

# Navigating our Roadmap to Growth

Annual Report  
and Accounts 2022



# Resilient business model driving growth

Tatton Asset Management plc has had a successful year. The Group has continued to demonstrate the resilience of its business model in volatile market conditions, continuing to achieve strong growth across all areas of the business while delivering its strategy over the past five years since flotation.

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Find out more about  
Tatton Asset Management at  
[tattonassetmanagement.com](https://tattonassetmanagement.com)



## Group revenue

# £29.356m

2022	£29.356m
2021	£23.353m
2020	£21.369m
2019	£17.518m
2018	£15.507m

## AUM

# £11.341bn

2022	£11.341bn
2021	£8.990bn
2020	£6.651bn
2019	£6.068bn
2018	£4.877bn

## Financial

- Group revenue increased 25.7% to £29.356m (2021: £23.353m)
- Adjusted operating profit\* up 27.4% to £14.526m (2021: £11.402m)
- Adjusted operating profit\* margin increased to 49.5% (2021: 48.8%)
- Profit before tax £11.275m (2021: £7.303m)
- Adjusted fully diluted earnings per share ("EPS")\* increased by 26.3% to 18.62p (2021: 14.74p) and basic EPS is 15.92p (2021: 10.86p)
- Final dividend increased by 13.3% to 8.5p (2021: 7.5p), an increase of 13.6% to 12.5p (2021: 11.0p) for the full year dividend
- Strong financial liquidity position, with net cash of £21.710m (2021: £16.934m)
- Strong balance sheet - Net assets increased 27.0% to £31.044m (2021: £24.446m)

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## Adjusted operating profit\*

# £14.526m

2021:  
£11.402m  
27.4%

## Profit before tax

# £11.275m

2021:  
£7.303m  
54.4%

## Adjusted fully diluted EPS\*

# 18.62p

2021:  
14.74p  
26.3%

## Proposed final dividend

# 8.5p

2021:  
7.5p  
13.3%

\* Alternative performance measures are detailed in note 23.

## Operational

- Tatton's discretionary assets under management ("AUM") increased 26.2% to £11.341bn (2021: £8.990bn)
- Record organic net inflows of £1.277bn (2021: £0.755bn) or 14.2% of opening AUM, an average of £106m per month
- Acquisition of £650m Verbatim funds in September 2021 and a five-year strategic distribution partnership with Fintel plc, providing access to 3,800 firms
- Tatton's Ethical portfolios increased 84.1% to £812m (2021: £441m)
- Tatton increased its IFA firms by 11.7% to 746 (2021: 668) and number of client accounts by 23.9% to 89,780 (2021: 72,450)
- Paradigm Mortgages completions up by 16.0% to £13.15bn (2021: £11.34bn). Paradigm Mortgages member firms increased to 1,674 (2021: 1,612) and Consulting member firms increased to 421 (2021: 407)

Read more on page 8

# Validating our resilient proposition

Our vision is to maintain our position as the provider of choice for independent financial advisers and their end clients, to expand our propositions to meet the needs of our advisers and their clients, and exceed the expectations of all our stakeholders.

## Investment case

Tatton Asset Management plc has delivered record net inflows in the current financial year, which have contributed to the Group's delivery of strong growth across revenue, adjusted operating profit\* and AUM. AUM has grown by 26.2% in the year to £11.3bn and by £7.5bn over the last five years, an average annual growth of 23.9% (2021: 23.4%) since 2017, when the Group listed on the Alternative Investment Market ("AIM"). The acquisitions of the Sinfonia and Verbatim funds added a further £0.8bn with investment returns contributing a further £1.7bn.

The Group continues to grow and c.85% of its revenue is now recurring which has helped drive continued improvement in adjusted operating profit margin\* to 49.5%. The Group has delivered continued value creation with a growth of 26.3% in fully diluted adjusted EPS\* in the current financial year (2021: 22.8%).

We have maintained a progressive dividend policy with c.70% of adjusted earnings being paid out as dividends to shareholders since listing as a public company.

Dividend growth

**13.3%**

Increase in adjusted fully diluted EPS\*

**26.3%**

CAGR in AUM since 2017\*

**23.9%**

Dividend yield\*

**2.8%**

Cash on the balance sheet

**£21.7m**

Average annual net flows since 2017\*

**£1,045m**

## Our operating segments



### Tatton - Investment Management division

Tatton is an investment manager providing a range of investment services, predominately through an on-platform model portfolios and funds to the clients of IFAs. It manages £11.341 billion of assets for the private clients from 746 UK IFA firms. IFAs benefit by being able to offer their clients full discretionary asset management whilst retaining complete control of those relationships, together with the ability to manage their clients' portfolios through existing platform arrangements.



### Paradigm - IFA support services division

Paradigm Mortgage Services is one of the UK's leading mortgage distribution businesses, with membership of 1,674 firms (2021: 1,612 firms). Paradigm Mortgage Services provides access to a whole of market lender panel as well as a wide range of mortgage and related support services, such as specialist lending distributors, conveyancing partners and general insurance via Paradigm Protect. Paradigm Consulting is a leading provider of support services, including compliance and other related products/services to 421 directly authorised IFAs in the UK.

## Group revenue breakdown

Paradigm

Tatton

**20.5%** **79.5%**



The Group has a strong balance sheet with net assets of £31.0m (2021: £24.4m). It is also highly cash generative, with over 100% of adjusted operating profit being converted to operating cash, ending the year with £21.7m of net cash on the balance sheet (2021: £16.9m).

Tatton Asset Management plc (“TAM”) has continued to recruit and retain high quality people who have a diverse range of skills and experience.

### Group’s proposition

- Market leading on-platform discretionary fund management service
- Full range of risk-rated investment portfolios
- Multi-manager funds complement portfolios
- Highly experienced investment team with a strong track record
- Exclusively available to the clients of IFAs
- Clients benefit from gaining access to full discretionary management of their investments
- Platform agnostic – now available on 18 platforms
- Comprehensive mortgage offering to directly authorised firms, including a whole of market lender panel
- Financial compliance support to directly authorised wealth managers, IFAs and mortgage advisers

### Number of Tatton firms

# 746

+11.7%



### 5 year CAGR in Tatton firm numbers\*

# 25.8%

-3.8%



### AUM

# £11.341bn

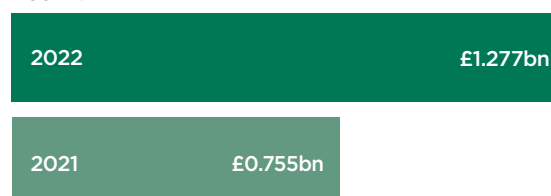
+26.2% (5 year CAGR 23.9%)



### Asset net inflows

# £1.277bn

+69.1%



# Solid foundations for long-term growth

## Our purpose

To be the provider of choice for independent financial advisers and their end clients. We seek to provide the highest quality investment management and best-in-class IFA support services with our number one goal being the enhancement of outcomes for both advisers and their clients.



## Our vision

To maintain our position as the provider of choice for independent financial advisers and their end clients, to expand our propositions to meet the needs of our advisers and their clients, and exceed the expectations of all our stakeholders.



## Underpinned by our values

### Individually:

- Act with integrity;
- Be transparent, honest and open;
- Act without pretence; and
- Be straightforward, adaptable and consistent.

## Strategic objectives

- |          |  |  |
|----------|--|--|
| <b>1</b> | <b>Deepen our IFA relationships to grow AUM</b>                            | Strengthen existing IFA/client relationships and build new long-term relationships, delivering sustainable value for both the IFA/clients and shareholders |
| <b>2</b> | <b>Organic growth – increase share of our respective markets</b>           | Further penetrate our markets, adding new firms in Tatton and new members in Paradigm  |
| <b>3</b> | <b>M&amp;A and JV activity remains part of the Group’s Growth strategy</b> | We will continue to complement our strong organic growth through targeted acquisitions and entering into strategically aligned JVs                         |
| <b>4</b> | <b>Migration of asset “back books”</b>                                     | We look to migrate existing clients’ back book of assets over to Tatton in the medium term   |
| <b>5</b> | <b>Strategic partnerships</b>  | We will develop strategic partnerships/alliances as an additional distribution channel to increase assets on the Tatton DFM service                        |

## Sustainability pillars



### Environmental

We look to manage and reduce our environmental impact and carbon footprint through the efficient use of resources

[Read more on page 37](#)



### Social

We support and develop our people and wider community, and foster an inclusive culture

[Read more on page 38](#)



### Governance

We remain committed to the highest standards of corporate governance, adding value and reducing risk for our stakeholders

[Read more on page 36](#)

### Collectively:

To be trusted to provide the highest achievable levels of service to financial advisers and their clients by:

- the accumulation of the right level of skills, knowledge and experience across the organisation;
- the management, identification and regular review of the risks impacting TAM plc; and
- developing a culture that fosters a collaborative approach to continually improve.

In summary – we strive to be knowledgeable, to be conscious of risk, and to continually improve.



# A challenging climate... A team to meet the challenge

## Dear Shareholder

Against the background of a further challenging period, both nationally and globally, I am happy to report that 2021/2022 has been another successful year for the Group. The management team has remained focused on delivering the strategy – developing products and services, through organic growth and Merger and Acquisition (“M&A”) activity, directed at Independent Financial Advisers (“IFAs”) – which has resulted in continued growth in Assets under Management (“AUM”), further revenue growth, a strong underlying profit performance, good cash generation and another lift in adjusted earnings per share.

## Strategy in progress

The Group's strategic objectives have not changed. We retain our focus on growth through the provision of products and services that are designed to enable IFAs to better advise their clients. We are committed to taking an increasing share of an expanding market, and to be the investment manager, and partner of choice, for IFAs.

Looking in turn at products (largely Tatton Investment Management (“Tatton”)) and services (“Paradigm”), Tatton announced last year a “Roadmap to Growth” with a three-year target of increasing AUM from £9.0bn to £15.0bn through a combination of organic new net inflows and strategically aligned acquisitions. In this first year, a period during which the confidence of investors and savers was tested by national and global events, we have made good progress and ended the year with £11.3bn of AUM – just over a third of the way there. This growth was achieved following new organic net inflows of £1.3bn, to which the acquisition of the Verbatim range of funds earlier this year added £650m. We will continue to focus our efforts on delivering against these targets and I am positively encouraged by the good progress made to date.

Turning to Paradigm, against an uncertain backdrop in the year, we enjoyed a very positive performance with involvement in record mortgage completions of £13.15bn. While we continue to make good progress, with a significant number of new firms and improved market penetration, we are mindful that the government stimulus, particularly in the first half the year, contributed to a strong lending environment, which may well have had a positive influence on the overall performance. Nevertheless, the business remains well placed in its markets and strongly positioned to take advantage of opportunities that lie ahead.



**Roger Cornick**  
Chairman



**This has been another successful year for the Group and we have taken the necessary steps strategically, operationally and financially to ensure that the Group is well positioned to continue to grow, and exploit both those opportunities that already exist, and those that will arise.”**

**Roger Cornick**  
Chairman

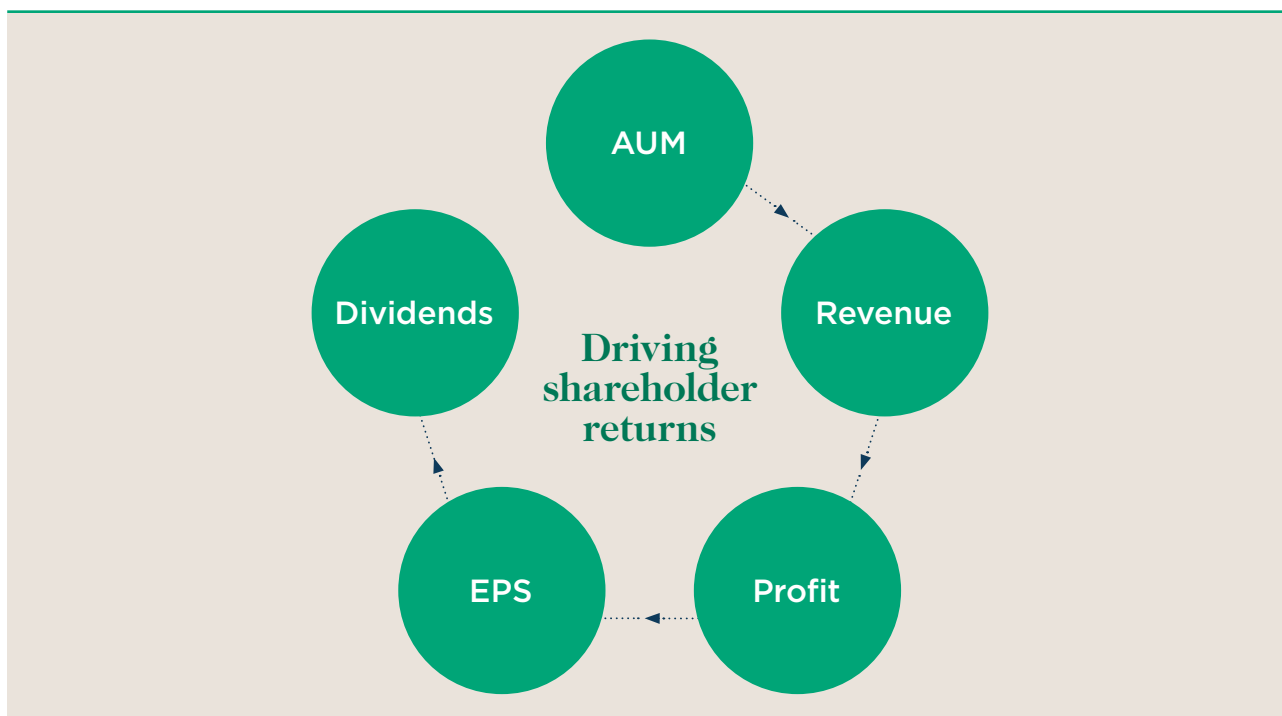
## Financial highlights

Against the background outlined above, the Group has performed well. Group revenue increased by 25.7% to £29.4m (2021: £23.4m), while adjusted operating profit\* rose by 27.4% to £14.5m (2021: £11.4m) and profit before tax, after incurring exceptional costs and share-based payment charges, improved further to £11.3m (2021: £7.3m). The impact of the above on fully diluted adjusted earnings per share\* was an increase of 26.3% to 18.62p (2021: 14.74p) while basic earnings per share was 15.92p (2021: 10.86p).

## Our people

Recognising that the Group is essentially a people driven business, the Board continues to position ethical values and appropriate behaviours at the centre of our approach to HR, with a view to sustaining a culture that attracts and retains the high calibre of employee necessary to meet the challenging objectives that we set ourselves.

\* Alternative performance measures are detailed in note 23.



The success of the Group in its ability to grow and create value is totally dependent on the talents and efforts of our employees working together towards a common purpose. Their combined abilities, adaptability and resilience are the key resource behind the results that we are now reporting. As ever, on behalf of the Board, I would like to thank all the Group's employees for their energy, commitment and dedication over the last financial year.

#### Board and corporate governance

Tatton Asset Management remains committed to the highest standards of corporate governance. The Board understands that this commitment is necessary for managing our business effectively and for maintaining investor confidence. Good governance adds value and reduces risk, and in a business which continues to grow and evolve, we look to sustain, develop and improve our governance arrangements continually.

#### Section 172 statement

Section 172 of the Companies Act 2006 requires the Directors to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this s.172 requires a Director to have regard, amongst other matters, to the likely consequences of any decisions in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and environment; the desirability of the Company maintaining a reputation for

high standards of business conduct; and the need to act fairly as between members of the Company. Further information can be found on pages 42 to 45 of this Report.

#### Dividends

This year's results reflect the steps being taken to deliver our strategy and to create long term sustainable shareholder value. Given the continued progress, the Board is proposing to increase the final dividend by 13.3% to 8.5p per share (see note 9), bringing the total ordinary dividend for the year to 12.5p per share, an increase of 13.6%, which is 1.5 times covered by adjusted earnings per share. Subject to shareholder approval at the forthcoming Annual General Meeting, the dividend will be paid on 2 August 2022 to shareholders on the register on 24 June 2022.

#### Outlook

Over the year under review the Group has delivered further progress, and we have taken the necessary steps strategically, operationally and financially to ensure that the Group is well positioned to continue to grow, and exploit both those opportunities that already exist, and those that will arise. We are clear at this point that, while we are immersed in a period of economic and geopolitical uncertainty, we need to remain focused on our strategic path and, notwithstanding the unpredictability of the current economic outlook, we anticipate that in doing so we will continue to make progress and deliver further value for our shareholders.

**Roger Cornick**  
Chairman

# Creating the environment for growth

**I am delighted to report on another successful year for the Group, as we continued to execute our stated strategy and deliver strong organic and acquisitive growth for FY22 in line with expectations.**

The geo-political and financial market volatility of the past year has highlighted that both our divisions are resilient and robust businesses with an attractive outlook as they continue to benefit from a consistent and sustainable business platform.

Tatton is at the forefront of a changing financial services and investment landscape and our strategic aim remains to develop and grow AUM, as we increasingly become the investment manager of choice for IFAs and their clients.

Paradigm's Compliance, Mortgage and Protection propositions serve and champion the Directly Authorised Financial Adviser ("DA") and intermediary community. We continue to grow and improve both the number and the quality of firms, by delivering a wider breadth of compliance and aggregation support combined with excellent customer service to all our IFAs and intermediaries.

The clarity of strategy and focused execution have enabled the Group to build on the strong growth it has achieved every year since flotation in 2017 and deliver another record performance this financial year.

## Financial and Operational Performance

The Group continued to make excellent progress this year, delivering record results as well as making excellent headway on our "Roadmap to Growth" strategy set at the beginning of the year under review.

Group revenue increased by 25.7% to £29.4m and Group adjusted operating profit\* increased by 27.4% to £14.5m, with margins improving to 49.5%. Cash generation was slightly ahead of expectations and we ended the year with £21.7m of cash on the balance sheet.

Tatton revenue increased by 29.0% to £23.3m, underpinned by record new net inflows of £1.277bn during the year, which contributed to strong growth in AUM of 26.2% to £11.341bn at the end of the financial year. The growth included a revenue contribution of £1.1m from the Verbatim funds that were acquired in September 2021. Excluding these, the organic revenue growth was strong at 22.7%. Tatton adjusted operating profit\* increased by 27.5% to £13.9m and margins were maintained at 60%, as investment to drive the future



**Paul Hogarth**  
Chief Executive Officer

## AUM

# £11.341bn

+26.2%



## Net inflows

# £1,277m

+69.1%



\* Alternative performance measures are detailed in note 23.



growth of the business continued. Tatton income now accounts for 79.5% of Group revenue and the majority, or 95.7%, of the trading profits.

AUM Movement	£bn
Opening AUM 1 April 2021	8.990
Organic net flows	1.277
Acquisition (Verbatim)	0.650
Market and investment performance	0.424
<b>Total AUM 31 March 2022</b>	<b>11.341</b>

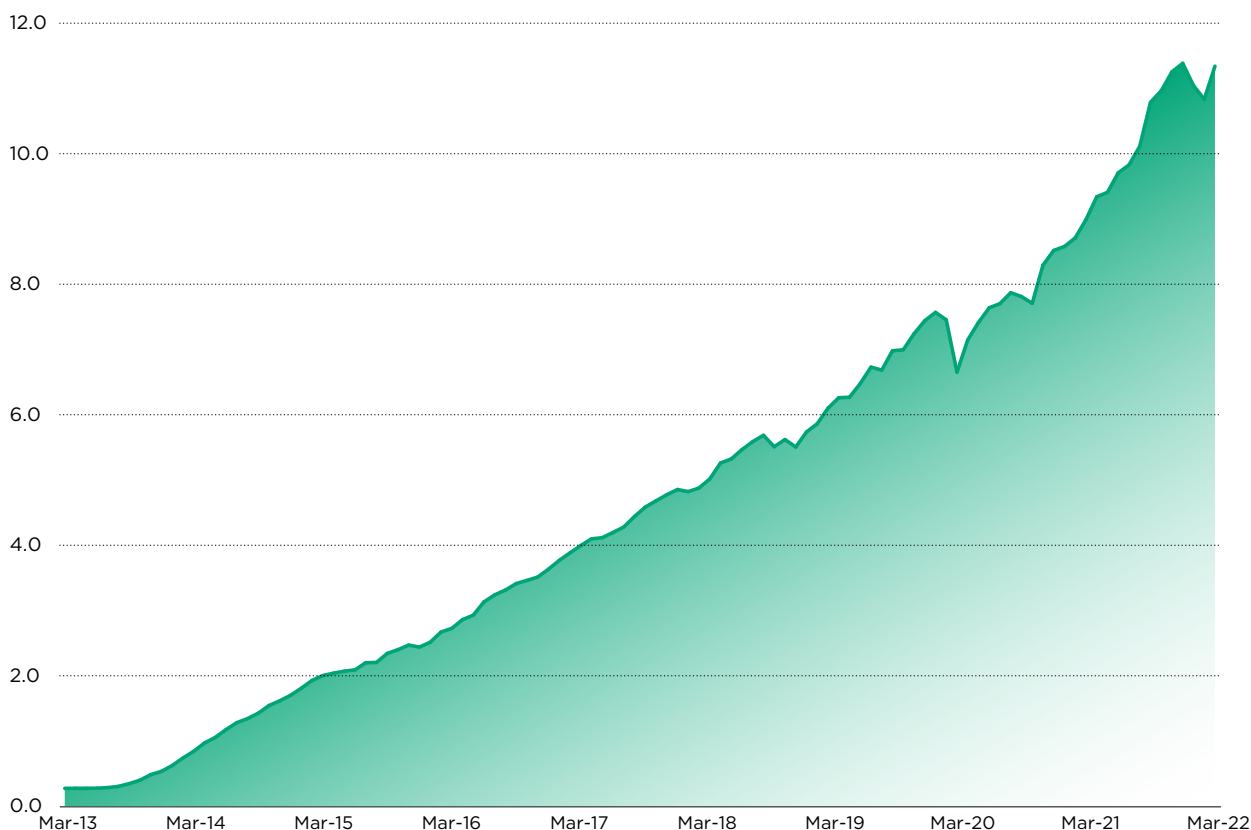
Paradigm revenue increased by 14.4% to £6.0m, on the back of a record year from the Mortgage business as its involvement in mortgage completions exceeded £13.0bn for the first time. This ultimately improved adjusted operating profit\* by 20.0% to £2.4m and with corresponding margin improvement up 1.9 points to 40.6%.

### Market Trends, Strategy and Business Model

#### Tatton

Our “Roadmap to Growth” strategy includes a three-year target of increasing AUM by £6.0bn, from £9.0bn in FY21 to £15.0bn by FY24. One year on, we have already delivered £2.3bn, or just under 40%, of the £6.0bn target, with AUM at £11.34bn. This growth has been delivered through a combination of strong organic growth and the acquisition of £650m of the Verbatim range of funds in September 2021. The key elements and market trends underpinning this strategy remain unchanged and include the following elements - Platforms, Ethical Investment Solutions, Regulation and Distribution Footprint.

### Tatton Assets under Management in £bn



### Platforms and Managed Portfolio Services (“MPS”)

Client outcomes remain and will always be our key focus. This was the “raison d’être” for the creation of Tatton back in 2013 and remains at the heart of our DNA as a business. Since inception, we have built a strong track record of delivering value and consistent investment returns at a market leading cost, utilising MPS while operating exclusively on Retail Investment Platforms (“Platforms”).

As the use of Platforms by IFAs continues to increase, with over £680bn of assets now held on Platforms, we continue to see increased demand for MPS. The combination of utilising both Platforms and MPS enables IFAs and their clients to bring together their chosen technology platform



**Tatton is at the forefront of a changing financial services and investment landscape, and our strategic aim remains to develop and grow AUM, as we increasingly become the investment manager of choice for IFAs and their clients.”**

**Paul Hogarth**  
Chief Executive Officer

## AUM analysis

Managed Portfolio Services ("MPS") £10.15bn

Multi-manager funds/Other £1.19bn

Total AUM £11.34bn



and investment solution under a single access point, which, in turn, is leading to an increasing share of IFA/client assets being invested utilising these solutions.

As a result of this, the MPS market continues to mature, with the past 12 months bringing many new entrants but also seeing long-standing traditional investment managers entering the MPS market, as well as promoting their existing MPS propositions. This both helps promote and further validates the broader MPS opportunity and proposition.

Tatton remains at the forefront of the MPS market, as the leader from a price, proposition and service delivery perspective. This has enabled us to maintain our position, with over £10bn of our total £11.3bn being MPS AUM, making us the largest provider of MPS on-platform, nearly double the MPS AUM of our nearest competitor.

### Ethical investment solutions

Tatton operates a full range of risk-rated MPS solutions, all with long, consistent investment track records. We consistently respond to IFAs' feedback, evolving our proposition in line with their changing needs. We launched our first Ethical models back in 2014, becoming a "first mover" in this space. While initially the take-up was modest, sentiment has changed markedly and recent investor interest and demand for Ethical solutions has substantially increased, driving strong growth of inflows. In a further move to satisfy this demand, we will launch our latest set of Ethical investment solutions with a range of three risk-rated "ETHOS" Ethical funds. This will leverage our proven track record and significant expertise in this space.

### Regulation

Regulation continues to evolve, with consumer duty at the forefront of this change. MPS remains perfectly positioned to respond to this by delivering low-cost and competitive investment solutions for the client, whilst supporting the IFA in meeting consumer duty obligations. As an MPS focused investment manager, consumer duty plays to our strengths in placing the adviser at the heart of the value chain and facilitating the delivery of improved client outcomes.

### Distribution footprint

Tatton has made great strides over the years in expanding its distribution footprint. Initially, distribution was dependent on Paradigm members, who remain important and loyal supporters of the service. However, over time, we have developed our strategy by diversifying our distribution footprint beyond Paradigm, winning new firms but also through the addition of a number of new strategic partnerships such as those with Tenet Group and Fintel plc. This has significantly broadened our base and now accounts for a significant portion of new flows.



**Regulation continues to evolve, with consumer duty at the forefront of this change. MPS remains perfectly positioned to respond to this by delivering low-cost and competitive investment solutions for the client, whilst supporting the IFA in meeting consumer duty obligations."**

**Paul Hogarth**  
Chief Executive Officer

The combination of all these factors – market trends and growth in platforms; regulatory direction of travel; increased distribution footprint; and a clear and focused acquisition strategy – leaves the Group well placed to achieve the goals set out in our “Roadmap to Growth” strategy.

### Paradigm

Paradigm has made good progress this year, following the consolidation of the Consulting and Mortgage operations under one “Paradigm” brand. The division has improved structurally through integration and cross skill working. Personnel are now better utilising their knowledge and experience to help the growth and development of the broader proposition. Our aim is to make Paradigm the number one choice for DAs seeking compliance and aggregation support, while at the same time, making our service attractive and compelling to Manufacturers (both lenders and providers) who seek the distributor with the greatest ability to deliver their propositions to key DA participants in the market.

This year has been very productive and we have continued to add new firms, with Paradigm Consulting firms increasing to 421 (2021: 407) and Paradigm Mortgage firms increasing to 1,674 (2021: 1,612). Additionally, Paradigm Mortgages participated in a record £13.15bn (2021: £11.34bn) of mortgage completions, a 16.0% increase on the previous year.

As the housing market continued to recover from the impact of COVID-19 in 2021, mortgage activity also improved. This demand was undoubtedly helped by the government stamp duty holiday/incentive, as well as the underlying general strength of the housing market continuing to improve. This has been driven by a number of factors, with strong house price inflation increasing the average size of mortgage coupled with the demand for new mortgages as consumers look to either move or improve as a response to the new work from home and flexible working trend, which appears to be a permanent shift in the way we work.

As a result, UK gross mortgage lending up to the end of 2021 increased to £316bn (excluding product transfers). We finished the year strongly and ultimately delivered £6.57bn in the second half the year in comparison to the £6.58bn in the first.

As we look forward, there are undoubted headwinds to the mortgage market, such as rising interest rates and the increased cost of living impacting affordability. As a result, the level of UK gross lending is forecast to be c.10% lower in 2022 at £281bn. We continue to concentrate on increasing our market share through growing the number and size of our intermediary firms who value the access and range of services we have to offer.

### Strategic Goals and Priorities

As we look forward to FY23, our strategic emphasis will be to consolidate and build on the gains we have made to date and further develop the business to drive growth and long-term value creation. Specifically, we look to achieve the following:

- Continue with the strong organic growth of new net inflows, utilising our increasing range of firm distribution platforms: Paradigm, Tatton, Tenet and Fintel;
- Deliver the next phase of our three-year “Roadmap to Growth” strategy, taking us from £9.0bn in FY21 to £15.0bn by FY24. Building on the strong performance in FY22, where we delivered £1.65bn through organic growth and £0.65bn through acquisition, we need to add a minimum of £1.7bn in FY23 to remain on track;
- Launch our new range of “ETHOS” Ethical funds in 2022 in response to demand from the IFA community;
- Identify and execute on further acquisitions that contribute to the “Roadmap to Growth” strategy but also, importantly, fulfil our basic criteria of being complementary and earnings enhancing;
- Build on our recent success by delivering further strategic partnerships, joint ventures and collaborations with larger IFA firms delivering enhanced client outcomes; and
- Continue to grow the number of firms utilising Paradigm, specifically taking a greater share of the available mortgage broker and intermediary market, and growing the level of mortgage completions.

### Outlook and Summary

I am very pleased with the progress the Group has made this year. We have continued on the path of strong growth across all our key metrics of new net inflows, AUM, revenue, profits and improved margins. Tatton continues to go from strength to strength, as it builds on the strong organic net inflows, which have been further enhanced by the recent acquisitions. Paradigm is also well positioned to make further progress and support the Group’s ambitions.

We continue to focus on and take a disciplined approach to executing our strategy and I am excited about the opportunities that exist for the Group. While we remain conscious that these are uncertain times, both from an economic and geo-political standpoint, we are well positioned to make further progress in the year ahead and better equipped than most to deal with any prevailing market headwinds.



## Meeting capital markets' challenge

**Tatton's investment and business model emerged very well from the "lockdown years" and has built on the adaptations and enhancements we made during that time. Flexible working practices – remote meetings and presentations – have become established, with a welcome return of face-to-face meetings when it matters. A real strength of Tatton's team is our ability to adapt quickly and intuitively adopt new ways of working with advisers to suit their business.**

In a more dynamic and price-driven market, we have remained true to the key elements of our success, working hard to develop additions to our flagship MPS for Financial Advisers to offer their clients – making it easy and cost effective to do business with us and deliver strong investment outcomes. The operational resilience we demonstrated during the lockdown years has evolved into competitive advantage and resilience – we have enhanced our proposition and services to improve our business scalability and relevance to Financial Advisers by increasing access, adapting our products and embedding assets under management gained through acquisition.

### Proposition Development

Tatton's pricing structure remains very competitive, and we continually work to remove barriers for advice firms to access our products. We operate on three additional investment platforms and remain platform agnostic – working seamlessly with advisers to fit into their business. Over the period, we made considerable additions to the Tatton adviser portal – our proprietary online client management system for advisers, which, at its heart, is a bridging application between platforms, advisers and clients' appointed discretionary investment manager – Tatton. It incorporates client management and reporting functions for advisers, making it straightforward for firms to do business with Tatton, and also directly embeds Tatton into the business operations of adviser firms, building operational resilience.

Maintaining scalability is a key driver of our business model and we remain focused as an MPS provider. We recognised that many advisers want the flexibility to develop their own branded offerings and we have responded by developing more White Label services, Appointed Investment Adviser ("AIA") relationships and also joint ventures. Tatton's role is to facilitate client access to sophisticated institutional-style Centralised Investment Propositions, with Tatton becoming an integral part of an adviser business and in turn making it more competitive.



**Lothar Mentel**  
Chief Investment Officer

Providing more investment choices for advisers has been demonstrated with the successful transfer of the Verbatim Portfolio Growth Funds to the Tatton stable of funds, enabling access to Tatton's portfolio investment management through multi-asset funds, alongside our discretionary portfolios. Many advisers want investment flexibility for their clients and Tatton should be able to help where discretionary portfolio investments are not suitable or accessible.

Additional choice for adviser firms creates more touch points with them, highly relevant with the expansion of our distribution networks. New relationships with Fintel/SimplyBiz and Sesame Bankhall are building on the success of our relationship with Tenet, enhancing our visibility within the day to day business of adviser firms that are yet to adopt an MPS solution for their clients. This is further evidenced by the steady growth of our Bespoke Portfolio Service ("BPS") that runs alongside our MPS, creating access to additional client assets.

Our Ethical ("ESG") portfolios (launched in 2014) have continued on the growth of the previous year, reflecting increased consumer interest in investing to make a difference and our experience in the sector. This provides a clear demonstration of our long-standing commitment to giving the clients of financial advisers genuine choice in how their discretionary assets are allocated.

Tatton's investment process has been tested during benign and volatile market environments, and we are proud of our portfolio performance over the period. Ensuring investors understand how global events impact or benefit their investments is vital, and we have continued to deliver benchmark-setting communications through video, webinar and the Tatton Weekly newsletter.

## 2021/2022 Capital Markets and Returns

The second year of managing global multi-asset investment portfolios under a pandemic proved almost as littered with opportunities for missteps as the first. While the first year rattled markets with the economic uncertainty of a deep recession created by the economic shutdowns, the second was characterised by uncertainty over the course and shape of the post-pandemic recovery – firstly, over how to wean off all-encompassing policy support and then recalibrate the supply and demand balance of goods while large amounts of surplus liquidity further clouded the usual post-recession recovery path.

In capital market terms, the 12 months spanning TAM's financial year turned into a period during which fast-changing concerns over the direction of bond market yields dominated and determined market action.

Q2 of 2021 started our financial year on a more equal footing for returns between the main asset classes of equities and bonds than had been the case in Q1. This was welcome after the start of 2021 had seen the first scare over the prospect of overheating economic conditions pushing up bond yields too rapidly for comfort, even before the post-pandemic rebound had even happened. Despite much talk and excitement over another “roaring twenties” decade, bond yields fell back again in Q2 as central banks repeatedly pledged to maintain an accommodative policy stance and look through rising inflation – viewed as only transitory until supply chains had established a firm basis again. Tatton's overweight to equities in portfolios with a specific short-term position in a global small cap tracker at the expense of US large caps paid off for investors as the cyclical recovery took hold.

Following the very rapid, and again unprecedented, rates of change – albeit this time of economic growth – the recovery slowed markedly over the summer, especially in the US and China. Yet, with corporate earnings still expanding even faster than anticipated on the back of impressive margin improvements, risk asset markets continued their rise as bond markets remained stable and still assured by soothing words from central bankers. On/off style rotation from Growth to Value and from US tech safe havens to the mid-cycle cyclical sectors of Europe and the UK characterised this period, during which our Value tilt in portfolios added value as did our UK large cap reorientation.

## Investment Portfolio Returns

1 April 2021 – 31 March 2022

Tatton investment returns (%) – core MPS product set (after discretionary fund management (“DFM”) charge and fund costs)

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical	ARC PCI <sup>1</sup>
Defensive	0.0	0.1	0.0	-0.2	1.8
Cautious	3.2	3.2	3.2	2.0	3.6
Balanced	5.5	5.4	5.4	3.9	3.6/5.1 <sup>2</sup>
Active	8.1	7.4	7.8	6.0	5.1
Aggressive	10.2	10.0	10.1	7.9	5.6
Global Equity	10.6	10.4	10.5	8.5	5.6

Five years, 1 April 2017 – 31 March 2022

Tatton investment returns (%) – core MPS product set (annualised, after DFM charge and fund costs)

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical <sup>3</sup>	ARC PCI <sup>1</sup>
Defensive	2.6	2.6	2.6	–	2.6
Cautious	4.1	4.1	4.1	–	3.7
Balanced	5.1	5.0	5.1	6.6	3.7/5.0 <sup>2</sup>
Active	6.4	6.1	6.2	–	5.0
Aggressive	7.4	7.2	7.3	–	6.1
Global Equity	10.2	10.0	10.1	–	6.1

1. ARC PCI – Asset Risk Consultants Private Client Indices (“PCI”).

2. Balanced portfolios are measured against both ARC Balanced Asset PCI and ARC Steady Growth PCI as in risk terms, the Balanced portfolios lie in the middle of these Indices.

3. Only Tatton Ethical Balanced has existed for five years.

The relative bond market calm came to an end when China's excessive residential property market growth claimed its first large victim in property developer Evercore. Even though the spectre of a global financial crisis was quickly dispelled by the concerted action of the Chinese authorities, bond markets have since then again dominated market action – firstly, when central bankers changed their mind about their stance on inflation and turned decidedly hawkish, and then when Russia's invasion of Ukraine led to an extension of elevated energy prices, which put downward pressure on corporate earnings projections. The equity market correction in the first quarter of 2022 has been painful for investors, as most of the previous 12 months' gains were reversed. Towards the end of the first quarter, both equity and bond valuations recovered from the shock of the Ukraine war. This came despite an increase in the three major headwinds of a slowing Chinese economy (Asia), central banks' monetary tightening (US) and the cost of living pressures from elevated energy and food prices (Europe). As a result, asset valuation felt once again elevated and therefore vulnerable.

In a scenario of an as yet unresolved European armed conflict paired with monetary tightening, the transition to an expansive mid-cycle market environment is now much less certain and there is the possibility of yet another short-term economic downturn before the longer-term growth trend resumes.

## Outlook

Investor confidence for the remainder of the year depends not only on the outcome of the war in Ukraine and the strength of its ripples through the global economy, but also on the shape of the inflationary pressures it is experiencing and if transitory does indeed become systematic inflation. The impact of energy commodity price increases will decline in the summer but has the potential for greater consequence as the northern hemisphere approaches winter.

Tatton's strength is based around the ability of its team to understand and anticipate market developments. The scalability of our model is maintained through our operational efficiency, our flexibility and the strength of our team in implementing our strategy. We have emerged from the pandemic years as a bigger and better business, and despite the uncertainty of the new world order, very well positioned to deliver for the clients of financial advisers whatever economic environment develops through the remainder of 2022.

# Our marketplace

**TAM continues to grow as its markets expand. We see the potential for the UK platform market to continue to increase in size, while regulatory and pricing pressures drive IFAs to outsource the management of model portfolios to a discretionary fund manager.**

The market share of both Tatton and Paradigm has increased – our AUM of £11.341bn is 13.9% of the MPS AUM on-platform (2021: 13.6%), while our mortgage completions during the year account for 2.94% of the UK mortgage market (2021: 2.77%). As our marketplace evolves, we see the opportunity for the Group to take advantage of the growth opportunities that these trends present to our business and to our stakeholders.

## Clients are demanding more choice, value for money and fee transparency

### Market conditions

Due to the ageing population, the cost of funding retirement has increased. Individuals have become more self-reliant in planning for their long-term needs and they want a clear understanding of how much they are paying so they can determine which option provides the best value for money given their specific circumstances.

### Our response

As demand for independent financial advice remains increasingly strong and the shift continues towards outsourcing and the use of DFM MPS, we are dedicated to evolving our offering to meet the changing needs of our end clients, allowing IFAs to reduce their regulatory risk, drive down costs and focus on meeting client needs. Tatton's low-cost DFM fee of 0.15% is lower than the market average MPS fee of 0.29%.<sup>1</sup>

1. Platform MPS, July 2021

## Growing strength of the IFA sector

### Market conditions

The requirement for advice from IFAs continues to increase as the mass affluent make complex decisions around financial planning; however, regulatory and technological change continue to drive consolidation across the industry.

### Our response

Tatton's evolving proposition range and quality of service to our IFA firms drives our organic growth as more advisers place their trust in Tatton as their outsourced investment expert.

## Number of Directly Authorised IFA Firms<sup>2</sup>

# 5,512

+0.1%

2. PIMFA, November 2020

## Disruption in the investment markets

### Market conditions

This financial year has seen heightened volatility over fears of the post-pandemic recovery turning from boom to bust. Such market disruption can significantly affect consumer confidence and alter both their short- and long-term attitudes towards savings and investment.

### Our response

Tatton has continued to demonstrate its operational resilience in a challenging year. The recent market conditions have tested our investment process and we are proud of our portfolio performance over the year. We have continued to deliver regular communications to our IFAs and their clients through video, webinar and the Tatton Weekly newsletter, providing increased understanding of how global events impact or benefit their investments.

## Continued resilience of the UK mortgage market

### Market conditions

The resilience of the housing market has continued despite rising house prices, as demand remains high but the supply of properties is low.

### Our response

There is ongoing demand for mortgage products and Paradigm will take advantage of the opportunities to grow lending volumes and cross-sales activities across Protection, General Insurance and Compliance support.

2021 gross lending<sup>3</sup>

£316bn

2020 gross lending<sup>3</sup>

£249bn

3. UK Finance calendar year data

## Increasing demand for ESG solutions

### Market conditions

An increased focus on climate change and environmental issues has driven consumer demand for a choice of ESG investment options.

### Our response

Tatton offers a complete range of risk profiles in our Ethical portfolios and, this year, we will launch the latest set of Ethical solutions, with a range of three risk-rated "ETHOS" Ethical funds.

2022 Q1 assets<sup>4</sup>

£2.77trn

2021 Q1 assets<sup>4</sup>

£2.00trn

4. Global sustainable fund assets, 'Global Sustainable Fund Flows: Q1 2022 in Review', Morningstar

## Impact of regulatory change

### Market conditions

The ability of IFAs to meet the growing demand for financial advice has been challenged, partly due to increased regulatory pressures, such as the implementation of Investment Firm Prudential Regime ("IFPR") and new regulation such as Consumer Duty, meaning that IFAs face significant costs and resource challenges.

### Our response

We constantly monitor and review changes in the regulatory environment for both the impact on our Group as well as our firms. In our Paradigm Consulting division, our compliance experts support our member firms through any changes as they manage the impact of new regulation on their businesses.

## Growing strength of platform market

### Market conditions

The platform market is fast growing and becoming an increasingly attractive method by which consumers are able to engage more closely with their financial planning and monitor their investments to aid decision making.

### Our response

Our proposition is available across 18 investment platforms and we will continue to be accessible on new and emerging platforms to meet client demand.

2022 Q1 assets<sup>5</sup>

£680bn

2021 Q1 assets<sup>5</sup>

£615bn

5. Funds under management on platform, 'UK Wealth Management Market Overview', Platform, June 2022



# How we do business

We succeed because we work closely with IFAs to understand what they and their clients need; this also helps us to gain insights into our market and supports the development of the Group's overall offer.

## Our inputs

### Relationships with IFAs

We provide high quality investment management, consultancy and mortgage-related services which empower IFAs to support their clients. We establish long-lasting relationships to support IFAs in building bigger, better businesses.

### Regulatory knowledge

Our Paradigm Consulting team has vast regulatory experience and technical knowledge. We offer first-class support to IFAs where there is increased demand for advice in an increasingly regulated industry.

### Capital allocation

Capital is retained for both regulatory requirements and investment needs. The Board considers possible acquisition opportunities which are complementary, strategically aligned to the existing model, earnings enhancing and accretive to shareholder value.

### Technology

The Group invests in technology through both operational and capital expenditure. Investment priorities are determined where technology supports the Group in delivering its long-term growth strategy.

### Brand recognition

The recognition of our brand has continued to improve. The Group invests in cost-effective marketing through direct marketing and events, whilst raising brand awareness through a combination of PR and referrals.

### Talented people

We recruit, develop and retain high calibre people with relevant expertise to deliver a high quality service and implement our Group strategy.

## How we create long-term value

### Client financial goals

- Investment goals
- Length of investment
- Risk appetite

# IFA

We work hard to manage the investments of our IFAs' clients and continue to meet our clients' needs through increasing our proposition when appropriate. We also provide support to help firms to grow their clients' wealth and focus on building relationships.

### Our business model is underpinned by:

Our strategy

Our risk management framework

 Read more on page 18

 Read more on page 28

## Tatton

### Investment portfolios and funds

- 746 firms
- 89,780 client accounts
- £11.341bn AUM
- Over £1.0bn of AUM in multi-manager funds following the acquisition of the Verbatim funds in the financial year
- 44 risk-rated portfolios across a range of strategies across 18 platforms

## Paradigm

### Mortgages and insurance

- 1,674 member firms
- £13.15bn mortgage completions

### Compliance advice and support to IFAs

- 421 Consulting member firms
- Over 1,170 IFAs

## Our outputs

### Shareholders

The Group has a cash-generative business model, significant levels of recurring revenue and strong profit margins in a growth market. The value generated from the business is issued to shareholders as dividends or reinvested in the business to drive future growth. We have a progressive dividend policy – see page 58.

### Clients

We help clients achieve their long-term goals through providing a quality service and by managing their wealth through our range of portfolios and funds, which are flexible, responsive and cost effective.

### IFAs

We provide IFAs with support in an increasingly regulated environment and access to whole of market lenders and distributors.

### Employees

Our employees support our clients and deliver shareholder value. In return, we offer our employees challenging and rewarding careers where they can learn and develop.

### Society

The services provided by the Group to IFAs and their clients allow individuals to save and invest with confidence. The Group takes its responsibility to the environment and society seriously, and continues to build on and make progress against its ESG priorities. See pages 34 to 41.

### AUM

# £11.341bn

### Adjusted operating profit\*

# £14.526m

Our high standards of corporate governance

How we engage with our stakeholders

Read more on page 48

Read more on page 42

\* Alternative performance measures are detailed in note 23.

# We remain focused on a growth strategy

## Our strategy

### Description

#### 1 Deepen our IFA relationships to grow AUM

**Strengthening existing IFA/client relationships and building new long-term relationships, delivering sustainable value for both the IFA/clients and shareholders**

#### 2 Organic growth – Increase share of our respective markets

**Further penetrate our markets adding new firms in Tatton and new members in Paradigm**

### 2022 achievements

- AUM has increased by 26.2% to £11.341bn from £8.990bn in the prior year across all firms and clients
- The number of firms in the year increased by 11.7% to 746
- The acquisition of Verbatim funds

- New firms and new members increased across all parts of the business
- Tatton +11.7% to 746 firms
- Paradigm Mortgages +3.9% to 1,674
- Paradigm Consulting +3.4% to 421

### 2023 objectives

- We continue to invest in account management, both external and internal, to ensure we are well placed to service the IFAs' needs
- Further broaden our proposition and service portfolio
- Maintain the market leading product and service proposition

- Maintain new firm growth in Tatton and Paradigm through further marketing and account management

### KPIs

**Net inflows**  
**£1.277bn**

**Net inflows as % of opening AUM**  
**14.2%**

**Increase in AUM in the year**  
**26.2%**

**Tatton firm numbers**  
**746**

**Growth in Tatton firms**  
**11.7%**

**Mortgages members**  
**1,674**

**Consulting members**  
**421**

### Risks

- Internal**
- Failure of investment strategy
  - Key personnel risk (failure to recruit or retain quality personnel)
- External**
- Changing regulatory and competitive environment which could adversely impact AUM and client number targets
  - Adverse macro-economic, political and market factors which affect performance
  - System failure, cyber security and data protection breaches causing reputational damage

- Internal**
- Loss or failure of key IFA client
  - Failure of investment strategy
- External**
- Increasing level of competition and new entrants into the MPS market
  - IFA consolidation reduces the number of targets with the potential to impact existing firms

**The Group continues to deliver increasing AUM, new customer acquisition and improving financial results against the backdrop of a complex and challenging market environment.**

We are focused on the provision of products and services that an IFA requires to service its clients and continue to invest in both people and technology that will enhance and enable our business model. The Group is strategically well positioned in its respective markets, and we continue to develop and reinforce our business. To augment our organic growth we will look to make acquisitions that will enhance earnings and contribute to our broad strategic goals and the Group remains optimistic about its long-term prospects.

<b>3 M&amp;A and JV activity remains part of the Group's growth strategy</b>	<b>4 Migration of asset "back books"</b>	<b>5 Strategic Partnerships</b>
<b>We continue to look to complement our strong organic growth through targeted acquisitions and entering into strategically aligned JVs</b>	<b>We look to migrate existing clients' back book of assets over to Tatton in the medium term</b>	<b>We will develop strategic partnerships/alliances as an additional distribution channel to increase assets on the Tatton DFM service</b>
<ul style="list-style-type: none"> <li>– Completed the acquisition of Verbatim funds with £650m of AUM, that has broadened Tatton's OEIC proposition to include Tracker funds</li> <li>– We have developed a strong pipeline of potential targets to support future M&amp;A activity</li> <li>– Our ambition is to grow both organically and also through making strategic acquisitions that are earnings enhancing and have the potential to fit our wider strategic objectives. We will continue to evaluate opportunities as and when they arise</li> </ul>	<ul style="list-style-type: none"> <li>– This financial year we have further developed and migrated back books across Tatton's 746 firms</li> <li>– To support the migration we continue to set up white label, cobrands and AIAs with existing firms</li> <li>– We maintain a pipeline of back book opportunities. As we head into the new financial year, we will look to execute the migrations while developing further opportunities to add to the pipeline</li> </ul>	<ul style="list-style-type: none"> <li>– Signed a long-term strategic distribution partnership with Fintel plc providing access to over 3,800 financial intermediary firms and its 6,000 Defaqto users</li> <li>– We have also brought on board new IFA partners following a due diligence process with Threesixty Services and Sesame Bankhall</li> <li>– Continue to develop existing strategic alliances and develop new relationships that align objectives and deliver the best outcomes for the client and IFA</li> </ul>
<b>Cash at bank</b> <b>£21.7m</b> <b>Strong pipeline of potential JVs/acquisitions</b>	<b>AUM</b> <b>£11.341bn</b> <b>White labelling firm brands</b> <b>15</b>	<b>Attributable firms</b> <b>&gt;250</b> <b>Attributable AUM</b> <b>£2.0bn</b>
<b>Internal</b> <ul style="list-style-type: none"> <li>– Due diligence and post acquisition integration risk</li> <li>– Liquidity risk where the Group is unable to obtain sufficient funding</li> </ul> <b>External</b> <ul style="list-style-type: none"> <li>– Changes in regulatory requirements</li> <li>– Adverse macro-economic, political and market factors which affect the valuation of target companies/fund ranges</li> <li>– Interest rate risk on borrowings</li> <li>– Bank default</li> </ul>	<b>Internal</b> <ul style="list-style-type: none"> <li>– Failure of investment strategy</li> <li>– Key personnel risk (relationship management)</li> <li>– Loss or failure of key IFA client</li> </ul> <b>External</b> <ul style="list-style-type: none"> <li>– Changing competitive environment</li> <li>– Failure of a third party platform provider</li> </ul>	<b>Internal</b> <ul style="list-style-type: none"> <li>– Key personnel risk (relationship management)</li> <li>– Failure of investment strategy</li> </ul> <b>External</b> <ul style="list-style-type: none"> <li>– Changing competitive environment</li> <li>– Regulatory changes affecting the Group's ability to reach new distribution channels</li> </ul>



Our strategy for growth continued

STRATEGIC REPORT

# Evaluating and managing the risk landscape

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TATTON ASSET MANAGEMENT PLC ANNUAL REPORT AND ACCOUNTS 2022







Good risk within a business is a component of growth and has to be understood and proportionate. Our active approach to risk management is a powerful tool to not only protect the business, but also enhance our decision making in a time of constant change.”

**Helen O’Neill**

Chief Operating Officer, Tatton



### Tatton continues to evolve to respond to a changing cyber security landscape

Cyber criminals are motivated, highly skilled and always one step ahead. No organisation is immune to attack, and the damage they do is real and constantly evolving.

In response, we invest in advanced cyber security systems and our IT staff are highly trained and cognisant of the evolving and fast-changing security landscape. The team focuses on being agile to respond positively to new threats and vulnerabilities that may compromise our business operations. We also train all staff to have a better awareness of cyber risk and foster a culture of online vigilance. We will remain at the forefront of security standards and apply them across the board. We believe that security is key to everything, as we are a true online, connected business.



# Delivering record level mortgage completions

Mortgage members

1,674

2021:  
1,612

Mortgage completions

£13.15bn

2021:  
£11.34bn



“

We've forged a perfect partnership; with extensive knowledge of the Lender intermediary space, we're confident that we can enhance our proposition and support, adding value to existing members, whilst simultaneously enticing new firms in.”

**Richard Howes and Richard Gopyy**  
 Director of Mortgages, Paradigm and  
 Director of Membership, Paradigm



**With combined experience in financial services of 80 years, Richard Howes and Richard Gopyy bring fresh insight into the intermediary market.**

Since joining during this financial year, they have quickly formed plans for the continued growth of Paradigm's business, such as the establishment of an experienced and diverse team of Relationship Managers who provide membership support across the UK. Their focus is to help intermediary firms to grow and develop their businesses by exploring new revenue streams, introducing technology and developing sales strategies.

We have expanded Paradigm's proposition, adding several new Lenders and Providers, ensuring that intermediary firms can aggregate their business through Paradigm wherever possible. As a result, Paradigm has one of the most comprehensive panels in the market.



# Keeping the IFA at the heart of our business

Growth in client accounts

23.9%

Number of Tatton firms

746

2021:  
668



“

We continue to build our brand and cement our position as market leader in providing low-cost discretionary services on-platform and meeting IFA needs.”

**Justine Randall**  
Sales Director, Tatton



**Tatton has continued to listen to its IFA community and remains dedicated to evolving its offering to meet their changing needs.**

We continue to make Tatton more accessible by increasing our platform and risk profiler coverage, broadening our fund stable with acquisitions such as Verbatim and continuing to improve our service and support to IFAs through our face-to-face and online business development and investment support teams.

Tatton has stepped up its online capability in this period through online meetings, presentations and investment update webinars – using technology to help meet IFAs how and when it suits them. We have also seen IFAs embrace the enhanced technological support via our adviser portal, allowing them to access all things Tatton in one location.

# Group performance

## Strategic objectives

The Group uses these financial and strategic Key Performance Indicators (“KPIs”) to measure its progress and the achievement against its strategy.

### 1 Deepen our IFA relationships to grow AUM

Tatton firm numbers

**746**

### 2 Organic growth – Increase share of our respective markets

Net inflows

**£1.277bn**

### 3 M&A and JV activity

Acquisition of Verbatim funds

**£650m**

### 4 Migration of asset “back books”

We provide a white label proposition to

**15 firms**

### 5 Strategic partnerships

Attributable AUM

**£2.0bn**

## Financial KPIs

### Group revenue (£m)

Revenue generated by the Group for the financial year.

2019	17.5
2020	21.4
2021	23.4
2022	<b>29.4</b>

### Adjusted Operating profit\* (£m)

Adjusted operating profit\* generated by the Group.

2019	7.3
2020	9.1
2021	11.4
2022	<b>14.5</b>

### Fully diluted adjusted EPS\* (p)

Adjusted profit after tax\* divided by the weighted average number of fully diluted ordinary shares.

2019	10.02
2020	12.00
2021	14.74
2022	<b>18.62</b>

### Proposed final dividend (p)

Proposed final dividend per share.

2019	5.6
2020	6.4
2021	7.5
2022	<b>8.5</b>

## Non-financial KPIs

### AUM (£bn)

Total AUM at the end of the year.

2019	6.068
2020	6.651
2021	8.990
2022	<b>11.341</b>

### Asset net inflows (£bn)

Growth in new clients has helped drive positive net inflows.

2019	1.106
2020	1.129
2021	0.755
2022	<b>1.277</b>

### Tatton Investment Management firms

Number of Tatton firms at the end of the financial year.

2019	445
2020	595
2021	668
2022	<b>746</b>

### Paradigm Consulting members

The year end number of Paradigm Consulting members.

2019	390
2020	394
2021	407
2022	<b>421</b>

### Paradigm Mortgages members

Number of Paradigm Mortgages members at the end of the year.

2019	1,392
2020	1,544
2021	1,612
2022	<b>1,674</b>

### Mortgages completions (£bn)

Value of mortgage completions by Paradigm firms.

2019	8.39
2020	9.86
2021	11.34
2022	<b>13.15</b>

\* Alternative performance measures are detailed in note 23.



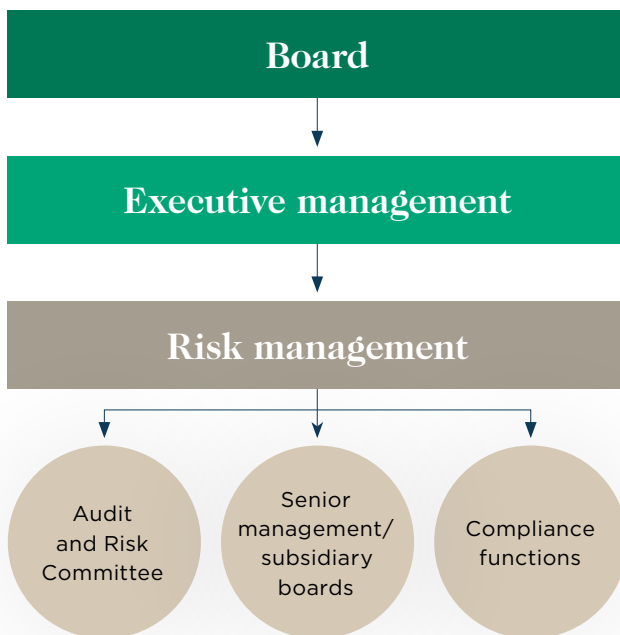
FY2022 progress and FY2023 outlook	Key risks	Link to strategic objectives
Revenue has grown by 25.7% in the year, driven by record inflows in the financial year, the increase in AUM, as well as the increase in the number of firms receiving the Tatton and Paradigm services. The Group's strategy is to continue its growth both organically and through M&A activity in line with the Group's "Roadmap to Growth" strategy.	A reduction in AUM through adverse macro-economic, political or market factors or through a changing competitive environment reduces revenue.	1,2,3,4,5
Increased profits and margins have been delivered as a result of the Group's high level of recurring revenue and operational gearing. Adjusted operating profit* has increased by 27.4% to £14.526m, delivering adjusted operating profit* margin of 49.5% (2021: 48.8%). Profit before tax has also increased to £11.275m (2021: £7.303m). TAM expects its level of profits and profit margins to continue to increase as the Group continues to grow.	Adjusted operating profit* would be affected by a reduction in revenue or increased operating costs, for example, through the revenue risks listed above or through increased costs from changes to legislation and regulation or a system failure, cyber security or data breach.	1,2,3,4,5
Strong growth across the Group has driven an increase of 26.3% in fully diluted adjusted EPS* to 18.62p (2021: 14.74p), reflecting the increased value delivered to shareholders.	Fully diluted adjusted EPS* would be affected by a reduction in profits.	1,2,3,4,5
The Group expects to continue to grow EPS through the scalability of the business model and continued strategic execution.		
A final proposed dividend of 8.5p gives a full year dividend of 12.5p.	A reduction in profits would reduce the level of profits available for distribution to shareholders. If the Group has a shortfall in cash or other liquid assets, changed its strategy on the allocation of capital or had an inability to obtain sufficient funding, it may be unable to pay a dividend.	1,2,3,4,5
The Group targets continued growth in dividends per share in line with the Group's dividend policy, see page 58.		
FY2022 progress and FY2023 outlook	Key risks	Link to strategic objectives
The Group has reached double-digit level of AUM during the financial year. AUM was £11.3bn at March 2022, increasing by £2.4 billion, or 26.2%, this year. Net inflows were £1.3 billion in the year, with acquisitions of £0.7bn and positive market movements of £0.4 billion also contributing to the increased level of AUM.	There may be falls in AUM through adverse macro-economic, political or market factors. The Group may suffer outflows as a result of a changing competitive environment, a failure in its investment strategy, a loss or failure of a key IFA client or a failure to recruit and retain quality personnel to meet its clients' needs.	1,2,3,4,5
Tatton has increased its number of firms and client accounts during the year which has driven record levels of positive net inflows of £1.277 billion in the year. Despite challenging market conditions in the second half of the year, we have continued to deliver strong net inflows which we expect to maintain in the new financial year.	Net inflows may reduce due to adverse market conditions, a loss or failure of a key IFA client, a changing competitive environment or a failure of the Group's investment strategy.	1,2,3,4,5
There has been strong growth in the number of firms using the Tatton DFM service, an increase of 11.7% to 746 firms. The Group continues to focus on increasing our share of the market and adding new firms.	An increasingly competitive environment may affect the Group's ability to add new firms. The Group may lose firms due to a failure of the Group's investment strategy or its recruitment and retention of quality personnel.	2,3,5
Paradigm Consulting maintained steady growth in new members, increasing by 3.4% to 421, and the Group will continue to support its firms and gain new members.	The Group may not be able to increase the number of member firms due to an increasingly competitive environment and market consolidation.	2,5
Paradigm Mortgages has continued to recruit new firms, increasing its members by 3.8% to 1,674.	The Group may not be able to increase the number of member firms due to an increasingly competitive environment.	2,5
Paradigm Mortgages increased its involvement in mortgage completions by 16.0% to £13.15bn, partly driven through the government's stamp duty reduction in the first half of the financial year. Mortgage completions have remained strong at £6.6bn in the second half of the year (H1: £6.6bn). As Paradigm continues to recruit new firms, it will increase its share of the mortgage market.	Paradigm gross lending would be affected by the number of member firms.	2



## Risk management

# Our approach to risk

**Effective risk management is essential for the financial strength and resilience of the Group. Our risk management framework ensures that the business identifies existing and emerging risks to delivering the Group strategy and continues to develop appropriate mitigation to protect all our stakeholders.**



### Risk management framework

The Board is ultimately responsible for the Group's risk management and internal control systems, and for determining the Group's risk appetite. A risk management framework has been developed by the Board to ensure that all potential areas of risk to the business are identified, assessed, and regularly reviewed, monitored and reported. The Board seeks to ensure that the risks taken by the Group are managed in order to achieve a balance between appropriate levels of risk and return. Ownership of risks rests within the relevant divisions and teams, with oversight and escalation to the Group Board where required. This is delivered through moving towards a three lines of defence model (see opposite).

We carry out a robust assessment of the principal risks facing the Group, including those that would threaten our business model, future performance, solvency or liquidity. We categorise these risks into risk groups covering potential impacts to clients, revenue, capital and reputation. The three risk groups are: Industry risks, Operational risks and Financial risks.

### Philosophy and culture

The Board encourages a strong risk culture throughout the business. It believes an embedded risk culture enhances the effectiveness of risk management and decision making across the Group. The Board is responsible for setting the right tone and, through our senior management team, encouraging appropriate behaviours and collaboration on managing risk across the business. This strong risk culture ensures that all employees are able to identify, assess, manage and report against the risks the Group faces. The Group has a Whistleblowing procedure where employees can raise concerns anonymously either internally or externally.

### Governance

The Audit and Risk Committee met four times in the year and its members are:

- Chris Poil, Chairman (and Senior Independent Non-Executive Board Director)
- Roger Cornick (Non-Executive Chairman of the Board)
- Lesley Watt (Non-Executive Board Director)
- Other Directors and senior management are invited to attend as appropriate, including:
  - Paul Hogarth (CEO)
  - Paul Edwards (CFO)
  - Helen O'Neill (COO of Tatton Investment Management Limited ("TIML"))
  - Grant Dempster (Non-Executive Board Director of TIML)
  - Scott Adams (Head of IT)
  - Gill Aukett (Head of Compliance, TIML)

Our internal governance structure includes departmental management reviews with dedicated risk registers, where each department is responsible for overseeing key investment, operational and corporate functions. The Group's Audit and Risk Committee serves as the focal point for risk management activities, reviewing and challenging specific risks to the Group, and reviewing the effectiveness of frameworks in place to manage those risks.

Tatton and Paradigm each take responsibility, while reporting into the Group's Audit and Risk Committee, for managing and monitoring their divisional risks. During this financial year, Tatton has had a major focus on the implementation of its risk management framework to ensure our staff fully understand how we manage risk across our business and shine a light on personal responsibility.

To help decision makers understand the key risks and meet our regulatory responsibilities, we have stepped up our risk reporting with more accurate and relevant metrics, and updated our company policies. We continuously challenge ourselves to ensure we fully understand, measure and act



on current and emerging risks. In addition, we have reviewed our risk appetites with both the TAM and TIML Boards, and have focused our attention on our biggest priorities, such as the integrity and security of our operating systems and managing key person dependency.

To prepare Tatton for the future, we have enhanced our Incident Management Procedure and we have launched a company-wide functional risk assessment for each area to identify opportunities for improvement.

### Risk appetite

The Audit and Risk Committee regularly reviews the Group's risk registers and mitigating processes to ensure that these are considered acceptable to the risk appetite and attitude of the Board.

The Board's strategic objectives and expectations are that the business will continue to grow; however, the Board remains committed to having a balanced appetite for risk, ensuring that our internal controls mitigate risk to appropriate levels.

### Risk reporting

Our assessment system provides a grading of risks by multiplying a value based on the impact of the risk by a value based on the likelihood of its occurrence. Identified risks that have a sufficiently high likelihood of potential material impact on the Group are reflected in the Group Risk Management Dashboard, to ensure they receive an appropriately high level of senior management and Board attention. The Board ensures that management take action where these risks are deemed to be outside the Group's risk tolerance.

The following pages of this Report show our assessment of the top risks that we face, along with how the significance of the risk has changed during the year. All our principal risks fall into the industry, operational and financial categories. While the named top risks have not changed since last year, these risks are not static; new and emerging risks are considered and assessed by the Board throughout the year for inclusion in this list. The Group faces and monitors emerging risks including cyber threat developments, global political tensions and climate change.

### Three lines of defence

#### 1 First line of defence

##### Ownership and management of risk within the business

Each division's senior management are accountable for identifying and managing their risks in line with the risk management framework. They are responsible for developing and maintaining effective internal controls to mitigate risk to an acceptable level.

#### 2 Second line of defence

##### Risk oversight and challenge

The TAM Board, Audit and Risk Committee, the TIML Board and those involved in compliance functions maintain a level of independence from the first line and provide oversight and challenge of the first line risk management, and provide guidance and direction on the Group's policies and procedures relating to risk management.


#### 3 Third line of defence





##### Independent assurance

The Group does not have an internal audit function; however, there are other external bodies which provide some independent assurance, perspective and challenge. Third party companies are used for reviewing and testing in areas such as IT Security, Human Resources, and Health and Safety.



# Principal risks

## Industry risks

Key  Risk increased  Risk decreased  Risk unchanged

Risk	Impact	Mitigation
<p><b>Adverse macro-economic, political and market factors</b> Economic, political and market forces, particularly impacting the UK equity markets, which are beyond the Group's control, could adversely affect the value of AUM from which the Group derives revenues. This could be sudden in cases such as the COVID-19 pandemic or sustained in cases such as the war in Ukraine, and could cause significant volatility in global markets and severe economic weakness, which undermines confidence.</p>	 <ul style="list-style-type: none"> <li>– Downturns in the market and resultant falls in AUM or other income would have a negative impact on the Group's revenue and profit</li> <li>– Market uncertainty can lead to clients being reluctant to invest in the market, so reducing net inflows</li> <li>– Cost of living increases and uncertainty around interest rates can lead to individuals being cautious when it comes to remortgaging or moving house, so impacting mortgage completions</li> </ul>	<ul style="list-style-type: none"> <li>– The Group has an experienced investment management team with a strong track record</li> <li>– Investment strategies are continually monitored by the Investment Committee</li> <li>– A prudent approach to investment strategy means that a significant proportion of AUM is made up of lower-risk appetite portfolios which typically have a market fall correlation of approximately 60%</li> <li>– Paradigm has a comprehensive panel and growing number of firms to drive mortgage completions</li> </ul>
<p><b>Changing competitive environment</b> The market environment in which the Group operates is highly competitive with fast-changing characteristics and trends.</p>	 <ul style="list-style-type: none"> <li>– Loss of competitive advantage such that AUM and client number targets are adversely impacted. This would have a negative impact on revenue and profitability</li> </ul>	<ul style="list-style-type: none"> <li>– Broad service offering providing diversified revenue streams across an increased number of platforms</li> <li>– Highly competitive pricing points</li> <li>– Deep industry experience and strong client relationships resulting in a loyal customer base</li> <li>– Strong brand and excellent reputation</li> </ul>
<p><b>Regulatory risk</b> Changes to or new legislation and/or regulation, for example, the new Investment Firms Prudential Regime, or changes to interpretation and/or failure to comply with existing legislation and/or regulation, may adversely impact the Group's operations and competitive position.</p>	 <ul style="list-style-type: none"> <li>– Regulatory fine and/or censure</li> <li>– Related negative publicity could reduce customer confidence and affect ability to generate net inflows</li> <li>– Poor conduct could have a negative impact on client outcomes, impacting the Group's ability to achieve strategic objectives</li> <li>– Complaints and claims from third parties and clients in connection with the Group's regulatory responsibilities could have an adverse impact on the Group's financial condition</li> </ul>	<ul style="list-style-type: none"> <li>– Regulatory advice is a core business stream for the Group meaning that a strong risk culture exists throughout the Group</li> <li>– The Group delivers strong regulatory and compliance support to clients through dedicated compliance teams and systems</li> <li>– The Group's strong financial position ensures it can meet its regulatory capital requirements and it also provides a safeguard should further changes to regulatory capital requirements occur</li> </ul>
<p><b>Change to UK tax law</b> A change to UK tax law, particularly as the economy recovers from the COVID-19 pandemic, could adversely impact the performance and attractiveness of long-term saving and investment through pensions and other wrap products.</p>	 <ul style="list-style-type: none"> <li>– Increase in taxes leaves investors with less free cash to invest, resulting in a reduction in savings and investment in pensions and other wrap products, so reducing AUM and the Group's revenue</li> </ul>	<ul style="list-style-type: none"> <li>– Broad service offering, providing diversified revenue streams</li> </ul>

## Operational risks

Risk	Impact	Mitigation
<p><b>Failure of a third party service provider</b> The Group manages its investments through the use of third party service providers, e.g. platform/authorised corporate director providers. Operational failure or cessation of trade of a significant third party could have a material adverse impact on the Group's reputation, operations, financial performance and growth.</p>	 <ul style="list-style-type: none"> <li>– Negative impact on customer outcomes due to service unavailability, delays in receiving and/or processing customer transactions or interruptions to settlement and reconciliation processes</li> <li>– Financial impact through increased operational losses</li> <li>– Regulatory fine and/or censure</li> </ul>	<ul style="list-style-type: none"> <li>– Due diligence is performed when selecting key suppliers</li> <li>– The Group is covered by third party indemnities for business-critical services</li> <li>– Third party relationships are subjected to a high level of ongoing oversight, including due diligence and a risk-based approach, from the Group's internal compliance function. This gives assurance that third party providers meet the Group's high standards.</li> </ul>
<p><b>Failure to recruit and retain quality personnel</b> The Group operates in a competitive market for talent, and failure to recruit and retain key personnel could adversely impact the Group's operational performance.</p>	 <ul style="list-style-type: none"> <li>– Inability to service client needs</li> <li>– Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>– Recruitment programmes are in place to attract suitable staff</li> <li>– The success of the Group's listing has increased our ability to attract and retain high-calibre candidates</li> <li>– Staff share schemes are in place to incentivise staff and encourage long-term retention</li> </ul>

## Operational risks continued

Risk		Impact	Mitigation
<b>Failure of investment strategy</b> The risk that the investment strategy fails to maintain an acceptable level of performance, particularly in times of significant market volatility such as due to the impact of the COVID-19 pandemic, resulting in a decline in revenues and in the value of assets from which revenues are derived.	↓	<ul style="list-style-type: none"> <li>– Negative impact on achievement of AUM, net inflows and client number strategic targets</li> <li>– Poor client outcomes that also prevent the achievement of our growth targets</li> <li>– Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>– The Group has an experienced investment management team with a strong track record</li> <li>– Investment strategies are continually monitored by senior management, the Investment Committee and the Board</li> <li>– Due to the nature of the Group's investment strategy, its portfolios typically have a market fall correlation of approximately 60%</li> </ul>
<b>Loss or failure of key IFA client</b> The Group has several major IFA clients. A change in relationship or termination of business with any of these, for example, as a result of consolidation, and the Group being unable to replace them in a timely fashion, could have an adverse impact.	—	<ul style="list-style-type: none"> <li>– Negative impact on achievement of AUM, operating profit and client number strategic targets</li> <li>– Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>– The Group has a clearly defined business development strategy and a broad service offering</li> <li>– The Group continues to add member firms, so diversifying its client base</li> <li>– Client engagement is proactively managed by dedicated client managers who have in-depth knowledge of the IFA industry and expert regulatory and compliance knowledge</li> </ul>
<b>System failure, cyber security and data protection</b> The risk that operations are impacted or that data loss or data breach occurs due to system error, malfunction or malicious external breach. There has continued to be an increased level of attempted financial fraud over the past year and increased cyber security risks.	↑	<ul style="list-style-type: none"> <li>– Related negative publicity could damage customer and market confidence in the business, affecting our ability to retain and attract new customers</li> <li>– Information security breaches could result in fine/censure from regulators, the Information Commissioner's Office and the FCA</li> </ul>	<ul style="list-style-type: none"> <li>– Experienced in-house team of IT professionals supported by reputable and established third party suppliers</li> <li>– IT disaster recovery procedures in place</li> <li>– Data Protection Officers appointed</li> <li>– Penetration testing conducted regularly</li> <li>– Increased awareness and training of employees</li> </ul>

## Financial risks

Risk		Impact	Mitigation
<b>Counterparty credit risk</b> A counterparty to a financial obligation may default on repayments	↓	<ul style="list-style-type: none"> <li>– Unintended market exposure</li> <li>– Customer detriment</li> </ul>	<ul style="list-style-type: none"> <li>– The Group trades only with reputable, creditworthy third parties</li> <li>– Receivable balances are reviewed regularly for non-collection and any doubtful balances are provided against</li> <li>– Most receivables are paid monthly</li> </ul>
<b>Liquidity risk</b> The Group may be unable to meet financial liabilities as they become due because of a shortfall in cash or other liquid assets or an inability to obtain sufficient additional funding.	↓	<ul style="list-style-type: none"> <li>– Reputational damage</li> <li>– Potential customer detriment</li> <li>– Financial loss</li> <li>– Unable to meet obligations as they fall due</li> </ul>	<ul style="list-style-type: none"> <li>– Profitable and cash-generative business</li> <li>– Access to a £10m revolving credit facility with a £20m accordion</li> <li>– Active cash flow forecasting and liquidity management ensures availability of funds at short notice</li> <li>– The Group maintains a cash surplus above regulatory and working capital requirements</li> </ul>
<b>Bank default</b> The risk that one of the Group's relationship banks could default.	—	<ul style="list-style-type: none"> <li>– Financial loss</li> <li>– Unable to meet obligations as they fall due</li> </ul>	<ul style="list-style-type: none"> <li>– The Group only uses banks with strong credit ratings</li> <li>– Banking relationships are reviewed regularly</li> </ul>
<b>Concentration risk</b> Risk arising from lack of diversification in business activity or geography.	↓	<ul style="list-style-type: none"> <li>– Over-reliance on one business activity could lead to financial underperformance</li> </ul>	<ul style="list-style-type: none"> <li>– Broad range of business services offered, providing diversified revenue streams and a diverse and growing client base, which has increased during the year as a result of organic growth through new firms and also the Verbatim funds acquisition</li> <li>– Recruitment into the Group's sales functions in the year in order to grow AUM across a broader client base</li> </ul>



# Resilience and long-term value creation

## Overview

At the end of the 2021/2022 financial year, the Group reached the milestone of achieving a five-year track record as a publicly listed business. Over that period, the Group has delivered consistent and repeated growth across all the key performance metrics. Revenue has grown at a compound annual growth rate of 19.8%, with adjusted operating profit<sup>1</sup> growing even more strongly at a compound growth rate of 26.3%, as result of margins having increased over the same period by an absolute 11.5% to 49.5% for the Group as a whole. Over that period, Tatton, our asset management division, has become the dominant division. AUM has grown to £11.3bn, an annual compound rate of 23.9%. Investment-related income now accounts for 79.5% of the total Group revenue and 95.7% of the adjusted operating profit<sup>1</sup> and, as a consequence of existing market trends and a focused strategy, this dynamic is set to continue.

## Revenue and profits

Revenue – Group reported revenue increased by 25.7% to £29.4m (2021: £23.4m). Tatton revenue increased by 29.0% to £23.3m (2021: £18.1m). AUM increased by 26.2% to reach



**Paul Edwards**  
Chief Financial Officer

## Group revenue

# £29.4m

+25.7%



## Adjusted operating profit<sup>1</sup>

# £14.5m

+27.4%



£11.3bn (2021: £9.0bn). This increase in AUM includes record net inflows of £1,277m, which reflects both the underlying market trends that are driving the adoption of MPS and our expanding distribution footprint. AUM was further improved by market returns which contributed a further 4.7% or £424m, with a further £650m added on the acquisition of the Verbatim range of funds in September 2021. Funds, or non-MPS, AUM now accounts for £1.2bn of AUM (2021: £0.5bn) as we continue to further expand our propositions beyond purely MPS.

Paradigm's revenue increased by 14.4% to £6.0m (2021: £5.2m). The number of mortgage member firms increased to 1,674 (2021: 1,612) and Paradigm Consulting member firms increased to 421 (2021: 407). In addition to the growth in firms, the growth in revenue this year has been delivered partly as a result of a soft comparator, as 2020/2021 had a difficult start to the financial year due to the impact of COVID-19; however, more pertinently, mortgage completions reached a record level of £13.15bn (2021: £11.34bn). The mix of mortgage products also improved, increasing the rate of commission, and there has been continued growth in other income streams such as protection premia.

Profit – The Group delivered adjusted operating profit<sup>1</sup> of £14.5m (2021: £11.4m), an increase of 27.4%. Adjusted operating profit margin<sup>1</sup> increased to 49.5% (2021: 48.8%). The prior year margin benefitted by c.2.5%, or approximately £0.6m, of travel and other costs which were either reduced or not incurred as a consequence of the pandemic. As restrictions were relaxed, activity increased and at least 50% of these costs were incurred again this year, and it is anticipated that there will be a return to normal historic activity and level of cost in the coming years.

As a response to the inflationary environment, the Group has implemented an average 5% annual salary increase, materially ahead of historical levels (excludes Executive Directors<sup>2</sup>). We have also experienced a more competitive marketplace for new recruits driving starting salaries upwards and both have been reflected in our plans this year. While personnel costs

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



are c.60% of the Group total cost base, we do not anticipate that these increases will be margin dilutive.

Group operating profit was £11.6m (2021: £7.5m), which includes the cost impact of separately disclosed items of £2.9m (2021: £3.9m). Note 4 details the segmental information, showing Tatton's adjusted operating profit<sup>1</sup> increasing by 27.5% to £13.9m (2021: £10.9m) and its adjusted margin<sup>1</sup> was 59.6% (2021: 60.2%). Paradigm's adjusted operating profit<sup>1</sup> contributed £2.4m (2021: £2.0m), with adjusted margin<sup>1</sup> of 40.6% (2021: 38.7%).

### Acquisitions

During the year, the Group acquired the range of Verbatim funds, which added £650m of AUM. At the same time, we entered a five-year strategic distribution partnership with Fintel plc, significantly enhancing our reach and distribution. The consideration payable will be up to £5.8m, with £2.8m paid on completion and the remaining £3.0m paid in three equal instalments over years two, three and four. The payment of the deferred consideration is dependent on the AUM remaining at or above £650m. On acquisition, the Group has recognised goodwill of £3.1m, intangible assets of £2.9m, an associated deferred tax liability of £0.7m and discounted contingent consideration of £2.5m, see note 21.

### Separately disclosed items

Separately disclosed items include the cost of share-based payments of £2.4m, amortisation of acquisition-related intangible assets of £0.3m and £0.2m of acquisition-related fees, see note 6. Although some of these items may recur from one period to the next, operating profit has been adjusted for these items to give better clarity of the underlying performance of the Group. The alternative performance measures ("APMs") are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

### Earnings per share

Basic earnings per share increased to 15.92p (2021: 10.86p). Adjusted earnings per share<sup>1</sup> increased by 23.2% to 19.87p (2021: 16.14p) and adjusted fully diluted earnings per share<sup>1</sup> increased by 26.3% to 18.62p (2021: 14.74p), full details are shown in note 9.

### Statement of financial position and cash

The consistent growth year on year continues to strengthen the Group's balance sheet. Net assets have increased 27.0% to £31.0m (2021: £24.4m) with cash on the balance sheet contributing £21.7m (2021: £16.9m). Given the capital-light nature of the Group's business model, Group net cash generated from operating activities before exceptional items was £15.5m (2021: £10.9m) or 106.6% of adjusted operating profit<sup>1</sup>. The Group has paid out £2.8m in relation to acquisitions and £6.6m in dividends during the year and, in addition, has received £1.3m from the issue of new shares following the exercise of employee share options.

### Dividends

The Board is recommending a final dividend of 8.5p. When added to the interim dividend of 4.0p, this gives a full year dividend of 12.5p. This proposed dividend reflects both our

cash performance in the period and our underlying confidence in our business, and maintains our policy of paying a dividend approximately 70% of the adjusted earnings and split on a one third/two third basis between the interim period and year end. If approved at the Annual General Meeting, the final dividend will be paid on 2 August 2022 to shareholders on the register on 24 June 2022.

### Risk management

Risk is managed closely and is spread across our businesses and managed to individual materiality. Our key risks have been referenced primarily on pages 30 and 31. We choose key performance indicators that reflect our strategic priorities of investment, growth and profit, and these are detailed on pages 26 and 27.

### Changes in regulatory requirements

In January 2022, the Investment Firms Prudential Regime ("IFPR") came into effect and represents a significant change to risk management, prudential capital rules, and revised remuneration and governance standards for investment firms. IFPR applies to TIML, the only regulated entity within the Group, and also as a result of the requirement to look at the Group's consolidated position from a regulatory perspective, applies to the TAM Group.

As a result of these new rules, both TIML and the Group have reviewed their risk management processes, capital resource requirements and liquidity requirements, which has resulted in an increase of capital resources being required to be held on a consolidated basis. This has in turn reduced the amount of free cash available to the Group, as a larger amount of cash is required to be held to meet the Group's capital requirements. The Group's cash available for acquisitions is £8.2m out of total cash on the balance sheet of £21.7m. This would be reduced by any interim dividend declared in FY23. The impact of this is that, as the Group pursues its acquisition strategy, it is likely to be restricted in how these transactions are funded. Utilising cash to acquire intangible investment assets reduces the Group's capital resources available to apply to its capital requirements as defined by the FCA. The Group must ensure that it utilises cash as consideration for acquisitions only where it has appropriate capital headroom available. Above this headroom, alternative funding will be required, such as the issue of new shares. A reconciliation of free cash available for acquisitions is analysed in the table below.

	£m
Cash on the balance sheet	21.7
Cash required for:	
Deferred consideration	(2.5)
Working capital	(2.4)
Full year dividend of 8.5p	(5.0)
Capital requirement	(3.6)
<b>Free cash available for acquisitions</b>	<b>8.2</b>

The Strategic Report found on pages 1 to 45 has been approved and authorised for issue by the Board of Directors and signed on their behalf on 14 June 2022 by:

**Paul Edwards**  
Chief Financial Officer

## Environmental, Social and Governance (“ESG”)

### Tatton’s approach to ESG investing

Tatton is a pioneer of discretionary ESG investing, launching the first Tatton Ethical portfolio in 2014. This experience is vital for advisers as more investment managers launch ESG funds and more discretionary managers launch their own ESG portfolios. There is no industry standard or set in stone rulebook as to how asset managers or investors should apply Ethical criteria. Our experience of interpreting what our advisers’ clients actually want and building portfolios on that basis is vital to ensure we meet clients’ Ethical expectations. Advisers need confidence in their discretionary managers since the risk of “greenwashing” applies at a portfolio as well as at a fund level.

The largely welcomed shift to mainstream for ESG investing does present some challenges, such as the definitions of what is “Ethical” and whether investing responsibly ultimately detracts from performance. Primarily, we select fund managers for all of our portfolios based on their process and performance, through our proprietary due diligence process. We apply the same process for our Ethical portfolios with the additional focus on how managers integrate Ethical investing into their investment process.

Fund managers can differ greatly in their respective approach to any type of investing and this is no different for Ethical funds. We research each fund manager on a firm by firm and fund by fund basis – individual funds within the same firm can also be managed very differently so we have to get down into the detail before we are satisfied with selecting a fund.

We examine the manager’s use of data, the culture of the firm and the fund management team itself. It is not good enough simply to buy from an Ethical fund universe on the basis of applying performance analysis criteria. We always meet the managers and, since we are aiming to be as objective and rigorous as possible in our fund selection, ask the difficult questions our investors need answering.

The investment team utilises two major external sources for screening these funds: Morningstar Direct and Sustainalytics. Morningstar Direct gives the team access to regular fund data and classifications. Sustainalytics enables the team to analyse and monitor exposure to the screens applied in the model and fund strategies. The ability to track, monitor and analyse exposures is crucial in managing sustainable mandates.

Tatton expects all fund managers to abide by the strategy described in its prospectus and in presentations to the team. If a fund does deviate from its mandate, the Investment Committee will exclude it from inclusion in its portfolios and funds. The analysts in the Committee regularly discuss underlying companies and exposures through open dialogues with the fund managers.

### Do Tatton Ethical portfolios make a difference?

From an investor perspective, investing ethically can collectively make a difference to how companies behave, since it affects their ability to raise capital from institutions that are avoiding poor ESG practice at the behest of their investors. It is clear we are in a period of change and Tatton’s eight years of research and management experience in this field matters.

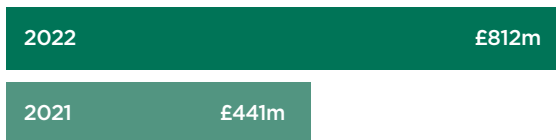
We believe ESG principles have the potential to provide widespread benefits to us all, including improving the value of the funds and companies that investors own. Tatton is well placed to identify and take advantage of this expanding and societally important market.

### Tatton’s Ethical portfolios

#### AUM

# £812m

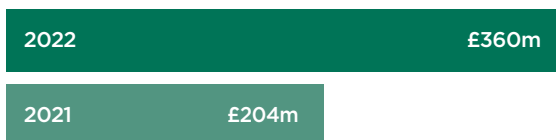
+84.1%



#### Net flows

# £360m

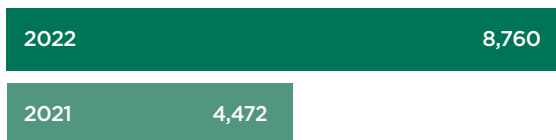
+76.5%



#### Number of accounts

# 8,760

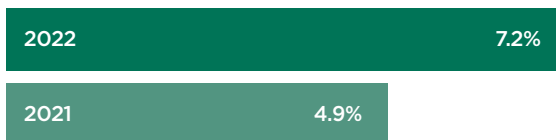
+95.9%



#### % of overall AUM

# 7.2%

+2.3%





## Chris Poil

### Senior Independent Non-Executive Director

In the prior financial year, the Group established an ESG working group which I have been appointed to lead. This working group comprises individuals from across the Group who take responsibility for driving forward ESG priorities which are signed off by the Board. These ESG priorities form part of our strategy in creating value for all our key stakeholders.

The ESG working group has focused on a number of initiatives this year as it seeks to address how the business responds to ESG-related matters at the corporate level. The key highlights of the work this year are shown on the following page. While we believe there are opportunities for us as a Group to make further progress in this area, we are proud of the outcomes of what we have achieved this year and we look ahead to the next financial year with a number of key focus areas. Our priorities are detailed under the headings of Environmental, Social and Governance on the following page. We are committed to embedding ESG into our business strategy and addressing the ESG priorities, taking into account the interests of our stakeholders and continuing to add value.

## ESG Working group

### Chris Poil

Senior Independent  
Non-Executive Director

### Claire MacNeill

Office Manager

### Paul Edwards

Chief Financial Officer

### Louise Coleman

Head of Finance

### Justine Randall

Sales Director, Tatton

### Richard Guppy

Director of Membership,  
Paradigm

## ESG at a glance

**As part of the Group's purpose to provide the highest quality discretionary investment management and best-in-class IFA support service, and enhance adviser and client outcomes, we take responsibility for the impact that our strategy can have on Environmental, Social and Governance ("ESG") factors.**

## Our ESG philosophy

At TAM, we believe it's important to have clear ESG beliefs and principles that guide the Board of Directors, employees and TAM stakeholders in their actions and decision making, and these beliefs and principles are also incorporated into our investment approach for the benefit of all clients.

The TAM Board provides oversight of the conduct of the business, the development of its strategy, and embedding our ESG principles and beliefs into the culture of the Group. The ESG working group detailed above is a cross-functional group which coordinates addressing ESG priorities and activities, and reports into the Board.

We believe that all companies wishing to achieve long-term success should consider their impact on the environment and society. We believe that in order to create a sustainable business, we must understand and monitor our impact on the environment, stakeholders and society in general. This includes analysing the ESG risks and opportunities to our business model and investors.

Our responsible and sustainable beliefs are our guiding principles when developing our offerings and working with our employees, business partners and end clients. We aim to run our Group as a responsible business and we continue to look at how we can strengthen our commitment to sustainability. Through this, we can make a positive impact on the financial return of our investments, on our Company assets and earnings, and on the wider society, for the benefit of all stakeholders.



# ESG highlights and priorities



## Environmental

### 2022 Highlights

- Reviewing and ensuring our IT and recycling policies are appropriate

### Priorities

- Monitoring and reporting on climate change impact, energy consumption and energy efficiency, working towards compliance with the Task Force on Climate-related Financial Disclosures (“TCFD”)

▶▶ Read more on page 37



## Social

### 2022 Highlights

- Employee engagement through staff survey
- Diversity and inclusion reporting
- Training and development

### Priorities

- Extending employee communication around wellbeing and engagement
- Reporting on equal opportunity and equal pay
- Other means of supporting employee learning and development

▶▶ Read more on page 38



## Governance

### 2022 Highlights

- ESG Working Group
- Cyber and data security

### Priorities

- ESG reporting including a Corporate Responsibility Policy

▶▶ Read more below

## Governance

The Company has applied the principles of the Quoted Companies Alliance Corporate Governance Code (the “Code”) in so far as it can be applied practically. The Code is constructed around ten broad principles, accompanied by an explanation of what those principles entail together with a set of disclosure requirements. These principles and how we comply with them can be found on page 49 of this report and on the Group’s website.

### Regulation and financial crime

The Group ensures that it complies with all relevant legal and regulatory requirements. We value our reputation for ethical behaviour and integrity. The Company operates anti-bribery policies which extend across the Group and we are committed to conducting our operations free from bribery and corruption. We also have a Whistleblowing Policy which encourages employees to report matters of significant concern to the Chair of the Audit and Risk Committee.

Our Compliance team and other Committees have policies in place to prevent and detect financial crime, such as money laundering and bribery and corruption, and to meet any obligations arising from regulatory change.

## Tax strategy

TAM is committed to full compliance with all statutory obligations and full disclosure to tax authorities. The Group’s tax affairs are managed in line with our overall high standards of governance, and with consideration of our corporate reputation.

Our appetite for tax risk is low and we do not participate in aggressive tax planning or condone abusive tax practices, which would contravene our ethics and culture. We pay all tax as it falls due and believe in maintaining a transparent and professional working relationship with HMRC and other tax authorities.

### Cyber and data security

TAM plc places great importance on information security, including cybersecurity, to protect against external threats and malicious insiders. The Group’s cybersecurity strategy prioritises identification, protection, detection, analysis and response to known, anticipated or unexpected cyber threats, effective management of cyber risks and resilience against cyber incidents. The Group maintains a cybersecurity programme structured around the National Institute of Standards and Technology (“NIST”) Cybersecurity Framework.

The Group maintains a cybersecurity training programme, which is designed to help employees recognise information and cybersecurity concerns and respond accordingly. In particular, this programme is designed to provide all employees with the knowledge and skills to prevent, identify and escalate cybersecurity risks.



**ESG Environment**

As a financial services business, our main environmental impacts are largely through UK-based travel and the consumption of resources and emissions at our business premises. We look to manage and reduce our environmental impact and carbon footprint through the efficient use of resources. We look to reduce waste where possible and we recycle 100% of our confidential waste with a company which is committed to planting thousands of new trees in National Trust properties in the UK.

We continue to invest in more efficient IT equipment, and we ensure, for both data protection and environmental reasons, that any redundant IT equipment is properly destroyed and recycled.

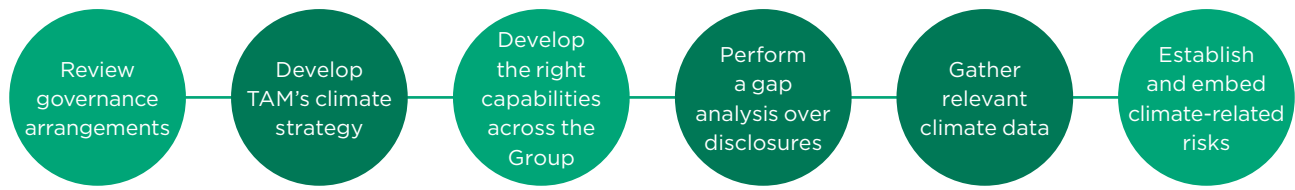
We have a relatively small number of employees within three UK offices. Our employees rarely travel internationally, and even despite the restrictions relating to the COVID-19 pandemic having been removed, our UK travel has reduced from the levels undertaken pre-2020 as we make use of video conferencing.

We acknowledge that there is still further progress that we can make in reducing our carbon emissions, and we are working towards compliance with the requirements of TCFD, with our first required year of reporting being the financial year ending 31 March 2024. Over the next two years, we will develop targets and monitor key metrics, including reporting our greenhouse gas (“GHG”) emissions.

**TAM’s TCFD roadmap**

As the Group prepares to comply with TCFD and make TCFD-aligned disclosures in its FY24 Annual Report, it will take the following key steps. These steps will ensure that

TAM has the appropriate governance structure for climate-related risks and opportunities, and will be able to identify the right metrics to assess and manage these impacts.



**TCFD recommendations**

There are eleven recommendations of TCFD, which are structured around the following four key themes.

**Governance**

Board and management oversight of climate-related risks and opportunities.

**Strategy**

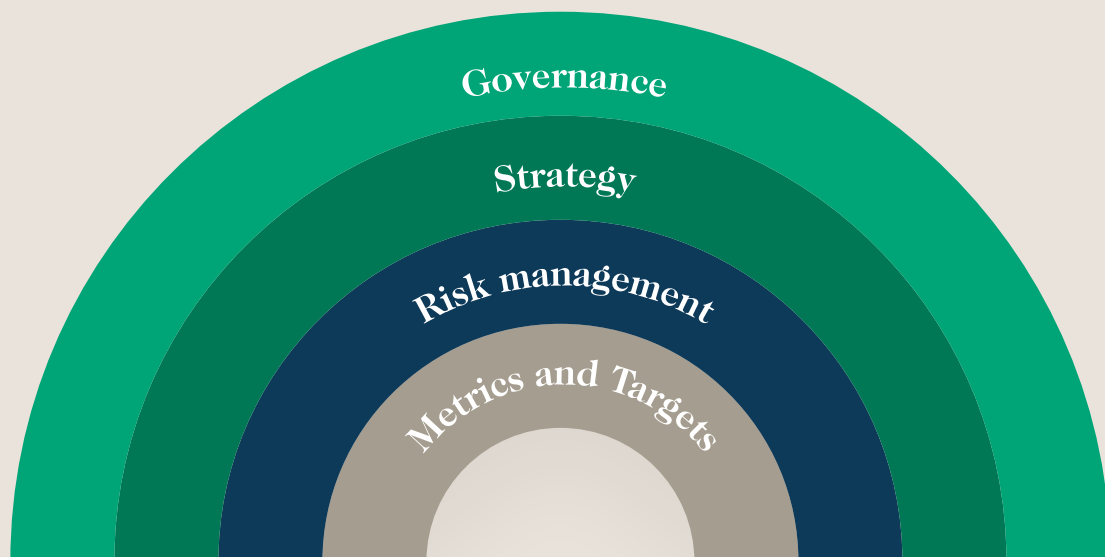
Identification of climate-related risks and opportunities and their impact.

**Risk management**

Identification, assessment and management of climate-related risks.

**Metrics and Targets**

Alignment with the Group’s strategy and risk management processes and disclosure of relevant metrics and targets that are used to assess and manage climate-related risks and opportunities.





# Our people and culture

**People are our most important asset in achieving our Group strategy and provide excellent service and support to IFAs, which in turn enables them to meet the needs of their clients.**

In support of this, we aim to ensure all employees have the skill set to deliver this and that they feel they are respected, motivated and safeguarded while at work. The business remains small, with currently fewer than 100 employees, which allows the Directors to communicate with employees informally throughout the year but also through annual conferences and general meetings. In addition, there are appropriate procedures in place to ensure employees are able to raise issues through our grievance and harassment policies and Whistleblowing Policy, which encourages employees to report matters of significant concern to their line manager, Compliance Manager, the Board or the Chair of the Audit and Risk Committee.

During the financial year, the Board carried out a Group-wide, anonymous employee survey covering the following areas:

- Your Role;
- Career Development;
- Work Engagement;
- Salary and Benefits;
- Work Environment and Culture; and
- Engagement with the Wider Community

The Board was pleased with the overall results of the survey, with 87% of employees across the Group responding to the staff survey. There were strong positive messages being communicated across all areas, with an overall 73% of responses to the questions raised by the survey being answered as Strongly agree/Agree. We will continue to monitor and address the needs of our employees and will repeat the staff survey to gain further feedback and use this as one of the available tools to monitor staff engagement.

There were some areas for improvement raised within the responses to the survey, which the Board has begun and will continue to address. These include increasing the level of relevant communication to employees, developing more specific training for individuals and ensuring that the Group does what it can to become as environmentally friendly as possible. Each of these areas will be worked on over the coming year.

## Training

We encourage all employees to develop and make progress in their careers at TAM plc, whether through internal training, apprenticeship schemes or professional qualifications.

The Group supports its employees with training and development, assisting financially and with time where appropriate to help them meet their goals; this includes CPD targets set by our regulators, ensuring that our investment

Employee response rate

**87%**

Positive responses overall

**73%**



**“Helping other employees comes with the ethic and culture in my team.”**



managers have the appropriate technical and supervision skills to maintain the highest levels of client service.

Over the past two years, 16 employees across the Group have progressed towards or achieved professional qualifications, including Chartered Financial Analyst (“CFA”), CFA Ethical Investment Certificate, Investment Management Certificate (“IMC”) and Association of Chartered Certified Accountants (“ACCA”). In response to feedback from the employee survey, the Group has also worked with each team manager to identify any additional training needs and has implemented a Leadership Development Programme for a selection of employees.

We encourage employees to take a long-term view of the business through the provision of share-based incentives through both an EMI share option scheme, open to eligible employees, and a SAYE share option scheme, which is open to all employees.

#### Mental health and wellbeing

We focus on the wellbeing of our people and, in the prior year, we introduced access for all employees to a range of health support services, including remote GP access, mental health support, and life, money and wellbeing support. We hope that this will continue to be a valuable addition to staff benefits.

#### Hybrid working model

As the impact of the COVID-19 pandemic evolved over the past two years, we paid particular attention to supporting our employees as well as our clients. We adapted seamlessly to working from home and supported employees whose circumstances were more challenging. We have migrated to a new business model where we offer flexible working for our employees, offering a hybrid model of working at home and working in the office in a way that meets the needs of the business and of our people.

#### Suppliers

The Group acknowledges its responsibilities in relation to tackling modern slavery and has a zero tolerance stance on slavery and human trafficking within our workforce and supply chain. We are a UK-based provider of financial services, meaning we do not produce, manufacture or sell any physical goods. We also do not have a long or complex supply chain.

Our main suppliers provide support services such as information technology, market data and property services. We consider our suppliers to be at a relatively low risk of engaging in practices of modern slavery or human trafficking. We nonetheless remain committed to preventing any such practices from occurring in our business or supply chain.

#### Charitable giving

In 2021, the Group, its employees, customers and strategic partners participated for a fourth year in the Trussell Trust’s Reverse Advent Calendar, with the Group matching all donations by 100%. The Group also matched 100% of the donations made by supporters of Paradigm’s Ukraine crisis appeal, with all donations made to the British Red Cross.

In response to the employee engagement survey, the Group has committed to naming an annual charity, selected by employees, to which an annual donation will be made. The financial year ending 31 March 2023 will be the first year this will be in place and the Group has selected Macmillan Cancer Research as its named charity.

The Group also recognises that there are other ways of supporting the local communities in which we work, and we encourage our staff to give something back through charitable and voluntary activities. All staff are encouraged to take part as part of their wider teams in a “A Day to make a difference”, where they use paid time off work to engage in a local volunteering day. The Finance team has recently undertaken a day of practical work in conjunction with “Sow the City” working on an Alleyway Greening Project. The Group has also implemented a matched fundraising programme, recognising the efforts that our employees make in supporting their local communities and other charities.

# Diversity and inclusion

## Diversity and inclusion

The Group is committed to developing an inclusive culture across the organisation, supporting our employees, customers and suppliers, regardless of their background. We continue to focus on this area, and the Board and ESG working group are looking at ways to make further progress in monitoring and measuring the diversity across the Group and to take action where we identify any gaps.

TAM is an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit, regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity or sexual orientation. We believe that an inclusive culture in which employees are highly engaged enables everybody to succeed.

In November 2020, Paradigm became a member of The Diversity & Inclusivity Finance Forum. The forum gathers influential industry peers in an inclusive network which aims to discuss and promote key ideas and activities to create a more balanced and fair mortgage industry.

## Gender pay gap

We recognise that women have been less well represented at all levels in the investment management industry, and the financial services sector has the largest pay gap. The Group’s figures correlate with this but show a slight improvement on the previous year, where in March 2022, the Group employed 95 permanent staff, with a total of 32 women, 34% of our workforce (2021: 38%).

Despite there being no requirement for the Group to publish its gender pay gap report due to the number of employees in the Group, analysis over the Group’s gender pay gap has been performed and reviewed by the Board and Remuneration Committee. Some of the key figures have been disclosed in this Annual Report to give transparency.

The Group seeks to create an inclusive Company culture with a diverse workforce. Part of how we formally monitor our progress is now through gender pay gap reporting and we use this information to highlight any areas that need to be addressed to narrow the gap.

We have analysed where there are men and women who perform the same role and, in all cases, they are paid equally. The mean hourly pay gap in 2022 is 44% (2021: 45%) and the median hourly pay gap is 37% (2021: 48%). These differences reflect the profile of the workforce at different job levels where there is a higher number of men in senior roles than women.

## Women in Finance Charter

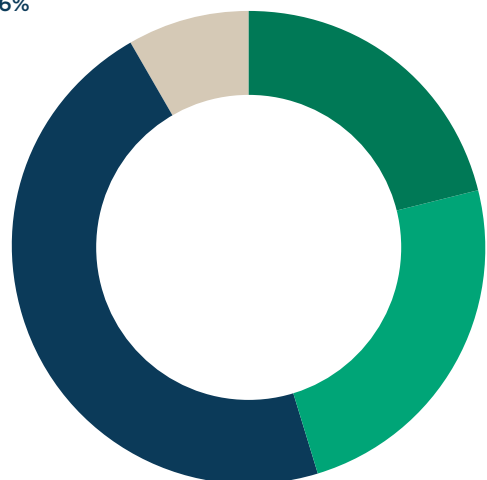
In February 2022, Tatton Asset Management was delighted to subscribe to the Women in Finance Charter. We have conducted analysis of our existing team and allocated team members across four segments – Group Board, Senior Management Team, Line Managers and Individual Contributors – and are committed to reporting on our progress on our female representation in senior roles, including both our Group Board and Senior Management Team members.

At the time of joining the charter in February 2022, our percentage of females in these categories is 35% and we are committed to reviewing this over time, with a view to maintaining the level of females in these categories at 30-35% over the year to February 2023, our anniversary date of joining. The representation of females at senior management level is higher than the investment management sector as a whole, based on the review carried out in 2021 of Women in Finance Charter 2020 data<sup>1</sup>, where women represented 28% of senior management in the investment management industry, unchanged from the prior year and one of the lowest sectors across the financial services industry.

Our senior management team remains focused on the area of diversity and this is part of our objective setting across the Group. We are committed to taking ongoing positive steps to show our support for this objective and look forward to reporting back in due course on progress made.

## Age breakdown within TAM

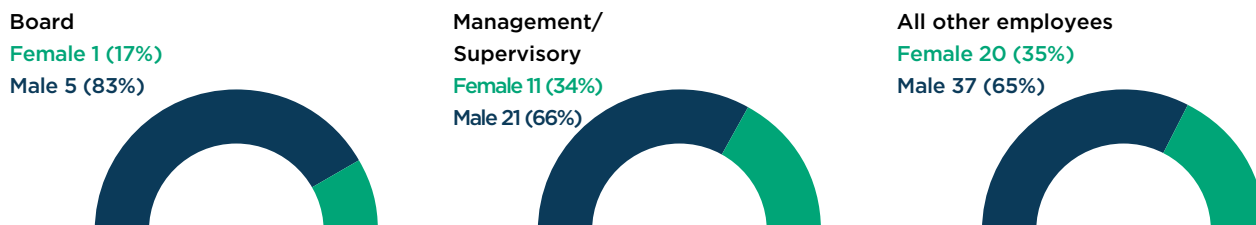
18–30 yrs 21%  
31–45 yrs 24%  
46–60 yrs 46%  
60+ yrs 8%



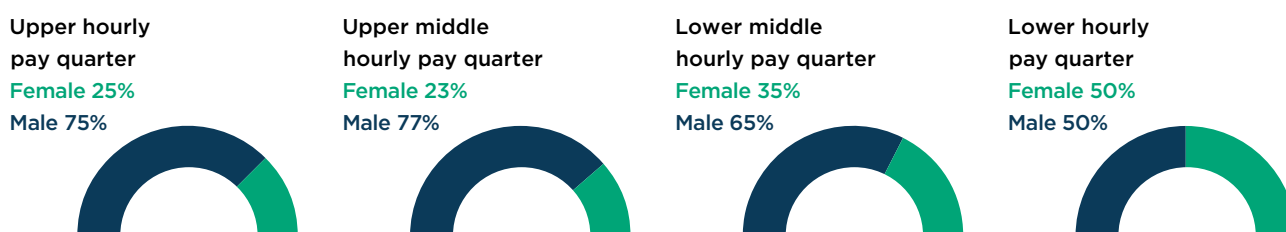
1. New Financial HM Treasury Women in Finance Charter: Annual Review 2020.



## Gender breakdown within TAM



## TAM gender pay gap by hourly pay quarter



## Women in Finance Charter

**In February 2022, Tatton Asset Management was delighted to subscribe to the Women in Finance Charter as part of our ongoing commitment to gender diversity and talent recognition across the Group.**

The Women in Finance Charter is a commitment by HM Treasury and signatory firms to work together to see gender balance at all levels across financial services firms.

The Group pledges to promote gender diversity by:

- having one member of our senior executive team who is responsible and accountable for gender diversity and inclusion;
- setting internal targets for gender diversity in our senior management;
- publishing progress annually against these targets in reports on our website; and
- having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.

Paul Edwards, Chief Financial Officer, is the nominated Board member responsible for gender diversity inclusion, supported by Lesley Watt, Non-Executive Director. At the time of joining the Charter in February 2022, our percentage of females in senior roles (including both our Group Board and Senior Management Team members) was 35% and we are committed to reviewing this over time, with a view to maintaining the level of females in these categories at 30-35% over the year to February 2023, our anniversary date of joining. Our senior management team remains focused on the area of diversity and this is part of our objective setting across the Group. We are committed to taking ongoing positive steps to show our support for this objective and we look forward to publishing annually our progress made. This will be available on the Company website at [www.tattonassetmanagement.com](http://www.tattonassetmanagement.com).

**Females in senior roles**

**35%**



## Engaging with our stakeholders

# Engaging with our stakeholders

Stakeholder engagement is crucial for delivering long-term value, and therefore we are committed to engaging and developing strong relationships with our key stakeholders. We recognise that it is important that we prioritise engagement with each stakeholder in a transparent and open manner, being receptive to their views in the Group's strategic decision making. We connect with our stakeholders across all areas and levels of the business, with internal and external reporting and escalation to the Board as appropriate.

### Firms and clients

IFAs and their clients are core to our business model, and as such the Group's ongoing success is built upon understanding our customers' needs, both those of the IFAs and of their clients. As their needs evolve we will continue to anticipate future requirements, whilst ensuring our offering remains relevant, commercial competitive and positioned for growth

### Shareholders

We rely on the support and engagement of our shareholders to deliver our strategic objectives and grow the business. Our shareholder base supports the long-term strategy we take in the management of our business.

### People

The Board recognises that our people are central to the ongoing success of the Group. The Group's employees deliver the highest quality of service to our customers.

#### Their material issues

- Fair pricing
- Performance of our funds and portfolios
- Range of products
- Transparency
- Quality of service
- Long-term sustainable business which delivers attractive returns through maintaining a progressive dividend policy
- Compelling business model and growth prospects
- High standards of governance
- Having opportunities for learning, growth and further development
- Making a difference for our customers
- Being fairly rewarded for their contributions

#### How we engage

- Regular meetings with current and potential firms to develop a clear view of client objectives and how these are likely to evolve
- Adviser portal, where firms can see details of their clients' investments
- Virtual events, including partner forums, roadshows and continuing professional development ("CPD") events
- Results presentations for the full year will be held both virtually and in person
- Regular meetings are held with our investors throughout the year
- We provide the latest company announcements, financial reports and additional investor information on our website
- Employee surveys
- Presentations by the Board to discuss the business' performance and the Company's strategic plans
- Regular management briefings
- Company wide communications through business newsletters and via email

#### Outcomes and key decisions

- In September 2021, we acquired the Verbatim funds which extended our multi-asset fund range and added multi-index funds to further meet client needs
- Tatton and Paradigm ran multiple virtual and live events and frequent video investment updates. Paradigm held 68 events during the year, attracting 4,225 attendees in total
- Delivered against our dividend policy with a total full year dividend of 12.5p, an increase of 13.6% (FY21: 11.0p)
- Adjusted operating profit\* of £14.526m, an increase of 27.4% (FY21: £11.402m)
- The results presentations with shareholders will be carried out both virtually and now back in person
- During the year, the Group supported a range of individuals through professional qualifications
- We introduced access for all employees to a range of health support services
- Further extension of the Enterprise Management Incentive ("EMI") and Sharesave schemes

\* Alternative performance measures are detailed in note 23.



As in previous years, we continue to invest time and resources in investor and wider market communication, and provide support and reassurance to our IFAs and their clients. We continue to listen to our stakeholders and understand their needs.”

Paul Edwards

Chief Financial Officer

### Society

We recognise the responsibility we have to wider society and other key stakeholders. We believe that demanding high levels of corporate responsibility is the right thing to do.

### External service providers

Our external service providers include our distribution partners (platforms, IFAs, fund managers) and our suppliers.

They are critical to ensuring the effective distribution of our products.

### Regulators

Tatton Investment Management Limited is regulated by the Financial Conduct Authority (“FCA”).

#### Their material issues

- Society has an interest in how we manage our clients’ assets and ensure good stewardship over our investments
- They have an interest in ensuring we manage our business in a manner which minimises our impact on the environment and helps to benefit society

- Trusted partnerships
- Clear communications
- Strong governance

- Ensuring that the business understands and adopts the principles and rules of the FCA Handbook
- Acting in our customers’ best interests
- Open and transparent communication
- Demonstrating good conduct

#### How we engage

- All staff are encouraged to engage in a local volunteering day to support local communities
- We aim for high standards of governance across the Group. Our careful selection process for Tatton’s Ethical portfolios prioritises funds that actively engage with company managers on ESG issues

- Collaborative engagement
- Regular service reviews
- Annual due diligence reviews
- The Board are briefed on service provider feedback and issues on a regular basis

- Direct communication through our compliance senior manager function holder
- We always engage in an open and co-operative manner

#### Outcomes and key decisions

- Continued improvement and adoption of corporate governance guidelines
- The Finance team have recently undertaken a day of practical work in conjunction with ‘Sow the City’ working on an Alleyway Greening Project
- Growth in our Ethical portfolios

- We maintained ongoing relationships with our key external service providers during the year, with updates at Board meetings
- We continue to focus on key areas with our suppliers that will enhance our client propositions and drive innovation and sustainability







- Surplus regulatory capital was maintained throughout the year
- Engaged with the FCA to ensure a clear understanding of the new Investment Firm Prudential Regime
- The Board and Audit and Risk Committee received and reviewed regular compliance reports



# We remain focused on a growth strategy

## Section 172 statement

Section 172 of the Companies Act 2006 requires the Directors to consider how best to promote the success of the Company for the benefit of its members as a whole. In doing so, the Directors must have regard, amongst other matters, to:

-  a) the likely consequences of any decisions in the long term;
-  b) the interests of the Company's employees;
-  c) the need to foster the Company's business relationships with suppliers, customers and others;
-  d) the impact of the Company's operations on the community and environment;
-  e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
-  f) the need to act fairly as between members of the Company.

Our Board ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standards of conduct. Similarly, our Board acknowledges that the business can only grow and prosper over the long-term if it understands and respects the views and needs of the Company's investors, customers, employees, suppliers and other stakeholders to whom we are accountable, as well as the environment we operate within.

The Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to the employees of the Company. The Board recognises that such delegation needs to be part of a robust governance structure, which covers our values, how we engage with our stakeholders, and how the Board assures itself that the governance structure and systems of controls continue to be robust.

Our Chairman, with the assistance of the Company Secretary, sets the agenda for each Board meeting to ensure that the requirements of s.172 are always met and considered in line with our approach to s.172 detailed below.

The opposite page shows the considerations of some of the Group's stakeholders as part of the decision making process at the time of the acquisition of the Verbatim funds.



## Section 172 in action: Verbatim acquisition

On 14 September 2021, the Group acquired £650m of AUM in the Verbatim funds as well as entering into a long-term strategic distribution partnership with Fintel plc, a leading provider of fintech and support services to the UK retail financial services sector. Both before and after the acquisition took place, the Group considered all its stakeholders within the decision making process:

### Shareholders

The transaction has been earnings enhancing in FY22, with strong synergies through leveraging existing Tatton resources that will create further shareholder value for the future.

### Firms and Clients

This acquisition has further enhanced our proposition to IFAs and their clients, having broadened Tatton's OEIC proposition to include Tracker Funds and extend our multi-asset funds, giving firms and their end clients access to a wider range of products to meet their needs.

The strategic partnership with Fintel plc has also expanded Tatton's distribution and marketing footprint, providing an Adviser Education Programme for the Fintel firms via twenty nine face-to-face events that supports the understanding of Tatton's propositions. Tatton also engages with these firms through tailored activities based on data analytics driven by Defaqto, conferences and a dedicated provider page on the SimplyBiz website.

Tatton has also brought the investment management of some of these funds in-house, to ensure the highest quality of service is provided for firms and their end clients.

### People

This transaction contributes to the Group's ability to deliver against its growth strategy and subsequently provides further investment in our people, ensuring they are fairly rewarded for their contributions, and have the right opportunities to learn, grow and further develop.

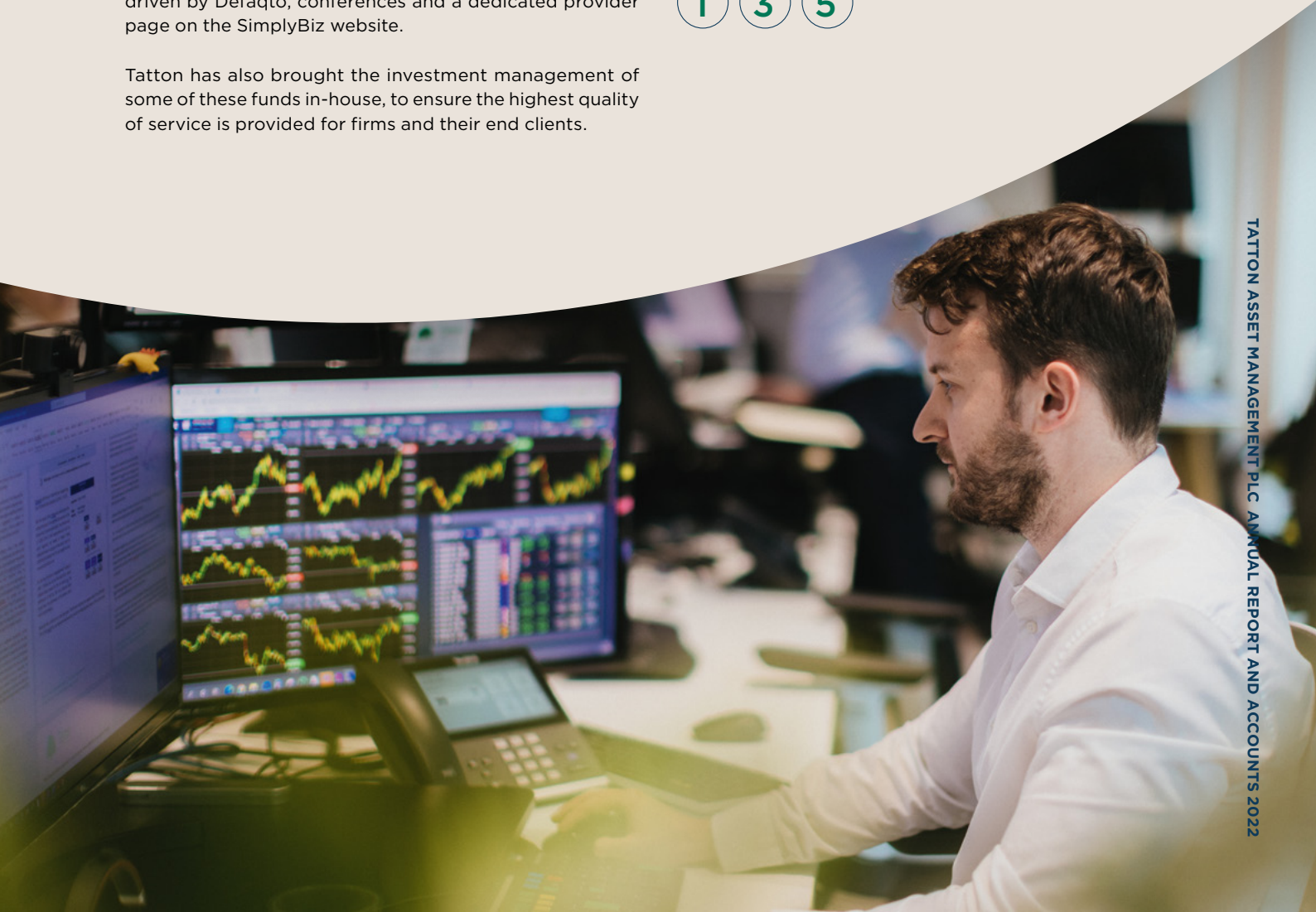
Relevant staff were engaged within the transaction early on to ensure the effective accumulation of knowledge to allow for an efficient integration within the Group, as well as hiring additional members of staff so that Tatton continues to deliver its best-in-class service to IFAs.

The senior leadership team has also provided updates and Q&A sessions to engage all staff members in the transaction.

### Key



### Link to Strategic Objectives



# Board of Directors

## Committee memberships

- Nominations Committee
- Remuneration Committee
- Audit and Risk Committee
- Board Director

### Roger Cornick Chairman

Commenced: 2017

#### Skills, competence and experience:

Roger is Tatton Asset Management's Non-Executive Chairman. From January 2009 to September 2016, Roger was Chairman of Aberdeen Asset Management, having joined the Board in January 2004. Prior to joining Aberdeen, Roger was with Perpetual plc for over 20 years.



### Paul Hogarth Chief Executive Officer

Commenced: 2007

#### Skills, competence and experience:

Paul is the Chief Executive Officer of Tatton Asset Management, as well as Senior Partner at Paradigm Consulting.

Paul has over 40 years' experience in financial services, the majority of which were at the centre of IFA distribution. Paul was the Co-Founder of Bankhall in 1987, and built Bankhall Investment Associates from scratch to sale in May 2001 at which point 25% of the IFA sector utilised at least part of the Bankhall service proposition. After leaving Bankhall, he went on to establish Paradigm Partners Limited, which launched in 2007 and has since grown to become one of the UK's top five distribution businesses. Subsequently, he was also the Founder of Perspective Financial Group Limited in 2007 and of Tatton Capital Limited in 2012.

Paul has a BA in Economics from Heriot-Watt University in Edinburgh.

### Lothar Mentel Chief Investment Officer

Commenced: 2012

#### Skills, competence and experience:

Lothar is the Chief Investment Officer of Tatton Asset Management. He is also Chief Executive Officer for Tatton Investment Management. Prior to setting up Tatton Investment Management in 2012, Lothar was the Chief Investment Officer of Octopus Investments from 2008, where he built a multi-manager fund business that he grew to £1.6 billion. He has also held senior positions with N M Rothschild, Threadneedle, Barclays Wealth and Commerzbank Asset Management. Lothar began his career in Germany as a performance and risk analyst, later designing and launching the Barclays multi-manager funds.

Lothar was educated in Germany and holds a post-graduate degree in Business and Economics (Diplom Ökonom) from Ruhr-Universität Bochum.



#### Age

- 51-60 4 (66%)
- 61-70 1 (17%)
- 71+ 1 (17%)



#### Tenure (years)

- 1-5 66%
- 6-10 17%
- 11-15 17%







## Paul Edwards Chief Financial Officer

Commenced: 2018

### Skills, competence and experience:

Paul is the Chief Financial Officer of Tatton Asset Management plc and joined the Board in 2018, shortly after the IPO. He is also Finance Director of Paradigm Partners Limited and Tatton Investment Management Limited.

From September 2010 to October 2016, Paul was the Group Finance Director for Scapa plc and prior to joining Scapa, Paul was the Group Finance Director for NCC Group plc for over 10 years. He has also held several other senior roles in a broad range of listed and private companies and was the Chair of the Hallé Pension Trustees for five years.

Paul is a Chartered Management Accountant and also holds an MBA from Manchester Business School.

## Chris Poil Senior Independent Non-Executive Director, Head of Audit and Risk Committee and Head of Remuneration Committee

Commenced: 2017

### Skills, competence and experience:

Chris is Tatton Asset Management's Senior Independent Non-Executive Director. Previously, he served as Head of UK Equities at ING Baring Asset Management. Prior to joining ING, he was a Director of Mercury Asset Management. Chris has previously been a Non-Executive Director of Ignite Group Ltd, Novus Leisure Ltd and Byron Ltd.



## Lesley Watt Independent Non-Executive Director

Commenced: 2021

### Skills, competence and experience:

Lesley is Tatton Asset Management's independent Non-Executive Director. Lesley is a senior executive with over 20 years' experience at board and senior finance positions, including Scottish and Newcastle plc and latterly as CFO of Miller Developments. Lesley currently holds a Non-Executive Directorship at Scottish Baroque Ensemble Limited, where she chairs the Audit and Risk Committee.



## Robert Hunt Chief Executive Officer of Paradigm Mortgage Services and Managing Director of Paradigm Consulting

Commenced: 2007

### Skills, competence and experience:

Robert is the Chief Executive of Paradigm Mortgage Services LLP, Managing Director of Paradigm Consulting and a Board member of the Society of Mortgage Professionals ("SMP"), acting as a respected figurehead and representative of mortgage clubs. He has over 30 years' experience working within financial intermediaries.

Prior to setting up Paradigm Mortgages in 2007, Robert was the key accounts director at Santander (formerly Abbey National) for 13 years. Before joining Santander, he had various management roles at Hill Samuel Asset Management Group in which he worked for 11 years.

In 1978, Robert joined the Royal Air Force where he studied electronic engineering for five years.



## Introduction

**The Board is committed to achieving high standards of corporate governance, integrity and business ethics. The Group has taken into consideration the guidance for smaller quoted companies on the Code produced by the Quoted Companies Alliance Corporate Governance Code (the “Code”) and taken steps to apply the principles of the Code in so far as it can be applied practically, given the current size of the Group and the nature of its operations, see page 49.**

**Under the AIM Rules, the Group is not required to comply with the provisions of the UK Corporate Governance Code. While the UK Corporate Governance Code has not been applied in full, the Board has continued working towards full compliance over the coming years.**

## Leadership and role of the Board

The Board is responsible for setting the Group’s values and standards and promotes these values throughout the organisation. The Board is responsible for ensuring that its obligations to its shareholders and other stakeholders, including employees, suppliers, customers and the community, are understood and met.

The Board’s duties are set out in a formal schedule of matters specifically reserved for Board decisions. The governance structure of the Group is detailed on page 50 of this report.

The Board comprises three Executive Directors, a Non-Executive Chairman and two Non-Executive Directors. The Group appointed a new Non-Executive Director, Lesley Watt, effective from April 2021. The names, biographical details and Committee memberships of the Board are set out on pages 46 and 47 of this report and a skills matrix is shown on page 52. Responsibilities of each Board member have been clearly established and there is a clearly defined division of responsibility between the Chairman and the Chief Executive as shown on page 51.

## Board Committees

The corporate governance structure and framework is illustrated on page 50 which also details the responsibilities of the Nominations Committee, Remuneration Committee and Audit and Risk Committee.

## Board effectiveness, composition and independence of the Board

During the year, and up until the date of signing this report, the Board comprised a Non-Executive Chairman, two Non-Executive Directors and three Executive Directors. The Board has determined that the Non-Executive Directors are independent in character and judgement and neither represents a major shareholder group nor has any involvement in the day to day management of the Company or its subsidiaries. The Non-Executive Directors continue to complement the Executive Directors’ experience and skills, bringing independent judgement and objectivity to enhance shareholder value.

The skills and experience of the Non-Executive Directors are wide and varied, and they provide constructive challenge in the Boardroom. The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will optimise the quality of deliberations and decision making. We consider diversity in the composition to be an important factor in the effectiveness of the Board and, in searching for prospective Directors, we consider the existing skill sets of the Board and areas we have identified for development to meet future needs and address succession planning. The Board composition of Non-Executive and Executive Directors has remained the same during the financial year, with Lesley Watt joining the Board as a Non-Executive Director in April 2021. The Board members seek continuous improvement, ensuring they have the necessary up-to-date experience, skills and capabilities, undertaking development and training where required, see further information opposite. Although not members of the Committees, the Executive Directors attend meetings of the Audit and Risk Committee, Remuneration Committee and Nominations Committee as invited attendees, when appropriate. The skills matrix shown on page 52 illustrates the skills and experience of our Non-Executive and Executive Directors. The Board considers that it is an appropriate size and the Directors have an appropriate balance of skills and experience to manage the requirements of the business.

## Performance

The Board conducts a review of the performance of individual Directors, to monitor and improve effectiveness. The review of the Chief Executive is undertaken by the Non-Executive Chairman. In addition to individual reviews, the Board considers its overall performance as a body and the performance of its Committees. The review has confirmed that the performance of the Board and its Committees is effective and appropriate.

## Development and training

The Chairman is responsible for ensuring Directors’ continuing professional development and every Director is entitled to receive training and development relevant to their responsibilities and duties. The Directors take advantage of relevant seminars and conferences, and receive training and advice on new regulatory requirements and relevant current developments from the Company and professional advisers.

## Stakeholder interests and engagement

The Directors are obliged to fulfil their section 172 duties, having regard to the factors set out in the Chairman’s Statement on page 7 and also on pages 44 and 45, and in taking decisions, ensure that they promote the success of the Company as a whole. We believe that effective stakeholder engagement is critical to running a long-term sustainable business and by considering the Company’s strategic priorities and having a process in place for decision making, the Board aims to make sure that its approach to decision making and consideration of stakeholder interests is consistent. Further information on the Company’s key stakeholders is shown on pages 42 and 43.

### Stakeholder interests and engagement

The Board is committed to maintaining an ongoing dialogue with the Company's shareholders. The principal methods of communication with private investors remain the Annual Report and financial statements, the Interim Report, half and full year investor presentations, the Annual General Meeting ("AGM") and the Group's website (www.tattonassetmanagement.com).

The AGM provides a forum for constructive communication between the Board and the shareholders. All shareholders are invited to raise any issues or concerns arising from the business proposed to be conducted at the AGM meeting by email in advance. Responses are published on the Company's website on the morning of the AGM. In addition, throughout the year, the Executive Directors, and separately the Chairman, meet with investors to discuss matters relevant to the Company.

### Internal control and risk management

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable, not absolute, assurance

against material misstatement or loss. An ongoing process has been established to promote and communicate an appropriate risk culture within the Group and to identify, evaluate and manage significant risks faced by each part of the Group. This process has been in place throughout the year under review and includes key risks (industry, financial and operational) facing the Group. The process has also included the review and circulation of the Whistleblowing Policy to enable anonymous reporting of complaints. In addition, the Board has also received external reports in relation to cyber security and uses a range of measures to manage this risk, including the use of cyber security policies and procedures, security protection tools and ongoing detection and monitoring of threats. The Board routinely reviews the effectiveness of the systems of internal control and risk management to ensure controls react to changes in the Group's operations.

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

**Paul Edwards**  
Chief Financial Officer

### QCA Code

The Group has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code is built on the three fundamentals of delivering growth; maintaining a dynamic management framework; and building trust, each of which the Board is committed to, as it believes these will support the Group's medium to long-term success.

QCA Code Principle	Required disclosure	Reference
1	Establish a strategy and business model which promote long-term value for shareholders	Our business model is shown on pages 16 and 17 of the 2022 Annual Report
2	Seek to understand and meet shareholder needs and expectations	How we engage with our stakeholders is shown on pages 42 to 45 of the 2022 Annual Report
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	How we engage with our stakeholders is shown on pages 42 to 45 of the 2022 Annual Report
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Our risk management processes and principal risks are shown on pages 28 to 31 the 2022 Annual Report
5	Maintain the board as a well-functioning, balanced team led by the chair	Details of our Board members are shown on pages 46 and 47 and 51 and 52 of the 2022 Annual Report
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Details of our Board members are shown on pages 46, 47 and 52 of the 2022 Annual Report
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Corporate Governance Report and Remuneration Report are detailed on pages 48 and 49 and 54 to 57 of the 2022 Annual Report
8	Promote a corporate culture that is based on ethical values and behaviours	Our ESG report is shown on pages 34 to 41 of the 2022 Annual Report
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the board	The Corporate Governance Report is detailed on pages 48 to 51, with further details of the Board's decision making detailed on page 44 of the 2022 Annual Report
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	How we engage with our stakeholders is shown on pages 42 to 45 and our Corporate Governance Report and Remuneration Report are detailed on pages 48 and 49 and 54 to 57 of the 2022 Annual Report



# Governance structure

## Executive Committee

The key responsibilities of the Executive Committee include:

- Delivery of the Group strategy
- Business planning
- Monitoring the operating and financial performance of the Group and its divisions
- Risk management
- Review and monitoring of the Group and Company regulatory capital requirements and headroom
- Cash management
- Legal and regulatory matters
- People
- Brand and reputation
- Relationships with relevant authorities and regulatory stakeholders

## Divisional and operating company boards

The divisions and Group companies have their own company boards and senior management reporting structures. These boards are responsible for:

- Sales and marketing
- Regulatory matters
- Review of individual divisional and company operating and financial performance and budgets
- People retention and development
- Customer service
- Health and safety
- Supplier relationship management

Across the Group, there are also a number of other committees and teams who report to the Company and Group boards.

These committees and teams have specialist knowledge and experience to review and share information, make decisions where appropriate or report to the boards for decision-making where relevant.

- Investment Committee
- Ethical Investment Committee
- Sales
- Compliance
- Membership
- IT
- Operations

## The Board

The Board is responsible for the long-term success of the Group and it is ultimately accountable for the Group's strategy, risk management and performance. The Board's primary roles are to provide entrepreneurial leadership to the Group within a framework of prudent and effective control which enables risk to be assessed and managed, and to set the Group's strategic objectives and ensure that the necessary resources are made available so that those objectives can be met.

Key responsibilities include:

- overall management of the Group's strategy and long-term objectives
- reviewing the Group's risk management and system of internal control
- approval of corporate plans, including material corporate transactions
- approving changes to the Group's capital structure
- reviewing the Group's financial performance and approving the Group's interim and annual results, dividend policy and shareholder distributions
- approving changes to the Board and other senior executive roles
- reviewing corporate governance arrangements

## Audit and Risk Committee

The Audit and Risk Committee is responsible for:

- monitoring and mitigating emerging and principal risks
- reviewing and monitoring the integrity of the Group's financial statements
- reviewing significant financial reporting matters and accounting policies, judgements and estimates
- reviewing internal and external audit activity
- monitoring the effectiveness of risk management and internal control systems
- overseeing the relationship with the external auditor, including appointment, removal and fees
- approving non-audit fees and the related policy
- reviewing any reports of whistleblowing

## Remuneration Committee

The Remuneration Committee is responsible for:

- determining all elements of remuneration for the Executive Directors and for reviewing its ongoing appropriateness
- reviewing wider strategic remuneration strategy to ensure stakeholder alignment
- determining targets for performance-related incentive schemes and approving total annual payments under these schemes
- determining the design of all share incentive plans for approval by the Board and shareholders, ensuring these are aligned to the Group's purpose and values. This also includes determining each year whether awards will be made and the overall amount of such awards and individual awards
- considering shareholder feedback on the Remuneration Policy
- considering the remuneration trends and any major changes in employee benefit structures across the Group and the wider industry
- reviewing Diversity and Inclusion policies and practices and related reporting requirements

## Nomination Committee

The Nomination Committee is responsible for:

- leading the process for recruitment of Board positions and consideration of succession planning
- ensuring the right composition of Board members through evaluating the balance of skills, knowledge, experience and diversity on the Board
- reviewing the structure, size and composition of the Board and Board Committees and making recommendations to the Board

# Board responsibilities

## Chairman

### The Chairman is responsible for:

Leading the Board, ensuring that shareholders are adequately informed with respect to the Group's affairs and that there are efficient communication channels between management, the Board and shareholders;

Setting the agenda for each meeting of the Board in conjunction with the Company Secretary, in line with the annual worklist agreed by the Board

Encouraging constructive Board relations and promoting open debate and effective discussion and challenge at meetings, ensuring an environment in which each Director feels comfortable to contribute to effective decision making; and

Overseeing the implementation of high standards of corporate governance, as well as evaluating the performance of the board, its committees and individual directors on an annual basis.

## Chief Executive Officer

### The Chief Executive is responsible for:

Recommending and managing the strategies of the Group and leading the senior management team in developing and implementing the strategy to maximise shareholder value;

Maintaining relationships with shareholders and other key stakeholders;

The effectiveness of the executive committee, and developing their capabilities to ensure the business delivers on strategic objectives set out by the board in line with the group's risk appetite; and

Communicating the views of the senior management team on business issues to the non-executive members of the Board, as well as developing the Group policies and communicating the Company values.

## Chief Financial Officer

### The Chief Financial Officer is responsible for:

Monitoring the financial position of the Group to meet its regulatory requirements and the management of the capital structure, ensuring adequate working capital and liquidity to meet the business' strategic objectives;

Providing strategic financial leadership and day-to-day management of the finance function;

Explaining the performance of the Group to shareholders, together with the Chief Executive; and

Adding a commercial and internal perspective to Board discussions and to support the CEO in communicating the views and proposals of the senior management team on business issues to the non-executive members of the Board.

## Chief Investment Officer

### The Chief Investment Officer is responsible for:

Managing Tatton's investment portfolio performance, and setting the investment style and strategy of the investments;

Providing expert knowledge on all investment activities within Tatton, and maintain knowledge on all market securities and portfolio management products; and

Leading a team of investment professionals who are responsible for sourcing, managing and monitoring investments as well as establishing an investment policy statement. The Chief investment officer will provide insight and direction to team ensuring the investment portfolios meet client needs and remain within the agreed investment framework.

## Executive Directors

### The Executive Directors on the Board are responsible for:

Implementing the agreed strategy and the day-to-day management of the business;

Inputting into and reviewing the annual business plan, budget and strategic long-term direction of the Group;

Approving the expenditure and other financial commitments within its authority levels and discussing, formulating and approving proposals to be considered by the Board; and

Identifying areas of improvement across the Group and leading the senior management team in the implementation of such improvements.

## Non-Executive Directors

### The Non-Executive Directors are responsible for:

Contributing to the Group's strategy whilst providing constructive challenge to management performance to ensure effective decision making;

Scrutinising the performance of the Executive Directors in relation to the delivery of strategy and the personal objectives which are set for the individual members of the Board, as well as the implementation of Board decisions and compliance with the Group's regulatory and legal obligations;

Providing independent judgement and offering specialist advice to the Board, taking into account the views of all of the organisation's stakeholder; and

Reviewing Group financial information and ensure the systems of internal control and risk management framework are appropriate.

# Key skills and experience

The Board consists of six members, comprising the Non-Executive Chairman, Senior Independent Non-Executive Director and Non-Executive Director and three Executive Directors – the CEO, CFO and CIO.

## Skills and experience

The Board considers it is an appropriate size and that the Directors have an appropriate balance of complementary technical skills, education and professional experience to manage the requirements of the business. The Nomination Committee reviews the size, structure and composition of the Board and its Committees to ensure an appropriate and diverse mix of skills, experience, knowledge, backgrounds and personal strengths and to ensure these align with the

needs and strategic objectives of the Group. The Nomination Committee will look to recruit new members to the Board should it identify any gaps in the skills matrix which cannot be delivered by existing Board members.

Board members maintain and extend their skillsets through practice in day to day roles, enhanced with attending specific training where required to ensure that the Board members have the necessary up-to-date experience, skills and capabilities for an agile Board.

Biographies of each of the Non-Executive and Executive Directors are set out on pages 46 and 47 and a summary of their key skills and experience is shown below.

## Meeting attendance

Board member	Roger Cornick	Chris Poil	Lesley Watt	Paul Hogarth	Lothar Mentel	Paul Edwards
Board	6/6	6/6	6/6	6/6	6/6	6/6
Audit and Risk Committee	4/4	4/4	4/4	4/4	-	4/4
Nomination Committee	-	-	-	-	-	-
Remuneration Committee	4/4	4/4	4/4	4/4	-	4/4

## Key skills and experience of directors

Board member	Roger Cornick	Chris Poil	Lesley Watt	Paul Hogarth	Lothar Mentel	Paul Edwards
Financial services experience	●	●		●	●	●
Corporate governance in UK listed companies	●	●		●		●
Culture and values	●	●	●	●	●	●
Accounting and Finance		●	●		●	●
Audit		●	●			●
Risk and regulation	●	●	●	●	●	●
Corporate strategy	●	●	●	●	●	●
Executive management	●	●	●	●	●	●
Remuneration	●	●	●		●	●
Marketing and distribution strategy	●			●	●	●
Mergers and acquisitions	●	●	●	●	●	●
Investment management		●		●	●	
Media relations	●			●	●	
Human resources	●		●			●
IT and cyber security			●			●



# How the Board monitors culture



**The Board is committed to taking responsibility for developing and maintaining a strong, value-based corporate culture across our Group and is supported in this by the senior management team. The Board interacts with employees and monitors the Group's culture on an ongoing basis, ensuring our values are embedded across the organisation. The Board uses a number of indicators to inform its regular assessment of the Group's strategy, values and purpose, and to determine whether the culture continues to be aligned with the Group strategy.**

TAM's strategy, values and purpose are shown on pages 4 and 5, and demonstrate to employees and other stakeholders why the Group exists, what its aims are and how it seeks to achieve these aims. The Group's culture is critical in ensuring that TAM can meet its strategic objectives.

The Board drives an inclusive and fair workplace in which employees make the right decisions. Employee guidance is provided through various Group policies and the employee handbook, supported by online training. The Group's Code of Conduct is circulated to employees upon joining the Group. Through the work of the ESG working group, a training programme made of internal and external training is being rolled out across the organisation to meet individual and team needs. During the year, the Group carried out its first employee survey, with the results analysed by the Board. The survey included questions around culture, engagement and development.

There are a number of sources which inform the Board's understanding and assessment of culture, both formal and informal. The following key sources are used by the Board to monitor and assess the culture across the Group:

- Feedback from all employee engagement with the Board and senior management
- Board and Committee presentations at Annual Staff Days and regular divisional and team meetings
- Employee survey results
- Regular updates to the Board from the Chief Executive and other senior management on people matters and recruitment
- Whistleblowing performance
- Review of people-related risks at the Audit and Risk Committee
- Compliance reports from the Head of Compliance

The Board is satisfied that there remains a high level of engagement with our values; however, this will continue to be a key area of focus.

# Directors' Remuneration Report

## Remuneration policy

### Remuneration policy for Executive Directors

The policy of the Remuneration Committee is to set basic salaries at a level which is competitive with that of comparable businesses. The same principles are applied to Directors' fixed remuneration, pension contributions and benefits as are applied to those of employees throughout the organisation.

The main principles of the senior executive remuneration policy are set out below:

- Attract and retain high calibre executives in a competitive market, and remunerate executives fairly and responsibly;
- Motivate delivery of our key business strategies and encourage a strong and sustainable performance orientated culture;
- Align the business strategy and achievement of planned business objectives; and
- Take into consideration the views of shareholders and best-practice guidelines.

The Committee believes that the level of remuneration for Executive Directors is commensurate with the corporate and personal performance of the Executive Directors for the financial year ended 31 March 2022.

### External appointments

It is the policy of the Group, which is reflected in the contract of employment, that no Executive Director may accept any Non-Executive Directorships or other appointments without the prior approval of the Board. Any outside appointments are considered by the Nominations Committee or the Board to ensure that they would not give rise to a conflict of interest. It is the Group's policy that remuneration earned from any such appointment may be retained by the individual Executive Director.

### Remuneration policy for the Chairman and Non-Executive Directors

The Chairman and other Non-Executive Directors are appointed under a letter of appointment. The letters of appointment cover such matters as duties, time commitment and other business interests. The Remuneration Committee determines the remuneration for the Chairman and Non-Executive Directors within the limits set in the Company's Articles of Association. The fee for the Chairman's role takes into account the time commitment required for the role, the skills and experience of the individual, and market practice in comparable companies. The Chairman's fee is currently set at £120,000 per annum. The Non-Executive Director fees policy is to pay a basic fee for membership of the Board, with additional fees for the Senior Independent Director and Chairmanship of a Committee to take into account the additional responsibilities and time commitments of these roles. The Senior Independent Non-Executive Director's fee is currently set at £90,000 per annum and the Non-Executive Director's fee is currently set at £60,000.

### Service contracts

It is the Group's policy for all Executive Directors to have contracts of employment that contain a termination notice period of not less than 12 months. All Executive Director appointments continue until terminated by either party on giving not less than 12 months' notice to the other party. Non-Executive Directors do not have service contracts. A letter of appointment provides for an initial period of 12 months and continues until terminated by either party giving three months' prior written notice to expire at any time on or after the initial 12-month period.

### Components of remuneration

#### Salaries and fees

Salaries for Executive Directors are determined by the Remuneration Committee. The level of salary broadly reflects the value of the individual, and their role, skills and experience. Salaries are reviewed annually in March, with any changes typically taking effect in April, and take account of market levels, corporate performance and individual performance.

Fees to Non-Executive Directors are determined by the Board, having regard to fees paid to other Non-Executive Directors in other UK quoted companies, the responsibilities of the individual Non-Executive Director and the time committed to the Company.

#### Pension provision

Where an Executive Director has not reached their maximum lifetime allowance, the Group will pay minimum contributions into a personal pension plan nominated by each Executive Director at a rate between 5% and 10% of their basic salary. If the maximum lifetime allowance has been reached, the Director will receive the equivalent in basic salary.

#### Other benefits

Executive Directors are entitled to benefits commensurate with their position, including consideration for a discretionary performance-related annual bonus scheme, private medical cover, life assurance and car allowances.

## Single total figure of remuneration for each Director (audited)

Directors' remuneration payable in respect of the year ended 31 March 2022 was as follows:

	31/03/2022						Total £'000
	Basic salary and fees <sup>1,2</sup> £'000	Bonus £'000	Long-term incentives <sup>4</sup> £'000	Sharesave <sup>5</sup> £'000	Pension-related and other taxable benefits £'000		
<b>Executive Directors</b>							
Paul Hogarth	342	300	1,470	-	2	2,114	
Lothar Mentel	302	269	1,470	-	15	2,056	
Paul Edwards	263	269	3,408	5	1	3,946	
<b>Sub-total</b>	<b>907</b>	<b>838</b>	<b>6,348</b>	<b>5</b>	<b>18</b>	<b>8,116</b>	
<b>Non-Executives</b>							
Roger Cornick	120	-	-	-	-	120	
Chris Poil	90	-	-	-	-	90	
Lesley Watt	60	-	-	-	-	60	
<b>Total</b>	<b>1,177</b>	<b>838</b>	<b>6,348</b>	<b>5</b>	<b>18</b>	<b>8,386</b>	

	31/03/2021						Total £'000
	Basic salary and fees <sup>1,2</sup> £'000	2020/21 bonus £'000	2019/20 deferred bonus <sup>3</sup> £'000	Long-term incentives <sup>4</sup> £'000	Sharesave <sup>5</sup> £'000	Pension-related and other taxable benefits £'000	
<b>Executive Directors</b>							
Paul Hogarth	342	150	300	1,104	-	2	1,898
Lothar Mentel	305	85	100	2,454	2	6	2,952
Paul Edwards	263	85	100	-	-	1	449
<b>Sub-total</b>	<b>910</b>	<b>320</b>	<b>500</b>	<b>3,558</b>	<b>2</b>	<b>9</b>	<b>5,299</b>
<b>Non-Executives</b>							
Roger Cornick	90	-	-	-	-	-	90
Chris Poil	70	-	-	-	-	-	70
Lesley Watt	-	-	-	-	-	-	-
<b>Total</b>	<b>1,070</b>	<b>320</b>	<b>500</b>	<b>3,558</b>	<b>2</b>	<b>9</b>	<b>5,459</b>

## Notes

- Paul Hogarth has received additional basic salary in lieu of provision of a company car. Lothar Mentel was provided with a company car in the year, reducing the amount paid through basic salary and increasing other taxable benefits.
- All Executive Directors have received additional basic salary in lieu of pension contributions.
- In the financial year ended 31 March 2021, bonuses of £500,000 relate to the performance in the financial year ended 31 March 2020; however, the decision for the award was deferred until October 2020 due to the uncertainty around the impact on the business of the COVID-19 pandemic.
- Represents the market value on vest date of any long-term incentive awards vested during the relevant financial year.
- Value of benefit associated with discount of the Sharesave scheme which vested during the relevant financial year.

## Short-term incentives

2022 PERFORMANCE AND REMUNERATION OUTCOMES  
Our remuneration framework for our Executive Directors is closely aligned with the financial performance of the Group. The Group's assets under management grew by 26.2% to reach £11.341 billion at 31 March 2022, revenue grew by 25.7% to £29.356 million and adjusted operating profit\* grew by 27.4% to £14.526 million, which represents an underlying operating margin of 49.5%. Any bonuses paid as a short-term incentive are based on predetermined financial targets set at the start of the financial year and personal performance. For further details on the financial performance of the firm, please see pages 32 and 33.

## MALUS AND CLAWBACK

The short-term cash bonuses for the Executive Directors are subject to formal malus and clawback mechanisms.

## Long-term incentives

The long-term incentive plan for Executives is designed to reward execution of strategy and growth in shareholder value over a multiple-year period. Long-term performance measurement discourages excessive risk taking and inappropriate short-term behaviours and encourages Executive Directors to take a long-term view by aligning their

interests with those of shareholders. Where possible, and to the limits applied by the legislation, the long-term incentive plan benefits from the tax advantages under an Enterprise Management Incentive ("EMI") scheme.

## SHARESAVE PLAN

The Sharesave plan is an "all-employee" save as you earn ("SAYE") share option plan which gives eligible participating employees the opportunity to acquire ordinary shares in the Company using savings of up to £500 per month or such other amount permitted under the relevant legislation governing "tax-approved" savings-related share option plans.

## TAM PLC LONG-TERM INCENTIVE PLAN

The Directors have adopted the TAM plc EMI plan which became effective on admission and which was extended in each subsequent year up to 2021. The EMI plan is a share option plan under which all eligible employees (including Executive Directors) may be granted options over shares on a tax-advantaged basis, under the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 5"). Non-qualifying options may also be granted under the EMI plan.

\*Alternative performance measures are detailed in note 23.



## Directors' Remuneration Report continued

### VESTING OF 2018 EMI SCHEME

The EMI options granted in 2018 were based on a combination of targets for adjusted earnings per share ("EPS") growth of 40% and total shareholder return ("TSR") of 25% compound annual growth over a three-year period.

The 2018 EMI scheme vested in August 2021 and the vesting outcome was 90% of the total options granted. This resulted in 1,513,760 options vesting. During the year, 1,090,770 shares were issued by the Company to satisfy options which were exercised, with the remaining 422,984 options being unexercised as at 31 March 2022.

### PERFORMANCE CONDITIONS FOR CURRENT EMI SCHEMES

Options granted under the EMI plan are only exercisable subject to the satisfaction of performance conditions which will determine the proportion of the option that will vest at the end of the three-year performance period. The performance conditions used in determining the number of options that will vest are split, with 75% of the shares vesting by reference to growth in adjusted EPS and 25% of the shares vesting based on growth in TSR over the three-year performance period.

Performance condition	Weighting	Vesting criteria
EPS	75%	13% straight-line growth results in 33% of the option subject to the EPS measure vesting
		40% straight-line growth results in 100% of the option subject to the EPS measure vesting
		If the growth rate falls between the thresholds above, the proportion of options subject to the EPS measure that vest will be determined on a straight-line basis
TSR	25%	8.25% compound annual growth rate results in 33% of the option subject to the TSR measure vesting
		For options granted in 2017 to 2020 – 25% compound annual growth rate results in 100% of the option subject to the TSR measure vesting
		For options granted in 2021 – 20% compound annual growth rate results in 100% of the option subject to the TSR measure vesting
		If the compound annual growth rate falls between the thresholds above, the proportion of options subject to the TSR measure that vest will be determined on a straight-line basis

The Committee currently believes these are fair and appropriate conditions for rewarding participants as they align their interests with those of shareholders and, being measured over a three-year period, align the reward with the Group's strategy for growth by encouraging longer-term profitable growth. When determining the adjusted EPS growth, the shares will be fully diluted and the impact of adjusted items as determined by the Board, see note 9, will be disregarded to ensure that they do not artificially impact the EPS measurement.

The option will vest in respect of growth in EPS and compound annual growth in TSR over the three-year performance periods, commencing 1 April in the year that the options have been granted.

### Directors' interests in share options

Outstanding share options granted to Executive Directors are as follows:

Executive Directors	Date of grant	Exercise price	At 31 March 2021 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	At 31 March 2022 Number
Paul Hogarth	7 July 2017	£1.89	382,070	-	(382,070)	-	-
	7 August 2018	£0.00	330,000	-	(171,008)	(33,000)	125,992
	28 July 2020	£0.00	174,758	-	-	-	174,758
	15 July 2021	£0.00	-	25,000	-	-	25,000
Lothar Mentel	7 July 2017	£1.89	849,044	-	-	-	849,044
	7 August 2018	£0.00	330,000	-	-	(33,000)	297,000
	28 July 2020	£0.00	162,274	-	-	-	162,274
	15 July 2021	£0.00	-	25,000	-	-	25,000
Paul Edwards	7 August 2018	£0.00	765,000	-	(688,500)	(76,500)	-
	28 July 2020	£0.00	141,624	-	-	-	141,624
	15 July 2021	£0.00	-	25,000	-	-	25,000
			<b>3,134,770</b>	<b>75,000</b>	<b>(1,241,578)</b>	<b>(142,500)</b>	<b>1,825,692</b>

#### MALUS AND CLAWBACK

Vested and unvested EMI plan awards are subject to a formal malus and clawback mechanism.

#### GRANT OF EQUITY SHARE OPTIONS UNDER THE EMI PLAN

At 31 March 2022, the Company had granted options to certain of its Executive Directors and senior managers to acquire (in aggregate) up to 8.25% of its share capital. The maximum entitlement of any individual was 2.3%.

#### TERMS OF AWARDS

Options may be granted over newly issued shares, treasury shares or shares purchased in the market. To satisfy exercised options, shares may be purchased in the market or new shares subscribed from the Company. At 31 March 2022, the Company held no shares in treasury (2021: nil), other than those held by the Employee Benefit Trust to satisfy options awarded under share incentive schemes.

#### UNAPPROVED SHARE SCHEME

Options issued under the long-term incentives are intended to be qualifying options for EMI purposes. If they are not qualifying options (for example, because they exceed the statutory limit at the date of grant) then they will take effect as unapproved options, which cannot benefit from the preferential tax treatments afforded to options granted pursuant to an EMI scheme.

#### EMPLOYEE BENEFIT TRUST ("EBT")

The Company's EBT was established for the benefit of the employees and former employees of the Group, and their dependants. The EBT may be used in conjunction with the EMI plan where the Remuneration Committee decides in its discretion that it is appropriate to do so. The Company may provide funds to the trustee by way of loan or gift to enable

the trustee to subscribe or purchase existing shares in the market in order to satisfy awards made under the EMI plan or the SAYE share option plan. During the year, the Company has made a gift of £0.193 million to the EBT (2021: £0.975 million).

After the utilisation of the shares held by the EBT to satisfy the exercise of employee EMI options, the EBT held a total of nil ordinary shares at 31 March 2022 (2021: 775,175) equating to nil% of the issued ordinary share capital of the Company (2021: 1.34%).

#### TOTAL SHAREHOLDER RETURN FROM ADMISSION ON AIM TO 31 MARCH 2022

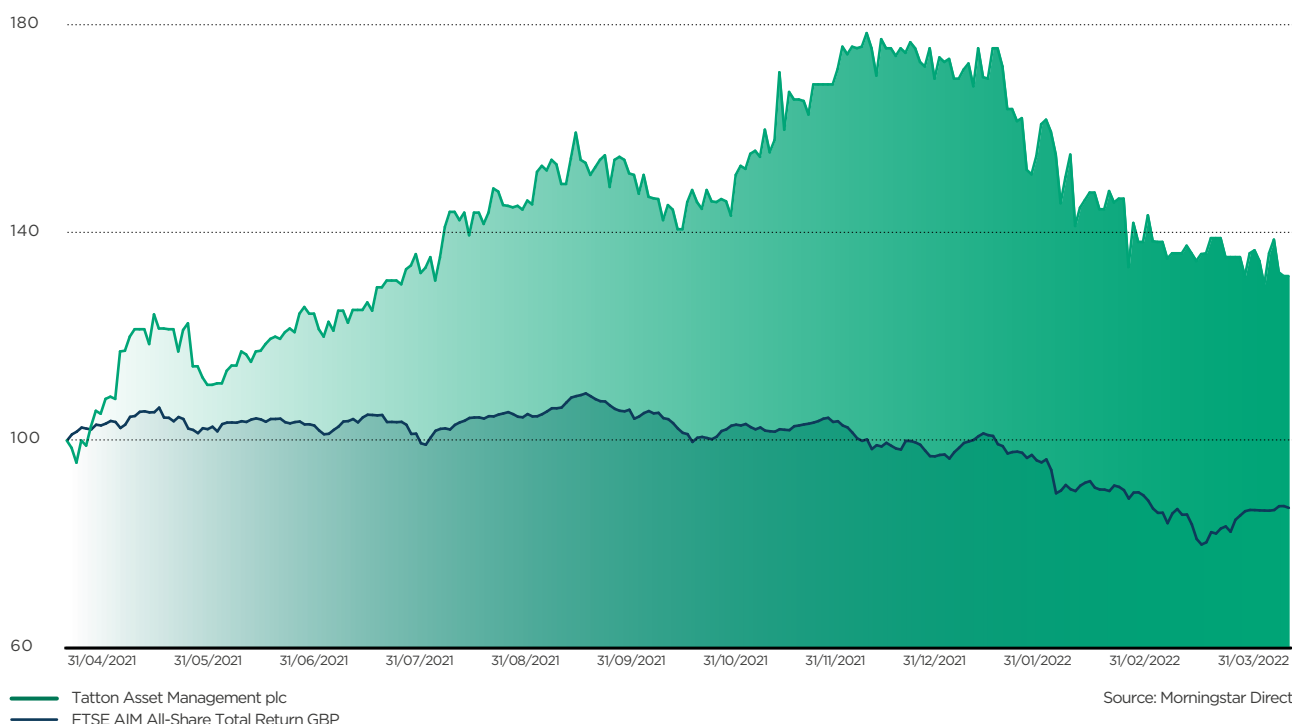
The Company's share price in the period from admission on AIM on 7 July 2017 to 31 March 2022 increased from £1.56 to £4.50 and market capitalisation grew from £87,215,720 to £265,116,992, with £22.42 million returned to shareholders by way of dividend.

The graph below shows the Company's TSR compared to the FTSE AIM All-Share Index in the 12 months to 31 March 2022. TSR is defined as share price growth plus reinvested dividends. The Directors consider the FTSE AIM All-Share Index to be the most appropriate index against which the TSR of the Company should be measured.

#### DIRECTORS' INTERESTS

The beneficial interests of the Directors and their connected persons in the ordinary share capital of the Company at 31 March 2022 were as follows:

Paul Hogarth	9,651,790	16.38%
Lothar Mentel	1,022,373	1.70%
Paul Edwards	495,224	0.84%
Christopher Poil	173,205	0.29%
Roger Cornick	32,051	0.05%



# Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements for the year ended 31 March 2022.

## Review of the business and future developments

A review of the business and future developments can be found in the Chairman's Statement and the Chief Executive's Review on pages 6 and 7 and 8 to 11 respectively.

## Principal activities

TAM plc is a holding company whose shares are listed on the AIM market of the London Stock Exchange and is domiciled and incorporated in the UK. It has three core operating subsidiaries within two core operating divisions as follows:

Subsidiary name	% owned by the Company	Principal activities of the subsidiary	Operating division
Tatton Investment Management Limited ("Tatton")	100%	Provides investment management for model portfolios and multi-manager funds	Tatton
Paradigm Partners Limited ("Paradigm Consulting" or "PPL")	100%	Provides compliance consultancy and technical support services to IFAs	Paradigm
Paradigm Mortgage Services LLP ("PMS")	100%	Provides mortgage and insurance product distribution services	Paradigm

## Results and dividends

Group profit before tax was £11.275 million (2021: £7.303 million), an increase of 54.4% due to the growth in revenue in the year. Adjusted operating profit\* was £14.526 million (2021: £11.402 million), giving an adjusted operating profit\* margin of 49.5% (2021: 48.8%).

Operating profit after the effect of share-based payments, amortisation on acquisition-related intangible assets and exceptional items is £11.630 million (2021: £7.508 million).

An interim dividend in respect of the period ended 30 September 2021 of 4.0p per share was paid to shareholders on 17 December 2021. The Directors recommend a final dividend of 8.5p per share. This has not been included within the Group financial statements as no obligation existed at 31 March 2022. If approved, the final dividend will be paid on 2 August 2022 to ordinary shareholders whose names are on the register at the close of business on 24 June 2022.

The Company operates a progressive dividend policy to grow dividends in line with the Group's adjusted earnings, with a target payout ratio in the region of 70% of annual adjusted diluted earnings per share. The policy is intended to ensure that shareholders benefit from the growth of the Group, and it aligns with the strategic objective of growing our dividend. The Board recognises the importance of dividends to shareholders and the benefit of providing sustainable shareholder returns. The target payout ratio has been adopted to provide sufficient flexibility for the Board to remunerate shareholders for their investment whilst recognising that there may at times be a requirement to retain capital within the Group. In determining the level of dividend in any year, the Directors follow the dividend policy and also consider a number of other factors that influence the proposed dividend, including:

- the level of retained distributable reserves in the Company;
- availability of cash resources;
- future cash commitments and investment plans, in line with the Company's strategic plan; and
- the impact of the decision on the Company's key stakeholders.

The Company's key stakeholders are shown on pages 42 and 43, and we have detailed how we engage with them and understand their issues and the impact of the decisions of management on them.

## Alternative performance measures

We use a number of performance measures to assist in presenting information in this statement in a way which can be easily analysed and understood. We use such measures consistently and reconcile them as appropriate, and they are used by management in evaluating performance. See notes 2.24 and 23.

## Share capital

As at 31 March 2022, there were 58,914,887 fully paid ordinary shares of 20p amounting to £11,782,977, an increase of £205,164 on the prior year due to the issue of shares upon exercise of employee share options.

Details of the issued share capital shown are in note 18 to the consolidated financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation other than: certain restrictions may be imposed from time to time by laws and regulations pursuant to the Listing Rules of the Financial Conduct Authority ("FCA"), whereby certain



Directors, Officers and employees of the Group require the approval of the Group to deal in the ordinary shares of the Company.

The Directors are not aware of any other agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

### Share options

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in notes 18 and 20 to the consolidated financial statements.

### Significant shareholders

At 5 May 2022, the Company had been notified of the following interests representing 3% or more of its issued share capital:

Name	Holding	% Holding
Paul Hogarth and connected parties	9,668,194	16.41%
Funds and accounts under management by direct and indirect investment management subsidiaries of BlackRock, Inc.	8,834,053	14.99%
Liontrust Investment Partners LLP	7,178,804	12.19%
Canaccord Genuity Wealth Limited	2,956,408	5.02%
abrdn plc	2,928,230	4.97%
Chelverton Asset Management Limited	2,575,250	4.37%
Gresham House Asset Management Limited	2,460,897	4.18%
Rathbone Investment Management Limited	2,131,596	3.62%
Aegon Asset Management Limited	2,062,796	3.50%
Legal & General Investment Management Limited	1,883,866	3.20%

### Purchase of own shares

At the 2021 AGM, shareholders authorised the Company to buy back up to 10% of its own ordinary shares by market purchase at any time prior to the conclusion of the AGM to be held in 2022. The Company did not purchase any of its own shares during the financial year, other than through the EBT (note 19). The cost of shares purchased and held by the EBT is deducted from equity.

At the forthcoming AGM, the Directors will seek to extend shareholders' approval for a further period to the conclusion of the AGM to be held in 2023, by way of special resolution, for the grant of an authority for the Company to make market purchases of up to 10% of its own shares. The Directors consider that the grant of the power for the Company to make market purchases of the Company's shares would be beneficial for the Company and, accordingly, they recommend

this special resolution to shareholders. The Directors would only exercise the authority sought if they believed such a purchase was in the interests of shareholders generally. The minimum price to be paid will be the shares' nominal value of 20p and the maximum price will be no more than 5% above the average middle market quotations for the shares on the five days before the shares are purchased.

### Take over directive

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual Directors' holdings is disclosed on this page. There are no other significant holdings of any individual.

### Board of Directors

The names of the present Directors and their biographical details are shown on pages 46 and 47. At the AGM, to be held on 27 July 2022, all Executive and Non-Executive Directors will offer themselves for re-election.

### Appointment and replacement of Directors

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association (the "Articles"), the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Articles, which can be found on the Group's website ([www.tattonassetmanagement.com](http://www.tattonassetmanagement.com)).

### Directors' interests

Directors' emoluments, interests in the shares of the Company and options to acquire shares are disclosed in the Directors' Remuneration Report on pages 54 to 57. Paul Hogarth is also the beneficial owner of Paradigm House, the Group's registered address and the trading premises of PPL.

### Conflicts of interest

There are procedures in place to deal with any Directors' conflicts of interest arising under section 175 of the Companies Act 2006.

### Directors' indemnity

All Directors and Officers of the Company have the benefit of the indemnity provision contained in the Company's Articles. The provision, which is a qualifying third party indemnity provision, was in force throughout the last financial year and is currently still in force. The Group also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors and Officers, although no cover exists in the event Directors or Officers are found to have acted fraudulently or dishonestly.

### Principal risks

A report on principal risks, risk management and internal controls is included on pages 28 to 31.

### Employees

The Group is committed to the principle of equal opportunities in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, age, race, colour, nationality, ethnic or national

origin, religion, disability, sexuality, or unrelated criminal convictions. The Group applies employment policies which are believed to be fair and equitable and which ensure that entry into, and progression within, the Group is determined solely by application of job criteria and personal ability and competency.

The Group aims to give full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity to continue their positions or be trained for other suitable positions. The Group provides a Group personal pension plan which is open to all employees. The Group operates an Enterprise Management Incentive scheme and a Group Sharesave scheme, details of which are provided in the Directors' Remuneration Report and the financial statements.

There is further information on the Group's employee engagement and how it fosters relationships with stakeholders on pages 42 to 45.

### Financial instruments

The Group's financial instruments at 31 March 2022 comprise cash and cash equivalents, receivable and payable balances that arise directly from its daily operations, £0.2 million of financial assets at fair value through profit or loss and £2.5m of financial liabilities at fair value through profit or loss. Cash flow is managed to ensure that sufficient cash is available to meet liabilities. The Group is not reliant on income generated from cash deposits. The Group has one operating subsidiary (Tatton) which is supervised in the UK by the FCA. The Group must comply with the regulatory capital requirements set by the FCA and manages its regulatory capital through continuous review of Tatton's and the Group's capital positions and requirements, which are reported to the Board monthly.

### Post balance sheet date events

On 20 April 2022, TAM plc has entered into a sale and purchase agreement to purchase 50% of the issued share capital of 8AM Global Limited. This transaction has not yet completed as it remains subject to regulatory approval. The Board will continue to monitor the impact that the ongoing war in Ukraine and the current higher inflationary environment have on the business.

### Political donations

The Group made no political donations or contributions during the year (2021: £nil).

### Annual General Meeting ("AGM")

The AGM of the Company will be held on 27 July 2022. A notice convening the meeting will be sent to shareholders on 27 June 2022.

### Auditor

Deloitte LLP was the Group's independent auditor during the year and has confirmed its willingness to continue in office. A resolution to reappoint Deloitte LLP as auditor to the Group and to authorise the Directors to set its remuneration will be proposed at the 2022 AGM.

### Statement of directors' responsibilities/disclosures to the auditor

As far as the Directors are aware, there is no relevant information of which the Group's independent auditor is unaware. The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's independent auditor is aware of that information.

### Corporate governance

A full review of corporate governance appears on pages 48 to 53.

### Related parties

Details of related party transactions are given in note 22 to the consolidated financial statements.

### Going concern

The Board has reviewed detailed papers prepared by management that consider the Group's expected future profitability, dividend policy, capital position and liquidity, both as they are expected to be and also under more stressed conditions. The Board has also reviewed the management actions that could be taken in these scenarios and its business continuity planning procedures.

The Group also maintains its high level of ongoing oversight and monitoring of third party platforms. The Board is satisfied that the business can operate successfully in these conditions. The Board is satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future:

Liquidity – The Group has a robust financial liquidity position, with £21.7 million cash at 31 March 2022 and no debt, a £10 million committed revolving credit facility which remains undrawn, with access to an accordion of £20 million and a highly efficient working capital cycle, ensuring strong operating cash conversion (106.6% of adjusted operating profit\*).

Regulatory position – Management have confirmed that the Group continues to have significant headroom over its regulatory requirements.

\* Alternative performance measures are detailed in note 23.

Having given due consideration to the risks, uncertainties and contingencies disclosed in the financial statements and accompanying reports, the Directors believe the business is well placed to manage its business risk successfully. Accordingly, the financial statements have been prepared on a going concern basis. Details of the Group's business activities, results, cash flows and resources, together with the risks it faces and other factors likely to affect its future development, performance and position are set out in the Strategic Report, see page 2 onwards.

### Basis of preparation of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the United Kingdom and Article 4 of the International Accounting Standards ("IAS") Regulation, and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, IAS 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' responsibilities statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors' Report has been approved and authorised for issue by the Board of Directors and signed on its behalf by:

**Paul Hogarth**  
Chief Executive Officer

**Paul Edwards**  
Chief Financial Officer



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATTON ASSET MANAGEMENT PLC

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of Tatton Asset Management plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of total comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the consolidated related notes 1 to 26; and
- the parent company related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

<b>Key audit matters</b>	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>– Valuation of the Verbatim funds intangible assets</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> <li>① Newly identified</li> <li>⬆ Increased level of risk</li> <li>⊖ Similar level of risk</li> <li>⬇ Decreased level of risk</li> </ul>
<b>Materiality</b>	The materiality that we used for the group financial statements was £564,000 which was determined on the basis of 5% of profit before tax.
<b>Scoping</b>	All material entities in the group are within our audit scope and audited to a lower materiality for the purpose of individual entity reporting. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.
<b>Significant changes in our approach</b>	<p>In the prior year, we identified key audit matters that have not been retained in the current year. These were in respect of</p> <ul style="list-style-type: none"> <li>– share based payments; this key audit matter has not been retained due to the basis that the earnings per share element on each of the schemes is forecast to be achieved significantly in excess of the 100% vesting criteria, therefore reducing the level of estimation uncertainty.</li> <li>– impairment of intangible assets, this key audit matter has not been retained due to the current assets under management ("AuM") of the funds being higher than the anticipated AuM as at March 2022 per the previously audited discounted cash flows model. The risk of impairment is considered unlikely due to the fact that in the prior year the headroom per the discounted cash flow represented over 30% of the carrying value.</li> </ul>

#### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the entity's process for the preparation of its assessment and any related controls;
- Evaluating management's assessment, identifying the assumptions, and testing the mechanical accuracy of the underlying forecast;
- Performing sensitivity analysis on the key assumptions applied to understand those that could give rise to a material uncertainty on the use of the going concern basis; and
- Checking consistency with the forecast assumptions applied in the going concern assessment across other forecasts within the group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions

that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 5.1. Valuation of the Verbatim funds intangible assets <sup>1</sup>

##### Key audit matter description

On 14 September 2021, the group acquired £650m of AuM in the Verbatim funds from Fintel plc. The purchase price for the transaction was £5,825,000, of which £2,825,000 was paid on completion and £3,000,000 relating to deferred contingent consideration recognised at fair value through profit or loss of £2,486,000.

The group did not acquire the legal entities which held the Verbatim funds, rather the sponsorship and promoter contracts previously held by the Verbatim legal entities were novated over to Tatton Capital Limited and Tatton Investment Management Limited, the group entities.

The Verbatim funds intangible asset contains client relationship intangible, brand and goodwill.

We have identified a key audit matter and fraud risk in relation to the valuation of the Verbatim funds intangible assets due to management internally deriving the estimates and applying significant judgement to the assumptions which drive the valuation. Therefore, there is potential for management to introduce bias into these estimates.

The accounting policies adopted by the group have been disclosed within note 2.11 to the financial statements and the treatment and fair value of consideration transferred highlighted as a critical judgement within note 2.23.

##### How the scope of our audit responded to the key audit matter

To address our valuation of the Verbatim funds intangible asset key audit matter, we have:

- Obtained an understanding of relevant key controls related to the challenge and valuation of the intangible assets identified as part of the acquisition;
- Assessed the accounting treatment of the acquisition under IFRS 3 - Business Combinations;
- Obtained and assessed management's judgement paper prepared for the valuation of the Verbatim intangibles;
- Involved our internal valuation specialists to assess whether the valuation methods are aligned with market practice and estimate the valuation of the client relationship intangible asset and brand;
- Inspected the APA (Asset Purchase Agreement) and assessed management's estimation over AuM impacting the earn out;
- Challenged management's assumptions applied in the client relationship discounted cash flow ("DCF") model (including the discount rate, future cash flows and growth rates used, discount period, inflation rate and the client relationship percentage) by both engaging our internal valuation specialists and assessing the reasonableness and accuracy of the underlying data inputs; and
- Tested management's DCF model for mechanical accuracy.

##### Key observations

As a result of the above procedures, management's judgement and estimates are reasonable and materially in line with the requirements of IFRS 3 - Business Combinations.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATTON ASSET MANAGEMENT PLC continued

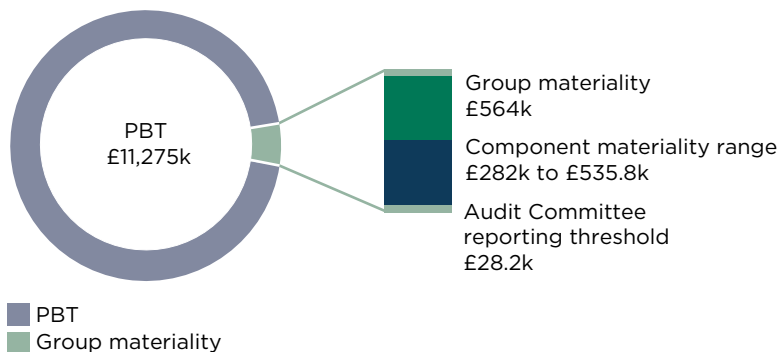
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
<b>Materiality</b>	£564,000 (2021: £365,000)	£451,200 (2021: £310,250)
<b>Basis for determining materiality</b>	5% of profit before tax (2021: 5% of profit before tax)	Parent company materiality equates to 1.5% of total assets (2021: 2% of total assets), which is capped at 80% (2021: 85%) of group materiality. The percentage of group materiality has been determined based on the contribution to the total group net assets.
<b>Rationale for the benchmark applied</b>	We have determined materiality based on profit before tax as it is a profit driven business, therefore is considered the most relevant benchmark for users of the financial statements.	The main operation of the parent company is to hold investments in the subsidiaries. We have therefore selected total assets as the benchmark for determining materiality. We have however capped materiality based on the group materiality.



### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> <li>— Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over investment wrap service income;</li> <li>— Our understanding of the entity and its environment, in particular the resilience of the group against the ongoing impact of Covid 19 pandemic and the war in Ukraine; and</li> <li>— Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.</li> </ul>	

### 6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £28,200 (2021: £15,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. At a group level, the audit team has also tested the consolidation process and adjustments.



Our group audit focused on the three (2021: three) material trading entities within the group's three (2021: three) reportable segments and the three (2021: three) material holding companies including the parent Company. We have used appropriate levels of materiality for the three material trading entities and three material holding companies that ranged from £282,000–£535,800 (2021: £15,000–£347,000).

### 7.2. Our consideration of the control environment

The key IT system relevant to the audit was the financial accounting system as this is integral to the accounting records maintained by the group. We have not relied upon any controls associated with this system as its operation involves a high degree of manual intervention.

We obtained an understanding of relevant manual controls in place for financial reporting process, valuation of the Verbatim funds intangible assets, share based payments and related parties. We tested relevant controls of investment wrap service related revenue, however, we have not taken a controls reliance approach.

### 7.3. Our consideration of climate-related risks

As a part of our audit, we have performed a qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transactions and did not identify any risks of material misstatement.

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATTON ASSET MANAGEMENT PLC continued

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of the Verbatim funds intangible assets. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included FCA regulations.

### 11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of the Verbatim funds intangible assets as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

### 14. Matters on which we are required to report by exception

#### 14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

### 15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**David Heaton (Senior statutory auditor)**  
**For and on behalf of Deloitte LLP**  
**Statutory Auditor**  
**Manchester, United Kingdom**  
**14 June 2022**



## Consolidated Statement of Total Comprehensive Income

### For the year ended 31 March 2022

	Note	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
<b>Revenue</b>		<b>29,356</b>	23,353
Administrative expenses		<b>(17,726)</b>	(15,845)
<b>Operating profit</b>		<b>11,630</b>	7,508
— Share-based payment costs	6	<b>2,399</b>	3,740
— Amortisation of acquisition-related intangibles	6	<b>266</b>	120
— Exceptional items	6	<b>231</b>	34
<b>Adjusted operating profit (before separately disclosed items)<sup>1</sup></b>		<b>14,526</b>	11,402
Finance costs	7	<b>(355)</b>	(205)
<b>Profit before tax</b>		<b>11,275</b>	7,303
Taxation charge	8	<b>(2,033)</b>	(1,192)
<b>Profit attributable to shareholders</b>		<b>9,242</b>	6,111
<b>Earnings per share - Basic</b>	9	<b>15.92p</b>	10.86p
<b>Earnings per share - Diluted</b>	9	<b>15.17p</b>	10.31p
<b>Adjusted earnings per share - Basic<sup>2</sup></b>	9	<b>19.87p</b>	16.14p
<b>Adjusted earnings per share - Diluted<sup>2</sup></b>	9	<b>18.62p</b>	14.74p

1. Adjusted for exceptional items, amortisation on acquisition-related intangibles and share-based payments. See note 23.
2. Adjusted for exceptional items, amortisation on acquisition-related intangibles and share-based payments and the tax thereon. See note 23.

All revenue, profit and earnings are in respect of continuing operations.

There were no other recognised gains or losses other than those recorded above in the current or prior year and therefore a Statement of Other Comprehensive Income has not been presented.

# Consolidated Statement of Financial Position

## As at 31 March 2022

	Note	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
<b>Non-current assets</b>			
Goodwill	11	9,337	6,254
Intangible assets	12	4,047	1,436
Property, plant and equipment	13	749	992
Deferred tax assets	16	841	1,420
<b>Total non-current assets</b>		<b>14,974</b>	<b>10,102</b>
<b>Current assets</b>			
Trade and other receivables	14	3,805	4,302
Financial assets at fair value through profit or loss	17	152	163
Corporation tax		706	48
Cash and cash equivalents		21,710	16,934
<b>Total current assets</b>		<b>26,373</b>	<b>21,447</b>
<b>Total assets</b>		<b>41,347</b>	<b>31,549</b>
<b>Current liabilities</b>			
Trade and other payables	15	(7,556)	(6,587)
<b>Total current liabilities</b>		<b>(7,556)</b>	<b>(6,587)</b>
<b>Non-current liabilities</b>			
Other payables	15	(2,747)	(516)
<b>Total non-current liabilities</b>		<b>(2,747)</b>	<b>(516)</b>
<b>Total liabilities</b>		<b>(10,303)</b>	<b>(7,103)</b>
<b>Net assets</b>		<b>31,044</b>	<b>24,446</b>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	18	11,783	11,578
Share premium account		11,632	11,534
Own shares	19	-	(1,969)
Other reserve		2,041	2,041
Merger reserve		(28,968)	(28,968)
Retained earnings		34,556	30,230
<b>Total equity</b>		<b>31,044</b>	<b>24,446</b>

The financial statements were approved by the Board of Directors on 14 June 2022 and were signed on its behalf by:

**Paul Edwards**  
Director

Company registration number: 10634323

## Consolidated Statement of Changes in Equity for the year ended 31 March 2022

	Note	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		-	-	-	-	-	6,111	6,111
Dividends	9	-	-	-	-	-	(5,551)	(5,551)
Share-based payments		-	-	-	-	-	2,954	2,954
Deferred tax on share-based payments		-	-	-	-	-	915	915
Issue of share capital on exercise of employee share options		396	2,816	-	-	-	-	3,212
Own shares acquired in the year	19	-	-	(973)	-	-	-	(973)
<b>At 31 March 2021</b>		<b>11,578</b>	<b>11,534</b>	<b>(1,969)</b>	<b>2,041</b>	<b>(28,968)</b>	<b>30,230</b>	<b>24,446</b>
Profit and total comprehensive income		-	-	-	-	-	9,242	9,242
Dividends	9	-	-	-	-	-	(6,641)	(6,641)
Share-based payments		-	-	-	-	-	2,679	2,679
Deferred tax on share-based payments		-	-	-	-	-	157	157
Current tax on share-based payments		-	-	-	-	-	1,051	1,051
Issue of share capital on exercise of employee share options		205	98	-	-	-	-	303
Own shares acquired in the year	19	-	-	(193)	-	-	-	(193)
Own shares utilised on exercise of options	19	-	-	2,162	-	-	(2,162)	-
<b>At 31 March 2022</b>		<b>11,783</b>	<b>11,632</b>	<b>-</b>	<b>2,041</b>	<b>(28,968)</b>	<b>34,556</b>	<b>31,044</b>

The other reserve and merger reserve were created on 19 June 2017 when the Group was formed, where the difference between the Company's capital and the acquired Group's capital was recognised as a component of equity being the merger reserve. Both the other reserve and the merger reserve are non-distributable.

# Consolidated Statement of Cash Flows

## for the year ended 31 March 2022

	Note	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
<b>Operating activities</b>			
Profit for the year		9,242	6,111
Adjustments:			
Income tax expense		2,033	1,192
Finance costs	7	355	205
Depreciation of property, plant and equipment	13	377	351
Amortisation of intangible assets	12	536	341
Share-based payment expense	20	1,492	3,740
Changes in:			
Trade and other receivables		309	(537)
Trade and other payables		907	(531)
Exceptional items	6	231	34
Cash generated from operations before exceptional items		15,482	10,906
<b>Cash generated from operations</b>		<b>15,251</b>	<b>10,872</b>
Income tax paid		(1,612)	(2,051)
<b>Net cash from operating activities</b>		<b>13,639</b>	<b>8,821</b>
<b>Investing activities</b>			
Payment for the acquisition of a business combination, net of cash acquired		(2,825)	(160)
Purchase of intangible assets		(211)	(282)
Purchase of property, plant and equipment		(74)	(67)
<b>Net cash used in investing activities</b>		<b>(3,110)</b>	<b>(509)</b>
<b>Financing activities</b>			
Interest paid		(144)	(36)
Transaction costs related to borrowings		-	(613)
Dividends paid	9	(6,641)	(5,551)
Proceeds from the issue of shares		111	3,212
Purchase of own shares	19	-	(973)
Proceeds from the exercise of options		1,230	-
Repayment of lease liabilities		(309)	(174)
<b>Net cash used in financing activities</b>		<b>(5,753)</b>	<b>(4,135)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,776</b>	<b>4,177</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>16,934</b>	<b>12,757</b>
<b>Net cash and cash equivalents at end of period</b>		<b>21,710</b>	<b>16,934</b>



# Notes to the Consolidated Financial Statements

## 1 General Information

Tatton Asset Management plc (the “Company”) is a public company limited by shares. The address of the registered office is Paradigm House, Brooke Court, Lower Meadow Road, Wilmslow, SK9 3ND. The registered number is 10634323.

The Group comprises the Company and its subsidiaries. The Group’s principal activities are discretionary fund management, the provision of compliance and support services to independent financial advisers (“IFAs”), the provision of mortgage adviser support services, and the marketing and promotion of multi-manager funds.

News updates, regulatory news and financial statements can be viewed and downloaded from the Group’s website, [www.tattonassetmanagement.com](http://www.tattonassetmanagement.com). Copies can also be requested from: The Company Secretary, Tatton Asset Management plc, Paradigm House, Brooke Court, Lower Meadow Road, Wilmslow, SK9 3ND.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement.

## 2 Accounting Policies

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

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the United Kingdom and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued by the International Accounting Standards Board (“IASB”) and the Companies Act 2006. The financial statements of the Company have been prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (“FRS 101”).

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

The consolidated financial statements are presented in sterling and have been rounded to the nearest thousand (£’000). The functional currency of the Company is sterling as this is the currency of the jurisdiction where all of the Group’s sales are made.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated financial statements.

### 2.2 Going concern

These financial statements have been prepared on a going concern basis. The Directors have prepared cash flow projections and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group’s forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

### 2.3 Basis of consolidation

The Group’s financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 March 2022. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 March.

All transactions between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, up to the effective date of disposal, as applicable.

## 2.4 Adoption of new and revised standards

### NEW AND AMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

There have been no revised standards and interpretations which have had a material impact on the financial statements of the Group.

### STANDARDS IN ISSUE NOT YET EFFECTIVE

The following IFRS and IFRIC interpretations have been issued but have not been applied by the Group in preparing the historical financial information, as they are not yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

#### Effective date 1 January 2023

##### IFRS 17 "Insurance Contracts"

In addition, the following standards each have amendments which will be effective for accounting periods beginning on or after 1 January 2022:

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

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

## 2.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated rebates and other similar allowances. Revenue is recognised when control is transferred and the performance obligations are considered to be met.

The Group's revenue is made up of the following principal revenue streams:

- Fees for discretionary fund management services in relation to on-platform investment assets under management ("AUM"). Revenue is recognised daily based on the AUM.
- Fees charged to IFAs for compliance consultancy services, which are recognised when performance obligations are met.
- Fees for providing investment platform services. Revenue is recognised on a daily basis, in line with the satisfaction of performance obligations, on the assets under administration held on the relevant investment platform.
- Fees for mortgage-related services including commissions from mortgage and other product providers and referral fees from strategic partners. Commission is recognised when performance obligations are met.
- Fees for marketing services provided to providers of mortgage and investment products, which is recognised when performance obligations are met.

## 2.6 Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the underlying financial performance of the Group. These include material items of income or expense that are shown separately due to the significance of their nature and amount.

## 2.7 Interest income and interest expense

Finance income is recognised as interest accrued (using the effective interest method) on funds invested outside the Group. Finance expense includes the cost of borrowing from third parties and is recognised on an effective interest rate basis, resulting from the financial liability being recognised on an amortised cost basis.

# Notes to the Consolidated Financial Statements continued

## 2 Accounting Policies continued

### 2.8 Impairment

Assets which have an indefinite useful life are not subject to amortisation and are tested for impairment at each Statement of Financial Position date. Assets subject to depreciation and amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses on previously revalued assets are recognised against the revaluation reserve as far as this reserve relates to previous revaluations of the same assets. Other impairment losses are recognised in the Statement of Total Comprehensive Income based on the amount by which the carrying value exceeds the recoverable amount. The recoverable amount is the higher of the fair value less the costs to sell and the value in use.

Impairment losses recognised in respect of cash-generating units (“CGUs”) are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

### 2.9 Goodwill and intangible assets

Goodwill is initially recognised and measured as set out in note 2.11.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group’s CGUs (or groups of CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Following initial recognition, intangible assets are held at cost less any accumulated amortisation and any provision for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Intangible assets acquired separately are measured on initial recognition at cost.

Computer software licences acquired are capitalised at the cost incurred to bring the software into use and are amortised on a straight-line basis over their estimated useful lives, which are estimated as being three years. Costs associated with developing or maintaining computer software programs that do not meet the capitalisation criteria under IAS 38 are recognised as an expense as incurred.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, the client relationship intangible assets and brand intangible assets have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over their useful lives, estimated for both asset classes at ten years.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset. The difference is then recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that an asset in use may be impaired. If any such indication exists and the carrying values exceed the estimated recoverable amount at that time, the assets are written down to their recoverable amount. The recoverable amount is measured as the greater of fair value less costs to sell and value in use. Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The Directors have reviewed the intangible assets as at 31 March 2022 and as a result of the review, it was determined that none of the assets are impaired (2021: none).

### 2.10 Property, plant and equipment

Property, plant and equipment assets are stated at cost net of accumulated depreciation and accumulated provision for impairment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Principal annual rates are as follows:

- Computer, office equipment and motor vehicles – 20-33% straight-line.
- Fixtures and fittings – 20% straight-line.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

### 2.11 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that: deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively; and assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date.



# Notes to the Consolidated Financial Statements continued

## 2 Accounting Policies continued

### 2.12 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use (“ROU”) asset and a lease liability at the inception date of the lease. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU assets are subsequently depreciated on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability. At the end of each reporting period, the ROU assets are assessed for indicators of impairment in accordance with IAS 36.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured by adjusting the carrying amount to reflect the interest charge, the lease payments made and any reassessment or lease modifications. The lease liability is remeasured if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Where the Group is an intermediate lessor in a sub-lease, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and bank balances for the purpose only of the Consolidated Statement of Cash Flows.

### 2.14 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and bank balances, loans and borrowings, and trade and other payables.

#### FINANCIAL INVESTMENTS

Financial investments are classified as fair value through profit or loss if they are either held for trading or specifically designated in this category on initial recognition. Assets in this category are initially recognised at fair value and subsequently remeasured, with gains or losses arising from changes in fair value being recognised in the Statement of Comprehensive Income.

Financial assets at fair value through profit or loss include investments in a regulated open-ended investment company and an investment portfolio, which are managed and evaluated on a fair value basis in line with the market value.

#### TRADE RECEIVABLES

Trade receivables do not carry interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are recognised when the Group's right to consideration is only conditional on the passage of time. Allowances incorporate an expectation of lifetime credit losses from initial recognition and are determined using an expected credit loss approach.

#### TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, where applicable or required. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid.

#### FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

#### INTEREST-BEARING BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.15 Taxation

#### CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

#### DEFERRED TAX

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences where it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# Notes to the Consolidated Financial Statements continued

## 2 Accounting Policies continued

### 2.15 Taxation continued

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### CURRENT AND DEFERRED TAX FOR THE YEAR

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 2.16 Retirement benefit costs

The Group pays into personal pension plans for which the amount charged to income in respect of pension costs and other post-retirement benefits is the amount of the contributions payable in the year. Payments to defined contribution retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions. Differences between contributions payable and paid are accrued or prepaid. The assets of the plans are invested and managed independently of the finances of the Group.

### 2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 2.18 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior period retained profits or losses.

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

### 2.19 Employee benefit trust

The Company provides finance to the EBT to purchase the Company's shares on the open market in order to meet its obligation to provide shares when an employee exercises awards made under the Group's share-based payment schemes. Administration costs connected with the EBT are charged to the Statement of Comprehensive Income. The cost of shares purchased and held by the EBT is deducted from equity. The assets held by the EBT are consolidated into the Group's financial statements.

### 2.20 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model or Monte Carlo model as appropriate.

### 2.21 Climate change

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

### 2.22 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.

### 2.23 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described above, management have made judgements and estimations about the future that have an effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Changes for accounting estimates would be accounted for prospectively under IAS 8.

#### GOODWILL, CLIENT RELATIONSHIP AND BRAND INTANGIBLES

##### Estimation uncertainty

Impairment of goodwill and client relationship and brand intangibles

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment testing, the recoverable amount of goodwill is determined using a discounted cash flow model, as detailed in note 11. The results of the calculation indicate that goodwill, client relationship and brand intangibles are not impaired.

#### BUSINESS COMBINATIONS

##### Critical judgement

Client relationship and brand intangibles purchased through corporate transactions

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

#### TREATMENT AND FAIR VALUE OF CONSIDERATION TRANSFERRED

##### Critical judgement and estimation uncertainty

On 14 September 2021, the group acquired the Verbatim funds business ("Verbatim") and the group accounted for the transaction as a business combination. Business combinations and acquisitions require a fair value exercise to be undertaken to allocate the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the asset and liabilities is based, to a considerable extent, on management's judgement. The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of this purchase price to the identifiable assets and liabilities, with any unallocated portion being recorded as goodwill. As described in note 21 to the financial statements, the purchase price payable for the acquisition is split into a number of different parts. The payment of certain elements has been deferred.

At 31 March 2022, there remained three elements of deferred consideration unvested and subject to ongoing vesting conditions. The value of earn-out consideration is variable, dependent on performance by the acquired business against certain operational targets at the second, third and fourth anniversaries of completion. The estimated discounted value of earn-out consideration that will be payable at these dates is £2,486,000, based on projections of the level of funds under management over that period.

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



# Notes to the Consolidated Financial Statements continued

## 2 Accounting Policies continued

### 2.23 Critical accounting judgements and key sources of estimation uncertainty continued

#### SHARE-BASED PAYMENTS

##### Estimation uncertainty

Given the significance of share-based payments as a form of employee remuneration for the Group, share-based payments have been included as a significant accounting estimate. The principal estimations relate to:

- forfeitures (where awardees leave the Group as “bad” leavers and therefore forfeit unvested awards); and
- the satisfaction of performance obligations attached to certain awards.

These estimates are reviewed regularly and the charge to the Statement of Total Comprehensive Income is adjusted accordingly (at the end of the relevant scheme as a minimum). Based on the current forecasts of the Group, the charge for the year is based on 100% of the options vesting for the element relating to non-market-based performance conditions. A decrease of 10% in the vesting assumptions would reduce the charge in the year by £129,000. In considering the level of satisfaction of performance obligations, the Group’s forecast has been reviewed and updated for the expected impact of the various market scenarios and management actions. This forecast has been used to estimate the relevant vesting assumptions for the Enterprise Management Incentive (“EMI”) schemes in place.

There are no other judgements or assumptions made about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 2.24 Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (“APMs”) which are not defined or specified under the requirements of IFRSs. The Group believes that these APMs provide users with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets. The APMs used by the Group are set out in note 23 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant. There is also further information on separately disclosed items in note 6.

## 3 Capital Management

The Group’s objectives when managing capital are (i) to safeguard the Group’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; (ii) to maintain a strong capital base and utilise it efficiently to support the development of its business; and (iii) to comply with the regulatory capital requirements set by the FCA. Capital adequacy and the use of regulatory capital are monitored by the Group’s management and Board. There is one active regulated entity in the Group: Tatton Investment Management Limited, regulated by the FCA.

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

The FCA requires the Group to hold more regulatory capital resources than the total capital resource requirement. The total capital requirement for the Group is the higher of the Group’s Own Funds Requirement, its Own Harm requirement and Wind-down requirement. The total capital requirement for the Group is £3.59 million (unaudited). As at 31 March 2022, the Group has regulatory capital resources of £7.6 million (unaudited), significantly in excess of the Group’s total capital requirement. During the period, the Group and its regulated subsidiary entities complied with all regulatory capital requirements.

## 4 Segment Reporting

Information reported to the Board of Directors as the chief operating decision maker (“CODM”) for the purposes of resource allocation and assessment of segmental performance is focused on the type of revenue. The principal types of revenue are discretionary fund management and the marketing and promotion of the funds run by the companies under Tatton Capital Limited (“Tatton”) and the provision of compliance and support services to IFAs and mortgage advisers (“Paradigm”).

The Group’s reportable segments under IFRS 8 are therefore Tatton, Paradigm, and “Central” which contains the Operating Group’s central overhead costs. During the financial year, it was decided that centrally incurred overhead costs should be allocated to the Tatton and Paradigm divisions on an appropriate pro rata basis and this is how financial information is presented to the Group’s CODM.

The principal activity of Tatton is that of discretionary fund management (“DFM”) of investments on-platform and the provision of investment wrap services.

The principal activity of Paradigm is that of provision of support services to IFAs and mortgage advisers.

For management purposes, the Group uses the same measurement policies used in its financial statements.

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

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

Year ended 31 March 2021	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
<b>Revenue</b>	18,097	5,240	16	23,353
Administrative expenses	(7,132)	(3,212)	(5,501)	(15,845)
<b>Operating profit/(loss)</b>	10,965	2,028	(5,485)	7,508
Share-based payments	-	-	3,740	3,740
Exceptional items	(184)	-	218	34
Amortisation of acquisition-related intangible assets	120	-	-	120
<b>Adjusted operating profit/(loss) (before separately disclosed items)<sup>1</sup></b>	10,901	2,028	(1,527)	11,402
Finance costs	(21)	(4)	(180)	(205)
<b>Profit/(loss) before tax</b>	10,944	2,024	(5,665)	7,303

All turnover arose in the United Kingdom.

1. Alternative performance measures are detailed in note 23.

## 5 Operating Profit

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

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Amortisation of software	270	221
Depreciation of property, plant and equipment	168	175
Depreciation of right-of-use assets	209	176
Loss/(gain) arising on financial assets designated as FVTPL	11	(35)
Separately disclosed items (note 6)	2,896	3,894
<b>Services provided by the Group’s auditor:</b>		
Audit of the statutory consolidated and Company financial statements of:		
Tatton Asset Management plc	72	69
Audit of subsidiaries	70	66
Other fees payable to auditor:		
Non-audit services	21	25

Total audit fees were £142,000 (2021: £135,000). Total non-audit fees payable to the auditor were £21,000 (2021: £25,000).

# Notes to the Consolidated Financial Statements continued

## 6 Separately Disclosed Items

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Acquisition-related expenses	231	218
(Gain)/loss arising on changes in fair value of contingent consideration	-	(184)
Total exceptional costs	231	34
Share-based payment charges	2,399	3,740
Amortisation of acquisition-related intangible assets	266	120
Total separately disclosed items	2,896	3,894

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

### Exceptional items

During the period, the Group acquired £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 £231,000 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. The Group incurred professional fees of £218,000 during the process, which 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 prior year.

### Share-based payments

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

### Amortisation of acquisition-related intangible assets

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

## 7 Finance Costs

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Bank interest income	-	1
Interest expense on lease liabilities	(23)	(25)
Interest payable in servicing of banking facilities	(332)	(181)
	(355)	(205)

## 8 Taxation

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
<b>Current tax expense</b>		
Current tax on profits for the period	2,010	1,790
Adjustment for (over)/under-provision in prior periods	(52)	13
	<b>1,958</b>	<b>1,803</b>
<b>Deferred tax expense</b>		
Current year charge/(credit)	261	(563)
Origination and reversal of temporary differences	-	7
Adjustment in respect of previous years	(30)	(55)
Effect of changes in tax rates	(156)	-
<b>Total tax expense</b>	<b>2,033</b>	<b>1,192</b>

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

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Profit before taxation	11,275	7,303
Tax at UK corporation tax rate of 19% (2021: 19%)	2,142	1,388
Expenses not deductible for tax purposes	45	63
Income not taxable	1	(34)
Adjustments in respect of previous years	(82)	(42)
Effect of changes in tax rates	(94)	-
Capital allowances in excess of depreciation	1	6
Share-based payments	20	(189)
<b>Total tax expense</b>	<b>2,033</b>	<b>1,192</b>

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 March 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (31 March 2021: 19%).

## 9 Earnings per Share and Dividends

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

### Number of shares

	31-Mar 2022	31-Mar 2021
<b>Basic</b>		
Weighted average number of shares in issue	58,424,150	56,835,807
Effect of own shares held by an EBT	(373,774)	(551,954)
	<b>58,050,376</b>	<b>56,283,853</b>
<b>Diluted</b>		
Effect of weighted average number of options outstanding for the year	2,875,504	2,966,507
Weighted average number of shares (diluted) <sup>1</sup>	<b>60,925,880</b>	<b>59,250,360</b>
<b>Adjusted diluted</b>		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	1,042,011	2,370,976
Adjusted diluted weighted average number of options and shares for the year <sup>2</sup>	<b>61,967,891</b>	<b>61,621,336</b>

- The weighted average number of shares is diluted due to the effect of potentially dilutive contingent issuable shares from share option schemes.
- The dilutive shares used for this measure differ from that used for statutory dilutive earnings per share; the future value of service costs attributable to employee share options is ignored and contingently issuable shares for long-term incentive plan options are assumed to fully vest. The Directors have selected this measure as it represents the underlying effective dilution by offsetting the impact to the calculation of basic shares of the purchase of shares by the EBT to satisfy options.



# Notes to the Consolidated Financial Statements continued

## 9 Earnings per Share and Dividends continued

### Number of shares continued

Own shares held by an EBT represents the Company's own shares purchased and held by the Employee Benefit Trust ("EBT"), shown at cost. In the year ended 31 March 2022, the EBT purchased 966,546 (2021: 361,746) of the Company's own shares. The shares held by the EBT were fully used during the year to satisfy the exercise of employee share options.

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	<b>9,242</b>	6,111
Share-based payments - IFRS 2 option charges	<b>2,399</b>	3,740
Amortisation of acquisition-related intangible assets	<b>266</b>	120
Exceptional costs - see note 6	<b>231</b>	34
Tax impact of adjustments	<b>(602)</b>	(923)
Adjusted basic and diluted profits for the period and attributable earnings	<b>11,536</b>	9,082
Earnings per share (pence) - Basic	<b>15.92</b>	10.86
Earnings per share (pence) - Diluted	<b>15.17</b>	10.31
Adjusted earnings per share (pence) - Basic	<b>19.87</b>	16.14
Adjusted earnings per share (pence) - Diluted	<b>18.62</b>	14.74

### Dividends

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

During the year, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2021 of £4,284,000, representing a payment of 7.5p per share. In addition, the Company paid an interim dividend of £2,357,000 (2021: £1,999,000) to its equity shareholders. This represents a payment of 4.0p per share (2021: 3.5p per share).

The Company's dividend policy is described in the Directors' Report on page 58 of the 2022 Annual Report. At 31 March 2022, the Company's distributable reserves were £32.8 million (2021: £28.6 million).

## 10 Staff Costs

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

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Wages, salaries and bonuses	<b>5,676</b>	4,971
Social security costs	<b>671</b>	619
Pension costs	<b>250</b>	200
Termination benefits	<b>-</b>	54
Share-based payments	<b>956</b>	1,257
	<b>7,553</b>	7,101

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

	31-Mar 2022	31-Mar 2021
Administration	<b>86</b>	82
Key management	<b>3</b>	3
	<b>89</b>	85

### Key management compensation

The remuneration of the statutory Directors who are the key management of the Group is set out below in aggregate for each of the key categories specified in IAS 24 "Related Party Disclosures".

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Short-term employee benefits	1,758	1,730
Post-employment benefits	4	5
Other long-term benefits	-	4
Share-based payments	1,460	2,483
	<b>3,222</b>	<b>4,222</b>

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

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Total fees	<b>270</b>	<b>160</b>

The Group incurred social security costs of £277,000 (2021: £235,000) on the remuneration of the Directors and Non-Executive Directors.

The remuneration of the highest paid Director was:

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Total	<b>644</b>	<b>794</b>

The highest paid Director exercised 553,078 (2021: nil) share options in the period. There were 25,000 (2021: 174,758) share options granted to the highest paid Director in the year.

### 11 Goodwill

	Goodwill (£'000)
Cost and carrying value at 31 March 2021	6,254
Recognised as part of a business combination	3,083
Cost and carrying value at 31 March 2022	9,337

The carrying value of goodwill includes £9.0 million allocated to the Tatton operating segment and CGU. This is made up of £2.5 million arising from the acquisition in 2014 of an interest in Tatton Oak Limited by Tatton Capital Limited consisting of the future synergies and forecast profits of the Tatton Oak business, £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited, £1.4 million of goodwill generated on the acquisition of Sinfonia and £3.1m of goodwill generated on the acquisition of the Verbatim funds. The carrying value of goodwill also includes £0.4 million allocated to the Paradigm operating segment and CGU relating to the acquisition of Paradigm Mortgage Services LLP.

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.

# Notes to the Consolidated Financial Statements continued

## 11 Goodwill continued

### Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Group's operating companies which represent the lowest level within the Group at which the goodwill is monitored for internal management accounts purposes.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of units that are expected to benefit from that business combination. The Directors test goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The Directors have reviewed the carrying value of goodwill at 31 March 2022 and do not consider it to be impaired.

### Growth rates

The value in use is calculated from cash flow projections based on the Group's forecasts for the year ending 31 March 2023, which are extrapolated for a further four years. The Group's latest financial forecasts, which cover a three-year period, are reviewed by the Board. A terminal growth rate has been applied to year five cash flows.

### Discount rates

The pre-tax discount rate used to calculate value is 11.5% (2021: 10.8%). The discount rate is derived from a benchmark calculated from a number of comparable businesses.

### Cash flow assumptions

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

The headroom compared to the carrying value of goodwill as at 31 March 2022 is £380 million (2021: £245 million). From the assessment performed, there are no reasonable sensitivities that result in the recoverable amount being equal to the carrying value of the goodwill attributed to the CGU.

## 12 Intangible Assets

	Computer software (£'000)	Client relationships (£'000)	Brand (£'000)	Total (£'000)
<b>Cost</b>				
Balance at 31 March 2020	537	1,196	-	1,733
Additions	282	-	-	282
Balance at 31 March 2021	819	1,196	-	2,015
Additions	211	-	-	211
Acquired as part of a business combination	-	2,838	98	2,936
Disposals	(24)	-	-	(24)
<b>Balance at 31 March 2022</b>	<b>1,006</b>	<b>4,034</b>	<b>98</b>	<b>5,138</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 31 March 2020	(178)	(60)	-	(238)
Charge for the period	(221)	(120)	-	(341)
Balance at 31 March 2021	(399)	(180)	-	(579)
Charge for the period	(270)	(261)	(5)	(536)
Disposals	24	-	-	24
<b>Balance at 31 March 2022</b>	<b>(645)</b>	<b>(441)</b>	<b>(5)</b>	<b>(1,091)</b>
<b>Net book value</b>				
As at 31 March 2020	359	1,136	-	1,495
As at 31 March 2021	420	1,016	-	1,436
<b>As at 31 March 2022</b>	<b>361</b>	<b>3,593</b>	<b>93</b>	<b>4,047</b>

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

### 13 Property, Plant and Equipment

	Computer, office equipment and motor vehicles (£'000)	Fixtures and fittings (£'000)	Right-of-use assets - buildings and motor vehicles (£'000)	Total (£'000)
<b>Cost</b>				
Balance at 31 March 2020	588	691	689	1,968
Additions	67	-	242	309
Disposals	(223)	(214)	-	(437)
Balance at 31 March 2021	432	477	931	1,840
Additions	74	-	60	134
Disposals	(161)	-	-	(161)
<b>Balance at 31 March 2022</b>	<b>345</b>	<b>477</b>	<b>991</b>	<b>1,813</b>
<b>Accumulated depreciation and impairment</b>				
Balance at 31 March 2020	(470)	(326)	(138)	(934)
Charge for the period	(80)	(95)	(176)	(351)
Disposals	223	214	-	437
Balance at 31 March 2021	(327)	(207)	(314)	(848)
Charge for the period	(73)	(95)	(209)	(377)
Disposals	161	-	-	161
<b>Balance at 31 March 2022</b>	<b>(239)</b>	<b>(302)</b>	<b>(523)</b>	<b>(1,064)</b>
<b>Net book value</b>				
As at 31 March 2020	118	365	551	1,034
As at 31 March 2021	105	270	617	992
<b>As at 31 March 2022</b>	<b>106</b>	<b>175</b>	<b>468</b>	<b>749</b>

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

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

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

#### Right-of-use assets

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Amounts recognised in profit and loss		
Depreciation on right-of-use assets	(209)	(176)
Interest expense on lease liabilities	(23)	(25)
Expense relating to short-term leases	(30)	(44)
Expense relating to low value assets	-	(1)
	<b>(262)</b>	<b>(246)</b>

At 31 March 2022, the Group is committed to £62,000 for short-term leases (2021: £nil).

The total cash outflow for leases amounts to £339,000 (2021: £220,000).



## Notes to the Consolidated Financial Statements continued

## 14 Trade and Other Receivables

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Trade receivables	329	172
Amounts due from related parties	-	29
Prepayments and accrued income	3,442	3,060
Other receivables	34	1,041
	<b>3,805</b>	<b>4,302</b>

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 (2021: £nil).

The amounts due from related parties are net of provisions. At 31 March 2022, the Group holds provisions with a carrying value of £1,311,000 (2021: £1,311,000) against the recoverability of amounts due from Jargonfree Benefits LLP.

Trade receivable amounts are all held in sterling.

## 15 Trade and Other Payables

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Trade payables	855	294
Amounts due to related parties	235	236
Accruals	3,468	3,330
Deferred income	98	132
Contingent consideration	2,486	-
Other payables	3,161	3,111
	<b>10,303</b>	<b>7,103</b>
Less non-current portion:		
Contingent consideration	(2,486)	-
Other payables	(261)	(516)
Total non-current trade and other payables	<b>(2,747)</b>	<b>(516)</b>
Total current trade and other payables	<b>7,556</b>	<b>6,587</b>

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.

## 16 Deferred Taxation

	Deferred capital allowances (£'000)	Share-based payments (£'000)	Acquisition intangibles (£'000)	Total (£'000)
(Liability)/asset at 31 March 2020	(126)	236	(216)	(106)
Income statement credit	25	563	23	611
Equity credit	-	915	-	915
<b>Asset/(liability) at 31 March 2021</b>	<b>(101)</b>	<b>1,714</b>	<b>(193)</b>	<b>1,420</b>
Recognition as part of a business combination	-	-	(708)	(708)
Income statement (charge)/credit	38	(70)	5	(27)
Equity credit	-	156	-	156
<b>Asset/(liability) at 31 March 2022</b>	<b>(63)</b>	<b>1,800</b>	<b>(896)</b>	<b>841</b>

## 17 Financial Instruments

The Group's treasury activities are designed to provide suitable, flexible funding arrangements to satisfy the Group's requirements. The Group uses financial instruments comprising borrowings, cash and items such as trade receivables and payables that arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risks, credit risks and liquidity risks. The Board reviews policies for managing each of these risks and they are summarised below.

The Group finances its operations through a combination of cash resource and other borrowings.

### Fair value estimation

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

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

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

### Financial assets at fair value through profit or loss (level 1)

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Financial investments in regulated funds or model portfolios	152	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)

	£'000
Contingent consideration	-
Balance at 1 April 2021	-
Recognition of contingent consideration as part of a business combination	2,486
<b>Balance at 31 March 2022</b>	<b>2,486</b>

### Interest rate risk

The Group finances its operations through a combination of retained profits and a bank facility which currently remains undrawn. The Group would have an exposure to interest rate risk should this facility be drawn as it has a floating rate above the base rate. The Group's cash and cash equivalents balance of £21,710,000 was its only financial instrument subject to variable interest rate risk. The impact of a 0.1% increase or decrease in interest rate on the post-tax profit is not material to the Group. At 31 March 2022, total borrowings were £nil (2021: £nil).

### Credit risk

Credit risk is the risk that a counterparty will cause a financial loss to the Group by failing to discharge its obligation to the Group. The financial instruments are considered to have a low credit risk due to the mitigating procedures in place. The Group manages its exposure to this risk by applying Board-approved limits to the amount of credit exposure to any one counterparty, and employs strict minimum creditworthiness criteria as to the choice of counterparty, thereby ensuring that there are no significant concentrations. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

## Notes to the Consolidated Financial Statements continued

**17 Financial Instruments continued**

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 March, as summarised below:

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Classes of financial assets – carrying amounts:		
Cash and cash equivalents	21,710	16,934
Trade and other receivables	3,016	3,808
	<b>24,726</b>	20,742

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with credit worthy counterparties.

The Group's management consider that all of the above financial assets that are not impaired or past due for each of the 31 March reporting dates under review are of good credit quality.

At 31 March, the Group had certain trade receivables that had not been settled by the contractual date but were not considered to be impaired. The amounts at 31 March, analysed by the length of time past due, are:

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Not more than 3 months	267	147
More than 3 months but not more than 6 months	5	16
More than 6 months but not more than 1 year	27	5
More than 1 year	5	4
<b>Total</b>	<b>304</b>	172

Trade receivables consist of a large number of customers within the UK. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good. The Group has rebutted the presumption in paragraph 5.5.11 of IFRS 9 that credit risk increases significantly when contractual payments are more than 30 days past due.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**Liquidity risk**

Liquidity risk is the risk that companies within the Group will encounter difficulty in meeting obligations associated with financial liabilities. To counter this risk, the Group operates with a high level of interest cover relative to its net asset value and no debt. In addition, it benefits from strong cash flow from its normal trading activities. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day to day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below.

The totals for each category of financial instruments, measured in accordance with IFRS 9 and IFRS 7 as detailed in the accounting policies to this historical financial information, are as follows:

At 31 March 2022, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

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

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

At 31 March 2021	Current		Non-current	
	Within 6 months (£'000)	6 to 12 months (£'000)	1 to 5 years (£'000)	Later than 5 years (£'000)
Trade and other payables	6,228	-	-	-
Lease liabilities	113	114	516	-
<b>Total</b>	<b>6,341</b>	<b>114</b>	<b>516</b>	<b>-</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

#### Market risk

The Group has made investments in its own managed funds and portfolios and the value of these investments is subject to equity market risk, being the risk that changes in equity prices will affect the Group's income or the value of its holdings of financial instruments. If equity prices had been 5% higher/lower, the impact on the Group's Statement of Comprehensive Income would be £8,000 higher/lower due to changes in the fair value of financial assets at fair value through profit or loss.

#### 18 Equity

	Number
<b>Authorised, called-up and fully paid £0.20 ordinary shares</b>	
At 1 April 2021	57,889,065
Issue of share capital on exercise of employee share options	1,025,822
<b>At 31 March 2022</b>	<b>58,914,887</b>

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

#### 19 Own Shares

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 April 2021	775,157	1,969
Acquired in the year	966,546	193
Utilised on exercise of employee share options	(1,741,703)	(2,162)
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>

Own shares represent the cost of the Company's own shares, either purchased in the market or issued by the Company, that are held by an EBT to satisfy future awards under the Group's share-based payment schemes (note 20). Following the exercise of employee share options during the year, there are no shares held in the EBT at 31 March 2022 (2021: 775,157).

#### 20 Share-Based Payments

During the year, a number of share-based payment schemes and share options schemes have been utilised by the Company, described under 20.1 Current schemes, below.

##### 20.1 Current schemes

###### (I) TATTON ASSET MANAGEMENT PLC EMI SCHEME ("TAM EMI SCHEME")

On 7 July 2017, the Group launched an EMI share option scheme relating to shares in Tatton Asset Management plc to enable senior management to participate in the equity of the Company. 3,022,733 options with a weighted average exercise price of £1.89 were granted, exercisable in July 2020. There have been 650,933 options exercised during the period from this scheme.

The scheme was extended on 8 August 2018 with 1,720,138 zero cost options granted. This scheme vested in August 2021 and 1,090,770 options were exercised in the period. The scheme was extended again on 1 August 2019, 28 July 2020 and 15 July 2021 with 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 vest in August 2022, July 2023 or July 2024 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 2,726,026 options remains outstanding at 31 March 2022, 1,294,668 of which are currently exercisable. 30,000 options were forfeited in the period (2021: none).



## Notes to the Consolidated Financial Statements continued

### 20 Share-Based Payments continued

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

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2020	4,755,737	1.15
Granted during the period	1,000,000	-
Exercised during the period	(673,568)	1.70
Lapsed during the period	(696,099)	1.83
Outstanding at 31 March 2021	4,386,070	0.66
Exercisable at 31 March 2021	1,522,617	1.89
Outstanding at 1 April 2021	4,386,070	0.66
Granted during the period	279,858	-
Exercised during the period	(1,741,703)	0.71
Forfeited during the period	(30,000)	-
Lapsed during the period	(168,199)	-
<b>Outstanding at 31 March 2022</b>	<b>2,726,026</b>	<b>0.60</b>
<b>Exercisable at 31 March 2022</b>	<b>1,294,668</b>	<b>1.27</b>

#### (II) TATTON ASSET MANAGEMENT PLC SHARESAVE SCHEME ("TAM SHARESAVE 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.

Over the life of the 2019 TAM Sharesave scheme, it is estimated that, based on current savings rates, 73,609 share options will be exercisable at an exercise price of £1.79. Over the life of 2020 TAM Sharesave scheme, it is estimated that, based on current savings rates, 115,797 share options will be exercisable at an exercise price of £2.29. Over the life of 2021 TAM Sharesave scheme, it is estimated that, based on current savings rates, 46,380 share options will be exercisable at an exercise price of £3.60. During the period, 59,276 options have been exercised and 5,924 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 20.2 and 20.3 below respectively.

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2020	223,728	1.73
Granted during the period	70,894	2.08
Exercised during the period	(189,833)	1.70
Forfeited during the period	(2,940)	2.01
Outstanding at 31 March 2021	101,849	1.81
Exercisable at 31 March 2021	10,588	1.70
Outstanding at 1 April 2021	101,849	1.81
Granted during the period	77,868	2.28
Forfeited during the period	(5,924)	2.22
Exercised during the period	(59,276)	1.86
<b>Outstanding at 31 March 2022</b>	<b>114,517</b>	<b>2.14</b>
<b>Exercisable at 31 March 2022</b>	<b>-</b>	<b>-</b>

## 20.2 Valuation assumptions

Assumptions used in the option valuation models to determine the fair value of options at the date of grant were as follows:

	EMI scheme				Sharesave scheme			
	2021	2020	2019	2018	2021	2020	2019	2018
Share price at grant (£)	<b>4.60</b>	2.84	2.12	2.40	<b>4.80</b>	2.85	2.14	2.34
Exercise price (£)	-	-	-	-	<b>3.60</b>	2.29	1.79	1.90
Expected volatility (%)	<b>33.76</b>	34.80	30.44	28.48	<b>33.76</b>	34.80	30.44	28.48
Expected life (years)	<b>3.00</b>	3.00	3.00	3.00	<b>3.00</b>	3.00	3.00	3.00
Risk free rate (%)	<b>0.24</b>	(0.06)	0.35	0.81	<b>0.12</b>	(0.06)	0.35	0.81
Expected dividend yield (%)	<b>2.39</b>	3.38	3.96	2.75	<b>2.39</b>	3.38	3.96	2.75

## 20.3 IFRS 2 share-based option costs

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
TAM EMI scheme	<b>2,347</b>	3,716
TAM Sharesave scheme	<b>52</b>	24
	<b>2,399</b>	3,740

The Consolidated Statement of Cash Flows shows an adjustment to Net cash from operating activities relating to share based payments of £1,492,000. This is a charge in the year of £2,399,000 adjusted for cash paid relating to national insurance contributions on the exercise of share options of £907,000.

## 21 Business combination

On 14 September 2021, the Group acquired the Verbatim funds and the acquisition has been treated as a business combination. The Verbatim funds include six multi-asset and four multi-index funds, along with model portfolios, and at acquisition included £650 million of AUM. The Verbatim funds were acquired in order to complement Tatton's existing fund range and give IFAs' clients further access to a range of investments balanced to reflect a particular risk profile.

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

	£'000
Identifiable intangible assets	2,936
Deferred tax liability	(708)
Total identifiable assets	2,228
Goodwill	3,083
<b>Total consideration</b>	<b>5,311</b>
Satisfied by:	
Cash	2,825
Contingent consideration arrangement	2,486
<b>Total consideration transferred</b>	<b>5,311</b>
<b>Net cash outflow arising on acquisition</b>	<b>2,825</b>

There were no financial assets or financial liabilities acquired with the business.

The fair value of Verbatim's client relationship intangible assets and brand have been measured using a multi-period excess earnings method or relief from royalty valuation methodology, as appropriate for each asset. The model uses estimates of client longevity and the level of activity driving commission income to derive a forecast series of cash flows, which are discounted to a present value to determine the fair value of the client relationships and brand acquired. The useful economic life of the client relationships and the brand has been determined to be ten years.

The goodwill of £3,083,000 arising from the acquisition consists of future synergies and future income expected to be generated from the funds. None of the goodwill is expected to be deductible for income tax purposes.

## Notes to the Consolidated Financial Statements continued

### 21 Business combination continued

The contingent consideration arrangement requires the value of assets held in the funds to meet specific criteria agreed between the parties. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and £3,000,000.

The fair value of the contingent consideration arrangement of £2,486,000 was estimated by calculating the expected future value of assets held in the Verbatim funds and discounted to net present value. The liability of £2,486,000 has been recognised in Other payables in the Consolidated Statement of Financial Position.

Acquisition-related costs (included in administrative expenses and separately disclosed in the Consolidated Statement of Total Comprehensive Income) amount to £231,000.

Verbatim contributed £1,158,000 to revenue and £927,000 to the Group's profit for the period between the date of acquisition and the reporting date.

### 22 Related Party Transactions

#### Ultimate controlling party

The Directors consider there to be no ultimate controlling party.

#### Relationships

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

Entity	Nature of transactions
Paradigm Investment Management LLP	The Group incurs finance charges.
Suffolk Life Pensions Limited	The Group pays lease rental payments on an office building held in a pension fund by Paul Hogarth.

#### Related party balances

Terms and conditions	2022		2021		
	Value of income/(cost) (£'000)	Balance receivable/(payable) (£'000)	Value of income/(cost) (£'000)	Balance receivable/(payable) (£'000)	
Paradigm Investment Management LLP	Repayment on demand	-	(235)	(2)	(235)
Suffolk Life Pensions Limited	Payable in advance	(60)	-	(76)	(1)
Hermitage Holdings (Wilmslow) Limited	Repayment on demand	(13)	-	(18)	-

Balances with related parties are non-interest bearing.

#### Key management personnel remuneration

Key management includes Executive and Non-Executive Directors. The compensation paid or payable to key management personnel is as disclosed in note 10.

### 23 Alternative Performance Measures (“APMs”)

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Adjusted operating profit before separately disclosed items	Operating profit	Exceptional items, share-based payments and amortisation of acquisition-related intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24.
Adjusted profit before tax before separately disclosed items	Profit before tax	Exceptional items, share-based payments and amortisation of acquisition-related intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24.
Adjusted earnings per share – Basic	Earnings per share – Basic	Exceptional items, share-based payments and amortisation of acquisition-related intangibles and the tax thereon. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24.
Adjusted earnings per share – Diluted	Earnings per share – Diluted	Exceptional items, share-based payments and amortisation of acquisition-related intangibles and the tax thereon. The dilutive shares for this measure assume that all contingently issuable shares will fully vest. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24.
Net cash generated from operations before separately disclosed items	Net cash generated from operations	Exceptional items, share-based payments and amortisation of acquisition-related intangibles. See note 6.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.24.



## Notes to the Consolidated Financial Statements 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.
Dividend yield	None	Not applicable	Dividend yield represents the percentage of the Company’s share price at the financial year end paid out as dividends for the relevant financial year.
CAGR in AUM and CAGR in Tatton firm numbers	None	Not applicable	The Cumulative Annual Growth Rate in AUM and Tatton firm numbers since the Group listed on the AIM Stock exchange in July 2017.
Average annual net inflows	None	Not applicable	The average annual net inflows since the Group listed on the AIM stock exchange in July 2017.

**24 Post Balance Sheet Events**

On 20 April 2022, TAM plc has entered into a sale and purchase agreement to purchase 50% of the issued share capital of 8AM Global Limited. This transaction has not yet completed as it remains subject to regulatory approval.

**25 Capital Commitments**

At 31 March 2022, the Directors confirmed there were no capital commitments (2021: none) for capital improvements.

**26 Contingent Liabilities**

At 31 March 2022, the Directors confirmed there were no contingent liabilities (2021: none).

# Company Statement of Financial Position

## as at 31 March 2022

	Note	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
<b>Non-current assets</b>			
Investments in subsidiaries	5	77,216	77,216
Property, plant and equipment		11	13
<b>Total non-current assets</b>		<b>77,227</b>	<b>77,229</b>
<b>Current assets</b>			
Trade and other receivables	11	12,214	9,397
Cash and cash equivalents	12	10,204	8,182
<b>Total current assets</b>		<b>22,418</b>	<b>17,579</b>
<b>Total assets</b>		<b>99,645</b>	<b>94,808</b>
<b>Current liabilities</b>			
Trade and other payables	13	(2,461)	(1,791)
<b>Total current liabilities</b>		<b>(2,461)</b>	<b>(1,791)</b>
<b>Non-current liabilities</b>			
Deferred tax liability	15	(2)	-
<b>Total non-current liabilities</b>		<b>(2)</b>	<b>-</b>
<b>Total liabilities</b>		<b>(2,463)</b>	<b>(1,791)</b>
<b>Net assets</b>		<b>97,182</b>	<b>93,017</b>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	11,783	11,578
Share premium account		11,632	11,534
Own shares	10	-	(1,969)
Merger reserve		67,316	67,316
Retained earnings		6,451	4,558
<b>Total equity</b>		<b>97,182</b>	<b>93,017</b>

The Company generated a profit of £8,017,000 during the financial year (2021: profit of £1,017,000).

The financial statements were approved by the Board of Directors on 14 June 2022 and were signed on its behalf by:

**Paul Edwards**  
Director

Company registration number: 10634323

## Company Statement of Changes in Equity

### For the year ended 31 March 2022

	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2020	11,182	8,718	(996)	67,316	6,225	92,445
Profit and total comprehensive income	-	-	-	-	1,017	1,017
Dividends	-	-	-	-	(5,551)	(5,551)
Share-based payments	-	-	-	-	2,953	2,953
Deferred tax on share-based payments	-	-	-	-	(86)	(86)
Issue of share capital on exercise of employee share options	396	2,816	-	-	-	3,212
Own shares acquired in the year	-	-	(973)	-	-	(973)
At 31 March 2021	11,578	11,534	(1,969)	67,316	4,558	93,017
Profit and total comprehensive income	-	-	-	-	8,017	8,017
Dividends	-	-	-	-	(6,641)	(6,641)
Share-based payments	-	-	-	-	2,679	2,679
Deferred tax on share-based payments	-	-	-	-	-	-
Issue of share capital on exercise of employee share options	205	98	-	-	-	303
Own shares acquired in the year	-	-	(193)	-	-	(193)
Own shares utilised on exercise of options	-	-	2,162	-	(2,162)	-
<b>At 31 March 2022</b>	<b>11,783</b>	<b>11,632</b>	<b>-</b>	<b>67,316</b>	<b>6,451</b>	<b>97,182</b>

The merger reserve was created on 19 June 2017 when the Group was formed, where the difference between the Company's capital and the acquired Group's capital has been recognised as a component of equity being the merger reserve. The merger reserve is non-distributable.

## 1 Authorisation of Financial Statements and Statement of Compliance with FRS 101

The financial statements of Tatton Asset Management plc for the year ended 31 March 2022 were authorised for issue by the Board of Directors on 14 June 2022. Tatton Asset Management plc is incorporated and domiciled in England and Wales.

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

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

## 2 Accounting Policies

### 2.1 Accounting policies

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2022.

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

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

### 2.2 Investments

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

### 2.3 Financial instruments

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

### 2.4 Trade and other receivables

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

### 2.5 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, where applicable or required. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid.

### 2.6 Cash and cash equivalents

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

### 2.7 Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model or Monte Carlo model as appropriate.



# Notes to the Company Financial Statements continued

## 2 Accounting Policies continued

### 2.8 Interest income and interest expense

Finance income is recognised as interest accrued (using the effective interest method) on funds invested outside the Company. Finance expense includes the cost of borrowing from third parties and is recognised on an effective interest rate basis, resulting from the financial liability being recognised on an amortised cost basis.

### 2.9 Taxation

#### CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Total Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

#### DEFERRED TAX

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences where it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Total Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### CURRENT AND DEFERRED TAX FOR THE YEAR

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### 2.10 Dividends

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

### 2.11 Retirement benefit costs

The Company pays into a personal pension plan for which the amount charged to income in respect of pension costs and other post-retirement benefits is the amount of the contributions payable in the year. Payments to the defined contribution retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions. Differences between contributions payable and paid are accrued or prepaid. The assets of the plans are invested and managed independently of the finances of the Company.

### 3 Operating Profit

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

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Share-based payment charges (note 9)	2,399	3,740

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

### 4 Services Provided by the Company's Auditor

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

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Audit of the statutory financial statements of TAM plc	72	69
<b>Services provided by the Company's auditor:</b>		
Non-audit services	13	18

### 5 Investments

	£'000
Cost and net book value at 1 April 2020, 31 March 2021 and 31 March 2022	77,216

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

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

\* Indicates that this subsidiary is entitled to exemption from audit under section 479A of the Companies Act 2006 for the year ending 31 March 2022.

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

### 6 Directors and Employees

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

	31-Mar 2022 Number	31-Mar 2021 Number
Administration	13	11

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Wages, salaries and bonuses	1,708	1,521
Social security costs	228	188
Pension costs	19	10
Share-based payment charges	2,399	3,740
	4,354	5,459

# Notes to the Company Financial Statements continued

## 6 Directors and Employees continued

The remuneration of the highest paid Director was:

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Total	644	794

## 7 Ultimate Controlling Party

The Directors consider that there is no ultimate controlling party.

## 8 Dividend Paid and Proposed

During the year, 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 addition, the Company paid an interim dividend of £2,357,000 (2021: £1,999,000) to its equity shareholders. This represents a payment of 4.0p per share (2021: 3.5p per share).

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2022 of 8.5p (2021: 7.5p) per share which will absorb an estimated £5.0 million (2021: £4.3 million) of shareholders' funds. It will be paid on 2 August 2022 to shareholders who are on the register of members on 24 June 2022.

## 9 Share-based Payments

Details of share-based payments are shown in note 20 to the consolidated financial statements.

## 10 Own Shares

Details of own shares are shown in note 19 to the consolidated financial statements.

## 11 Trade and Other Receivables

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Amounts due from related parties	11,420	8,821
Prepayments and accrued income	690	553
Other debtors	104	23
	12,214	9,397

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

Trade receivable amounts are all held in sterling.

## 12 Cash and Cash Equivalents

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Cash at bank	10,204	8,182

### 13 Trade and Other Payables

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Trade payables	505	55
Amounts due to related parties	122	110
Accruals	1,834	1,626
	<b>2,461</b>	<b>1,791</b>

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.

### 14 Equity

	Number
<b>Authorised, called-up and fully paid £0.20 ordinary shares</b>	
At 1 April 2021	57,889,065
Issue of share capital on exercise of employee share options	1,025,822
<b>At 31 March 2022</b>	<b>58,914,887</b>

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

### 15 Deferred Taxation

	Deferred capital allowances (£'000)	Share-based payments (£'000)	Total (£'000)
Asset at 31 March 2020	-	235	235
Income statement charge	-	(149)	(149)
Equity charge	-	(86)	(86)
Asset at 31 March 2021	-	-	-
Income statement charge	(2)	-	(2)
<b>Liability at 31 March 2022</b>	<b>(2)</b>	<b>-</b>	<b>(2)</b>

### 16 Contingent Liabilities

At 31 March 2022, the Directors confirmed there were no contingent liabilities (2021: none).

### 17 Capital Commitments

At 31 March 2022, the Directors confirmed there were no capital commitments (2021: none) for capital improvements.

### 18 Operating Lease Commitments

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

	31-Mar 2022 (£'000)	31-Mar 2021 (£'000)
Not later than one year	60	60
Later than one year not later than five years	101	161
Later than five years	-	-
	<b>161</b>	<b>221</b>



## Notes to the Company Financial Statements continued

### 21 Related Party Transactions

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

#### 21.1 Transactions with key management personnel

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

### 22 Events After the Reporting Period

On 20 April 2022, TAM plc has entered into a sale and purchase agreement to purchase 50% of the issued share capital of 8AM Global Limited. This transaction has not yet completed as it remains subject to regulatory approval.