

STRONG SUSTAINABLE GROWTH



Interim Report
and Accounts 2021



STRONG SUSTAINABLE GROWTH



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Tatton Asset Management at
tattonassetmanagement.com

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Tatton Asset Management plc

Tatton Asset Management (“TAM”) 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

OUR FOCUS: SUSTAINED GROWTH

The Group has delivered a solid first half result, delivering against our strategic objectives and maintaining strong growth across all our key metrics of assets under management ("AUM"), revenue and profits.

Highlights

Financial

Group revenue

£13.847m +26.4%
(2020: £10.956m)

Adjusted operating profit¹

£6.934m +37.9%
(2020: £5.030m)

Net cash

£14.747m +10.6%
(2020: £13.328m)

Fully diluted adjusted EPS¹

8.76p +33.7%
(2020: 6.55p)

Proposed interim dividend

4.0p +14.3%
(2020: 3.5p)

Reported profit before tax

£4.787m +55.7%
(2020: £3.074m)

Non-Financial

AUM

£10.787bn +38.1%
(2020: £7.811bn)

Asset net inflows

£652m +98.8%
(2020: £328m)

Tatton Investment Management firms

703 +12.7%
(2020: 624 firms,
81,600 client accounts) 68,500 client accounts)

Paradigm Mortgages completions

£6.582bn +31.6%
(2020: £5.003bn)

Paradigm Consulting members

418 +3.5%
(2020: 404)

Paradigm Mortgages members

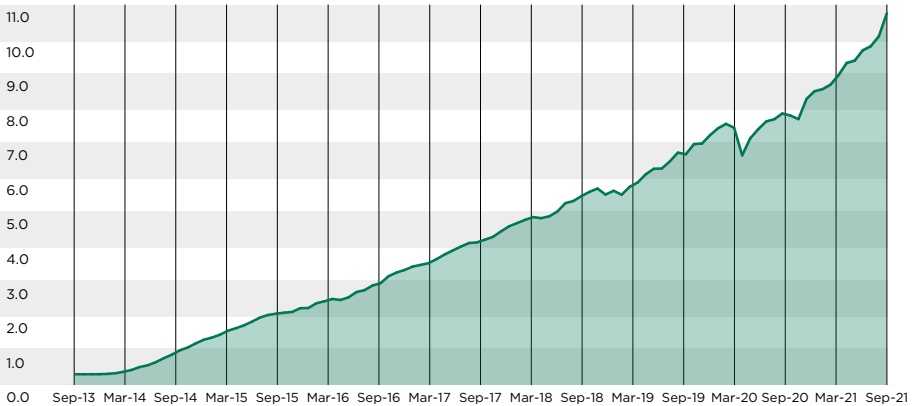
1,646 +3.5%
(2020: 1,591)

Business Highlights at 30 September 2021

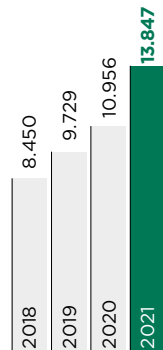
- Group revenue increased by 26.4% to £13.847 million (2020: £10.956 million)
- Adjusted operating profit¹ increased by 37.9% to £6.934 million (2020: £5.030 million) and Profit before tax increased by 55.7% to £4.787 million (2020: £3.074 million)
- AUM increased by 38.1% to £10.787 billion (2020: £7.811 billion). This is an increase of 20.0% since March 2021, of which organic growth accounts for 12.8%
- Organic net inflows in the period of £652 million (2020: £328 million)
- Acquisition of the Verbatim fund range added £650 million to AUM and the Group has entered into a five-year strategic distribution partnership with Fintel plc
- Tatton's range of multi-manager funds now accounts for over £1.0 billion of AUM
- Paradigm mortgage completions increased 31.6% to a record £6.6 billion (2020: £5.0 billion). Paradigm Mortgages member firms grew to 1,646 (2020: 1,591) and Consulting member firms were 418 (2020: 404)

KPIs

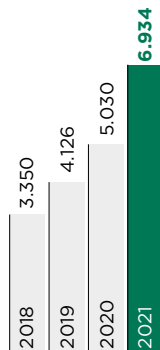
Tatton Assets under management in \$ billion



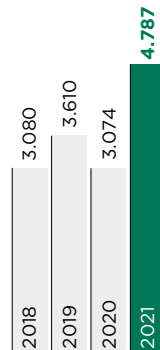
Group revenue (£m)



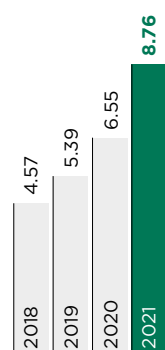
Adjusted operating profit¹ (£m)



Profit before tax (£m)



Adjusted EPS¹ (p)



1. Alternative performance measures are detailed in note 15.

STRATEGIC REVIEW

GROUP RESULTS



I am pleased to report we have made a very positive start to the year and continue to make progress on meeting our strategic goals.



PAUL HOGARTH
Chief Executive Officer

Tatton Delivers Continued Growth

At the end of last year, we set out a roadmap for growth, which targeted an increase in the Group's AUM from £9.0 billion to £15.0 billion over the next three years through a combination of organic growth and acquisition. After the first six months we have made excellent progress against this plan and we were delighted to reach £10.787 billion (31 March 2021: £8.990 billion) of AUM at the end of September 2021.

This progress has been delivered through a combination of strong organic growth of 12.8% and the acquisition of the Verbatim funds announced towards the end of the period, which added a further £0.650 billion to the total.

Group revenue for the period increased 26.4% to £13.847 million (2020: £10.956 million). Adjusted operating profit¹ for the period increased 37.9% to £6.934 million (2020: £5.030 million) with adjusted operating profit margin¹ increasing to 50.1% (2020: 45.9%).

Pre-tax profit after the impact of exceptional items, amortisation of customer relationship intangibles, finance costs and share-based payment charges increased to £4.787 million (2020: £3.074 million) and taxation charges for the period were £0.889 million (2020: £0.414 million). This gives an effective tax rate of 18.6% when measured against profit before tax. Adjusting for exceptional costs and share-based payments the effective tax rate is 19.9%.

The basic earnings per share were 6.82p (2020: 4.77p). When adjusted for exceptional items and share-based payment charges, basic adjusted earnings per share were 9.48p (2020: 7.25p). Adjusted earnings per share fully diluted for the impact of share options were 8.76p (2020: 6.55p), an increase of 33.7%.

TATTON

Tatton has continued to grow strongly over the last six months and maintains its position as a leading provider of on-platform Managed Portfolio Services (“MPS”) and fund solutions. We continue to grow and prosper by driving revenue and profitability, which is underpinned by our expanding distribution footprint and diversified proposition. The IFA remains at the heart of our business, and our breadth of services, propositions and engagement maintains existing client relationships and enhances our ability to attract new firms.

TAM continues to execute its strategy successfully, growing AUM both organically and through acquisition in the period. Total AUM increased by 20.0%, or £1.797 billion, to £10.787 billion (Mar 2021: £8.990 billion) in the period with organic growth contributing 12.8%. The number of firm relationships also increased to 703 (Mar 2021: 668), an increase of 5.2%, and client accounts increased to 81,600 (Mar 2021: 72,450), an increase of 12.6%.

Tatton net inflows were £0.652 billion, increasing 98.8% compared with the same period last year (Sep 2020: £0.328 billion). In addition, strong investment performance increased AUM by over 5.0%, adding £0.495 billion, and the recent Verbatim acquisition contributed a further £0.650 billion.



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



PAUL HOGARTH
Chief Executive Officer

+26.4%

Group revenue grew to £13.847m
(2020: £10.956m)

+37.9%

Adjusted operating profit¹ grew to
£6.934m (2020: £5.030m)

Towards the end of the period the Group acquired £650 million of Verbatim funds, a range of multi-index and multi-asset funds that complement and extend our current fund range and further enhance the proposition to IFAs. Our AUM across all our Open-Ended Investment Companies (“OEICs”), including the Verbatim funds, Sinfonia funds and Blended funds, now accounts for over £1.0 billion of our total AUM and continues to grow.

In addition to the acquisition, we also entered into a five-year strategic distribution partnership with Fintel plc providing access to over 3,800 new financial intermediary firms and its 6,000 Defaqto users. In the same period we are delighted to commence strategic partnerships with Threesixty Services following a robust due diligence process and we are also excited to begin our engagement with Sesame Bankhall Group.

Alongside the Verbatim acquisition, these new relationships significantly enhance our reach and distribution – both proactively and in response to market demand for access to Tatton’s suite of services. Broadening our adviser base will further contribute to the growth of our AUM, demonstrating our strategy in action alongside our ability to execute it in the timeframe set out.

Tatton's revenue, which accounts for 78.6% of Group revenue, grew 26.5% to £10.885 million (2020: £8.605 million) and adjusted operating profit¹ grew 34.2% to £6.673 million (2020: £4.971 million²), increasing the adjusted operating profit margin¹ to 61.3% (2020: 57.8%²).

PARADIGM

Paradigm has performed well in the period, growing revenue over the same period last year by 26.1% to £2.954 million (2020: £2.343 million) and adjusted operating profit¹ by 96.2% to £1.254 million (2020: £0.639 million²).

Paradigm Consulting services increased its members to 418 (March 2021: 407). The business saw an increase in additional consulting and contracted compliance days as we continue to leverage the benefits of integrating the Paradigm businesses.

Paradigm Mortgage Services, the Group's mortgage distribution and support services business, contributed strongly to the growth and delivered a very good first half performance. The number of mortgage firms utilising the services increased to 1,646 (March 2021: 1,612) and the improved activity and momentum built up at the start of the year have continued throughout the period. This was driven fundamentally by an active housing market which has been underpinned by increasing demand with record mortgage applications, maturities and the UK Government's stamp duty stimulus. The number of mortgage products made available by lenders has significantly improved and the constraints we experienced in the market this time last year have eased. While face to face engagement with our clients has taken longer than anticipated to return to pre-pandemic levels, we are recently experiencing a more normal historical level. The net effect is that mortgage completions in the period reached a record of £6.6 billion (2020: £5.0 billion), an increase on the prior year of 31.6%. As we look forward, we anticipate buyer demand will steady and a stable trend in completions will be the result.

ACQUISITION

On 14 September 2021 the Group acquired the Verbatim range of funds ("Verbatim funds") for a cash consideration of up to £5.8 million. The consideration is made up of £2.8 million paid in cash on completion with the remainder also payable in cash over the next four years, subject to certain performance conditions. Over the remainder of FY22, the transaction, which includes both the acquisition of the funds and a five-year strategic distribution partnership agreement, is expected to generate adjusted operating profit¹ of c.£0.6 million, with adjusted operating profit¹ of c.£1.5 million expected in FY23, the first full financial year.

SEPARATELY DISCLOSED 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 reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

The Group incurred exceptional costs of £0.2 million related to the acquisition of the Verbatim range of funds.



We are confident we will continue to make progress and take advantage of the opportunities ahead.



 **PAUL HOGARTH**
Chief Executive Officer

BALANCE SHEET

The Group's balance sheet remains healthy with net assets at 30 September 2021 totalling £27.5 million (2020: £20.0 million) reflecting the continued growth and profitability of the Group. Property, plant and equipment has decreased slightly to £0.9 million (2020: £1.1 million). Intangible assets, including goodwill, of £13.4 million have been recognised (2020: £7.7 million), an increase of £5.7 million largely relating to the acquisition of the Verbatim funds.

CASH RESOURCES

Cash generated from operations was £6.8 million, £7.0 million before exceptional items (2020: £4.4 million) and was 138% of operating profit. The Group remains debt free with closing net cash at the end of the period of £14.7 million (2020: £13.3 million). The cash resources are after the payment of £2.8 million for the acquisition of Verbatim, corporation tax of £1.6 million and dividend payments of £4.3 million relating to the final dividend for the year ended 31 March 2021.

ISSUE OF NEW SHARES

In the period, the Group issued 966,546 shares to the Employee Benefit Trust ("EBT"). The EBT subsequently held 1,741,703 shares which were utilised in full to satisfy the exercise of both 2017 and 2018 Enterprise Management Incentive ("EMI") options which had met a proportion of the vesting criteria. The Group also issued 49,803 shares to employees who elected to exercise their options pursuant to the Company's Save As You Earn ("SAYE") employee share scheme.

DIVIDEND PROPOSAL AND CAPITAL ADEQUACY

The Board is pleased to recommend an interim dividend of 4.0p per share, an increase of 14.3% on the prior period interim dividend. This level of dividend reflects our cash performance and underlying confidence in the business, while at the same time ensuring that appropriate levels of capital resources are maintained within the Group. On 1 January 2022, the FCA is introducing a new prudential regime for MiFID investment firms, the Investment Firms Prudential Regime ("IFPR"). As a result of these new rules, the Group will face an increased requirement as to the level of capital resources held across the Group, with restrictions in utilising cash or debt to fund acquisitions.

The interim dividend of 4.0p per share, totalling £2.4 million, will be paid on 17 December 2021 to shareholders on the register at close of business on 26 November 2021 and will have an ex-dividend date of 25 November 2021. In accordance with International Financial Reporting Standards ("IFRSs"), the interim dividend has not been included as a liability in this interim statement.

£10.787_{bn}

Assets under management

BUSINESS RISK

The Board identified principal risks and uncertainties which may have a material impact on the Group's performance in the Group's 2021 Annual Report and Accounts (pages 32 and 33) 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

There have been no post balance sheet events.

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

In summary the Group has delivered a solid first half result, delivering against our strategic objectives and maintaining strong growth across all our key metrics of AUM, revenue and profits. During the period, Tatton exceeded the milestone of £10 billion AUM from pure organic growth while also expanding our distribution footprint by entering into new long term strategic partnerships. Towards the end of the period we completed the acquisition of the Verbatim range of funds which strategically were a strong fit to our existing propositions. Paradigm also delivered a record level of mortgage completions of £6.6 billion in the six month period.

As we look forward to the second half of the year, we do so with the knowledge that the Group's business model has successfully navigated a difficult 18 months and continued to deliver against our strategic objectives, growing our AUM both organically and through acquisition and further developing our propositions for the IFA community. We are currently experiencing a return to face-to-face engagement and expect this to continue throughout the remainder of this financial year which is a very positive step for our business. This will bring with it new opportunities and also the additional costs associated with this increased engagement which we have anticipated in our plans.

As we look forward, we are confident we will continue to make progress and take advantage of the opportunities ahead.

1. Alternative performance measures are detailed in note 15.
2. Restated for the allocation of central overhead costs in the period ended September 2020.

FINANCIAL STATEMENTS



Financial Statements

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Revenue		13,847	10,956	23,353
Administrative expenses		(8,895)	(7,847)	(15,845)
Operating profit		4,952	3,109	7,508
Share-based payment costs	4	1,735	1,642	3,740
Amortisation of intangibles – customer relationships	4	60	60	120
Exceptional items	4	187	219	34
Adjusted operating profit (before separately disclosed items)¹		6,934	5,030	11,402
Finance costs		(165)	(35)	(205)
Profit before tax		4,787	3,074	7,303
Taxation charge	5	(889)	(414)	(1,192)
Profit attributable to shareholders		3,898	2,660	6,111
Earnings per share – Basic	6	6.82p	4.77p	10.86p
Earnings per share – Diluted	6	6.45p	4.58p	10.31p
Adjusted earnings per share – Basic²	6	9.48p	7.25p	16.14p
Adjusted earnings per share – Diluted²	6	8.76p	6.55p	14.74p

1 Adjusted for exceptional items, amortisation of customer relationship intangibles and share-based payment costs. See note 15.

2 Adjusted for exceptional items, amortisation of client relationship intangibles and share-based payment costs and the tax thereon. See note 15.

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
AS AT 30 SEPTEMBER 2021

	Note	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Non-current assets				
Intangible assets	7	13,437	7,693	7,690
Property, plant and equipment	8	888	1,133	992
Deferred tax assets		1,414	614	1,420
Total non-current assets		15,739	9,440	10,102
Current assets				
Trade and other receivables	9	8,565	4,503	4,302
Financial assets at fair value through profit or loss	11	177	132	163
Corporation tax		2,043	3	48
Cash and cash equivalents		14,747	13,328	16,934
Total current assets		25,532	17,966	21,447
Total assets		41,271	27,406	31,549
Current liabilities				
Trade and other payables	10	(10,335)	(6,571)	(6,587)
Total current liabilities		(10,335)	(6,571)	(6,587)
Non-current liabilities				
Other payables		(3,388)	(802)	(516)
Total non-current liabilities		(3,388)	(802)	(516)
Total liabilities		(13,723)	(7,373)	(7,103)
Net assets		27,548	20,033	24,446
Equity attributable to equity holders of the entity				
Share capital		11,781	11,352	11,578
Share premium account		11,617	9,997	11,534
Own shares		-	(996)	(1,969)
Other reserve		2,041	2,041	2,041
Merger reserve		(28,968)	(28,968)	(28,968)
Retained earnings		31,077	26,607	30,230
Total equity		27,548	20,033	24,446

The financial statements on pages 10 to 34 were approved by the Board of Directors on 17 November 2021 and were signed on its behalf by:



PAUL EDWARDS
Director

Company registration number: 10634323

Financial Statements continued

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 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
Tax on share-based payments	-	-	-	-	-	351	351
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
Profit and total comprehensive income	-	-	-	-	-	3,451	3,451
Dividends	-	-	-	-	-	(1,972)	(1,972)
Share-based payments	-	-	-	-	-	1,580	1,580
Tax on share-based payments	-	-	-	-	-	564	564
Issue of share capital on exercise of employee share options	226	1,537	-	-	-	-	1,763
Own shares acquired in the period	-	-	(973)	-	-	-	(973)
At 31 March 2021	11,578	11,534	(1,969)	2,041	(28,968)	30,230	24,446
Profit and total comprehensive income	-	-	-	-	-	3,898	3,898
Dividends	-	-	-	-	-	(4,284)	(4,284)
Share-based payments	-	-	-	-	-	2,130	2,130
Tax on share-based payments	-	-	-	-	-	1,265	1,265
Issue of share capital on exercise of employee share options	203	83	(193)	-	-	-	93
Own shares utilised on exercise of options	-	-	2,162	-	-	(2,162)	-
At 30 September 2021	11,781	11,617	-	2,041	(28,968)	31,077	27,548

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

	Note	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Operating activities				
Profit for the period		3,898	2,660	6,111
Adjustments:				
Income tax expense	5	889	414	1,192
Finance costs		165	35	205
Depreciation of property, plant and equipment	8	181	165	351
Amortisation of intangible assets	7	210	161	341
Share-based payment expense	4	1,735	1,642	3,740
Changes in:				
Trade and other receivables		(3,146)	(659)	(537)
Trade and other payables		2,879	(240)	(531)
Exceptional costs	4	187	219	34
Cash generated from operations before exceptional costs		6,998	4,397	10,906
Cash generated from operations		6,811	4,178	10,872
Income tax paid		(1,612)	(985)	(2,051)
Net cash from operating activities		5,199	3,193	8,821
Investing activities				
Payment for the acquisition of subsidiary, net of cash acquired		-	-	(160)
Purchase of intangible assets		(2,957)	(105)	(282)
Purchase of property, plant and equipment		(17)	(22)	(67)
Net cash used in investing activities		(2,974)	(127)	(509)
Financing activities				
Interest (paid)/received		(47)	1	(36)
Transaction costs related to borrowings		-	(316)	(613)
Dividends paid		(4,284)	(3,579)	(5,551)
Proceeds from the issue of shares		93	1,449	3,212
Purchase of own shares		-	-	(973)
Repayment of the lease liabilities		(174)	(50)	(174)
Net cash used in financing activities		(4,412)	(2,495)	(4,135)
Net (decrease)/increase in cash and cash equivalents		(2,187)	571	4,177
Cash and cash equivalents at beginning of period		16,934	12,757	12,757
Net cash and cash equivalents at end of period		14,747	13,328	16,934

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 2021 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 2021 were approved by the Board on 14 June 2021 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 2021 have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the United Kingdom. The condensed consolidated interim financial statements should be read in conjunction with the financial statements for the year ended 31 March 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the United Kingdom. The condensed consolidated interim financial statements were approved for release on 17 November 2021.

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.

2. ACCOUNTING POLICIES continued

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

The 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 2021.

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. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

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.

A number of new standards are effective for annual periods beginning after 1 April 2021 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. ACCOUNTING POLICIES continued

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 2021, 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 2021. The only exceptions relate to the contingent consideration recognised in the period and the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

During the period, the Group made an acquisition of the Verbatim funds. As at 30 September 2021, the accounting for the acquisition has yet to be completed and therefore the Group has provisionally accounted for the acquisition within intangible assets and a creditor representing the contingent consideration payable. The value of the earnout consideration is variable dependent on performance conditions. Management will perform a further assessment of the valuation of certain assets acquired and liabilities assumed within the acquisition for inclusion in the financial statements for the period ending 31 March 2022.

Management have reviewed the estimates for the satisfaction of the performance obligations attached to certain awards in the share-based payment schemes. It is currently estimated that 100% of the options in the existing schemes will vest.

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 IFRSs. The Group believes that these APMs provide users with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets. All the APMs used by the Group are set out in note 15 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 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 2021	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	10,885	2,954	8	13,847
Administrative expenses	(4,272)	(1,700)	(2,923)	(8,895)
Operating profit/(loss)	6,613	1,254	(2,915)	4,952
Share-based payment costs	-	-	1,735	1,735
Amortisation of client relationship intangibles	60	-	-	60
Exceptional costs	-	-	187	187
Adjusted operating profit/(loss) (before separately disclosed items)¹	6,673	1,254	(993)	6,934
Finance costs	(9)	-	(156)	(165)
Profit/(loss) before tax	6,604	1,254	(3,071)	4,787

1. Alternative performance measures are detailed in note 15.

Financial Statements continued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3 SEGMENT REPORTING continued

	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Period ended 30 September 2020 ²				
Revenue	8,605	2,343	8	10,956
Administrative expenses	(3,694)	(1,704)	(2,449)	(7,847)
Operating profit/(loss)	4,911	639	(2,441)	3,109
Share-based payment costs	-	-	1,642	1,642
Amortisation of client relationship intangibles	60	-	-	60
Exceptional costs	-	-	219	219
Adjusted operating profit/(loss) (before separately disclosed items)¹	4,971	639	(580)	5,030
Finance costs	(10)	-	(25)	(35)
Profit/(loss) before tax	4,901	639	(2,466)	3,074
Year ended 31 March 2021				
Revenue	18,097	5,240	16	23,353
Administrative expenses	(7,132)	(3,212)	(5,501)	(15,845)
Operating profit/(loss)	10,965	2,028	(5,485)	7,508
Share-based payment costs	-	-	3,740	3,740
Amortisation of client relationship intangibles	120	-	-	120
Exceptional items	(184)	-	218	34
Adjusted operating profit/(loss) (before separately disclosed items)¹	10,901	2,028	(1,527)	11,402
Finance costs	(21)	(4)	(180)	(205)
Profit/(loss) before tax	10,944	2,024	(5,665)	7,303

All turnover arose in the United Kingdom.

1. Alternative performance measures are detailed in note 15.
2. Administrative expenses in September 2020 have been restated to include an allocation of central overhead costs to aid comparability with the current year.

4 SEPARATELY DISCLOSED ITEMS

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Acquisition-related expenses	187	219	218
Gain arising on changes in fair value of contingent consideration	-	-	(184)
Total exceptional costs	187	219	34
Amortisation of client relationship intangible assets	60	60	120
Share-based payment costs	1,735	1,642	3,740
Total separately disclosed costs	1,982	1,921	3,894

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.

EXCEPTIONAL ITEMS

During the period, the Group acquired £650 million of assets under management in the Verbatim funds and entered into a long-term strategic distribution partnership. The Group incurred professional fees of £187,000 during the process which have been treated as exceptional items.

Acquisition-related expenses in the prior year relate to professional fees incurred as a result of the process whereby the Group pursued a potential acquisition of a business. These costs have been treated as exceptional items.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 TAXATION

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Current tax expense			
Current tax on profits for the period	1,150	821	1,790
Share-based payment costs	(487)	-	-
Adjustment for under-provision in prior periods	-	-	13
	663	821	1,803
Deferred tax expense			
Share-based payment costs	250	(386)	(563)
Origination and reversal of temporary differences	7	(21)	7
Adjustment in respect of previous years	-	-	(55)
Effect of changes in tax rates	(31)	-	-
	226	(407)	(611)
Total tax expense	889	414	1,192

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:

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Profit before taxation	4,787	3,074	7,303
Tax at UK corporation tax rate of 19% (2020: 19%)	910	584	1,388
Expenses not deductible for tax purposes	44	50	63
Capital allowances in excess of depreciation	32	-	6
Adjustments in respect of previous years	-	-	(42)
Share-based payments	(66)	(220)	(189)
Income not taxable	-	-	(34)
Effect of changes in tax rates	(31)	-	-
Total tax expense	889	414	1,192

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 30 September 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (31 March 2021: 19%).

6 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

Number of shares	Unaudited six months ended 30-Sep 2021	Unaudited six months ended 30-Sep 2020	Audited year ended 31-Mar 2021
Basic			
Weighted average number of shares in issue	57,937,803	56,126,791	56,835,807
Effect of own shares held by an EBT	(745,506)	(413,411)	(551,954)
	57,192,297	55,713,380	56,283,853
Diluted			
Effect of weighted average number of options outstanding for the year	3,266,404	2,307,336	2,966,507
Weighted average number of shares in issue (diluted) ¹	60,458,701	58,020,716	59,250,360
Adjusted diluted			
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	1,429,271	3,579,201	2,370,976
Adjusted diluted weighted average number of options and shares for the year ²	61,887,972	61,599,917	61,621,336

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 those 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 Employee Benefit Trust ("EBT") represents the Company's own shares purchased and held by the EBT. During the period the EBT bought 966,546 of the Company's own shares, resulting in a total of 1,741,703. These shares were subsequently fully utilised during the period to satisfy the exercise of employees' EMI options. In the year ended 31 March 2021 the EBT purchased 361,746 of the Company's own shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6 EARNINGS PER SHARE AND DIVIDENDS continued

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Earnings attributable to ordinary shareholders			
Basic and diluted profit for the period	3,898	2,660	6,111
Share-based payments – IFRS 2 option charges	1,735	1,642	3,740
Amortisation of customer relationship intangibles	60	60	120
Exceptional costs (note 4)	187	219	34
Tax impact of adjustments	(457)	(544)	(923)
Adjusted basic and diluted profits for the period and attributable earnings	5,423	4,037	9,082
Earnings per share – basic (pence)	6.82	4.77	10.86
Earnings per share – diluted (pence)	6.45	4.58	10.31
Adjusted earnings per share – basic (pence) ¹	9.48	7.25	16.14
Adjusted earnings per share – diluted (pence) ¹	8.76	6.55	14.74

1. Alternative performance measures are detailed in note 15.

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 2021, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2021 of £4,284,000 representing a payment of 7.5p per share.

In the year ended 31 March 2021, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2020 of £3,552,000 representing a payment of 6.4p per share. In addition, the Company paid an interim dividend of £1,999,000 (2020: £1,789,000) to its equity shareholders. This represents a payment of 3.5p per share (2020: 3.2p per share).

7 INTANGIBLES

	Intangible assets (£'000)
Cost	
Balance at 1 April 2020	7,987
Additions	105
Balance at 30 September 2020	8,092
Additions	177
Balance at 31 March 2021	8,269
Additions	5,957
Balance at 30 September 2021	14,226
Accumulated amortisation and impairment	
Balance at 1 April 2020	(238)
Charge for the period	(161)
Balance at 30 September 2020	(399)
Charge for the period	(180)
Balance at 31 March 2021	(579)
Charge for the period	(210)
Balance at 30 September 2021	(789)
Carrying amount	
At 1 April 2020	7,749
At 30 September 2020	7,693
At 31 March 2021	7,690
At 30 September 2021	13,437

The carrying value of intangibles includes goodwill, customer relationship intangible assets and software.

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

£5,825,000 of the additions in the period relate to the acquisition of the Verbatim funds. No deferred tax on intangible assets has yet been recognised. This will be recognised once the valuation assessment of the intangible assets has been completed.

7 INTANGIBLES continued

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.

GOODWILL 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 2021 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 ended 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 10.8% (2020: 7.7%). The discount rate is derived from a benchmark calculated from a number of comparable businesses.

CASH FLOW ASSUMPTIONS

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

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.

8 PROPERTY, PLANT AND EQUIPMENT

	Computer, office equipment and motor vehicles (£'000)	Fixtures and fittings (£'000)	Right-of-use assets (£'000)	Total (£'000)
Cost				
Balance at 1 April 2020	588	691	689	1,968
Additions	22	-	242	264
Balance at 30 September 2020	610	691	931	2,232
Additions	45	-	-	45
Disposals	(223)	(214)	-	(437)
Balance at 31 March 2021	432	477	931	1,840
Additions	17	-	60	77
Balance at 30 September 2021	449	477	991	1,917
Accumulated depreciation and impairment				
Balance at 1 April 2020	(470)	(326)	(138)	(934)
Charge for the period	(38)	(48)	(79)	(165)
Balance at 30 September 2020	(508)	(374)	(217)	(1,099)
Charge for the period	(42)	(47)	(97)	(186)
Disposals	223	214	-	437
Balance at 31 March 2021	(327)	(207)	(314)	(848)
Charge for the period	(31)	(48)	(102)	(181)
Balance at 30 September 2021	(358)	(255)	(416)	(1,029)
Carrying amount				
At 1 April 2020	118	365	551	1,034
At 30 September 2020	102	317	714	1,133
At 31 March 2021	105	270	617	992
At 30 September 2021	91	222	575	888

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

The Group leases buildings, IT equipment and a car. 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.

8 PROPERTY, PLANT AND EQUIPMENT continued
RIGHT-OF-USE ASSETS

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Amounts recognised in profit and loss			
Depreciation on right-of-use assets	(102)	(79)	(176)
Interest expense on lease liabilities	(11)	(11)	(25)
Expense relating to short-term leases	(15)	(36)	(44)
Expense relating to low value assets	(1)	(1)	(1)

At 30 September 2021, the Group is committed to £14,000 for short-term leases. The total cash outflow for leases amounts to £190,000.

9 TRADE AND OTHER RECEIVABLES

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Trade receivables	275	-	172
Amounts due from related parties	-	214	29
Prepayments and accrued income	3,165	3,069	3,060
Other receivables	5,125	1,220	1,041
	8,565	4,503	4,302

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

The amounts due from related parties are net of provisions. The carrying value of the provisions as at 30 September 2021 was £1,311,000 (2020: £1,601,000).

The increase in Other receivables largely relates to the money owed to the Group from the sale of shares on exercise of employee share options. This was settled shortly after the balance sheet date.

Trade receivable amounts are all held in sterling.

10 TRADE AND OTHER PAYABLES

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Trade payables	458	582	294
Amounts due to related parties	231	361	236
Accruals	3,307	3,354	3,330
Deferred income	92	93	132
Contingent consideration	3,000	344	-
Other payables	6,635	2,639	3,111
	13,723	7,373	7,103
Less non-current portion:			
Contingent consideration	(3,000)	(172)	-
Other payables	(388)	(630)	(516)
Total non-current trade and other payables	(3,388)	(802)	(516)
Total current trade and other payables	10,335	6,571	6,587

The increase in Other payables largely relates to an increase in payroll taxes owed following the exercise of employee share options. This was settled shortly after the balance sheet date.

The carrying values of trade payables, amounts due to related parties, accruals and deferred income are considered reasonable approximation of fair value. Trade payable amounts are all held in sterling.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11 FINANCIAL INSTRUMENTS

The Group finances its operations through a combination of cash resource and other borrowings. Short-term flexibility is satisfied by access to a £10m revolving credit facility.

FAIR VALUE ESTIMATION

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

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

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

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

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
Financial investments in regulated funds or model portfolios	177	132	163

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

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

Contingent consideration	£'000
Balance at 1 April 2020 and 30 September 2020	344
Paid in the period	(160)
Changes in fair value of contingent consideration	(184)
Balance at 31 March 2021	-
Recognised on acquisition	3,000
Balance at 30 September 2021	3,000

12 EQUITY

	Number
Authorised, called up and fully paid	
At 1 April 2020	55,907,513
Issue of share capital on exercise of employee share options	852,813
At 30 September 2020	56,760,326
Issue of share capital on exercise of employee share options	10,588
Issue of share capital on exercise of share warrant	1,118,151
At 31 March 2021	57,889,065
Issue of share capital on exercise of employee share options	1,016,349
At 30 September 2021	58,905,414

13 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. 3,022,733 options with a weighted average exercise price of £1.89 were granted, exercisable in July 2020. There have been 650,933 (2020: 673,568) options exercised during the period from this scheme.

The scheme was extended on 8 August 2018, 1 August 2019, 28 July 2020 and 15 July 2021 with 1,720,138, 193,000, 1,000,000 and 279,858 zero cost options granted in each respective year. These options are exercisable on the third anniversary of the grant date. The options granted in 2018 vested and became exercisable in August 2021. There have been 1,090,770 options exercised during the period from this scheme and 168,201 of these options lapsed.

The options granted in 2019, 2020 and 2021 vest in August 2022, July 2023 and July 2024 respectively provided certain performance conditions and targets, set prior to grant, have been met. If the performance conditions are not met, the options lapse.

A total of 2,726,024 options remains outstanding at 30 September 2021, 1,294,668 of which are currently exercisable. 30,000 options were forfeited in the period (2020: none).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13 SHARE-BASED PAYMENTS continued

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2020	4,755,737	1.15
Granted during the period	1,000,000	-
Forfeited during the period	-	-
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
Outstanding at 1 October 2020	5,082,169	0.85
Granted during the period	-	-
Forfeited during the period	-	-
Exercised during the period	-	-
Lapsed during the period	(696,099)	1.83
Outstanding at 31 March 2021	4,386,070	0.66
Exercisable at 31 March 2021	2,196,185	1.89
Outstanding at 1 April 2021	4,386,070	0.66
Granted during the period	279,858	-
Forfeited during the period	(30,000)	-
Lapsed during the period	(168,201)	-
Exercised during the period	(1,741,703)	1.70
Outstanding at 30 September 2021	2,726,024	0.60
Exercisable at 30 September 2021	1,294,668	1.27

(II) TATTON ASSET MANAGEMENT PLC SHARES AVE SCHEME (“TAM SHARES AVE SCHEME”)

On 7 July 2017, 5 July 2018, 3 July 2019, 6 July 2020 and 2 August 2021 the Group launched all employee Sharesave schemes for options over shares in Tatton Asset Management plc, administered by Yorkshire Building Society. Employees are able to save between £10 and £500 per month over a three-year life of each scheme, at which point they each have the option to either acquire shares in the Company or receive the cash saved.

The 2018 TAM Sharesave scheme vested in August 2021 and 48,688 shares options became exercisable. Over the life of the 2019, 2020 and 2021 TAM Sharesave schemes it is estimated that, based on current savings rates, 75,610, 122,866 and 47,380 share options respectively will be exercisable. The exercise price for these schemes is shown overleaf.

During the period, 49,803 (2020: 189,833) options have been exercised and 4,070 (2020: 2,940) options have been forfeited.

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

	Number of share options granted (number)	Weighted average price (£)
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
Outstanding at 1 October 2020	91,798	1.75
Granted during the period	22,167	1.95
Forfeited during the period	(1,528)	2.29
Exercised during the period	(10,588)	1.70
Outstanding at 31 March 2021	101,849	1.70
Exercisable at 31 March 2021	10,588	1.70
Outstanding at 1 April 2021	101,849	1.73
Granted during the period	60,779	2.17
Forfeited during the period	(4,070)	2.13
Exercised during the period	(49,803)	1.86
Outstanding at 30 September 2021	108,755	2.03
Exercisable at 30 September 2021	9,473	1.90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13 SHARE-BASED PAYMENTS continued

(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			
	2021	2020	2019	2018	2021	2020	2019	2018
Share price at grant (£)	4.60	2.84	2.12	2.40	4.80	2.85	2.14	2.34
Exercise price (£)	-	-	-	-	3.60	2.29	1.79	1.90
Expected volatility (%)	33.76	34.80	30.44	28.48	33.76	34.80	30.44	28.48
Expected life (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Risk free rate (%)	0.24	(0.14)	0.35	0.81	0.12	(0.57)	0.35	0.81
Expected dividend yield (%)	2.39	3.38	3.96	2.75	2.39	3.38	3.96	2.75

(C) IFRS 2 SHARE-BASED OPTION COSTS

	Unaudited six months ended 30-Sep 2021 (£'000)	Unaudited six months ended 30-Sep 2020 (£'000)	Audited year ended 31-Mar 2021 (£'000)
TAM EMI scheme	1,707	1,620	3,716
TAM Sharesave scheme	28	22	24
	1,735	1,642	3,740

14 RELATED PARTY TRANSACTIONS

There have been no related party transactions that have taken place during the period that have materially affected the financial position or the performance of the Group. There were also no changes to related party transactions from those disclosed in the 2021 Annual Report and Financial Statements that could have a material effect on the financial position or the performance of the Group. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed. There were no other transactions with related parties which were not part of the Group during the period, with the exception of remuneration paid to key management personnel.

15 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 4.	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 4.	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 4.	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 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.6.
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 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.6.
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 4.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.6.

15 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”) and net inflows	None	Not applicable	AUM is representative of the customer assets and is a measure of the value of the customer base. Movements in this base are an indication of performance in the year and growth of the business to generate revenues going forward. Net inflows measure the net of inflows and outflows of customers assets in the year.
Paradigm Consulting members and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Paradigm Mortgages lending, member firms and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Dividend cover	None	Not applicable	Dividend cover (being the ratio of the proposed final dividend against diluted earnings per share before exceptional items and share-based charges) demonstrates the Group’s ability to pay the proposed dividend.

16 EVENTS AFTER THE REPORTING PERIOD

There were no material post balance sheet events.

17 CONTINGENT LIABILITIES

At 30 September 2021, the Directors confirmed there were contingent liabilities of £nil (2020: £nil).

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