27 June 2018

Tatton Asset Management PLC

Preliminary Results

For the year ended 31 March 2018

"Excellent debut – Strong growth across all businesses"

Tatton Asset Management plc ("TAM" or the "Company" and together with its subsidiaries, the "Group") (AIM: TAM), the on-platform discretionary fund management (DFM) and support services business for independent financial advisers (IFAs), today issues its Preliminary Results for the year ended 31 March 2018.

Financial Highlights

- Tatton's discretionary assets under management ("AUM") increased 25.6% to £4.9bn (2017: £3.9bn)
- Average AUM inflows of over £80m per month maintained
- Group Revenue increased 30.7% to £15.5m (2017: £11.9m)
- Adjusted Operating profit[1] up 44.7% to £6.5m (2017: £4.5m)
- Adjusted Operating profit[1] margin increased to 42.1% (2017: 38.0%)
- Reported profit before tax increased to £3.6m (2017: £2.0m), after charging exceptional items of £2.0m and share option costs of £1.0m
- Final dividend of 4.4p giving a full year dividend of 6.6p
- Adjusted EPS[2] increased 49.5% to 9.6p (2017: 6.5p)
- Strong financial position, with net cash of £10.6m (2017: £nil)

Business Highlights

- Successful IPO on AIM completed on 6 July 2017 raising £51.6m
- TIML, the Group's investment management business, has continued to expand, delivering strong organic growth in AUM and introduced three new blended funds
- TIML increased its member firms to 341 (2017: 237) and number of accounts to 48.8k (2017: 39.6k)
- PPL, the Group's compliance services business, increased new members 4.5% to 368 (2017: 352)
- PMS, the Group's mortgage and protection distribution business, performed strongly, with gross lending via its channels during the period of £6.8bn (2017: £4.8bn), an increase of 41.7%. PMS now has 1,220 mortgage firms using its services (2017: 1,069), up 14.1%

1. Operating profit before exceptional items and IFRS2 share-based costs

2. Adjusted earnings per share is calculated by dividing the adjusted operating profit less cash interest, less tax on operating activities by the number of ordinary shares in issue during the year

Paul Hogarth, Chief Executive Officer, commented:

"I am delighted to report our maiden results since our successful IPO in July last year. We have continued the strong growth we announced at the half year, delivering a valuable 25.6% increase in discretionary assets under management and a strong underlying performance across each of our three businesses. Post the year-end, we have surpassed a significant milestone - £5 billion of discretionary AUM – which is a considerable achievement for the team.

"There is unprecedented demand for a low cost DFM service to the mass affluent served by the IFA sector, and we continue to capitalise on this. We are challenging existing off platform, traditional incumbents, and working closely with increasing numbers of IFAs in providing the mass affluent with an investment portfolio management service that is pushing the envelope. We are pleased with the progress we are making and excited at the opportunities ahead. The outlook for the Group remains positive and I look forward to providing a further update in due course."

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Analyst presentation

An analyst briefing is being held at 10.30am on 27 June 2018 at the offices of Powerscourt, 1 Tudor Street, London, EC4Y 0AH.

Chairman's Statement

Roger Cornick, Chairman

As an element of the process that preceded our IPO on 6 July last year, I became Chairman of Tatton Asset Management plc (TAM) having been attracted by the quality of the people involved, and their achievements, up until that time. Happily, in reporting on the year ended 31 March 2018, I'm able to highlight a performance that has built on the pre-IPO success and delivered a strong set of results for our first year of trading as a public listed company.

Results

The Group has delivered results that have met the exacting objectives set out for the first full year following the Company's listing on the AIM – London Stock Exchange last year. Tatton Investments continued to leverage its competitive position as an on-platform discretionary asset management provider, increasing assets under management by 25.6% to £4.9 billion (2017: £3.9 billion). Paradigm Partners, the Group's IFA trusted adviser and support services business continues to grow and attract new members with partner firms increasing by 4.5% to 368. Paradigm Mortgage Services, the Group's mortgage distribution and support services business, continues to grow with membership rising by 14.1% to 1,220. This has resulted in Group revenue for the year increasing by 30.7% to £15.5m (2017: £11.9m) and underlying earnings before interest and tax increasing by 44.7% to £6.5m (2017: £4.5m). Profit before tax after incurring exceptional costs and share based charges was £3.6m (2017: £2.0m). The resulting impact on adjusted earnings per share is an increase of 49.5% to 9.6p (2017: 6.5p). Basic earnings per share was 4.1p (2017: 2.1p).

Strategy

The Group's strategic objective remains focused on organic growth through the provision of all major products and services that an IFA requires to service its clients. We will continue to develop the opportunities that exist in this space and, through carefully selected acquisitions, seek to strengthen and deepen our service proposition and expertise where appropriate.

Our people

We believe our strongest competitive advantage is our people and our culture. Our strong business performance would not be achieved without their hard work and commitment across the whole Group. We have made good progress in our first year as an AIM listed business and on behalf of the Board, I would like to thank all our employees who have contributed to a successful year.

Board Changes

Following the retirement of Noel Stubley at the end of April 2018, we would like to welcome our new Chief Financial Officer (CFO), Paul Edwards who has been in place since the beginning of May 2018. Paul brings considerable listed public company experience to the role which allied to his broad range of financial and operational expertise will greatly strengthen the management team.

Dividends

Given the strong financial performance and growth prospects of the Group, the Board is recommending a final dividend of 4.4p per share which will be payable on the 10 August 2018 to shareholders who are on the register as at the 5 July 2018. This when combined with the interim dividend of 2.2p pence per share, gives a full year dividend of 6.6p (2017: nil).

Outlook

As we look to the year ahead, each part of the Group is well placed to continue to take advantage of the opportunities that exist in their respective markets. The Board remains focused on creating long-term value for stakeholders and we have been encouraged by our business performance to date. We remain optimistic regarding the future opportunities for the Group.

Chief Executive's Statement

Paul Hogarth, Chief Executive Report

I am very pleased to be able to report a very successful first year as a listed entity. All three divisions within the group have performed well and indeed have benefited from the improved profile afforded to a listed business. As a management team we are energised by the success of our IPO and of the performance of the group over our first year on AIM.

We remain committed to our group strategy of growing our business as a service provider of choice to Directly Authorised Financial Advisers across all of their major products and services. We champion the Independent Financial Advice sector. Working closely with advisers makes us very different to the majority of our competitors. As a business, our ability to grow is largely dependent on the success of the IFA sector we support which I am delighted to report is in rude health. The IFA Community has benefited from both the Retail Distribution Review and Treating Customers Fairly. We support the IFA in the provision of financial advice and wealth management services to their clients and in particular the mass affluent.

Market overview

The cost of an ageing population has both forced companies to close occupational pensions and the state to withdraw from retirement and care support except for the most needy. The market demand for financial advice and guidance of some form has grown and will continue to grow, in particular for the mass affluent.

This demand is being met by the financial services industry through technology adoption in broadly two ways: a near complete reliance on the use of artificial intelligence decision making through robo-advice or enhancing the benefits of face to face intermediated financial advice.

Core to our strategy is to make it easier for Financial Advisers to build better, bigger businesses. The use of technology and infrastructure to support, not replace, financial advice is central to that. This will help to improve Financial Advisers' business and service and also create a carried benefit to the financial lives of their clients.

The market demand for financial advice is growing, however the ability of Financial Advisers to meet this demand has been challenged due to widely acknowledged increase in business costs, increased regulatory pressures and competitive forces on fees. Put simply its more expensive in cost and time to provide the same service.

The increased complication of managing and operating as a Financial Adviser is further compounded by the complexity in the provision of financial advice and Financial Advisers' ability to provide their clients with an understanding of their investment options based on their risk tolerance. This, in practical terms is burdened, by the construction, monitoring and rebalancing of investment portfolios – brought into focus by the regulatory requirement of investors both large and small to achieve comparable outcomes and received service.

Financial Advisers are increasingly seeing investment fulfilment as non-core and expensive due to the cost, regulatory exposure and professional commitment to offer their clients high levels of holistic financial advice and service rather than investment management.

Therefore, the key driver for Financial Advisers is to focus where they can truly add value in the eyes of their clients which is a personalised advice and financial planning service while increasing their business' scalability through streamlining the provision of the required financial instruments.

For Tatton, if we make it easier for IFAs to succeed and it becomes a virtuous circle; the group benefits by supporting and facilitating a better, more efficient supply of financial advice to satisfy increasing consumer demand for professional financial advice.

All of the group businesses adhere to this strategy of simply improving IFA businesses efficiency by realising time and cost benefits of delegating those tasks where scale and quality benefits can be realised for both the adviser and their clients, the mass affluent financial consumer.

Our services

Our first year as an AIM listed entity has consolidated our strategy. As an independent, financially robust, profitable and operationally transparent business we are able to develop deeper and more strategic relationships with our Financial Adviser clients across the group businesses. I am very pleased that all of the group businesses can function as standalone operations but together create a company ideally placed to benefit from developing the professionalism and sophistication of financial advice within the UK.

Paradigm Partners

I can announce that Paradigm Partners is being rebranded to Paradigm Consulting a name that reflects the nature of the business in the provision of compliance advice and audit, business strategy consultancy and a new academy to help our advisers cope with the increased demand for advice.

Paradigm Partners, the foundation firm of Tatton Asset Management continually develops its service taking advantage of opportunities whilst creating deeper relationships with Financial Adviser businesses and indeed extending the general reach of the group.

The impact and benefits of our service is reflected in the incredibly hard work undertaken by our compliance consultants in order to prepare our IFA firms for MiFID 2 and latterly GDPR.

Paradigm Mortgages

For most of the UK population, the home they own is their largest single asset and assisting in its purchase and protection is an essential service of Financial Advisers and therefore clearly an area of opportunity for Tatton Asset Management. In aggregating mortgage lending and life insurance, Paradigm Mortgages enables Financial Advisers to benefit from the economies of scale in lending and insurance provision, evidence of the carried benefit to private clients of the Financial Adviser using our services.

The effect is that we have grown our membership by over 14% in the last 12 months, showing that there is a greater awareness of the collective strengths of working in partnership with the IFA community.

Tatton Investment Management

The quality of investment performance delivered across our assets under management has demonstrated that we have been able to successfully combine a business that significantly lowers the cost of investing and adheres to the highest investment management standards to deliver against given investment objectives.

The adoption of our size and platform agnostic discretionary portfolio management service as a centralised investment proposition for Financial Advisers has increased access to discretionary asset management to more investors and delivered on our strategy of helping to create scalable advice businesses. We now have over 341 adviser firms (2017: 237) and over 48,800 client accounts (2017: 39,610) with an average portfolio size of £100,000.

I am very pleased to report that over the last year we have been able to launch the Tatton Blended Funds investment range to allow non-platform access to our investment approach that utilise the same cost model resulting in some of the lowest charging multi asset, multi manager funds in the market. Due to increasing popular demand, we have also extended our Ethical/ESG range of portfolios across all the main UK investor risk profiles.

Our pipeline of potential new IFA businesses looking to utilise Tatton Investment Management's services continues to grow, as they look to benefit from our enhanced investment proposition and our greater understanding of their needs.

Outlook

The outlook for the group is positive. We are uniquely able to develop our offering because of the knowledge base created though Paradigm Partners, as evidenced by the success of Tatton Investment Management. Being able to anticipate and accommodate the future business environment of the UK's financial advice sector is a key element to ensure continued organic growth, future product development and potential strategic relationships and acquisitions.

As we have shown across the three businesses within the group what we have done and will continue to do is improve and increase the day to day business of a Financial Adviser.

Chief Financial Officer Statement

Paul Edwards, Chief Financial Officer

Overview

The 2017/18 financial year was an excellent year for the Group. Following the successful IPO on the 6 July 2017 the Group has continued to make good progress and deliver a set of strong results for its first year as a public company. We have seen strong growth in revenue, profits and margins in each of our three markets. Good underlying cash generation supports our increased dividend and the Group's financial position remains strong.

Record revenue and profits

Group revenue increased by 30.7% to £15.5m (2017: £11.9m); Tatton Investment Management revenue increased by 46.5% to £6.3m (2017: £4.3m) as assets under management increased over the year and totalled £4.9bn at the year end (2017: £3.9bn), Paradigm Partners continued to attract new clients and revenue was £6.8m (2017: £5.8m), an increase of 17.9%. Paradigm Mortgages revenue grew by 31.9% to £2.4m (2017: £1.8m).

The Group delivered a record year for Adjusted Operating Profit*, which increased by 44.7% to £6.5m (2017: £4.5m) and Adjusted Operating Profit* margin improved to 42.1% (2017: 38.0%). Tatton Investment Management contributed £3.0m (2017: £1.2m) improving its margin to 47.8% (2017: 28.3%). Paradigm Partners contributed Adjusted Operating Profit* of £3.6m (2017: £2.9m) with an improved margin of 52.7% (2017: 50.1%), and Paradigm Mortgages Adjusted Operating Profit* contributed £1.4m (2017: £0.8m) improving the margin to 57.9% (2017: 46.2%).

Total Group operating profit was £3.6m (2017: £2.0m) after charging IPO exceptional costs of £2.0m and share based payments of £1.0m of which £0.8m related to exceptional share-based charges incurred as a consequence of the IPO. Operating profit has been adjusted for these items to give better clarity of the underlying performance of the Group.

Net finance costs

The Group generates strong cash flow and has net cash on its balance sheet. The Group does however have access to a small short-term overdraft facility. The net finance costs relating to this facility were £26k (2017: £36k) a small decrease in the year. The facility extends to 30 September 2018 however it is the intention of the Group to review the ongoing facility arrangements in the new financial year.

Taxation

Our tax arrangements are driven by commercial transactions, managed in a responsible manner based on compliance, transparency and co-operation with tax authorities.

The Group's tax charge of £1.1m (2017: £0.8m) includes a £0.7m charge (2017: £0.4m) on trading activities. The effective tax rate excluding adjusted items and the change in rate of UK corporation tax has decreased to 18.4% (2017: 18.6%). The Group's cash tax payment in the year was £1.4m (2017: £0.1m), or 19.2% of underlying profit before tax.

Improvement in underlying earnings per share

Basic earnings per share increased to 4.1p (2017: 2.1p). Adjusted earnings per share* increased by 49.5% to 9.6p (2017: 6.5p).

Cash flow

The Group continued to see healthy cash generation and closing net cash was £10.6m (2017: £nil).

***Adjusted for separately disclosed items of exceptional costs and share based charges.**

Net cash generated from operating activities before exceptional costs was £5.6m (2017: £6.2m). Exceptional costs totalled £2.0m and in the main related to the IPO. Net cash generated from operating activities was £2.3m (2017: £3.6m).

Net cash interest paid in the year was £26k (2017: £36k) and relates to the short-term overdraft facility in place. Income tax paid was £1.4m (2017: £0.1m) with the increase being as a consequence of enhanced profits in the year, and dividends paid in the year included both the interim dividend and a pre-IPO dividend which in total was £1.6m.

At the time of the successful IPO earlier in the year the Group raised an additional £10.0m. This cash remains in place and will be utilised for future capital investments to support growth and any potential acquisitions that fit the profile and strategic direction of the Group.

Dividends and capital allocation

The Board is recommending a final dividend of 4.4p. When added to the interim dividend of 2.2p gives a full year dividend of 6.6p. This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business. Dividend cover (being the ratio of earnings per share before exceptional items and share based charges), is 1.4 times. If approved at the Annual General Meeting the final dividend will be paid on 10 August 2018 to shareholders on the register on 5 July 2018. Our objective is to maximise long-term shareholder returns through a disciplined deployment of cash. To support this, we have adopted a cash allocation policy that allows for: investment in capital projects that support growth, regular returns to shareholders from our free cash flow, acquisitions to supplement our existing portfolio of business and an efficient Balance Sheet appropriate to the Company's investment requirements.

Risk management and the year ahead

Risk is managed closely and is spread across our businesses and managed to individual materiality. Our key risks have been referenced in the annual report. We choose key performance indicators that reflect our strategic priorities of investment, growth and profit. These KPIs are part of our day-to-day management of the business and in the year ahead we will focus on growth and value creation. In this way we aim to deliver continued value to shareholders.

Availability of the Report and Accounts

A copy of the report and accounts for the year ended 31 March 2018 will be available on the company's website (www.tattonassetmanagement.com) on 27 June 2018 and will be sent to the Company's shareholders on the 9 July 2018.

Annual General Meeting

The Company's Annual General Meeting will be held at DWF LLP offices in Manchester on 31 July 2018.

Consolidated statement of total comprehensive income

	Note	31-Mar 2018 £'000	31-Mar 2017 £'000
Revenue		15,507	11,864
Administrative expenses		(8,981)	(7,354)
Adjusted operating profit (before separately disclosed items)[1]		**6,526**	**4,510**
- Share-based payment costs	4	(986)	(75)
- Exceptional items	4	(1,964)	(2,412)
Total administrative expenses		**(11,931)**	**(9,841)**
Operating profit		**3,576**	**2,023**
Finance costs	5	(26)	(36)
Profit before tax		3,550	1,987
Taxation charge	6	(1,110)	(834)
Profit for the year on continuing operations		**2,440**	**1,153**
Loss related to disposal of discontinued operations		(164)	-
Profit attributable to shareholders		**2,276**	**1,153**
Earnings per share - Basic	7	4.07p	2.06p
Earnings per share - Diluted	7	3.85p	2.06p
Adjusted earnings per share – Basic[2]	7	9.64p	6.45p
Adjusted earnings per share – Diluted[2]	7	9.12p	6.45p

[1] Adjusted for exceptional items and share based payments.

[2] Adjusted for exceptional items and share based payments and the tax thereon.

There were no other recognised gained 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 Balance Sheet

	Note	31-Mar 2018 £’000	31-Mar 2017 £'000
Non-current assets			
Goodwill	9	4,917	4,917
Property, plant and equipment	10	104	75
Investments in joint venture	11	-	(31)
Total non-current assets		5,021	4,961
Current assets			
Trade and other receivables	12	2,452	3,148
Cash and cash equivalents		10,630	687
Total current assets		13,082	3,835
Total assets		18,103	8,796
Current liabilities			
Trade and other payables	13	(3,922)	(4,154)
Corporation tax		(605)	(860)
Borrowings	15	-	(697)
Total current liabilities		(4,527)	(5,711)
Non-current liabilities			
Deferred tax liabilities	16	(15)	(12)
Total non-current liabilities		(15)	(12)
Total liabilities		(4,542)	(5,723)
Net assets		13,561	3,073
Equity attributable to equity holders of the company			
Share capital	18	11,182	11,182
Share premium account		8,718	8,718
Other reserve		2,041	2,133
Merger reserve		(28,968)	(18,960)
Retained earnings		20,588	-
Total equity		13,561	3,073

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2016	11,182	8,718	3,578	(17,112)	-	6,366
Profit and total comprehensive income	-	-	1,152	-	-	1,152
Dividends	-	-	(2,672)	-	-	(2,672)
Share based payments	-	-	75	-	-	75
Adjustments related to merger accounting	-	-	-	(1,848)	-	(1,848)
At 31 March 2017	11,182	8,718	2,133	(18,960)	-	3,073
Profit and total comprehensive income	-	-	598	-	1,678	2,276
Dividends	-	-	(1,564)	-	(1,230)	(2,794)
Share based payments	-	-	846	-	140	986
Adjustments related to merger accounting	-	-	28	(20,008)	20,000	20
Issue of share capital	-	-	-	10,000	-	10,000
At 31 March 2018	11,182	8,718	2,041	(28,968)	20,588	13,561

Consolidated statement of cash flows

	Note	31 Mar 2018 £'000	31 Mar 2017 £'000
Operating activities			
Profit for the year		2,276	1,153
Adjustments:			
Income tax expense		1,110	834
Depreciation of property, plant and equipment		53	43
Share-based payment expense		986	75
Share of (profit)/loss from joint venture		(31)	24
Changes in:			
Change in trade & other receivables		(544)	1,471
Change in trade & other payables		(188)	180
Cash generated from operations		3,662	3,780
Cash generated from operations before exceptional costs		5,626	6.192
Exceptional costs	4	(1,964)	(2,412)
Cash generated from operations		3,662	3,780
Income tax paid		(1,374)	(131)
Net cash from operating activities		**2,288**	**3,649**
Investing activities			
Purchase of property, plant and equipment		(82)	(51)
Net cash used in investing activities		(82)	(51)
Financing activities			
Proceeds from the issue of shares		10,000	-
Stamp duty paid on share transfer		(10)	
Dividends paid		(1,556)	(2,672)
Net cash used in financing activities		8,434	(2,672)
Net increase in cash and cash equivalents		10,640	926
Cash and cash equivalents at beginning of period		(10)	(936)
Cash and cash equivalents at end of period		10,630	(10)

The accompanying notes are an integral part of the annual financial statements.

1 Accounting policies

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

1.2. Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the FCA and is based on the consolidated financial statements for the year ended 31 March 2018 which have been prepared under IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies under IFRS.

The accounting policies applied in preparing the preliminary announcement are consistent with those used in preparing the statutory financial statements for the year ended 31 March 2018.

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

The preliminary announcement does not constitute the statutory financial statements of the group within the meaning of section 434 of the Companies Act 2006.

The preliminary announcement has been agreed with the company's auditor for release.

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.

The preparation of financial information in conformity with IFRS 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 Group has not previously prepared annual consolidated financial statements in accordance with EU endorsed IFRSs. However, three years of consolidated financial statements prepared under IFRS 1 "First time adoption of International Financial Reporting Standards" are presented in the Group's AIM Admission document dated 6 July 2017. Reconciliations of how the Group's transition from UK GAAP to IFRS affected its reported financial position, financial performance and cash flows are presented in that document.

2 Segment reporting

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

Period ended 31 March 2018

	Tatton £'000	Paradigm Partners £'000	Paradigm Mortgage Services £'000	Central £'000	Group £'000
Revenue	6,325	6,780	2,366	36	15,507
Administrative expenses	(3,302)	(3,207)	(996)	(1,476)	(8,981)
Adjusted operating profit	**3,023**	**3,573**	**1,370**	**(1,440)**	**6,526**
IFRS2 share based payments	-	(846)	-	(140)	(986)
Exceptional charges	-	-	-	(1,964)	(1,964)
Operational profit	**3,023**	**2,727**	**1,370**	**(3,544)**	**3,576**
Finance (costs)/income	-	(19)	(9)	2	(26)
Profit/(loss) before tax	**3,023**	**2,708**	**1,361**	**(3,542)**	**3,550**

Period ended 31 March 2017

	Tatton £'000	Paradigm Partners £'000	Paradigm Mortgage Services £'000	Central £'000	Group £'000
Revenue	4,317	5,753	1,794	-	11,864
Administrative expenses	(3,095)	(2,870)	(966)	(423)	(7,354)
Adjusted operating profit	**1,222**	**2,883**	**828**	**(423)**	**4,510**
IFRS2 share based payments	-	(75)	-	-	(75)
Exceptional charges	(233)	(373)	(1,251)	(555)	(2,412)
Operating profit	**989**	**2,435**	**(423)**	**(978)**	**2,023**
Finance costs	-	(33)	(3)	-	(36)
Profit before tax	**989**	**2,402**	**(426)**	**(978)**	**1,987**

All turnover arose in the United Kingdom.

3 Operating profit

The operating loss and the loss before taxation are stated after:

	31-Mar 2018 £'000	31-Mar 2017 £'000
Operating lease rentals – land and buildings	210	179
Operating lease rentals – equipment and vehicles	9	11
Depreciation: property, plant and equipment	53	43
Separately disclosed items (note 4)	2,950	2,487
Services provided to the Group's auditor		
Audit of the statutory consolidated and company financial statements of Tatton Asset Management PLC	31	-
Audit of subsidiaries	37	49
Other fees payable to auditor:		
Tax services	225	10
Non-audit services	443	-

Total audit fees were £68,000 (2017: £49,000) Total non-audit fees payable to the auditor were £668,000 (2017: £10,000). Non-audit services relate mainly to IPO in 2017.

4 Separately disclosed items

	31-Mar 2018 £'000	31-Mar 2017 £'000
Non-recurring costs relating to corporate transactions	-	9
Product launch costs	-	143
IPO costs	1,964	625
Provisions against related entity loans	-	1,635
Total exceptional costs	**1,964**	**2,412**
Share based payments	986	75
Total separately disclosed items	**2,950**	**2,487**

Separately disclosed items included within administrative expenses reflects costs and income that do not relate to the Group's normal business operations and that they are considered material (individually or in aggregate if of a similar type) due to their size of frequency.

Various legal and professional costs incurred in relation to the IPO of the Group in July 2017 are shown as part of separately disclosed items within administrative expenses in the Combined Income Statement.

5 Finance costs

	31-Mar 2018 £'000	31-Mar 2017 £'000
Bank interest (paid) / income	(1)	2
Bank charges	(25)	(38)
	(26)	(36)

6 Taxation

	31-Mar 2018 £'000	31-Mar 2017 £'000
Current tax expense		
Current tax on profits for the period	1,107	829
Adjustment for under provision in prior periods	-	-
	1,107	829
Deferred tax expense		
Origination and reversal of temporary differences	3	5

Total tax expense	**1,110**	**834**

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

	31-Mar 2018 £'000	**31-Mar 2017** £'000
Profit before taxation	3,550	1,987
Tax at UK corporation tax rate of 19% (2017: 20%)	675	397
Expenses not deductible for tax purposes	279	506
Capital allowances in excess of deprecation	(5)	(2)
Chargeable gains	161	-
LLP members of group not subject to corporation tax	-	(67)
Total tax expense	**1,110**	**834**

The UK corporation tax rate was 20% between the period 1 April 2015 to 31 March 2017. The rate reduced to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the Company's future current tax credit/charge accordingly. The deferred tax liability as at 31 March 2018 has been calculated based on a rate of 17% based on when the Company expects the deferred tax liability to reverse.

7 Earnings per share and dividends

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

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

Number of shares

	2018	**2017**
Basic Weighted average number of shares in issue	55,907,513	55,907,513
Diluted Share options	4,394,259	-
Weighted average number of shares (diluted)	59,121,943	55,907,513

	31-Mar 2018 £'000	**31-Mar 2017** £'000
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	2,276	1,153
Share based payments - IFRS2 option charges	986	75
Exceptional costs - see note 4	1,964	2,412
Tax impact of adjustments	-	(35)
Adjusted basic and diluted profits for the period and attributable earnings	5,226	3,605
Earnings per share (pence) (basic)	4.07p	2.06p
Earnings per share (pence) (diluted)	3.85p	2.06p

Adjusted earnings per share (pence) (basic)	9.64p	6.45p
Adjusted earnings per share (pence) (diluted)	9,12p	6.45p

Dividends

During the year, Tatton Asset Management PLC paid an interim dividend of £1,229,965 (2017: £nil) to its equity shareholders.

This represents a payment of 2.2p per share.

Dividends of £1,563,575 (2017: £2,671,867) were relating to the Groups pre-IPO activity were paid prior to the IPO, which occurred on 7 July 2017.

8 Staff costs

	31-Mar 2018 £'000	**31-Mar 2017** £'000
Wages, salaries and bonuses	3,788	3,001
Social security costs	510	270
Pension costs	86	82
Share-based payments	986	75
	5,370	3,428

	31-Mar 2018	**31-Mar 2017**
Administration	72	62
Key management	3	3
	75	65

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 IAR 24 Related Party Disclosures.

	31-Mar 2018 £'000	**31-Mar 2017** £'000
Wages, salaries and bonuses	875	344
Social security costs	111	39
Pension costs	20	7
Benefits in kind	3	4
	1,009	394

In addition to the remuneration above, the non-executive Chairman and non-executive director have submitted invoices for their fees as follows:

	31-Mar 2018 £'000	**31-Mar 2017** £'000
Total fees	118	-

The remuneration of the highest paid director was:

	31-Mar 2018 £'000	31-Mar 2017 £'000
Total	474	257

9 Goodwill and intangibles

	Goodwill £'000
Cost	
Balance at 1 April 2016	**4,917**
Adjustment for provisional fair value of consideration	-
Balance at 31 March 2017	4,917
Adjustment for provisional fair value of consideration	-
Balance at 31 March 2018	**4,917**
Carrying value	
Balance at 1 April 2016	**4,917**
Balance at 31 March 2017	**4,917**
Balance at 31 March 2018	**4,917**

The goodwill of £4.9 million relates to £2.9m arising from the acquisition in 2014 of an interest in Tatton Oak Limited by Tatton Capital Limited consists of the future synergies and forecast profits of the Tatton Oak business and £2.0m arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited. 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 an impairment charge is made. Such impairment is charged to the Combined Statement of Comprehensive Income.

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's operating companies which represents 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 cash generating units (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 considered the carrying value of goodwill at 31 March 2018 and do not consider that it is 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 2019 which are extrapolated for a further 4 years. The Group's latest financial forecasts which cover a 3 year period, are reviewed by the board.

Discount rates
The pre-tax discount rate used to calculate value is 8.3% (2017: 4%). The discount rate is derived from a benchmark calculated from a basket of comparable businesses.

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

The headroom compared to the carrying value of goodwill as at 31 March 2018 is £223m. Increasing the discount rate to 177% and leaving all other factors the same would lead to the recoverable amount being equal to the carrying value of the goodwill attributed to the cash generating unit.

10 Property, Plant and Equipment

	Computer, office equipment and motor vehicles	Fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
Balance at 1 April 2016	**303**	**214**	**517**
Additions	50	-	50
Balance at 31 March 2017 and 1 April 2017	**353**	**214**	**567**
Additions	82	-	82
Balance at 31 March 2018	**435**	**214**	**649**
Accumulated depreciation and impairment			
Balance at 1 April 2016	**(235)**	**(214)**	**(449)**
Charge for the period	(43)	-	(43)
Balance at 31 March 2017 and 1 April 2017	**(278)**	**(214)**	**(492)**
Charge for the period	(53)	-	(53)
Balance at 31 March 2018	**(331)**	**(214)**	**(545)**
Carrying amount			
As at 1 April 2016	**68**	**-**	**68**
As at 31 March 2017	**75**	**-**	**75**
As at 31 March 2018	**104**	**-**	**104**

All depreciation charges are included within administrative expenses in the consolidated statement of comprehensive income.

11 Investments in Joint Ventures

The Group held the following investments in Joint Ventures during the period:

Name	**Business Activity**	**Country of Incorporation**	**Holding**
Adviser Cloud Limited	Software Company	England & Wales	50%

Carrying value as at:

	31-Mar 2018	**31-Mar 2017**
	£'000	£'000
At beginning of year	**(31)**	**(7)**
Share of retained (loss) for the year	31	(24)
At end of year	**-**	**(31)**

The historical cost of the joint venture was £1, when it was acquired in December 2015, and has not changed since.

12 Trade and other receivables

	31-Mar 2018 £'000	31-Mar 2017 £'000
Trade receivables	172	170
Amounts due from related parties	50	100
Prepayments and accrued income	1,602	1,289
Other receivables	227	1,188
Loan notes	401	401
	2,452	3,148

All trade receivable amounts are short term. All of the Group's trade and other receivables have been reviewed for indicators of impairment and where necessary, a provision for impairment provided. The carrying value is considered a fair approximation of their fair value. The value of the impairment charged to the income statement is £nil: (2017: £1,601,000).

Trade receivable amounts are all held in Sterling.

13 Trade and other payables

	Group 31-Mar 2018 £'000	Group 31-Mar 2017 £'000
Trade payables	277	222
Amounts due to related parties	32	-
Accruals	1,261	1,326
Deferred income	216	158
Other payables	2,136	2,448
	3,922	4,154

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

14 Provisions

At 31 March 2017, Paradigm Mortgage Services LLP made a full provision of £1,251,000 against the recoverability of amounts due from Jargon Free Benefits LLP. Also as at 31 March 2017, Paradigm Partners Limited made full provision of £350,000 against the recoverability of amounts due from Amber Financial Investments Limited, an entity controlled by Paul Hogarth.

The carrying value of the provision as at 31 March 2018 was £1,601,000. (2017: £1,601,000) There has been no movement in the carrying value during the year.

15 Borrowings

	Group 31-Mar 2018 £'000	Group 31-Mar 2017 £'000
Borrowings within one year		
Bank overdrafts	-	697
	-	697

Bank overdrafts are repayable on demand. The bank overdrafts are secured by a fixed and floating charge over all property and assets present and future.

The average effective interest rate on bank overdrafts approximates nil per cent per annum (2017: 3.2 per cent; 2016: 3.2 per cent). The Group is not subject to covenants under the terms of its debt agreements.

16 Deferred taxation

	£'000
At 1 April 2017	12
Recognised in profit or loss	3
At 31 March 2018	15
At 1 April 2016	7
Recognised in profit or loss	5
At 31 March 2017	12

17 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £000's	Short-term borrowings £000's	Total £000's
At 1 April 2017	**-**	**697**	**697**
Cash flows:			
- Repayment	-	(697)	(697)
- Proceeds	-	-	-
Non-cash:			
- Reclassification	-	-	-
At 31 March 2018	**-**	**-**	**-**

18 Equity

	31-Mar 2018 Number	31-Mar 2017 Number
Authorised, called up and fully paid		
£0.20 Ordinary shares	55,907,513	55,907,513
	55,907,513	55,907,513

Each share in Tatton Asset Management PLC carries 1 vote and the right to a dividend. Of the shares in issue, 49,497, 257 were issued in June 2017 prior to the IPO in order to acquire the three trading divisions and the remaining 6,410,256 were issued at the IPO in July 2017.

As noted above, the 55,907,513 Ordinary shares were issued in the current period.