also anticipated to take an increasing share of this total.

As previously highlighted, new entrants and competition, including long-standing traditional investment managers, continue to enter the MPS market. While these traditional discretionary fund managers have seen redemptions and net outflows from funds and bespoke products, they have conversely seen good inflows into their MPS offering which has underpinned their asset flows. I believe this validates my long-held view that MPS has now come of age. We anticipate the trend for further MPS growth and adoption this year will maintain the strong net inflows we have seen across the competitive landscape in the last 12 months. While it is clear competition is increasing, Tatton is very well placed to take advantage of the above market opportunity.

Distribution footprint

As the largest DFM MPS provider, we keep the IFA at the heart of our business. We believe it is important to support the IFA and we maintain a position that we do not compete with our IFAs. Amongst many other factors, we believe that this has enabled us to continue to increase our distribution footprint; we have increased the number of firms to 869 firms (2022: 746). Each year, we have increased our distribution footprint organically through adding more direct IFA relationships beyond the Paradigm members, which was the initial base for Tatton. Importantly, the three acquisitions we have made since September 2019 have also contributed to this growth and enabled us to further expand our reach, as have the range of strategic partnerships we hold and maintain. As we look forward, there remains significant opportunity to grow and deepen these relationships and get a greater share of the IFAs' available assets. At the same time, we will also look to continue to add further firms from existing partnerships but also new firms beyond these, to obtain a greater share of the overall market available, which continues to grow.

Regulation

As the new consumer duty regulation is now imminent, preparations should be complete and the implications are now clear. There is a clear difference between IFAs as distributors when using a third party MPS solution compared with advisers running their own portfolios, which potentially makes them "manufacturers", increasing their regulatory burden. We have already seen, prior to the regulation coming into effect, IFAs migrating away from in-house managed portfolios to third party MPS providers. We believe this trend is set to continue as the implications of consumer duty become more widely understood. Third party MPS remains perfectly positioned to respond to consumer duty regulation by delivering low cost and competitive investment solutions for clients, whilst supporting the IFA in meeting consumer duty obligations. I continue to believe that, as an MPS focused investment manager, consumer duty plays to our strengths in placing the adviser at the heart of the value chain and facilitating the delivery of improved client outcomes.

PARADIGM

2022/23 was a good year for Paradigm's membership division. Revenue increased 6.8% to £6.4m (2022: £6.0m) with contribution maintained at £2.4m (2022: £2.4m), delivering a contribution margin of 37.6%. We have continued to grow and add new firms, with Paradigm Consulting firms increasing to 431 (2022: 421) and Paradigm Mortgage firms increasing to 1,751 (2022: 1,674). The integration of Paradigm's compliance and mortgage and protection aggregation entities into a single membership division has proved successful as the FCA's regime and oversight moves further towards a more consumer focused regulatory environment and we have seen the continued growth in share of compliance contract sales within our Mortgage firm broker base.

Paradigm Consulting business continued to make steady progress, increasing new membership fees as well as other consultancy services while also investing in new personnel to ensure our service level remains the best in the market. 2022/23 was an exceptional year for Paradigm's Mortgage business, certainly given the context of the mortgage market which demonstrated relentless uncertainty. This year has seen borrowers faced with a challenging period of rising inflation and interest rates, which combined with significant lender service issues arising from the continued challenges of working from home, resulting in record process and pipeline delays.

The resilience and value of brokers was never more evident during this last year. This is clearly demonstrated as intermediary share of all mortgages rose to c.85% as consumers turned to brokers to help with affordability issues arising from rising interest rates, an issue most modern-day borrowers had never experienced. The second half of the year was affected by the fall out from September's mini-budget, which resulted in mass lender product withdrawals, with those remaining charging unaffordable rates. Borrowing volumes, especially in the purchase market, fell to a near stop; however, brokers moved swiftly to address record levels of product transfer maturities and protection cross-sales to maintain activities, and with calmer markets, lenders began again to compete, introducing greater product choice and, critically, lower, more affordable rates. Given this context, we are delighted with the fact the Paradigm Mortgages participated in a record £14.50bn (2022: £13.15bn) of mortgage completions, a 10.3% increase on the previous year.

As we look to the new year, despite the cost of living challenges ahead, a sense of calmness has returned to the mortgage market. We anticipate another year of two halves, with initially a quieter purchase market, fuelled by essential movers. As inflation and rising interest rates surpass their peaks, the drive and affordability for home ownership will return, underpinned by the perennial issue whereby supply doesn't match demand. In the meantime, record levels of loan maturities and remortgages continue to be an area of focus where brokers' experience will shine.

STRATEGIC GOALS AND PRIORITIES

As we look forward to the new year, our strategic direction remains unchanged.
We will continue to consolidate and build on the gains we have made to date and further develop the business to drive growth and long-term value creation. Specifically, we look to achieve the following:

- Continue with the strong organic growth of new net inflows, utilising our increasing range of firm distribution platforms.
- Deliver the final phase of our three-year "Roadmap to Growth" strategy, taking us from £9.0bn in FY21 to £15.0bn by FY24. Building on the strong performance in 2022/23, where we delivered an additional £1.8bn of AUM through organic growth and £1.1bn of AUI through acquisition. We anticipate we will reach our goal this year with over £1.0bn of organic net new inflows.
- Identify and execute on further acquisitions that contribute to the "Roadmap to Growth" strategy but also, importantly, fulfil our basic criteria of being value enhancing, strategically complementary and earnings enhancing.
- Build on our recent success by delivering further strategic partnerships, joint ventures and collaborations with larger IFA firms, delivering enhanced client outcomes.
- Continue to grow the number of firms utilising Paradigm, specifically taking a greater share of the available mortgage broker and intermediary market, and growing the level of mortgage completions.

OUTLOOK AND SUMMARY

In summary, the Group has delivered another strong year of growth in net inflows and AUM while demonstrating resilience, adaptability, and unwavering commitment to our clients. We remain ever more optimistic about the future prospects and continue to build on our strengths, leveraging our wide distribution capability, our deep industry expertise, robust long-term investment performance and talented team to deliver our strategic goals. Our continued focus will be to expand the number of IFAs we work with while driving increased new flows to further strengthen our position as the leading MPS asset management company and ensure the long-term sustainability of our business.

Lastly, I would like to express my gratitude to our dedicated employees, who have demonstrated resilience, creativity, and adaptability during these challenging times. Their unwavering commitment to our clients and their exceptional talent are the driving force behind our success.

PAUL HOGARTH
Chief Executive Officer

Q&A WITH PAUL HOGARTH
CHIEF EXECUTIVE OFFICER

1. HOW WILL THE NEW CONSUMER DUTY RULES AND REGULATION IMPACT TATTON?
Unlike most industry commentators, I look forward to embracing the new legislation. I categorise it as being as important as other previous market defining regulation such as RDR (Retail Distribution Review) and TCF (Treating Customers Fairly). For me, the main focus of consumer duty is price, value and ultimately client outcomes. These three attributes have always been at the forefront of our philosophy here at Tatton. I know we have all worked hard to be ready and compliant, but I believe this will all be worthwhile in due course and we are better placed than most, and it may even be a competitive advantage to us.

2. WHY DOES TATTON ADOPT THE APPROACH OF RELIANCE ON OTHERS AS OPPOSED TO AGENT AS CLIENT IN ITS BUSINESS MODEL?
We actually have been Reliance on Others from day one. We believe that the IFA and their client need to have total control of the suitability of the advice while we at Tatton remain responsible for the safeguarding of the investment management of the portfolio selected. Each end client should be contracted with us through the DFM mandate making sure that all clients are invested exactly as they should be. Our next big campaign is intended to raise awareness with the IFA community of the differences between to the two contractual relationships. Our position has since been supported by the professional indemnity industry, which has questioned the disclosure of Agent as Client and a number of our competitors have since followed our lead.

3. TATTON IS 10 YEARS OLD – HOW DO YOU SEE THE NEXT 10 YEARS DEVELOPING FOR THE BUSINESS?
Now that's an interesting question. Undoubtedly, we are incredibly well positioned for further growth in the DFM MPS market. As a bare minimum, we anticipate maintaining our market share as the MPS market continues to mature and grow. We constantly review the other opportunities in the wealth management arena and always come back to the same point, which is: there is nothing better than the DFM MPS space right now here in the UK. Undoubtedly, other territories will adopt the UK market leading position on compliance and regulation, replicating our regulators' concentration on the overall costs of investing. This opens up the opportunity to further expand our footprint outside of the UK.

4. DO YOU THINK YOU BENEFIT FROM BEING SINGLE CHANNEL I.E. RECEIVING BUSINESS PURELY FROM THE IFA COMMUNITY?
Here at Tatton, we have always championed the IFA sector and that is evident throughout all our business. We believe the IFA market is in rude health and we have been well rewarded for supporting and remaining loyal to the IFA community. Most of our competitors, as we know, are multi-channel and a quick visit to their websites shows that the IFA is just one of their routes to market. We have seen some interesting moves from market protagonists over the last 12 months as they try to get closer to the end client, effectively directly competing with the IFA as they attempt to vertically integrate. We watch this space with interest.

5. HOW WILL THE CURRENT MARKET VOLATILITY AND GENERAL GLOBAL ECONOMIC UNCERTAINTY AFFECT TATTON?
Firstly, I would say the Group has managed to navigate its way through the last three years and been able to make substantial progress against its strategic goals in what has been a challenging environment. In the current environment and as we look forward, we are comfortable that we have a very clear strategy and direction, a strong business model and, certainly with Tatton, we participate in a market that is growing strongly. In terms of the latter, with our competitive attributes of a strong track record, high value competitive pricing and best-in-class service with continued focus, we intend to take full advantage of that.

CHIEF INVESTMENT OFFICER'S REPORT

First 10 years builds foundation for the next

PROPOSITION DEVELOPMENT

The experience and understanding that we have developed as a team means that we recognise the importance of listening to our clients. By better understanding their needs, we have evolved our service to further embed Tatton into their operating models. To achieve this at ever greater scale, we have continued to invest in our proprietary adviser facing and platform connecting IT platform, the Tatton Portal, which is the operational engine room of our success, and a key differentiator in the market we serve.

With online client portfolio and valuation information for advisers (and Tatton), the portal embeds us operationally into IFAs' day to day business, offering a wide range of IFA tools. These include personalised investment proposals; E-signing; adviser dashboards; as well as a document resource library; factsheets; and white label and co-branded portal access.

Our Ethical (ESG) portfolios (launched in 2014) have continued to grow, but compared with previous years had a more challenging year, caused principally by the relative return headwinds of the energy and resource price shock. We believe, however, that consumer interest remains strong and our experience in the sector has been built up over many years, with a long-standing commitment to giving the clients of financial advisers genuine transparency in how their discretionary assets are allocated.

Tatton's investment process has been tested during both benign and volatile market environments, and we are proud of our portfolio performance consistency over the last 10 years. Ensuring investors understand how global events impact or benefit their investments is vital to keep them on track and committed towards their long-term investment goals. To achieve this aim, we have continued to deliver benchmark-setting, investment and market communications of highest relevance through video, webinar and the investment team's Tatton Weekly market update. Post COVID, we have also adopted a hybrid model of virtual and physical interaction with our clients, to best suit their needs and preferences.

2022/23 CAPITAL MARKETS AND RETURNS

Tatton's strength is based around the ability of its team to understand and anticipate market developments. In capital market terms (and by nearly any measure), the early 2020s have been a period of extraordinary challenge, making it even more remarkable that our performance has remained consistent throughout. This is testament to the fact that our investment team follows a clearly defined, robust and repeatable investment process that draws on its experience and expertise.

Inflation has dominated in terms of policy. Central banks, led by the US Federal Reserve, have aggressively tightened policy, seeking to ease inflation through monetary policy moves. These measures included dramatic increases in the short-term target interest rates and a substantial reduction in bond holdings.

In the UK, Truss' ill-advised fiscal policy boosted an uptrend in bond yields that had been well underway since the beginning of the year.

The return of inflation and increasing interest rates mark the end of the 40 year bond bull market, as bond prices and interest rates move in opposite directions in conventional bond securities. This is undoubtedly leading to valuation pressures as a result of higher yields, leading to a poor year for investors, despite the economy remaining in growth mode and showing resilience to the sharpest succession of interest rate hikes in a generation.

Higher rates also substantially alter the equity investment landscape. Much investor confidence will now depend not only on the outcome of the war in Ukraine and the strength of its ripples through the global economy, but also on the shape of the inflationary pressures it is experiencing and if transitory does indeed become systematic inflation. The war in Ukraine certainly exacerbates inflation, as well as accelerating the transition to a non-carbon fuel economy, if nothing else, now out of sheer necessity.

The impact of energy commodity price increases and the winter of cold homes and discontent did not lead to a recession in the UK and Europe, as predicted, pointing perhaps to a brighter environment ahead, but equity markets are in a challenging period, reflecting a transformation in the underlying economic environment. A combination of rising interest rates and a persistent surge in the inflation rate has created substantial headwinds for a wide swath of the investment markets, equities included, with significant "repricing" occurring in stock markets during 2022.

While the bond market suffered in 2022, so did the tech stock-heavy Nasdaq 100, an index with greater potential for high long-term returns. Present value calculations of future earnings for equities are tied to assumptions about interest rates and inflation. If investors anticipate higher rates in the future, it reduces the present value of future earnings for equities. When this occurs, prices tend to face more pressure. The hardest hit stocks have primarily been those with premium price-to-earnings ("P/E") multiples. These included secular growth and technology companies that enjoyed extremely strong performance since the pandemic began. Our decision to remain (in the main) underweight in these stocks and US equities more generally proved the right decision. Moving forward, we see more decoupling of the global economy and opportunities within Asian markets.

An additional factor that creates challenges for equity markets is higher debt costs (resulting from elevated interest rates), which can reduce corporate profits. Companies that have to roll over debt in today's market must pay more for that debt. That opens the door to the potential for reduced corporate earnings going forward. Lower earnings are typically reflected in lower equity prices.

It should be noted that a changing interest rate environment, while creating more headwinds for equities, does not mean there is not continued upside opportunity. The key is how well companies perform. One of the variables we are watching is whether inflation declines sufficiently so that equities valuations are still considered reasonable given the underlying environment. A return to lower inflation would generally benefit equities.

OUTLOOK

2023 is certainly tricky to forecast and valuation arguments are never the best guide to short-term stock market performance. However, valuations often guide how professional investors position over the shorter term between asset classes. Being underweight, equities seems to be a "crowded" trade, but the increasing likelihood of a steep downturn in the US economy, combined with valuations being at low levels, signals that now could be an attractive time to (tentatively) invest in bonds. Increasing yields and spreads have left many parts of the bond market far more favourably priced.

For 2023, we do see a transition from pain to gain. While we still see a bumpy road ahead, investors can lock in yields that have not been this high in years. More stability in interest rates and clarity on monetary policy should bring flows back into fixed income.

Our investment philosophy and process are deeply founded on a principle of portfolio stewardship. Stewardship, to us, means keeping portfolios aligned to the desired long-term investment objectives in the face of a constantly changing world. As such, we offer clients a broad range of investment risk exposure and investment strategies, always guarding against the unintended risks that can arise when making such investments.

Invariably, if you chase performance, you end up shooting yourself in the foot, and Tatton's approach has always been to remain calm in the face of volatility, adopting a level headed management of portfolios. Our performance highlighted in the table above bears testament to that.

The scalability of our model is maintained through our operational efficiency, our flexibility and the strength of our team in implementing our strategy. We have emerged from the global upheavals of recent years as a much bigger, better and more resilient business.

We are extremely proud of our achievements during the last 10 years, but our focus is resolutely fixed on the next 10 years, as we build on our strong foundations to continue to deliver for the clients of financial advisers whatever economic environment develops. We are perfectly placed to benefit from increased investor interest and involvement, and a desire to have the more "grown-up" investment approach that personal portfolios on platform can undoubtedly provide.

LOTHAR MENTEL
Chief Investment Officer

Q&A WITH LOTHAR MENTEL
CHIEF INVESTMENTOFFICER

1. AS WE REACH TATTON'S 10 YEAR ANNIVERSARY, WHICH ACHIEVEMENT ARE YOU MOST PROUD OF?

When we started, there were already several DFMs offering MPS and everyone thought there was no opportunity for growth. RDR forced independent financial advisers to change their approach. The commission-based business model was replaced with a need to offer true independent and effective discretionary wealth management advice at an affordable cost.

The offerings from traditional wealth managers were unwieldy and too expensive. But we created something different. We created a business designed to generate consistent risk rated returns for private investors while also benefiting the advice sector, this remains at the heart of our product and service development. We designed this around a low cost DFM fee of only 0.15%. Despite industry wide scepticism, we now have AUM of £12.7 billion and 0.15% is fast becoming the industry standard.

2. IS THERE A PARTICULAR ETHOS THAT HAS SHAPED YOUR BUSINESS DEVELOPMENT SINCE INCEPTION?

That of client service and communication. We have reformulated the whole process of giving UK retail investors access to returns and services which previously were only made available to HNWIs (High Net Worth Individuals) with private banking and wealth management access.

Where others have needed hundreds of employees and heavy operational costs, we have a team of just over 50 individuals and are providing more ongoing communications and information to advisers than many of our competitors. Our operational effectiveness is extraordinary, as is our client relationship management.

3. WHAT WOULD YOU LIKE TO SEE IN TERMS OF PROGRESSION IN THE INDUSTRY AND IN THE BUSINESS?

What excites me is to create investment solutions and services that continue to democratise retail access to discretionary portfolio management via platforms. We have already succeeded in taking what was only available to HNWIs, and making that available to a wider group of people. I would like that group to become even larger.

With the market forecast to grow at a rate of 25% per annum and reach up to £200 billion by the end of 2026, it would be great to help IFAs continue to succeed and take a larger slice of a growing market.

CHIEF FINANCIAL OFFICER'S REPORT

A RESILIENT FINANCIAL PERFORMANCE IN CHALLENGING CONDITIONS

OVERVIEW

Recent years have presented a number of challenges for businesses and unfortunately this year has been no different. The war in Ukraine, disrupted supply chains, increased costs and the highest inflation we have seen in a generation have all contributed to significant economic uncertainty and volatile markets. Our ability to adapt to these conditions is supported by a resilient business model which has been crucial for us to navigate these challenges and emerge stronger than ever. This year has seen the Group deliver its strongest financial performance to date, including double digit growth in revenue and adjusted operating profits[1], improving margins and record net inflows, all while maintaining a robust balance sheet and strong liquidity.

This year is the 10 year anniversary of the inception of Tatton Investment Management Limited and six years since Tatton Asset Management plc was publicly listed on AIM. Over this period, the Group has seen significant development, strong organic growth and three strategically aligned acquisitions which have resulted in investment-related income now accounting for 80.2% of our total Group revenue and 96.5% of adjusted operating profit[1], a trend that is anticipated to continue thanks to our focused strategy and current market trends.

Our revenue since listing on AIM, has achieved a compound annual growth rate of 18.2%, with adjusted operating profit[1] growing even more strongly, achieving a compound growth rate of 24.0%. Margins over the same period have increased by 12.7% in absolute terms, resulting in a Group margin this year of 50.7%.

REVENUE AND PROFITS

Revenue – Group reported revenue increased by 10.1% to £32.3m (2022: £29.4m). Tatton revenue increased by 11.1% to £25.9m (2022: £23.3m). While many asset managers have seen redemptions and outflows this year, AUM increased by 12.3% to reach £12.7bn (2022: £11.3bn) and while negative market performance impacted growth by £400m, record net new inflows in the year of £1,794m, or 15.8% of the opening AUM, more than compensated.

Our industry leading growth reflects the strength of the MPS market and the underlying trends that are driving MPS adoption by IFAs. As the leading MPS provider, our focused approach on this market and increased distribution footprint, as we add to the number of IFAs we work with, have enabled us to continue to take advantage of these trends. Complementing this organic growth, this year saw us make a strategic investment in another MPS provider, further expanding our reach into the MPS market. In August 2022, we acquired 50% of the share capital of 8AM Global Limited which contributes AUI of £1.136bn, and when combined with the Group AUM of £12.735bn results in a total AUM/AUI of £13.871bn.

Paradigm's revenue increased by 6.8% to £6.4m (2022: £6.0m). The number of mortgage member firms increased to 1,751 (2022: 1,674) and Paradigm Consulting member firms increased to 431 (2022: 421). Paradigm Consulting maintained its steady performance while Paradigm Mortgages delivered an impressive performance as completions reached a record level of £14.50bn (2022: £13.15bn), an increase of 10.3% on the prior year. There has been a significant degree of uncertainty in the mortgage market for most of this year, due to rising interest rates, consumer affordability concerns and the removal of a large number of products towards the end of the calendar year following the emergency budget in September 2022. Given this context, the strong performance demonstrates both the agility of the business and its firms, but also the robustness of the business model to continue to grow both the number of firms it works with and increase its market share. The business's other income streams, such as protection premia, continued to grow, further strengthening the division's overall performance.

Profit – The Group delivered adjusted operating profit[1] of £16.4m (2022: £14.5m), an increase of 12.9%. Adjusted operating profit margin[1] increased to 50.7% (2022: 49.5%). This increase in margin can be attributed to a combination of the Group's business model and operational gearing but also the fact that we have successfully navigated an inflationary cost environment while continuing to make cost investments to help drive and support future growth. In line with last year, and as a response to the inflationary environment, the Group has implemented an average 5% annual salary increase, materially ahead of historical levels (excludes Executive Directors[2]). While personnel costs remain at c.60% of the Group's total cost base, we do not anticipate that these increases will be margin dilutive.

1. Alternative performance measures are detailed in note 23.
2. Executive Directors' salaries remain unchanged

Tatton's adjusted operating profit[1] increased by 13.9% to £15.8m (2022: £13.9m) and its adjusted operating profit margin[1] increased to 61.1% (2022: 59.6%). Paradigm's adjusted operating profit[1] remained in line with the prior year at £2.4m, following re-investment in personnel costs to strengthen the team, bringing the margin more in line with historical performance but reducing the margin year on year to 37.6% (2022: 40.6%).

Group operating profit was £16.6m (2022: £11.6m), which includes the cost impact of separately disclosed items of -£0.2m (2022: £2.9m).

ACQUISITIONS

During the year, the Group acquired 50% of the share capital of 8AM Global Limited. The consideration payable is up to £7.3m, with £3.8m paid on completion through the issuing of shares in TAM plc. The remaining £3.5m is to be paid in two equal instalments, after year one and two following completion, dependent on the business hitting predetermined profitability targets.

On acquisition, the Group recognised goodwill of £5.1m and intangible assets of £2.1m, as well as an associated deferred tax liability of £0.5m and discounted contingent consideration of £2.9m. At the year end, the deferred contingent consideration liability recognised on completion was remeasured to fair value based on the anticipated profitability against the deferred payment profitability target.

It has been determined that the business is unlikely to meet the stretching deferred payment profitability targets, and so the deferred payment liability has been "fair valued" in line with the anticipated payment value. The difference being £1.9m, between the original deferred payment fair value on completion and the fair value at the year end, which has been taken through the profit and loss account and included as a separately disclosed item. The fair value of the deferred contingent consideration relating to the acquisition of the Verbatim funds in September 2021 has also been reduced by £0.7m.

SEPARATELY DISCLOSED ITEMS

Separately disclosed items totaling £0.208m include the cost of share-based payments of £1.511m, amortisation of acquisition-related intangible assets of £0.534m and £0.398m of acquisition-related fees, see note 6. These costs have been offset by a credit of £2.651m relating to the fair value adjustment of contingent consideration payments.

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 increased to 22.43p (2022: 15.92p). Adjusted earnings per share[1] increased by 9.3% to 21.72p (2022: 19.87p) and adjusted fully diluted earnings per share[1] increased by 10.7% to 20.61p (2022: 18.62p), full details are shown in note 9.

1. Alternative performance measures are detailed in note 23.

Statement of financial position and cash
The Group's balance sheet remains strong as net assets increased 34.6% to £41.8m (2022: £31.0m), with cash on the balance sheet contributing £26.5m (2022: £21.7m). Return on capital employed was 36.7% (2022: 43.0%). The Group has issued shares valued at £2.8m in relation to acquisitions and paid £7.7m in dividends during the year. Our financial resources are kept under continual review, incorporating comprehensive stress and scenario testing which is formally reviewed and agreed at least annually.

	Year ended 31 March 2023	Year ended 31 March 2022
Total Shareholder funds	**41,781**	31,044
Less: Foreseeable dividend	**(6,000)**	(5,100)
Less: Non-Qualifying assets	**(20,972)**	(14,225)
Total qualifying capital resources	**14,809**	11,719
Less capital requirement	**(4,400)**	(4,100)
Surplus Capital	**10,409**	7,619
% Capital resource requirement held	**337%**	286%

In January 2022, the Investment Firms Prudential Regime ("IFPR") came into effect focusing prudential requirements on the potential harm the firm can pose to consumers and markets, whilst introducing a basic liquidity requirement for all investment firms. Over the year, the Group has maintained a healthy surplus over our regulatory capital resource requirement and maintained very strong liquidity.

DIVIDENDS
The Board is recommending a final dividend of 10.0p. When added to the interim dividend of 4.5p, this gives a full year dividend of 14.5p (2022: 12.5p), an increase of 16.0% on the prior year. This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business and maintains our policy of paying a dividend approximately 70% of the adjusted earnings and split on a one third two third basis between the interim period and year end. If approved at the Annual General Meeting, the final dividend will be paid on 15 August 2023 to shareholders on the register on 7 July 2023.

RISK MANAGEMENT
Risk is managed closely and is spread across our businesses and managed to individual materiality. In our Annual Report and Accounts published on 13 June 2023, our key risks have been referenced primarily on pages 32 and 33 of the Annual Report. We choose key performance indicators that reflect our strategic priorities of investment, growth and profit, and these are detailed on pages 28 and 29. In addition, the Strategic Report found on pages 1 to 51 has been approved and authorised for issue by the Board of Directors and signed on their behalf on 12 June 2023 by:

PAUL EDWARDS
CHIEF FINANCIAL OFFICER

Consolidated Statement of Total Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2023

	Note	**31-Mar 2023 (£'000)**	31-Mar 2022 (£'000)
Revenue		**32,327**	29,356
Share of profit from joint venture		**160**	–
Administrative expenses		**(15,877)**	(17,726)
Operating profit		**16,610**	11,630
Share-based payment costs	6	**1,511**	2,399
Amortisation of acquisition-related intangibles	6	**534**	266
Gains arising on changes in fair value of contingent consideration		**(2,651)**	–
Exceptional items	6	**398**	231
Adjusted operating profit (before separately disclosed items)[1]		**16,402**	14,526
Unwinding of the discount rate on deferred consideration		**(228)**	–
Other finance costs		**(386)**	(355)
Finance costs	7	**(614)**	(355)
Profit before tax		**15,996**	11,275
Taxation charge	8	**(2,623)**	(2,033)
Profit attributable to shareholders		**13,373**	9,242

Earnings per share – Basic	9	**22.43p**	15.92p
Earnings per share – Diluted	9	**21.70p**	15.17p
Adjusted earnings per share – Basic[1]	9	**21.72p**	19.87p
Adjusted earnings per share – Fully Diluted[2]	9	**20.61p**	18.62p

1. Adjusted for exceptional items, amortisation on acquisition-related intangibles, changes in the fair value of contingent consideration and share-based payments and the tax thereon. See note 23.
2. Adjusted for exceptional items, amortisation on acquisition-related intangibles, unwinding of discount on deferred consideration, changes in the fair value of contingent consideration and share-based payments and the tax thereon. See note 23.

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 2023

	Note	**31-Mar 2023 (£'000)**	31-Mar 2022 (£'000)
Non-current assets			
Investments in joint ventures	11	**6,762**	–
Goodwill	12	**9,337**	9,337
Intangible assets	13	**3,615**	4,047
Property, plant and equipment	14	**454**	749
Deferred tax assets	17	**1,258**	841
Total non-current assets		**21,426**	14,974
Current assets			
Trade and other receivables	15	**3,782**	3,805
Financial assets at fair value through profit or loss	18	**123**	152
Corporation tax		**121**	706
Cash and cash equivalents		**26,494**	21,710
Total current assets		**30,520**	26,373
Total assets		**51,946**	41,347
Current liabilities			
Trade and other payables	16	**(7,911)**	(7,556)
Total current liabilities		**(7,911)**	(7,556)
Non-current liabilities			
Other payables	16	**(2,254)**	(2,747)
Total non-current liabilities		**(2,254)**	(2,747)
Total liabilities		**(10,165)**	(10,303)
Net assets		**41,781**	31,044
Equity attributable to equity holders of the Company			
Share capital	19	**12,011**	11,783
Share premium account		**15,259**	11,632
Own shares	20	**–**	–
Other reserve		**2,041**	2,041
Merger reserve		**(28,968)**	(28,968)
Joint venture reserve		**(21)**	–
Retained earnings		**41,459**	34,556
Total equity		**41,781**	31,044

The financial statements were approved by the Board of Directors on 12 June 2023 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 2023

	Note	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Joint venture reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2021		11,578	11,534	(1,969)	2,041	(28,968)	–	30,230	24,446
Profit and total comprehensive income		–	–	–	–	–	–	9,242	9,242
Dividends	9	–	–	–	–	–	–	(6,641)	(6,641)
Share-based payments		–	–	–	–	–	–	2,679	2,679
Deferred tax on share-based payments		–	–	–	–	–	–	157	157
Current tax on share-based payments		–	–	–	–	–	–	1,051	1,051
Issue of share capital on exercise of employee share options		205	98	–	–	–	–	–	303
Own shares acquired in the year	20	–	–	(193)	–	–	–	–	(193)
Own shares utilised on exercise of options	20	–	–	2,162	–	–	–	(2,162)	–
At 31 March 2022		**11,783**	**11,632**	**–**	**2,041**	**(28,968)**	**–**	**34,556**	**31,044**
Profit and total comprehensive income		**–**	**–**	**–**	**–**	**–**	**39**	**13,334**	**13,373**
Dividends	9	**–**	**–**	**–**	**–**	**–**	**–**	**(7,714)**	**(7,714)**
Share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**1,307**	**1,307**
Deferred tax on share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**18**	**18**
Current tax on share-based payments		**–**	**–**	**–**	**–**	**–**	**–**	**(102)**	**(102)**
Issue of share capital on exercise of employee share options		**52**	**117**	**–**	**–**	**–**	**–**	**–**	**169**
Own shares acquired in the year	20	**–**	**–**	**(28)**	**–**	**–**	**–**	**–**	**(28)**
Own shares utilised on exercise of options	20	**–**	**–**	**28**	**–**	**–**	**–**	**–**	**28**
Issue of share capital on acquisition of a joint venture		**176**	**3,510**	**–**	**–**	**–**	**–**	**–**	**3,686**
Dividends received from joint venture		**–**	**–**	**–**	**–**	**–**	**(60)**	**60**	**–**
At 31 March 2023		**12,011**	**15,259**	**–**	**2,041**	**(28,968)**	**(21)**	**41,459**	**41,781**

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 was recognised as a component of equity being the merger reserve. Both the other reserve and the merger reserve are non-distributable. The joint venture reserve represents the Group's share of post-tax profits yet to be received (for example, in the form of dividends or distributions), less amortisation of related intangible assets.

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 31 MARCH 2023

	Note	**31-Mar 2023 (£'000)**	31-Mar 2022 (£'000)
Operating activities			
Profit for the year		**13,373**	9,242
Adjustments:			
Income tax expense		**2,623**	2,033
Finance costs	7	**614**	355
Depreciation of property, plant and equipment	14	**384**	377
Amortisation of intangible assets	13	**661**	536
Share-based payment expense	21	**1,420**	1,492
Post tax share of profits of joint venture less amortisation of related intangible assets	11	**(39)**	–
Changes in fair value of contingent consideration	6	**(2,651)**	–
Changes in:			
Trade and other receivables		**(146)**	309
Trade and other payables		**(449)**	907
Exceptional items	6	**398**	231
Cash generated from operations before exceptional items		**16,188**	15,482
Cash generated from operations		**15,790**	15,251
Income tax paid		**(2,559)**	(1,612)
Net cash from operating activities		**13,231**	13,639
Investing activities			
Payment for the acquisition of a business combination and joint venture, net of cash acquired		**(152)**	(2,825)
Purchase of intangible assets		**(229)**	(211)
Purchase of property, plant and equipment		**(89)**	(74)
Net cash used in investing activities		**(470)**	(3,110)
Financing activities			
Interest paid		**(186)**	(144)
Dividends paid	9	**(7,714)**	(6,641)
Dividends received from joint venture		**60**	–
Proceeds from the issue of shares		**132**	111
Purchase of own shares	20	**–**	–
Proceeds from the exercise of options		**–**	1,230
Repayment of lease liabilities		**(269)**	(309)
Net cash used in financing activities		**(7,977)**	(5,753)
Net increase in cash and cash equivalents		**4,784**	4,776
Cash and cash equivalents at beginning of period		**21,710**	16,934
Net cash and cash equivalents at end of period		**26,494**	21,710

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 multi-manager 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. The Group's forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current resources. 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 and joint ventures as at 31 March 2023. 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. In the case of joint ventures, those entities are presented as a single line item in the Consolidated Statement of Total Comprehensive Income and Consolidated Statement of Financial Position.

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

IFRS 10 "Consolidated Financial Statements" IAS 28 "Investments in Associates and Joint Ventures", IAS 1 "Presentation of Financial Statements", IFRS 3 "Business Combinations", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 16 "Property, Plant and Equipment", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

The Directors adopted the new or revised Standards listed above but they have had no 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", IAS 1 "Presentation of Financial Standards", IAS 12 "Income Taxes", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Effective date 1 January 2024

IFRS 16 "Leases", IAS 1 "Presentation of the Financial Statements".

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 unwinding of discounts on deferred consideration liabilities, 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.

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 three 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 client relationship intangible assets and brand 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 for both asset classes at 10 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 2023 and as a result of the review, it was determined that none of the assets are impaired (2022: 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 Joint ventures

Joint ventures are entities in which the Company has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. The Company initially records the investment at the fair value of the purchase consideration. The Company's income statement reflects its share of the entity's profit or loss after tax and amortisation of intangible assets.

The Statement of Financial Position subsequently records the Company's share of the net assets of the entity plus any goodwill and intangible assets that arose on purchase less subsequent amortisation. The Statement of Changes in Equity records the Company's share of other equity movements of the entity. At each reporting date, the Company applies judgement to determine whether there is any indication that the carrying value of joint ventures may be impaired.

The joint ventures reserve in the Statement of Changes in Equity represents the Company's share of profits in its investments yet to be received (for example, in the form of dividends or distributions), less any amortisation of intangible assets. Certain associates are held within financial assets at fair value through profit or loss where permitted by the accounting standards (see note 11). Information about the Company's principal associates measured at fair value is disclosed within this note.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Climate change
The Group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements. The impact of climate change has been considered in the preparation of these financial statements; however, as the Group does not hold significant levels of property, plant and equipment and does not own its own land and buildings, there is currently no material impact of climate change on the results or values of assets and liabilities recognised and presented in these financial statements.

2.23 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.

2.24 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.

CLIENT RELATIONSHIP AND BRAND INTANGIBLES
Estimation uncertainty
Impairment of client relationship and brand intangibles
Impairment exists when the carrying value of an asset or cash-generating unit 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 cash generating potential of brand and customer relationships is determined using a discounted cash flow model which assesses sensitivity to operating

margins, discount rates and AUM growth rates, as detailed in note 12. The results of the calculation indicate that client relationship and brand intangibles are not impaired.

BUSINESS COMBINATIONS

Critical judgement

Client relationship and brand intangibles purchased through corporate transactions

When the Group purchases client relationships and brands through transactions with other corporate entities, a judgement is made as to whether the transaction should be accounted for as a business combination or as a separate purchase of intangible assets. In making this judgement, the Group assesses the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business combination in IFRS 3. In particular, consideration is given to the scale of the operations subject to the transaction and whether ownership of a corporate entity has been acquired, among other factors.

TREATMENT AND FAIR VALUE OF CONSIDERATION TRANSFERRED

Critical judgement and estimation uncertainty

On 15 August 2022 the Group acquired 50% of the issued share capital 8AM Global Limited ("8AM") which has been treated by Tatton as a joint venture and, as such, the equity accounting method has been used to recognise this investment. This has resulted in the recognition of a single line on the balance sheet for the investment at fair value cost which will change with the ongoing impact on the income statement as a result of the share of profits and intangible assets.

A fair value exercise was undertaken to determine the allocate the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the asset and liabilities is based, to a considerable extent, on management's judgement. The amount of goodwill initially recognised is dependent on the allocation of this purchase price to the identifiable assets and liabilities, with any unallocated portion being recorded as goodwill. The total value of these assets has been recognised in one line on the face of the balance sheet.

The valuation of customer relationships included estimates on AUM growth or attrition rates which were based on whether advisor firms had a pre-existing relationship with the Group, management judgment around the use of discount rates and estimates of the future profitability of 8AM Global Limited. The valuation of brand included estimates of the future profitability of 8AM Global Limited and brand royalty rates.

At 31 March 2023, there remained two elements of deferred consideration unvested and subject to ongoing vesting conditions. The value of earn-out consideration is variable, dependent on performance by the business against certain operational targets at the second and third anniversaries of completion. The estimated discounted value of earn-out consideration that will be payable at these dates is £1,063,000.

The total payable is dependent on meeting certain operating profit targets. Management have estimated the likelihood of certain levels of operating profit being achieved which are based on projections of the levels of AUM, revenue and operating cost. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the estimates used could require a material adjustment to the carrying amount of the liability.

On 14 September 2021, the Group acquired the Verbatim funds business ("Verbatim") and the Group accounted for the transaction as a business combination. Business combinations and acquisitions require a fair value exercise to be undertaken to allocate the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the asset and liabilities is based, to a considerable extent, on management's judgement. The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of this purchase price to the identifiable assets and liabilities, with any unallocated portion being recorded as goodwill. The purchase price payable for the acquisition is split into a number of different parts. The payment of certain elements has been deferred.

At 31 March 2023, there remained three elements 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 at the second, third and fourth anniversaries of completion. The estimated discounted value of earn-out consideration that will be payable at these dates is £1,927,000, based on projections of the level of funds under management over that period.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the estimates used could require a material adjustment to the carrying amount of the liability.

Under the terms of the agreements, the maximum possible payment under the remaining earn-out is capped at £3,000,000, which represents qualifying funds under management of at least £650 million at each anniversary date, subject to certain conditions.

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 £66,000. In considering the level of satisfaction of performance obligations, the Group's forecast has been reviewed and updated for the expected impact of the 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.

2.25 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 23 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 FCA's Investment Firms Prudential Regime which became effective on 1 January 2022 and the Capital Requirements Directive IV prescribed in the UK by the FCA. The Directive requires continual assessment of the Group's risks which is underpinned by the Group's Internal capital adequacy and risk assessment ("ICARA"). The ICARA considers the relevant current and future risks to the business and the capital considered necessary to support these risks. The Group actively monitors its capital base to ensure it maintains sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and individual regulated entity regulatory and liquidity requirements.

The FCA requires the Group to hold more regulatory capital resources than the total capital resource requirement. The total capital requirement for the Group is the higher of the Group's Own Funds Requirement, its Own Harm requirement and Wind-down requirement. The total capital requirement for the Group is £4.40 million. As at 31 March 2023, the Group has regulatory capital resources of £14.81 million, significantly in excess of the Group's total capital requirement. During the period, the Group and its regulated subsidiary entities complied with all regulatory capital requirements.

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. Centrally incurred overhead costs are allocated to the Tatton and Paradigm divisions on an appropriate pro rata basis.

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 2023	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	**25,929**	**6,404**	**(6)**	**32,327**

Share of post tax profit from joint ventures	**160**	**–**	**–**	**160**
Administrative expenses	**(8,540)**	**(3,999)**	**(3,338)**	**(15,877)**
Operating profit/(loss)	**17,549**	**2,405**	**(3,344)**	**16,610**
Share-based payments	**–**	**–**	**1,511**	**1,511**
Exceptional charges	**398**	**–**	**–**	**398**
Gain arising on changes in fair value of contingent consideration	**(2,651)**	**–**	**–**	**(2,651)**
Amortisation of acquisition-related intangible assets	**534**	**–**	**–**	**534**
Adjusted operating profit/(loss) (before separately disclosed items)[1]	**15,830**	**2,405**	**(1,833)**	**16,402**
Finance costs	**(182)**	**–**	**(432)**	**(614)**
Profit/(loss) before tax	**17,367**	**2,405**	**(3,776)**	**15,996**

Year ended 31 March 2022	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	23,345	5,995	16	29,356
Administrative expenses	(9,939)	(3,561)	(4,226)	(17,726)
Operating profit/(loss)	13,406	2,434	(4,210)	11,630
Share-based payments	–	–	2,399	2,399
Exceptional items	231	–	–	231
Amortisation of acquisition-related intangible assets	266	–	–	266
Adjusted operating profit/(loss) (before separately disclosed items)[1]	13,903	2,434	(1,811)	14,526
Finance costs	(18)	–	(337)	(355)
Profit/(loss) before tax	13,388	2,434	(4,547)	11,275

All turnover arose in the United Kingdom.

1. Alternative performance measures are detailed in note 23.

5 OPERATING PROFIT

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

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Amortisation of software	**247**	270
Depreciation of property, plant and equipment	**168**	168
Depreciation of right-of-use assets	**216**	209
Loss arising on financial assets designated as FVTPL	**28**	11
Separately disclosed items (note 6)	**(208)**	2,896
Services provided by the Group's auditor:		
Audit of the statutory consolidated and Company financial statements of:		
Tatton Asset Management plc	**121**	72
Audit of subsidiaries	**66**	70
Other fees payable to auditor:		
Non-audit services	**8**	21

Total audit fees were £187,000 (2022: £142,000). Total non-audit fees payable to the auditor were £8,000 (2022: £21,000).

6 SEPARATELY DISCLOSED ITEMS

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Acquisition-related expenses	**398**	231
Total exceptional costs	**398**	231
Gain arising on changes in fair value of contingent consideration	**(2,651)**	–
Share-based payment charges	**1,511**	2,399
Amortisation of intangible assets relating to joint ventures	**121**	–
Amortisation of acquisition-related intangible assets	**413**	266
Total separately disclosed items	**(208)**	2,896

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 acquired 50% of the share capital of 8AM Global Limited. The Group incurred professional fees of £229,000 during the process, which have been treated as exceptional items. The Group has also incurred other one-off costs of £169,000 during the period including costs in relation to the prior year acquisition of the Verbatim funds.

Acquisition-related expenses in the prior year relate to professional fees incurred as a result of the acquisition of the Verbatim funds in September 2021. The Group incurred professional fees of £231,000 during the process, which have been treated as exceptional items.

During the period, the Group revalued its financial liability at fair value through profit or loss relating to the deferred consideration on the acquisition of the Verbatim funds and 8AM Global Limited. This has resulted in a credit from the change in fair value of £2,651,000 being recognised in the year.

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.

Amortisation of acquisition-related intangible assets
Payments made for the introduction of client relationships and brands 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 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.

7 FINANCE COSTS

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Bank interest income	**6**	–
Unwinding of the discount on deferred consideration	**(228)**	–

Interest expense on lease liabilities	**(14)**	(23)
Interest payable in servicing of banking facilities	**(378)**	(332)
	(614)	(355)

8 TAXATION

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Current tax expense		
Current tax on profits for the period	**3,159**	2,010
Adjustment for under/(over) provision in prior periods	**14**	(52)
	3,173	1,958
Deferred tax expense		
Current year (credit)/charge	**(371)**	261
Adjustment in respect of previous years	**(56)**	(30)
Effect of changes in tax rates	**(123)**	(156)
Total tax expense	**2,623**	2,033

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 2023 (£'000)	31-Mar 2022 (£'000)
Profit before taxation	**15,996**	11,275
Tax at UK corporation tax rate of 19% (2022: 19%)	**3,039**	2,142
Expenses not deductible for tax purposes	**93**	45
Income not taxable	**(533)**	1
Adjustments in respect of previous years	**(41)**	(82)
Effect of changes in tax rates	**(122)**	(94)
Capital allowances in excess of depreciation	**3**	1
Share-based payments	**184**	20
Total tax expense	**2,623**	2,033

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset in both the current and prior year was calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

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 2023	31-Mar 2022
Basic		
Weighted average number of shares in issue	**59,608,203**	58,424,150
Effect of own shares held by an EBT	**–**	(373,774)
	59,608,203	58,050,376
Diluted		
Effect of weighted average number of options outstanding for the year	**2,006,603**	2,875,504

Weighted average number of shares (diluted)[1]	**61,614,806**	60,925,880
Adjusted diluted		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	**1,192,528**	1,042,011
Adjusted diluted weighted average number of options and shares for the year[2]	**62,807,334**	61,967,891

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 2023, the EBT purchased 139,500 (2022: 966,546) of the Company's own shares. The shares held by the EBT were fully used during the year to satisfy the exercise of employee share options.

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	**13,373**	9,242
Share-based payments – IFRS 2 option charges	**1,511**	2,399
Amortisation of acquisition-related intangible assets	**534**	266
Exceptional costs – see note 6	**398**	231
Gain arising on changes in fair value of contingent consideration	**(2,651)**	–
Unwinding of discount on deferred consideration – see note 6	**228**	–
Tax impact of adjustments	**(447)**	(602)
Adjusted basic and diluted profits for the period and attributable earnings	**12,946**	11,536
Earnings per share (pence) – Basic	**22.43**	15.92
Earnings per share (pence) – Diluted	**21.70**	15.17
Adjusted earnings per share (pence) – Basic	**21.72**	19.87
Adjusted earnings per share (pence) – Fully Diluted	**20.61**	18.62

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 2022 of £4,810,000, representing a payment of 8.5p per share. In addition, the Company paid an interim dividend of £2,904,000 (2022: £2,357,000) to its equity shareholders. This represents a payment of 4.5p per share (2022: 4.0p per share).

The Company's dividend policy is described in the Directors' Report on page 64 of the 2023 Annual Report. At 31 March 2023, the Company's distributable reserves were £39.6 million (2022: £32.8 million).

10 STAFF COSTS

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

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Wages, salaries and bonuses	**6,790**	5,676
Social security costs	**872**	671
Pension costs	**283**	250
Share-based payments	**835**	956
	8,780	7,553

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

	31-Mar 2023	31-Mar 2022
Administration	**94**	86
Key management	**3**	3
	97	89

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 2023 (£'000)	31-Mar 2022 (£'000)
Short-term employee benefits	**1,164**	1,758
Post-employment benefits	**4**	4
Share-based payments	**676**	1,460
	1,844	3,222

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

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Total fees	**270**	270

The Group incurred social security costs of £195,000 (2022: £277,000) on the remuneration of the Directors and Non-Executive Directors.

The remuneration of the highest paid Director was:

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Total	**424**	644

The highest paid Director exercised nil share options in the period (2022: 553,078). There were 30,000 share options granted to the highest paid Director in the year (2022: 25,000).

11 INVESTMENTS IN JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

	(£'000)

At 1 April 2022	**–**
Additions	**6,765**
Profit for the year after tax	**160**
Amortisation of intangible assets relating to joint ventures	**(121)**
Deferred tax credit on amortisation of intangible assets relating to joint ventures	**18**
Distributions of profit	**(60)**
At 31 March 2023	**6,762**

NAME OF JOINT VENTURE	NATURE OF BUSINESS	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARE	PERCENTAGE OWNED BY THE GROUP
8AM Global Limited	Investment Management	United Kingdom	Ordinary Shares	50.0%

	31-Mar 2023 ('000)	31-Mar 2022 ('000)
Non-current assets	**35**	–
Current assets	**934**	–
Non-current liabilities	**–**	–
Current liabilities	**(502)**	–
Total equity	**467**	–
Group's share of net assets	**224**	–
Goodwill and intangible assets	**7,009**	–
Deferred tax liability	**(471)**	–
Carrying value held by the Group	**6,762**	–
Profit for the year	**320**	–
Group's share of profit for the year before amortisation	**160**	–
Amortisation	**(121)**	–
Group's share of profit for the year	**39**	–

8AM Global Limited has a reporting date of 30 June. The net asset position shown in the table above is as at 31 March to align with the Group's own reporting.

12 GOODWILL

	Goodwill (£'000)
Cost and carrying value at 31 March 2022 and 31 March 2023	9,337

The carrying value of goodwill includes £9.0 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, £1.4 million of goodwill generated on the acquisition of Sinfonia and £3.1 million of goodwill generated on the acquisition of the Verbatim funds. 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. Goodwill relating to 8AM Global Limited is shown within the Investments in Joint Ventures (see note 11).

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 2023 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 2024, 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. A terminal growth rate has been applied to year five cash flows.

Discount rates
The pre-tax discount rate used to calculate value is 11.2% (2022: 11.5%). 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 and its industry.

The headroom compared to the carrying value of goodwill as at 31 March 2023 is £390 million (2022: £380 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.

13 INTANGIBLE ASSETS

	Computer software (£'000)	Client relationships (£'000)	Brand (£'000)	Total (£'000)
Cost				
Balance at 31 March 2021	819	1,196	–	2,015
Additions	211	–	–	211
Acquired as part of a business combination	–	2,838	98	2,936
Disposals	(24)	–	–	(24)
Balance at 31 March 2022	1,006	4,034	98	5,138
Additions	229	–	–	229
Balance at 31 March 2023	**1,235**	**4,034**	**98**	**5,367**
Accumulated amortisation and impairment				

Balance at 31 March 2021	(399)	(180)	–	(579)
Charge for the period	(270)	(261)	(5)	(536)
Disposals	24	–	–	24
Balance at 31 March 2022	(645)	(441)	(5)	(1,091)
Charge for the period	(247)	(404)	(10)	(661)
Balance at 31 March 2023	**(892)**	**(845)**	**(15)**	**(1,752)**
Net book value				
As at 31 March 2021	420	1,016	–	1,436
As at 31 March 2022	361	3,593	93	4,047
As at 31 March 2023	**343**	**3,189**	**83**	**3,615**

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

14 PROPERTY, PLANT AND EQUIPMENT

	Computer, office equipment and motor vehicles (£'000)	Fixtures and fittings (£'000)	Right-of-use assets – buildings and motor vehicles (£'000)	Total (£'000)
Cost				
Balance at 31 March 2021	432	477	931	1,840
Additions	74	–	60	134
Disposals	(161)	–	–	(161)
Balance at 31 March 2022	345	477	991	1,813
Additions	86	3	–	89
Disposals	(77)	–	–	(77)
Balance at 31 March 2023	**354**	**480**	**991**	**1,825**
Accumulated depreciation and impairment				
Balance at 31 March 2021	(327)	(207)	(314)	(848)
Charge for the period	(73)	(95)	(209)	(377)
Disposals	161	–	–	161
Balance at 31 March 2022	(239)	(302)	(523)	(1,064)
Charge for the period	(72)	(96)	(216)	(384)
Disposals	77	–	–	77
Balance at 31 March 2023	**(234)**	**(398)**	**(739)**	**(1,371)**
Net book value				
As at 31 March 2021	105	270	617	992
As at 31 March 2022	106	175	468	749
As at 31 March 2023	**120**	**82**	**252**	**454**

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

The Group leases buildings, motor vehicles 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.

Right-of-use assets

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Amounts recognised in profit and loss		
Depreciation on right-of-use assets	**(216)**	(209)
Interest expense on lease liabilities	**(14)**	(23)
Expense relating to short-term leases	**(59)**	(30)
Expense relating to low value assets	**–**	–
	(289)	(262)

At 31 March 2023, the Group is committed to £80,000 for short-term leases (2021: £62,000).

The total cash outflow for leases amounts to £339,000 (2022: £339,000).

15 TRADE AND OTHER RECEIVABLES

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Trade receivables	**278**	329
Prepayments and accrued income	**3,457**	3,442
Other receivables	**47**	34
	3,782	3,805

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 (2022: £nil).

The amounts due from related parties are net of provisions. At 31 March 2023, the Group holds no provisions (2022: £1,311,000 against the recoverability of amounts due from Jargonfree Benefits LLP).

Trade receivable amounts are all held in sterling.

16 TRADE AND OTHER PAYABLES

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Trade payables	**397**	855
Amounts due to related parties	**234**	235
Accruals	**3,301**	3,468
Deferred income	**138**	98
Contingent consideration	**2,989**	2,486
Other payables	**3,106**	3,161
	10,165	10,303
Less non-current portion:		
Contingent consideration	**(2,209)**	(2,486)
Other payables	**(45)**	(261)

Total non-current trade and other payables	**(2,254)**	(2,747)
Total current trade and other payables	**7,911**	7,556

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.

17 DEFERRED TAXATION

	Deferred capital allowances (£'000)	Share-based payments (£'000)	Acquisition intangibles (£'000)	Total (£'000)
Asset/(liability) at 31 March 2021	(101)	1,714	(193)	1,420
Recognised as part of a business combination	–	–	(708)	(708)
Income statement (charge)/credit	38	(70)	5	(27)
Equity credit	–	156	–	156
Asset/(liability) at 31 March 2022	(63)	1,800	(896)	841
Income statement credit/(charge)	49	251	99	399
Equity credit	–	18	–	18
Asset/(liability) at 31 March 2023	(14)	2,069	(797)	1,258

18 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.

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 2023 (£'000)	31-Mar 2022 (£'000)

Financial investments in regulated funds or model portfolios	**123**	152

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 2021	–
Recognition of contingent consideration as part of a business combination	2,486
Balance at 31 March 2022	**2,486**
Recognition of contingent consideration as part of a business combination	2,926
Unwinding of discount rate	228
Changes in fair value of contingent consideration	(2,651)
Balance at 31 March 2023	**2,989**

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 £26,494,000 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 2023, total borrowings were £nil (2022: £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 creditworthiness 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 2023 (£'000)**	31-Mar 2022 (£'000)
Cash and cash equivalents	**26,494**	21,710
Trade and other receivables	**2,938**	3,016
	29,432	24,726

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 2023 (£'000)	31-Mar 2022 (£'000)
Not more than 3 months	**233**	267
More than 3 months but not more than 6 months	**30**	5
More than 6 months but not more than 1 year	**6**	27
More than 1 year	**8**	5
Total	**277**	304

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 2023, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		**Non-current**	
At 31 March 2023	**Within 6 months (£'000)**	**6 to 12 months (£'000)**	**1 to 5 years (£'000)**	**Later than 5 years (£'000)**
Trade and other payables	**6,775**	**–**	**–**	**–**
Lease liabilities	**134**	**88**	**46**	**–**
Contingent consideration	**807**	**–**	**2,527**	**–**
Total	**7,716**	**88**	**2,573**	**–**

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

At 31 March 2022	Current Within 6 months (£'000)	Current 6 to 12 months (£'000)	Non-current 1 to 5 years (£'000)	Non-current Later than 5 years (£'000)
Trade and other payables	7,203	–	–	–
Lease liabilities	135	135	269	–
Contingent consideration	–	–	2,856	–
Total	7,338	135	3,125	–

The above amounts reflect the contractual undiscounted cash flows, which may differ from 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 £6,000 higher/lower due to changes in the fair value of financial assets at fair value through profit or loss.

19 SHARE CAPITAL

	Number
Authorised, called-up and fully paid £0.20 ordinary shares	
At 1 April 2022	58,914,887
Issue of share capital on exercise of employee share options	263,098
Issue of share capital on purchase of a joint venture	877,737
At 31 March 2023	**60,055,722**

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

20 OWN SHARES

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 April 2022	–	–
Acquired in the year	139,500	28
Utilised on exercise of employee share options	(139,500)	(28)
At 31 March 2023	–	–

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 21). Following the exercise of employee share options during the year, there are no shares held in the EBT at 31 March 2023 (2022: nil).

21 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 21.1 Current schemes, below.

21.1 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 nil (2022: 650,933) options exercised during the period from this scheme.

The scheme was extended on 8 August 2018, with 1,720,138 zero cost options granted. This scheme vested in August 2021 and 50,000 options were exercised in the period (2022: 1,090,770). The scheme was extended again on 1 August 2019, 28 July 2020, 15 July 2021 and 25 July 2022, with 193,000, 1,000,000, 279,858 and 274,268 zero cost options granted in each respective year. These options are exercisable on the third anniversary of the grant date.

The options granted in 2019 vested and became exercisable in August 2022. There have been 139,500 options exercised during the period from this scheme.

A total of 2,804,439 options remain outstanding at 31 March 2023, 1,256,668 of which are currently exercisable. 6,355 options were forfeited in the period (2022: 30,000).

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 2021	4,386,070	0.66
Granted during the period	279,858	–
Exercised during the period	(1,741,703)	0.71
Forfeited during the period	(30,000)	–
Lapsed during the period	(168,199)	–
Outstanding at 31 March 2022	2,726,026	0.60
Exercisable at 31 March 2022	1,294,668	1.27
Outstanding at 1 April 2022	2,726,026	0.60
Granted during the period	274,268	–
Exercised during the period	(189,500)	–
Forfeited during the period	(6,355)	–
Lapsed during the period	–	–
Outstanding at 31 March 2023	**2,804,439**	**0.59**
Exercisable at 31 March 2023	**1,256,668**	**1.31**

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

On 7 July 2017, 5 July 2018, 3 July 2019, 6 July 2020, 2 August 2021 and 4 August 2022, 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.

The 2019 TAM Sharesave scheme vested in August 2022 and 73,599 share options became exercisable. Over the life of the 2020 TAM Sharesave scheme, it is estimated that, based on current savings rates, 109,504 share options will be exercisable at an exercise price of £2.29. Over the life of the 2021 TAM Sharesave scheme, it is estimated that, based on current savings rates, 40,880 share options will be exercisable at an exercise price of £3.60. Over the life of the 2022 TAM Sharesave scheme, it is estimated that, based on current savings rates, 55,147 share options will be exercisable at an exercise price of £3.26. During the period, 73,599 options have been exercised.

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 21.2 and 21.3 below respectively.

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2021	101,849	1.81
Granted during the period	77,868	2.28
Exercised during the period	(5,924)	2.22
Forfeited during the period	(59,276)	1.86
Outstanding at 31 March 2022	114,517	2.14
Exercisable at 31 March 2022	–	–
Outstanding at 1 April 2022	114,517	2.14
Granted during the period	60,538	2.53
Forfeited during the period	(6,361)	2.66
Exercised during the period	(73,599)	1.79
Outstanding at 31 March 2023	**95,095**	**2.57**
Exercisable at 31 March 2023	**–**	**–**

21.2 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			
	2022	2021	2020	2019	**2022**	2021	2020	2019
Share price at grant (£)	**4.03**	4.60	2.84	2.12	**4.25**	4.80	2.85	2.14
Exercise price (£)	**–**	–	–	–	**3.26**	3.60	2.29	1.79
Expected volatility (%)	**34.05**	33.76	34.80	30.44	**34.05**	33.76	34.80	30.44
Expected life (years)	**3.00**	3.00	3.00	3.00	**3.00**	3.00	3.00	3.00
Risk free rate (%)	**1.71**	0.24	(0.06)	0.35	**1.71**	0.12	(0.06)	0.35
Expected dividend yield (%)	**3.11**	2.39	3.38	3.96	**3.11**	2.39	3.38	3.96

21.3 IFRS 2 share-based option costs

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
TAM EMI scheme	1,446	2,347
TAM Sharesave scheme	65	52
	1,511	2,399

The Consolidated Statement of Cash Flows shows an adjustment to Net cash from operating activities relating to share based payments of £1,420,000. This is a charge in the year of £1,511,000 adjusted for cash paid relating to national insurance contributions on the exercise of share options of £91,000

22 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
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.

Related party balances

		2023		2022	
	Terms and conditions	**Value of income/ (cost) (£'000)**	**Balance receivable/ (payable) (£'000)**	Value of income/ (cost) (£'000)	Balance receivable/ (payable) (£'000)
Paradigm Investment Management LLP	Repayment on demand	**–**	**(234)**	–	(235)
Suffolk Life Pensions Limited	Payable in advance	**(61)**	**–**	(60)	–
Hermitage Holdings (Wilmslow) Limited	Repayment on demand	**(12)**	**1**	(13)	–

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.

23 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, changes in the fair value of contingent consideration and amortisation of acquisition-related 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 2.25.

Adjusted profit before tax before separately disclosed items	Profit before tax	Exceptional items, share-based payments, changes in the fair value of contingent consideration and amortisation of acquisition-related 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 2.25.
Adjusted earnings per share – Basic	Earnings per share – Basic	Exceptional items, share-based payments, changes in the fair value of contingent consideration and amortisation of acquisition-related 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 2.25
Adjusted earnings per share – Diluted	Earnings per share – Diluted	Exceptional items, share-based payments and amortisation of acquisition-related intangibles, changes in the fair value of contingent consideration, undwinding of discounts on deferred consideration 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 2.25.
Net cash generated from operations before separately disclosed items	Net cash generated from operations	Exceptional items, share-based payments, changes in the fair value of contingent consideration and amortisation of acquisition-related intangibles. See note 6.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.25.

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.
Tatton – assets under influence ("AUI")	None	Not applicable	AUI is representative of the customer assets which are not directly managed by Tatton but over which we hold significant influence due to our shareholding in the company in which they are managed, and is a measure of the value of the customer base. Movements in this base are an indication of our participation in the joint venture and its growth in order to generate Tatton's share of profits going forward.
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.
Dividend yield	None	Not applicable	Dividend yield represents the percentage of the Company's share price at the financial year end paid out as dividends for the relevant financial year.
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.

24 Post Balance Sheet Events

There have been no post balance sheet events.

25 Capital Commitments

At 31 March 2023, the Directors confirmed there were no capital commitments (2022: none) for capital improvements.

26 CONTINGENT LIABILITIES

At 31 March 2023, the Directors confirmed there were no contingent liabilities (2022: none).

Company Statement of Financial Position

AS AT 31 MARCH 2023

	Note	**31-Mar 2023 (£'000)**	31-Mar 2022 (£'000)
Non-current assets			
Investments in subsidiaries	6	**77,216**	77,216
Investments in joint ventures	5	**6,762**	–
Property, plant and equipment		**14**	11
Total non-current assets		**83,992**	77,227
Current assets			
Trade and other receivables	12	**11,158**	12,214
Cash and cash equivalents	13	**12,293**	10,204
Total current assets		**23,451**	22,418
Total assets		**107,443**	99,645
Current liabilities			
Trade and other payables	14	**(2,857)**	(2,461)
Total current liabilities		**(2,857)**	(2,461)
Non-current liabilities			
Contingent consideration	14	**(962)**	–
Deferred tax liability	16	**(3)**	(2)
Total non-current liabilities		**(965)**	(2)
Total liabilities		**(3,822)**	(2,463)
Net assets		**103,621**	97,182
Equity attributable to equity holders of the Company			
Share capital	15	**12,011**	11,783
Share premium account		**15,259**	11,632
Own shares	11	**–**	–
Merger reserve		**67,316**	67,316
Joint venture reserve		**(21)**	–
Retained earnings		**9,056**	6,451
Total equity		**103,621**	97,182

The Company generated a profit of £8,991,000 during the financial year (2022: profit of £8,017,000).
The financial statements were approved by the Board of Directors on 12 June 2023 and were signed on its behalf by:

PAUL EDWARDS
Director

Company registration number: 10634323

Company Statement of Changes in Equity
FOR THE YEAR ENDED 31 MARCH 2023

	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Merger reserve (£'000)	Joint venture reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2021	11,578	11,534	(1,969)	67,316	–	4,558	93,017
Profit and total comprehensive income	–	–	–	–	–	8,017	8,017
Dividends	–	–	–	–	–	(6,641)	(6,641)
Share-based payments	–	–	–	–	–	2,679	2,679
Deferred tax on share-based payments	–	–	–	–	–	–	–
Issue of share capital on exercise of employee share options	205	98	–	–	–	–	303
Own shares acquired in the year	–	–	(193)	–	–	–	(193)
Own shares utilised on exercise of options	–	–	2,162	–	–	(2,162)	–
At 31 March 2022	11,783	11,632	–	67,316	–	6,451	97,182
Profit and total comprehensive income	**–**	**–**	**–**	**–**	**39**	**8,952**	**8,991**
Dividends	**–**	**–**	**–**	**–**	**–**	**(7,714)**	**(7,714)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**1,307**	**1,307**
Issue of share capital on exercise of employee share options	**52**	**117**	**–**	**–**	**–**	**–**	**170**
Own shares acquired in the year	**–**	**–**	**(28)**	**–**	**–**	**–**	**(28)**
Own shares utilised on exercise of options	**–**	**–**	**28**	**–**	**–**	**–**	**28**
Transfers	**–**	**–**	**–**	**–**	**(60)**	**60**	**–**
Issue of share capital on acquisition	**176**	**3,510**	**–**	**–**	**–**	**–**	**3,686**
At 31 March 2023	**12,011**	**15,259**	**–**	**67,316**	**(21)**	**9,056**	**103,621**

The merger reserve was 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. The merger reserve is non-distributable. The joint venture reserve represents the Group's share of post-tax profits yet to be received (for example, in the form of dividends or distributions), less amortisation of related intangible assets.

Notes to the Company Financial Statements

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Tatton Asset Management plc for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 12 June 2023. Tatton Asset Management plc is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (“FRS 101”) and in accordance with applicable accounting standards. The Company’s financial statements are presented in sterling.

These financial statements have been prepared on a going concern basis and on the historical cost basis. The principal accounting policies adopted by the Company are set out in note 2.

2 ACCOUNTING POLICIES

2.1 Accounting policies

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2023.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirement in paragraph 38 of IAS 1 “Presentation of Financial Statements” to present comparative information in respect of:
   1) Paragraph 79(a)(IV) of IAS 1 and
   2) Paragraph 73(e) of IAS 16 “Property, Plant and Equipment”;
b) the requirements of paragraphs 10(d), and 134–136 of IAS 1 “Presentation of Financial Statements” and the requirements of IAS 7 “Statement of Cash Flows”;
c) the requirements of paragraphs 30 and 31 of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”;
d) the requirements of paragraph 17 of IAS 24 “Related Party Disclosures”;
e) the requirements in IAS 24 “Related Party Disclosures” to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
f) the disclosure requirements of IFRS 7 “Financial Instruments: Disclosures”.

2.2 Investments

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently, they are reviewed for impairment on an individual basis if events or changes in circumstances indicate the carrying value may not be fully recoverable.

2.3 Joint ventures

Joint ventures are entities in which the Company has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. The Company initially records the investment at the fair value of the purchase consideration. The Company’s income statement reflects its share of the entity’s profit or loss after tax and amortisation of intangible assets.

The Statement of Financial Position subsequently records the Company’s share of the net assets of the entity plus any goodwill and intangible assets that arose on purchase less subsequent amortisation. The Statement of Changes in Equity records the Company’s share of other equity movements of the entity. At each reporting date, the Company applies judgement to determine whether there is any indication that the carrying value of joint ventures may be impaired.

The joint ventures reserve in the Statement of Changes in Equity represents the Company's share of profits in its investments yet to be received (for example, in the form of dividends or distributions), less any amortisation of intangible assets. Certain associates are held within financial assets at fair value through profit or loss where permitted by the accounting standards (see note 5). Information about the Company's principal associates measured at fair value is disclosed within this note.

2.4 Financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

2.5 Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2.6 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.

2.7 Cash and cash equivalents
Cash and cash equivalents comprise long- and short-term deposits held with banks by the Company, and are subject to insignificant risk of changes in value.

2.8 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.

2.9 Interest income and interest expense
Finance income is recognised as interest accrued (using the effective interest method) on funds invested outside the Company. 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.

2.10 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 Statement of Total Comprehensive Income 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 Company'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 Statement of Total Comprehensive Income, 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 Company 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 Company 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.

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

2.12 Retirement benefit costs
The Company pays into a personal pension plan 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 the 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 Company.

3 OPERATING PROFIT

The following items have been included in arriving at the operating profit for continuing operations:

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Share-based payment charges (note 10)	**1,511**	2,399

Share-based payment charges relate to the provision made in accordance with IFRS 2 "Share-based Payment" following the issue of share options to employees.

4 SERVICES PROVIDED BY THE COMPANY'S AUDITOR

During the period, the Company obtained the following services provided by the Company's auditor at the costs detailed below:

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Audit of the statutory financial statements of TAM plc	**121**	72
Services provided by the Company's auditor:		
Non-audit services	**–**	13

5 INVESTMENTS IN JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

	(£'000)
At 1 April 2022	**–**
Additions	**6,765**
Profit for the year after tax	**160**
Amortisation of intangible assets relating to the joint ventures	**(121)**
Deferred tax relating to joint ventures	**18**
Distributions of profit	**(60)**
At 31 March 2023	**6,762**

Name of joint venture	Nature of business	PRINCIPAL place of business	Class of share	Percentage owned by the Group
8AM Global Limited	Investment Management	United Kingdom	Ordinary Shares	50.0%

	31-Mar 2023 ('000)	31-Mar 2022 ('000)
Non-current assets	**35**	–
Current assets	**934**	–
Current liabilities	**(502)**	–
Total equity	**467**	–
Group's share of net assets	**224**	–
Goodwill and intangible assets	**7,009**	–
Deferred tax liability	**(471)**	–
Carrying value held by the Group	**6,762**	–
Profit for the year	**320**	–

Group's share of profit for the year before amortisation	**160**	–
Amortisation	**(121)**	–
Group's share of profit for the year	**39**	–

8AM Global Limited has a reporting date of 30 June. The net asset position shown in the table above is as at 31 March to align with the Company's own reporting.

6 INVESTMENTS IN SUBSIDIARIES

	£'000
Cost and net book value at 1 April 2021, 31 March 2022 and 31 March 2023	77,216

The principal investments comprise shares at cost in the following companies:

Name of subsidiary	Country of incorporation	Holding	Direct/ Indirect
Nadal Newco Limited	United Kingdom	100%	Direct
Paradigm Partners Limited	United Kingdom	100%	Indirect
Paradigm Mortgage Services LLP	United Kingdom	100%	Indirect
Tatton Capital Group Limited*	United Kingdom	100%	Indirect
Tatton Capital Limited	United Kingdom	100%	Indirect
Tatton Investment Management Limited	United Kingdom	100%	Indirect
Tatton Oak Limited*	United Kingdom	100%	Indirect
Tatton Crown Investments Limited*	United Kingdom	100%	Indirect
Sinfonia Asset Management Limited*	United Kingdom	100%	Indirect

*Indicates that this subsidiary is entitled to exemption from audit under section 479A of the Companies Act 2006 for the year ending 31 March 2023.

All entities above are included within the consolidated financial statements for TAM plc and all have the same registered address as the Company.

7 DIRECTORS AND EMPLOYEES

The average number of persons employed by the Company (including Directors) during each year was as follows:

	31-Mar 2023 Number	31-Mar 2022 Number
Administration	**15**	13

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Wages, salaries and bonuses	**1,717**	1,708
Social security costs	**211**	228
Pension costs	**26**	19
Share-based payment charges	**1,511**	2,399
	3,465	4,354

The remuneration of the highest paid Director was:

	31-Mar	31-Mar

	2023 (£'000)	2022 (£'000)
Total	**424**	644

8 ULTIMATE CONTROLLING PARTY
The Directors consider that there is no ultimate controlling party.

9 DIVIDEND PAID AND PROPOSED
During the year, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2022 of £4,811,000 representing a payment of 8.5p per share. In addition, the Company paid an interim dividend of £2,903,000 (2022: £2,357,000) to its equity shareholders. This represents a payment of 4.5p per share (2022: 4.0p per share).

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2023 of 10.0p (2022: 8.5p) per share which will absorb an estimated £6 million (2022: £5 million) of shareholders' funds. It will be paid on 15 August 2023 to shareholders who are on the register of members on 7 July 2023.

10 SHARE-BASED PAYMENTS
Details of share-based payments are shown in note 21 to the consolidated financial statements.

11 OWN SHARES
Details of own shares are shown in note 20 to the consolidated financial statements.

12 TRADE AND OTHER RECEIVABLES

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Amounts due from related parties	**10,562**	11,420
Prepayments and accrued income	**475**	690
Other debtors	**121**	104
	11,158	12,214

All trade receivable amounts are short term. All of the Company's trade and other receivables have been reviewed for indicators of impairment and, where necessary, a provision for impairment made. The carrying value is considered a fair approximation of their fair value. At 31 March 2021, Tatton Asset Management plc made full provision of £60,000 against the recoverability of amounts due from a related party, Jargonfree Benefits LLP. This provision was released against the write-off of the debt balance in the year. There has been no other provision made for impairment of receivable balances (2022: £nil).

Trade receivable amounts are all held in sterling.

13 CASH AND CASH EQUIVALENTS

	31-Mar 2023 £'000)	31-Mar 2022 (£'000)
Cash at bank	**12,293**	10,204

14 TRADE AND OTHER PAYABLES

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Trade payables	**23**	505
Amounts due to related parties	**754**	122
Accruals	**1,979**	1,834
Contingent consideration	**1,063**	–
	3,819	2,461
Less non-current portion:		
Contingent consideration	**962**	–
Total non-current trade and other payables	**962**	–
Total current trade and other payables	**2,857**	2,461

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.

15 EQUITY

	Number
Authorised, called-up and fully paid £0.20 ordinary shares	
At 1 April 2022	58,914,887
Issue of share capital on exercise of employee share options	263,098
Issue of share capital on purchase of a joint venture	877,737
At 31 March 2023	60,055,722

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

16 DEFERRED TAXATION

	Deferred capital allowances (£'000)	Total (£'000)
Liability at 31 March 2021	–	–
Income statement charge	(2)	(2)
Liability at 31 March 2022	(2)	(2)
Income statement charge	(1)	(1)
Liability at 31 March 2023	**(3)**	**(3)**

17 CONTINGENT LIABILITIES
At 31 March 2023, the Directors confirmed there were no contingent liabilities (2022: none).

18 CAPITAL COMMITMENTS
At 31 March 2023, the Directors confirmed there were no capital commitments (2022: none) for capital improvements.

19 OPERATING LEASE COMMITMENTS
The Company as lessee had minimum lease payments under non-cancellable operating leases as set out below:

	31-Mar 2023 (£'000)	31-Mar 2022 (£'000)
Not later than one year	**60**	60
Later than one year but not later than five years	**41**	101
Later than five years	**–**	–
	101	161

20 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(K) of FRS 101 not to disclose transactions with entities that are wholly owned subsidiaries of TAM plc. There are no other related party transactions other than those that have been disclosed in note 22 to the consolidated financial statements.

20.1 Transactions with key management personnel

Other than the Directors and Officers of the Group (see note 22 to the consolidated financial statements), no other key management personnel have been identified.

21 EVENTS AFTER THE REPORTING PERIOD

There have been no material post balance sheet events.