Investment evolved

Tatton
ASSET MANAGEMENT PLC

Annual Report
and Accounts 2020

INVESTMENT EVOLVED

Tatton Asset Management plc has achieved a third successive year of growth in revenue, profits and assets under management ("AUM") since IPO.

Over the three-year period, AUM has increased by 70% from £3.9bn to £6.7bn. We are proud to be working with 595 IFA firms, which has doubled over the same period.

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Highlights

FINANCIAL

- Group revenue increased 22.0% to £21.369m (2019: £17.518m)
- Adjusted Operating Profit* up 24.2% to £9.076m (2019: £7.308m)
- Adjusted Operating Profit* margin increased to 42.5% (2019: 41.7%)
- Operating Profit increased to £10.302m (2019: £5.925m)
- Profit before tax increased to £10.296m (2019: £6.112m)
- Final dividend increased by 14.3% to 6.4p (2019: 5.6p), giving a full year dividend of 9.6p
- Fully diluted adjusted earnings per share ("EPS")* increased by 19.8% to 12.00p (2019: 10.02p)
- Healthy financial position, strong balance sheet and £12.757m of net cash (2019: £12.192m)

OPERATIONAL

- Tatton's discretionary assets under management ("AUM") increased 9.6% to £6.651bn (2019: £6.068bn)
- Organic net inflows of £1.129bn (2019: £1.106bn) or 18.6% of opening AUM, an average of £94.1m per month
- The Group responded swiftly to the COVID-19 outbreak and efficiently implemented comprehensive business continuity plans
- The Group made its first acquisition: Sinfonia Asset Management Limited, five risk-targeted funds that complement the current fund range proposition
- Tatton increased its firms by 33.7% to 595 (2019: 445) and number of accounts to 66,100 (2019: 58,500)
- Tatton's long-term business partnership with Tenet, which was announced in June 2019, is developing well with 81 new Independent Financial Adviser ("IFA") firms and initial business activity has resulted in AUM of £226m
- Amalgamation of Consulting and Mortgages creating a simplified IFA support services business, allowing the Group to better meet the needs of IFAs through an integrated approach
- Paradigm Mortgage Services increased gross lending via its channels by 17.5% to £9.86bn (2019: £8.39bn)
- Paradigm Consulting increased the number of member firms to 394 (2019: 390)

Financials

Group revenue
£21.369m
+22.0%

Adjusted Operating Profit
£9.076m
+24.2%

Adjusted EPS
12.00p
+19.8%

Profit before tax
£10.296m
+68.5%

Proposed final dividend
6.4p
+14.3%

AUM
£6.651bn
+9.6%

* See note 23 for details of alternative performance measures.

At a glance

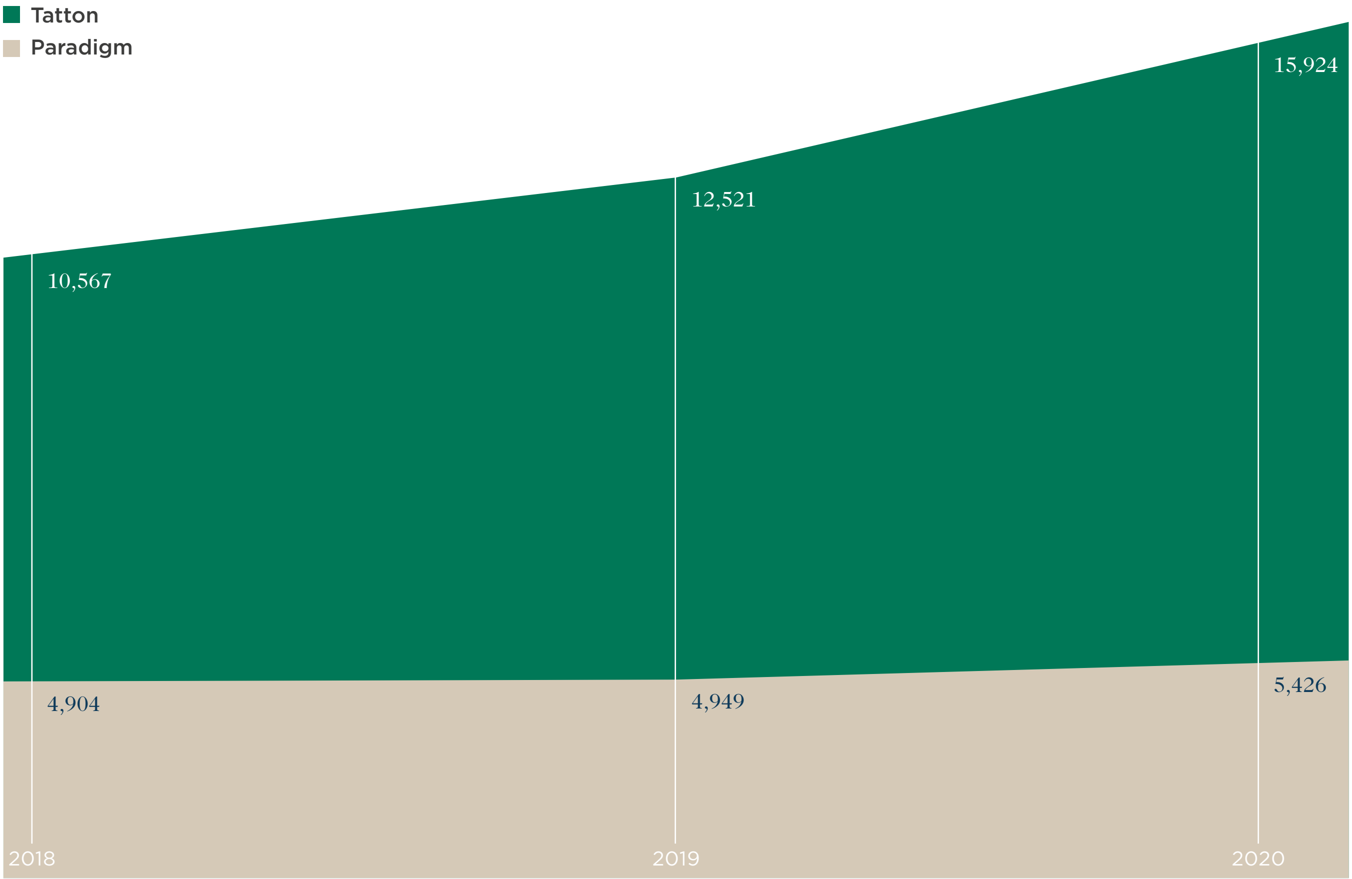
A BROADER PROPOSITION

Tatton Asset Management plc offers on-platform only discretionary fund management as well as regulatory, compliance and business consulting services and a whole of market mortgage proposition to IFAs across the UK.

This is achieved through two operating divisions: Tatton, the Group's investment management division, and Paradigm, the Group's IFA support services business.

- **Market leading on-platform discretionary fund management service**
  - Full range of risk-rated investment portfolios
  - Multi-Manager funds complement portfolios
  - Highly experienced investment team
- **Exclusively available for the clients of IFAs**
- **Clients benefit from gaining access to full discretionary management of their investments**
- **Platform agnostic – now available on 14 platforms**
- **Financial compliance support to directly authorised wealth managers, IFAs and mortgage advisers**
- **Comprehensive mortgage offering to directly authorised firms, including a whole of market lender panel**

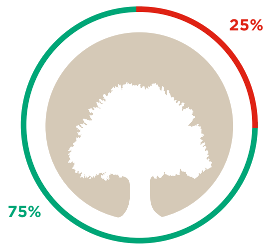
Group revenue breakdown



TWO DISTINCT DIVISIONS

Tatton Asset Management plc

"TAM plc" or "Group"



Tatton Investment Management Division

An investment manager providing discretionary fund management to the clients of IFAs through wrap-platform technology. It manages £6.651 billion of assets for the private clients from 595 UK IFA firms.

IFAs benefit by being able to offer their clients full discretionary asset management whilst retaining complete control of those relationships, together with the ability to manage their clients' portfolios through existing platform arrangements.

Paradigm – IFA Support Services Division

Paradigm Mortgage Services is one of the UK's leading mortgage distributor businesses, with membership of over 1,500 directly authorised firms, representing c.3,900 regulated IFAs.

Paradigm Mortgage Services provides access to a whole of market lender panel as well as a wide range of mortgage and related support services, such as specialist lending distributors, conveyancing partners and general insurance via Paradigm Protect.

Paradigm Consulting is a leading provider of support services, such as compliance, and other related products/services to directly authorised IFAs in the UK.

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.

Chairman's Statement

CONTINUED PROGRESS AGAINST OUR STRATEGY

ROGER CORNICK Chairman

The financial year ended 31 March 2020 was a challenging period beginning amid the political turmoil caused by Brexit and concluding with the onset of an unprecedented global health crisis. Nevertheless TAM plc has achieved a third successive year of growth in revenue, profits and assets under management ("AUM").

COVID-19 began to affect financial markets across the world at the end of January 2020, and we have included a separate report on its impact on our businesses in the section immediately following this statement. The Board would like to express our sincere hope that all shareholders, staff, clients, advisors and suppliers, have been able to keep safe during this unprecedented development and will be able to get through the pandemic in as positive a manner as is possible.

OUR PEOPLE

On behalf of the Board, I would like to take the opportunity to acknowledge the very high level of contribution from each member of staff that has made it possible to achieve the position outlined in this statement, and to offer our grateful thanks. At the same time, I should draw attention to the positive and effective leadership provided by the Executive, in unprecedented circumstances, which has enabled the Group to sustain the service levels and high standards needed to maintain positive trading over the last few months, and will equip us to meet the challenges ahead.

RESULTS

The impact of COVID-19 in the period under review has been to reduce the value of AUM during February and March 2020, although flows of net new funds, and revenues, held up well.

Group revenues increased by 22.0% to £21.369 million (2019: £17.518 million). Adjusted Operating Profit* increased by 24.2% to £9.076 million (2019: £7.308 million) and profit before tax, after incurring exceptional items and share-based payment charges, was £10.296 million (2019: £6.112 million). The resulting impact on fully diluted adjusted earnings per share was an increase of 19.8% to 12.00p (2019: 10.02p). Basic earnings per share were 14.98p (2019: 8.69p).

Tatton Investment Management ("Tatton"), our on-platform discretionary asset manager, increased AUM by 9.6% to £6.651 billion (2019: £6.068 billion) with strong net inflows of £1.129 billion. Paradigm, the Group's IFA support business, has enjoyed another year of growth, increasing both the number of member firms and revenue flows. Mortgage Services, the Group's mortgage distribution and support services business, continued to grow well. Member firms increased 10.9% to 1,544 with associated gross lending from completions increasing 17.5% to £9.86 billion (31 March 2019: £8.39 billion).

STRATEGY

The Group's strategic objectives have not been materially affected by recent events. We retain our focus on organic growth through the provision of products and services that are designed to enable Independent Financial Advisers ("IFAs") to advise their clients, and we continue to invest in both people and technology that will steadily grow the business by enhancing our support for them.

Our operating systems have been designed in such a way that staff, working from home, are able to maintain service levels and standards that sustain the broad product offering of all our underlying businesses. We are now focused on reinforcing resilience in our operational, business development, and financial management capabilities.

Challenging market conditions create opportunities and threats in diverse areas and we are acutely conscious of the possibility of further consolidation in our industry. We have evaluated several acquisition opportunities during the period under review but remain committed to pursuing only those which are complementary, strategically aligned to the existing model, earnings enhancing and accretive to shareholder value.

BOARD AND CORPORATE GOVERNANCE

TAM plc 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 mix of skill sets to steer the Group forward. In a business evolving in the current challenging environment, we will maintain a governance structure that underpins and encourages growth, while ensuring effective controls and safeguards are in place.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires the Directors to act in the way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. Further information on our engagement with stakeholders can be found on pages 12 to 13 of this Report and the consideration of our dividend policy is detailed on page 43.

DIVIDENDS

Given the Group's performance this year; the strong cash generation; and our confidence that we can adapt to meet changing market circumstances, the Board is proposing a final dividend of 6.4p per share, bringing the total ordinary dividend for the year to 9.6p per share, an increase of 14.3%, which is 1.9 times covered by adjusted earnings per share. The Board continues to operate 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

While the trading period immediately in front of us is not easy to read, the Group remains well-positioned to execute our strategy.

As the new financial year progresses, we will adapt where necessary to meet changing trading conditions, while continuing to build on the success achieved to date through further investment in efficient operations and customer service. As a result we anticipate delivering continued returns to our shareholders through a progressive dividend policy, and remain optimistic over our ability to achieve further progress.

Roger Cornick
Chairman

* Alternative performance measures are detailed in note 23.

COVID-19 IMPACT

The COVID-19 pandemic has impacted all businesses to varying degrees. The Board of TAM plc is pleased to report that, whilst the Group's performance has been affected, the Group operates in resilient markets and the directors believe the fundamentals of the business and its route to market remain strong and relevant in these unprecedented times.

Throughout the pandemic, the Group has supported its customers (the IFAs) by providing valuable data and narrative to enable them to communicate clearly with their clients, further cementing long-term mutually beneficial relationships.

TAM plc has a low-risk, high-margin business model, based on strong levels of recurring revenue (circa 85% over the last 3 years). Whilst it's still too early to estimate accurately the full financial impact of the pandemic, the Group has a robust financial liquidity position with £12.8 million cash at 31 March 2020 and no debt; a £1.5 million overdraft facility which remains undrawn; and a highly efficient working capital cycle, ensuring strong operating cash conversion (c.100% of adjusted operating profit). The Company also has indications of a good level of support from quality lending institutions, in the unlikely event that this will be required.

The Board is confident that the Group has more than adequate resources to withstand the challenges the pandemic presents in the short to mid-term.

As noted above, the dividend policy remains unchanged.

The Group operates on a lean cost base, which enables our businesses to remain competitive in their markets. However, we are undertaking a cost reduction exercise to ensure that all opportunities to improve efficiency are explored. Whilst investment in future growth will continue, a moratorium on material capital expenditure is in place and salary increases and bonuses have been frozen until the COVID-19 situation unfolds. The Group will not take advantage of Government support schemes, which the Board believes are intended for businesses significantly more affected than TAM plc.

The Group's forecast has been reviewed and updated for the expected impact of COVID-19 pandemic, various market scenarios and management actions. This review has allowed management to assess the potential impact on income, costs, cash flow and capital and the ability to implement effective management actions that may be taken to mitigate the impact.

The Board will continue to support its people and take all the precautions necessary to ensure the Company's ongoing robust financial health and remains vigilant, constantly monitoring the evolving situation. New opportunities to strengthen the business through acquisition will also be evaluated if and when they arise.

Further information on the market impact is shown on page 15 and our principal risks shown on pages 30-31.

Chief Executive's Review

INVESTMENT EVOLVED

I am pleased to report on another year of progress for the Group, in this our third year as a plc. Despite a complex macro backdrop, we have continued to perform strongly and delivered against all the challenging targets we set ourselves at the time of our IPO.

We floated in 2017 with a clear strategy to drive revenue and profitability through the development and growth of assets under management (AUM), and by building on existing relationships, while further developing new relationships with IFAs and new members across the Group.

Since then, we have increased our AUM from £3.9bn to over £6.6bn, an increase of circa 70%. Almost all of this growth has been achieved organically. In the year under review, net inflows averaged £94.1m per month, compared to £90.0m per month in the prior year, with additional support from the acquisition of Sinfonia Asset Management from Tenet in September 2019, which added a further £135m of AUM.

Today, Tatton is working with over 595 IFA firms, and manages 66,100 client accounts, representing growth of 114% and 55% respectively since IPO. The number of Paradigm Consulting IFA firms, for whom we provide regulatory and compliance services, has also continued to grow in this three-year period, increasing from 352 to 394, and our Mortgages Services membership increased from 1,069 to 1,544.

Over the three years since IPO the key driver for the Group's growth in both revenue and profits has been our on platform Discretionary Fund Management Managed Portfolio Service ("DFM MPS") proposition, which remains the most competitive in the market. It has no minimum investment and delivers a standard of service to all levels of investors and their IFA irrespective of portfolio size, which some other providers normally reserve for wealthier clients. This, combined with risk management, creates a compelling proposition for IFAs.

The Group has achieved its targets, despite facing some major headwinds: global equity markets endured steep declines in Q4 2018 amid persistent worries over trade and economic growth; uncertainty surrounding the UK's Brexit plans followed closely, creating investor hesitancy throughout 2019; and, in the final month of the year under review, the COVID-19 pandemic and resulting lockdowns which wiped trillions off equity values around the world.

We have weathered all these storms and have continued to deliver growth in line with expectations, by focusing on providing simple but effective solution-based services to our clients, including the most competitive DFM offering available. I would like to thank our shareholders for backing our team and supporting our ambitions and our clients for their continuing commitment and faith in our ability to deliver an unrivalled service.

COVID-19

As stated in our most recent Trading Update, the Group responded swiftly to the COVID-19 outbreak and efficiently implemented comprehensive business continuity plans. We pivoted to remote working, seamlessly replicating our processes and systems, whilst safeguarding the health and safety of our employees and ensuring that the business continued to service our clients as normal. The Group will not be taking advantage of any Government support scheme, which the Board believes are intended for businesses which have been significantly more affected than TAM plc.

THE MARKET OVERVIEW

Before the impact of COVID-19 IFA businesses were continuing to thrive, reporting increased levels of turnover and profitability. Over the last 12 months, the number of IFA firms across the full IFA population has remained static and we would expect that, post lockdown, IFAs will return to recent historic levels of activity. We do not expect the number of supporting firms to reduce due to COVID-19 issues, as their recurring revenue model and low geared cost base ensures continued financial prosperity.

Tatton has always believed in the benefits of independent intermediated advice, and we are very encouraged by how IFAs are adapting to change and delivering value to their clients, while maintaining profitable businesses. The requirement for independent financial advisory services continues to grow with eight out of ten advisers reporting an increase in client numbers year on year. It is interesting to note that robo-advisory businesses, which provide financial advice and investment management based on mathematical rules or algorithms and with minimal human intervention, are struggling to reach critical mass and financial viability.

PAUL HOGARTH Chief Executive Officer

While many financial advisers continue to manage and run portfolios in-house, it is clear that an increasing number are reviewing their business models in favour of the outsourced investment management services, which contribute to improved efficiency in the financial planning process. The complexity of the financial planning process and burden of regulation, including MIFID II reporting, makes researching and maintaining investment portfolios in-house challenging and increasingly expensive. When set against a backdrop of increased global market volatility and economic uncertainty, we see the trend for outsourcing escalating and demand for Tatton's services increasing.

The broader opportunity for Tatton continues to improve, with over £500bn of assets currently sitting on platforms of which more than £50bn are in model portfolios. Tatton currently has £6.651bn and is the largest provider of DFM MPS. Platforms are expected to grow by 5-6% per annum, with some commentators forecasting that assets will exceed £1.0 trillion by 2023.

> "We develop deep and strategic relationships with our Financial Adviser clients across the Group businesses."

TATTON

This year has seen another strong year of growth for Tatton. Net inflows were £1.129bn (2019: £1.106bn) and we also experienced a significant increase in IFA firms to 595 (2019: 445). The closing balance of AUM was £6.651bn, a 9.6% increase on the prior year despite being impacted by a negative market performance of 14.3% or £1.1bn towards the end of the financial year, due to COVID-19 related market falls. Prior to this, our AUM reached a record level of £7.758bn on 21 February 2020, an increase of 100% since we joined AIM.

A significant milestone in the year was the strategic partnership announced in June 2019 with Tenet Group ("Tenet"), one of the UK's largest financial advisory businesses, to provide a managed portfolio service for its appointed representatives and directly authorised firms. Of the 474 Tenet firms, 81 firms are now using Tatton services and they have contributed £261.0m of net new flows. The year also saw the acquisition of the Tenet's Sinfonia funds in September which contributed £135.0m of AUM.

Our focus this year will be to consolidate our position as the leading DFM MPS provider of choice. We will look to leverage our competitive advantage as being a high value low cost DFM and further developing our AUM organically. However, it has always been our intention to become a true asset manager, building on the success of our MPS services and adapting to increased IFA demand for cost reducing multi-asset multi manager solutions. This ambition is achievable through a combination of organic and M&A activity, enhancing the value of our AUM and continuing to serve the demands of the IFA sector for improved client solutions.

At the current time, it remains unclear what further impact the COVID-19 pandemic will have on the business. Since the year end, AUM has recovered in line with our 0.6 beta[1] to the markets and the start of the new financial year has seen positive net inflows in the first two months. Clearly, events will further unfold, but we believe our business model is robust and resilient and the business remains well placed to manage its way through the effects of the pandemic.

PARADIGM (IFA SUPPORT SERVICES DIVISION)

During the year, we took the decision to simplify our business units to create a clear distinction between our investment management and support services businesses. The Paradigm businesses now report under a single operation and continue to deliver both IFA Consulting and Mortgage Services.

Paradigm Consulting maintains close relationships with its financial adviser firms, providing bespoke consultancy and support and helping them manage the risk of an ever-changing landscape of regulation. The number of firms has marginally increased in the year under review, growing from 390 to 394, with a mix of ad hoc consultancy and competitive pricing contributing to a 9.6% increase in revenue to £2.476m (2019: £2.260m).

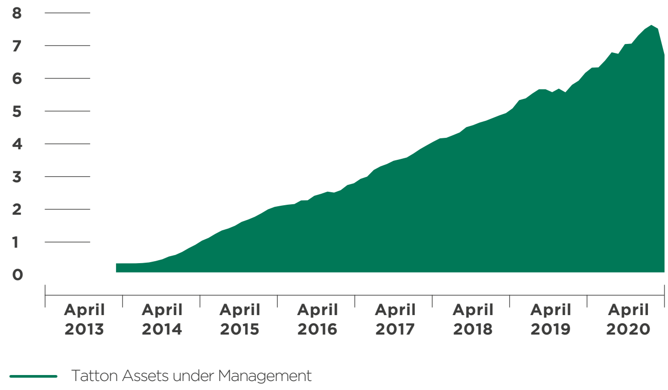
1 Beta: The level of volatility in comparison to the market as a whole.

Chief Executive's Review continued

Paradigm Mortgages aggregates mortgage lending and life insurance. Membership of Paradigm Mortgages enables advisers and their clients to benefit from economies of scale and secure access to the best mortgage deals and life assurance products available. This year has been a difficult one in the mortgage market, with the first half framed by Brexit uncertainties and finishing with the impact of COVID-19. Despite these challenges, revenue rose by 9.7% to £2.949m (2019: £2.689m), as membership grew 10.9% to 1,544 (FY19: 1,392) and gross lending from completions rose by 17.5% to £9.86bn (FY19: £8.39bn).

The recent lockdown restrictions have made completing mortgages difficult. This has, inevitably, impacted all parts of the mortgage supply chain and, while the restrictions have been eased, it will take time for the market to return to normality. The likely total impact still remains difficult to forecast. That said, the business is lean and efficient and remains in good shape to navigate its way through this crisis.

TATTON ASSETS UNDER MANAGEMENT IN £ BILLION



CURRENT TRADING AND OUTLOOK

The strong momentum built through the year has been impacted during lockdown, with engagement of both existing and potential client IFAs naturally lower than in the preceding months. Our teams continue to work remotely, in line with Government guidelines which, while effective, hampers normal activity levels to a certain degree. I have no doubt that when restrictions are fully lifted and we can safely return to normal operation, the Group's new business flows will also return to normal levels. Naturally this will be dependent on government guidelines and no further interruptions caused by freshly imposed restrictions in the future.

All that said, Tatton has provided considerable support and valuable market data to its IFAs throughout this exceptionally difficult time. The positive feedback we are receiving shows how much this work has been appreciated by our IFAs. I believe the goodwill and positivity around our services will translate to new business opportunities, as IFA businesses talk with their peers and come to realise that they have been left significantly exposed with little or no support in a volatile and difficult market environment. IFAs who have continued to in-source their investment proposition have now been exposed on three separate occasions: Woodford and the "star" fund manager reliance; the suspension and lack of liquidity in property funds, another favourite of IFAs; and latterly, the collapse of global markets. These events must have instilled doubt over the decision to continue providing this service in-house and will lead them to evaluate peer-recommended outsourcing alternatives.

AUM

£6.651bn

Net inflows

£1.129bn

We expect Paradigm Consulting to trade as normal through this uncertain period, albeit remotely. Clearly, the mortgage market and its behaviour are out of our control and we remain guarded against forecasting any significant recovery in the short-term. One thing we know for sure is that lenders will be more risk adverse, reducing their loan to value (LTV) lending ratio. That said, it is clear that demand will return in the medium term as structural market conditions have not fundamentally changed, and Government incentivisation is anticipated to assist economic recovery post COVID-19.

It would not be the right description to refer to COVID-19 as a bump in the road but we have often internally referred to the recent loss of momentum as leading to a potential lost year on our growth trajectory. Unfortunate as this is, we believe the Group is resilient and financially robust, with an enduring business model and exceptional people. The Board and I have no doubt that the business will rebuild momentum rapidly when circumstances permit.

There will, inevitably, be opportunities in our markets as a result of this unprecedented disruption. Tatton maintains its clear focus on delivering sustainable organic and acquisitive growth and is perfectly placed to act should any appropriate opportunities arise.

The Board looks to the future with confidence and to reporting on the Group's progress as the year unfolds.

Paul Hogarth
Chief Executive Officer

From initiation to implementation

Stage

1

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

2

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

3

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

4

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

5

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

6

6. PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT
We complete portfolio construction by identifying the representatives in each asset class

7

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

Chief Investment Officer's Report

BUSINESS GROWTH ACCELERATES

LOTHAR MENTEL Chief Investment Officer

Net inflows remained strong at £1.129bn over the year, while the core proposition was expanded to enhance future growth potential.

Capital market returns veered from headwind to tailwind during the 2019 calendar year, while AUM growth was driven by strong inflows and positive market performance. Until the pandemic crisis, UK investor sentiment was overshadowed by Brexit, but a more positive liquidity backdrop – as central banks reversed monetary tightening – drove global portfolio values upwards.

After reaching a peak of £7.8 billion just before the pandemic, negative market returns drove Tatton's AUM back down to £6.7 billion. Net client inflows remained positive at £86 million for March, supported by a continual supply of market updates and insights during the crisis, which put investor fear into context and prevented panic-driven redemptions.

As adviser business activity gradually returns, we are benefitting from the support we gave them during the crisis, which has strengthened our relationships and boosted confidence in our portfolio stewardship. Our proactive communication approach, together with investor returns strictly within the boundaries of chosen risk profiles, presents a solid base for continued business growth.

PROPOSITION DEVELOPMENTS AND BUSINESS INVESTMENTS

Tatton has expanded its range of Blended Funds to five, adding two risk categories, defensive and aggressive, to meet the risk spectrum used by IFAs, ensuring a better complementary fit with our Managed Portfolio Service. Lower charges and consistent performance from the extended range should capture client assets that cannot access our Managed Portfolio Service.

The Tatton Bespoke Investment Service ("BPS"), created in 2019, is gaining inflows and is now available on several investment platforms. Its competitive, transparent charges offer considerable opportunity to increase assets during the coronavirus recovery. IFAs and investors will be seeking price value and we should benefit from existing supplier disturbance created by the lockdown.

We expanded our business development capability, adding office-based lead generation to support our field-based team. This reinforces our investment in sales and communications marketing resource to grow the number of firms using Tatton, in particular Tenet. We are now deepening relationships with more adviser firms through white label and investment support for larger firms.

We appointed a Deputy Head of Investment and created a new role of Chief Economist, as well as recruiting a Chief Investment Strategist. Greater strength and depth within our investment team will help extend our investment offering across a wider range of asset allocation requirements, allowing us to reach an ever-increasing adviser target audience.

2019/2020 CAPITAL MARKETS AND RETURNS

Global growth slowed notably in 2019 and although 2020 brought promising early signs of a recovery, we were waiting for tangible improvement. Meanwhile, capital markets were banking on a renewed monetary push from central banks and a steadily rebounding global economy showing up in the economic dataflow. Easing trade tensions between the US and China, plus the manufacturing sector emerging from its third midcycle slowdown of the past decade, had many investors decidedly bullish. As a result, the equity rally building since last autumn continued until mid-February, despite corporate results failing to meet lofty expectations.

Investment portfolio returns

1 April 2019 – 31 March 2020

Tatton Fund Performance (%) – core produce set (1/4/2019–31/03/2020 after DFM charge and fund costs)

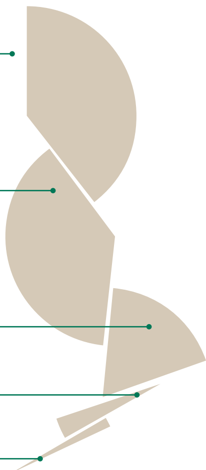
	Tatton Active	Tatton Tracker	Tatton Hybrid	Tatton Ethical	IA Sector*
Defensive	(1.7)	(1.1)	(1.4)	(0.8)	(3.5)
Cautious	(5.0)	(4.1)	(4.5)	(1.6)	(7.1)
Balanced	(7.5)	(6.4)	(7.0)	(2.2)	(7.4)
Active	(10.1)	(8.7)	(9.4)	(3.0)	(7.7)
Aggressive	(12.5)	(11.0)	(11.8)	(3.5)	(8.1)
Global Equity	(7.1)	(6.2)	(6.6)	(3.6)	(8.1)

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

Since launch 1/2013

Tatton Fund Performance (%) – core produce set (1/1/2013-31/03/2020, annualised, after DFM charge and fund costs)

	Tatton Active	Tatton Tracker	Tatton Hybrid	IA Sector*
Defensive	4.3	4.6	4.4	3.5
Cautious	5.4	5.4	5.4	4.2
Balanced	6.1	6.1	6.2	5.1
Active	6.9	7.0	7.0	6.0
Aggressive	7.1	7.6	7.4	6.0



Distribution of AUM across proposition matrix

— There remains little change in the breakdown of the risk profiles in which our AUM is invested though there has been a shift from the Active range towards our Tracker and Hybrid Strategies.

— Ethical has continued its fast growth as a portion of AUM.

Although the coronavirus was initially brushed off as a problem confined to the Asia-Pacific region, similar to the 2003 SARS outbreak, the world woke up to the global pandemic threat – and its economic implications – on 20 February. From this point, asset markets responded with the broadest and steepest multi-asset sell-off in history. Prices only stabilised after the announcement of fiscal and monetary support measures of unprecedented dimension and reach. Temporarily removing the risk of a devastating global credit default cycle, together with pledges of limitless "buyer-of-last-resort" liquidity, has led to a V-shaped recovery in asset markets which is looking increasingly less likely for the underlying economy.

This leaves stock market valuations in early June even more extended than those seen in February, yet with a much more uncertain outlook. Investment managers cannot apply historic experience to this situation full of "unknown unknowns", except to observe that – similar to the aftermath of the global financial crisis – the enormous injection of financial support is finding its way into asset price inflation rather than the traditional price inflation most would expect.

Immense monetary and fiscal support measures, together with the need to upgrade healthcare provisions and update elements of the global supply chain, could create the capex demand volumes that had been lacking in the previous decade – or create inflationary pressures while growth remains subdued. We will use the discipline and rigour of our investment approach to position clients' portfolios to benefit from either outcome, without compromising investment risk.

In the prevailing market environment, we are satisfied with our portfolio construction and management on behalf of our investors. While we share the disappointment of poor capital market returns overall, this 2020 market crash has borne fewer surprises than retail investors experienced during the 2008/2009 bear market. By holding our nerve amid the market chaos around us, our response ensured portfolios stayed within the boundaries of what our risk profiles suggested was possible, while fully participating in the risk asset rebound that followed.

OUTLOOK 2020

Global crises provide catalysts for change and Tatton is well positioned for the post-lockdown environment. We see a number of positives for our business model as more advisers and clients become comfortable with digital engagement, which appeals to our low-cost operating model. Our cultural agility helps us adapt to new relationship dynamics and we will enhance this capability with more "distance business" throughout 2020.

The post-lockdown environment will be highly competitive. Tatton was deliberately very visible during the crisis, offering a viable alternative should existing supplier disturbance require advisers to seek new arrangements for their clients. We will continue to provide responsive information and insight, and will enhance our digital capability to engage with the adviser community in innovative ways.

Lothar Mentel
Chief Investment Officer

Engaging with our stakeholders

We are committed to engaging and developing strong relationships with our key stakeholders and delivering long-term value. We recognise that it is important that we engage with each of our stakeholders in an open and transparent manner, taking into account their views in our strategic decision making. Our engagement with stakeholders is across all areas and levels of the business, with reporting and escalation to the Board as appropriate.

Section 172 statement: In considering how best to promote the success of the Company for the benefit of its members as a whole, the Directors have regard, amongst other matters, to the likely consequences of any decisions in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company.

Our stakeholders		Their material issues
Firms and Clients	**IFAs and their clients are the central focus of our business. The Group's ongoing success is built upon understanding our customers' needs, both those of the firm and of their clients, and responding with products and support. As we understand their needs, we will continue to anticipate future requirements to allow IFAs to continue focusing on their clients and build their businesses.**	— Performance of our funds and portfolios — Transparency — Quality of service — Fair pricing
Shareholders	**We rely on the support and engagement of our shareholders to deliver our strategic objectives and grow the business. Our shareholder base supports the long-term strategy we take in the management of our business.**	— Compelling business model and growth prospects — Long-term sustainable business which delivers attractive returns through maintaining a progressive dividend policy — High standards of governance
People	**The Board recognises that our people are central to the ongoing success of the firm. The Group's employees deliver the highest quality of service to our customers.**	— Making a difference for our customers — Having opportunities for learning, growth and further development — Being fairly rewarded for their contributions
Society	**We recognise the responsibility we have to wider society and other key stakeholders. We believe that demanding high levels of corporate responsibility is the right thing to do.**	— Society has an interest in how we manage our clients' assets and ensure good stewardship over our investments — They have an interest in ensuring we manage our business in a manner which minimises our impact on the environment and helps to benefit society
External service providers	**Our external service providers include our distribution partners (platforms, IFAs, fund managers) and our suppliers.** **They are critical to ensuring the effective distribution of our products.**	— Trusted partnerships — Strong governance — Clear communications
Regulators	**Tatton Investment Management Limited is regulated by the Financial Conduct Authority ("FCA").**	— Ensuring that the business understands and adopts the principles and rules of the FCA Handbook — Open and transparent communication — Demonstrating good conduct — Acting in our customers' best interests

"Stakeholder engagement – sustainable, balanced, equitable"

How we engage	Highlights and key decisions	Further links
— The business development teams meet regularly with current and potential firms to develop a clear view of client objectives and how these are likely to evolve — Breakfast briefings — Roadshows — Partner Forums — Annual conference — CPD Events	— **Won significant long-term investment mandate from Tenet, one of the UK's largest Adviser support Groups** — **Acquisition of Sinfonia funds extending our product range** — **Expansion of our Blended fund range to five** — **First flows into Bespoke Investment Service ("BPS")** — **Amalgamation of Consulting and Mortgages to create a simplified IFA support services business to better meet the needs of IFAs through an integrated approach**	— See our Business model on pages 16-17 — A summary of our proposition is shown on pages 2-3 — The Group's KPIs are shown on pages 26-27 — Read more about our Markets on pages 14-15 — The Group's Strategy is detailed on pages 18-19
— Regular meetings are held with our investors throughout the year — Results presentations are held at the half and full year	— **Delivered against our dividend policy with a total full year dividend of 9.6p, an increase of 14.3% (FY19: 8.4p)** — **Adjusted Operating Profit of £9.076m, an increase of 24.2% (FY19: £7.308m)**	— See our Business model on pages 16-17 — Our dividend policy is detailed on page 43 — The Group's KPIs are shown on pages 26-27 — The Group's Strategy is detailed on pages 18-19
— Presentations by the Board to discuss performance and the Company's strategic plans — Regular management briefings	— **During the year the Group supported a range of individuals through professional qualifications** — **Further extension of the EMI and Sharesave schemes**	— See our Business model on pages 16-17 — See our Corporate Responsibility section on pages 34-35
— We aim for high standards of governance across the Group. Our careful selection process for Tatton's ethical portfolios prioritises funds that actively engage with company managers on ESG issues	— **Growth in our ethical portfolios** — **Continued improvement and adoption of Corporate Governance guidelines**	— See our Business model on pages 16-17 — See our Corporate Responsibility section on pages 34-35
— Regular service reviews — Annual due diligence reviews — Collaborative engagement	— **We maintain ongoing relations with our key suppliers and partners during the year with updates at Board meetings**	— Read more pages 34-35
— Direct communication through our compliance senior manager function holder — We always engage in an open and co-operative manner	— **Implemented the Senior Managers & Certification Regime ("SM&CR"), designing our framework to meet the standards of an enhanced firm** — **The Board and Audit and Risk Committee receive regular compliance reports**	— Information on our Risk Management framework and processes is shown on pages 28-29 — Our Corporate Governance statement is shown on pages 38-39

Our market share

Tatton continues to grow as its markets expand. We see the potential opportunity for the UK platform market increasing to £1trn by 2023, with the share of assets using DFM increasing. We are in an unrivalled position to capitalise on this opportunity.

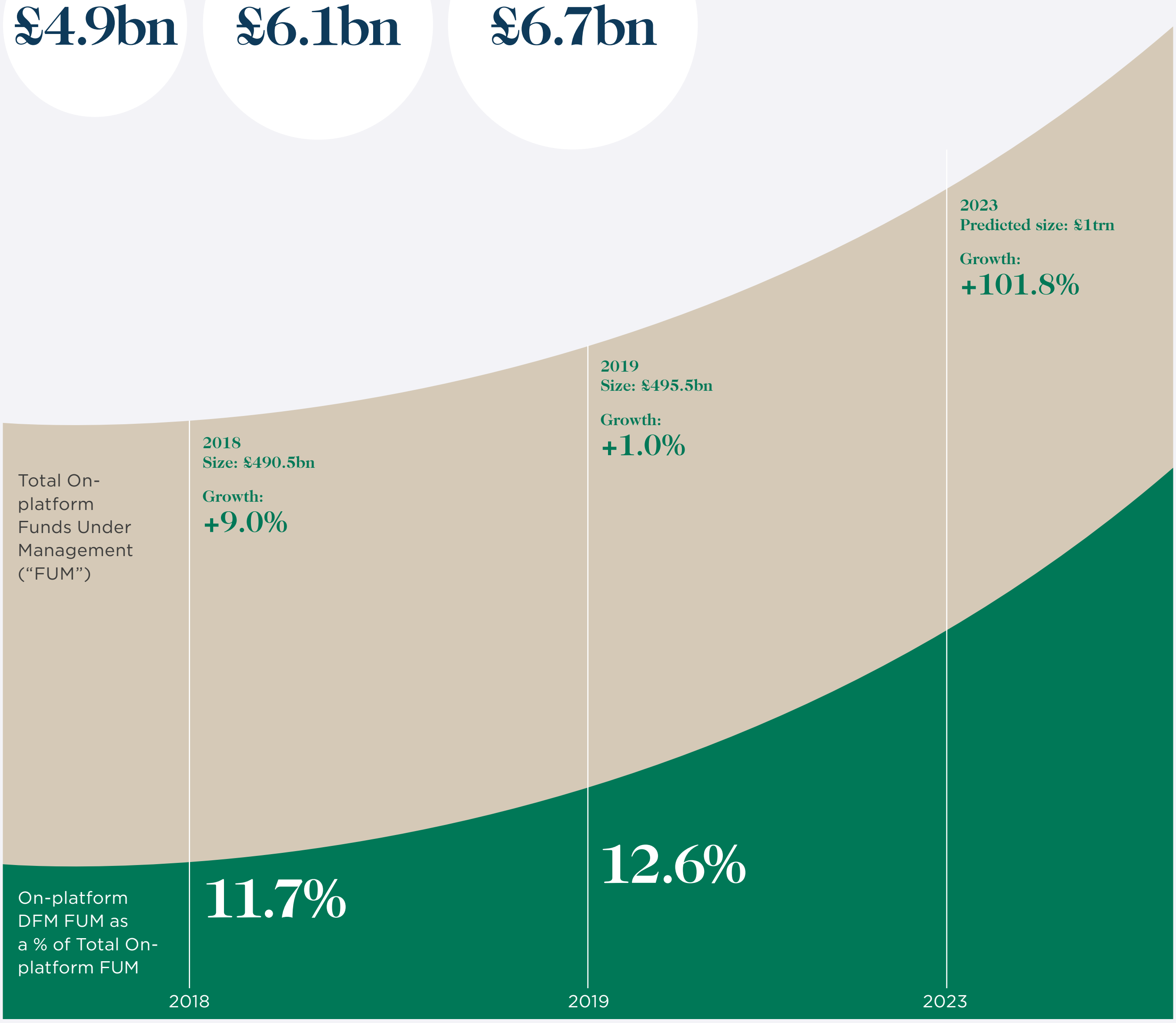
Market trends

1. GROWING STRENGTH OF THE IFA SECTOR

The IFA sector continues to grow in strength and the requirement for advice could well increase due to the economic effects of COVID-19. While the number of firms remains broadly static, the demand for independent advice continues to increase as the mass affluent understand the need for help when making complex decisions around retirement planning, inheritance planning and pension consolidation. COVID-19 saw advisers adapt their advice process and there is opportunity for those businesses that partner with them to enhance their new ways to advise clients.

Tatton AUM

2018	2019	2020
£4.9bn	£6.1bn	£6.7bn



1 Source: UK Fund Distribution: Model Portfolios on Platform, Platforum July 2018.
2 Source: UK Fund Distribution: DFM Distribution Dynamics, Platforum July 2019.

Our response

We can benefit IFA businesses in two ways, firstly our platform only investment portfolio management services provide cost and operationally effective investment propositions to allow the advisers to focus on building client relationships and advice. Secondly, we provide expert advice and support to the IFA and their business on compliance with FCA regulatory policy, providing a solid foundation from which they can profitably grow their business.

2. 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 given their specific circumstances.

Our response

Tatton is an award-winning investment manager known for its market leading, low cost, discretionary investment platform portfolio management service for the clients of IFAs.

Clients benefit from gaining access to full discretionary investment management, with clear pricing and a wide range of strategy options to meet different client needs, including a focus on the growing appetite for ESG products. IFAs benefit by being able to offer their clients fully transparent investments and pricing, at a market leading cost, whilst retaining complete control of client relationships and the ability to administer clients' portfolios through existing platform arrangements.

Tatton's commitment to fee transparency, highly frequent investment communications and platform independence helps clients understand the services they are paying for and attach value to it. Similarly, its pure investment, platform agnostic business model as well as investment and communication standards builds trust with advisers which leads to lasting business relationships.

3. MARKETPLACE DISRUPTION

COVID-19 has provided the most significant level of market turbulence since the financial crisis of 2008. Whilst investment markers recover, such live disrupting episodes can significantly affect consumer confidence and alter both their short and long term attitudes towards savings and investment.

Our response

The most effective measure to reassure clients during periods of market turbulence is to provide relevant and up to date communications. From an investment management perspective we actively manage portfolios to ensure they remain aligned to clients' risk and return objectives. The close integration of both communication and management has the effect of reassuring clients and advisers of our highest standards of portfolio stewardship during times of crisis and leads to an avoidance of irreversible client side market timing errors that are driven by fear of the unknown and the natural urge to act.

4. GROWING STRENGTH OF PLATFORM MARKET

The platform market is fast growing and becoming an increasingly attractive method for managing investments. In 2019, there were £495 billion of assets under administration on investment platforms[2].

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's business model is founded on a platform agnostic discretionary portfolio management service as a centralised investment proposition for IFAs' clients. Tatton's investment portfolios are available across 14 major platforms, increasing access to cost effective discretionary asset management.

5. IMPACT OF REGULATORY CHANGE

The market demand for financial advice is growing, however, the ability of IFAs to meet this demand has been challenged partly due to increased regulatory pressures, such as MiFID II and General Data Protection Regulation ("GDPR"). The need to comply with increasing regulation, such as SM&CR, means that IFAs face significant costs and resource challenges.

Our response

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

6. APPETITE FOR LENDING

The prime lending market had seen increasing volumes as a level of confidence returned to the housing market post-election. However, the impact of COVID-19 has since been felt, and with lenders unable to survey and value properties, combined with severe administrative burdens from lockdown measures and payment holidays, the house purchase market significantly slowed. Intermediaries have turned their focus to low LTV re-mortgaging, product transfers and mortgage insurance and as lockdown measures ease and viewings, valuations and surveys can take place again, the market is stabilising and is set to return to normality over a period of time.

Our response

As our members feel the effects of COVID-19, we continue to support them through online support, webinar and video updates, CPD content and assistance with digital strategies. Throughout the year, we have increased our membership month on month, whilst adding new lenders and providers to our panels strengthening the quality and breadth of our proposition. Through a focus on service excellence and consistent member recruitment we have been able to outperform the market these past three years and this strategy means we can maintain this going forward.

Our business model

Our business model remains the same. 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.

TALENTED PEOPLE

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

REGULATORY KNOWLEDGE

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

CAPITAL ALLOCATION

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

TECHNOLOGY

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

BRAND RECOGNITION

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

How we create value

Client financial goals

— Investment goals
— Length of investment
— Risk appetite

IFA

We work hard to manage the investments of our IFAs' clients and provide support to help firms to grow their clients' wealth and focus on building relationships.

Paradigm Mortgages

CLIENT MORTGAGES AND INSURANCE

— 1,544 member firms
— £9.86bn gross lending

Tatton

CLIENT INVESTMENT PRODUCTS

— 595 firms
— 66,100 client accounts
— £6.651bn AUM
— 29 risk rated portfolios across a range of strategies across 14 platforms

Paradigm Consulting

COMPLIANCE ADVICE AND SUPPORT TO IFAS

— 394 member firms
— Over 1,110 IFAs

Our business model is underpinned by:
- Our Strategy, pages 18-19
- Our Risk Management Framework, pages 28-29
- Our high standards of Corporate Governance, pages 38-39
- How we engage with Our Stakeholders, pages 12-13

Our outputs

SHAREHOLDERS

The Group has a cash-generative business model, significant levels of recurring revenue and strong profit margins in a growth market. The value generated from the business is issued to shareholders as dividends or reinvested in the business to drive future growth. We have a progressive dividend policy – see page 33.

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, which are flexible, responsive and cost effective.

IFAS

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

EMPLOYEES

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

SOCIETY

The services provided by the Group to IFAs and their clients allow individuals to save and invest with confidence. The Group pays its taxes in full and on time and we conduct our tax affairs in a clear, fair and transparent way.

AUM

£6.651bn

Adjusted Operating Profit*

£9.076m

* Alternative performance measures are detailed in note 23.

Our strategy for growth

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

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

Our strategy	1 Deepen the IFA relationships to grow AUM	2 Organic growth – Increase share of our respective markets
Description	Strengthening existing IFA/client relationships and building new long-term relationships, delivering sustainable value for both the IFA/clients and shareholders	Further penetrate our markets adding new firms in Tatton and new members in Paradigm Consulting/ Mortgages
2020 Achievements	— AUM has increased by 9.6% to £6.651bn from £6.068bn in the prior year across all firms and clients — The number of firms in the year increased 33.7% to 595 adding 150 new relationships	— New firms and new members increased across all parts of the business — Tatton +33.7% to 595 firms — Paradigm Consulting +1% to 394 — Paradigm Mortgages +10.9% to 1,544
2021 Objectives	— We continue to invest in account management both external and internal to ensure we are well placed to service the IFA needs — Further broaden our proposition and service portfolio — Maintain the market leading service cost proposition	— Maintain new firm growth in Tatton while also developing Tenet firm relationships — Maintain growth in Paradigm Consulting and Mortgages through further marketing and account management
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.**	

3 M&A activity remains part of the Group's growth strategy	4 Migration of asset "back books"	5 Strategic Partnerships
We continue to look to complement our strong organic growth through targeted acquisitions that will fit strategically and be earnings enhancing	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	Agreements put in place to develop strategic partnership/alliances as an additional distribution channel to increase assets on the Tatton DFM service
— This year we made our first, relatively modest, acquisition. In September we acquired 5 risk rated Sinfonia funds with a total AUM value of £135m	— This year we developed and migrated back books with a total value of £125m	— In June 2019 we signed a strategic partnership with Tenet Group one of the UKs largest financial advisory businesses
— Our ambition is to grow both organically but also through making strategic acquisitions that are earnings enhancing and have the potential to fit our wider strategic objectives. We will continue to evaluate opportunities as and when they arise	— We maintain a pipeline of back book opportunities. As we head into the new year, we will look to execute the migrations while developing further opportunities to add to the pipeline	— Continue to develop existing strategic alliances and develop new relationships that align objectives and deliver the best outcomes for the client and IFA

Top performing funds with the lowest fees

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

Howard Lee, Managing Director
Burgess & Lee

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

David Carter, Managing Director
CMS Financial Management Limited

Tatton lead the market in Discretionary Fund Management (DFM) IFAs can access 29 investment portfolios across 14 platforms.

The Tatton business continues to innovate and support the needs of IFAs in a changing world.

UM grew to

£6.651bn

+9.6%

(2019: £6.068bn)

Firms utilising our Discretionary Fund Management services grew to

595

+33.7%

(2019: 445)

Number of accounts increased

66,100

+13.0%

(2019: 58,500)

Industry leading knowledge and technical support

"Over the last 20 years we have used various compliance providers and I can honestly say that Paradigm's Compliance services are the best we have used."

Paul Sands, Managing Director
Sands Financial Management

Paradigm has unrivalled expertise in providing compliance services to a broad range of firms. We understand the difficulties facing firms in an industry of increasing regulation and how it can affect their business.

Paradigm Consulting members increased

394

+1.0%

(2019: 390)

Powering the UK's leading financial advisers

"Paradigm Mortgage Services excel in their service to us: an extensive panel, a friendly and approachable team, and comprehensive support to our business."

Robin Fawke, Partner,
Hawke Financial Services LLP

Paradigm provides a comprehensive mortgage offering to directly authorised firms, including a whole of market lending panel with market-leading procuration fees, a highly commended helpdesk and regular CPD events.

Paradigm Mortgages increased gross lending to

£9.86bn

+17.5%

(2019: £8.39bn)

Number of firms increased to

1,544

+10.9%

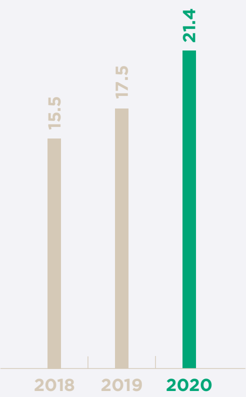
(2019: 1,392)

Key Performance Indicators

Financial KPIs

Group revenue (£m)

£21.4m
+22.0%

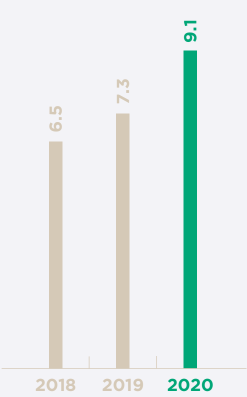


Description
Revenue generated by the Group for the financial year.

Comment
Revenue has grown by 22.0% driven by the increase in AUM and number of firms receiving the Tatton and Paradigm services. In addition there has been a change to the VAT treatment of Tatton's services, see note 6.

Adjusted Operating Profit* (£m)

£9.1m
+24.2%



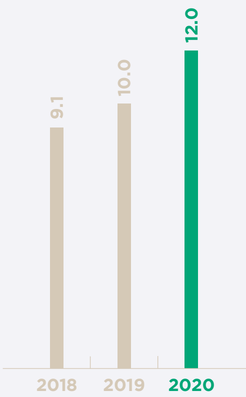
Description
Adjusted Operating Profit* generated by the Group.

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

Adjusted Operating Profits* increased by 24.2% to £9.1 million delivering Adjusted Operating Profit* margin of 42.5%.

Fully diluted adjusted EPS* (p)

12.0p
+19.8%



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

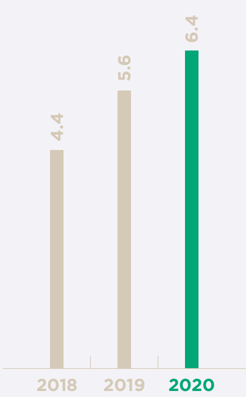
Comment
An important measure of performance as it shows profitability reflecting the effects of any future potential new share issuance and determining the value delivered to shareholders.

Strong growth across the Group has delivered strong growth in fully diluted adjusted EPS*, up 19.8% to 12.00p.

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

Proposed final dividend (p)

6.4p
+14.3%



Description
Final proposed dividend per share.

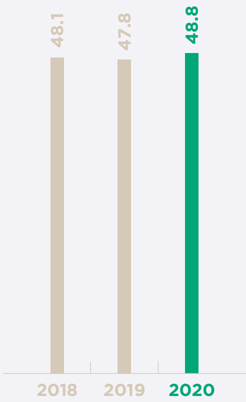
Comment
Dividends represent an important part of return to shareholders.

A final proposed dividend of 6.4p gives a full year dividend of 9.6p.

Target
Continue to grow dividends per share in line with the Group's dividend policy, detailed on page 43.

Return on Capital Employed (%)

48.8%
+1.0%



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

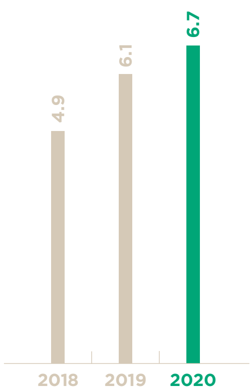
Comment
The Group is capital light and makes efficient use of the capital employed to generate strong returns and create value for our shareholders.

* Alternative performance measures are detailed in note 23.

Non-financial KPIs

AUM (£bn)

£6.7bn
+9.6%

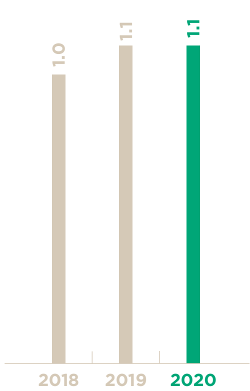


Description
Total AUM at the end of the year.

Comment
AUM has increased by £0.6 billion or 9.6% this year, with net inflows of £94 million per month on average. AUM reached a peak of £7.758 billion on 21 February 2020 before the closing balance of AUM was impacted by a negative market performance of 14.3% towards the end of the financial year due to market falls related to the COVID-19 pandemic.

Asset net inflows (£bn)

£1.1bn
+2.1%

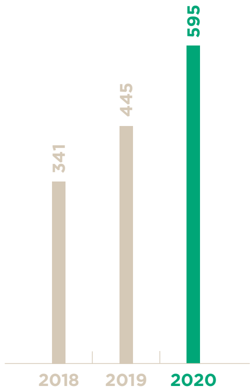


Description
Strong growth in new clients has helped drive increase in net inflows.

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

Tatton firms

595
+33.7%

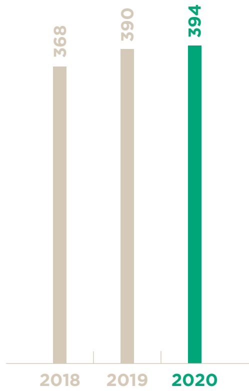


Description
Number of investment management firms at the end of the financial year.

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

Paradigm Consulting

394
+1.0%

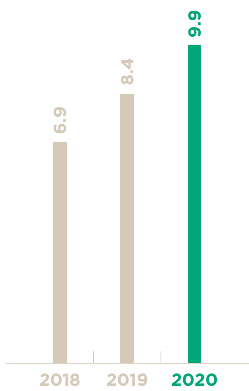


Description
The year end number of Paradigm Consulting members.

Comment
Steady growth in new members maintained.

Paradigm Mortgages lending (£bn)

£9.9bn
+17.5%

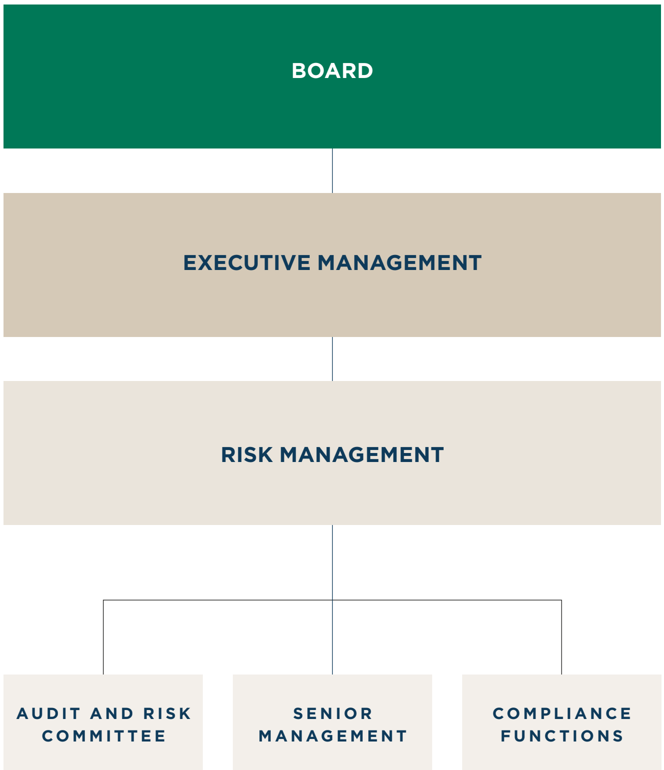


Description
Value of gross lending by Paradigm firms.

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

Risk management

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.

This strong risk culture ensures 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 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 management processes

Three lines of defence

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.

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, Human Resources, and Health and Safety. Regulators set requirements for specific controls in our regulated entity, Tatton Investment Management Limited.

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.

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 impacting the UK equity markets, which are beyond the Group's control could adversely affect the value of AUM from which the Group derives revenues. This could be sudden in cases such as COVID-19 which causes significant volatility in global markets and severe economic weakness undermines confidence.	— 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 with appropriate governance and oversight — 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 — Regulatory related complaints and claims from third parties and clients 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 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	— 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	— Broad service offering, providing diversified revenue streams

2. Operational risks

RISK	IMPACT	MITIGATION
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

RISK	IMPACT	MITIGATION
Failure of investment strategy The risk that investment strategies fail to maintain an acceptable level of performance, particularly in times of significant market volatility such as due to the impact of COVID-19, resulting in a decline in revenues and 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. In addition, there is the risk of heightened market abuse and financial fraud as individuals take advantage of the current COVID-19 situation.	— 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 — Increased awareness and training of employees

3. Financial risks

RISK	IMPACT	MITIGATION
Counterparty credit risk A counterparty to a financial obligation may default on repayments, particular if under financial stress due to COVID-19.	— 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	— Broad range of business services offered, providing diversified revenue streams — Active recruitment is ongoing within the Group's sales functions in order to grow AUM across a broader client base

Chief Financial Officer's Report

GROWTH AND LONG-TERM VALUE CREATION

PAUL EDWARDS Chief Financial Officer

OVERVIEW

I am pleased to report that the Group has continued to make good progress and has delivered another year of double-digit growth in both revenue and adjusted operating profits* with strong performances from both Tatton and Paradigm.

RECORD REVENUE AND PROFITS

Revenue – Group reported revenue increased by 22.0% to £21.369 million (2019: £17.518 million) and includes £1.2m relating to the change in the VAT treatment of Tatton's investment management services which is explained below.

Tatton revenue increased 27.2% to £15.924 million (2019: £12.521 million) supported by the continued growth of AUM, which ended the year at £6.651 billion (2019: £6.068 billion), an increase of 9.6% despite the impact of COVID-19 related market deterioration which occurred towards the end of the financial year. The growth of AUM was driven by strong net inflows in the year at £1.129 billion, an average of £94.1m per month.

Paradigm continues to make progress following the amalgamation of Paradigm Mortgages and Paradigm Consulting which was announced at the interim period, with revenue increasing 9.6% to £5.426 million (2019: £4.949 million). Mortgages member firms increased to 1,544 (2019: 1,392) driving an increase of 17.5% in gross lending from completions to £9.86 billion (2019: £8.39 billion), Consulting members increased to 394 (2019: 390).

Profit – The Group delivered adjusted operating profit* of £9.076 million (2019: £7.308 million), an increase of 24.2% and adjusted operating profit margin increased to 42.5% (2019: 41.7%). Total Group operating profit was £10.302 million (2019: £5.925 million) after crediting separately disclosed items of £1.226 million.

Tatton continues to make investments which underpin our growth, including updating IT systems and the new online portal. In the second half of the year we have added new resource, including both investment personnel and sales and marketing resource to help drive and support future growth; accordingly, adjusted operating profit* increased 20.9% to £8.910 million (2019: £7.371 million) and its margin slightly decreased to 56.0% (2019: 58.9%). Tatton's continued strong growth has ensured it is now the largest part of the Group, contributing 74.5% of the revenue and 98.2% of the adjusted operating profit* (see note 4), a trend that is expected to continue. Paradigm's adjusted operating profit* contributed £2.128 million (2019: £1.818 million), with margin of 39.2% (2019: 36.7%).

Return on capital employed is 48.8% (31 March 2019: 47.8%). The Group remains capital light and makes efficient use of the capital employed to generate strong returns and create value for our shareholders.

CHANGE IN VAT TREATMENT

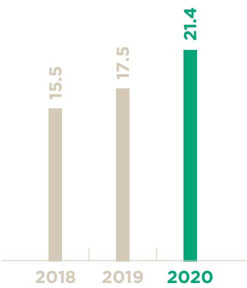
During the year, the Group has agreed with HMRC that Tatton's supplies of discretionary fund management services in respect of model investment portfolios are exempt from VAT. As a result, the Group has received a VAT refund relating to the period from May 2015 to March 2019 of £1.7m. The refund has been recognised as exceptional income in the current year results, offset by professional fees of £0.1m. The current year impact of £1.2m has been recognised within revenue, and also an increase in costs of £0.2m relating to the irrecoverable element of input VAT.

* Alternative performance measures are detailed in note 23.

Group revenue (£m)

£21.4m

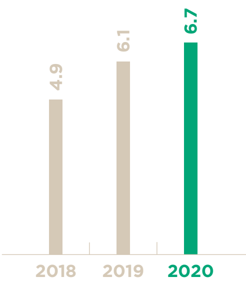
+22.0%



AUM (£bn)

£6.7bn

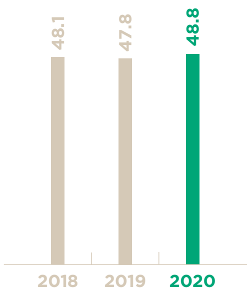
+9.6%



Return on capital employed (%)

48.8%

+1.0%



SEPARATELY DISCLOSED ITEMS

Separately disclosed items include the cost of share-based payments of £0.108 million, amortisation of customer relationship intangible assets of £0.060 million, £0.097 million of acquisition-related fees, £0.097 million of restructuring costs and a credit relating to the treatment of VAT of £1.588 million, see note 6 to the Group financial statements. Although some of these items may recur from one period to the next, operating profit has been adjusted for these items to give better clarity of the underlying performance of the Group. The Alternative Performance Measures ("APMs") are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

EARNINGS PER SHARE

Basic earnings per share increased 72.4% to 14.98p (2019: 8.69p). Adjusted earnings per share* increased 19.5% to 13.13p (2019: 10.99p) and adjusted fully diluted earnings per share increased 19.8% to 12.00p (2019: 10.02p).

CASH FLOW

The Group continued to see healthy cash generation. Net cash generated from operating activities before exceptional items was £9.831 million (2019: £8.011 million), 108.3% of adjusted operating profit*. Exceptional items totalled £1.394 million and net cash generated from operating activities was £8.947 million (2019: £6.136 million). There was an increase in the level of income tax paid in the year as Tatton now pays its quarterly instalments earlier in line with the requirements for "very large" companies. Tax paid in the year was £2.278 million (2019: £1.366 million) and dividends paid in the year totalled £4.9 million (2019: £4.0 million). The Group made intangible and tangible asset investments of £0.565 million and ended the year with cash on the balance sheet of £12.757 million (2019: £12.192 million).

DIVIDENDS AND CAPITAL ALLOCATION

The Board is recommending a final dividend of 6.4p. When added to the interim dividend of 3.2p this gives a full year dividend of 9.6p. 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 1.9 times. If approved at the Annual General Meeting the final dividend will be paid on 28 August 2020 to shareholders on the register on 17 July 2020. 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 £17.778 million (2019: £15.288 million). Tangible and intangible assets (excluding goodwill) totalled £2.529 million (2019: £0.602 million), increasing in the year due to recognition of a customer relationships intangible asset of £1.196 million on the acquisition of Sinfonia and the adoption of IFRS 16, with further increases due to investments made in both systems and infrastructure. Goodwill totalled £6.254 million (2019: £4.917 million), the increase again due to the acquisition of Sinfonia in September 2019.

NEW REPORTING STANDARDS

The Group has adopted IFRS 16 'Leases' with effect from 1 April 2019 using the modified retrospective approach, under which method prior year comparatives have not been restated, with the right-of-use asset equal to the lease liability at transition date. The net impact on the balance sheet is a reduction in net assets of £0.1m at March 2020 and there is no material impact on the Group's KPIs. Further details and the impact are set out in note 2.5 in the financial statements.

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 30 to 31. 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 35 has been approved and authorised for issue by the Board of Directors and signed on their behalf on 15 June 2020 by:

Paul Edwards
Chief Financial Officer

Corporate Responsibility

POSITIVE ACTION

The Group ensures that social, environmental and ethical considerations are built into the Group's strategy across the whole of the business and we conduct our operations with integrity, fairness and transparency. We recognise that we have an important part to play in shaping the future for all our stakeholders. We are committed to delivering positive outcomes for all.

CORPORATE GOVERNANCE

The Company has applied the principles of the Quoted Companies Alliance Corporate Governance Code (the "Code") in so far as it can be applied practically. The Code is constructed around ten broad principles, accompanied by an explanation of what those principles entail together with a set of disclosure requirements. These principles and how we comply with them can be found on pages 38 to 39 of this report and on the Group's website.

EMPLOYEES

People are our most important asset in achieving our Group strategy, to provide excellent service, support and tools to Independent Financial Advisers to allow them to meet the needs of their clients. To allow our staff to do this, we aim to ensure all employees are respected, motivated and safeguarded while at work.

We encourage all employees to develop and progress, whether through internal training, apprenticeship schemes or professional qualifications. The Group supports its employees in meeting their CPD targets set by our regulators through training and development, ensuring that our investment managers have the appropriate technical and supervision skills to maintain the highest levels of client service.

We encourage employees to take a long term view of the business through the provision of EMI share option schemes to all eligible employees SAYE share option schemes to all employees.

DIVERSITY AND INCLUSION

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

Our workforce – split by gender

Executives

Male 100%
Female 0%

Senior management

Male 60%
Female 40%

Other staff

Male 62%
Female 38%

We recognise that women have been less well represented at all levels in the investment management industry and our commitment to diversity and inclusiveness is a continuous process.

SUPPLIERS

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

We consider our suppliers to be at a relatively low risk of engaging in practices of modern slavery or human trafficking. We nonetheless remain committed to preventing any such practices from occurring in our business or supply chain.

ESG INVESTMENTS

Tatton was one of the first firms to launch a complete range of risk rated Ethical Portfolios. We know that our private investors are increasingly taking an interest not only in how their investments are performing, but also how they affect the world around us.

European sustainable funds hold

£668bn

of assets

(Morningstar, February 2020)

An increase of

58%

from 2018

Global sustainable assets stand at over

$30tn

which is greater than the GDP of either the US or EU

(Global Sustainable Investment Alliance, 2019)

“**82%**

of IFAs believe the number of ESG propositions will increase over the coming 12 months

(FE fundinfo, May 2020)”

In response we developed portfolios that combine negative and positive screening to give clients peace of mind that their investments not only align with their principles but also help to improve the bigger picture.

ENVIRONMENT

As a financial services business, our main environmental impacts are largely through UK-based travel and the consumption of resources and emissions at our business premises. We look to manage and reduce our environmental impact and carbon footprint through the efficient use of resources.

At the beginning of the year we moved to a more modern, energy efficient office at St Swithin’s Lane in London and took our carbon footprint into consideration throughout the fitout. We have installed energy efficient lighting and equipment and make use of enhanced video conferencing facilities where possible to reduce employee travel.

ANTI-BRIBERY AND CORRUPTION

We value our reputation for ethical behaviour and integrity. The Company operates anti-bribery policies which extend across the Group and we are committed to conducting our operations free from bribery and corruption. We also have a whistleblowing Policy which encourages employees to report matters of significant concern to the Chair of the Audit and Risk Committee.

TAX STRATEGY

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

Our appetite for tax risk is low and we do not participate in aggressive tax planning or condone abusive tax practices which would contravene our ethics and culture.

We pay all tax as it falls due and believe in maintaining a transparent and professional working relationship with HM Revenue & Customs (“HMRC”) and other tax authorities. In respect of the year ended 31 March 2020, the Group has paid £2.3 million of corporation tax.

Tatton Ethical Portfolios

Tatton was one of first investment managers to provide risk-rated discretionary ethical portfolios. It became clear from discussions with IFAs that many clients want their principles to be applied to their entire investment portfolio, not just a selection of funds.

Environmental – considerations for the environment, pollution, climate change

Social – Socially responsible practices, human rights, equality, data security

Governance – Positive employment practices, business ethics, diversity

Board of Directors

Roger Cornick
Chairman

Roger is TAM plc'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

Paul is the Chief Executive Officer of TAM plc, as well as Senior Partner at Paradigm Consulting.

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 five distribution businesses. Subsequently he was also the Founder of Perspective Financial Group Limited in December 2007 and of Tatton Capital Limited in July 2012.

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

Paul Edwards
Chief Financial Officer

Paul is the Chief Financial Officer of TAM plc. He is also Finance Director of Paradigm Partners Limited and Tatton Investment Management Limited.

Prior to joining TAM 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.

Committee memberships

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

Board Composition

- Executive 3
- Non-Executive 2

Length of tenure of Directors

Directors	
Less than a year	–
One to three years	5
Three to six years	–
More than six years	–

Lothar Mentel

Director & Chief Investment Officer

Lothar is the Chief Investment Officer of TAM plc. 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

Chris is TAM plc'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

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 also manages the operations of Paradigm Consulting and has over 30 years' experience of working with financial intermediaries.

Prior to setting up Paradigm Mortgages in 2007, Robert was the key accounts director at Santander (formerly Abbey National) for 13 years. Before joining Santander, he had various management roles at Hill Samuel Asset Management Group in which he worked for 11 years. Robert has now led Paradigm Mortgages to win the Mortgage Strategy's Best Mortgage Club Award for two consecutive years.

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

Corporate Governance Statement

INTRODUCTION

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. This year the Group has taken into consideration the guidance for smaller quoted companies on the Code produced by the Quoted Companies Alliance (the "Code") and taken steps to apply the principles of the Code in so far as it can be applied practically, given the current size of the Group and the nature of its operations. Under the AIM Rules, the Group is not required to comply with the provisions of the UK Corporate Governance Code While the UK Corporate Governance Code has not been applied in full, the Board has continued working towards full compliance over the coming years.

LEADERSHIP AND ROLE OF THE BOARD

The Board is responsible for 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 36 and 37 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.

During the year, the Audit Committee ran a tender process for the external audit. Following a comprehensive exercise the Audit Committee was pleased to reappoint Deloitte LLP.

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 2020:

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

DEVELOPMENT AND TRAINING

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

STAKEHOLDER INTERESTS AND ENGAGEMENT

As Directors, we are obliged to fulfil our section 172 duties, having regard to the factors set out in the Chairman's Statement on page 5 and also on page 12 and, in taking decisions, ensure that we promote the success of the Company as a whole. We believe that effective stakeholder engagement is critical to running a long-term sustainable business and by considering the Company's strategic priorities and having a process in place for decision making, the Board aims to make sure that its approach to decision making and consideration of stakeholder interests is consistent. Further information on the Company's key stakeholders is shown on pages 12-13.

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 its behalf by:

Paul Edwards
Chief Financial Officer

15 June 2020

* Attendance by invitation at Audit Committee and Remuneration Committee meetings.

Directors' Remuneration Report

REMUNERATION POLICY

Remuneration policy for Executive Directors

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

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

- Attract and retain high calibre executives in a competitive market, and remunerate executives fairly and responsibly.
- Motivate delivery of our key business strategies and encourage a strong and sustainable performance orientated culture.
- Align the business strategy and achievement of planned business objectives.
- 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 2020.

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 12 months' notice to the other party.

Non-Executive Directors do not have service contracts. A letter of appointment provides for an initial period of 12 months and continues until terminated by either party giving three months' prior written notice to expire at any time on or after the initial 12 month period.

Single total figure of remuneration for each Director (audited)

Directors' remuneration payable in respect of the year ended 31 March 2020 was as follows:

	31/03/2020				31/03/2019			
Executive Directors	**Basic salary and fees**	**Bonus**	**Pension related and other taxable benefits**	**Total**	Basic salary and fees	Bonus	Pension related and other taxable benefits	Total
Paul Hogarth	**342,000**	**–**	**1,622**	**343,622**	342,000	–	1,560	343,560
Lothar Mentel	**300,381**	**35,000**	**11,573**	**346,954**	295,950	–	15,459	311,409
Paul Edwards	**262,500**	**–**	**935**	**263,435**	245,667	–	836	246,503
Sub-total	**904,881**	**35,000**	**14,130**	**954,011**	883,617	–	17,855	901,472
Non-Executives								
Roger Cornick	**90,000**	**–**	**–**	**90,000**	90,000	–	–	90,000
Chris Poil	**70,000**	**–**	**–**	**70,000**	70,000	–	–	70,000
	1,064,881	**35,000**	**14,130**	**1,114,011**	1,043,617	–	17,855	1,061,472

Notes

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

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

3 All Executive Directors 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 Incentive ("EMI") scheme.

Sharesave Plan

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

TAM PLC LONG-TERM INCENTIVE PLAN

The Directors have adopted the TAM plc EMI plan which became effective on admission and which was extended in both August 2018 and August 2019. 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 EMI plan are only exercisable subject to the satisfaction of performance conditions which will determine the proportion of the option that will vest at the end of the three-year performance period. The performance conditions used in determining the number of options that will vest are split between adjusted 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 adjusted EPS growth, the shares will be fully diluted and the impact of adjusted items as determined by the Board, see note 23, 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, 1 April 2018 for the options granted in the extension of the EMI plan in 2018 and 1 April 2019 for the options granted in the extension of the EMI plan in 2019. 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 EMI plan awards are subject to a formal clawback mechanism.

Grant of equity share options under the EMI plan

At 31 March 2020, 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 2020 the Company held no shares in treasury, other than those held by the Employee Benefit Trust to satisfy options awarded under share incentive schemes (2019: 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' Remuneration Report continued

Directors' interests in share options

Outstanding share options granted to Executive Directors are as follows:

	Date of grant	Exercise price	At 31 March 2019 Number	Granted during the year	Exercised during the year	Forfeited during the year	**At 31 March 2020 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			3,046,318	–	–	–	**3,046,318**

Employee Benefit Trust ("EBT")

On 18 November 2019, the Company established the EBT, with an independent Jersey-based trustee. The EBT was established for the benefit of the employees, former employees and their dependants of the Group. The EBT may be used in conjunction with the EMI plan where the Remuneration Committee decides in its discretion that it is appropriate to do so. The Company may provide funds to the trustee by way of loan or gift to enable the trustee to subscribe or purchase existing shares in the market in order to satisfy awards made under the EMI plan or the SAYE share option plan. During the year, the Company has made a gift of £1 million to the EBT.

As at 31 March 2020, the EBT held a total of 413,411 ordinary shares (2019: nil) equating to 0.74% of the issued ordinary share capital of the Company (2019: nil).

Total shareholder returns from admission on AIM to 31 March 2020

The Company's share price in the period from admission on AIM on 7 July 2017 to 31 March 2020 increased from £1.56 to £1.96 and market capitalisation grew from £87,215,720 to £109,578,725, with £10.18 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 twelve months to 31 March 2020. 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 2020 were as follows:

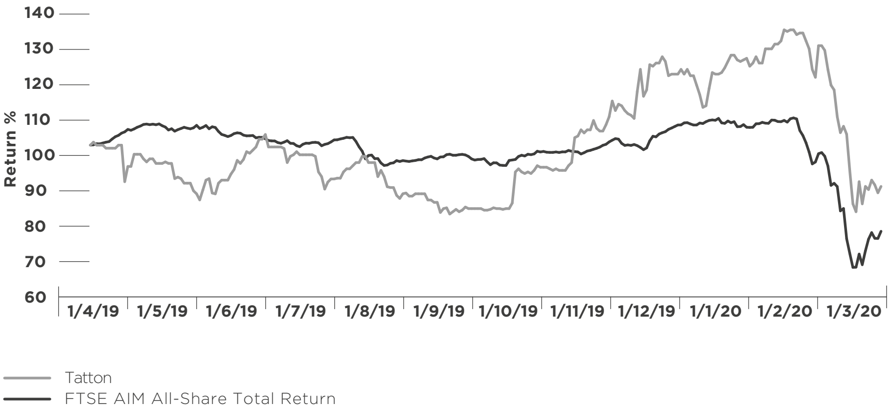
	No. of ordinary shares	Percentage shareholding (%)
Paul Hogarth	10,575,358	18.91
Lothar Mentel	991,785	1.77
Paul Edwards	94,864	0.17
Christopher Poil	173,205	0.31
Roger Cornick	32,051	0.06

On behalf of the Board:

Chris Poil
Chairman of the Remuneration Committee

15 June 2020

Total Shareholder returns



Source: Morningstar Direct.

Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements for the year ended 31 March 2020.

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 to 5 and 6 to 8 respectively.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

Group profit before tax was £10.296 million (2019: £6.112 million), up 68.5% on the prior year due to strong revenue growth and a change in the VAT treatment of Tatton's investment management services, see note 6. Adjusted Operating Profit* was £9.076 million (2019: £7.308 million) giving an Adjusted Operating margin* of 42.5% (2019: 41.7%). Operating Profit after the effect of share-based payments, amortisation on customer relationship intangible assets and exceptional items is £10.302 million (2019: £5.925 million).

An interim dividend in respect of the period ended 30 September 2019 of 3.2p per share was paid to shareholders on 13 December 2019. The Directors recommend a final dividend of 6.4p per share. This has not been included within the Group financial statements as no obligation existed at 31 March 2020. If approved, the final dividend will be paid on 28 August 2020 to ordinary shareholders whose names are on the register at the close of business on 17 July 2020.

The Company operates a progressive dividend policy to grow dividends in line with the Group's adjusted earnings, with a target payout ratio in the region of 70% of annual adjusted diluted earnings per share.

The policy is intended to ensure that shareholders benefit from the growth of the Group, and it aligns with the strategic objective of growing our dividend. The Board recognises the importance of dividends to shareholders and the benefit of providing sustainable shareholder returns. The target payout ratio has been adopted to provide sufficient flexibility for the Board to remunerate shareholders for their investment whilst recognising that there may at times be a requirement to retain capital within the Group.

In determining the level of dividend in any year, the Directors follow the dividend policy and also consider a number of other factors that influence the proposed dividend, including:

- the level of retained distributable reserves in the Company;
- availability of cash resources;
- future cash commitments and investment plans, in line with the Company's strategic plan; and
- the impact of the decision on the Company's key stakeholders. The Company's key stakeholders are shown on pages 12-13 and we have detailed how we engage with them and understand their issues and the impact of the decisions of management on our stakeholders.

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 2.24.

SHARE CAPITAL

As at 31 March 2020 there were 55,907,513 fully paid ordinary shares of 20p amounting to £11,181,503.

Details of the issued share capital shown are in note 18 to the consolidated financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation other than: certain restrictions may be imposed from time to time by laws and regulations pursuant to the Listing Rules of the Financial Conduct Authority ("FCA"), whereby certain Directors, officers and employees of the Group require the approval of the Group to deal in 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 20 to the Group financial statements.

* Alternative performance measures are detailed in note 23.

Directors' Report continued

SIGNIFICANT SHAREHOLDERS

At 29 May 2020, 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	10,575,358	18.91%
Funds and accounts under management by direct and indirect investment management subsidiaries of BlackRock, Inc.	8,490,747	15.18%
Liontrust Investment Partners LLP	7,097,519	12.69%
Chelverton Asset Management Limited	3,102,914	5.55%
Gresham House Asset Management Limited	2,939,084	5.26%
Kames Capital plc	2,764,449	4.94%
Legal & General Investment Management Limited	2,613,866	4.67%
Canaccord Genuity Wealth Limited	2,406,000	4.30%
Standard Life Aberdeen plc	1,829,564	3.27%

PURCHASE OF OWN SHARES

At the 2019 AGM, shareholders authorised the Company to buy back up to 10% of its own ordinary shares by market purchase at any time prior to the conclusion of the AGM to be held in 2020. The Company did not purchase any of its own shares during the financial year, other than through the Employee Benefit Trust (note 19). The cost of shares purchased and held by the EBT is deducted from equity.

At the forthcoming AGM, the Directors will seek to extend shareholders' approval for a further period to the conclusion of the AGM to be held in 2021, by way of special resolution, for the grant of an authority for the Company to make market purchases of up to 10% of its own shares. The Directors consider that the grant of the power for the Company to make market purchases of the Company's shares would be beneficial for the Company and accordingly they recommend this special resolution to shareholders. The Directors would only exercise the authority sought if they believed such a purchase in the interests of shareholders generally. The minimum price to be paid will be the shares' nominal value of 20p and the maximum price will be no more than 5% above the average middle market quotations for the shares on the five days before the shares are purchased.

TAKE OVER DIRECTIVE

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual Directors' holdings is disclosed on page 42. 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 36 and 37. At the AGM, to be held on 18 August 2020, all Executive and Non-Executive Directors will offer themselves for re-election.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

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

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 40 to 42. Paul Hogarth is also the beneficial owner of Paradigm House, the Group's registered address and the trading premises of PPL.

CONFLICTS OF INTEREST

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

DIRECTORS' INDEMNITY

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

PRINCIPAL RISKS

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

EMPLOYEES

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

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

The Group aims to give full and fair consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity to continue their positions or be trained for other suitable positions.

The Group provides a Group Personal Pension plan which is open to all employees. The Group operates an Enterprise Management Incentive scheme and a Group Sharesave scheme, details of which are provided in the Directors' Remuneration Report and the financial statements.

FINANCIAL INSTRUMENTS

The Group's financial instruments at 31 March 2020 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 material post balance sheet events.

POLITICAL DONATIONS

The Group made no political donations or contributions during the year (2019: £nil).

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held on 18 August 2020. A notice convening the meeting will be sent to shareholders on 23 July 2020.

AUDITOR

Deloitte LLP was the Group's independent auditor during the year and has confirmed their willingness to continue in office. A resolution to reappoint Deloitte LLP as auditor to the Group and to authorise the Directors to set its remuneration will be proposed at the 2020 AGM.

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 38 to 39.

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 auditor is aware of that information.

RELATED PARTIES

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

GOING CONCERN

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

Management have also prepared reports in relation to the operational resilience of the business reflecting the switch to home working in compliance with Government advice and effectively implementing its business continuity planning procedures. The Group also maintains its high level of ongoing oversight and monitoring of third party platforms. The Board is satisfied that the business can operate successfully in these conditions. The Board is satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future:

Liquidity – The Group has a robust financial liquidity position with £12.8m cash at 31 March 2020 and no debt, a £1.5 million overdraft facility which remains undrawn and a highly efficient working capital cycle, ensuring strong operating cash conversion (c.100% of Adjusted Operating Profit).

Regulatory position – Management has assessed the impact of COVID-19 and has confirmed that the Group continues to have significant headroom over its regulatory requirements.

Having given due consideration to the risks, uncertainties and contingencies disclosed in the financial statements and accompanying reports, the Directors believe the business is well placed to manage its business risk successfully. Accordingly the financial statements have been prepared on a going concern basis. Details of the Group's business activities, results, cash flows and resources, together with the risk it faces and other factors likely to affect its future development, performance and position are set out in the Strategic Report, see page 5.

Directors' Report continued

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 the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

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

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

Paul Hogarth
Chief Executive Officer

15 June 2020

Paul Edwards
Chief Financial Officer

15 June 2020

Independent Auditor's Report to the Members of Tatton Asset Management plc

Report on the audit of the financial statements

1. OPINION

In our opinion:

- **the financial statements of Tatton Asset Management plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 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 and IFRSs as issued by the International Accounting Standards Board (IASB);**
- **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;
- the related notes 1 to 26.

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).

2. BASIS FOR OPINION

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

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

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

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: — share based payments; and — valuation and completeness of intangible assets Within this report, key audit matters are identified as follows: ! Newly identified ^ Increased level of risk <> Similar level of risk V Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £439,000, which was determined on the basis of 5% of adjusted income before tax.
Scoping	Our audit covered 100% of the Group's profit before tax, revenue, and net assets.
Significant changes in our approach	We have identified a new key audit matter relating to the valuation and completeness of intangible assets, in relation to the acquisition in the year of Sinfonia Asset Management Limited, due to the inherent management judgement involved in determining the fair value of the assets acquired. We have not considered related parties as a key audit matter in the current period, in response to the risk assessment performed in the current period.

Independent Auditor's Report to the Members Of Tatton Asset Management PLC continued

4. 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.

5. 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.

5.1 Share-based payments <>

Key audit matter description	The Group floated on the AIM market of the London Stock Exchange through 2017. Subsequent to listing, certain employees within the Group have been offered an Enterprise Management Incentive (EMI) scheme, and a Sharesave scheme each period. As such, six incentive schemes, relating to 2017, 2018, and 2019, remain active at 31 March 2020. Our key audit matter has been focuss ed on the 2018 EMI scheme, given the materiality of the scheme. The 2018 EMI scheme has two performance conditions; total shareholder return (TSR) and earnings per share (EPS) growth 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, using a Monte Carlo model. 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, using a Black Scholes model. To determine its IFRS 2 - Share-based payments (IFRS 2) accounting, the Group is required to estimate the exercise price, risk free rate, yield %, volatility and leavers, with the most sensitive estimate being the accuracy of the number of options expected to vest under the EPS performance conditions of the scheme. Further, the estimate of vesting options is reliant upon the accuracy of EPS forecasts, which involve significant management assumptions. Due to the potential for management to introduce inappropriate bias to estimates, we have determined that there is a risk of misstatement due to fraud. The accounting policies adopted by the Group have been disclosed within note 2.21 to the financial statements. In light of COVID-19, the estimate of future performance of the Group, and thus the estimated EPS growth, have been impacted.
How the scope of our audit responded to the key audit matter	To address our share-based payment key audit matter, we have: — Gained an understanding of the relevant controls put in place by management to manage the risks associated with accounting for share-based payments; — Challenged the EPS growth assumptions that determine the number of options vesting, through a recalculation and extrapolation of historic growth rates, and by reviewing and challenging growth forecasts, including the impact of COVID-19 on these forecasts; — Challenged management's assumptions around exercise price, risk free rate, yield %, volatility and leavers using internal and external data as appropriate; — Involved our internal specialists on share-based payment valuations to review the scheme documentation, and recalculate the valuation of the schemes at the reporting date under IFRS 2; and — Assessed the fair value output from the fair value model to determine whether it is generating a reasonable fair value based on the assumptions.

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.

5.2. Valuation and completeness of intangible assets (!)

Key audit matter description	On 30 September 2019, the Group acquired 100% of the shares in Sinfonia Asset Management for a purchase price of £2.7m. The total consideration consisted of an initial payment of £2.0m, and deferred consideration of a maximum of £0.7m, payable two instalments on the first and second anniversary of the transaction. In accordance with IFRS 3 - Business combinations (IFRS 3), management have completed the assessment of the acquisition recognising a client relationship intangible of £1.2m, goodwill of £1.3m, deferred tax of £0.2m and deferred consideration of £0.3m within the financial statements. The identification of intangible assets requires judgement and estimates, including the recognition criteria, future net cash flows, discount rate, and expected fund life. We have identified a key audit matter in relation to the completeness of the identifiable assets and the valuation of the client relationship intangible, specifically in relation to the estimation of future cash flows. In addition to the acquisition accounting and in light of COVID-19 we have also identified a risk in relation to the appropriateness of the valuation of the deferred consideration and the assumptions used in determining the cash flow forecasts to support the impairment assessment at the year end date. Due to the potential for management to introduce inappropriate bias to judgements and estimates, we have determined that there is a risk of misstatement due to fraud. Management have detailed the accounting policies relating to goodwill, and client relationship intangibles through note 2 to the financial statements. Further details of the cash flow assumptions are provided through notes 11 and 12 to the financial statements.
How the scope of our audit responded to the key audit matter	To address our intangible assets key audit matter, we have: — Gained an understanding of the relevant controls put in place by management to manage the risks associated with the completeness of intangible assets identified and the estimates made in the valuation prepared by management; — Challenged the completeness of identified acquired assets in line with the criteria in IFRS 3; — Challenged key assumptions, (including the criteria for recognition, discount factor, expected life, and net inflows) by performing sensitivity analysis, and seeking external contradictory and supporting evidence; — Tested management's forecasting accuracy by reference to actual cash flows observed since the acquisition date; — Assessed the valuation of the deferred consideration as of the acquisition date, and subsequently at the year end date with reference to external market predictions considering the impact of COVID-19; and — Challenged Management's impairment test as of the year end date to test the intangible asset for impairment which also included consideration of the impact of COVID-19.
Key observations	As a result of the above procedures, we have concluded that Management's judgements and estimates are reasonable, with both reference to the completeness and valuation of the intangible assets that were acquired.

Independent Auditor's Report to the Members Of Tatton Asset Management PLC continued

6. 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:

	Group financial statements	Parent Company financial statements
Materiality	£439,000 (2019: £308,000)	£351,000 (2019: £242,000)
Basis for determining materiality	We have determined materiality based on 5% of adjusted income before tax. We have normalised the benchmark by adjusting for the impact of the prior period VAT refund, within exceptional income. As management could not have reasonably known the outcome of the VAT refund in the prior period, the impact has been to increase current year income before tax. We do not deem this to be "business as usual", as such have adjusted the benchmark used for our determination of materiality. In the prior period, we did not include adjustments to income before tax in the determination of materiality.	Parent Company materiality equates to 2% of total assets, which is capped at 80% of Group materiality. This is consistent with the prior period.
Rationale for the benchmark applied	We have determined materiality based on adjusted income before tax as it is a profit driven business, therefore is considered the most relevant benchmark for users of the financial statements.	The main operation of the Parent Company is to hold investments in the subsidiaries. We have therefore selected total assets as the benchmark for determining materiality. We have however capped materiality based on the Group materiality.

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £22,000 (2019: £15,400), 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.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1 Identification and scoping of components

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

Our Group audit focused on the three material trading entities within the Group's three reportable segments and the three material 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, revenue and net assets. We have used appropriate levels of materiality for the three material trading entities and three material holding companies that ranged from £83,000–£417,000 (2019: £14,000–£272,000).

8. 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.

9. RESPONSIBILITIES OF DIRECTORS

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

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

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Independent Auditor's Report to the Members Of Tatton Asset Management PLC continued

Report on other legal and regulatory requirements

11. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

12. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

12.1 Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

12.2 Directors' remuneration

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

We have nothing to report in respect of this matter.

13. USE OF OUR REPORT

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

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

15 June 2020

Consolidated Statement of Total Comprehensive Income

For the year ended 31 March 2020

	Note	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Revenue		**21,369**	17,518
Other exceptional income		**1,588**	–
Administrative expenses		**(12,655)**	(11,593)
Operating Profit		**10,302**	5,925
– Share-based payment costs	6	**108**	874
– Amortisation of intangibles – customer relationships	6	**60**	–
– Exceptional items	6	**(1,394)**	509
Adjusted Operating Profit (before separately disclosed items)[1]		**9,076**	7,308
Finance (costs)/income	7	**(6)**	187
Profit before tax		**10,296**	6,112
Taxation charge	8	**(1,933)**	(1,255)
Profit attributable to shareholders		**8,363**	4,857
Earnings per share – Basic	9	**14.98p**	8.69p
Earnings per share – Diluted	9	**14.54p**	7.92p
Adjusted earnings per share – Basic[2]	9	**13.13p**	10.99p
Adjusted earnings per share – Diluted[2]	9	**12.00p**	10.02p

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

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

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

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Non-current assets			
Goodwill	11	**6,254**	4,917
Intangible assets	12	**1,495**	223
Property, plant and equipment	13	**1,034**	349
Deferred tax assets	16	**–**	104
Total non-current assets		**8,783**	5,593
Current assets			
Trade and other receivables	14	**3,431**	2,508
Cash and cash equivalents		**12,757**	12,192
Total current assets		**16,188**	14,700
Total assets		**24,971**	20,293
Current liabilities			
Trade and other payables	15	**(6,186)**	(4,521)
Corporation tax		**(199)**	(484)
Total current liabilities		**(6,385)**	(5,005)
Non-current liabilities			
Other payables	15	**(702)**	–
Deferred tax liabilities	16	**(106)**	–
Total non-current liabilities		**(808)**	–
Total liabilities		**(7,193)**	(5,005)
Net assets		**17,778**	15,288
Equity attributable to equity holders of the Company			
Share capital	18	**11,182**	11,182
Share premium account		**8,718**	8,718
Own shares	19	**(996)**	–
Other reserve		**2,041**	2,041
Merger reserve		**(28,968)**	(28,968)
Retained earnings		**25,801**	22,315
Total equity		**17,778**	15,288

The financial statements on were approved by the Board of Directors on 15 June 2020 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 2020

	Note	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 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	20	–	–	–	–	–	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
Profit and total comprehensive income		**–**	**–**	**–**	**–**	**–**	**8,363**	**8,363**
Dividends	9	**–**	**–**	**–**	**–**	**–**	**(4,920)**	**(4,920)**
Share-based payments	20	**–**	**–**	**–**	**–**	**–**	**86**	**86**
Deferred tax on share-based payments		**–**	**–**	**–**	**–**	**–**	**(43)**	**(43)**
Own shares acquired in the year	19	**–**	**–**	**(996)**	**–**	**–**	**–**	**(996)**
At 31 March 2020		**11,182**	**8,718**	**(996)**	**2,041**	**(28,968)**	**25,801**	**17,778**

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 2020

	Note	**31-Mar 2020 (£'000)**	31-Mar 2019 (£'000)
Operating activities			
Profit for the year		**8,363**	4,857
Adjustments:			
Income tax expense		**1,933**	1,255
Finance costs/(income)	7	**6**	(187)
Depreciation of property, plant and equipment	13	**298**	91
Amortisation of intangible assets	12	**195**	43
Share-based payment expense	6	**108**	874
Changes in:			
Trade and other receivables		**(1,016)**	78
Trade and other payables		**1,338**	491
Exceptional items	6	**(1,394)**	509
Cash generated from operations before exceptional items		**9,831**	8,011
Cash generated from operations		**11,225**	7,502
Income tax paid		**(2,278)**	(1,366)
Net cash from operating activities		**8,947**	6,136
Investing activities			
Payment for the acquisition of subsidiary, net of cash acquired	21	**(2,002)**	–
Purchase of intangible assets		**(271)**	(266)
Purchase of property, plant and equipment		**(294)**	(336)
Net cash used in investing activities		**(2,567)**	(602)
Financing activities			
Interest received		**162**	53
Dividends paid	9	**(4,920)**	(4,025)
Purchase of own shares	19	**(996)**	–
Repayment of lease liabilities		**(61)**	–
Net cash used in financing activities		**(5,815)**	(3,972)
Net increase in cash and cash equivalents		**565**	1,562
Cash and cash equivalents at beginning of period		**12,192**	10,630
Net cash and cash equivalents at end of period		**12,757**	12,192

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 as this is the currency of the jurisdiction where all of the Group's sales are made.

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

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

2.2 Going concern

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

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.3 Basis of consolidation

On 23 February 2017, the Company was incorporated under the name Nadal Listco Limited, which changed to Tatton Asset Management Limited on 31 May 2017. On 19 June 2017, the Company 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.

2.4 Subsidiaries

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 March 2020. 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 Adoption of new and revised standards

New and amended IFRS Standards that are effective for the current year

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

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

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

2 ACCOUNTING POLICIES CONTINUED

2.5 Adoption of new and revised standards continued

Impact on the new definition of a lease

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

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

Impact on lessee accounting

Former operating leases

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

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

(a) recognises right-of-use assets and lease liabilities in the Consolidated Statement of Financial Position, initially measured at the present value of the future lease payments;
(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Total Comprehensive Income; and
(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Statement of Cash Flows.

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

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

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

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.5 Adoption of new and revised standards continued

Financial impact of initial application of IFRS 16

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

Impact on profit or loss in the period	£'000
Increase in depreciation[1]	(138)
Increase in finance costs[1]	(22)
Decrease in other operating expenses[1]	150
Decrease in profit for the period	(10)

Impact on earnings per share	p
Increase in earnings per share from continuing operations	
Basic	0.02p
Diluted	0.02p

Impact on assets, liabilities and equity as at 31 March 2020	As if IAS 17 still applied £'000	IFRS 16 adjustments £'000	As presented £'000
Right-of-use asset[1]	–	551	551
Net impact on total assets	**–**	**551**	**551**
Trade and other payables	(103)	103	–
Lease liabilities[1]	–	(650)	(650)
Net impact on total liabilities	**(103)**	**(547)**	**(650)**
Impact on net assets	(103)	4	(99)
Retained earnings	**(103)**	**4**	**(99)**

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

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

2 ACCOUNTING POLICIES CONTINUED

2.5 Adoption of new and revised standards continued

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

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

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

The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract.

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

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

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

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

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

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

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

— the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.5 Adoption of new and revised standards continued

— the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

— a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

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

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

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.

Effective date 1 January 2020

Amendments to the Conceptual Framework in IFRS Standards
Amendments to IAS 1 'Presentation of Financial Statements'
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
Amendments to IFRS 3 'Business Combinations'
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosure'

Effective date 1 January 2021

IFRS 17 'Insurance Contracts'

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.

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

2 ACCOUNTING POLICIES CONTINUED

2.6 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 when performance obligations are met.
- Fees for providing investment platform services. Revenue is recognised on a daily basis, in line with the satisfaction of performance obligations, on the Assets Under Administration held on the relevant investment platform.
- Fees for 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 when performance obligations are met.
- Fees for marketing services provided to providers of mortgage and investment products, which is recognised when performance obligations are met.

2.7 Exceptional items

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

2.8 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 Impairment

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

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

The impairment review has also considered the COVID-19 pandemic as a potential indicator of impairment and as a result of this review, none of the assets held by the Group were impaired. See note 11 for further details.

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.10 Goodwill and Intangible assets

Goodwill is initially recognised and measured as set out in note 2.12.

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 cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units 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 cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

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

Computer software licences acquired are capitalised at the cost incurred to bring the software into use and are amortised on a straight-line basis over their estimated useful lives, which are estimated as being 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.

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

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

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

The Directors have reviewed the intangible assets as at 31 March 2020 and have considered the COVID-19 pandemic as a potential indicator of impairment. As a result of the review, it was determined that none of the assets are impaired (2019: none).

2 ACCOUNTING POLICIES CONTINUED

2.11 Property, plant and equipment

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or 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.

2.12 Business combinations

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

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.13 Leases

Policy applicable from 1 April 2019

The Group has applied the practical expedient to grandfather the definition of a lease at the date of transition. Therefore, this policy applies to all contracts entered into on or after 1 April 2019.

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

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

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

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

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

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

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

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

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

Policy applicable before 1 April 2019

Lease agreements which do not transfer substantially all of the risks and rewards of ownership of the leased assets to the Group are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. The impact of any lease incentives is spread over the term of the lease.

2 ACCOUNTING POLICIES CONTINUED

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.

Trade and other payables

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

Financial liabilities at fair value through profit or loss ("FVTPL")

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

Interest-bearing borrowings

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

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

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

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.

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 ACCOUNTING POLICIES CONTINUED

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 Employee Benefit Trust

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

2.21 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.

* Alternative performance measures are detailed in note 23.

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.22 Operating segments

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

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

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

Following changes to the structure of the Group's internal organisation, and subsequent changes to the way in which financial and management information is presented to both the Board and the Executive Committee, the composition of the Group's reportable segments changed in the financial year ended 31 March 2020.

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

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

The Revenue, Operating Profit and Adjusted Operating Profit* by segment disclosure note for the year ended March 2019 has been amended as follows:

(i) Revenue by segment

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

(ii) Operating Profit by segment

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

* Alternative performance measures are detailed in note 23.

2 ACCOUNTING POLICIES CONTINUED

2.22 Operating segments continued

(iii) Adjusted Operating Profit* by segment

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

2.23 Critical accounting judgements and key sources of estimation uncertainty

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

Goodwill and client relationship intangibles

Critical judgement

Impairment of goodwill and client relationship intangibles

The impact of COVID-19 has been considered as a potential indicator of impairment of goodwill and intangible assets. Impairment exists when the carrying value of an asset or cash-generating unit ('CGU') exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment testing, the recoverable amount of goodwill is determined using a discounted cash flow model, as detailed in note 11. The results of the calculation indicate that goodwill and client relationship intangibles are not impaired.

Client relationship intangibles

Critical judgements

Client relationship intangibles purchased through corporate transactions

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

Notes to the Consolidated Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.23 Critical accounting judgements and key sources of estimation uncertainty continued

Business combinations

Critical judgement

Treatment and fair value of consideration transferred

On 30 September 2019, the group acquired the entire share capital of Sinfonia Asset Management Limited ("Sinfonia"). The group accounted for the transaction as a business combination. Business combinations and acquisitions require a fair value exercise to be undertaken to allocate the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the asset and liabilities is based, to a considerable extent, on management's judgement. The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of this purchase price to the identifiable assets and liabilities with any unallocated portion being recorded as goodwill.

As described in note 21 to the financial statements, the purchase price payable for the acquisition is split into a number of different parts. The payment of certain elements has been deferred. At 31 March 2020, two elements of deferred consideration remained unvested and subject to ongoing vesting conditions.

Vesting of the earn-out consideration is conditional on achieving certain operational targets.

Estimation uncertainty

Valuation of the earn-out consideration

The value of earn-out consideration is variable, dependent on performance by the acquired business against certain operational targets by 30 September 2020 and 30 September 2021. The estimated value of earn-out consideration that will be payable at these dates is £344,000, based on projections of growth in funds under management over that period.

If qualifying funds under management do not exceed £98 million then no earn-out consideration is payable.

If qualifying funds under management at 30 September 2020 are £10 million higher or lower than management's estimate then the earn-out consideration would be £200,000 higher or lower and the charge to profit or loss in the year to 31 March 2020 would be £200,000 higher or lower.

Under the terms of the agreements, the maximum possible payment under the earn-out and incentivisation awards is capped at £689,000; which represents qualifying funds under management of approximately £132.5 million at 30 September 2021.

Share-based payments

Estimation uncertainty

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

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

These estimates are reviewed regularly and the charge to the Statement of Total Comprehensive Income is adjusted 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 £1,420,000; an increase of 10% in the vesting assumptions would increase the charge in the year by £185,000. In considering the level of satisfaction of performance obligations, the Group's forecast has been reviewed and updated for the expected impact of COVID-19 pandemic, various market scenarios and management actions. This forecast has been used to estimate the relevant vesting assumptions for the EMI schemes in place.

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

2 ACCOUNTING POLICIES CONTINUED

2.24 Alternative performance measures

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

3 CAPITAL MANAGEMENT

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

Regulatory capital is determined in accordance with the requirements of the 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 total equity which totalled £17.8 million as at 31 March 2020 (2019: £15.3 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 and the marketing and promotion of the funds run by the companies under Tatton Capital Limited ("Tatton") and the provision of compliance and support services to IFAs and mortgage advisers ("Paradigm").

The Group's reportable segments under IFRS 8 are therefore Tatton, Paradigm, and "Central" which contains the Operating Group's central overhead costs. The operating segments disclosed have changed during the reporting period, see note 2.22.

The principal activity of Tatton is that of Discretionary Fund Management ("DFM") of investments on-platform and the provision of investment wrap services.

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

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

Notes to the Consolidated Financial Statements continued

4 SEGMENT REPORTING CONTINUED

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

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

Year ended 31 March 2019 (restated, see note 2.22)	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	12,521	4,949	48	17,518
Administrative expenses	(5,680)	(3,144)	(2,769)	(11,593)
Operating Profit/(Loss)	6,841	1,805	(2,721)	5,925
Share-based payments	34	–	840	874
Exceptional charges	496	13	–	509
Adjusted Operating Profit/(Loss) (before separately disclosed items)*	7,371	1,818	(1,881)	7,308
Finance income	–	185	2	187
Profit/(loss) before tax	6,841	1,990	(2,719)	6,112

All turnover arose in the United Kingdom.

* Alternative performance measures are detailed in note 23.

5 OPERATING PROFIT

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

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Amortisation of software	**135**	43
Depreciation of property, plant and equipment	**160**	91
Depreciation of right-of-use assets	**138**	–
Separately disclosed items (note 6)	**(1,226)**	1,383
Services provided by the Group's auditor:		
Audit of the statutory consolidated and Company financial statements of TAM plc	**34**	33
Audit of subsidiaries	**58**	40
Other fees payable to auditor:		
Other taxation advisory services	**–**	38
Non-audit services	**86**	10

Total audit fees were £92,000 (2019: £73,000). Total non-audit fees payable to the auditor were £86,000 (2019: £48,000).

6 SEPARATELY DISCLOSED ITEMS

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
IPO costs	–	13
Project set-up costs related to transferring Authorised Corporate Director	–	293
New fund set-up costs	–	203
Restructuring costs	97	–
Acquisition-related expenses	97	–
VAT reclaim	(1,588)	–
Total exceptional items	**(1,394)**	**509**
Share-based payments	108	874
Amortisation of client relationship intangible assets	60	–
Total separately disclosed items	**(1,226)**	**1,383**

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

Exceptional items

On 30 September 2019 the Group acquired the share capital of Sinfonia Asset Management Limited (see note 21) and incurred acquisition-related costs of £97,000. These costs are part of separately disclosed items within administrative expenses in the Consolidated Statement of Total Comprehensive Income.

The restructuring charge relates to the rationalisation and restructuring of various departments and functions. The headcount reduction resulted in redundancy costs, payment in lieu of notice, settlement and other restructuring-related costs. These have been excluded from underlying earnings in view of their one-off nature.

During the year, the Group has agreed with HMRC that Tatton's supplies of discretionary fund management services in respect of model investment portfolios are exempt from VAT. As a result, the Group has recognised income of £1,756,000 relating to the 4 year period ending 31 March 2019, £1,675,000 of which has been received from HMRC as a VAT refund. This is offset by £168,000 of professional fees. The Group has reflected this change in treatment of revenue and the level of irrecoverable input VAT in revenue and administrative expenses from 1 April 2019.

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. Tatton transferred its Authorised Corporate Director, who acts on behalf of the Company to administer the funds, and this transfer incurred significant project management charges. In addition, Tatton launched new funds in the year and incurred material set-up costs as part of the process; both are included within exceptional items and separately disclosed items within administrative expenses in the Consolidated Statement of Total Comprehensive Income.

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

Share-based payments

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

Notes to the Consolidated Financial Statements continued

6 SEPARATELY DISCLOSED ITEMS CONTINUED

Amortisation of client relationship intangible assets

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

7 FINANCE (COSTS)/INCOME

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Bank interest income	**3**	2
Other interest income	**13**	214
Interest expense on lease liabilities	**(22)**	–
Bank charges	**–**	(29)
	(6)	187

8 TAXATION

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Current tax expense		
Current tax on profits for the period	**1,986**	1,318
Adjustment in respect of previous years	**7**	(74)
	1,993	1,244
Deferred tax expense		
Share-based payments	**(12)**	(19)
Origination and reversal of temporary differences	**57**	30
Adjustment in respect of previous years	**(95)**	–
Effect of rate changes	**(10)**	–
Total tax expense	**1,933**	1,255

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 2020 (£'000)	31-Mar 2019 (£'000)
Profit before taxation	**10,296**	6,112
Tax at UK corporation tax rate of 19% (2019: 19%)	**1,956**	1,161
Expenses not deductible for tax purposes	**87**	25
Adjustments in respect of previous years	**(88)**	(74)
Differences in tax rates	**(10)**	(2)
Share-based payments	**(12)**	145
Total tax expense	**1,933**	1,255

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget, it was announced that the UK corporation tax rate will remain at the current level of 19% and not reduce to 17% from 1 April 2020. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

9 EARNINGS PER SHARE AND DIVIDENDS

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

Number of shares

	2020	2019
Basic		
Weighted average number of shares in issue	**55,907,513**	55,907,513
Effect of own shares held by an EBT	**(72,355)**	–
	55,835,158	55,907,513
Diluted		
Weighted average number of shares (diluted)[1]	**57,529,989**	61,313,712
Adjusted diluted		
Adjusted diluted weighted average number of options and shares for the year[2]	**61,075,935**	61,313,712

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

Own shares held by an EBT represents the Company's own shares purchased and held by the Employee Benefit Trust (EBT), shown at cost. In the year ending 31 March 2020 the EBT purchased 413,411 (2019: none) of the Company's own shares.

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	**8,363**	4,857
Share-based payments – IFRS 2 option charges	**108**	874
Amortisation of intangible assets – customer relationships	**60**	–
Exceptional (income)/costs – see note 6	**(1,394)**	509
Tax impact of adjustments	**194**	(97)
Adjusted basic and diluted profits for the period and attributable earnings	**7,331**	6,143
Earnings per share (pence) – Basic	**14.98**	8.69
Earnings per share (pence) – Diluted	**14.54**	7.92
Adjusted earnings per share (pence) – Basic	**13.13**	10.99
Adjusted earnings per share (pence) – Diluted	**12.00**	10.02

Dividends

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

During the year, TAM plc paid the final dividend related to the year ended 31 March 2019 of £3,131,000, representing a payment of 5.6p per share. In addition, the Company paid an interim dividend of £1,789,000 (2019: £1,565,000) to its equity shareholders. This represents a payment of 3.2p per share (2019: 2.8p per share).

The Company's dividend policy is described in the Directors' Report on page 43. At 31 March 2020, the Company's distributable reserves were £25.8 million (2019: £22.3 million).

Notes to the Consolidated Financial Statements continued

10 STAFF COSTS

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

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Wages, salaries and bonuses	**5,995**	4,389
Social security costs	**594**	648
Pension costs	**160**	110
Termination benefits	**88**	–
Share-based payments	**123**	874
	6,960	6,021

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

	31-Mar 2020	31-Mar 2019
Administration	**79**	74
Key management	**3**	3
	82	77

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 2020 (£'000)	31-Mar 2019 (£'000)
Short-term employee benefits	**940**	884
Post-employment benefits	**11**	14
Other long-term benefits	**3**	3
Share-based payments	**(15)**	587
	939	1,488

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

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Total fees	**160**	160

The remuneration of the highest paid Director was:

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Total	**347**	343

The highest paid Director did not exercise any share options in the period. There were no share options granted to the highest paid Director in the year.

11 GOODWILL

	Goodwill (£'000)
Cost and carrying value at 31 March 2019	4,917
Recognised on acquisition of subsidiary	1,337
Cost and carrying value at 31 March 2020	**6,254**

The carrying value of goodwill includes £5.9 million allocated to the Tatton operating segment and CGU. This is made up of £2.5 million arising from the acquisition in 2014 of an interest in Tatton Oak Limited by Tatton Capital Limited consisting of the future synergies and forecast profits of the Tatton Oak business, £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited and £1.3 million of goodwill generated in the year on the acquisition of Sinfonia, see note 21. The carrying value of goodwill also includes £0.4 million allocated to the Paradigm operating segment and CGU relating to the acquisition of Paradigm Mortgage Services LLP.

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

Impairment loss and subsequent reversal

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

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 impairment review considered the COVID-19 pandemic as a potential indicator of impairment, consequently, the Group carried out an exercise The Directors have reviewed the carrying value of goodwill at 31 March 2020 and do not consider it to be impaired.

Growth rates

The value in use is calculated from cash flow projections based on the Group's forecasts for the year ended 31 March 2021 which are extrapolated for a further four years. The Group's latest financial forecasts, which cover a three-year period, are reviewed by the Board.

Discount rates

The pre-tax discount rate used to calculate value is 7.7% (2019: 8.3%). The discount rate is derived from a benchmark calculated from a number of comparable businesses.

Cash flow assumptions

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

The headroom compared to the carrying value of goodwill as at 31 March 2020 is £414 million (2019: £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.

Notes to the Consolidated Financial Statements continued

12 INTANGIBLE ASSETS

	Computer software (£'000)	Customer relationships (£'000)	Total (£'000)
Cost			
Balance at 31 March 2018	–	–	–
Additions	266	–	266
Balance at 31 March 2019	266	–	266
Additions	271	–	271
Acquired on acquisition of a subsidiary	–	1,196	1,196
Balance at 31 March 2020	**537**	**1,196**	**1,733**
Accumulated amortisation and impairment			
Balance at 31 March 2018	–	–	–
Charge for the period	(43)	–	(43)
Balance at 31 March 2019	(43)	–	(43)
Charge for the period	(135)	(60)	(195)
Balance at 31 March 2020	**(178)**	**(60)**	**(238)**
Net book value			
As at 31 March 2018	–	–	–
As at 31 March 2019	223	–	223
As at 31 March 2020	**359**	**1,136**	**1,495**

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)	Right-of-use assets – buildings (£'000)	Total (£'000)
Cost				
Balance at 1 April 2018	435	214	–	649
Additions	72	264	–	336
Balance at 31 March 2019	507	478	–	985
Adoption of IFRS 16	–	–	689	689
Additions	81	213	–	294
Balance at 31 March 2020	**588**	**691**	**689**	**1,968**
Accumulated depreciation and impairment				
Balance at 1 April 2018	(331)	(214)	–	(545)
Charge for the period	(66)	(25)	–	(91)
Balance at 31 March 2019	(397)	(239)	–	(636)
Charge for the period	(73)	(87)	(138)	(298)
Balance at 31 March 2020	**(470)**	**(326)**	**(138)**	**(934)**
Net book value				
As at 1 April 2018	104	–	–	104
As at 31 March 2019	110	239	–	349
As at 31 March 2020	**118**	**365**	**551**	**1,034**

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

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

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

Right-of-use assets

	31-Mar 2020 (£'000)
Amounts recognised in profit and loss	
Depreciation on right-of-use assets	**(138)**
Interest expense on lease liabilities	**(22)**
Expense relating to short-term leases	**(94)**
Expense relating to low value assets	**(1)**
	(255)

At 31 March 2020, the Group is committed to £nil for short-term leases.

The total cash outflow for leases amounts to £156,000.

Notes to the Consolidated Financial Statements continued

14 TRADE AND OTHER RECEIVABLES

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Trade receivables	**116**	313
Amounts due from related parties	**108**	107
Prepayments and accrued income	**1,948**	1,763
Other receivables	**1,259**	191
Loan notes	**–**	134
	3,431	2,508

All trade receivable amounts are short term. The carrying value is considered a fair approximation of their fair value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables at an amount equal to lifetime ECLs. In line with the Group's historical experience, and after consideration of current credit exposures, the Group does not expect to incur any credit losses and has not recognised any ECLs in the current year (2019: £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 2020 was £1,601,000 (2019: £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 2020 (£'000)	31-Mar 2019 (£'000)
Trade payables	**275**	414
Amounts due to related parties	**222**	386
Accruals	**2,476**	1,382
Deferred income	**131**	165
Contingent consideration	**344**	–
Other payables	**3,440**	2,174
	6,888	4,521
Less non-current portion:		
Contingent consideration	**(172)**	–
Other payables	**(530)**	–
Total non-current trade and other payables	**(702)**	–
Total current trade and other payables	**6,186**	4,521

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

Trade payable amounts are all held in sterling.

16 DEFERRED TAXATION

	Deferred capital allowances £'000	Share-based payments £'000	Acquisition intangibles £'000	Total £'000
Liability at 1 April 2018	(15)	–	–	(15)
Income statement (charge)/credit	(30)	19	–	(11)
Equity credit	–	130	–	130
Asset/(liability) at 31 March 2019	(45)	149	–	104
Acquisition of subsidiary	–	–	(227)	(227)
Income statement (charge)/credit	(81)	130	11	60
Equity charge	–	(43)	–	(43)
(Liability)/asset at 31 March 2020	**(126)**	**236**	**(216)**	**(106)**

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).

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

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 2020, total borrowings were £nil (2019: £nil).

Notes to the Consolidated Financial Statements continued

17 FINANCIAL INSTRUMENTS CONTINUED

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:	**31-Mar 2020 (£'000)**	31-Mar 2019 (£'000)
Cash and cash equivalents	**12,757**	12,192
Trade and other receivables	**3,110**	2,208
	15,867	14,400

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

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

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

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Not more than 3 months	**75**	241
More than 3 months but not more than 6 months	**19**	72
More than 6 months but not more than 1 year	**17**	–
More than 1 year	**5**	–
Total	**116**	313

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.

17 FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

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

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

At 31 March 2020, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		**Non-current**	
At 31 March 2020	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
Trade and other payables	**5,761**	**–**	**–**	**–**
Lease liabilities	**37**	**84**	**530**	**–**
Contingent consideration	**–**	**172**	**172**	**–**
Total	**5,798**	**256**	**702**	**–**

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 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**	**–**	**–**	**–**

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 2020 (number)	31-Mar 2019 (number)
Authorised, called up and fully paid		
£0.20 ordinary shares	**55,907,513**	55,907,513

Each share in TAM plc carries one vote and the right to a dividend.

Notes to the Consolidated Financial Statements continued

19 OWN SHARES

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 April 2019	–	–
Acquired in the year	413,411	996
At 31 March 2020	**413,411**	**996**

Own shares represent the cost of the Company's own shares, either purchased in the market or issued by the Company, that are held by an employee benefit trust to satisfy future awards under the Group's share-based payment schemes (note 20). 413,411 shares were held in the Employee Benefit Trust at 31 March 2020 (2019: nil).

20 SHARE-BASED PAYMENTS

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

20.1 Current schemes

(i) TAM plc EMI Scheme ("TAM EMI Scheme")

On 7 July 2017 the Group launched an EMI share option scheme relating to shares in TAM plc to enable senior management to participate in the equity of the Company. A total of 3,022,733 options with a weighted average exercise price of £1.89 were granted during the prior period, each exercisable in July 2020.

The scheme was extended on 8 August 2018 and a total of 1,720,138 zero cost options were granted during the year ended 31 March 2019, each exercisable in August 2021. The scheme was further extended on 1 August 2019 and a total of 193,000 zero cost options were granted, each exercisable in August 2022. A total of 4,755,737 options remain outstanding at 31 March 2020, none of which are currently exercisable.

No options were exercised during the period. A total of 68,319 options were forfeited in the period (111,815 options were forfeited in the prior year).

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

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

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2018	3,022,733	1.89
Granted during the period	1,720,138	–
Forfeited during the period	(111,815)	1.89
Outstanding at 31 March 2019	4,631,056	1.19
Exercisable at 31 March 2019	–	–
Outstanding at 1 April 2019	4,631,056	1.19
Granted during the period	193,000	–
Forfeited during the period	(68,319)	0.52
Outstanding at 31 March 2020	**4,755,737**	**1.15**
Exercisable at 31 March 2020	**–**	**–**

20 SHARE-BASED PAYMENTS CONTINUED

(ii) TAM plc Sharesave Scheme ("TAM Sharesave Scheme")

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

Over the life of the 2017 Sharesave scheme it is estimated that, based on current saving rates, 197,481 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, 48,688 share options will be exercisable at an exercise price of £1.90. Over the life of the 2019 Sharesave scheme it is estimated that, based on current savings rates, 75,610 share options will be exercisable at an exercise price of £1.79. No options have been exercised or expired in the period and 10,741 options have been forfeited in the period.

Within the accounts of the Company, the fair value at grant date is estimated using the Black-Scholes methodology for 100% of the options. Share price volatility has been estimated using the historical share price volatility of the Company, the expected volatility of the Company's share price over the life of the options and the average volatility applying to a comparable group of listed companies. Key valuation assumptions and the costs recognised in the accounts during the period are noted in 20.2 and 20.3 overleaf respectively.

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2018	63,344	1.70
Granted during the period	82,322	1.74
Forfeited during the period	(13,690)	1.71
Outstanding at 31 March 2019	131,976	1.70
Exercisable at 31 March 2019	–	–
Outstanding at 1 April 2019	131,976	1.70
Granted during the period	102,493	1.75
Forfeited during the period	(10,741)	1.85
Outstanding at 31 March 2020	**223,728**	**1.73**
Exercisable at 31 March 2020	**26,176**	**1.70**

20.2 Valuation assumptions

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

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

Notes to the Consolidated Financial Statements continued

20 SHARE-BASED PAYMENTS CONTINUED

20.3 IFRS 2 Share-based option costs

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
TAM EMI Scheme	**84**	839
TAM Sharesave Scheme	**24**	35
	108	874

21 BUSINESS COMBINATION

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

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

	£'000
Identifiable intangible assets	1,196
Financial assets	54
Financial liabilities	(13)
Deferred tax liability	(227)
Total identifiable assets	1,010
Goodwill	1,337
Total consideration	**2,347**
Satisfied by:	
Cash	2,003
Contingent consideration arrangement	344
Total consideration transferred	**2,347**
Net cash outflow arising on acquisition:	
Cash consideration	2,003
Less: cash and cash equivalent balance acquired	(1)
Net cash outflow	**2,002**

21 BUSINESS COMBINATION CONTINUED

The fair value of the financial assets includes accrued income and prepayments with a fair value of £54,000. The best estimate at acquisition date of the contractual cash flows not to be collected is £nil.

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

The goodwill of £1,337,000 arising from the acquisition consists of future synergies and future income expected to be generated from the funds. None of the goodwill is expected to be deductible for income tax purposes.

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

The fair value of the contingent consideration arrangement of £344,000 was estimated by calculating the expected future value of assets held in the Sinfonia funds. The liability of £344,000 has been recognised in other payables in the Consolidated Statement of Financial Position.

Acquisition-related costs (included in administrative expenses and separately disclosed in the Consolidated Statement of Total Comprehensive Income) amount to £97,000.

Sinfonia contributed £151,000 to revenue and £81,000 to the Group's profit for the period between the date of acquisition and the reporting date.

Notes to the Consolidated Financial Statements continued

22 RELATED PARTY TRANSACTIONS

Ultimate controlling party

The Directors consider there to be no ultimate controlling party.

Relationships

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

Entity	Nature of transactions
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.

From 20 December 2019 Perspective Financial Group Limited is no longer a related party. The transactions shown below are those which took place in the financial period during which the company was a related party. The balance receivable/payable is the year end balance.

Related party balances

		2020		2019	
	Terms and conditions	**Value of income/(cost) (£'000)**	**Balance receivable/(payable) (£'000)**	Value of income/(cost) (£'000)	Balance receivable/(payable) (£'000)
Amber Financial Investments Limited	Payable within 30 days	**297**	**25**	239	(42)
Jargon Free Benefits LLP	Repayment on demand	**15**	**66**	24	43
Paradigm Management Partners LLP	Repayment on demand	**1**	**5**	–	4
Paradigm Investment Management LLP	Repayment on demand	**(5)**	**(234)**	(11)	(13)
Perspective Financial Group Limited	Payable within 30 days	**243**	**11**	369	72
Suffolk Life Pensions Limited	Payable in advance	**(57)**	**9**	(56)	9
Hermitage Holdings (Wilmslow) Limited	Repayment on demand	**4**	**4**	–	–

Balances with related parties are non-interest bearing.

Key management personnel remuneration

Key management includes Executive and Non-Executive Directors. The compensation paid or payable to key management personnel is as disclosed in note 10.

23 ALTERNATIVE PERFORMANCE MEASURES ("APMS")

Income statement measures

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Adjusted Operating Profit before separately disclosed items	Operating profit	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24.
Adjusted Profit before tax; before separately disclosed items	Profit before tax	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24
Adjusted earnings per share – Basic	Earnings per share – Basic	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24.
Adjusted earnings per share – Diluted	Earnings per share – Diluted	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. The dilutive shares for this measure assume that all contingently issuable shares will fully vest. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.24.
Net cash generated from operations before separately disclosed items	Net cash generated from operations	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.24.

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 lending, member firms and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Dividend cover	None	Not applicable	Dividend cover (being the ratio of diluted earnings per share before exceptional items and share-based charges) is 1.9 times, demonstrating ability to pay.

24 POST BALANCE SHEET EVENT

There were no material post balance sheet events.

25 CAPITAL COMMITMENTS

At 31 March 2020, the Directors confirmed there were no capital commitments (2019: £112,000) for capital improvements.

26 CONTINGENT LIABILITIES

At 31 March 2020, the Directors confirmed there were no contingent liabilities (2019: none).

Company Statement of Financial Position

As at 31 March 2020

	Note	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Non-current assets			
Investments in subsidiaries	5	**77,216**	77,216
Property, plant and equipment		**5**	2
Deferred tax assets	17	**235**	143
Total non-current assets		**77,456**	77,361
Current assets			
Trade and other receivables	13	**9,264**	10,127
Cash and cash equivalents	14	**7,657**	5,508
Total current assets		**16,921**	15,635
Total assets		**94,377**	92,996
Current liabilities			
Trade and other payables	15	**(1,932)**	(383)
Total current liabilities		**(1,932)**	(383)
Total liabilities		**(1,932)**	(383)
Net assets		**92,445**	92,613
Equity attributable to equity holders of the Company			
Share capital	16	**11,182**	11,182
Share premium account		**8,718**	8,718
Own shares	12	**(996)**	–
Other reserve		**1,121**	1,036
Merger reserve		**67,316**	67,316
Retained earnings		**5,104**	4,361
Total equity		**92,445**	92,613

The Company generated a profit of £5,706,000 during the financial year (2019: profit of £3,788,000).

The financial statements were approved by the Board of Directors on 15 June 2020 and were signed on its behalf by:

Paul Edwards
Director

Company registration number 10634323

Company Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
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
Profit for the period	–	–	–	–	–	5,706	5,706
Dividends	–	–	–	–	–	(4,920)	(4,920)
Share-based payments	–	–	–	85	–	–	85
Deferred tax on share-based payments	–	–	–	–	–	(43)	(43)
Own shares acquired in the year	–	–	(996)	–	–	–	(996)
At 31 March 2020	**11,182**	**8,718**	**(996)**	**1,121**	**67,316**	**5,104**	**92,445**

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 2020 were authorised for issue by the Board of Directors on 15 June 2020. 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 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
   1) Paragraph 79(a)(IV) of IAS 1;
   2) Paragraph 73(e) of IAS 16 'Property, Plant and Equipment';

b) the requirements of paragraphs 10(d), and 134–136 of IAS 1 'Presentation of Financial Statements' and the requirements of IAS 7 'Statement of Cash Flows';
c) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
d) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
e) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
f) the disclosure requirements of IFRS 7 'Financial Instruments: Disclosures'.

2.2 Investments

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently, they are reviewed for impairment on an individual basis if events or changes in circumstances indicate the carrying value may not be fully recoverable.

2.3 Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

2.4 Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2.5 Trade and other payables

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

2.6 Cash and cash equivalents

Cash and cash equivalents comprise long and short-term deposits held with banks by the Company, and are subject to insignificant risk of changes in value.

2 ACCOUNTING POLICIES CONTINUED

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.

2.8 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 Statement of Total Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The 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 Statement of Total Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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.

Notes to the Company Financial Statements continued

2 ACCOUNTING POLICIES CONTINUED

2.9 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.

2.10 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 2020 (£'000)	31-Mar 2019 (£'000)
Share-based payment charges (note 11)	**108**	840

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 2020 (£'000)	31-Mar 2019 (£'000)
Audit of the statutory financial statements of TAM plc	**34**	33
Services provided by the Group's auditor:		
Other taxation advisory services	**–**	8
Non-audit services	**22**	10

5 INVESTMENTS

	£'000
Cost and net book value at 1 April 2018, 31 March 2019 and 31 March 2020	**77,216**

5 INVESTMENTS CONTINUED

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 Crown Investments Limited	United Kingdom	100%	Indirect
Sinfonia Asset Management Limited	United Kingdom	100%	Indirect

All entities above are included within the consolidated financial statements for TAM plc and all have the same registered address as the Company.

6 DIRECTORS AND EMPLOYEES

The average number of persons employed by the Company (including Directors) during each year was as follows:

	31-Mar 2020	31-Mar 2019
Administration	**12**	11

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Wages, salaries and bonuses	**1,130**	1,095
Social security costs	**142**	132
Benefits in kind	**–**	–
Pension costs	**12**	12
Share-based payment charges	**108**	312
	1,392	1,551

The remuneration of the highest paid Director was:

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Total	**347**	343

7 ULTIMATE CONTROLLING PARTY

The Directors consider that there is no ultimate controlling party.

8 FINANCE INCOME

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Bank interest income	**–**	2

Notes to the Company Financial Statements continued

9 INCOME TAX

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Current tax expense		
Current tax on profits for the period	**–**	–
Deferred tax income		
Share-based payments	**4**	(12)
Adjustments in respect of prior years	**(123)**	–
Difference in tax rates	**(16)**	–
Total tax income	**(135)**	(12)

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 are as follows:

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Profit before taxation	**5,571**	3,776
Tax at UK corporation tax rate of 19% (2019: 19%)	**1,059**	717
Expenses not deductible for tax purposes	**25**	7
Income not taxable	**(1,496)**	(1,218)
Difference in tax rates	**(16)**	1
Share-based payments	**4**	145
Adjustments in respect of prior years	**(123)**	–
Group relief	**412**	336
Total tax income	**(135)**	(12)

The deferred tax asset as at 31 March 2020 has been calculated based on a rate of 19% based on when the Company expects the deferred tax asset to reverse.

10 DIVIDEND PAID AND PROPOSED

During the year, TAM plc paid the final dividend related to the year ended 31 March 2019 of £3,131,000, representing a payment of 5.8p per share. In addition, the Company paid an interim dividend of £1,789,000 (2019: £1,565,000) to its equity shareholders. This represents a payment of 3.2p per share (2019: 2.8p per share).

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2020 of 6.4p (2019: 5.8p) per share which will absorb an estimated £3.6 million (2019: £3.1 million) of shareholders' funds. It will be paid on 28 August 2020 to shareholders who are on the register of members on 17 July 2020.

11 SHARE-BASED PAYMENTS

Details of share-based payments are shown in note 20 to the consolidated financial statements.

12 OWN SHARES

Details of own shares are shown in note 19 to the consolidated financial statements.

13 TRADE AND OTHER RECEIVABLES

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Amounts due from related parties	**9,184**	10,089
Prepayments and accrued income	**50**	38
Other debtors	**30**	–
	9,264	10,127

All 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 Statement of Total Comprehensive Income is £nil (2019: £nil).

Trade receivable amounts are all held in sterling.

14 CASH AND CASH EQUIVALENTS

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Cash at bank	**7,657**	5,508

15 TRADE AND OTHER PAYABLES

	31-Mar 2020 (£'000)	31-Mar 2019 (£'000)
Trade payables	**44**	51
Amounts owed to related parties	**1,309**	110
Accruals	**534**	222
Other creditors	**45**	–
	1,932	383

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.

16 EQUITY

	31-Mar 2020 (number)	31-Mar 2019 (number)
Authorised, called up and fully paid		
£0.20 ordinary shares	**55,907,513**	55,907,513

Each share in TAM plc carries one vote and the right to a dividend.

Notes to the Company Financial Statements continued

17 DEFERRED TAXATION

	Share-based payments (£'000)	Total (£'000)
Asset/(liability) at 1 April 2018	–	–
Income statement credit	13	13
Equity credit	130	130
Asset at 31 March 2019	143	143
Income statement credit	135	135
Equity charge	(43)	(43)
Asset at 31 March 2020	**235**	**235**

18 CONTINGENT LIABILITIES

The Directors confirmed that at 31 March 2020, no contingent liabilities existed (2019: none).

19 CAPITAL COMMITMENTS

The Directors confirmed that at 31 March 2020, no capital commitments existed (2019: none).

20 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(K) of FRS 101 not to disclose transactions with entities that are wholly owned subsidiaries of TAM plc. There are no other related party transactions other than those that have been disclosed in note 22 to the consolidated financial statements.

20.1 Transactions with key management personnel

Other than the Directors and Officers of the Group (see note 22), no other key management personnel have been identified.

21 EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period.

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