3 June 2019

Tatton Asset Management PLC
Preliminary Results
For the year ended 31 March 2019

Tatton Asset Management plc (the "Group", the "Company") (AIM: TAM), the investment management and IFA support services group, today announces its preliminary results for the year ended 31 March 2019.

Financial Highlights

- Discretionary assets under management ("AUM") increased 24.5% to £6.1bn (2018: £4.9bn)
- AUM net inflows increased to £1.1bn averaging over £90m per month
- Group revenue increased 12.9% to £17.5m (2018: £15.5m)
- Adjusted operating profit[1] up 12.3% to £7.3m (2018: £6.5m)
- Adjusted operating profit[1] margin 41.7% (2018: 42.1%)
- Reported profit before tax increased to £6.1m (2018: £3.6m), after charging exceptional items of £0.5m and share option costs of £0.9m
- Proposed final dividend of 5.6p, giving a full year dividend of 8.4p
- Adjusted fully diluted EPS[2] increased 9.9% to 10.0p (2018: 9.1p)
- Strong financial position, with net cash of £12.2m (2018: £10.6m)

Operational Highlights

- Tatton increased its member firms by 30.5% to 445 (2018: 341) and number of accounts to 58.5k (2018: 48.8k)
- Tatton won significant long-term investment mandate from Tenet, one of the UK's largest Adviser support Groups (see separate announcement)
- Tatton won investment mandate with AIM listed financial services company Frenkel Topping (see separate announcement)
- Tatton launched its new inhouse administration portal, ensuring scalability and supporting future growth
- Tatton completed project to transfer Authorised Corporate Director (ACD), delivering efficiencies for the Group and decreasing the fund operating costs for end investors
- Paradigm Mortgages, the Group's mortgage and protection distribution business, increased gross lending via its channels by 23.5% to £8.4bn (2018: £6.8bn)
- Paradigm Mortgages increased the number of member mortgage firms by 14.1% to 1,392 (2018: 1,220)
- Paradigm Consulting, the Group's compliance services business, increased new members 6.0% to 390 (2018: 368)

1. Operating profit before exceptional items and IFRS2 share-based payment costs
2. Adjusted fully diluted earnings per share is calculated by dividing the adjusted operating profit less cash interest and less tax on operating activities by the weighted average number of ordinary shares in issue during the year plus potentially dilutive ordinary shares.

Paul Hogarth, Chief Executive Officer, commented:
"We have maintained our growth and performance despite a challenging period and successfully created a secure platform upon which we can continue to execute our ongoing strategy.

"The recent strategic investment mandate wins show how compelling our investment proposition is to the wider market. We have a simple, lean operating model that gives the IFA and their clients the best investment management products at a sector leading price point and we will continue to focus on their needs as well as creating further value for our shareholders.

"With a strong balance sheet, we will invest for further growth, ensuring we have the right blend of skills and talent to capitalise on the many opportunities that exist within our markets. We enter the new financial year confident of making further progress."

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Analyst presentation
An analyst briefing is being held at 9.30am on 3 June 2019 at the offices of Zeus Capital, 10 Old Burlington Street, London. W1S 3AG

CHAIRMAN’S LETTER

ROGER CORNICK, Chairman

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

Results

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

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

STRATEGY

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

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

Our people

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

Board and corporate governance

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

Dividends

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

OUTLOOK

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

CHIEF EXECUTIVE'S BUSINESS REVIEW

PAUL HOGARTH, Chief Executive Officer

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

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

Market overview

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

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

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

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

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

Rather than an obstacle to IFAs' businesses we see increased fee disclosure as an opportunity for the IFA to actively manage costs for their clients and demonstrate how they are adding value. The opportunity for the Group as a provider of two of the core functions for an IFA business adapting to these changes is clear: compliance consultancy and low cost outsourced investment fulfilment.
Whilst it is pleasing that we do not have to adapt our business to the new regulatory regime, this is not the position for many advice firms. It is clear that the creation and management of investment portfolios for clients for many IFAs is becoming unfeasible. Research from the lang cat ltd has shown that an adviser managing their own clients' portfolios has to produce over 140 pages of reporting per client per quarter in the simple day to day management of a client's portfolios.
It is no surprise that more Financial Advisers are therefore seeking to outsource investment fulfilment to on-platform discretionary providers that can meet their clients' investment requirements, without adding significant additional cost now revealed through the MiFID II regime rules.

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

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

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

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

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

To extend our reach into other areas, we will seek to strategically partner with other leading UK Financial Advice firms and fulfil their need for a centralised investment proposition. We are also developing the means to develop third party investment management functions for existing smaller sized Discretionary Fund Managers.
I am pleased to report that the Tatton Blended Funds are gaining traction in the market and now have a combined £71.7 million of assets under management. They remain some of least expensive multi-asset, multi-manager funds in the market.

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

Paradigm Mortgages

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

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

Paradigm Consulting

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

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

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

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

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

Outlook

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

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

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

CHIEF INVESTMENT OFFICER'S REPORT

Lothar Mentel, Chief Investment Officer

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

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

Proposition developments and business investments

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

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

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

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

At the beginning of 2019, we revealed an extension to our existing platform based DFM services through the introduction of a platform only Bespoke Portfolio Service ("BPS") proposition. This complimentary service aims to cater for individual client requirements which cannot be fulfilled through the MPS proposition. There is a substantial business opportunity in this market segment, due to the cost effectiveness of transactions in the platform model and the increasing cost transparency pressures on the traditional wealth management providers. In February, we were delighted to announce that one of the UK's foremost BPS industry experts, Claire Bennison (formerly Brooks Macdonald), had joined to lead this development.

2018/19 capital markets and returns
Investment portfolio returns for the 2018 calendar year proved challenging across the industry, as the sudden and rapid drying up of central bank liquidity provision led to a substantial stock market correction in the last quarter of 2018. The global economy, however, only suffered a slowdown and stock markets recovered almost as rapidly in the first quarter of 2019 as they did after a similar episode in the first quarter of 2016.

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

The outcome was that the liquidity-induced market correction hit active managers' stock selection strategies particularly hard, as they suffered substantial outflows while tracker ETF funds enjoyed significant inflows. Despite identical asset allocation positions, Tatton's active fund-based portfolios therefore underperformed the tracker-based portfolios and gave back some of the relative performance gains from 2017. This is now the second time we have observed this active versus passive performance cycle. And judging from experience, we expect it to be transitory once more.
Ethical portfolios performed particularly strongly; however, this was to a large extent structural, due to their greater allocation to US and tech stocks as a consequence of the specificity of the ethical investment universe and its concentration in the US and tech sector.

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

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

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

CHIEF FINANCIAL OFFICER'S REPORT

PAUL EDWARDS, Chief Financial Officer

Overview

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

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

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

Total Group Operating Profit was £5.9 million (2018: £3.6 million) after charging exceptional costs of £0.5 million and share-based payments of £0.9 million. Operating Profit has been adjusted for these items to give better clarity of the underlying performance of the Group. The Alternative Performance Measures ("APMs") are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

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

Exceptional costs

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

Net finance income

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

Earnings per share

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

Cash flow

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

Dividends and capital allocation

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

Statement of financial position

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

New reporting standards

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

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

Risk management and the year ahead

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

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

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

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

For the year ended 31 March 2019

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

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

PAUL EDWARDS
Director

For the year ended 31 March 2019

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

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

For the year ended 31 March 2019

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

1 GENERAL INFORMATION

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

The Group comprises the Company and its subsidiaries. The Group's principal activities are discretionary fund management, the provision of compliance and support services to independent financial advisers (IFAs), the provision of mortgage adviser support services and the marketing and promotion of Tatton Oak funds.

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

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

2 ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements are presented in sterling and have been rounded to the nearest thousand (£'000). The functional currency of the company is sterling.

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

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

2.2 GOING CONCERN

These financial statements have been prepared on a going concern basis. The Directors have prepared cash flow projections and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group's forecasts and projections, which take into account reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. The Directors have considered the risks associated with Brexit, including considering the effect on clients' wealth, attitude towards savings and investment and changes in government policy. The Directors do not consider that the impact of Brexit will affect the Group continuing as a going concern. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

2.3 BASIS OF CONSOLIDATION

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

2.4 SUBSIDIARIES

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 March 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 March.

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

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

2.5 STANDARDS IN ISSUE NOT YET EFFECTIVE

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

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

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

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

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

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

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

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

2.6 APPLICATION OF NEW STANDARDS

IFRS 9 'Financial Instruments'

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

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

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

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

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

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred, such as significant financial difficulty of the client or it becoming probable that the client will enter bankruptcy or other financial reorganization. When a trade receivable is credit impaired, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written off are credited to the income statement. In line with the Group's historical experience, and after consideration of current credit exposures, the Group does not expect to incur any credit losses and has not recognised any ECLs in the current year (2018: nil).

See note 2.15 for further detail on financial instruments.

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

IFRS 15 'Revenue from Contracts with Customers'

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

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

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

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

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

2 ACCOUNTING POLICIES CONTINUED

2.7 REVENUE

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

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

Fees charged to IFAs for compliance consultancy services, which is recognised on an accruals basis.
Fees for providing investment platform services. Revenue is accrued daily based on the Assets Under Influence held on the relevant investment platform.
Fees for discretionary fund management services in relation to on-platform investment Assets Under Management ("AUM"). Revenue is recognised daily based on the AUM.
Fees for mortgage related services including commissions from mortgage and other product providers and referral fees from strategic partners. Commission is recognised on an accruals basis.
Fees for marketing services provided to providers of mortgage and investment products, which is recognised on an accruals basis.

2.8 SEPARATELY DISCLOSED ITEMS

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

2.9 INTEREST INCOME AND INTEREST EXPENSE

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

2.10 IMPAIRMENT

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

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

2.11 INTANGIBLE ASSETS

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

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

2.11 INTANGIBLE ASSETS CONTINUED

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

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

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

The Directors have reviewed the intangible assets as at 31 March 2019 and have concluded there are no indicators of impairment (2018: none).

2.12 PROPERTY, PLANT AND EQUIPMENT

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

Computer, office equipment and motor vehicles – 20-33% straight line.
Furniture, fixtures, and equipment – 20% straight line.

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

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

2.13 BUSINESS COMBINATIONS

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

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

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

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

2 ACCOUNTING POLICIES CONTINUED

2.13 BUSINESS COMBINATIONS CONTINUED

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

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

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

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

2.14 CASH AND CASH EQUIVALENTS

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

2.15 FINANCIAL INSTRUMENTS

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

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

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

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

Trade receivables

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

2 ACCOUNTING POLICIES CONTINUED

2.15 FINANCIAL INSTRUMENTS CONTINUED

Trade and other payables

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

Interest-bearing borrowings

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

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

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

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

2.16 TAXATION

Current tax

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

Deferred tax

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

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

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

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

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

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

2 ACCOUNTING POLICIES CONTINUED

2.16 TAXATION CONTINUED

Current and deferred tax for the year

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

2.17 RETIREMENT BENEFIT COSTS

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

2.18 PROVISIONS

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

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

2.19 EQUITY, RESERVES AND DIVIDEND PAYMENTS

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

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

2.20 SHARE-BASED PAYMENTS

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

2.21 OPERATING SEGMENTS

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

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

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

2 ACCOUNTING POLICIES CONTINUED

2.22 SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS AND ESTIMATES

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

Share-based payments

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

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

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

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

2.23 ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information, the Group presents alternative performance measures, ("APMs") which are not defined or specified under the requirements of IFRSs. The Group believes that these APMs provide users with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets. The APMs used by the Group are set out on page 70 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

3 CAPITAL MANAGEMENT

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

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

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

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

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

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

4 SEGMENT REPORTING

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

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

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

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

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

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

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

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

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

All turnover arose in the United Kingdom.

5 OPERATING PROFIT

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

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

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

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

6 SEPARATELY DISCLOSED ITEMS

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

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

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

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

7 FINANCE COSTS

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

8 TAXATION

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

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

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

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

9 EARNINGS PER SHARE AND DIVIDENDS

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

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

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

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

DIVIDENDS

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

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

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

10 STAFF COSTS

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

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

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

KEY MANAGEMENT COMPENSATION

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

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

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

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

The remuneration of the highest paid Director was:

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

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

11 GOODWILL

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

The goodwill of £4.9 million relates to £2.9 million arising from the acquisition in 2014 of an interest in Tatton Oak Limited by Tatton Capital Limited consisting of the future synergies and forecast profits of the Tatton Oak business and £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited. None of the goodwill is expected to be deductible for income tax purposes.

IMPAIRMENT LOSS AND SUBSEQUENT REVERSAL

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

IMPAIRMENT TESTING

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

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

GROWTH RATES

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

DISCOUNT RATES

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

CASH FLOW ASSUMPTIONS

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

The headroom compared to the carrying value of goodwill as at 31 March 2019 is £223 million. From the assessment performed, there are no reasonable sensitivities that result in the recoverable amount being equal to the carrying value of the goodwill attributed to the CGU.

12 INTANGIBLE ASSETS

	Computer software (£'000)	Total (£'000)
Cost		
Balance at 31 March 2017, 31 March 2018 and 1 April 2018	–	–
Additions	266	266
Balance at 31 March 2019	**266**	**266**
Accumulated amortisation and impairment		
Balance at 31 March 2017, 31 March 2018 and 1 April 2018	–	–
Charge for the period	(43)	(43)
Balance at 31 March 2019	**(43)**	**(43)**
Net book value		
As at 1 April 2017 and 31 March 2018	–	–
As at 31 March 2019	**223**	**223**

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

13 PROPERTY, PLANT AND EQUIPMENT

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

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

14 TRADE AND OTHER RECEIVABLES

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

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

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

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

Trade receivable amounts are all held in sterling.

15 TRADE AND OTHER PAYABLES

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

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

Trade payable amounts are all held in sterling.

16 DEFERRED TAXATION

	Deferred capital allowances £'000	Share-based payments £'000	Total £'000
Asset/(liability) at 1 April 2017	(12)	–	(12)
Income statement (charge)/credit	(3)	–	(3)
Asset/(liability) at 31 March 2018	**(15)**	–	**(15)**
Income statement (charge)/credit	(30)	19	(11)
Equity (charge)/credit	–	130	130
Asset/(liability) at 31 March 2019	(45)	149	104

17 FINANCIAL INSTRUMENTS

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

The Group finances its operations through a combination of cash resource and other borrowings. Short term flexibility is satisfied by overdraft facilities in Paradigm Partners Limited which are repayable on demand.

Fair value estimation

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

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

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

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

INTEREST RATE RISK

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

CREDIT RISK

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

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

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

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

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

17 FINANCIAL INSTRUMENTS CONTINUED

CREDIT RISK CONTINUED

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

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

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

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

LIQUIDITY RISK

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

The totals for each category of financial instruments, measured in accordance with IFRS 9 (2018: IAS 39) and IFRS 7 as detailed in the accounting policies to this historical financial information, are as follows:

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

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

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

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

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

18 EQUITY

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

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

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

19 SHARE-BASED PAYMENTS

During the year, a number of share-based payment schemes and share options schemes have been utilised by the Company, described under (19.1) Current Schemes, below. There were two schemes, PPL ESS and PPL D Options, which closed prior to the IPO of Tatton Asset Management plc in July 2017.

19.1 CURRENT SCHEMES

(i) Tatton Asset Management plc EMI Scheme ("TAM EMI Scheme")

On 7 July 2017 the Group launched an EMI share option scheme relating to shares in Tatton Asset Management plc to enable senior management to participate in the equity of the Company. A total of 3,022,733 options with a weighted average exercise price of £1.83 were granted during the period, each exercisable in July 2020. No options were exercised or expired in the period. 111,815 options were forfeited in the period. A total of 4,631,056 options remain outstanding at 31 March 2019, none of which are currently exercisable. The range of exercise prices for the options outstanding at the end of the period is detailed in 19.2.

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

Within the accounts of the Company, the fair value at grant date is estimated using the appropriate models including both Black-Scholes methodology and Monte Carlo modelling methodologies. Share price volatility has been estimated using the historical share price volatility of the Company, the expected volatility of the Company's share price over the life of the option and the average of the volatility applying to a comparable group of listed companies.

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

Year ended 31 March 2018		
Outstanding at 1 April 2017	–	–
Granted during the period	3,022,733	1.89
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at 31 March 2018	3,022,733	1.89
Exercisable at 31 March 2018	–	–

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

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

19 SHARE-BASED PAYMENTS CONTINUED

19.1 CURRENT SCHEMES CONTINUED

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

Within the accounts of the Company, the fair value at grant date is estimated using the Black-Scholes methodology for 100% of the options. Share price volatility has been estimated using the historical share price volatility of the Company, the expected volatility of the Company's share price over the life of the option and the average of the volatility applying to a comparable group of listed companies.

Key valuation assumptions and the costs recognised in the accounts during the period are noted in (19.2) and (19.3) respectively.

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

Year ended 31 March 2018		
Outstanding at 1 April 2017	–	–
Granted during the period	63,344	1.70
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at 31 March 2018	63,344	1.70
Exercisable at 31 March 2018	–	–

19.2 VALUATION ASSUMPTIONS

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

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

19.3 IFRS 2 SHARE-BASED OPTION COSTS

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

20 OPERATING LEASE COMMITMENTS

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

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

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

21 RELATED PARTY TRANSACTIONS

ULTIMATE CONTROLLING PARTY

The Directors consider there to be no ultimate controlling party.

RELATIONSHIPS

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

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

RELATED PARTIES BALANCES

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

KEY MANAGEMENT PERSONNEL REMUNERATION

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

22 ALTERNATIVE PERFORMANCE MEASURES ("APMs")
INCOME STATEMENT MEASURES

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

OTHER MEASURES

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

23 POST BALANCE SHEET EVENT

There were no material post balance sheet events.

24 CAPITAL COMMITMENTS

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

25 CONTINGENT LIABILITIES

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