

Resilient growth

Resilient growth

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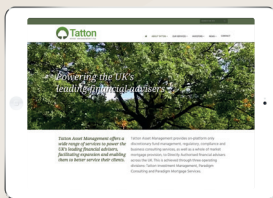
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TATTONASSETMANAGEMENT.COM

Tatton Asset Management plc

Tatton Asset Management provides on-platform only discretionary fund management, regulatory, compliance and business consulting services, as well as a whole of market mortgage provision, to Independent Financial Advisers (IFAs) across the UK. This is achieved through two operating divisions: Tatton, the Group's investment management division, and Paradigm, the Group's IFA support services business.

“Embedding Tatton in our business has been one of the most rewarding and successful strategies that we have ever implemented!”

Howard Lee, Managing Director
Burgess & Lee

Group Overview

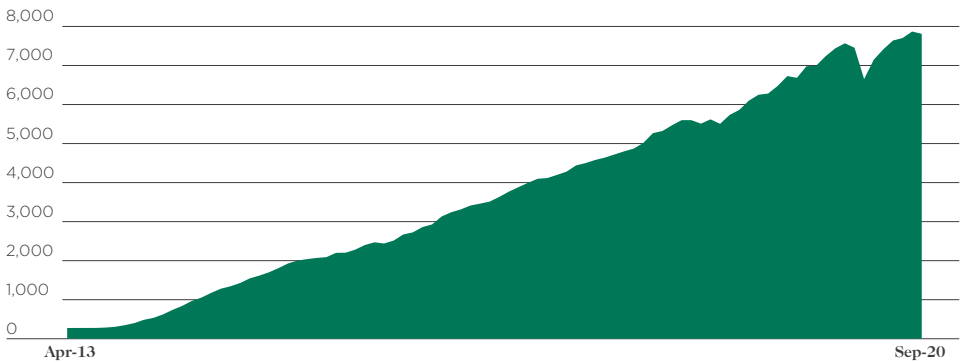
OUR FOCUS: ORGANIC GROWTH

The Group continues to deliver increasing AUM, new customer acquisition and growth in revenue against the backdrop of a complex and challenging market environment.

KPIs

ASSETS UNDER MANAGEMENT ("AUM")

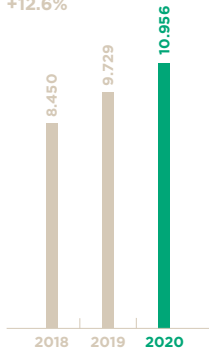
(£m)



Group revenue
(£m)

£10.956m

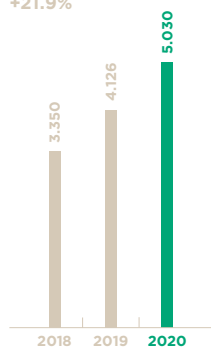
+12.6%



Adjusted operating profit*
(£m)

£5.030m

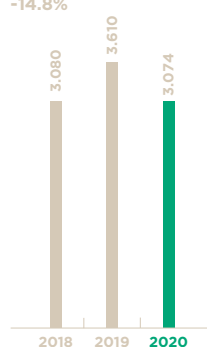
+21.9%



Profit before tax
(£m)

£3.074m

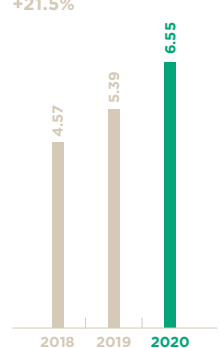
-14.8%



Fully diluted adjusted
EPS* (p)

6.55p

+21.5%



* Alternative performance measures are detailed on pages 35-36.

Business Highlights at 30 September 2020

- Group revenue increased by 12.6% to £10.956 million (2019: £9.729 million)
- Increase in AUM to £7.811 billion at 30 September 2020 from £6.651 billion at 31 March 2020
- Net inflows for the six months to 30 September 2020 were £328.1 million, an increase of 4.9% of AUM
- Tatton increased its number of firms by 19.5% to 624 (2019: 522) and number of accounts by 11.8% to 68,500 (2019: 61,250)
- The Tenet relationship has continued to develop, with £377 million of AUM from 93 firms (2019: £25 million of AUM from 40 firms)
- Paradigm Mortgage Services member firms in the period increased by 3.0% to 1,591 (31 March 2020: 1,545) and Paradigm Consulting increased members by 2.5%

Highlights

FINANCIAL

Group revenue (£m)

£10.956m

+12.6%
(2019: £9.729m)

Adjusted operating profit* (£m)

£5.030m

+21.9%
(2019: £4.126m)

Return on capital employed (%)

24.1%

-1.1%
(2019: 25.2%)

Net cash (£m)

£13.328m

+45.3%
(2019: £9.174m)

Fully diluted adjusted EPS* (p)

6.55p

+21.5%
(2019: 5.39p)

Proposed interim dividend (p)

3.50p

+9.4%
(2019: 3.20p)

Reported profit before tax (£m)

£3.074m

-14.8%
(2019: £3.610m)

NON-FINANCIAL

AUM (£bn)

£7.811bn

+11.6%
(2019: £7.000bn)

Asset net inflows (£m)

£328m

-25.5%
(2019: £440m)

Tatton Investment Management firms

624

+19.5%
(2019: 522)

Paradigm Mortgages lending (£bn)

£5.003bn

+4.7%
(2019: £4.780bn)

Paradigm Consulting firms

404

+4.9%
(2019: 385)

Strategic Review

TATTON DELIVERS CONTINUED GROWTH

GROUP RESULTS

The Group has delivered a resilient performance in the first half of this financial year, continuing to grow AUM and revenue.

We adapted seamlessly to the new trading environment and have maintained face-to-face engagement with our IFAs where possible. We have also redeployed resources to direct online engagement, running multiple interactive virtual events and frequent video investment updates, which have been well received and have proved to be very successful. We continue to deliver increasing AUM and reached £7.811 billion at the end of September 2020 (31 March 2020: £6.651 billion).

Group revenue for the period increased 12.6% to £10.956 million (2019: £9.729 million). Adjusted operating profit* for the period increased 21.9% to £5.030 million (2019: £4.126 million) with adjusted operating profit margin* increasing to 45.9% (2019: 42.4%).

Pre-tax profit after exceptional items, amortisation of customer relationship intangibles, finance costs and share-based payment charges decreased to £3.074 million (2019: £3.610 million) due to the increase in share-based payment charges in the period following the release of the provision at the March 2020 year end. This release

was solely due to the increased level of uncertainty in the market due to the COVID-19 pandemic. Taxation charges for the period were £0.414 million (2019: £0.667 million). This gives an effective tax rate of 13.5% when measured against profit before tax. This effective tax rate is low due to tax credits on share-based payment charges. Adjusting for exceptional costs and share-based payments the effective tax rate is 19.2%.

The basic earnings per share was 4.77p (2019: 5.26p). When adjusted for exceptional items and share-based payment charges, earnings per share was 7.25p (2019: 5.92p). The decrease in basic and diluted earnings is due to the increase in share-based payment charges from £0.413 million to £1.642 million. Adjusted earnings per share fully diluted for the impact of share options was 6.55p (2019: 5.39p), an increase of 21.5%.

STRATEGIC PRIORITIES AND BUSINESS OBJECTIVES

TATTON

The last six months have been testing times for many businesses and our business model has proved to be resilient and capable of dealing with the challenges presented by the pandemic.

AUM at 30 September 2020 increased 17.4% to £7.811 billion from £6.651 billion at 31 March 2020. New net inflows contributed

* Alternative performance measures are detailed on pages 35-36.

£328.1 million of the £1.160 billion with market returns delivering the balance, driving an increase in AUM of 12.5%.

Tatton is a proud advocate of IFAs – we place them at the heart of our value chain and recognise how essential the IFA remains to our distribution strategy. In response to changing conditions it has been necessary to adapt the way we interact with our firms over the last six months, and we have adjusted our approach from a predominantly in-person contact model to include web-based engagement through a suite of online meetings and interactions led by the IFA's own business model and capability.

This approach has helped increase our firms to 624 (2019: 522), an increase of 19.5%, and client accounts – increased to 68,500 (2019: 61,250), an increase of 11.8%.

Based on adviser feedback we continue to evolve our proposition. The last six months have seen the launch of a suite of new global models following the extension of our already popular Blended fund range earlier in the year – widening access across a broader number of platforms.

“
We develop deep and strategic relationships with our Financial Adviser clients.

Paul Hogarth
 Chief Executive Officer

”

Looking forward we will seek to enhance the current organic growth of AUM through new and existing adviser relationships as well as through strategically targeted acquisitions. In recent months we have made further investment into our sales support and account management resource – ensuring we are well placed to support our current growth and future ambitions.

A year into our strategic partnership with Tenet Group we are pleased with the progress made and are delighted to be working with 93 firms (2019: 40 firms) bringing £377 million (2019: £25 million) of associated AUM. We look forward to continuing this valued partnership.

Tatton's revenue, which accounts for 79% of Group revenue, grew 21.2% to £8.605 million (2019: £7.102 million) and adjusted operating profit* grew 23.6% to £5.283 million (2019: £4.273 million) increasing the margin to 61.4% (2019: 60.2%).

PARADIGM

Paradigm's revenue, which accounts for 21% of Group revenue, fell by £0.260 million or 10.0% to £2.343 million (2019: £2.603 million) and adjusted operating profit fell by £0.153 million or 16.8% to £0.757 million (2019: £0.910 million).

Paradigm Mortgage Services, the Group's mortgage distribution and support services business, encountered a very challenging environment, specifically in Q1, as a direct consequence of the coronavirus lockdown halting all on-site survey work. This effectively closed the mortgaged purchase market and impacted valuation income. While mainstream lenders moved quickly to establish robust homeworking support structures, mortgage supply and available products fell dramatically as

Strategic Review continued

lenders sought to cope with Government led actions supporting consumer protections. At the same time specialist mortgage funding came under severe pressure, in effect temporarily curtailing special or more complex lending.

During the second quarter, lenders have seen case count and volumes return to more normal levels, however productivity and operational resilience remain weak. Despite the very limited availability of high loan to value products, driven by a combination of those operational constraints and risk concerns, the need for robust financial advice remains strong. While there remains a level of uncertainty, the market continues to adapt to a new normal and is functioning well. Paradigm and its broker members continue to demonstrate considerable resilience and the ability to adapt quickly to change, maximising opportunities, for example in growing their channel share and volume of retention business or exploiting protection cross-sale opportunities.

The Government's reduction in Stamp Duty rates, available until the end of our financial year, has certainly proved a worthwhile incentive, bolstering the purchase market. While we remain cautious about the sector as a whole, intermediaries now control over 75% of all new mortgage business and as independent advice is increasingly sought we are well positioned to grow this further when the market returns to some level of normality.

Notwithstanding the above, the business has managed to increase its member firms in the period by 3.0% to 1,591 members (31 March 2020: 1,544 members) and lending in the period was £5.00 billion (2019: £4.78 billion).

Paradigm Consulting, the Group's IFA support business, has been largely unaffected by the ongoing pandemic. It has taken initiatives to market its services more widely and has increased new members by 2.5% to 404 (31 March 2020: 394 members).

EXCEPTIONAL ITEMS

Exceptional items, along with share-based payment charges and amortisation of customer relationship intangible assets, are reported separately to give better clarity of the underlying performance of the Group. The alternative performance measures ("APMs") are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

During the six month period, the Group pursued a potential acquisition of a business which fitted the strategic direction of the Group and would have been both material and complementary to Tatton's portfolio of products.

The Group was invited to the final stage of the sale process but was unsuccessful in its bid. Professional fees of £0.2 million were incurred in the process, which have been treated as exceptional items. We were disappointed but remain disciplined in our approach and view of valuation.

LENDING FACILITY

To support the Group's ambition to grow, both organically and through acquisition, the Group has put in place a new facility during the period, giving access to up to £30 million of funds. The new facility is split between a £10 million three-year committed revolving credit facility with an accordion option of

“
The Group is well positioned to take advantage of the opportunities that lie ahead.
”

Paul Hogarth
Chief Executive Officer

£20 million. The accordion feature remains uncommitted at this stage but accessible on short notice and provides financial flexibility for future corporate transactions.

BALANCE SHEET

The Group's balance sheet remains healthy with net assets at 30 September 2020 totalling £20.0 million (2019: £15.3 million) reflecting the continued growth and profitability of the Group. Property, plant and equipment has remained at £1.1 million (2019: £1.1 million). Intangible assets of £1.4 million have been recognised (2019: £1.8 million), of which £1.1 million relates to the customer relationship intangibles acquired on the acquisition of Sinfonia Asset Management on 30 September 2019.

CASH RESOURCES

Cash generated from operations was £4.2 million, £4.4 million before exceptional items (2019: £3.9 million) and was 134% of operating profit. The Group remains debt free with closing net cash at the end of the period of £13.3 million (2019: £9.2 million). The cash resources are after the payment of corporation tax of £1.0 million and dividend payments of £3.6 million relating to the final dividend for the year ended 31 March 2020.

NEW SHARE ISSUES

In the period, the Group issued 852,813 shares to employees who have elected to exercise their options pursuant to the Company's EMI Scheme and Save As You Earn ("SAYE") employee share scheme.

DIVIDEND

The Board is pleased to recommend an interim dividend of 3.5p per share, an increase of 9.4% 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 3.5p per share, totalling £2.0 million, will be paid on 18 December 2020 to shareholders on the register at close of business on 27 November 2020 and will have an ex-dividend date of 26 November 2020. 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 2020 Annual Report and Accounts (pages 30-31) 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.

POST BALANCE SHEET EVENTS

The Group has continued to monitor the impact that the COVID-19 pandemic has on the wider market and on our business. We have also 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 these events 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. To form this view, the Directors have also considered the impact of the current COVID-19 pandemic and the resulting economic uncertainty. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

SUMMARY AND OUTLOOK

The Group has again delivered a solid first half performance with strong growth in revenue, profits and margins, against the backdrop of a challenging trading environment.

The second half of the year brings a second period of lockdown and with it a degree of uncertainty. However, we now have the benefit of the last six months' experience, and the operational changes that we made to address the challenges of the first lockdown, and are confident that we will be able to meet the similar challenges implicit in this development.

While we acknowledge that as long as the restrictions remain in place it will be more difficult to engage with our adviser firms, as it will be for firms with their clients, we will respond by remaining accessible, providing practical support and effective communication, based on change and innovation already in place following the previous lockdown. This should better equip our firms to meet their client needs in what is an uncertain period.

As we look forward, we continue to trade in line with the Board's full year expectations and we remain excited about the opportunities that exist for the business and remain optimistic regarding the prospects of the Group.

FINANCIAL STATEMENTS

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“Tatton has certainly moved our business forward. The regular updates and communication during COVID-19 have helped our clients remain calm during a difficult period and improved our client engagement.”

David Carter, Managing Director
CMS Financial Management Limited

Financial Statements

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited six months ended 30-Sep 2020 (£'000)	Unaudited six months ended 30-Sep 2019 (£'000)	Audited year ended 31-Mar 2020 (£'000)
Revenue		10,956	9,729	21,369
Other exceptional income		-	-	1,588
Administrative expenses		(7,847)	(6,118)	(12,655)
Operating profit	4	3,109	3,611	10,302
Share-based payment costs	5	1,642	413	108
Amortisation of intangibles – customer relationships	5	60	-	60
Exceptional items	5	219	102	(1,394)
Adjusted operating profit (before separately disclosed items)¹		5,030	4,126	9,076
Finance (costs)/income	6	(35)	(1)	(6)
Profit before tax		3,074	3,610	10,296
Taxation charge	7	(414)	(667)	(1,933)
Profit attributable to shareholders		2,660	2,943	8,363
Earnings per share – Basic	8	4.77p	5.26p	14.98p
Earnings per share – Diluted	8	4.58p	4.79p	14.54p
Adjusted earnings per share – Basic²	8	7.25p	5.92p	13.13p
Adjusted earnings per share – Diluted²	8	6.55p	5.39p	12.00p

1 Adjusted for exceptional items, amortisation of customer relationship intangibles and share-based payment costs. See note 17.

2 Adjusted for exceptional items, amortisation of client relationship intangibles and share-based payment costs and the tax thereon. See note 17.

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited six months ended 30-Sep 2020 (£'000)	Unaudited six months ended 30-Sep 2019 (£'000)	Audited year ended 31-Mar 2020 (£'000)
Non-current assets				
Goodwill	10	6,254	6,060	6,254
Intangible assets	11	1,439	1,750	1,495
Property, plant and equipment	12	1,133	1,094	1,034
Deferred income tax asset		614	101	-
Total non-current assets		9,440	9,005	8,783
Current assets				
Trade and other receivables		4,635	2,639	3,431
Corporation tax asset		3	118	-
Cash and cash equivalents		13,328	9,174	12,757
Total current assets		17,966	11,931	16,188
Total assets		27,406	20,936	24,971
Current liabilities				
Trade and other payables		(6,571)	(4,579)	(6,186)
Corporation tax		-	-	(199)
Total current liabilities		(6,571)	(4,579)	(6,385)
Non-current liabilities				
Deferred tax liabilities		-	-	(106)
Other payables		(802)	(1,008)	(702)
Total non-current liabilities		(802)	(1,008)	(808)
Total liabilities		(7,373)	(5,587)	(7,193)
Net assets		20,033	15,349	17,778
Equity attributable to equity holders of the entity				
Share capital		11,352	11,182	11,182
Share premium account		9,997	8,718	8,718
Own shares		(996)	-	(996)
Other reserve		2,041	2,041	2,041
Merger reserve		(28,968)	(28,968)	(28,968)
Retained earnings		26,607	22,376	25,801
Total equity		20,033	15,349	17,778

The financial statements on pages 10-36 were approved by the Board of Directors on 18 November 2020 and were signed on its behalf by:

Paul Edwards
Director



Company registration number: 10634323

Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2019	11,182	8,718	-	2,041	(28,968)	22,315	15,288
Profit and total comprehensive income	-	-	-	-	-	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
Profit and total comprehensive income	-	-	-	-	-	5,420	5,420
Dividends	-	-	-	-	-	(1,789)	(1,789)
Share-based payments	-	-	-	-	-	(293)	(293)
Deferred tax on share-based payments	-	-	-	-	-	87	87
Own shares acquired in the year	-	-	(996)	-	-	-	(996)
At 31 March 2020	11,182	8,718	(996)	2,041	(28,968)	25,801	17,778
Profit and total comprehensive income	-	-	-	-	-	2,660	2,660
Dividends	-	-	-	-	-	(3,579)	(3,579)
Share-based payments	-	-	-	-	-	1,374	1,374
Deferred tax on share-based payments	-	-	-	-	-	313	313
Current tax on share-based payments	-	-	-	-	-	38	38
Issue of share capital on exercise of employee share options	170	1,279	-	-	-	-	1,449
At 30 September 2020	11,352	9,997	(996)	2,041	(28,968)	26,607	20,033

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

	Note	Unaudited six months ended 30-Sep 2020 (£'000)	Unaudited six months ended 30-Sep 2019 (£'000)	Audited year ended 31-Mar 2020 (£'000)
Operating activities				
Profit for the period		2,660	2,943	8,363
Adjustments:				
Income tax expense	7	414	667	1,933
Depreciation of property, plant and equipment	12	165	145	298
Amortisation of intangible assets	11	161	57	195
Share-based payment expense	15	1,642	413	108
Finance costs	6	35	1	6
Changes in:				
Trade and other receivables		(659)	(79)	(1,016)
Trade and other payables		(240)	(357)	1,338
Exceptional costs	5	219	102	(1,394)
Cash generated from operations before exceptional costs		4,397	3,892	9,831
Cash generated from operations		4,178	3,790	11,225
Income tax paid		(985)	(1,396)	(2,278)
Net cash from operating activities		3,193	2,394	8,947
Investing activities				
Payment for the acquisition of subsidiary, net of cash acquired		-	(1,960)	(2,002)
Purchase of intangible assets		(105)	(115)	(271)
Purchase of property, plant and equipment		(22)	(202)	(294)
Net cash used in investing activities		(127)	(2,277)	(2,567)
Financing activities				
Interest received		1	10	162
Transaction costs related to borrowings		(316)	-	-
Dividends paid		(3,579)	(3,131)	(4,920)
Proceeds from the issue of shares		1,449	-	-
Purchase of own shares		-	-	(996)
Repayment of the lease liabilities		(50)	(14)	(61)
Net cash used in financing activities		(2,495)	(3,135)	(5,815)
Net increase/(decrease) in cash and cash equivalents		571	(3,018)	565
Cash and cash equivalents at beginning of period		12,757	12,192	12,192
Net cash and cash equivalents at end of period		13,328	9,174	12,757

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

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 2020 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 2020 were approved by the Board on 15 June 2020 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 section 498 (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 2020 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 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The condensed consolidated interim financial statements were approved for release on 18 November 2020.

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 2020.

2.2 GOING CONCERN

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

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

2.3 NEW ACCOUNTING STANDARDS

There have been a number of amendments to standards which have been adopted in the period but these have not had a significant impact on the Group's financial results or position. The amendments effective from 1 April 2020 are:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

A number of new standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted, however the Group has not early adopted the new or amended standards in preparing these condensed consolidated financial statements.

None of the standards not yet effective are expected to have a material impact on the Group's financial statements.

2.4 OPERATING SEGMENTS

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

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

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

2.5 SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

In the process of applying the Group's accounting policies, which are described in the consolidated financial statements for the year ended 31 March 2020, management have made judgements and estimations about the future that have an effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. 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.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 March 2020. The only exceptions are the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Due to the COVID-19 pandemic, management have reviewed the estimates for the satisfaction of the performance obligations attached to certain awards in the share-based payment schemes. Under the terms of the agreements, if it was considered that 100% of the options would vest, the charge for the period would increase by £708,000.

2.6 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 35-36 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 IFAs and mortgage advisers ("Paradigm").

The Group's reportable segments under IFRS 8 are therefore Tatton, Paradigm, and "Central", which contains the Operating Group's central overhead costs.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 SEGMENT REPORTING CONTINUED

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

Period ended 30 September 2020	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	8,605	2,343	8	10,956
Administrative expenses	(3,322)	(1,586)	(2,939)	(7,847)
Operating profit/(loss)	5,283	757	(2,931)	3,109
Share-based payments costs	-	-	1,642	1,642
Amortisation of client relationship intangibles	-	-	60	60
Exceptional items	-	-	219	219
Adjusted operational profit/(loss) (before separately disclosed items)*	5,283	757	(1,010)	5,030
Finance (costs)/income	(10)	-	(25)	(35)
Profit/(loss) before tax	5,273	757	(2,956)	3,074

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 items	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

Year ended 31 March 2020	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	15,924	5,426	19	21,369
Other exceptional income	1,588	-	-	1,588
Administrative expenses	(7,204)	(3,362)	(2,089)	(12,655)
Operating profit/(loss)	10,308	2,064	(2,070)	10,302
Share-based payments costs	-	-	108	108
Amortisation of client relationship intangible assets	60	-	-	60
Exceptional items	(1,458)	64	-	(1,394)
Adjusted operational profit/(loss) (before separately disclosed items)*	8,910	2,128	(1,962)	9,076
Finance income	(20)	13	1	(6)
Profit/(loss) before tax	10,288	2,077	(2,069)	10,296

All turnover arose in the United Kingdom.

* Alternative performance measures are detailed on pages 35-36.

4 OPERATING PROFIT

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

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	30-Mar 2020 (£'000)
Amortisation of intangible assets	161	57	135
Depreciation of property, plant and equipment	86	76	160
Depreciation of right-of-use assets	79	69	138
Separately disclosed items (note 5)	1,921	515	(1,226)
Services provided to the Group's auditor			
Audit of the statutory consolidated and Company financial statements of Tatton Asset Management plc	19	17	34
Audit of subsidiaries	24	21	58
Other fees payable to auditor:			
Non-audit services	10	67	86

5 SEPARATELY DISCLOSED ITEMS

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	30-Mar 2020 (£'000)
Restructuring costs	-	-	97
Acquisition-related expenses	219	102	97
VAT reclaim	-	-	(1,588)
Total exceptional items	219	102	(1,394)
Share-based payment charges	1,642	413	108
Amortisation of client relationship intangible assets	60	-	60
Total separately disclosed items	1,921	515	(1,226)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 SEPARATELY DISCLOSED ITEMS CONTINUED

EXCEPTIONAL ITEMS

During the period, the Group pursued a potential acquisition of a business which fitted the strategic direction of the Group and would have been both material and complementary to the Tatton portfolio of products. The Group incurred professional fees of £219,000 during the process which have been treated as exceptional items.

Acquisition-related expenses during the financial year ended 31 March 2020 related to the acquisition of the share capital of Sinfonia Asset Management Limited, incurring acquisition-related costs of £97,000. 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 2020, the Group incurred a restructuring charge relating to the rationalisation and restructuring of various departments and functions. The headcount reduction resulted in redundancy costs, payment in lieu of notice, settlement and other restructuring-related costs. These have been excluded from underlying earnings in view of their one-off nature.

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

SHARE-BASED PAYMENT CHARGES

Share-based payments is a recurring item, though the value will change depending on the estimation of the satisfaction of performance obligations attached to certain awards. It has been excluded from the core business operating profit since it is a significant non-cash item. Underlying profit, being adjusted operating profit, represents largely cash-based earnings and more directly relates to the financial reporting period.

AMORTISATION OF CLIENT RELATIONSHIP INTANGIBLE ASSETS

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

6 FINANCE (COSTS)/INCOME

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Bank interest income	1	2	3
Other interest income	-	8	13
Interest payable in servicing of banking facilities	(25)	-	-
Interest payable on lease liabilities	(11)	(11)	(22)
	(35)	(1)	(6)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7 TAXATION

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Current tax expense			
Current tax on profits for the period	821	779	1,986
Adjustment for under-provision in prior periods	-	-	7
	821	779	1,993
Deferred tax expense			
Share-based payments	(386)	(9)	(12)
Origination and reversal of temporary differences	(21)	15	57
Adjustment in respect of previous years	-	(118)	(95)
Effect of rate changes	-	-	(10)
	(407)	(112)	(60)
Total tax expense	414	667	1,933

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 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Profit before taxation	3,074	3,610	10,296
Tax at UK corporation tax rate of 19% (2019: 19%)	584	686	1,956
Expenses not deductible for tax purposes	50	37	87
Adjustments in respect of previous years	-	(117)	(88)
Differences in tax rates	-	-	(10)
Share-based payment charges	(220)	61	(12)
Total tax expense	414	667	1,933

Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

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.

NUMBER OF SHARES

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Basic			
Weighted average number of shares in issue	56,126,791	55,907,513	55,907,513
Effect of own shares held by an EBT	(413,411)	–	(72,355)
	55,713,380	55,907,513	55,835,158
Diluted			
Weighted average number of shares (diluted) ¹	58,020,716	61,379,751	57,529,989
Adjusted diluted			
Adjusted diluted weighted average number of options and shares for the year ²	61,599,917	61,379,751	61,075,935

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

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

Own shares held by an EBT represents the Company's own shares purchased and held by the Employee Benefit Trust ("EBT"), shown at cost. The EBT has not bought any of the Company's own shares in the six month period to 30 September 2020 (2019: none). In the year ended 31 March 2020 the EBT purchased 413,411 of the Company's own shares.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 EARNINGS PER SHARE AND DIVIDENDS CONTINUED

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Earnings attributable to ordinary shareholders			
Basic and diluted profit for the period	2,660	2,943	8,363
Share-based payment charges	1,642	413	108
Amortisation of intangible assets – customer relationships	60	–	60
Exceptional costs (note 5)	219	102	(1,394)
Tax impact of adjustments	(544)	(146)	194
Adjusted basic and diluted profits for the period and attributable earnings	4,037	3,312	7,331
Earnings per share (pence) (basic)	4.77	5.26	14.98
Earnings per share (pence) (diluted)	4.58	4.79	14.54
Adjusted earnings per share (pence) (basic)	7.25	5.92	13.13
Adjusted earnings per share (pence) (diluted)	6.55	5.39	12.00

DIVIDENDS

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

In August 2020, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2020 of £3,579,000 representing a payment of 6.4p per share.

In the year ended 31 March 2020, 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 addition, the Company paid an interim dividend of £1,789,000 (2019: £1,565,000) to its equity shareholders. This represents a payment of 3.2p per share (2019: 2.8p per share).

At 30 September 2020 the Company's distributable reserves were £26.6 million (2019: £22.4 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 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Short-term employee benefits	517	515	940
Post-employment benefits	-	-	11
Other long-term benefits	-	-	3
Share-based payments	1,241	244	(15)
	1,758	759	939

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

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Total fees	80	80	160

10 GOODWILL

	Goodwill (£'000)
Cost and carrying amount	
Balance at 1 April 2019	4,917
Recognised on acquisition of subsidiary	1,143
Balance at 30 September 2019	6,060
Measurement period adjustment to goodwill recognised on acquisition of subsidiary	194
Balance at 31 March 2020	6,254
Balance at 30 September 2020	6,254

The carrying value of goodwill includes £5.9 million allocated to the Tatton operating segment and cash-generating unit ("CGU"). This is made up of £2.5 million arising from the acquisition in 2014 of an interest in Tatton Oak Limited by Tatton Capital Limited consisting of the future synergies and forecast profits of the Tatton Oak business, £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited and £1.3 million of goodwill generated in 2019 on the acquisition of Sinfonia. The carrying value of goodwill also includes £0.4 million allocated to the Paradigm operating segment and CGU relating to the acquisition of Paradigm Mortgage Services LLP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 GOODWILL CONTINUED

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

IMPAIRMENT LOSS AND SUBSEQUENT REVERSAL

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

IMPAIRMENT TESTING

For the purpose of impairment testing, goodwill is allocated to the Group's operating companies which 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 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 2020 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 2021 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 7.7% (2019: 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.

From the assessment performed, there are no reasonable sensitivities that result in the recoverable amount being equal to the carrying value of the goodwill attributed to the CGU.

11 INTANGIBLES

	Customer relationships (£'000)	Computer software (£'000)	Total (£'000)
Cost			
Balance at 1 April 2019	-	266	266
Acquired on acquisition of a subsidiary	1,469	-	1,469
Additions	-	115	115
Balance at 30 September 2019	1,469	381	1,850
Additions	-	156	156
Remeasurement of intangibles acquired on acquisition of a subsidiary	(273)	-	(273)
Balance at 31 March 2020	1,196	537	1,733
Additions	-	105	105
Balance at 30 September 2020	1,196	642	1,838
Accumulated depreciation and impairment			
Balance at 1 April 2019	-	(43)	(43)
Charge for the period	-	(57)	(57)
Balance at 30 September 2019	-	(100)	(100)
Charge for the period	(60)	(78)	(138)
Balance at 31 March 2020	(60)	(178)	(238)
Charge for the period	(60)	(101)	(161)
Balance at 30 September 2020	(120)	(279)	(399)
Carrying amount			
As at 30 September 2019	1,469	281	1,750
As at 31 March 2020	1,136	359	1,495
As at 30 September 2020	1,076	363	1,439

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2019	507	478	-	985
Additions	42	159	-	201
Increase attributable to change in accounting standards	-	-	689	689
Balance at 30 September 2019	549	637	689	1,875
Additions	39	54	-	93
Balance at 31 March 2020	588	691	689	1,968
Additions	22	-	242	264
Balance at 30 September 2020	610	691	931	2,232
Accumulated depreciation and impairment				
Balance at 1 April 2019	(397)	(239)	-	(636)
Charge for the period	(36)	(40)	(69)	(145)
Balance at 30 September 2019	(433)	(279)	(69)	(781)
Charge for the period	(37)	(47)	(69)	(153)
Balance at 31 March 2020	(470)	(326)	(138)	(934)
Charge for the period	(38)	(48)	(79)	(165)
Balance at 30 September 2020	(508)	(374)	(217)	(1,099)
Carrying amount				
As at 30 September 2019	116	358	620	1,094
As at 31 March 2020	118	365	551	1,034
As at 30 September 2020	102	317	714	1,133

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

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

RIGHT-OF-USE ASSETS

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
Amounts recognised in profit and loss			
Depreciation on right-of-use assets	(79)	(69)	(138)
Interest expense on lease liabilities	(11)	(11)	(22)
Expense relating to short-term leases	(36)	(87)	(94)
Expense relating to low value assets	(1)	(3)	(1)
	(127)	(170)	(255)

At 30 September 2020, the Group is committed to £nil for short-term leases. The total cash outflow for leases amounts to £87,000.

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).

All financial assets are categorised as Loans and receivables and are classified as level 1. All financial liabilities except for contingent consideration are categorised as Financial liabilities measured at amortised cost and are also classified as level 1. The only financial liabilities measured subsequently at fair value on level 3 fair value measurement represent contingent consideration relating to a business combination. No gain or loss for the year relating to this contingent consideration has been recognised in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 FINANCIAL INSTRUMENTS CONTINUED

INTEREST RATE RISK

The Group finances its operations through a combination of retained profits and has access to a committed and an uncommitted banking facility. Interest on the Group's deposits/banking facility is credited/charged on a daily basis based on LIBOR plus a commercial margin.

The Directors consider that there is no material exposure to interest rate risk on the Group's financial instruments at the balance sheet date. At 30 September 2020 total borrowings were £nil (2019: £nil).

14 EQUITY

	Number
Authorised, called up and fully paid	
At 1 April 2019	55,907,513
At 30 September 2019	55,907,513
At 31 March 2020	55,907,513
Issue of share capital on exercise of employee share options (note 15)	852,813
At 30 September 2020	56,760,326

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. These became 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. There was a further extension on 28 July 2020 and a total of 1,000,000 zero cost options were granted, exercisable in July 2023. A total of 5,082,169 options remain outstanding at 30 September 2020, 1,522,617 of which are currently exercisable.

There have been 673,568 options exercised during the period. No options were forfeited in the period (23,288 options were forfeited in the prior year).

The options vest in August 2021, August 2022 or July 2023 provided certain performance conditions and targets, set prior to grant, have been met. If the performance conditions are not met, the options lapse.

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.

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2019	4,631,056	1.19
Granted during the period	193,000	-
Forfeited during the period	(23,288)	-
Outstanding at 30 September 2019	4,800,768	1.15
Exercisable at 30 September 2019	-	-
Outstanding at 1 October 2019	4,800,768	1.15
Forfeited during the period	(45,031)	0.78
Outstanding at 31 March 2020	4,755,737	1.15
Exercisable at 31 March 2020	-	-
Outstanding at 1 April 2020	4,755,737	1.15
Granted during the period	1,000,000	-
Exercised during the period	(673,568)	1.70
Outstanding at 30 September 2020	5,082,169	0.85
Exercisable at 30 September 2020	1,522,617	1.89

(ii) Tatton Asset Management plc Sharesave Scheme (“TAM Sharesave Scheme”)

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

Over the life of the 2018 TAM Sharesave Scheme it is estimated, based on current saving rates, 48,688 share options will be exercisable at an exercise price of £1.90. Over the life of the 2019 TAM Sharesave Scheme it is estimated that, based on current savings rates, 75,610 share options will be exercisable at an exercise price of £1.79. Over the life of the 2020 TAM Sharesave Scheme it is estimated that, based on current savings rates, 134,656 share options will be exercisable at an exercise price of £2.29. During the period, 179,245 options have been exercised and 1,412 options have been forfeited.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 SHARE-BASED PAYMENTS CONTINUED

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 2019	131,976	1.70
Granted during the period	49,721	1.75
Forfeited during the period	(10,183)	1.86
Outstanding at 30 September 2019	171,514	1.71
Exercisable at 30 September 2019	-	-
Outstanding at 1 October 2019	171,514	1.71
Granted during the period	52,772	1.76
Forfeited during the period	(558)	1.72
Outstanding at 31 March 2020	223,728	1.73
Exercisable at 31 March 2020	-	-
Outstanding at 1 April 2020	223,728	1.73
Granted during the period	48,727	1.85
Forfeited during the period	(1,412)	1.70
Exercised during the period	(179,245)	1.70
Outstanding at 30 September 2020	91,798	1.75
Exercisable at 30 September 2020	21,176	1.70

(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:

	TAM EMI Scheme				TAM Sharesave Scheme			
	2020	2019	2018	2017	2020	2019	2018	2017
Share price at grant (£)	2.84	2.12	2.40	1.89	2.85	2.14	2.34	1.89
Exercise price (£)	-	-	-	1.70	2.29	1.79	1.90	1.70
Expected volatility (%)	34.80	30.44	28.48	26.00	34.80	30.44	28.48	26.00
Expected life (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Risk free rate (%)	(0.14)	0.35	0.81	0.66	(0.57)	0.35	0.81	0.66
Expected dividend yield (%)	3.38	3.96	2.75	4.50	3.38	3.96	2.75	4.50

(C) IFRS 2 SHARE-BASED OPTION COSTS

	30-Sep 2020 (£'000)	30-Sep 2019 (£'000)	31-Mar 2020 (£'000)
TAM EMI Scheme	1,620	402	84
TAM Sharesave Scheme	22	11	24
	1,642	413	108

16 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.
Suffolk Life Pensions Limited	The Group pays lease rental payments on an office building held in a pension fund by Paul Hogarth.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16 RELATED PARTY TRANSACTIONS CONTINUED

Perspective Financial Group Limited ("Perspective") is no longer a related party as from 20 December 2019. The transactions shown below for the year ended 31 March 2020 are those which took place in the prior financial period during which Perspective was a related party. The balance receivable/payable on 31 March 2020 is the balance held at that date.

RELATED PARTY BALANCES

	30-Sep 2020	30-Sep 2020	30-Sep 2019	30-Sep 2019	31-Mar 2020	31-Mar 2020
	Value of income/ (cost)	Balance receivable/ (payable)	Value of income/ (cost)	Balance receivable/ (payable)	Value of income/ (cost)	Balance receivable/ (payable)
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Amber Financial Investments Limited	173	37	146	-	297	25
Hermitage Holdings (Wilmslow) Limited	-	3	4	4	4	4
Jargonfree Benefits LLP	-	76	12	58	15	66
Paradigm Management Partners LLP	-	5	-	5	1	5
Paradigm Investment Management LLP	(4)	(278)	(8)	(284)	(5)	(234)
Perspective Financial Group Limited	-	-	191	73	243	11
Suffolk Life Pensions Limited	(18)	9	(29)	5	(57)	9

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 25.

17 ALTERNATIVE PERFORMANCE MEASURES (“APMS”)

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 items, share-based payments and amortisation of client relationship intangibles. See note 5.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.6.
Adjusted operating profit margin before separately disclosed items	Operating profit	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 5.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.6.
Adjusted profit before tax before separately disclosed items	Profit before tax	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 5.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.6.
Adjusted earnings per share – basic	Earnings per share – basic	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. See note 8.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.6.
Adjusted earnings per share – Diluted	Earnings per share – Diluted	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. The dilutive shares for this measure assume that all contingently issuable shares will fully vest. See note 8.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.6.
Net cash generated from operations before separately disclosed items	Net cash generated from operations	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 5.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.6.

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 ALTERNATIVE PERFORMANCE MEASURES (“APMS”) 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 lending, member firms and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Dividend cover	None	Not applicable	Dividend cover, being the ratio of diluted earnings per share before exceptional items and share-based payment charges, demonstrating ability to pay.

18 EVENTS AFTER THE REPORTING PERIOD

As the outcome of the Brexit negotiations and the impact that the COVID-19 pandemic will have on the wider market remain unknown, the Members will continue to monitor the impact that these events have on the business.

19 CONTINGENT LIABILITIES

At 30 September 2020, the Directors confirmed there were contingent liabilities of £nil (2019: £nil).

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