# Focusing on growth

Tatton
ASSET MANAGEMENT PLC

**Interim Report and Accounts 2019**

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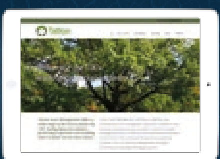

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ALL THE BUSINESSES IN THE TATTON ASSET MANAGEMENT GROUP ARE FOCUSED ON HELPING IFAS TO GROW.

WE HELP THEM TO REALISE TIME AND COST EFFICIENCIES, REDUCING THE BURDEN OF COMPLIANCE AND APPLYING THE BENEFITS OF TECHNOLOGY INNOVATION AND LEADING EDGE PRACTICES.

WE USE OUR SCALE AND KNOWLEDGE TO ADD VALUE TO ADVISERS. BY DOING THIS, WE ENABLE IFAS TO FOCUS ON WHERE THEY CAN ADD THE GREATEST VALUE TO THEIR CLIENTS.

“We enable IFAs to prosper, we make their life simpler, so they can focus on their clients and build a better business.”

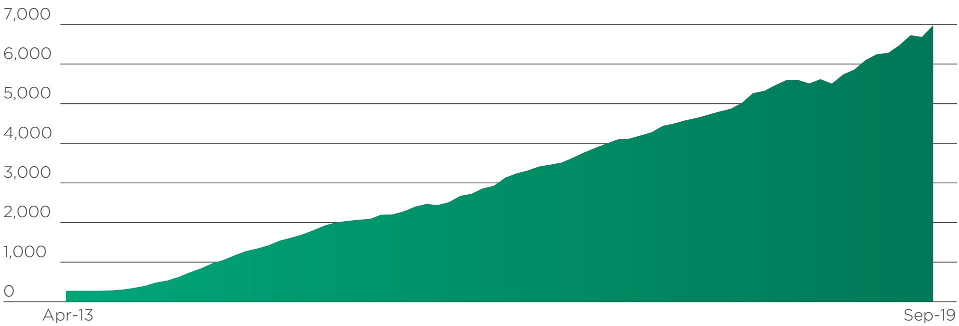
PAUL HOGARTH
CHIEF EXECUTIVE OFFICER

# Our focus: organic growth

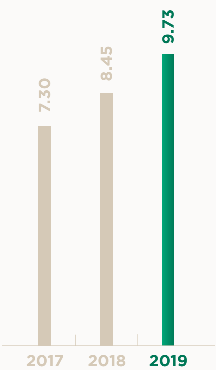
Tatton Asset Management plc (TAM) offers a wide range of services to power the UK's leading financial advisers, facilitating expansion and enabling them to better service their clients.

## KPIs

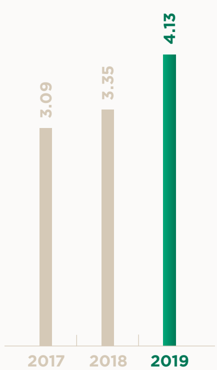
ASSETS UNDER MANAGEMENT (AUM)



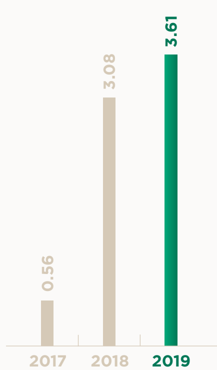

GROUP REVENUE (£M)




ADJ OPERATING PROFIT* (£M)




PROFIT BEFORE TAX (£M)




ADJ EPS* (P)


* Alternative performance measures are detailed on pages 39-40.

## HIGHLIGHTS

| GROUP REVENUE (£M) | ADJUSTED OPERATING PROFIT* (£M) | RETURN ON CAPITAL EMPLOYED (%) | NET CASH (£M) |
|---|---|---|---|
| £9.73m | £4.13m | 25.2% | £9.2m |
| +15.2% | +23.2% | +1.1% | -21.1% |
| (2018: £8.45m) | (2018: £3.35m) | (2018: 24.1%) | (2018: £11.6m) |

| FULLY DILUTED ADJUSTED EPS* (P) | PROPOSED INTERIM DIVIDEND (P) | REPORTED PROFIT BEFORE TAX (£M) |
|---|---|---|
| 5.39p | 3.20p | £3.61m |
| +17.9% | +14.3% | +17.1% |
| (2018: 4.57p) | (2018: 2.80p) | (2018: £3.08m) |

| AUM (£BN) | ASSET NET INFLOWS (£BN) | TATTON INVESTMENT MANAGEMENT FIRMS |
|---|---|---|
| £7.0bn | £0.44bn | 522 |
| +22.8% | -24.7% | +28.9% |
| (2018: £5.7bn) | (2018: £0.58bn) | (2018: 405) |

| PARADIGM MORTGAGES FIRMS | PARADIGM CONSULTING FIRMS |
|---|---|
| 1,466 | 385 |
| +13.6% | +0.8% |
| (2018: 1,290) | (2018: 382) |

### BUSINESS HIGHLIGHTS AT 30 SEPTEMBER 2019

- Increase in AUM from £6.1bn at 31 March 2019 to £7.0bn at 30 September 2019
- Acquired Sinfonia Asset Management Limited, five Funds with AUM of £135m for a consideration of up to £2.7m
- Tatton Investment Management increased its number of firms to 522 (2018: 405) and number of accounts to 61,250 (2018: 53,500)
- Strong start to Tenet Partnership since June announcement – 40 new firms and £24.5m of AUM
- Paradigm Mortgages, the Group's mortgage and protection distribution business, performed strongly, with gross lending via its channels during the period of £4.8bn (2018: £4.0bn), an increase of 20.0% and with 1,466 mortgage firms using its services (2018: 1,290)
- Amalgamation of Consulting and Mortgages creating a simplified IFA support services business, allowing the Group to better meet the needs of IFAs through an integrated approach.

# Tatton drives business growth

## GROUP RESULTS

The Group has delivered a solid first half performance driven by continued growth in Tatton Investment Management (Tatton). We continue to deliver increasing assets under management (AUM) and reached the £7.0bn milestone at the end of September 2019.

Group revenue for the period increased 15.2% to £9.73m (2018: £8.45m). Adjusted operating profit* for the period increased 23.2% to £4.13m (2018: £3.35m) with adjusted operating profit margin* increasing to 42.4% (2018: 39.7%).

Pre-tax profit after exceptional items and share-based payment charges increased 17.1% to £3.61m (2018: £3.08m). Taxation charges for the period were £0.67m (2018: £0.68m). This gives an effective tax rate of 18.5% when measured against profit before tax. Adjusting for exceptional costs and share-based payments the effective tax rate is 19.7%.

The basic earnings per share was 5.26p (2018: 4.30p). When adjusted for exceptional items and share-based payment charges, earnings per share was 5.92p (2018: 4.97p) and earnings per share fully diluted for the impact of share options was 5.39p (2018: 4.57p), an increase of 17.9%.

## STRATEGIC PRIORITIES AND BUSINESS OBJECTIVES

### TATTON INVESTMENT MANAGEMENT

Against a backdrop of a global economic slowdown and the rising investor hesitance due to Brexit uncertainty, Tatton has made a solid start to the financial year. Tatton completed its first acquisition, Sinfonia Asset Management (SAM), for a consideration of up to £2.7m. SAM contributed £135m of assets to the total AUM of £7.0bn (2018: £5.7bn). This represents an increase of 22.8% on the prior year (organic 21.1%) and 14.8% since the last full year results at the end of March 2019. Increasing AUM through new and existing adviser relationships remains at the core of Tatton's strategy, both organically and through acquisition. We will continue to develop our market leading managed portfolio service and enhance our other products to ensure they remain at the cutting edge of centralised investment propositions (CIP) for financial advisers. We continue to make good progress in adding new firms and associated clients with firm numbers increasing to 522 (2018: 405), an increase of 28.9%, and clients increasing to 61,250 (2018: 53,500), an increase of 14.5%. We are very pleased with the progress we are making with the Tenet Group following the signing of the strategic partnership agreement in June this year. Results are already very positive with 40 new firms (included in the 522 above) and £24.5m of associated AUM added in the period to September 2019. We look forward to making further progress in the year ahead.

Revenue for Tatton (excluding wrap income, as previously presented) grew 35.2% to £5.45m (2018: £4.03m) and adjusted operating profit* grew 42.0% to £2.91m (2018: £2.05m). Margins increased to 53.3% (2018: 50.9%) reflecting the operational gearing of the business. We anticipate that this will continue as the business continues to grow.

> “We make life simpler for IFAs, so they can focus on their clients and build a better business.”
>
> **PAUL HOGARTH**
> **CHIEF EXECUTIVE OFFICER**

* Alternative performance measures are detailed on pages 39-40.

### PARADIGM MORTGAGES

Paradigm Mortgages started the year well and continues to deliver good growth through increasing market share despite the headwinds in the mortgage market. New members in the period increased the number of firms by 13.6% to 1,466 (2018: 1,290).

Paradigm Mortgages' strategy remains to assist Financial Advisers and intermediaries in benefiting from economies of scale in lending and insurance provision through access to lenders covering the whole of market, together with a full range of mortgage-related support services. The increase in new members helps to drive applications, a key indicator for future performance. It also benefits the general drive towards increased customer retention with intermediaries taking an increasing share of the channel which feeds through to increased completions and associated revenue.

Revenue for Paradigm Mortgages grew 11.4% to £1.42m (2018: £1.28m) and adjusted operating profit grew 11.3% to £0.80m (2018: £0.72m) with margins remaining strong at 56.1% (2018: 56.2%).

### PARADIGM CONSULTING

The business continues to provide regulatory compliance support and bespoke consultancy to IFAs and acts as a channel for intelligence and insight into the IFA community for the wider Group. The number of Paradigm Consulting firms slightly increased to 385 (2018: 382), while the market experiences transactional activity and continues to consolidate. Revenue in the period reduced 9.3% to £2.83m (2018: £3.12m) and adjusted operating profit* reduced 3.8% to £1.48m (2018: £1.54m).

### REORGANISATION

Since the IPO in July 2017 we have operated three distinct businesses, each with its own strategic goals and priorities. As the Group has evolved over the last two years, we have continued to develop our approach to how the Group businesses operate in their respective markets. As such the decision has been made to simplify the business units to better reflect their offerings of investment management and adviser support services. Therefore, the two existing Paradigm businesses will amalgamate to operate under a single operational and reporting control structure, resulting in a change to the operating segment reporting. They will continue to deliver financial adviser support services, consulting, pooled protection and the mortgage club under the existing Paradigm brand. Further, all end client-related investment income to the Group will now be presented under Tatton Investment Management (Tatton), meaning the investment and wrap income of £1.6m including associated costs of £0.3m, which were historically presented under Paradigm Consulting, will now be presented under Tatton to better reflect its nature and the operational activity which supports it.

> **"We remain well-placed to capitalise on our market leading position."**
>
> **PAUL HOGARTH**
> **CHIEF EXECUTIVE OFFICER**

A summary of the segmental results for the period (together with prior period comparatives) for the Tatton and Paradigm businesses, on both the new and old basis of presentation, is set out in the Divisional Results section below and in note 2.2 to these condensed financial statements.

As we look to the future, we will leverage the closer relationship in the Paradigm businesses through improved cross-fertilisation and co-operation and see this as a logical step to a more cohesive proposition to the markets in which we operate. We have shown both the new and historical presentation for clarity and understanding on the following pages. Any additional costs incurred in the second half of the year in relation to the reorganisation will be separately disclosed in the income statement.

## DIVISIONAL RESULTS

The impact of the change in the Group's operating divisions as detailed above is illustrated in note 2.6 of these condensed financial statements.

### HISTORICAL PRESENTATION

| | Tatton Investment £'000 | Paradigm Consulting £'000 | Paradigm Mortgages £'000 | Central £'000 | Total £'000 |
|---|---|---|---|---|---|
| **30 September 2019** | | | | | |
| Revenue | 5,453 | 2,828 | 1,424 | 24 | **9,729** |
| Adjusted operating profit* | 2,906 | 1,478 | 799 | (1,057) | **4,126** |
| Adjusted operating profit margin* | 53.3% | 52.3% | 56.1% | – | 42.4% |
| **30 September 2018** | | | | | |
| Revenue | 4,025 | 3,118 | 1,278 | 24 | **8,445** |
| Adjusted operating profit* | 2,050 | 1,537 | 718 | (955) | **3,350** |
| Adjusted operating profit margin* | 50.9% | 49.3% | 56.2% | – | 39.7% |

### NEW PRESENTATION

| | Tatton £'000 | Paradigm £'000 | Central £'000 | Total £'000 |
|---|---|---|---|---|
| **30 September 2019** | | | | |
| Revenue | 7,102 | 2,603 | 24 | **9,729** |
| Adjusted operating profit* | 4,273 | 910 | (1,057) | **4,126** |
| Adjusted operating profit margin* | 60.2% | 35.0% | – | 42.4% |
| **30 September 2018** | | | | |
| Revenue | 5,987 | 2,434 | 24 | **8,445** |
| Adjusted operating profit* | 3,482 | 823 | (955) | **3,350** |
| Adjusted operating profit margin* | 58.2% | 33.8% | – | 39.7% |

## ACQUISITION

A key part of the Group's strategy is to make acquisitions that fit the business model and fulfil the key strategic aims of the business. On 30 September 2019 the Group acquired the entire issued share capital of Sinfonia Asset Management Limited (SAM), a wholly owned subsidiary of the Tenet Group for a consideration of up to £2.7m. SAM comprises five risk-targeted funds with a total AUM of £135m. These five additional funds will complement Tatton's existing fund range and expand the access IFAs' clients have to a range of diversified investment portfolios on investment platforms that cannot yet accommodate discretionary portfolio services.

Of the consideration of up to £2.7m, £2.0m was payable on completion with the remaining balance becoming payable in two equal instalments subject to meeting specific AUM targets at the end of years one and two post completion as set out in note 16 to these condensed financial statements.

## EXCEPTIONAL ITEMS

The exceptional items totalling £0.1m in the period relate to the acquisition of Sinfonia Asset Management Limited. Exceptional items along with share-based payment charges are both reported separately to give a better understanding of the Company's underlying performance.

* Alternative performance measures are detailed on pages 39-40.

## BALANCE SHEET

The balance sheet remains healthy with net assets at 30 September 2019 totalling £15.3m (2018: £13.9m) reflecting the continued growth and profitability of the Group. Property, plant and equipment has increased to £1.1m (2018: £0.3m), with £0.6m of the increase relating to the recognition of right-of-use assets following the adoption of IFRS 16 'Leases' from 1 April 2019. Lease liabilities of £0.7m have also been recognised at the period end resulting in a net decrease to net assets of £0.1m.

Intangible assets of £1.8m have been recognised (2018: £nil), of which £1.5m relates to the preliminary valuation of customer relationship intangibles recognised on the acquisition of SAM. This business combination has also resulted in an increase to goodwill of £1.1m.

## CASH RESOURCES

The Group continues to generate strong cash flows. Net cash generated from operations was £3.8m, £3.9m before exceptional items (2018: £4.3m) and was 105% of operating profit. The Group remains debt free with closing net cash at the end of the period of £9.2m (2018: £11.6m or £9.4m excluding non-shareholder cash). The cash resources are after the acquisition of Sinfonia of £2.0m, corporation tax of £1.4m and dividend payments of £3.1m relating to the final dividend for the year ended 31 March 2019.

## DIVIDEND

The Board is pleased to recommend an interim dividend of 3.2p per share, an increase of 14.3% on the prior period interim dividend. The interim dividend reflects both our cash performance and our underlying confidence in the business. The interim dividend of 3.2p per share, totalling £1.8m, will be paid on 13 December 2019 to shareholders on the register at close of business on 22 November 2019 and will have an ex-dividend date of 21 November 2019. In accordance with IFRS, the interim dividend has not been included as a liability in this interim statement.

## BUSINESS RISK

The Board identified principal risks and uncertainties which may have a material impact on the Group's performance in the Group's 2019 Annual Report and Accounts (pages 24 to 25) and believes that the nature of these risks remains largely unchanged at the half year. The Board will continue to monitor and manage identified principal risks throughout the second half of the year.

## BREXIT

The Group has continued to review the implications of the result of the UK referendum to leave the EU on our business model. As the Group has no direct exposure to cross-border trading and has no overseas operations, the direct impact of Brexit will be limited. However, we remain mindful of the uncertainty Brexit has created and its potential to impact markets and the wider consumer sentiment. The Board will continue to assess the implications of the changes as they emerge.

## GOING CONCERN

As stated in note 2.2 of these condensed financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

## SUMMARY AND OUTLOOK

The Group continues to make good progress against its stated strategy. We continue to see net new inflows supporting an increasing AUM. The Group has delivered a solid first half performance with increasing revenues, profit and margins. As in prior periods we will continue to maintain a disciplined approach to executing our strategy and we remain excited by the opportunities that exist in the markets in which we operate. While we are mindful of the current political and macro-economic factors, the Group continues to trade in line with the Board's full year expectations and the Board remains optimistic regarding the prospects of the Group.

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Note | **Unaudited six months ended 30-Sep 2019 (£'000)** | Unaudited six months ended 30-Sep 2018 (£'000) | Audited year ended 31-Mar 2019 (£'000) |
|---|---|---|---|---|
| **Revenue** | | **9,729** | 8,445 | 17,518 |
| Administrative expenses | | **(6,118)** | (5,473) | (11,593) |
| **Operating profit** | 4 | **3,611** | **2,972** | **5,925** |
| Share-based payment costs | 5 | **413** | 365 | 874 |
| Exceptional items | 5 | **102** | 13 | 509 |
| **Adjusted operating profit (before separately disclosed items)[1]** | | **4,126** | **3,350** | **7,308** |
| Finance (costs)/income | 6 | **(1)** | 112 | 187 |
| **Profit before tax** | | **3,610** | **3,084** | **6,112** |
| Taxation charge | 7 | **(667)** | (681) | (1,255) |
| **Profit attributable to shareholders** | | **2,943** | **2,403** | **4,857** |

| | | | | |
|---|---|---|---|---|
| **Earnings per share – Basic** | 8 | **5.26p** | 4.30p | 8.69p |
| **Earnings per share – Diluted** | 8 | **4.79p** | 3.95p | 7.92p |
| **Adjusted earnings per share – Basic[2]** | 8 | **5.92p** | 4.97p | 10.99p |
| **Adjusted earnings per share – Diluted[2]** | 8 | **5.39p** | 4.57p | 10.02p |

1 Adjusted for exceptional items and share-based payment costs. See note 18.
2 Adjusted for exceptional items and share-based payment costs and the tax thereon. See note 18.

There were no other recognised gains or losses other than those recorded above in the current or prior period and therefore a statement of other comprehensive income has not been presented.

The notes on pages 12 to 40 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Note | Unaudited six months ended 30-Sep 2019 (£'000) | Unaudited six months ended 30-Sep 2018 (£'000) | Audited year ended 31-Mar 2019 (£'000) |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 10 | **6,060** | 4,917 | 4,917 |
| Intangible assets | 11 | **1,750** | – | 223 |
| Property, plant and equipment | 12 | **1,094** | 310 | 349 |
| Deferred income tax asset | | **101** | – | 104 |
| **Total non-current assets** | | **9,005** | **5,227** | **5,593** |
| **Current assets** | | | | |
| Trade and other receivables | | **2,639** | 3,410 | 2,508 |
| Corporation tax asset | | **118** | – | – |
| Cash and cash equivalents | | **9,174** | 11,622 | 12,192 |
| **Total current assets** | | **11,931** | **15,032** | **14,700** |
| **Total assets** | | **20,936** | **20,259** | **20,293** |
| **Current liabilities** | | | | |
| Trade and other payables | | **(4,579)** | (5,775) | (4,521) |
| Corporation tax | | **-** | (600) | (484) |
| **Total current liabilities** | | **(4,579)** | **(6,375)** | **(5,005)** |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | | **-** | (15) | – |
| Other payables | | **(1,008)** | – | – |
| **Total non-current liabilities** | | **(1,008)** | **(15)** | **-** |
| **Total liabilities** | | **(5,587)** | **(6,390)** | **(5,005)** |
| **Net assets** | | **15,349** | **13,869** | **15,288** |
| **Equity attributable to equity holders of the entity** | | | | |
| Share capital | | **11,182** | 11,182 | 11,182 |
| Share premium account | | **8,718** | 8,718 | 8,718 |
| Other reserve | | **2,041** | 2,041 | 2,041 |
| Merger reserve | | **(28,968)** | (28,968) | (28,968) |
| Retained earnings | | **22,376** | 20,896 | 22,315 |
| **Total equity** | | **15,349** | **13,869** | **15,288** |

The notes on pages 12 to 40 form part of these financial statements.

The financial statements on pages 8 to 40 were approved by the Board of Directors on 11 November 2019 and were signed on its behalf by:

**PAUL EDWARDS**
**Director**

Company registration number: 10634323

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Share capital (£'000) | Share premium (£'000) | Other reserve (£'000) | Merger reserve (£'000) | Retained earnings (£'000) | Total equity (£'000) |
|---|---|---|---|---|---|---|
| **At 1 April 2018** | **11,182** | **8,718** | **2,041** | **(28,968)** | **20,588** | **13,561** |
| Profit and total comprehensive income | – | – | – | – | 2,403 | 2,403 |
| Dividends | – | – | – | – | (2,460) | (2,460) |
| Share-based payments | – | – | – | – | 365 | 365 |
| **At 30 September 2018** | **11,182** | **8,718** | **2,041** | **(28,968)** | **20,896** | **13,869** |
| Profit and total comprehensive income | – | – | – | – | 2,454 | 2,454 |
| Dividends | – | – | – | – | (1,565) | (1,565) |
| Share-based payments | – | – | – | – | 400 | 400 |
| Deferred tax on share-based payments | – | – | – | – | 130 | 130 |
| **At 31 March 2019** | **11,182** | **8,718** | **2,041** | **(28,968)** | **22,315** | **15,288** |
| **Profit and total comprehensive income** | **–** | **–** | **–** | **–** | **2,943** | **2,943** |
| **Dividends** | **–** | **–** | **–** | **–** | **(3,131)** | **(3,131)** |
| **Share-based payments** | **–** | **–** | **–** | **–** | **379** | **379** |
| **Deferred tax on share-based payments** | **–** | **–** | **–** | **–** | **(130)** | **(130)** |
| **At 30 September 2019** | **11,182** | **8,718** | **2,041** | **(28,968)** | **22,376** | **15,349** |

## CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

| | Note | **Unaudited six months ended 30-Sep 2019 (£'000)** | Unaudited six months ended 30-Sep 2018 (£'000) | Audited year ended 31-Mar 2019 (£'000) |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Profit for the period | | **2,943** | 2,403 | 4,857 |
| Adjustments: | | | | |
| Income tax expense | 7 | **667** | 681 | 1,255 |
| Depreciation of property, plant and equipment | 12 | **145** | 46 | 91 |
| Amortisation of intangible assets | 11 | **57** | – | 43 |
| Share-based payment expense | 15 | **413** | 365 | 874 |
| Finance costs/(income) | 6 | **1** | (112) | (187) |
| Changes in: | | | | |
| Trade & other receivables | | **(79)** | (958) | 78 |
| Trade & other payables | | **(357)** | 1,853 | 491 |
| Exceptional costs | 5 | **102** | 13 | 509 |
| Cash generated from operations before exceptional costs | | **3,892** | **4,291** | **8,011** |
| **Cash generated from operations** | | **3,790** | **4,278** | **7,502** |
| Income tax paid | | **(1,396)** | (687) | (1,366) |
| **Net cash from operating activities** | | **2,394** | **3,591** | **6,136** |
| **Investing activities** | | | | |
| Payment for the acquisition of subsidiary, net of cash acquired | 16 | **(1,960)** | – | – |
| Purchase of intangible assets | | **(115)** | – | (266) |
| Purchase of property, plant and equipment | | **(202)** | (251) | (336) |
| **Net cash used in investing activities** | | **(2,277)** | **(251)** | **(602)** |
| **Financing activities** | | | | |
| Interest received | | **10** | 112 | 53 |
| Dividends paid | | **(3,131)** | (2,460) | (4,025) |
| Repayment of the lease liabilities | | **(14)** | – | – |
| **Net cash used in financing activities** | | **(3,135)** | **(2,348)** | **(3,972)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(3,018)** | **992** | **1,562** |
| Cash and cash equivalents at beginning of period | | **12,192** | 10,630 | 10,630 |
| **Net cash and cash equivalents at end of period** | | **9,174** | **11,622** | **12,192** |

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

# 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, United Kingdom. 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 the funds run by the companies under Tatton Capital Limited.

The condensed consolidated interim financial statements for the six months ended 30 September 2019 do not constitute statutory accounts as defined under Section 434 of the Companies Act 2006. The Annual Report and Financial Statements (the 'Financial Statements') for the year ended 31 March 2019 were approved by the Board on 3 June 2019 and have been delivered to the Registrar of Companies. The Auditor, Deloitte LLP, reported on these financial statements; its report was unqualified, did not contain an emphasis of matter paragraph and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

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.

## 2 ACCOUNTING POLICIES

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

### 2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the Financial Statements for the year ended 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed consolidated interim financial statements were approved for release on 11 November 2019.

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

The condensed consolidated interim 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 key accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated financial statements. The accounting policies adopted by the Group in these interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 April 2019.

## 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 facilities. The Directors have considered the risks associated with Brexit, including considering the effect on clients' wealth, attitude towards savings and investment, and changes in government policy. The Directors do not consider that the impact of Brexit will affect the Group continuing as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

## 2.3 BASIS OF CONSOLIDATION

On 23 February 2017 the Company was incorporated under the name Tatton Asset Management Limited. On 19 June 2017 Tatton Asset Management Limited acquired the entire share capital of Nadal Newco Limited via a share for share exchange with the shareholders of Nadal Newco Limited. On 19 June 2017 Tatton Asset Management Limited was re-registered as a public company with the name Tatton Asset Management plc. Following the share for share exchange referred to above, Tatton Asset Management plc became the ultimate legal parent of the Group.

## 2.4 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.

- Amendments to IFRS 3, IAS 1, IAS 8, IFRS 9, IAS 39 and IFRS 7

## 2 ACCOUNTING POLICIES CONTINUED

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing the interim financial statements.

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

### 2.5 LEASES

In the current period, the Group, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) which became effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group was 1 April 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of internally applying IFRS 16 is recognised in retained earnings at the date of initial application, however there is no impact on the net assets and retained earnings of the Group at 1 April 2019.

**Impact on the new definition of a lease**

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 April 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

**Impact on Lessee Accounting**

**Former operating leases**

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) recognises right-of-use assets and lease liabilities in the Consolidated Statement of Financial Position, initially measured at the present value of the future lease payments;

(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Total Comprehensive Income;

(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Statement of Total Comprehensive Income.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within Other operating expenses in the Consolidated Statement of Total Comprehensive Income.

**Financial impact of initial application of IFRS 16**

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current period.

| **Impact on profit or loss in the period** | £'000 |
|---|---|
| Increase in depreciation[1] | (69) |
| Increase in finance costs[1] | (11) |
| Decrease in other operating expenses[1] | 77 |
| Decrease in profit for the period | (3) |

| **Impact on earnings per share** | p |
|---|---|
| **Increase in earnings per share from continuing operations** | |
| Basic | 0.01p |
| Diluted | 0.01p |

## 2 ACCOUNTING POLICIES CONTINUED

| **Impact on assets, liabilities and equity as at 30 September 2019** | As if IAS 17 still applied £'000 | IFRS 16 adjustments £'000 | As presented £'000 |
|---|---|---|---|
| Right-of-use asset[1] | – | 620 | 620 |
| **Net impact on total assets** | **–** | **620** | **620** |
| Trade and other payables | (63) | 63 | – |
| Lease liabilities[1] | – | (686) | (686) |
| **Net impact on total liabilities** | **(63)** | **(623)** | **(686)** |
| **Retained earnings** | **(63)** | **(3)** | **(66)** |

1 The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in Other operating expenses and an increase in depreciation and interest expense.

| | £'000 |
|---|---|
| Operating lease commitments disclosed as at 31 March 2019 | 778 |
| (Less): short-term leases recognised on a straight-line basis as expense | (28) |
| | 750 |
| Lease liability recognised as at 1 April 2019 discounted using the lessee's incremental borrowing rate at the date of initial application | 689 |
| Of which are: | |
| Current lease liabilities | 40 |
| Non-current lease liabilities | 649 |
| | **689** |

The application of IFRS 16 has an impact on the consolidated cash flows of the Group. Under IFRS 16, lessees must present:

- short-term lease payments and payments for leases of low-value assets as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of operating activities); and
- cash payments for the principal portion for lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. At the reporting date there is no impact on net cash generated by operating activities as no payments have been made against the relevant lease in the period. The adoption of IFRS 16 did not have an impact on net cash flows.

**The Group as lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Trade and other payables in the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

## 2 ACCOUNTING POLICIES CONTINUED

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are within Property, plant and equipment in the Consolidated Statement of Financial Position. The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the Property, plant and equipment policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

### 2.6 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.

Following changes to the structure of the Group's internal organisation, and subsequent changes to the way in which financial and management information is presented to both the Board and the Executive Committee, the composition of the Group's Reportable Segments changed in the financial period ended 30 September 2019.

The change to the Group's organisation structure was the establishment of the Paradigm division in order to bring together the activities of Paradigm Consulting and Paradigm Mortgages under single leadership. The change allows the needs of IFAs and mortgages advisers to be better met through an integrated approach. The services being provided to these customers include compliance and support services. In addition, the Tatton division now includes wrap-related revenue which was previously included in the Paradigm Consulting division.

This change brings the management and responsibility for all asset-related management and services into one division.

As a result of these changes, activities previously reported under Paradigm Consulting have been split between Tatton and Paradigm, with Paradigm Mortgages being reported under Paradigm.

The Revenue by segment disclosure note for the period to September 2018 and the year to March 2019 has been amended as follows:

**(i) Revenue by segment**

| | Period ended 30 September 2018 | | |
|---|---|---|---|
| | As reported £'000 | Adjustment £'000 | Restated £'000 |
| Tatton | 4,025 | 1,962 | 5,987 |
| **Paradigm** | – | 2,434 | 2,434 |
| Paradigm Consulting | 3,118 | (3,118) | – |
| Paradigm Mortgages | 1,278 | (1,278) | – |
| Central | 24 | – | 24 |
| **Total** | **8,445** | **–** | **8,445** |

| | Year ended 31 March 2019 | | |
|---|---|---|---|
| | As reported £'000 | Adjustment £'000 | Restated £'000 |
| Tatton | 8,732 | 3,789 | 12,521 |
| **Paradigm** | – | 4,949 | 4,949 |
| Paradigm Consulting | 6,049 | (6,049) | – |
| Paradigm Mortgages | 2,689 | (2,689) | – |
| Central | 48 | – | 48 |
| **Total** | **17,518** | **–** | **17,518** |

## 2 ACCOUNTING POLICIES CONTINUED

### (ii) Operating profit by segment

| | Period ended 30 September 2018 | | |
|---|---|---|---|
| | As reported £'000 | Adjustment £'000 | Restated £'000 |
| Tatton | 1,955 | 1,432 | 3,387 |
| **Paradigm** | – | 810 | 810 |
| Paradigm Consulting | 1,524 | (1,524) | – |
| Paradigm Mortgages | 718 | (718) | – |
| Central | (1,225) | – | (1,225) |
| **Total** | **2,972** | **–** | **2,972** |

| | Year ended 31 March 2019 | | |
|---|---|---|---|
| | As reported £'000 | Adjustment £'000 | Restated £'000 |
| Tatton | 4,098 | 2,743 | 6,841 |
| **Paradigm** | – | 1,805 | 1,805 |
| Paradigm Consulting | 2,983 | (2,983) | – |
| Paradigm Mortgages | 1,565 | (1,565) | – |
| Central | (2,721) | – | (2,721) |
| **Total** | **5,925** | **–** | **5,925** |

### (iii) Adjusted operating profit* by segment

| | Period ended 30 September 2018 | | |
|---|---|---|---|
| | As reported £'000 | Adjustment £'000 | Restated £'000 |
| Tatton | 2,050 | 1,432 | 3,482 |
| **Paradigm** | – | 823 | 823 |
| Paradigm Consulting | 1,537 | (1,537) | – |
| Paradigm Mortgages | 718 | (718) | – |
| Central | (955) | – | (955) |
| **Total** | **3,350** | **–** | **3,350** |

* Alternative performance measures are detailed on pages 39-40.

| | Year ended 31 March 2019 | | |
|---|---|---|---|
| | As reported £'000 | Adjustment £'000 | Restated £'000 |
| Tatton | 4,628 | 2,743 | 7,371 |
| **Paradigm** | – | 1,818 | 1,818 |
| Paradigm Consulting | 2,996 | (2,996) | – |
| Paradigm Mortgages | 1,565 | (1,565) | – |
| Central | (1,881) | – | (1,881) |
| **Total** | **7,308** | **–** | **7,308** |

## 2.7 SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

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 the most significant 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. If the revision affects both current and future periods, it is revised in the period of the revision and in future periods. Changes for accounting estimates would be accounted for prospectively under IAS 8.

**Share-based payments**

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 income statement is adjusted appropriately (at the end of the relevant scheme as a minimum). The sensitivity analysis carried out shows that if it was considered that 100% of the options would vest, the charge for the period would increase by £389,000.

## 2 ACCOUNTING POLICIES CONTINUED

**Business combinations and acquisitions**

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 assets 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. Business combinations are disclosed in note 16.

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.

### 2.8 ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information, the Group presents alternative performance measures "APMs" which are not defined or specified under the requirements of IFRS. 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. Each of the APMs used by the Group are set out on pages 39-40 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

## 3 SEGMENT REPORTING

Information reported to the Board of Directors as the chief operating decision maker 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 independent financial advisers and mortgage advisers ("Paradigm").

The Group's reportable segments under IFRS 8 are therefore Tatton, Paradigm, and "Central" which contains the Group's central overhead costs. The operating segments disclosed have changed during the reporting period, see note 2.6.

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:

| Period ended 30 September 2019 | Tatton (£'000) | Paradigm (£'000) | Central (£'000) | Group (£'000) |
|---|---|---|---|---|
| **Revenue** | **7,102** | **2,603** | **24** | **9,729** |
| Administrative expenses | (2,956) | (1,693) | (1,469) | (6,118) |
| **Operating profit/(loss)** | **4,146** | **910** | **(1,445)** | **3,611** |
| Share-based payments costs | 25 | – | 388 | 413 |
| Exceptional charges | 102 | – | – | 102 |
| **Adjusted operational profit/(loss) (before separately disclosed items)*** | **4,273** | **910** | **(1,057)** | **4,126** |
| Finance (costs)/income | (8) | 8 | (1) | (1) |
| **Profit/(loss) before tax** | **4,138** | **918** | **(1,446)** | **3,610** |

| Period ended 30 September 2018 restated (note 2.6) | Tatton (£'000) | Paradigm (£'000) | Central (£'000) | Group (£'000) |
|---|---|---|---|---|
| **Revenue** | **5,987** | **2,434** | **24** | **8,445** |
| Administrative expenses | (2,600) | (1,624) | (1,249) | (5,473) |
| **Operating profit/(loss)** | **3,387** | **810** | **(1,225)** | **2,972** |
| Share-based payments | 95 | – | 270 | 365 |
| Exceptional charges | – | 13 | – | 13 |
| **Adjusted operating profit/(loss) (before separately disclosed items)*** | **3,482** | **823** | **(955)** | **3,350** |
| Finance income | – | 111 | 1 | 112 |
| **Profit/(loss) before tax** | **3,387** | **921** | **(1,224)** | **3,084** |

| Year ended 31 March 2019 restated (note 2.6) | Tatton (£'000) | Paradigm (£'000) | Central (£'000) | Group (£'000) |
|---|---|---|---|---|
| **Revenue** | **12,521** | **4,949** | **48** | **17,518** |
| Administrative expenses | (5,680) | (3,144) | (2,769) | (11,593) |
| **Operating profit/(loss)** | **6,841** | **1,805** | **(2,721)** | **5,925** |
| Share-based payments | 34 | – | 840 | 874 |
| Exceptional charges | 496 | 13 | – | 509 |
| **Adjusted operating profit/(loss) (before separately disclosed items)*** | **7,371** | **1,818** | **(1,881)** | **7,308** |
| Finance income | – | 185 | 2 | 187 |
| **Profit/(loss) before tax** | **6,841** | **1,990** | **(2,719)** | **6,112** |

All turnover arose in the United Kingdom.

* Alternative performance measures are detailed on pages 39-40.

## 4 OPERATING PROFIT

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

| | 30-Sep 2019 (£'000) | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| Amortisation of intangible assets | **57** | – | 43 |
| Depreciation of property, plant and equipment | **76** | 46 | 91 |
| Depreciation of right-of-use assets | **69** | – | – |
| Separately disclosed items (note 5) | **515** | 378 | 1,383 |
| **Services provided to the Group's auditor** | | | |
| Audit of the statutory consolidated and Company financial statements of Tatton Asset Management plc | **17** | 17 | 33 |
| Audit of subsidiaries | **21** | 20 | 40 |
| Other fees payable to auditor: | | | |
| Other taxation advisory services | **-** | 20 | 38 |
| Non-audit services | **67** | 15 | 10 |

## 5 SEPARATELY DISCLOSED ITEMS

| | 30-Sep 2019 (£'000) | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| IPO costs | **-** | 13 | 13 |
| Project set-up costs related to transferring Authorised Corporate Director | **-** | – | 293 |
| New fund set-up costs | **-** | – | 203 |
| Acquisition-related expenses | **102** | – | – |
| **Total exceptional items** | **102** | 13 | 509 |
| Share-based payments | **413** | 365 | 874 |
| **Total separately disclosed items** | **515** | 378 | 1,383 |

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

On 30 September 2019 the Group acquired the share capital of Sinfonia Asset Management Limited (see note 16) and incurred acquisition related costs of £102,000. These costs are part of separately disclosed items within administrative expenses in the Consolidated Statement of Total Comprehensive Income.

During the financial year ended 31 March 2019, the Group incurred exceptional one-off costs of £496,000 which related to the funds in Tatton Investment Management Limited ("Tatton"). Tatton transferred its Authorised Corporate Director who acts on behalf of the Company to administer the funds and this transfer incurred significant project management charges. In addition, Tatton launched new funds in the year and incurred material set-up costs as part of the process; both are included within exceptional items and separately disclosed items within administrative expenses in the Consolidated Statement of Total Comprehensive Income.

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 Consolidated Statement of Total Comprehensive Income in the prior year.

## 6 FINANCE (COSTS)/INCOME

| | **30-Sep 2019 (£'000)** | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| Bank interest income | **2** | 2 | 2 |
| Other interest income | **8** | 124 | 214 |
| Interest expense on lease liabilities | **(11)** | – | – |
| Bank charges | **–** | (14) | (29) |
| | **(1)** | 112 | 187 |

## 7 TAXATION

| | **30-Sep 2019 (£'000)** | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| **Current tax expense** | | | |
| Current tax on profits for the period | **779** | 681 | 1,318 |
| Adjustment for under-provision in prior periods | **–** | – | (74) |
| | **779** | 681 | 1,244 |
| **Deferred tax expense** | | | |
| Share-based payments | **(9)** | – | (19) |
| Origination and reversal of temporary differences | **15** | – | 30 |
| Adjustment for under-provision in prior periods | **(118)** | – | – |
| | **(112)** | – | 11 |
| **Total tax expense** | **667** | 681 | 1,255 |

## 7 TAXATION CONTINUED

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

| | **30-Sep 2019 (£'000)** | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| Profit before taxation | **3,610** | 3,084 | 6,112 |
| Tax at UK corporation tax rate of 19% (2018: 19%) | **686** | 586 | 1,161 |
| Expenses not deductible for tax purposes | **37** | 115 | 25 |
| Capital allowances in excess of deprecation | **–** | (20) | – |
| Adjustments in respect of previous years | **(117)** | – | (74) |
| Differences in tax rates | **–** | – | (2) |
| Share-based payments | **61** | – | 145 |
| **Total tax expense** | **667** | 681 | 1,255 |

The UK corporation tax rate 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 asset as at 30 September 2019 has been calculated based on a rate of 17% based on when the Company expects the deferred tax liability to reverse.

## 8 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 period.

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 period.

### NUMBER OF SHARES

| | **30-Sep 2019** | 30-Sep 2018 | 31-Mar 2019 |
|---|---|---|---|
| **Basic** | | | |
| Weighted average number of shares in issue | **55,907,513** | 55,907,513 | 55,907,513 |
| **Diluted** | | | |
| Share options | **5,472,238** | 4,915,047 | 5,406,199 |
| Weighted average number of shares (diluted) | **61,379,751** | 60,822,560 | 61,313,712 |

| | 30-Sep 2019 (£'000) | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| **Earnings attributable to ordinary shareholders** | | | |
| Basic and diluted profit for the period | **2,943** | 2,403 | 4,857 |
| Share-based payments | **413** | 365 | 874 |
| Exceptional costs – see note 5 | **102** | 13 | 509 |
| Tax impact of adjustments | **(146)** | – | (97) |
| Adjusted basic and diluted profits for the period and attributable earnings | **3,312** | 2,781 | 6,143 |
| Earnings per share (pence) (basic) | **5.26** | 4.30 | 8.69 |
| Earnings per share (pence) (diluted) | **4.79** | 3.95 | 7.92 |
| Adjusted earnings per share (pence) (basic) | **5.92** | 4.97 | 10.99 |
| Adjusted earnings per share (pence) (diluted) | **5.39** | 4.57 | 10.02 |

## 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 the strategy and to invest in opportunities to grow the business and enhance shareholder value.

In July 2019, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2019 of £3,131,000 representing a payment of 5.6p per share.

In the year ended 31 March 2019, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2018 of £2,460,000, representing a payment of 4.4p per share. In addition, the Company paid an interim dividend of £1,565,000 (2018 £1,230,000) to its equity shareholders. This represents a payment of 2.8p per share (2018: 2.2p per share).

At 30 September 2019 the Company's distributable reserves were £22.4 million (2018: £20.9 million).

## 9 STAFF COSTS

### 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.

| | **30-Sep 2019 (£'000)** | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| Short-term employee benefits | **515** | 493 | 884 |
| Post-employment benefits | **-** | 13 | 14 |
| Other long-term benefits | **-** | 1 | 3 |
| Share-based payments | **244** | 294 | 587 |
| | **759** | 801 | 1,488 |

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

| | **30-Sep 2019 (£'000)** | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| Total fees | **80** | 80 | 160 |

## 10 GOODWILL

| | Goodwill (£'000) |
|---|---|
| **Cost** | |
| Balance at 1 April 2018, 30 September 2018 and 31 March 2019 | 4,917 |
| Additions | 1,143 |
| **Balance at 30 September 2019** | **6,060** |
| **Carrying amount** | |
| Balance at 1 April 2018, 30 September 2018 and 31 March 2019 | 4,917 |
| **Balance at 30 September 2019** | **6,060** |

The goodwill of £4.9 million at 31 March 2019 relates to £2.9m 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 and £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited.

On 30 September 2019 the Group acquired the share capital of Sinfonia Asset Management Limited (note 16) which generated a provisional goodwill value of £1.1 million. This goodwill consists of future synergies and forecast profits of the Sinfonia business.

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 Total 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 30 September 2019 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 2020 which are extrapolated for a further four years. The Group's latest financial forecasts, which cover a three-year period, are reviewed by the Board.

## DISCOUNT RATES

The pre-tax discount rate used to calculate value is 8.3% (2018: 8.3%). The discount rate is derived from a benchmark calculated from a number of comparable businesses.

## CASH FLOW ASSUMPTIONS

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

The headroom compared to the carrying value of goodwill as at 30 September 2019 is £214 million. Increasing the discount rate to 171% 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.

## 11 INTANGIBLES

| | Customer relationships (£'000) | Computer software (£'000) | Total (£'000) |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 April 2018 and 30 September 2018 | – | – | – |
| Reclassifications from property, plant and equipment | – | 109 | 109 |
| Additions | – | 157 | 157 |
| Balance at 31 March 2019 | – | 266 | 266 |
| Additions | 1,469 | 115 | 1,584 |
| **Balance at 30 September 2019** | **1,469** | **381** | **1,850** |
| **Accumulated depreciation and impairment** | | | |
| At 1 April 2018 and 30 September 2018 | – | – | – |
| Reclassifications from property, plant and equipment | | (10) | (10) |
| Charge for the period | – | (33) | (33) |
| Balance at 31 March 2019 | – | (43) | (43) |
| Charge for the period | – | (57) | (57) |
| **Balance at 30 September 2019** | – | **(100)** | **(100)** |
| **Carrying amount** | | | |
| As at 1 April 2018 and 30 September 2018 | – | – | – |
| As at 31 March 2019 | – | 223 | 223 |
| **As at 30 September 2019** | **1,469** | **281** | **1,750** |

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

The valuation of the customer relationships intangible asset is provisional, see note 16.

## 12 PROPERTY, PLANT AND EQUIPMENT

| | Computer, office equipment and motor vehicles (£'000) | Fixtures and fittings (£'000) | Right-of-use assets – buildings (£'000) | Total (£'000) |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 April 2018 | 435 | 214 | – | 649 |
| Additions | 133 | 119 | – | 252 |
| Balance at 30 September 2018 | 568 | 333 | – | 901 |
| Additions | 48 | 144 | – | 192 |
| Reclassifications to intangible assets | (109) | – | – | (109) |
| Balance at 31 March 2019 | 507 | 477 | – | 984 |
| Additions | 42 | 160 | – | 202 |
| Increase attributable to change in accounting standards (note 2.5) | – | – | 689 | 689 |
| **Balance at 30 September 2019** | **549** | **637** | **689** | **1,875** |
| **Accumulated depreciation and impairment** | | | | |
| Balance at 1 April 2018 | (331) | (214) | – | (545) |
| Charge for the period | (42) | (4) | – | (46) |
| Balance at 30 September 2018 | (373) | (218) | – | (591) |
| Reclassifications to intangible assets | 10 | - | - | 10 |
| Charge for the period | (34) | (21) | – | (55) |
| Balance at 31 March 2019 | (397) | (239) | – | (636) |
| Charge for the period | (36) | (40) | (69) | (145) |
| **Balance at 30 September 2019** | **(433)** | **(279)** | **(69)** | **(781)** |
| **Carrying amount** | | | | |
| As at 1 April 2018 | 104 | – | – | 104 |
| As at 30 September 2018 | 195 | 115 | – | 310 |
| As at 31 March 2019 | 110 | 238 | – | 348 |
| **As at 30 September 2019** | **116** | **358** | **620** | **1,094** |

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

The Group leases buildings and IT equipment. The average lease term is five years.

No leases have expired in the current financial period.

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

## 12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

### RIGHT-OF-USE ASSETS

| | Unaudited six months ended 30-Sep 2019 (£'000) |
|---|---|
| **Amounts recognised in profit and loss** | |
| Depreciation on right-of-use assets | **(69)** |
| Interest expense on lease liabilities | **(11)** |
| Expense relating to short-term leases | **(87)** |
| Expense relating to low value assets | **(3)** |
| | **(170)** |

At 30 September 2019, the Group is committed to £nil for short-term leases.

The total cash outflow for leases amounts to £104,000.

## 13 FINANCIAL INSTRUMENTS

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

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

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

The Group holds loan notes due from Perspective Financial Group Limited (see note 17). Due to the short-term nature of the Loan notes, the carrying value is a reasonable approximation of their fair value.

The loan notes are repayable on demand, carry an interest rate of 6%, and are classified as level 2.

### INTEREST RATE RISK

The Group finances its operations through a combination of retained profits and bank overdrafts. The Group has an exposure to interest rate risk, as the overdraft facility is at an interest rate of 3.2% above the base rate. At 30 September 2019 total borrowings were £nil.

## 14 EQUITY

| | 30-Sep 2019 (number) | 30-Sep 2018 (number) | 31-Mar 2019 (number) |
|---|---|---|---|
| **Authorised, called up and fully paid** | | | |
| £0.20 Ordinary shares | **55,907,513** | 55,907,513 | 55,907,513 |
| | **55,907,513** | 55,907,513 | 55,907,513 |

## 15 SHARE-BASED PAYMENTS

During the period, a number of share-based payment schemes and share options schemes have been utilised by the Company,

### (A) 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. A total of 3,022,733 options with a weighted average exercise price of £1.89 were granted during the prior period, each exercisable in July 2020.

The scheme was extended on 8 August 2018 and a total of 1,720,138 zero cost options were granted during the year ended 31 March 2019, each exercisable in August 2021. The scheme was further extended on 1 August 2019 and a total of 193,000 zero cost options were granted, each exercisable in August 2022. A total of 4,800,768 options remain outstanding at 30 September 2019, none of which are currently exercisable.

No options were exercised during the period. A total of 23,288 options were forfeited in the period (111,815 options were forfeited in the prior year).

The options vest in July 2020, August 2021 or August 2022 provided certain performance conditions and targets, set prior to grant, have been met. If the performance conditions are not met, the options lapse.

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

### 15 SHARE-BASED PAYMENTS CONTINUED

| | Number of share options granted (number) | Weighted average price (£) |
|---|---|---|
| **Outstanding at 1 April 2018** | 3,022,733 | 1.89 |
| Granted during the period | 1,720,138 | – |
| Forfeited during the period | (111,815) | 1.89 |
| **Outstanding at 30 September 2018** | **4,631,056** | **1.19** |
| **Exercisable at 30 September 2018** | – | – |
| Outstanding at 1 October 2018 | 4,631,056 | 1.19 |
| **Outstanding at 31 March 2019** | **4,631,056** | **1.19** |
| **Exercisable at 31 March 2019** | – | – |
| Outstanding at 1 April 2019 | 4,631,056 | 1.19 |
| Granted during the period | 193,000 | – |
| Forfeited during the period | (23,288) | – |
| **Outstanding at 30 September 2019** | **4,800,768** | **1.15** |
| **Exercisable at 30 September 2019** | **–** | **–** |

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

Over the life of the 2017 Sharesave scheme it is estimated that, based on current saving rates, 204,671 share options will be exercisable at an exercise price of £1.70. Over the life of the 2018 Sharesave scheme it is estimated, based on current saving rates, 48,695 share options will be exercisable at an exercise price of £1.90. Over the life of the 2019 Sharesave scheme it is estimated that, based on current savings rates, 87,687 share options will be exercisable at an exercise price of £1.79. No options have been exercised or expired in the period and 10,183 options have been forfeited in the period.

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 (b) and (c) overleaf respectively.

| | Number of share options granted (number) | Weighted average price (£) |
|---|---|---|
| **Outstanding at 1 April 2018** | 63,344 | 1.70 |
| Granted during the period | 41,331 | 1.72 |
| Forfeited during the period | (8,353) | 1.70 |
| **Outstanding at 30 September 2018** | **96,322** | **1.71** |
| **Exercisable at 30 September 2018** | – | – |
| Outstanding at 1 October 2018 | 96,322 | 1.71 |
| Granted during the period | 40,991 | 1.76 |
| Forfeited during the period | (5,337) | 1.72 |
| **Outstanding at 31 March 2019** | **131,976** | **1.72** |
| **Exercisable at 31 March 2019** | **–** | **–** |
| Outstanding at 1 April 2019 | 131,976 | 1.72 |
| Granted during the period | 49,721 | 1.75 |
| Forfeited during the period | (10,183) | 1.86 |
| **Outstanding at 30 September 2019** | **171,514** | **1.73** |
| **Exercisable at 30 September 2019** | **–** | **–** |

## (B) 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** | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| Share price at grant (£) | 2.12 | 2.40 | 1.89 | 2.14 | 2.34 | 1.89 |
| Exercise price (£) | 0.00 | 0.00 | 1.70 | 1.79 | 1.90 | 1.70 |
| Expected volatility (%) | 30.44 | 28.48 | 26.00 | 30.44 | 28.48 | 26.00 |
| Expected life (years) | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Risk free rate (%) | 0.35 | 0.81 | 0.66 | 0.35 | 0.81 | 0.66 |
| Expected dividend yield (%) | 3.96 | 2.75 | 4.50 | 3.96 | 2.75 | 4.50 |

## (C) IFRS2 SHARE-BASED OPTION COSTS

| | **30-Sep 2019 (£'000)** | 30-Sep 2018 (£'000) | 31-Mar 2019 (£'000) |
|---|---|---|---|
| TAM EMI Scheme | **402** | 355 | 839 |
| TAM Sharesave Scheme | **11** | 10 | 35 |
| | **413** | 365 | 874 |

## 16 BUSINESS COMBINATION

On 30 September 2019, the Group acquired 100 per cent of the issued share capital of Sinfonia Asset Management Limited ("Sinfonia"), obtaining control of Sinfonia. Sinfonia is an administration services company which facilitates the sale of investment products. Sinfonia holds funds within the IFSL Sinfonia Open-Ended Investment Companies. Sinfonia was acquired in order to complement Tatton's existing fund range and give IFAs' clients further access to a range of investments balanced to reflect a particular risk profile.

The provisional amounts recognised in respect of the identifiable assets acquired and liabilities assumed upon acquisition of Sinfonia are set out in the table below:

| | £'000 |
|---|---|
| Identifiable intangible assets | 1,469 |
| Financial assets | 51 |
| Financial liabilities | (12) |
| Total identifiable assets | 1,508 |
| Goodwill | 1,143 |
| **Total consideration** | **2,651** |

| | |
|---|---|
| Satisfied by: | |
| Cash | 1,961 |
| Contingent consideration arrangement | 690 |
| **Total consideration transferred** | **2,651** |

| | |
|---|---|
| Net cash outflow arising on acquisition: | |
| Cash consideration | 1,961 |
| Less: cash and cash equivalent balance acquired | (1) |
| **Net cash outflow** | **1,960** |

The fair value of the financial assets includes accrued income and prepayments with a fair value of £51,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

The fair value of Sinfonia's client relationship intangible assets has been measured using a multi-period excess earnings method. The model uses estimates of client longevity and the level of activity driving commission income to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of the client relationships acquired. The useful economic life of the client relationships has been determined to be ten years.

The goodwill of £1,143,000 arising from the acquisition consists of future income expected to be generated from the funds. None of the goodwill is expected to be deductible for income tax purposes.

The contingent consideration arrangement requires the value of assets held in the funds to meet specific criteria agreed between the parties. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and £690,000.

The fair value of the contingent consideration arrangement of £690,000 was estimated by calculating the expected future value of assets held in the Sinfonia funds. The liability of £690,000 has been recognised in Other payables in the Consolidated Statement of Financial Position.

Acquisition-related costs (included in administrative expenses and separately disclosed in the Consolidated Statement of Total Comprehensive Income) amount to £102,000.

As Sinfonia was acquired on the last day of the reporting period, it contributed £nil to revenue and to the Group's profit for the period between the date of acquisition and the reporting date.

The Group has not completed its assessment or valuation of certain assets acquired and liabilities assumed in connection with the acquisition. Therefore, the information disclosed above for identifiable intangible assets, financial assets and financial liabilities is completed on a provisional basis and is subject to change based on further review of assumptions and if any new information is obtained about facts and circumstances that existed as of the acquisition date. No deferred tax on intangible assets has yet been recognised. This will be recognised once the valuation assessment has been completed.

## 17 RELATED PARTY TRANSACTIONS

### ULTIMATE CONTROLLING PARTY

The Directors consider there to be no ultimate controlling party.

### RELATIONSHIPS

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

| Entity | Nature of transactions |
|---|---|
| Amber Financial Investments Limited | The Group provides discretionary fund management services, as well as accounting and administration services. |
| Jargonfree Benefits LLP | The Group provides accounting and administration services. |
| Paradigm Investment Management LLP | The Group incurs finance charges. |
| Perspective Financial Group Limited | The Group provides discretionary fund management services and compliance advisory services. |
| 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

| | **30-Sep 2019 Value of income/ (cost) (£'000)** | **30-Sep 2019 Balance receivable/ (payable) (£'000)** | 30-Sep 2018 Value of income/ (cost) (£'000) | 30-Sep 2018 Balance receivable/ (payable) (£'000) | 31-Mar 2019 Value of income/ (cost) (£'000) | 31-Mar 2019 Balance receivable/ (payable) (£'000) |
|---|---|---|---|---|---|---|
| Amber Financial Investments Limited | **146** | **–** | 160 | 6 | 239 | (42) |
| Jargon Free Benefits LLP | **12** | **58** | 24 | 28 | 24 | 43 |
| Paradigm Management Partners LLP | **–** | **5** | – | 4 | – | 4 |
| Paradigm Investment Management LLP | **(8)** | **(285)** | – | (315) | (11) | (304) |
| Perspective Financial Group Limited | **191** | **73** | 204 | 560 | 369 | 72 |
| Suffolk Life Pensions Limited | **(29)** | **5** | (29) | (5) | (56) | 9 |

There is a loan note receivable from Perspective Financial Group Limited which at 30 September 2019 has a balance of £144,000 (September 2018: £526,000 and March 2019: £134,000).

### 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 9 on page 28.

## 18 ALTERNATIVE PERFORMANCE MEASURES

### INCOME STATEMENT MEASURES

| APM | Closest equivalent measure | Reconciling items to their statutory measure | Definition and purpose |
|---|---|---|---|
| Adjusted operating profit before separately disclosed items | Operating profit | Exceptional costs and share-based payments. See note 5. | This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.8. |
| Adjusted operating profit margin before separately disclosed items | Operating profit | Exceptional costs and share-based payments. See note 5. | This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.8. |
| Adjusted profit before tax; before separately disclosed items | Profit before tax | Exceptional costs and share-based payments. See note 5. | This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.8. |
| Adjusted earnings per share – basic | Earnings per share – basic | Exceptional costs and share-based payments, and the tax thereon. See note 8. | This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.8. |
| Adjusted earnings per share – fully diluted | Earnings per share – fully diluted | Exceptional costs and share-based payments, and the tax thereon. See note 8. | This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.8. |
| Net cash generated from operations before exceptional costs | Net cash generated from operations | Exceptional costs. See note 5. | Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.8. |

## 18 ALTERNATIVE PERFORMANCE MEASURES CONTINUED

### OTHER MEASURES

| APM | Closest equivalent measure | Reconciling items to their statutory measure | Definition and purpose |
|---|---|---|---|
| Tatton – Assets under management ("AUM") | 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 period and growth of the business to generate revenues going forward. |
| Paradigm Consulting members and growth | None | Not applicable | Alternative growth measure to revenue, giving an operational view of growth. |
| Paradigm Mortgages 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 diluted earnings per share before exceptional items and share-based payment charges) is 1.7 times, demonstrating ability to pay. |

## 19 EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

## 20 CONTINGENT LIABILITIES

At 30 September 2019, the Directors confirmed there were contingent liabilities of £nil (2018: £nil).