Focusing on growth

Tatton
ASSET MANAGEMENT PLC

Annual Report
and Accounts 2019

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HIGHLIGHTS

GROUP REVENUE (£M)
£17.5m
+12.9%

ADJUSTED OPERATING PROFIT*(£M)
£7.3m
+12.3%

ADJUSTED EPS* (P)
10.0p
+9.9%

PROPOSED FINAL DIVIDEND (P)
5.6p
+27.3%

PROFIT BEFORE TAX (£M)
£6.1m
+69.4%

AUM (£BN)
£6.1bn
+24.5%

Financial Highlights

— Tatton's discretionary assets under management ("AUM") increased 24.5% to £6.1bn (2018: £4.9bn)
— AUM net inflows increased to £1.1bn averaging over £90m per month
— Group revenue increased 12.9% to £17.5m (2018: £15.5m)
— Adjusted Operating Profit* up 12.3% to £7.3m (2018: £6.5m)
— Adjusted Operating Profit* margin 41.7% (2018: 42.1%)
— Reported profit before tax increased to £6.1m (2018: £3.6m), after charging exceptional items of £0.5m and share-based payment charges of £0.9m
— Final dividend increased by 27.3% to 5.6p, giving a full year dividend of 8.4p
— Fully diluted adjusted EPS* increased by 9.9% to 10.0p (2018: 9.1p)
— Strong financial position, with cash of £12.2m (2018: £10.6m)

Operational Highlights

— Tatton launched its new in-house administration portal ensuring scalability and supporting future growth
— Tatton completed a project to transfer Authorised Corporate Director ("ACD") delivering efficiencies for the Group and decreased the fund operating costs for end investors
— Tatton increased its member firms by 30.5% to 445 (2018: 341) and number of accounts to 58.500 (2018: 48.800)
— Paradigm Mortgage Services ("PMS"), the Group's mortgage and protection distribution business, increased gross lending via its channels by 23.5% to £8.4bn (2018: £6.8bn)
— Paradigm Mortgage Services increased the number of mortgage firms by 14.1% to 1,392 (2018: 1,220)
— Paradigm Consulting, the Group's compliance services business, increased new members by 6.0% to 390 (2018: 368)

* See page 70 for details of alternative performance measures.

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

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

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

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

PAUL HOGARTH
Chief Executive Officer

AT A GLANCE

OUR BUSINESS

Tatton Asset Management provides on-platform only discretionary fund management, regulatory, compliance and business consulting services, and a whole of market mortgage provision, to directly authorised Financial Advisers across the UK.

We have three operating divisions: Tatton Investment Management, Paradigm Consulting and Paradigm Mortgage Services.

GROUP REVENUE

£17.5m

+12.9%

ADJUSTED OPERATING PROFIT

£7.3m

+12.3%

GROUP REVENUE

TATTON ASSET MANAGEMENT PLC ("TAM" OR "GROUP")

TATTON INVESTMENT MANAGEMENT

An investment manager providing discretionary fund management to the clients of investment advisers through wrap-platform technology. It manages over £6.1 billion of assets for the private clients from 445 UK Financial Adviser firms.

Advisers 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.

— 445 firms
— Representing over 58,500 client accounts
— £6.1bn Assets Under Management ("AUM")

Challenger model for Discretionary Fund Management ("DFM")
— On-platform only
— Complementary in-house fund range
— Low cost

Percentage of revenue

50.0%

PARADIGM CONSULTING

Paradigm Consulting is a leading provider of support services, such as compliance, and other related products/services to directly authorised Financial Advisers in the UK since its foundation in 2007.

In a highly regulated, fast changing industry, Paradigm Consulting is setting new standards in service, strategic and technical solutions, ensuring its adviser partners have access to the best propositions from across the financial market.

— 390 member firms
— Representing over 1,100 individual Independent Financial Advisers ("IFAs")

IFA support services
— Financial Conduct Authority ("FCA") Compliance services
— Technical support
— Business consultancy

Percentage of revenue

34.6%

PARADIGM MORTGAGES

Paradigm Mortgage Services is one of the UK's leading mortgage distributor businesses, with membership of over 1,300 directly authorised firms, representing c.3,500 regulated advisers.

Paradigm Mortgage Services provides access to a whole of market lending 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.

— 1,392 members
— £8.4 billion gross lending

Adviser support services
— Mortgage aggregation
— Protection
— Other insurance aggregation

Percentage of revenue

15.4%

Our focus: organic growth

The financial year ended 31 March 2019 has seen the Group make further progress against the backdrop of a complex and challenging market environment. Despite these headwinds the Group has delivered double digit percentage organic growth in both revenue and profit and continued to see strong net inflows in Assets Under Management ("AUM").

RESULTS

The Group achieved another year of growth, with revenues increasing by 12.9% to £17.5 million (2018: £15.5 million). Adjusted Operating Profit increased by 12.3% to £7.3 million (2018: £6.5 million) and profit before tax, after incurring exceptional costs and share-based payment charges was £6.1 million (2018: £3.6 million). The resulting impact on fully diluted adjusted earnings per share is an increase of 9.9% to 10.0p (2018: 9.1p). Basic earnings per share was 8.7p (2018: 4.1p).

Tatton Investment Management, our on platform discretionary asset manager increased AUM by 24.5% to £6.1 billion (2018: £4.9 billion) with strong net inflows of £1.1 billion. Paradigm Consulting, the Group's IFA adviser and support services business increased members by 6.0% to 390 and Paradigm Mortgage Services, the Group's mortgage services business continues to grow well with membership increasing by 14.1% to 1,392.

STRATEGY

The Group's strategic objectives are unchanged. We retain our focus on organic growth through the provision of products and services that are designed to enable Independent Financial Advisers ("IFAs") to better advise their clients, and we continue to invest in both people and technology that will steadily grow the business by enhancing our support for IFAs.

Challenging market conditions continue to create opportunities and threats in diverse areas and we are alert to the chance of augmenting the business through acquisition. We have evaluated several opportunities during the period under review but remain disciplined in ensuring that any possibility is complementary and strategically aligned to the existing model, and is earnings enhancing.

OUR PEOPLE

As always, our grateful thanks go to all our staff within the business for their hard work and ability to deliver the right outcomes for our customers which ultimately leads to our success as a business. We continue to invest in new talent to support our growth and remain committed to developing all our people across all functions to achieve their goals.

BOARD AND CORPORATE GOVERNANCE

Tatton Asset Management remains committed to the highest standards of corporate governance. The Board and its committees are key to guiding the Company and leading its strategy and we are determined to ensure that we have the right skill set to steer the Group forward. In a business evolving at pace, we maintain a governance structure that underpins and encourages growth, while ensuring effective controls and safeguards are in place.

DIVIDENDS

Given the Group's performance this year and the Board's confidence in the immediate outlook, the Board is proposing a final dividend of 5.6p per share, bringing the total ordinary dividend for the year to 8.4p per share, an increase of 27.3%, and is 1.2 times covered by adjusted earnings per share. The Board operates a progressive dividend policy and targets a payout ratio in the region of 70% of annual adjusted earnings per share over the medium term.

OUTLOOK

The Group is strategically well positioned, and we continue to reinforce our status with strong organic growth. As we enter the new financial year, we look to build on the success achieved to date and deliver continued sustainable growth through further investment, efficient operations and customer service, as well as delivering continued returns to our shareholders through a progressive dividend policy. We are confident regarding the future opportunities for the Group and remain optimistic over our ability to deliver further progress in the coming year.

ROGER CORNICK
Chairman

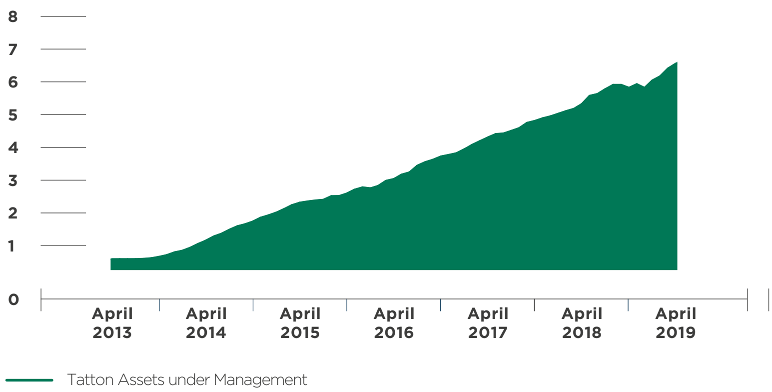
* Alternative performance measures detailed on p70

"We're in an unrivalled position to capitalise on market opportunities"

PAUL HOGARTH
Chief Executive Officer

I am very pleased to present the Annual Report of our second year as a listed entity. The last twelve months have been a period when the impact of political changes for all in the UK is yet to be fully comprehended and the long-term impact entirely foreseen. To make a distinction with Brexit where the outcome remains unclear, the direction of travel of financial regulation could not be any clearer. Transparency, with a focus on customer outcomes and an obligation to demonstrate value is paramount. Financial services firms and investment managers are now compelled to regularly report all costs to clients to help demonstrate the value they add. Tatton is ideally positioned to take full advantage since these changes are entirely in line with our values, business model, and products and services.

TATTON ASSETS UNDER MANAGEMENT (£BN)



The strategy of our Group has not changed. We are committed and excited by the opportunity of growing our business as a service provider of choice to directly authorised Financial Intermediaries across all of their major products and services. As we have stated before, we champion the Independent Financial Advice sector because it is the most competitive part of the financial services sector, yet also the most fragmented and since Retail Distribution Review ("RDR") and Mortgage Market Review ("MMR") the least supported in UK financial intermediation. Working closely with Financial Advisers is of mutual benefit since we gain an insight into the market that allows us to develop products and services in line with the needs of advisers and their clients that are fit for current and future regulatory expectations.

MARKET OVERVIEW

As we reported in our inaugural Annual Report, the market for financial advice is continuing to grow. It is widely accepted that the role of the state in retirement provision will be limited to a State Pension, further work place pension auto-enrolment will help but flexible working practices and career changes mean that consumers, of all financial circumstances, can find planning for retirement and investing to gain financial peace of mind daunting.

The complexity of financial planning for consumers is creating a vibrant opportunity for financial advice, and financial services firms are adopting a number of strategies to meet this market demand. Last year we reported on how adoption of technological solutions is being used to meet consumer need, either to enhance the benefits of face to face intermediated advice or to provide artificial intelligence led robo-advice.

In the last twelve months, robo-advice businesses are struggling with low uptake from consumers. Contrary to their experience, many IFA businesses are thriving. Tatton is a business that has always believed in the benefits of independent intermediated advice and we are very encouraged by how the IFA market is adapting to regulatory change and the related increase in costs, delivering value to their clients while maintaining profitable businesses.

We know from dialogue with IFAs that the imposition of regulatory change creates operational challenges in back office systems, compliance and increases the burden on management time. It is refreshing and encouraging that the industry is moving toward what we have been advocating since our creation, a focus on using technology to lower costs and increasing business efficiency, without reducing service standards.

The most significant change to the financial advice sector is the increased disclosure created by the MiFID II regime, in particular all the charges and expenses levied within investment portfolios. Our research has revealed that for investors and advisers using traditional off-platform discretionary asset management firms, this level of disclosure will be enlightening, and unfortunately place pressure on the fees they charge for the stewardship of their clients' finances.

GROWTH IN REVENUE

12.9%

CLIENT ACCOUNTS

58,500

AUM

£6.1bn

Rather than an obstacle to IFAs' businesses we see increased fee disclosure as an opportunity for the IFA to actively manage costs for their clients and demonstrate how they are adding value. The opportunity for the Group as a provider of two of the core functions for an IFA business adapting to these changes is clear: compliance consultancy and low cost outsourced investment fulfilment.

FOCUSING ON GROWTH

By giving IFAs the best investment management products at a sector leading price point

Tatton Investment Management

Tatton Investment Management combine a range of platform offerings designed around our clients with market leading discretionary portfolio management services. Our cost model delivers the lowest annual fees in the sector which is a significant factor in the speed of growth of our IFA client numbers as well as AUM.

FOCUSING ON GROWTH

By developing as the premier distributor for directly authorised firms and IFAs, they can provide the best mortgage and protection solutions to their clients

Paradigm
MORTGAGE SERVICES

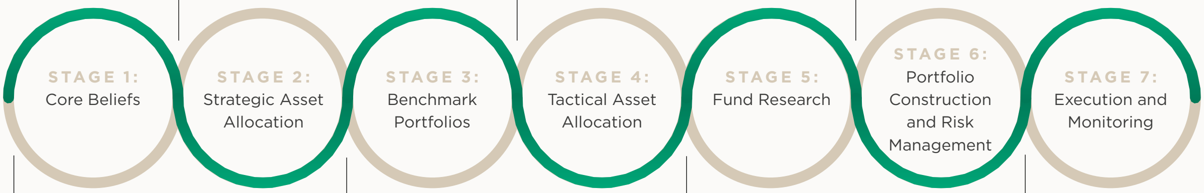
Paradigm Mortgage Services provides a wide range of mortgage and related support services, such as Mortgage aggregation, General Insurance, specialist lending placement and related products & services. Our membership of 1,392 directly authorised firms employing c.3,500 regulated advisers gain access to a whole of market lender panel. We provide members with extensive support for regulatory changes via bulletins and factsheets, as well as giving them access to our highly-commended mortgage helpdesk.

FROM INITIATION TO IMPLEMENTATION

2. Our approach allows us to identify opportunities and use them in appropriate portfolios

4. We rebalance when necessary or when opportune, not just automatically

6. We complete portfolio construction by identifying the representatives in each asset class



1. Investment excellence has three elements: generating returns; risk management; and competitive fees

3. We stay within our clients' risk parameters and manage costs, a compelling combination for investors

5. Our analytical approach ensures we make decisions on which assets should or shouldn't be held

7. Outcomes matter: we focus on delivering consistent and superior investment returns by identifying the direction of travel of economic and capital markets

Whilst it is pleasing that we do not have to adapt our business to the new regulatory regime, this is not the position for many advice firms. It is clear that the creation and management of investment portfolios for clients for many IFAs is becoming unfeasible. Research from the lang cat ltd has shown that an adviser managing their own clients' portfolios has to produce over 140 pages of reporting per client per quarter in the simple day to day management of a client's portfolios.

It is no surprise that more Financial Advisers are therefore seeking to outsource investment fulfilment to on-platform discretionary providers that can meet their clients' investment requirements, without adding significant additional cost now revealed through the MiFID II regime rules.

For Tatton, we are not only able to manage the transition to a new investment service from a compliance and business support function, but also provide award winning discretionary asset management. We make it easier for IFAs to change their businesses and adopt a fit for future purpose investment fulfilment function. As we reported last year this is a virtuous circle: the Group benefits by supporting and facilitating a better, more efficient supply of financial advice to satisfy increasing consumer demand for professional financial advice.

OUR SERVICES

We have not stood still in our second year as an AIM listed entity. Our independence, robust financial position and operationally transparent business have allowed us to maintain our Group strategy and enhance our products and services. As a Group we create significant benefits through market intelligence gained by developing and maintaining deep, strategic relationships with our Financial Adviser firms which is reflected in the changes we have made to our Group businesses.

TATTON INVESTMENT MANAGEMENT

This year has been one of consolidated expansion for Tatton. We have been able to significantly increase the number of new IFA firms working with us and our experience shows we can expect greater allocations from their clients over time. New engagement with adviser firms is also being reflected in our new pipeline which remains strong.

We now have 445 (2018: 341) adviser firms and over 58,500 (2018: 48,800) client accounts with an average portfolio size of £104,000, further evidence of the attraction of making competitively priced high quality investment products available to the clients of Financial Advisers. AUM has grown from £4.9 billion to £6.1 billion in the year.

> “We make life simpler for IFAs, so they can focus on their clients and build a better business”

Our focus for the next year will be to enhance and evolve our product offering. There are significant market opportunities where we can apply our values and way of working with advisers and their clients, providing the same value as we have demonstrated with our Model Portfolio Service range of strategies.

To extend our reach into other areas, we will seek to strategically partner with other leading UK Financial Advice firms and fulfil their need for a centralised investment proposition. We are also developing the means to develop third party investment management functions for existing smaller sized Discretionary Fund Managers.

I am pleased to report that the Tatton Blended Funds are gaining traction in the market and now have a combined £71.7 million of assets under management. They remain some of least expensive multi-asset, multi-manager funds in the market.

Tatton is ideally positioned as a business to benefit significantly from the market dynamics created by regulatory changes and the cost pressure this places on some of our competitors.

PARADIGM MORTGAGES

As many people attempting to sell their homes know, the UK housing market has been directly affected by the uncertainty of Brexit. In an enhanced and significantly more rigorous regulatory environment, the role of Financial Advisers in helping those moving with investing in and securing the best mortgage deal is therefore heightened and remains an opportunity for Paradigm Mortgages.

I am very pleased, therefore, that despite difficult market conditions Paradigm Mortgages has grown its membership by 14.1% and its lending volume by 23.5% over the past twelve months and has increased revenues to reflect this growth. The benefit to Financial Advisers and the carried benefit to their clients of aggregating mortgage lending and life insurance is clear. As a scalable business, I am confident that Paradigm Mortgages is ideally placed to enhance its growth, particularly when confidence in the UK housing market is restored following an eventual Brexit resolution.

PARADIGM CONSULTING

The changes to how Financial Advisers manage their businesses and outsource their core functions is reflected in the changes we have made at the start of 2019 to Paradigm Consulting and its model. This change has created challenges at the same time as opportunities but ultimately has made Paradigm Consulting more adaptable. While member numbers have increased in the year, revenue has decreased to £6.0 million (2018: £6.8 million) due to lower levels of additional consultancy and reduced flows on the Paradigm wrap platform.

The business has always maintained close relationships with its Financial Adviser firms, championing the world of face to face financial advice, listening closely and delivering solutions to advisers' needs and providing bespoke consultancy support to help firms effectively manage the risk of an ever changing regulatory landscape. The introduction of a wider range of services, as well as new fee propositions, means that it now has the model and capability to benefit from the changes to how Financial Adviser firms engage with compliance provision.

Board members of the Group companies

Rebranding as a consultancy practice in January 2019, the business' focus is firmly on its core competency of regulatory support. Developing close and value adding relationships with firms that subscribe for support on an ongoing basis sits at the very heart of the business, with the remodelling of the business now also allowing for ad-hoc work to be undertaken, providing flexibility for firms that prefer to pay more for the convenience of utilising outsourced guidance as and when this is needed.

Through a combination of new face to face and remote consultancy programmes, live events, enhanced technical support and up to the minute regulatory reporting, the consultancy services made available are designed to effectively support advisers in creating even greater efficiencies in their business, allowing them time to properly focus and interact with their clients.

Moving forwards as Paradigm Consulting, the recent changes made to the model place the business in a stronger position to extend its reach into the adviser community, with the aim of helping a larger number of firms to manage regulatory risk effectively by adopting highly regarded consultancy guidance and support in a way which suits them best.

OUTLOOK

The outlook for the Group is positive. We are a young business, with a model built on years of experience and understanding of the Financial Advice sector. I am therefore pleased that the way Financial Advisers build their businesses and how they are regulated is now very much aligned with our business model and vision.

The insight we gain through our Financial Adviser clients is an integral part of how our businesses will grow. Our benefit is created by improving and increasing the day to day business and long-term security of Financial Advisers, a sector we remain committed to serve.

As we maintain our growth and performance we have created a platform from which we continue to execute our strategy. We have a simple lean operating model that gives the IFA and their clients the best investment management products at a sector leading price point and we will continue to focus on their needs while ensuring we create value for our shareholders. With a strong balance sheet we will invest for growth, ensuring we have the right blend of skills and talent to ensure we capitalise on the opportunities that exist in our markets. As we continue into 2019 we are confident of making further progress.

FOCUSING ON GROWTH

Providing industry leading knowledge and technical support in order to help IFAs comply whilst allowing them to focus on growing their business

Paradigm
CONSULTING

The ever-changing regulatory backdrop means that IFAs need help with one-off and ongoing compliance projects as well as assistance with technology and operational issues. Through Paradigm Consulting we offer expert advice and support to help IFAs build and maintain a solid regulatory foundation; the necessary backbone for any successful financial services business.

Tatton accelerates business growth

LOTHAR MENTEL
Chief Investment Officer

AUM inflows grew by 16.2% over the year, while the core proposition is expanded to enhance future growth potential.

For the preceding two financial years, global capital markets were relatively benign. But even though that calm backdrop has ended, Tatton Investment Management ("Tatton") has continued to increase its rate of business growth. Assets under management increased by 24.5% to £6.1 billion (2018: £4.9 billion). Of the £1.2 billion increase, £1.1 billion was a result of net cash inflows, which amounts to a 16.0% increase compared with the previous financial year.

From an industry perspective, 2018 was marked not only by a return of volatile capital markets but also decisive regulatory change. The introduction of MiFID II has significantly increased regulatory burdens for both the investment and private client advice industries. But Tatton was one of the few beneficiaries of the change. MiFID II forced the UK adviser community to pay more attention to portfolio charges arising from performance drag. That made our low cost and highly transparent charging model more attractive.

PROPOSITION DEVELOPMENTS AND BUSINESS INVESTMENTS

In FY 2018, Tatton launched the VT Tatton Blended Funds range, a unitised version of our hybrid active/tracker portfolios. In doing so, we have made our cost efficient Model Portfolio Service ("MPS") service available on those investment platforms and product wrappers that cannot accommodate segregated DFM structures. This consists of three UK Non-UCITS Retail Schemes funds to which fund administrator Valu-Trac were appointed as outsourced ACD. To achieve identical returns to the segregated platform portfolios without extensive seed monies, Tatton had to temporarily subsidise the £0.2 million fixed cost element following the fund's launch. This went above and beyond the usual costs of new fund launches but established a flawless early tracking of the portfolios by the VT Tatton Blended Funds. This allowed us to point potential investors to the five-year track record of Tatton's investment process rather than having to establish a separate returns track record for the new range.

Tatton also appointed Valu-Trac as ACD for the other existing Tatton fund ranges. By the end of the financial year, all ranges surpassed a total of £2 billion in assets under management. The benefits are already being felt through improved efficiency and reduced fund charges. During the second half of the financial year, we incurred a one-off project and transitioning costs of £0.3 million to successfully deliver the project.

In response to the rising popularity of Tatton's Balanced Ethical portfolio, the single portfolio option was extended to a full risk profiled range which, since launch, has attracted much adviser, client and media interest. While growing rapidly towards the £100 million mark from a standing start, we suspect that Tatton's exclusive risk-profiled ethical portfolios also attracted more clients to Tatton in general, as initial interest in the Ethical/Environmental Social and Governance fund portfolios led adviser firms towards Tatton's services.

A major business focus was the step up in sales and marketing activity. This was driven forward by the hiring of a national sales director and a head of communications and marketing in early 2018. Beyond various road shows to potential and existing Tatton using firms, this has also provided us with an enhanced penetration approach to national IFA networks.

At the beginning of 2019, we revealed an extension to our existing platform based

DFM services through the introduction of a platform only Bespoke Portfolio Service ("BPS") proposition. This complimentary service aims to cater for individual client requirements which cannot be fulfilled through the MPS proposition. There is a substantial business opportunity in this market segment, due to the cost effectiveness of transactions in the platform model and the increasing cost transparency pressures on the traditional wealth management providers. In February, we were delighted to announce that one of the UK's foremost BPS industry experts, Claire Bennison (formerly Brooks Macdonald), had joined to lead this development.

2018/19 CAPITAL MARKETS AND RETURNS

Investment portfolio returns for the 2018 calendar year proved challenging across the industry, as the sudden and rapid drying up of central bank liquidity provision led to a substantial stock market correction in the last quarter of 2018. The global economy, however, only suffered a slowdown and stock markets recovered almost as rapidly in the first quarter of 2019 as they did after a similar episode in the first quarter of 2016.

While Tatton's portfolios across all risk profiles ended the calendar year with some losses in absolute terms, these were reduced through some of the tactical asset allocation calls the investment team made in particular, the equity underweight position versus benchmark during most of the year and the temporary removal of all emerging market exposure from all portfolios barring the highest risk global equity strategies.

The outcome was that the liquidity-induced market correction hit active managers' stock selection strategies particularly hard, as they suffered substantial outflows while tracker ETF funds enjoyed significant inflows. Despite identical asset allocation positions, Tatton's active fund-based portfolios therefore underperformed the tracker-based portfolios and gave back some of the relative performance gains from 2017. This is now the second time we have observed this active versus passive performance cycle. And judging from experience, we expect it to be transitory once more.

INVESTMENT PORTFOLIO RETURNS

1 APRIL 2018 – 31 MARCH 2019

Tatton* Fund Performance (%) – core produce set (1/4/2018–31/03/2019, after DFM charge and fund costs)

	Tatton Active	Tatton Tracker	Tatton Hybrid	Tatton Ethical	IA Sector**
Defensive	2.4	3.0	2.7	3.6	2.4
Cautious	2.7	3.7	3.2	4.5	2.9
Balanced	2.6	4.0	3.3	5.2	3.7
Active	2.5	4.0	3.3	5.9	4.4
Aggressive	2.5	4.3	3.4	6.6	3.3
Global Equity	4.8	7.4	6.1	7.0	3.3

SINCE LAUNCH 1/2013

Tatton* Fund Performance (%) – core produce set (1/1/2013–31/03/2019, annualised, after DFM charge and fund costs)

	Tatton Active	Tatton Tracker	Tatton Hybrid	IA Sector**
Defensive	4.8	5.1	5.0	4.0
Cautious	6.6	6.4	6.6	5.2
Balanced	7.8	7.6	7.8	6.2
Active	9.0	8.9	9.1	7.2
Aggressive	9.7	10.1	9.8	7.2

* Tatton – Tatton Investment Management Limited, the regulated subsidiary of the Group.

** IA – Investment Association managed fund peer group with comparable asset allocation characteristics.

Ethical portfolios performed particularly strongly; however, this was to a large extent structural, due to their greater allocation to US and tech stocks as a consequence of the specificity of the ethical investment universe and its concentration in the US and tech sector.

For the financial year ahead, our business development efforts will focus on establishing an increasing amount of distribution partnerships with national adviser networks and further extending our service offering. This will be done through our MPS complementing fund ranges, gaining a solid foothold in the BPS market and enhancing our platform MPS DFM with "at retirement" cash flow management drawdown option.

OUTLOOK

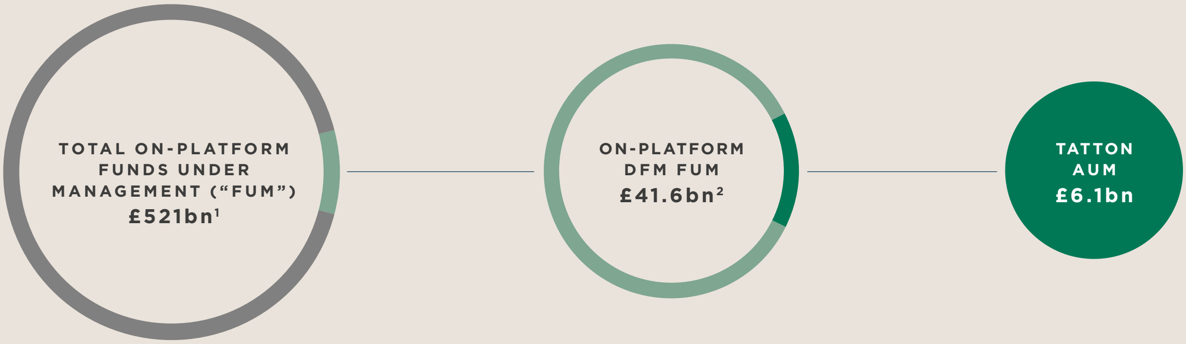
We expect volatile market conditions to continue as central banks will continue to try and gradually normalise monetary intervention levels back to the historical average. In this environment, risk asset markets are reacting increasingly strongly to any hints of credit markets deterioration. This is likely to be the consequence of a higher perceived vulnerability of risk asset markets to the next corporate default cycle. After a decade of extraordinarily low default levels (due to the unprecedented accommodative monetary policy) there are justified concerns that a central bank policy mistake of tightening too much or too early could lead to a far more severe and a more global credit default cycle than has historically been observed.

We believe that Tatton's highly disciplined active/passive investment approach is well positioned to deal with the challenges and harness the opportunities ahead without exposing clients any more to volatility risk than they established and agreed with their financial advisers as acceptable. The Q1 2016 and Q4 2018 market corrections have also shown us that our communications materials are effective in soothing client worries – and therefore key to preventing end clients from mistiming the market. The combination of both proposition elements should lead to better long term client investment outcomes than experienced before or elsewhere. This should continue to support the longevity of our adviser and client relationships that has been just as instrumental to our strong business growth of the past six years as the cost effectiveness we are best known for.

LOTHAR MENTEL
Chief Investment Officer

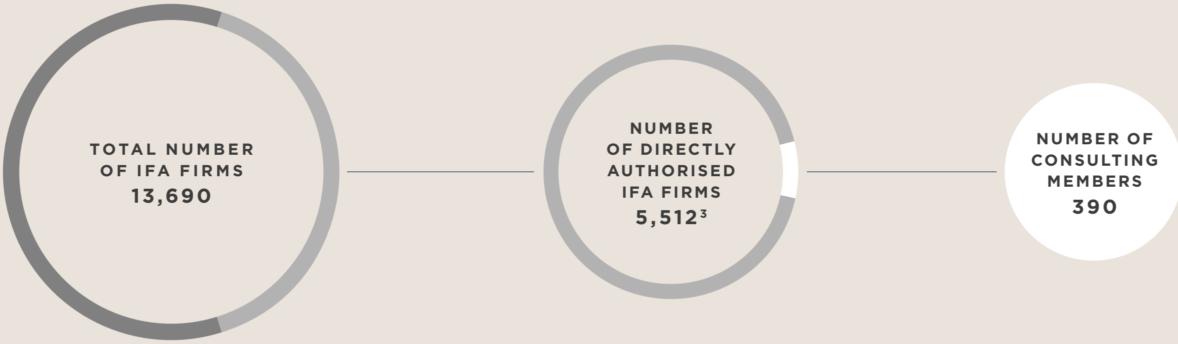
OUR MARKET SHARE

TATTON INVESTMENT MANAGEMENT



Market trends: 1 4 5 7

PARADIGM CONSULTING



Market trends: 1 2 3 5 7

PARADIGM MORTGAGES

Market trends: 2 3 6 7

1. Total FUM: 'UK Adviser Platform Guide' Platform, September 2018
2. On-platform DFM FUM: 'UK Fund Distribution: Model Portfolios on Platform' Platform, July 2018
3. Number of IFA firms: 'The Financial Adviser Market: In Numbers', PIMFA, September 2018
4. Total Gross Lending: UK Finance

1 GROWING STRENGTH OF THE IFA SECTOR

The IFA sector continues to grow in strength. While the number of firms remains broadly static the demand for independent advice continues to increase as the mass affluent look to make complex decisions around retirement planning, inheritance planning and pension consolidation. Robo-advice is yet to make the impact that was predicted with clients still preferring the direct contact and advice from qualified IFAs who can help them develop a better understanding of their financial life and build powerful relationships that go well beyond the transactional nature of many digital financial services.

Our response

We help and support the IFA to deliver the best solutions for their client by offering investment solutions in addition to expert advice and support with FCA regulatory policy and compliance to help IFAs build a solid foundation to provide better value and even better advice, results and outcomes for their clients.

2 IMPACT OF REGULATORY CHANGE

The market demand for financial advice is growing however, the ability of Financial Advisers to meet this demand has been challenged partly due to increased regulatory pressures, such as MiFID II and General Data Protection Regulation. The need to comply with increasing regulation means firms face significant cost and resource challenges.

Our response

Within our Paradigm Consulting and Mortgages divisions, we have the expertise and capabilities to adapt efficiently to new regulation and to provide support, training and other consultancy services to our existing and new firms. All of the Group businesses support and facilitate a better, more efficient supply of financial advice to satisfy increasing consumer demand for professional advice.

3 IMPACT OF IFA INDUSTRY CONSOLIDATION

The last few years have seen a number of acquisitions and mergers in the IFA market. With the core reason for sale remaining retirement and the average age of the IFA nearing 50, succession planning is high on the agenda. As such, the trend of consolidation looks set to continue with potential acquirers driven by geographical expansion, economies of scale , the opportunity for vertical integration and diversification continuing to drive Merger and Acquisition ("M&A") activity.

Our response

The Group continues to access the pipeline of opportunities from existing relationships while growing the number of new firms across all parts of its business.

4 CLIENTS ARE DEMANDING MORE CHOICE, VALUE FOR MONEY AND FEE TRANSPARENCY

Clients want a choice of investment options so they can choose what best suits their circumstances. In addition, they want a clear understanding of how much they are paying so they can determine which option provides the best value for money. Following the introduction of MiFID II, clients can more easily view the cost of the services they receive.

Our response

Tatton offers a range of funds and portfolios, available across a number of platforms to give clients more choice in how they invest. We can clearly demonstrate the value of our investment propositions and provide transparent pricing.

5 GROWING STRENGTH OF PLATFORM MARKET

The platform market is fast growing and becoming an increasingly attractive method for managing investments. In 2017, there were £521 billion of assets under administration on investment platforms[1].

Following the FCA's Investment Platforms Market Study in March 2019, it should become easier for consumers to choose or switch platforms through clearer information regarding charging structures and the reduction or removal of exit fees.

Our response

Tatton adopts a platform agnostic discretionary portfolio management service as a centralised investment proposition for Financial Advisers. Tatton's products are available across 11 major platforms, increasing access to discretionary asset management.

6 APPETITE FOR LENDING

The Big Six lenders are dominating the mainstream space where they are pricing for market share and the next 12 months show no sign of abatement with overall lending volumes remaining relatively flat. However, the remainder of the market is showing growth and innovation of products that are suited to the intermediary market.

Our response

By increasing our membership each month and adding new lenders who are looking to develop a quality lending base to our panel on a regular basis, we have been able to outperform the market these past three years and this strategy means we can maintain this going forward.

7 GROWING CONSUMER ENGAGEMENT IN MANAGEMENT OF FINANCIAL AFFAIRS

In the UK, as we face a growing ageing population the cost of funding retirement has increased. Government and companies have limited pension provision, meaning that individuals have had to become more self-reliant in planning for their long-term needs. A sustained period of low interest rates has led investors to seek other means of growing their capital through the use of long-term investments alongside cash savings.

Our response

As a Group we have an increasing IFA customer base, which we support through the provision of financial advice and wealth management services to their clients. Through the improving recognition of the Tatton brand, we are able to offer a diversified product range. We continue to develop and launch new investment products and focus on delivering strong investment performance.

We succeed because we work closely with IFAs to understand what they and their clients need; this also helps us to develop our market insight to support the future development of the overall Group offer.

OUR INPUTS

RELATIONSHIP 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.

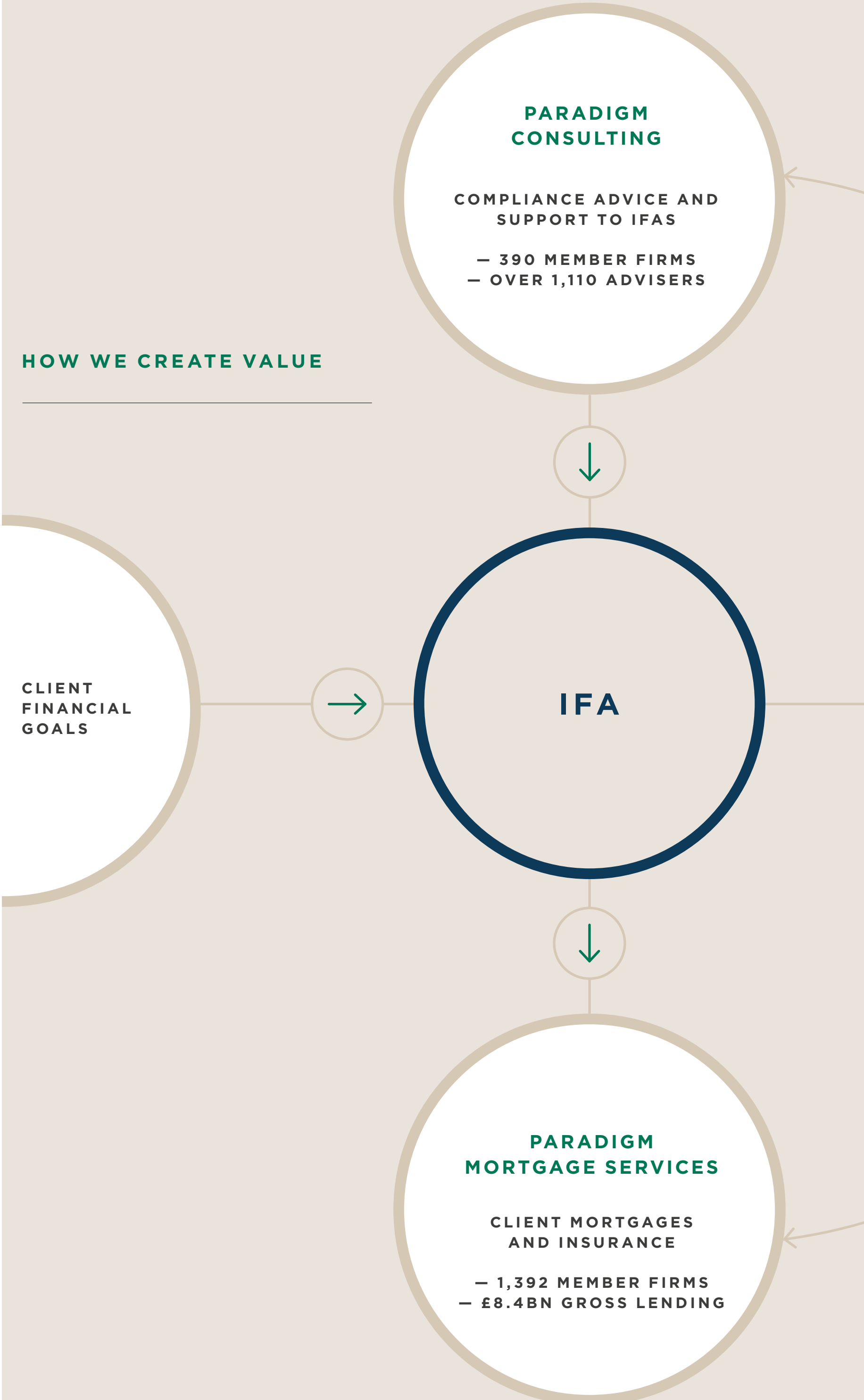
TALENTED PEOPLE
We recruit, develop and retain high calibre people with relevant expertise to implement our Group strategy.

CAPITAL ALLOCATION
Capital is retained for both regulatory requirements and investment needs. The Board considers possible M&A opportunities that align with our wider strategic objectives.

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 and the Board is developing its branding strategy to improve recognition and awareness.

HOW WE CREATE VALUE



Our business model is underpinned by:

- Our Strategy, pages 18-19
- Our Risk Management Framework, pages 22-23
- Our high standards of Corporate Governance, pages 30-31

AUM

£6.1bn

ADJUSTED OPERATING PROFIT*

£7.3m

OUR OUTPUTS

SHAREHOLDERS

The Group has a cash-generative business model 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 35.

CLIENTS

We help clients achieve their long-term goals through providing a quality service and by managing their wealth through our range of funds and portfolios.

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 pays its taxes in full and on time and we conduct our tax affairs in a clear, fair and transparent way.

* Alternative performance measures are detailed on page 70

> "Our vision is: to be the partner of choice for all the needs of Independent Financial Advisers, supplying the tools and investment management that allow them to meet the needs of their clients whilst growing their businesses too."

PAUL HOGARTH
Chief Executive Officer

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 organic growth through the provision of products and services that an IFA requires to service its clients, and continue to invest in both people and technology as we develop our business model. The Group is strategically well positioned, and we continue to reinforce our business with strong organic growth. To augment our organic growth we will look to make acquisitions that will contribute to our strategic goals and the Group is optimistic regarding the future opportunities for the business, and remains confident in our ability to deliver further progress.

OUR STRATEGY

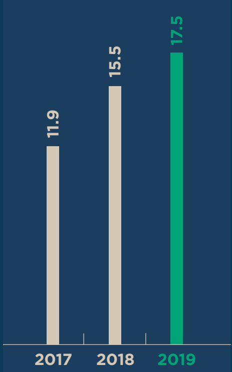
1. Deepen the IFA relationships to grow AUM
2. Organic growth – Increase share of our respective markets
3. M&A activity remains part of the Group's growth strategy
4. Migration of asset "back books"
5. Strategic Partnerships

DESCRIPTION	2019 ACHIEVEMENTS	2020 OBJECTIVES
Strengthening existing client relationships and building new long-term relationships, delivering sustainable value for both the clients and shareholders	— AUM has increased by 24.5% to £6.1bn from £4.9bn in the prior year — We continued to develop relationships with Paradigm clients who account for £4.6bn (March 2018: £3.9bn), while continuing to add new clients which now account for £1.5bn (March 2018: £1.0bn)	— Continued investment in our client relationships through our people and technology — Broaden our proposition and service portfolio — Maintain the market leading service cost proposition
Further penetrate our markets adding "new" firms in Tatton and new members in Paradigm Consulting/Mortgages	— Tatton Investment firms increased by 37% to 445, Paradigm Consulting firms increased by 6% to 390, Paradigm Mortgages firms increased by 14% to 1,392	— We look to maintain double digit percentage growth across each of the three businesses through investments in new sales
We continue to look to complement our strong organic growth through targeted acquisitions that will fit strategically and be earnings enhancing	— The Group's balance sheet is healthy and we are well positioned to take advantage of future opportunities	— We considered a number of potential transactions in the financial year ending 31 March 2019 and remain active with a pipeline of opportunities that have the potential to fit our wider strategic objectives
Existing clients using Tatton's DFM service have a back book of assets that we look to migrate over to Tatton in the medium term	— We have continued to develop relationships with individual and groups of IFAs who understand the strength of the Tatton brand and the quality of the service we offer	— Secure access to current asset pipeline through continued relationship development and leading service delivery
Agreements put in place to develop strategic partnership/alliances as an additional distribution channel to increase assets on the Tatton DFM service	— The Group has developed a number of strategic partnerships in the financial year ended 31 March 2019 generating access to c.£300 million of assets	— Continue to develop strategic alliances that align objectives and deliver the best outcomes for the client

1 Financial KPIs

GROUP REVENUE (£M)

£17.5m
+12.9%

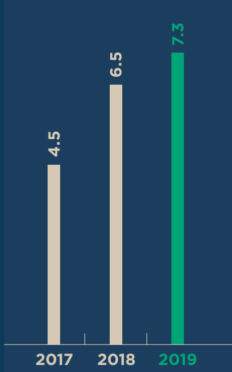


Description
Revenue generated by the Group for the financial year.

Comment
Revenue has grown by 12.9% driven by the increase in AUM and number of member firms receiving the Tatton and Paradigm services.

ADJUSTED OPERATING PROFIT* (£M)

£7.3m
+12.3%



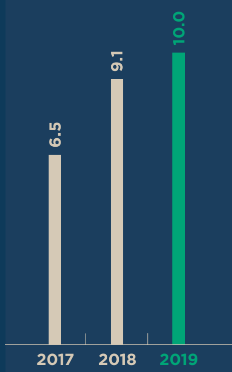
Description
Adjusted Operating Profit generated by the Group*.

Comment
The high level of repeatable revenue and low level of operational gearing has delivered increased profits and maintains strong margins.

Adjusted Operating Profits* increased by 12.3% to £7.3 million delivering Adjusted Operating Profit margin of 41.7%.

FULLY DILUTED ADJUSTED EPS* (P)

10.0p
+9.9%



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

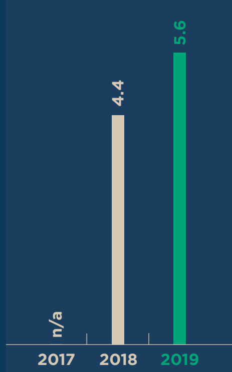
Comment
An important measure of performance as it shows profitability reflecting the effects of any new share issuance and determining the value delivered to shareholders.

Strong growth across the Group has delivered strong growth in fully diluted adjusted EPS* up 9.9% to 10.0p.

Target
Continue to grow EPS through the scalability of the business model and continued strategic execution.

PROPOSED FINAL DIVIDEND (P)

5.6p
+27.3%



Description
Final proposed dividend per share.

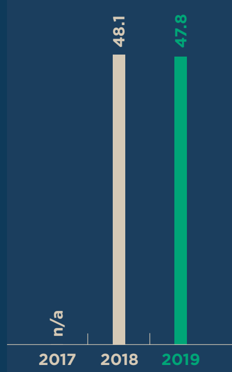
Comment
Dividends represent an important part of return to shareholders.

A final proposed dividend of 5.6p gives a full year dividend of 8.4p.

Target
Continue to grow Dividends per share in line with the Group's dividend policy, detailed on page 35.

RETURN ON CAPITAL EMPLOYED (%)

47.8%
-0.6%



Description
Return on Capital Employed is calculated by dividing the Group's Adjusted Operating Profit* by its capital employed (total assets less current liabilities).

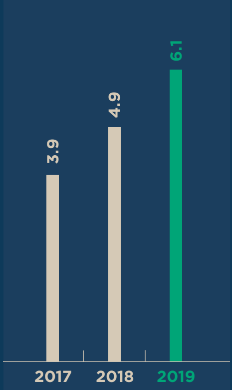
Comment
The Group is capital light and makes efficient use of the capital employed to generate strong returns and create value for our shareholders.

* Alternative performance measures are detailed on page 70

2 Non-financial KPIs

AUM (£BN)

£6.1bn
+24.5%

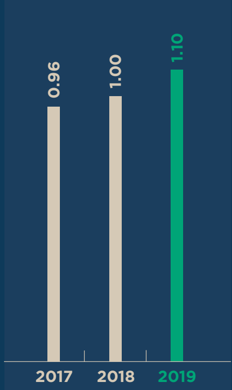


Description
Total AUM at the end of the year.

Comment
AUM has increased by £1.2 billion or 24.5% this year, increasing by over £90 million per month on average.

ASSET NET INFLOWS (£BN)

£1.1bn
+10.0%

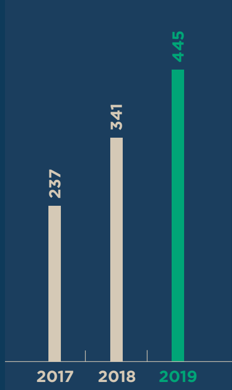


Description
Strong growth in new clients has helped drive increase in net inflows.

Comment
Despite challenging market conditions during the year, net inflows for the year have been strong at £1.1 billion.

TATTON INVESTMENT MANAGEMENT FIRMS

445
+30.5%

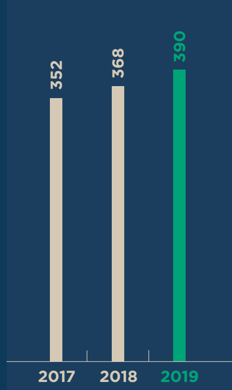


Description
Number of investment management firms at the end of the financial year.

Comment
Strong growth in the number of firms using the Tatton Investment Management DFM service.

PARADIGM CONSULTING MEMBERS

390
+6.0%

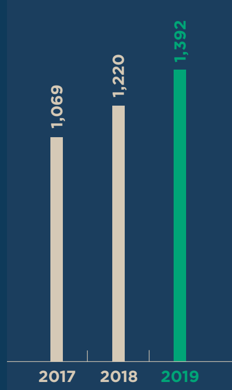


Description
The year end number of Paradigm Consulting members.

Comment
Steady growth in new members maintained.

PARADIGM MORTGAGES MEMBERS

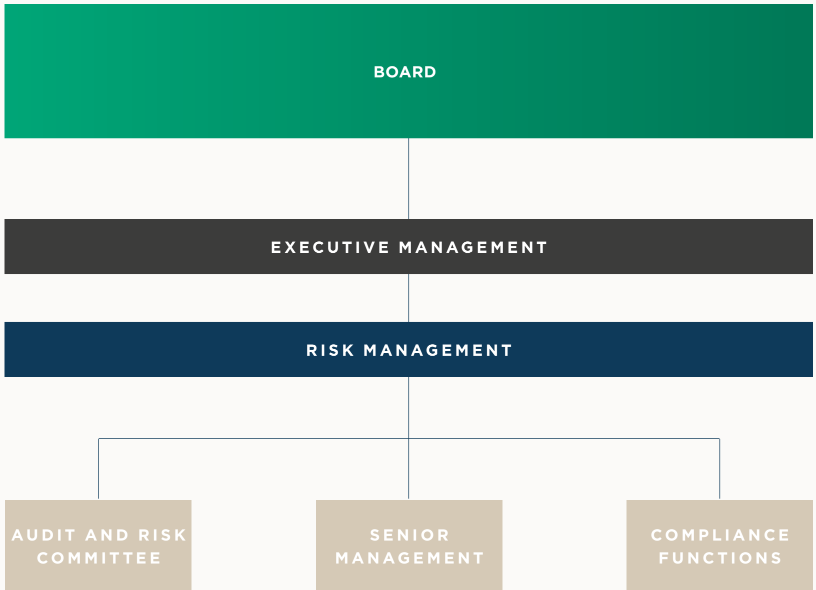
1,392
+14.1%



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

Comment
Strong growth in new members has helped drive growth throughout the business

Effective risk management is essential for the financial strength and resilience of the Group. The 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 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 and monitored. We continue to focus on embedding the ownership of risks within relevant divisions and teams whilst ensuring that the appropriate oversight and escalation process is in place. 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
— 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.

The Board encourages a strong risk culture throughout the business so that 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

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. It also ensures that the principal risks of the Group are considered.

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

— Chris Poil, Chairman (and Non-Executive Board Director)
— Roger Cornick (Non-Executive Chairman of the Board)

Other Executive 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)

RISK MANAGEMENT PROCESSES

The Board and senior management are actively involved in a continuous risk assessment process as part of our risk management framework. Day to day, our risk assessment process considers both the impact and likelihood of risk events which could materialise, affecting the delivery of the strategic goals and the annual business plans. A top-down and bottom-up approach ensures that our assessment of key risks is challenged and reviewed on a regular basis. The Board and Audit and Risk Committee receive regular reports and information from senior management, operational business units and compliance functions.

THREE LINES OF DEFENCE

1

First line of defence

RISK MANAGEMENT WITHIN THE BUSINESS

Business operations and senior management are responsible for identifying and managing risks by developing and maintaining effective internal controls to mitigate risk.

2

Second line of defence

RISK OVERSIGHT AND CHALLENGE

The Audit and Risk Committee, the Board and those involved in Compliance functions maintain a level of independence from the first line. These Committees and other functions provide oversight and challenge.

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. Third party companies are used for testing areas such as IT security and for HR and Health and Safety. External audits highlight any identified deficiencies in internal controls. Regulators set requirements for specific controls in our regulated entity, Tatton Investment Management Limited.

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

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 takes action where these risks are deemed to be outside the Group's risk tolerance.

The following section shows our assessment of the top risks that we face, along with how the significance of the risk has changed during the year. All our significant 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.

PRINCIPAL RISKS

Key
- Risk increase
- Risk decrease
- No change to risk

1 Industry risks

RISK	IMPACT	MITIGATION
Adverse macro-economic, political and market factors Economic, political and market forces, particularly those 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.	— Downturns in the market and resultant falls in AUM or other income will have a negative impact on the Group's revenue and profit	— The Group has an experienced investment management team with a strong track record — Investment strategies are continually monitored by the Investment Committee — 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 less than 50%
Changing competitive environment The market environment in which the Group operates is highly competitive with fast changing characteristics and trends.	— Loss of competitive advantage such that AUM and client number targets are adversely impacted. This would have a negative impact on profitability	— Broad service offering providing diversified revenue streams — Highly competitive pricing points across a range of services — Deep industry experience and strong client relationships resulting in a loyal customer base — Strong brand and excellent reputation
Regulatory risk Changes to legislation and regulation, or changes to interpretation and enforcement of existing legislation and regulation may adversely impact the Group's operations and competitive advantages.	— Regulatory censure and/or fine — Related negative publicity could reduce customer confidence and affect ability to generate net inflows — Poor conduct could have a negative impact on customer outcomes, impacting the Group's ability to achieve strategic objectives — 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	— Regulatory advice is a core business stream for the Group meaning that a strong culture of compliance exists throughout the Group — The Group delivers strong regulatory and compliance support through dedicated compliance teams and systems — The Group's strong financial position provides a safeguard should changes to regulatory capital requirements occur
Termination of the UK's European Union membership The UK exiting the European Union could have a material adverse impact on the fiscal and legal framework in which the Group operates, and impact the UK's economic performance in the long term.	— Uncertainty in the market or adverse impact on the UK economic performance may reduce customer transactional activity and/or cause the value of AUM to reduce	— Strategic focus on the UK investment market means the Group is less exposed to any negative impact on London as a global financial centre — Geographical diversification of all client investment portfolios
Change to UK tax law Changes to UK tax law could adversely impact the performance and attractiveness of long-term saving and investment through pensions and other wrap products.	— Savings and investment in pensions and other wrap products may reduce, so reducing AUM and the Group's revenue	— Cross-party political desire to encourage long-term savings to provide for ageing population — Changes to tax law can increase the demand for professional advice to ensure tax effectiveness of long-term savings and investments

2 Operational risks

Failure of a third party platform provider The Group manages its investments through third party platform providers. Operational failure or cessation of trade of a major platform could have a material adverse impact on the Group's reputation, operations, financial performance and growth.	— Negative impact on customer outcomes due to website unavailability, delays in receiving and/or processing customer transactions or interruptions to settlement and reconciliation processes — Financial impact through increased operational losses — Regulatory fine and/or censure	— Due diligence is performed when selecting key suppliers — The Group is covered by third party indemnities for business-critical services — 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 platform providers meet the Group's high standards.

Key
- ↑ Risk increase
- ↓ Risk decrease
- — No change to risk

2 Operational risks continued

RISK	IMPACT	MITIGATION
Failure of investment strategy The risk that investment strategies fail to maintain an acceptable level of performance resulting in a decline in revenues and a decline in the value of assets from which revenues are derived. —	— Negative impact on achievement of AUM and client number strategic targets — Poor client outcomes that also prevent the achievement of our growth targets — Reputational damage	— The Group has an experienced investment management team with a strong track record — Investment strategies are continually monitored by senior management, the investment committee and the Board.
Loss or failure of key IFA client The Group has several major IFA clients. A change in relationship or termination of business with any of these, and the Group being unable to replace them in a timely fashion, could have a material adverse impact. —	— Negative impact on achievement of AUM, operating profit and client number strategic targets — Reputational damage	— The Group has a clearly defined business development strategy which continues to enhance the Group's service offering — Client engagements are proactively managed through dedicated client managers who have in-depth knowledge of the IFA industry and expert regulatory and compliance knowledge
Failure to recruit and retain quality personnel 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. ↓	— Inability to service client needs — Reputational damage	— Recruitment programmes are in place to attract suitable staff — The success of the Group's listing has increased our ability to attract and retain high calibre candidates — Staff share schemes are now in place to incentivise staff and encourage long-term retention
System failure, cyber security and data protection The risk that operations are impacted or that data loss or data breach occurs due to system error, malfunction or malicious external breach. —	— Related negative publicity could damage customer and market confidence in the business, affecting our ability to retain and attract new customers — Information security breaches could result in fine/censure from regulators, the Information Commissioner's Office and FCA	— Experienced in-house team of IT professionals supported by reputable and established third party suppliers — IT disaster recovery procedures in place — Data Protection Officer appointed for GDPR — Penetration testing conducted regularly

3 Financial risks

RISK	IMPACT	MITIGATION
Counterparty credit risk A counterparty to a financial obligation may default on repayments. ↓	— Unintended market exposure — Customer detriment — Increased future capital requirements	— The Group trades only with reputable, credit worthy third parties — Receivable balances are reviewed regularly for non-collection and any doubtful balances are provided against
Liquidity risk The Group may be unable to meet financial liabilities as they become due because of a shortfall in cash or other liquid assets or inability to obtain sufficient funding. —	— Reputational damage — Potential customer detriment — Financial loss — Unable to meet obligations as they fall due	— Cash-generative business — Appropriate banking facilities in place — Active cash flow forecasting and liquidity management to ensure availability of liquid funds at short notice — The Group maintains a cash surplus above regulatory and working capital requirements
Bank default The risk a bank could default —	— Financial loss — Unable to meet obligations as they fall due	— The Group only uses banks with strong credit ratings — Banking relationships are reviewed regularly
Concentration risk Risk arising from lack of diversification in business activity or geography —	— Over-reliance on one business activity could lead to financial underperformance	— Range of business services offered is broad, providing diversified revenue streams — Active recruitment is ongoing within the Group's sales functions in order to grow AUM across a broader client base

We continue to focus on growth and long-term value creation

PAUL EDWARDS
Chief Financial Officer

OVERVIEW

I am pleased to report that the Group has continued to make progress and has delivered another year of double digit organic growth in both revenue and Adjusted Operating Profits*. The performance has been achieved against the backdrop of an unsettled environment with strong performances from both Tatton Investment Management and Paradigm Mortgages, with Paradigm Consulting addressing the challenges in its market.

RECORD REVENUE AND PROFITS

Revenue – Reported revenue increased by 12.9% to £17.5 million (2018: £15.5 million); Tatton revenue increased by 38.1% to £8.7 million (2018: £6.3 million) supported by the continued growth of AUM that ended the year at £6.1 billion (2018: £4.9 billion) of which net inflows of £1.1 billion accounted for the majority of the growth. Paradigm Mortgages continues to make progress growing its member firms and increasing its share of the mortgage completion market which delivered a 12.5% increase in revenue to £2.7 million (2018: £2.4 million). Paradigm Consulting revenue was down by 11.8% to £6.0 million (2018: £6.8 million) and, while the number of new firms using Paradigm increased, the average revenue per firm came under pressure from lower levels of additional consultancy delivered in the year and reduced flows on the Paradigm wrap platform.

Profit – The Group delivered Adjusted Operating Profit* of £7.3 million (2018: £6.5 million), an increase of 12.3% and the margin was 41.7% (2018: 42.1%). Tatton continues to invest, updating IT systems and its new online portal and investing in additional commercial sales and marketing resource to drive and support future growth; it contributed Adjusted Operating Profit* of £4.6 million (2018: £3.0 million) and improved its margin to 53.0% (2018: 47.8%). Tatton's continued strong growth has ensured it is now the largest part of the Group, contributing 50% of the revenue and 63% of the Adjusted Operating Profit*, a trend that is expected to continue. The contribution is before one-off costs totalling £0.5 million relating to the set-up of new blended funds at the beginning of the financial year of £0.2 million, and, following a careful selection and diligence process, project costs of £0.3 million related to changing its Authorised Corporate Director. Paradigm Mortgages' Adjusted Operating Profit* contributed £1.6 million (2018: £1.4 million), improving the margin to 58.2% (2018: 57.9%). Paradigm Consulting contributed Adjusted Operating Profit* of £3.0 million (2018: £3.6 million) with its margin decreasing to 49.5% (2018: 52.7%).

Total Group Operating Profit was £5.9 million (2018: £3.6 million) after charging exceptional costs of £0.5 million and share-based payments of £0.9 million. 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.

Return on Capital Employed is 47.8% (31 March 2018: 48.1%). The Group is capital light and makes efficient use of the capital employed to generate strong returns and create value for our shareholders.

EXCEPTIONAL COSTS

Exceptional costs of £0.5 million (2018: £2.0 million) were incurred by the Group in the year and are detailed above and in note 6 to the Group financial statements.

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

NET FINANCE INCOME

The Group remains cash positive and has received cash interest of £0.2 million from outstanding loan notes. It is anticipated that the loan notes will be redeemed in the new financial year.

EARNINGS PER SHARE

Basic earnings per share increased to 8.7p (2018: 4.1p). Adjusted earnings per share* increased by 14.6% to 11.0p (2018: 9.6p) and fully diluted the increase was 9.9% to 10.0p (2018: 9.1p).

CASH FLOW

The Group continued to see healthy cash generation. Net cash generated from operating activities before exceptional costs was £8.0 million (2018: £5.6 million), 110% of Adjusted Operating Profit*. Exceptional costs totalled £0.5 million and net cash generated from operating activities was £6.1 million (2018: £2.3 million). Income tax paid was in line with the prior year at £1.4 million (2018: £1.4 million) and dividends paid in the year totalled £4.0 million (2018: £1.6 million). The Group made intangible and tangible asset investments of £0.6 million and ended the year with cash on the balance sheet of £12.2 million (2018: £10.6 million).

DIVIDENDS AND CAPITAL ALLOCATION

The Board is recommending a final dividend of 5.6p. When added to the interim dividend of 2.8p this gives a full year dividend of 8.4p. This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business. Dividend cover (being the ratio of earnings per share before exceptional items and share-based payment charges) is 1.2 times. If approved at the Annual General Meeting the final dividend will be paid on 12 July 2019 to shareholders on the register on 14 June 2019. Our objective is to maximise long-term shareholder returns through a disciplined deployment of cash. To support this, we have adopted a cash allocation policy that allows for: investment in capital projects that support growth; regular returns to shareholders from our free cash flow; acquisitions to supplement our existing portfolio of business; and an efficient balance sheet appropriate to the Company's investment requirements.

STATEMENT OF FINANCIAL POSITION

The Group continues to strengthen its balance sheet and net assets increased to £15.3 million (2018: £13.6 million). Tangible and intangible assets (excluding goodwill) increased in line with the investments made this year in both systems and infrastructure and totalled £0.6 million (2018: £0.1 million), and goodwill totalled £4.9 million (2018: £4.9 million).

NEW REPORTING STANDARDS

During the year, the Group adopted the new reporting standards IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. The adoption of IFRS 15 has not resulted in any changes to the way the Group accounts for revenue or costs of sales. There have been no amendments to any of the measurement categories for, or carrying amounts of, the Group's financial instruments following adoption of IFRS 9.

IFRS 16 'Leases' is effective for the Group from 1 April 2019. The detailed assessment of the impact on the Group's performance has been completed. The Group plans on adopting the modified retrospective approach with the right-of-use asset equal to the lease liability at transition date. The Group's assessment is that it will recognise right-of-use assets and lease liabilities of approximately £0.6 million on 1 April 2019 with net assets remaining unchanged.

RISK MANAGEMENT AND THE YEAR AHEAD

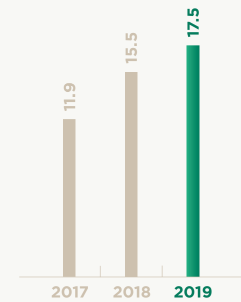
Risk is managed closely and is spread across our businesses and managed to individual materiality. Our key risks have been referenced in this Annual Report primarily on pages 24 and 25. We choose key performance indicators that reflect our strategic priorities of investment, growth and profit. These KPIs are part of our day to day management of the business and in the year ahead we will focus on growth and value creation. In this way we aim to deliver continued value to shareholders

The Strategic Report found on pages 1 to 27 has been approved and authorised for issue by the Board of Directors and signed on their behalf on 3 June 2019 by:

PAUL EDWARDS
Chief Financial Officer

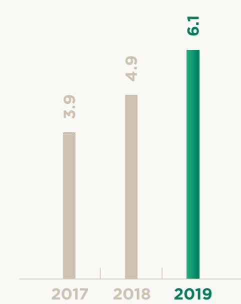
GROUP REVENUE (£M)

£17.5m
+12.9%



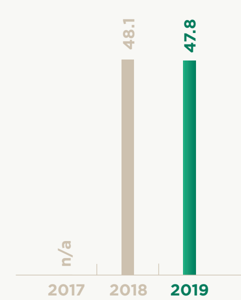
DISCRETIONARY AUM (£BN)

£6.1bn
+24.5%



RETURN ON CAPITAL EMPLOYED (%)

47.8%
-0.6%



ROGER CORNICK
CHAIRMAN

Skills, competence and experience: Roger is the 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 twenty years.

PAUL HOGARTH
CHIEF EXECUTIVE OFFICER

Skills, competence and experience: Paul is the Chief Executive Officer of Tatton Asset Management, as well as Senior Partner at Paradigm Consulting, Chairman at Tatton Capital Group and Founder of Perspective Financial Group Limited.

Paul has over 30 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 Ltd which launched in April 2007 and has since grown to become one of the UK's top 5 distribution businesses.

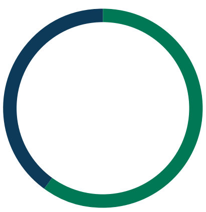
Paul has a BA in Economics from Heriot-Watt University in Edinburgh.

PAUL EDWARDS
CHIEF FINANCIAL OFFICER

Skills, competence and experience: Paul is the Chief Financial Officer of Tatton Asset Management plc. He is also Finance Director of Paradigm Consulting Limited and Tatton Investment Management Limited.

Prior to joining Tatton Asset Management plc Paul was the Group Finance Director of Scapa Group Plc for six years and NCC Group Plc for ten years. He has also held several other senior roles in a broad range of listed and private companies. Until recently Paul was also the Chair of the Hallé Pension Trustees having spent five years in the role.

BOARD COMPOSITION



Executive 3

Non-Executive 2

LENGTH OF TENURE OF DIRECTORS

Directors	
Less than a year	1
One to three years	4
Three to six years	–
More than six years	–

LOTHAR MENTEL
DIRECTOR & CHIEF INVESTMENT OFFICER

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 and later designing and launching the Barclays Multi Manager funds.

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

CHRIS POIL
NON-EXECUTIVE & HEAD OF AUDIT AND RISK

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.

ROBERT HUNT
CHIEF EXECUTIVE OFFICER OF MORTGAGES

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

Prior to setting up Paradigm Mortgages in 2007, Robert was the key accounts director at Santander (formerly Abbey National) for thirteen years. Before joining Santander, he had various management roles at Hill Samuel Asset Management Group in which he worked for eleven years. Robert has now led Paradigm Mortgages to win the Mortgage Strategy's Best Mortgage Club Award for two consecutive years.

In 1987 Robert joined the Royal Air Force where he studied electronic engineering for five years.

COMMITTEE MEMBERSHIPS

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

INTRODUCTION

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules, the Group is not required to comply with the provisions of the UK Corporate Governance Code (the "Code"). While the Code has not been applied in full, the Board has continued working towards full compliance over the coming years. This year the Group has taken into consideration the guidance for smaller quoted companies on the Code produced by the Quoted Companies Alliance 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.

LEADERSHIP AND ROLE OF THE BOARD

The Board is responsible for the long-term success of the Group and 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. The Board also sets the Group's values and standards and 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 comprises three Executive Directors, a Non-Executive Chairman and a Non-Executive Director. The names, biographical details and Committee memberships of the Board are set out on pages 28 and 29 of this report.

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. 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. The Chief Executive is responsible for innovation, managing the strategy of the Group and leading the senior management team in developing and implementing the strategy to maximise shareholder value.

BOARD COMMITTEES

NOMINATIONS COMMITTEE

The Nominations Committee is responsible for Board recruitment and succession planning, to ensure that the right skill sets are present in the Boardroom.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining all elements of remuneration for the Executive Directors and for reviewing the appropriateness and relevance of the Group's remuneration policy.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's main responsibilities are to challenge management, monitor the integrity of the Group's financial statements, review internal and external audit activity and monitor the effectiveness of risk management and internal controls.

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, a Non-Executive Director and three Executive Directors. The Board has determined that all the Non-Executive Directors are independent in character and judgement and neither represent a major shareholder group nor have 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 set 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.

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.

MEETINGS AND ATTENDANCE

The following table sets out attendance of each Director at Board meetings held during the 12 months to the year ended 31 March 2019:

	Board	Remuneration Committee	Nominations Committee	Audit Committee
Number of meetings held	8	2	-	4
Roger Cornick	8	2	–	4
Chris Poil	8	2	–	4
Paul Hogarth	8	2	–	3
Lothar Mentel	8	–	–	–
Paul Edwards	8	2	–	4

PERFORMANCE

The Board conducts a formal annual review of the performance of individual Directors, to monitor and improve effectiveness. The performance 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.

COMMUNICATION WITH SHAREHOLDERS

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, the Annual General Meeting and the Group's website (www.tattonassetmanagement.com).

At the Company's Annual General Meeting, all Directors will be available to respond to questions from shareholders present. The Annual General Meeting provides a forum for constructive communication between the Board and shareholders. 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 (financial and operational) facing the Group. The process has also included the review and circulation of the Group Open Door Policy and procedure (previously known as 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 their behalf by:

PAUL EDWARDS
Chief Financial Officer

3 June 2019

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.
- 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 2019.

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 £90,000 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 Non-Executive Directors' fee is currently set at £70,000 per annum.

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 twelve months. All Executive Director appointments continue until terminated by either party on giving not less than twelve months' notice to the other party.

Non-Executive Directors do not have service contracts. A letter of appointment provides for an initial period of twelve months and continues until terminated by either party giving three months' prior written notice to expire at any time on or after the initial twelve-month period.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EACH DIRECTOR (AUDITED)

Directors' remuneration payable in respect of the year ended 31 March 2019 was as follows:

Director	Basic salary and fees [2,3]	Pension related benefits	Bonus	Other taxable benefits [1]	**Total**
Paul Hogarth	£342,000	–	–	£1,560	**£343,560**
Lothar Mentel	£295,950	£14,437	–	£1,022	**£311,409**
Paul Edwards	£245,667	–	–	£836	**£246,503**
Sub-total	£883,617	£14,437	–	£3,418	**£901,472**
Non-Executives					
Roger Cornick	£90,000	–	–	–	**£90,000**
Chris Poil	£70,000	–	–	–	**£70,000**
Sub-total	£160,000	–	–	–	**£160,000**
Total	£1,043,617	£14,437	–	£3,418	**£1,061,472**

Notes

1 The benefit package of each Executive Director includes the provision of life insurance and private health cover under Group schemes.

2 Paul Hogarth and Lothar Mentel have received additional basic salary in lieu of provision of a company car.

3 Paul Hogarth and Paul Edwards have received additional basic salary in lieu of pension contributions.

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, their role, skills and experience. Salaries are reviewed annually in April taking 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.

SHORT-TERM INCENTIVES

Performance-based bonuses are assessed on a discretionary basis.

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 initiative ("EMI") scheme.

SHARESAVE PLAN

The Share save 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.

TATTON ASSET MANAGEMENT LONG-TERM INCENTIVE PLAN

The Directors have adopted the Tatton Asset Management plc EMI plan which became effective on admission and which was extended in August 2018. 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.

PERFORMANCE CONDITIONS

Options granted under the LTIP 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 between trading earnings per share ("EPS") growth and total shareholder return ("TSR"). 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 trading EPS growth, the shares will be fully diluted and the impact of exceptional items as determined by the Board will be disregarded to ensure that they do not artificially impact the EPS measurement. The option will vest in respect of growth in EPS over the three-year performance periods, commencing 1 April 2017 for the options granted in 2017 and commencing 1 April 2018 for the options granted in the extension of the EMI plan in 2018. If the EPS growth falls between the thresholds for EPS growth, the proportion of the option subject to the EPS measure that vests will be determined on a straight-line basis. The options granted in 2017 will vest in respect of growth in TSR from the date of IPO to 31 March 2020. The options granted in the extension of the EMI plan in 2018 will vest in respect of growth in TSR over the three-year performance period commencing 1 April 2018. If the Compound Annual Growth Rate ("CAGR") of TSR falls between the thresholds for CAGR, the proportion of the option subject to the TSR measure that vests will be determined on a straight-line basis.

CLAWBACK

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

GRANT OF EQUITY SHARE OPTIONS UNDER THE LTIP

At 31 March 2019, the Company had granted options to certain of its Executive Directors and senior managers to acquire (in aggregate) up to 5.4% of its share capital. The maximum entitlement of any individual was 2.6%.

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 2019 the Company held no shares in treasury (2018: nil).

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.

DIRECTORS' INTERESTS IN SHARE OPTIONS

Outstanding share options granted to Executive Directors are as follows:

	Date of Grant	Exercise Price	At 31 March 2018 Number	Granted during the year	Exercised during the year	Forfeited during the year	**At 31 March 2019 Number**
Paul Hogarth	7 July 2017	£1.89	503,168	–	–	–	**503,168**
	7 August 2018	£0.00	–	330,000	–	–	**330,000**
Lothar Mentel	7 July 2017	£1.89	1,118,150	–	–	–	**1,118,150**
	7 August 2018	£0.00	–	330,000	–	–	**330,000**
Paul Edwards	7 August 2018	£0.00	–	765,000	–	–	**765,000**
Total			1,621,318	1,425,000	–	–	**3,046,318**

TOTAL SHAREHOLDER RETURNS FROM ADMISSION ON AIM TO 31 MARCH 2019

The Company's share price in the period from admission on AIM on 7 July 2017 to 31 March 2019 increased from £1.56 to £2.09 and market capitalisation grew from £87,215,720 million to £116,595,118 million, with £5.26 million returned to shareholders by way of dividend.

The graph below shows the Company's total shareholder returns ("TSR") compared to the FTSE AIM All-Share Index in the period from admission on AIM to 31 March 2019. 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

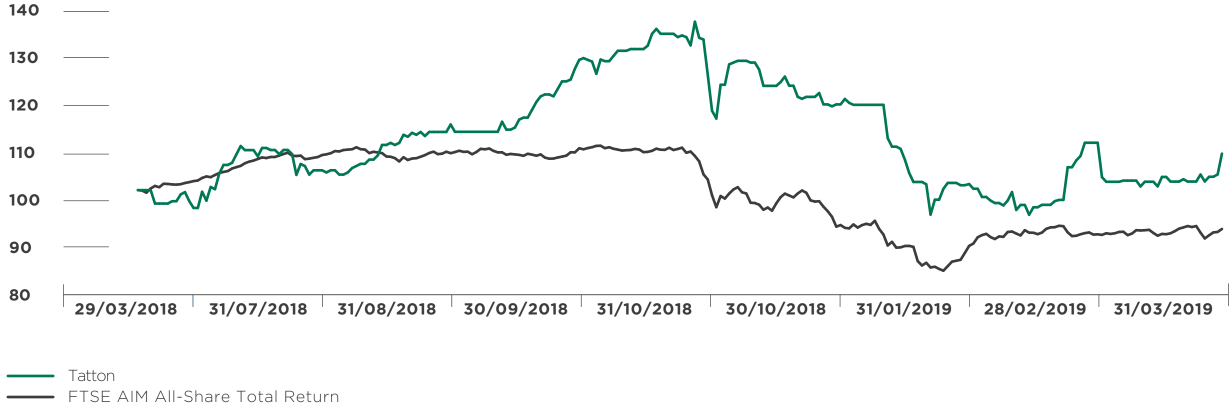
The beneficial interests of the Directors and their connected persons in the ordinary share capital of the Company at 31 March 2019 were as follows:

	No. of ordinary shares	Percentage shareholding (%)
Paul Hogarth	10,484,632	18.754
Lothar Mentel	865,988	1.549
Paul Edwards	49,500	0.089
Christopher Poil	128,205	0.229
Roger Cornick	32,051	0.057

On behalf of the Board:

CHRIS POIL
Chairman of the Remuneration Committee

3 June 2019



Source: Morningstar Direct

The Directors are pleased to present their report together with the audited consolidated financial statements for the year ended 31 March 2019.

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 statement on pages 4 and 5 to 10 respectively.

PRINCIPAL ACTIVITIES

Tatton Asset Management 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 as follows:

Subsidiary name	% owned by the Company	Principal activities of subsidiary
Tatton Investment Management Limited ("Tatton")	100%	Provides discretionary fund overlay services to IFAs
Paradigm Partners Limited ("Paradigm Consulting" or "PPL")	100%	Provides compliance consultancy and technical support services to IFAs
Paradigm Mortgage Services Limited ("PMS")	100%	Provides mortgage and insurance product distribution services

RESULTS AND DIVIDENDS

Group profit before tax was £6.1m (2018: £3.6m), up 69.4% on the prior year due to strong revenue growth. Adjusted operating profit* was £7.3m (2018: £6.5m) giving an adjusted operating margin* of 41.7% (2018: 42.1%). Operating profit after the effect of share-based payments and exceptional items is £5.9m (2018: £3.6m).

An interim dividend in respect of the period ended 30 September 2018 of 2.8p per share was paid to shareholders on 14 December 2018. The Directors recommend a final dividend of 5.6p per share. This has not been included within the Group financial statements as no obligation existed at 31 March 2019. If approved, the final dividend will be paid on 12 July 2019 to ordinary shareholders whose names are on the register at the close of business on 14 June 2019.

The Company operates a progressive dividend policy is 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; and
- future cash commitments and investment plans, in line with the Company's strategic plan.

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 note 22.

SHARE CAPITAL

As at 31 March 2019 there were 55,907,513 fully paid ordinary shares of 20p amounting to £11,181,503.

Details of the issued share capital are shown in note 15 to the Company financial statements on page 75. 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 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 note 19 to the Group financial statements.

* Alternative performance measures detailed on p70

SIGNIFICANT SHAREHOLDERS

At 3 June 2019, the Company had been notified of the following interests representing 3% or more of its issued share capital:

Shareholder	Shares held	Percentage holding
Paul Hogarth and connected parties	10,484,632	18.80%
Paradigm Partners Trust	1,851,088	3.31%
Funds and accounts under management by direct and indirect investment management subsidiaries of BlackRock, Inc.	8,565,567	15.32%
Liontrust Investment Partners LLP	6,737,020	12.05%
Chelverton Asset Management Limited	3,557,000	6.36%
Legal & General Investment Management Limited	3,340,223	5.97%
Accounts managed on a discretionary basis by Lombard Odier Investment Managers Group	2,714,085	4.85%
Kames Capital plc	2,426,336	4.34%
Rathbone Investment Management	1,759,213	3.15%

PURCHASE OF OWN SHARES

At the forthcoming Annual General Meeting, the Directors will seek shareholders' approval, by way of special resolution, for the grant of an authority for the Company to make market purchases of its own shares. The authority sought will relate to up to approximately 10% of the issued share capital and will continue until the Company's Annual General Meeting. 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 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.

TAKEOVER 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 page 34. 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 28 and 29.

At the Annual General Meeting, to be held on 4 July 2019, Roger Cornick will offer himself 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).

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 32. 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 22 to 25.

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.

FINANCIAL INSTRUMENTS

The Group's financial instruments at 31 March 2019 comprise cash and cash equivalents and receivable and payable balances that arise directly from its daily operations.

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 capital positions and requirements, which are reported to the Board monthly.

POST BALANCE SHEET DATE EVENTS

There have been no post balance sheet events.

POLITICAL DONATIONS

The Group made no political donations or contributions during the year (2018: £nil).

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held at the offices of DWF LLP, Manchester on 4 July 2019. A notice convening the meeting will be sent to shareholders on 10 June 2019.

AUDITOR

Deloitte LLP were the Group's independent auditor during the year and have confirmed their willingness to continue in office. A resolution to reappoint Deloitte LLP as auditors to the Group and to authorise the Directors to set their remuneration will be proposed at the 2019 Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

— so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
— the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

CORPORATE GOVERNANCE

A full review of corporate governance appears on pages 30 to 31.

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 auditors are 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 auditors are aware of that information.

RELATED PARTIES

Details of related party transactions are given in note 21 to the Group financial statements.

GOING CONCERN

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 risk it faces and other factors likely to affects it future development, performance and position are set out in the Strategic Report. In addition, note 2.2 to the financial statements provides further details.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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. The Group's financial projections show the Group should continue to be cash generative and that the Group will have sufficient resources to continue its operations. Accordingly, the Directors continue to adopt the going concern 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 European Union 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 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' RESPONSIBILITY 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 their behalf by:

PAUL HOGARTH
Chief Executive Officer

3 June 2019

PAUL EDWARDS
Chief Financial Officer

3 June 2019

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 2019 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 statement of cash flows; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: — Share based payments — Related parties
Materiality	The materiality that we used for the Group financial statements was £308,000 which was determined on the basis of 5% of income before tax.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the Group audit engagement team. Our testing covered all Group subsidiaries, which were subject to audit testing at their own respective materiality levels, capped at Group materiality.
Significant changes in our approach	We have changed our basis for materiality compared with the prior year in which it was determined on 2% of revenue. We have changed the basis of materiality to align with industry practice. We have also removed the Group reconstruction key audit matter, this is due to the accounting treatment being historical.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of 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.

Our key audit matters for the current year have remained the same with the only change from the previous year being that 'Group Reconstruction Accounting' is no longer a key audit matter.

SHARE-BASED PAYMENTS	
Key audit matter description	The Group has four ongoing share schemes and our significant risk has been pinpointed to the 2018 EMI scheme, given the size of the income statement charge and the level of sensitivity to a change in key assumptions. The 2018 EMI scheme has two performance conditions; being total shareholder return (TSR) accounting for 25% of the pay-out, and earnings per share (EPS) growth accounting for 75% of the pay-out, over the three year vesting period. TSR growth is a market condition, which means that the number of options expected to vest is embedded in the fair value of the option, determined by the Group using a Monte Carlo model at the grant date. EPS growth is a non-market condition, which means that the number of options expected to vest should be adjusted to the extent that the relevant measure of performance is expected to be met, determined by the Group using a Black Scholes model. The EPS growth condition should be reassessed at each reporting period. The key judgements we have identified are: the number of options expected to vest, exercise price, risk free rate, yield %, volatility and leavers. The most sensitive, and our significant risk of misstatement, is the level of options expected to vest under the EPS performance condition of the EMI scheme. The accounting treatment of share-based payments is included in the critical judgements and share-based payments notes.
How the scope of our audit responded to the key audit matter	To address our share-based payment key audit matter we have: — evaluated the design and implementation of key controls around share-based payments; — challenged the EPS growth assumptions, through recalculation and extrapolation of historic growth rates; and — challenged the EPS growth assumptions through reviewing analyst growth forecasts.
Key observations	As a result of the above procedures we concur that Management's accounting treatment of the share-based payment schemes is consistent with IFRS 2 Share-based Payment.

RELATED PARTIES	
Key audit matter description	Due to the significant number of related parties which the TAM Group has, and potential for transactions not to be disclosed under IFRS, we have identified a significant risk relating to related party transactions. We have pinpointed this risk to the completeness, accuracy and adequacy of disclosure of related party transactions with known related party entities outside of the Group. The related parties accounting policy note is detailed in note 1, and the disclosure in note 21.
How the scope of our audit responded to the key audit matter	To address our related party key audit matter we have: — performed analytics on the journals population to identify any transactions with related parties which have not been disclosed in the financial statements. This work was performed using Spotlight, our analytics software tool; — performed analytics on the bank statements, to identify any transactions with related parties which have not been disclosed in the financial statements; — obtained supporting documentation for a sample of identified transactions; — compared the results of our testing to the disclosures included within the financial statements; — obtained the rationale for a sample of transactions; and — evaluated the design and implementation of key controls around identification of related party transactions.
Key observations	As a result of the procedures above we concur that Management's related party disclosures are appropriate and accurately reflect the transactions undertaken during the year.

OUR APPLICATION OF 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:

Materiality	Group financial statements	Parent Company financial statements
	£308,000 (2018: £300,000)	£242,040 (2018: £240,000)
Basis for determining materiality	5% of income before tax. This basis is different to the previous year which was 2% of revenue.	Parent Company materiality equates to 1.6% of net assets, which is capped at 80% of Group materiality.
Rationale for the benchmark applied	We have determined materiality based on income before tax as it is a profit driven business PBT is considered the most relevant benchmark for users of the financial statements.	The main operation of the parent Company is to hold the investments in the subsidiaries. We have therefore selected net assets as the benchmark for determining materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £15,400 (2018: £15,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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.

Our Group audit focused on the four principal trading entities within the Group's three reportable segments and four holding companies including the parent Company. The Group audit team performed full scope audits on all entities directly, which account for 100% of the group's profit before tax and revenue. We have used levels of materiality for the four trading entities that ranged from £14,000–£272,295 (2018: £60,000–£140,000). At the parent entity level consolidation procedures have been completed.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report Chairman's Letter, the Chief Executive Officer's Review, the Strategic Report, the Chief Investment Officer's Report, Principal Risks and Uncertainties, the Directors' Report, the Corporate Governance Report and the Directors' Remuneration Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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.

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. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 of 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

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 this matter.

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.

PETER BIRCH FCA (SENIOR STATUTORY AUDITOR)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK

3 June 2019

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	**Year ended 31-Mar 2019 (£'000)**	Year ended 31-Mar 2018 (£'000)
Revenue		**17,518**	15,507
Administrative expenses		**(10,210)**	(8,981)
Adjusted operating profit (before separately disclosed items)[1]		**7,308**	6,526
– Share-based payment costs	6	**(874)**	(986)
– Exceptional items	6	**(509)**	(1,964)
Total administrative expenses		**(11,593)**	(11,931)
Operating profit		**5,925**	3,576
Finance income/(costs)	7	**187**	(26)
Profit before tax		**6,112**	3,550
Taxation charge	8	**(1,255)**	(1,110)
Profit for the year on continuing operations		**4,857**	2,440
Loss related to disposal of discontinued operations		**–**	(164)
Profit attributable to shareholders		**4,857**	2,276
Earnings per share – Basic	9	**8.69p**	4.07p
Earnings per share – Diluted	9	**7.92p**	3.85p
Adjusted earnings per share – Basic[2]	9	**10.99p**	9.64p
Adjusted earnings per share – Diluted[2]	9	**10.02p**	9.12p

1 Adjusted for exceptional items and share-based payments. See note 22.
2 Adjusted for exceptional items and share-based payments and the tax thereon. See note 22.

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.

The notes on pages 48 to 70 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2019

	Note	**31-Mar 2019 (£'000)**	31-Mar 2018 (£'000)
Non-current assets			
Goodwill	11	**4,917**	4,917
Intangible assets	12	**223**	–
Property, plant and equipment	13	**349**	104
Deferred income tax assets	16	**104**	–
Total non-current assets		**5,593**	5,021
Current assets			
Trade and other receivables	14	**2,508**	2,452
Cash and cash equivalents		**12,192**	10,630
Total current assets		**14,700**	13,082
Total assets		**20,293**	18,103
Current liabilities			
Trade and other payables	15	**(4,521)**	(3,922)
Corporation tax		**(484)**	(605)
Total current liabilities		**(5,005)**	(4,527)
Non-current liabilities			
Deferred tax liabilities	16	**–**	(15)
Total non-current liabilities		**–**	(15)
Total liabilities		**(5,005)**	(4,542)
Net assets		**15,288**	13,561
Equity attributable to equity holders of the Company			
Share capital	18	**11,182**	11,182
Share premium account		**8,718**	8,718
Other reserve		**2,041**	2,041
Merger reserve		**(28,968)**	(28,968)
Retained earnings		**22,315**	20,588
Total equity		**15,288**	13,561

The notes on pages 48 to 70 form part of these financial statements.

The financial statements on pages 44 to 47 were approved by the Board of Directors on 3 June 2019 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 2019

	Note	Share capital (£'000)	Share premium (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2017		11,182	8,718	2,133	(18,960)	–	3,073
Profit and total comprehensive income		–	–	598	–	1,678	2,276
Dividends	9	–	–	(1,564)	–	(1,230)	(2,794)
Share-based payments	19	–	–	846	–	140	986
Adjustments related to merger accounting		–	–	28	(20,008)	20,000	20
Issue of share capital		–	–	–	10,000	–	10,000
At 31 March 2018		11,182	8,718	2,041	(28,968)	20,588	13,561
Profit and total comprehensive income		**–**	**–**	**–**	**–**	**4,857**	**4,857**
Dividends	9	**–**	**–**	**–**	**–**	**(4,025)**	**(4,025)**
Share-based payments	19	**–**	**–**	**–**	**–**	**765**	**765**
Deferred tax on share-based payments		**–**	**–**	**–**	**–**	**130**	**130**
At 31 March 2019		**11,182**	**8,718**	**2,041**	**(28,968)**	**22,315**	**15,288**

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 has been 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 2019

	Note	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Operating activities			
Profit for the year		**4,857**	2,276
Adjustments:			
Income tax expense		**1,255**	1,110
Finance (income) / costs	7	**(187)**	26
Depreciation of property, plant and equipment	13	**91**	53
Amortisation of intangible assets	12	**43**	–
Share-based payment expense	6	**874**	986
Share of profit from joint venture		**–**	(31)
Changes in:			
Trade & other receivables		**78**	(544)
Trade & other payables		**491**	(188)
Exceptional costs	6	**509**	1,964
Cash generated from operations before exceptional costs		**8,011**	5,652
Cash generated from operations		**7,502**	3,688
Income tax paid		**(1,366)**	(1,374)
Net cash from operating activities		**6,136**	2,314
Investing activities			
Purchase of intangible assets		**(266)**	–
Purchase of property, plant and equipment		**(336)**	(82)
Net cash used in investing activities		**(602)**	(82)
Financing activities			
Proceeds from the issue of shares		**–**	10,000
Stamp duty paid on share transfer		**–**	(10)
Interest received/(paid)		**53**	(26)
Dividends paid		**(4,025)**	(1,556)
Net cash used in financing activities		**(3,972)**	8,408
Net increase in cash and cash equivalents		**1,562**	10,640
Cash and cash equivalents at beginning of period		**10,630**	(10)
Net cash and cash equivalents at end of period		**12,192**	10,630

The notes on pages 48 to 70 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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 for use in the European Union 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.

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

2.3 BASIS OF CONSOLIDATION

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

2 ACCOUNTING POLICIES CONTINUED

2.4 SUBSIDIARIES

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 March 2019. 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.

2.5 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 as yet effective. The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

— IFRS 16 'Leases', effective date 1 January 2019.
— IFRIC 23 'Uncertainty over Income Tax Treatments', effective date 1 January 2019.
— Annual improvements to IFRS 2015–2017 cycle – Relating to IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs', effective date 1 January 2019.

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

IFRS 16, which was endorsed by the EU on 9 November 2017, provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 'Leases' and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 April 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is measured initially at cost and measured subsequently at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is measured initially at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating leases under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model the lease payments will be split into a principal and interest portion, which will be presented as operating and financing cash flows respectively.

Furthermore, extensive disclosures are required by IFRS 16. The Group has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £778,000. The Group's preliminary assessment is that it will recognise right-of-use assets and lease liabilities of £0.6 million on 1 April 2019 with zero impact on net assets. Net current assets will be £26,000 lower due to the presentation of a portion of the liability as a current liability. The Group's activities as a lessee are not material and hence the Group does not expect any significant impact on the financial statements. The impact of IFRS 16 on the profit and loss account in 2019 is not expected to be significant.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, with the exception of IFRS 16.

2 ACCOUNTING POLICIES CONTINUED

2.6 APPLICATION OF NEW STANDARDS

IFRS 9 'Financial Instruments'

The Group has applied IFRS 9 from 1 April 2018. The Group has elected not to restate comparatives on initial application of IFRS 9.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income ("FVTOCI") and (iii) fair value through profit or loss ("FVTPL").

Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

Under IFRS 9, financial assets can be designated as at FVTPL to mitigate an accounting mismatch. In respect to classification and measurement of financial liabilities changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual historic credit loss experience on the total balance of non-credit impaired trade receivables.

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred, such as significant financial difficulty of the client or it becoming probable that the client will enter bankruptcy or other financial reorganization. When a trade receivable is credit impaired, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement. 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 (2018: nil).

See note 2.15 for further detail on financial instruments.

There have been no changes to accounting treatment or disclosures as a result of the implementation of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations and became effective for the Group from 1 April 2018. The Group has adopted the modified retrospective approach without restatement of comparatives.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

There have been no changes to accounting treatment or disclosures as a result of the implementation of IFRS 15.
No judgements or changes in judgements were made as a result of application of this standard.

2 ACCOUNTING POLICIES CONTINUED

2.7 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 charged to IFAs for compliance consultancy services, which is recognised on an accruals basis.
— Fees for providing investment platform services. Revenue is accrued daily based on the Assets Under Influence held on the relevant investment platform.
— 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 for mortgage related services including commissions from mortgage and other product providers and referral fees from strategic partners. Commission is recognised on an accruals basis.
— Fees for marketing services provided to providers of mortgage and investment products, which is recognised on an accruals basis.

2.8 SEPARATELY DISCLOSED ITEMS

Separately disclosed items are those which reflect costs and income that do not relate to the Group's normal business operations and which in management's judgement are considered material individually or in aggregate (if of a similar type) due to their size or frequency. Separate disclosure enables a full understanding of the Group's financial performance.

2.9 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.

2.10 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 income statement 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.

2.11 INTANGIBLE ASSETS

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.

2 ACCOUNTING POLICIES CONTINUED

2.11 INTANGIBLE ASSETS CONTINUED

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 five 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.

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 2019 and have concluded there are no indicators of impairment (2018: none).

2.12 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.
— Furniture, fixtures, and equipment – 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 scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2.13 BUSINESS COMBINATIONS

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 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 CGUs 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.

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 and 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.

2 ACCOUNTING POLICIES CONTINUED

2.13 BUSINESS COMBINATIONS CONTINUED

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from 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 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. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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 of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.14 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.

2.15 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's 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.

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.

2 ACCOUNTING POLICIES CONTINUED

2.15 FINANCIAL INSTRUMENTS CONTINUED

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.

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.

The Group does not hold or issue derivative financial instruments for trading purposes.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

2.16 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 and 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 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.

2 ACCOUNTING POLICIES CONTINUED

2.16 TAXATION CONTINUED

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.

2.17 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.

2.18 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.

2.19 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.

2.20 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 OPERATING SEGMENTS

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

— Tatton – discretionary fund management services.
— Pardigm Consulting – the provision of compliance and support services to IFAs.
— Pardigm Mortgages – the provision of mortgage adviser support services.
— Central – central overhead costs.

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

2 ACCOUNTING POLICIES CONTINUED

2.22 SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

In the process of applying the Group's accounting policies, which are described above, management have made judgements and estimations about the future that have 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.

Share-based payments

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

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

These estimates are reviewed regularly and the charge to the income statement is adjusted appropriately (at the end of the relevant scheme as a minimum). The sensitivity analysis carried out shows that if it was considered that 100% of the options would vest, the charge for the year would increase by £248,000.

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.

2.23 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 on page 70 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

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 Capital Requirements Directive IV prescribed in the UK by the FCA. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review) requirements is met.

Pillar 1 imposes a minimum capital requirement on investment firms which is calculated as the higher of the sum of the credit and market risk capital requirements and the fixed overheads requirement ("FOR"). The FOR equates to 25% of the fixed overheads reported in the most recent audited financial statements.

Pillar 2 requires investment firms to assess firm-specific risks not covered by the formulaic requirements of Pillar 1, the objective of this being to ensure that investment firms have adequate capital to enable them to manage their risks. The Group completes its assessment of regulatory capital requirements using its Internal Capital Adequacy Assessment Process ("ICAAP") under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action.

As required by the FCA, Tatton Investment Management Limited holds capital based on a multiple of Pillar 1 and maintains a significant surplus over this requirement at all times.

The Group manages its retained earnings, share capital and share premium which totalled £15.1 million as at 31 March 2019 (2018: £13.6 million). Surplus regulatory capital was maintained throughout the year at both a consolidated Group level and individual regulated entity level. There were no changes in the Group's approach to capital management during the year.

4 SEGMENT REPORTING

Information reported to the Board of Directors as the chief operating decision maker for the purposes of resource allocation and assessment of segmental performance is focused on the type of revenue. The principal types of revenue are discretionary fund management, the provision of compliance and support services to independent financial advisers ("Paradigm Consulting"), the provision of mortgage adviser support services ("Paradigm Mortgages Services") and the marketing and promotion of the Tatton Investment Management funds ("Tatton").

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

The principal activity of Tatton is that of Discretionary Fund Management ("DFM") of investments on-platform.

The principal activity of Paradigm Consulting is that of provision of support services to IFAs.

The principal activity of Paradigm Mortgage Services is that of a mortgage and protection distributor.

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

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

PERIOD ENDED 31 MARCH 2019	Tatton (£'000)	Paradigm Consulting (£'000)	Paradigm Mortgage Services (£'000)	Central (£'000)	Group (£'000)
Revenue	**8,732**	**6,049**	**2,689**	**48**	**17,518**
Administrative expenses	(4,104)	(3,053)	(1,124)	(1,929)	(10,210)
Adjusted Operating Profit*	**4,628**	**2,996**	**1,565**	**(1,881)**	**7,308**
Share-based payments	(34)	–	–	(840)	(874)
Exceptional charges	(496)	(13)	–	–	(509)
Operational profit	**4,098**	**2,983**	**1,565**	**(2,721)**	**5,925**
Finance (costs)/income	–	198	(13)	2	187
Profit/(loss) before tax	**4,098**	**3,181**	**1,552**	**(2,719)**	**6,112**

PERIOD ENDED 31 MARCH 2018	Tatton (£'000)	Paradigm Consulting (£'000)	Paradigm Mortgage Services (£'000)	Central (£'000)	Group (£'000)
Revenue	**6,325**	**6,780**	**2,366**	**36**	**15,507**
Administrative expenses	(3,302)	(3,207)	(996)	(1,476)	(8,981)
Adjusted Operating Profit*	**3,023**	**3,573**	**1,370**	**(1,440)**	**6,526**
Share-based payments	–	(846)	–	(140)	(986)
Exceptional charges	–	–	–	(1,964)	(1,964)
Operating profit	**3,023**	**2,727**	**1,370**	**(3,544)**	**3,576**
Finance costs	–	(19)	(9)	2	(26)
Profit/(loss) before tax	**3,023**	**2,708**	**1,361**	**(3,542)**	**3,550**

All turnover arose in the United Kingdom.

*Alternative performance measures are detailed on page 70.

5 OPERATING PROFIT

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

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Operating lease rentals – land and buildings	**252**	210
Operating lease rentals – equipment and vehicles	**–**	9
Amortisation of intangible assets	**43**	–
Depreciation: property, plant and equipment	**91**	53
Separately disclosed items (note 6)	**1,383**	2,950
Services provided to the Group's auditor:		
Audit of the statutory consolidated and Company financial statements of Tatton Asset Management plc	**33**	31
Audit of subsidiaries	**40**	37
Other fees payable to auditor:		
Other taxation advisory services	**38**	225
Non-audit services	**10**	443

Total audit fees were £73,000 (2018: £68,000). Total non-audit fees payable to the auditor were £48,000 (2018: £668,000).

Non-audit service costs in financial year ended 31 March 2018 relate mainly to the IPO in 2017.

6 SEPARATELY DISCLOSED ITEMS

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
IPO costs	**13**	1,964
Project set-up costs related to transferring Authorised Corporate Director	**293**	–
New fund set-up costs	**203**	–
Total exceptional items	**509**	1,964
Share-based payments	**874**	986
Total separately disclosed items	**1,383**	2,950

Separately disclosed items included within administrative expenses reflects 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 of frequency.

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

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

7 FINANCE COSTS

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Bank interest (expense)/income	**2**	(1)
Other interest (expense)/income	**214**	–
Bank charges	**(29)**	(25)
	187	(26)

8 TAXATION

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Current tax expense		
Current tax on profits for the period	**1,318**	1,107
Adjustment for under-provision in prior periods	**(74)**	–
	1,244	1,107
Deferred tax expense		
Share-based payments	**(19)**	–
Origination and reversal of temporary differences	**30**	3
Total tax expense	**1,255**	1,110

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 2019 (£'000)	31-Mar 2018 (£'000)
Profit before taxation	**6,112**	3,550
Tax at UK corporation tax rate of 19% (2018: 19%)	**1,161**	675
Expenses not deductible for tax purposes	**25**	279
Capital allowances in excess of deprecation	**–**	(5)
Adjustments in respect of previous years	**(74)**	–
Differences in tax rates	**(2)**	–
Share-based payments	**145**	–
Chargeable gains	**–**	161
Total tax expense	**1,255**	1,110

The UK corporation tax rate reduced from 20% to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the Company's future current tax credit/charge accordingly. The deferred tax liability as at 31 March 2019 has been calculated based on a rate of 17% based on when the Company expects the deferred tax liability to reverse.

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.

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

NUMBER OF SHARES	**2019**	2018
Basic		
Weighted average number of shares in issue	**55,907,513**	55,907,513
Diluted		
Share options	**6,019,151**	4,394,259
Weighted average number of shares (diluted)	**61,313,712**	59,121,943

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	**4,857**	2,276
Share-based payments – IFRS2 option charges	**874**	986
Exceptional costs – see note 6	**509**	1,964
Tax impact of adjustments	**(97)**	–
Adjusted basic and diluted profits for the period and attributable earnings	**6,143**	5,226
Earnings per share (pence) – Basic	**8.69**	4.07
Earnings per share (pence) – Diluted	**7.92**	3.85
Adjusted earnings per share (pence) – Basic	**10.99**	9.64
Adjusted earnings per share (pence) – Diluted	**10.02**	9.12

DIVIDENDS

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

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

The Company's dividend policy is described in the Directors' report on page 35. At 31 March 2019 the Company's distributable reserves were £22.3 million (2018: £20.6 million).

10 STAFF COSTS

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Wages, salaries and bonuses	**4,389**	3,788
Social security costs	**648**	510
Pension costs	**110**	86
Share-based payments	**874**	986
	6,021	5,370

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

	31-Mar 2019	31-Mar 2018
Administration	**74**	72
Key management	**3**	3
	77	75

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 2019 (£'000)	31-Mar 2018 (£'000)
Short-term employee benefits	**884**	989
Post-employment benefits	**14**	20
Other long-term benefits	**3**	–
Share-based payments	**587**	67
	1,488	1,076

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

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Total fees	**160**	118

The remuneration of the highest paid Director was:

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Total	**343**	474

The highest paid Director did not exercise any share options in the period. There were 330,000 share options granted to the highest paid Director in the year.

11 GOODWILL

	Goodwill (£'000)
Cost and carrying value at 31 March 2018 and 31 March 2019	**4,917**

The goodwill of £4.9 million relates to £2.9 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 and £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited. None of the goodwill is expected to be deductible for income tax purposes.

IMPAIRMENT LOSS AND SUBSEQUENT REVERSAL

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

IMPAIRMENT TESTING

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

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") or group of units that are expected to benefit from that business combination. The Directors test goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The Directors have considered the carrying value of goodwill at 31 March 2019 and do not consider that it is impaired.

GROWTH RATES

The value in use is calculated from cash flow projections based on the Group's forecasts for the year ended 31 March 2019 which are extrapolated for a further four years. The Group's latest financial forecasts, which cover a three year period, are reviewed by the Board.

DISCOUNT RATES

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

CASH FLOW ASSUMPTIONS

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

The headroom compared to the carrying value of goodwill as at 31 March 2019 is £223 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)	Total (£'000)
Cost		
Balance at 31 March 2017, 31 March 2018 and 1 April 2018	–	–
Additions	266	266
Balance at 31 March 2019	**266**	**266**
Accumulated amortisation and impairment		
Balance at 31 March 2017, 31 March 2018 and 1 April 2018	–	–
Charge for the period	(43)	(43)
Balance at 31 March 2019	**(43)**	**(43)**
Net book value		
As at 1 April 2017 and 31 March 2018	–	–
As at 31 March 2019	**223**	**223**

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

13 PROPERTY, PLANT AND EQUIPMENT

	Computer, office equipment and motor vehicles (£'000)	Fixtures and fittings (£'000)	Total (£'000)
Cost			
Balance at 1 April 2017	353	214	567
Additions	82	–	82
Balance at 31 March 2018 and 1 April 2018	435	214	649
Additions	72	264	336
Balance at 31 March 2019	**507**	**478**	**985**
Accumulated depreciation and impairment			
Balance at 1 April 2017	(278)	(214)	(492)
Charge for the period	(53)	–	(53)
Balance at 31 March 2018 and 1 April 2018	(331)	(214)	(545)
Charge for the period	(66)	(25)	(91)
Balance at 31 March 2019	**(397)**	**(239)**	**(636)**
Net book value			
As at 1 April 2017	75	–	75
As at 31 March 2018	104	–	104
As at 31 March 2019	**110**	**239**	**349**

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

14 TRADE AND OTHER RECEIVABLES

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Trade receivables	**313**	172
Amounts due from related parties	**107**	50
Prepayments and accrued income	**1,763**	1,602
Other receivables	**191**	227
Loan notes	**134**	401
	2,508	2,452

All trade receivable amounts are short term. All of the Group's trade and other receivables have been reviewed for indicators of impairment, and where necessary, a provision for impairment provided. The carrying value is considered a fair approximation of their fair value. The value of the impairment charged to the income statement is £nil: (2018: £nil).

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

The carrying value of the provisions as at 31 March 2019 was £1,601,000 (2018: £1,601,000). There has been no movement in the carrying value during the year.

Trade receivable amounts are all held in sterling.

15 TRADE AND OTHER PAYABLES

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Trade payables	**414**	277
Amounts due to related parties	**386**	32
Accruals	**1,382**	1,261
Deferred income	**165**	216
Other payables	**2,174**	2,136
	4,521	3,922

The carrying values to 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	Total £'000
Asset/(liability) at 1 April 2017	(12)	–	(12)
Income statement (charge)/credit	(3)	–	(3)
Asset/(liability) at 31 March 2018	**(15)**	–	**(15)**
Income statement (charge)/credit	(30)	19	(11)
Equity (charge)/credit	–	130	130
Asset/(liability) at 31 March 2019	(45)	149	104

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. Short term flexibility is satisfied by overdraft facilities in Paradigm Partners Limited which are repayable on demand.

Fair value estimation

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

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

Due to the short-term nature of the loan notes, the carrying value is a reasonable approximation of their fair value. The loan notes are repayable on demand, carry an interest rate of 6% and are classified as level 1.

All financial assets are categorised as Loans and receivables and are classified as level 1. All financial liabilities are categorised as Financial liabilities measured at amortised cost and are also classified as level 1.

INTEREST RATE RISK

The Group finances its operations through a combination of retained profits and bank overdrafts. The Group has an exposure to interest rate risk, as the overdraft facility is at an interest rate of 3.2% above the base rate. At 31 March 2019, total borrowings were £nil (2018: £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 credit worthiness 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.

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

Classes of financial assets – carrying amounts:	**2019**	2018
Cash and cash equivalents	**12,192**	10,630
Trade and other receivables	**2,508**	2,452
	14,700	13,082

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.

17 FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK CONTINUED

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:

	2019	2018
Not more than 3 months	**241**	116
More than 3 months but not more than 6 months	**72**	3
More than 6 months but not more than 1 year	**–**	–
More than 1 year	**–**	–
Total	**313**	119

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 (2018: IAS 39) and IFRS 7 as detailed in the accounting policies to this historical financial information, are as follows:

At 31 March 2019, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
At 31 March 2019	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
Trade and other payables	**4,356**	**–**	**–**	**–**
Total	**4,356**	**–**	**–**	**–**

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

	Current		Non-current	
At 31 March 2018	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	3,706	–	–	–
Total	3,706	–	–	–

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

18 EQUITY

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

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

As noted above, the 55,907,513 ordinary shares were issued in the prior period.

19 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 (19.1) Current Schemes, below. There were two schemes, PPL ESS and PPL D Options, which closed prior to the IPO of Tatton Asset Management plc in July 2017.

19.1 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. A total of 3,022,733 options with a weighted average exercise price of £1.83 were granted during the period, each exercisable in July 2020. No options were exercised or expired in the period. 111,815 options were forfeited in the period. A total of 4,631,056 options remain outstanding at 31 March 2019, none of which are currently exercisable. The range of exercise prices for the options outstanding at the end of the period is detailed in 19.2.

The options granted in 2017 vest in July 2020 and the options granted in 2018 vest in August 2021 provided certain performance conditions and targets, set prior to grant, have been met. If the performance conditions are not met, the options lapse.

Within the accounts of the Company, the fair value at grant date is estimated using the appropriate models including both Black-Scholes methodology and Monte Carlo modelling methodologies. 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 option and the average of the volatility applying to a comparable group of listed companies.

Year ended 31 March 2019	**Number of share options granted (number)**	**Weighted average price (£)**
Outstanding at 1 April 2018	3,022,733	1.89
Granted during the period	1,720,138	–
Forfeited during the period	(111,815)	1.89
Exercised during the period	–	–
Outstanding at 31 March 2019	**4,631,056**	**1.19**
Exercisable at 31 March 2019	**–**	**–**
Year ended 31 March 2018		
Outstanding at 1 April 2017	–	–
Granted during the period	3,022,733	1.89
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at 31 March 2018	3,022,733	1.89
Exercisable at 31 March 2018	–	–

(ii) Tatton Asset Management plc Sharesave Scheme ("TAM Sharesave Scheme")

On 7 July 2017 and 5 July 2018 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.

19 SHARE-BASED PAYMENTS CONTINUED

19.1 CURRENT SCHEMES CONTINUED

Over the life of the 2017 Sharesave scheme it is estimated that, based on current saving rates, 195,671 share options will be exercisable at an exercise price of £1.70. Over the life of the 2018 Sharesave scheme it is estimated that, based on current saving rates, 74,274 share options will be exercisable at an exercise price of £1.90. No options have been exercised or expired in the year and 9,132 options have been forfeited in the year.

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 option and the average of the 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 (19.2) and (19.3) respectively.

Year ended 31 March 2019	**Number of share options granted (number)**	**Weighted average price (£)**
Outstanding at 1 April 2018	63,344	1.70
Granted during the period	40,502	1.72
Forfeited during the period	(9,132)	1.70
Exercised during the period	–	–
Outstanding at 31 March 2019	**94,714**	**1.71**
Exercisable at 31 March 2019	**–**	**–**
Year ended 31 March 2018		
Outstanding at 1 April 2017	–	–
Granted during the period	63,344	1.70
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at 31 March 2018	63,344	1.70
Exercisable at 31 March 2018	–	–

19.2 VALUATION ASSUMPTIONS

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

	TAM EMI Scheme 2018	TAM EMI Scheme 2017	TAM Sharesave Scheme 2018	TAM Sharesave Scheme 2017
Share price at grant (£)	2.40	1.89	2.40	1.89
Exercise price (£)	–	1.70	1.90	1.70
Expected volatility (%)	28.48	26.00	28.48	26.00
Expected life (years)	2.70	3.25	3.25	3.25
Risk free rate (%)	0.81	0.66	0.81	0.66
Expected dividend yield (%)	2.75	4.50	2.75	4.50

19.3 IFRS 2 SHARE-BASED OPTION COSTS

	2019 (£'000)	2018 (£'000)
TAM EMI Scheme	**839**	124
TAM Sharesave Scheme	**35**	16
PPL ESS	**–**	19
PPL D Options	**–**	827
	874	986

20 OPERATING LEASE COMMITMENTS

The Group acts as a lessee for land and buildings under operating leases. The Group's significant lease arrangements are for properties, for which there are no significant lease incentives. At 31 March 2019, the property lease periods range from six months to five years. The disclosures above for non-cancellable operating lease rentals have been split out below to show the split between land and buildings and other assets.

	2019 Land and buildings (£'000)	2018 Land and buildings (£'000)
Less than one year	**75**	192
Between one and five years	**703**	28
	778	220

Lease expense during the year amounts to £252,000 (2018: £219,000), representing the minimum lease payments.

21 RELATED PARTY TRANSACTIONS

ULTIMATE CONTROLLING PARTY

The Directors consider there to be no ultimate controlling party.

RELATIONSHIPS

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

Entity	Nature of transactions
Amber Financial Investments Limited	The Group provides discretionary fund management services, as well as accounting and administration services.
Jargon Free Benefits LLP	The Group provides accounting and administration services.
Paradigm Investment Management LLP	The Group incurs finance charges.
Perspective Financial Group Limited	The Group provides discretionary fund management services and compliance advisory services.
Suffolk Life Pensions Limited	The Group pays lease rental payments on an office building held in a pension fund by Paul Hogarth.

RELATED PARTIES BALANCES

		2019		2018	
	Terms and conditions	**Value of income/ (cost) (£'000)**	**Balance receivable/ (payable) (£'000)**	Value of income/ (cost) (£'000)	Balance receivable/ (payable) (£'000)
Advisor Cloud Limited	n/a	**–**	**–**	–	4
Amber Financial Investments Limited	Payable within 30 days	**239**	**(42)**	523	27
Jargon Free Benefits LLP	Repayment on demand	**24**	**43**	20	19
Paradigm Investment Management LLP	Repayment on demand	**(11)**	**(13)**	–	–
Perspective Financial Group Limited	Payable within 30 days	**369**	**72**	401	423
Suffolk Life Pensions Limited	Payable in advance	**(56)**	**9**	(55)	–

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 on page 59.

22 ALTERNATIVE PERFORMANCE MEASURES ("APMs")

INCOME STATEMENT MEASURES

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Adjusted Operating Profit before separately disclosed items	Operating profit	Exceptional costs and share-based payments. See note 6.	This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.23.
Adjusted Profit before tax; before separately disclosed items	Profit before tax	Exceptional costs and share-based payments. See note 6.	This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.23.
Adjusted earnings per share – Basic	Earnings per share – basic	Exceptional costs and share-based payments, and the tax thereon. See note 9.	This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.23.
Adjusted earnings per share fully diluted	Earnings per share – fully diluted	Exceptional costs and share-based payments, and the tax thereon. See note 9.	This is considered to be an important measure where exceptional items distort the understanding of the operating performance of the business and allow comparability between periods. See also note 2.23.
Net cash generated from operations before exceptional costs	Net cash generated from operations	Exceptional costs. See note 6.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.23.

OTHER MEASURES

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Tatton – Assets Under Management ("AUM")	None	Not applicable	AUM is representative of the customer assets and is a measure of the value of the customer base. Movements in this base are an indication of performance in the year and growth of the business to generate revenues going forward.
Paradigm Consulting members and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Paradigm Mortgages member firms and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Dividend cover	None	Not applicable	Dividend cover (being the ratio of diluted earnings per share before exceptional items and share-based charges) is 1.8 times, demonstrating ability to pay.

23 POST BALANCE SHEET EVENT

There were no material post balance sheet events.

24 CAPITAL COMMITMENTS

At 31 March 2019, the Directors confirmed there were capital commitments of £112,000 (2018: £330,000) for capital improvements.

25 CONTINGENT LIABILITIES

At 31 March 2019, the Directors confirmed there were contingent liabilities of £nil (2018: £nil).

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	**31-Mar 2019 (£'000)**	31-Mar 2018 (£'000)
Non-current assets			
Investments in subsidiaries	5	**77,216**	77,216
Property, plant and equipment		**2**	3
Deferred income tax assets	16	**143**	–
Total non-current assets		**77,361**	77,219
Current assets			
Trade and other receivables	12	**10,127**	10,453
Cash and cash equivalents	13	**5,508**	5,736
Total current assets		**15,635**	16,189
Total assets		**92,996**	93,408
Current liabilities			
Trade and other payables	14	**(383)**	(1,379)
Corporation tax		**–**	(1)
Total current liabilities		**(383)**	(1,380)
Non-current liabilities		**–**	–
Total liabilities		**(383)**	(1,380)
Net assets		**92,613**	92,028
Equity attributable to equity holders of the Company			
Share capital	15	**11,182**	11,182
Share premium account		**8,718**	8,718
Other reserve		**1,036**	140
Merger reserve		**67,316**	67,316
Retained earnings		**4,361**	4,672
Total equity		**92,613**	92,028

The Company generated a profit of £3,788,000 during the financial year (2018: loss of £3,542,000).

The financial statements on pages 71 to 72 were approved by the Board of Directors on 3 June 2019 and were signed on its behalf by:

PAUL EDWARDS
Director

Company registration number 10634323

The notes on pages 73 to 78 form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital (£'000)	Share premium (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2017	–	–	–	–	(555)	(555)
Loss for the period	–	–	–	–	(3,543)	(3,543)
Issue of share capital	11,182	8,718	–	67,316	–	87,216
Share-based payments	–	–	140	–	–	140
Dividends	–	–	–	–	8,770	8,770
At 31 March 2018	11,182	8,718	140	67,316	4,672	92,028
Profit for the period	–	–	–	–	3,788	3,788
Dividends	–	–	–	–	(4,025)	(4,025)
Share-based payments	–	–	766	–	(74)	692
Deferred tax on share-based payments	–	–	130	–	–	130
At 31 March 2019	**11,182**	**8,718**	**1,036**	**67,316**	**4,361**	**92,613**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

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 2019 were authorised for issue by the Board of Directors on 3 June 2019. 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 2019.

The Company has taken advantage for 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.

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 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.

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 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 and 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 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.

2.10 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 LOSS

The following items have been included in arriving at the operating loss for continuing operations:

	31 -Mar 2019 (£'000)	31 -Mar 2018 (£'000)
Share-based payment charges (note 11)	**840**	140

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 2019 (£'000)	31 -Mar 2018 (£'000)
Audit of the statutory financial statements of Tatton Asset Management plc	**33**	31

5 INVESTMENTS

	£'000
Cost and net book value	
At 1 April 2017	–
Additions	77,216
As at 31 March 2018	77,216
Additions	–
As at 31 March 2019	**77,216**

The principal investment comprises 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 Onshore Tax Strategies Limited	United Kingdom	100%	Indirect
Tatton Crown Investments Limited	United Kingdom	100%	Indirect

All entities above are included within the consolidated financial statements for Tatton Asset Management 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 2019	31-Mar 2018
Administration	**11**	11

	31-Mar 2019	31-Mar 2018
Wages, salaries and bonuses	**1,095**	900
Social security costs	**132**	107
Benefits in kind	**–**	13
Pension costs	**12**	16
Share-based payment charges	**312**	15
	1,551	1,051

The remuneration of the highest paid Director was:

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Total	**343**	474

7 ULTIMATE CONTROLLING PARTY

The Directors consider that there is no ultimate controlling party.

8 FINANCE EXPENSE

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Bank interest income	**2**	2
	2	2

9 INCOME TAX

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Current tax expense		
Current tax on profits for the period	**–**	–
Adjustment for under provision in prior periods	**–**	–
	–	–
Deferred tax income		
Share-based payments	**12**	–
Total tax income	**12**	–

9 INCOME TAX CONTINUED

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

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Profit/(loss) before taxation	**3,776**	(3,542)
Tax at UK corporation tax rate of 19% (2018: 19%)	**717**	(673)
Expenses not deductible for tax purposes	**7**	–
Income not taxable	**(1,218)**	–
Difference in tax rates	**1**	–
Share-based payments	**145**	–
Group relief	**336**	673
Total tax (income)/expense	**(12)**	–

The UK corporation tax rate reduced from 20% to 19% between the period 1 April 2015 to 31 March 2017. The rate reduced to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the Company's future current tax credit/charge accordingly. The deferred tax liability as at 31 March 2019 has been calculated based on a rate of 17% based on when the Company expects the deferred tax liability to reverse.

10 DIVIDEND PAID AND PROPOSED

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

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2019 of 5.6p (2018: 4.4p) per share which will absorb an estimated £3.1 million (2018 £2.5 million) of shareholders' funds. It will be paid on 12 July 2019 to shareholders who are on the register of members on 14 June 2019.

11 SHARE-BASED PAYMENTS

Details of share-based payments are shown in note 19 to the consolidated financial statements.

12 TRADE AND OTHER RECEIVABLES

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Trade receivables	**–**	410
Amounts due from related parties	**10,089**	10,029
Prepayments and accrued income	**38**	14
	10,127	10,453

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 provided. The carrying value is considered a fair approximation of their fair value. The value of the impairment charged to the income statement is £nil (2018: £nil).

Trade receivable amounts are all held in sterling.

13 CASH AND CASH EQUIVALENTS

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Cash at bank	**5,508**	5,736

14 TRADE AND OTHER PAYABLES

	31-Mar 2019 (£'000)	31-Mar 2018 (£'000)
Trade payables	**51**	1,162
Amounts owed to related parties	**110**	–
Accruals	**222**	217
	383	1,379

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

Trade payable amounts are all held in sterling.

15 EQUITY

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

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

16 DEFERRED TAXATION

	Share-based payments £'000	Total £'000
Asset/(liability) at 1 April 2017 and 31 March 2018	–	–
Income statement (charge)/credit	13	13
Equity (charge)/credit	130	130
Asset/(liability) at 31 March 2019	143	143

17 CONTINGENT LIABILITIES

The Directors confirmed that at 31 March 2019, no contingent liabilities existed (2018: none).

18 CAPITAL COMMITMENTS

The Directors confirmed that at 31 March 2019, no capital commitments existed (2018: none).

19 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 Tatton Asset Management plc. There are no other related party transactions other than those that have been disclosed in note 21 to the consolidated financial statements.

19.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Other than the Directors and Officers of the Group (see note 10), no other key management personnel have been identified.

20 EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period.

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