Making small big

Annual Report and Accounts 2018

Tatton
ASSET MANAGEMENT PLC

We help IFAs build bigger, better businesses. We supply the knowhow the tools and the investment that allows them to meet the needs of their clients, whilst growing their business too. From tiny acorns to huge oaks we are making small big.

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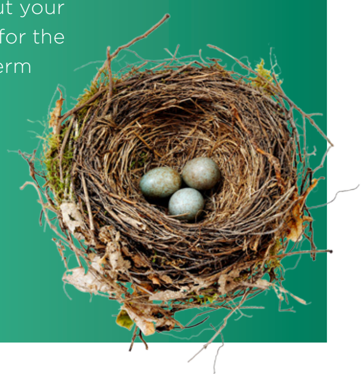


At a glance

Group overview

Parent company

Tatton Asset Management plc

("TAM" or "Group") Tatton Asset Management plc offers on-platform only discretionary fund management, regulatory, compliance and business consulting services, as well as a whole of market mortgage provision, to Directly Authorised financial advisers across the UK. This is achieved through three operating divisions: Tatton Investment Management, Paradigm Partners and Paradigm Mortgage Services.

Tatton Investment Management

Tatton Investment Management is an investment manager providing discretionary asset management to the clients of financial advisers through wrap-platform technology. It manages over £4.9 billion of assets for the private clients from more than 341 UK financial adviser firms.

Paradigm Partners

Paradigm Partners is a leading provider of support services, such as compliance, and other related products/services to directly authorised financial advisers in the UK since its foundation in 2007. In a highly regulated, fast changing industry, Paradigm Partners is setting new standards in service, strategic and technical solutions, ensuring its adviser partners have access to the best propositions from across the financial market.

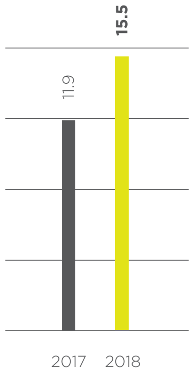
Paradigm Mortgages

Paradigm Mortgage Services is one of the UK's leading Mortgage Distributor businesses, with membership of over 1,200 directly authorised firms, representing c.3000 regulated advisers. Paradigm Mortgage Services provides access to a whole of market lending panel as well as a wide range of mortgage and related support services, such as specialist lending distributors, conveyancing partners and general insurance via Paradigm Protect.

Group revenue

£15.5m

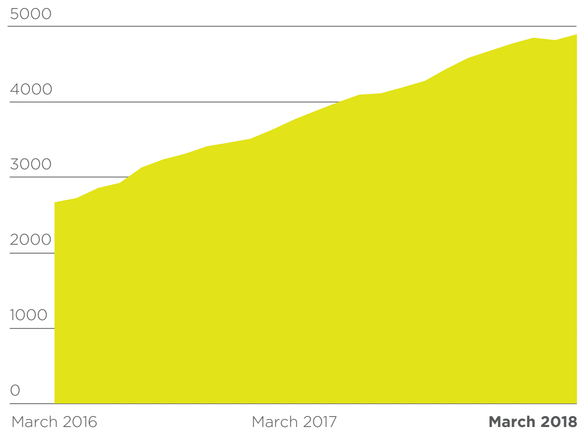
+30.7%



Tatton Investments assets under management (£bn)*

£4.9bn

+25.6%



Challenger model for Discretionary Fund Management

- On-platform only
- Complimentary in-house fund range
- Low cost

Percentage of revenue

40.9%

IFA support services

- Compliance services
- Technical support
- Business consultancy

Percentage of revenue

43.8%

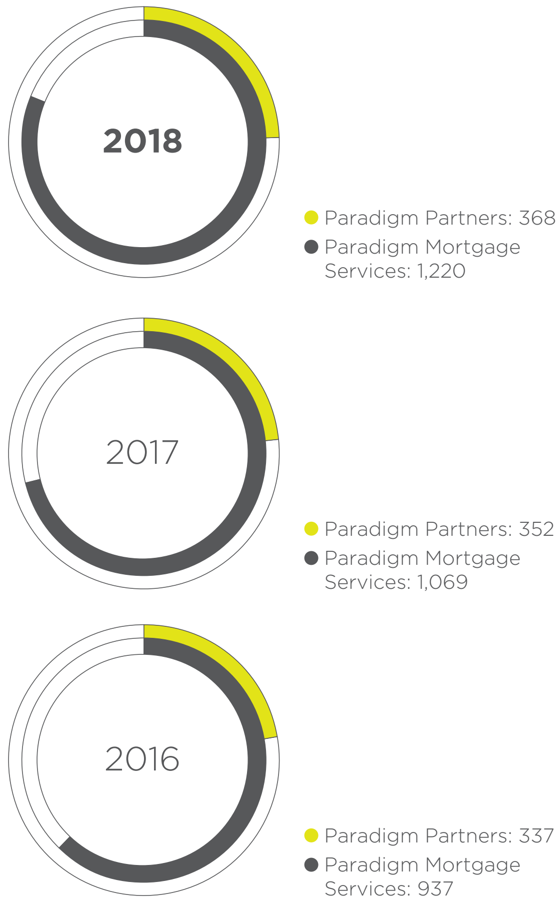
Adviser support services

- Mortgage aggregation
- Protection
- Other insurance aggregation

Percentage of revenue

15.3%

Asset membership growth



* Alternative performance measure definitions can be found on page 62.

Money doesn't grow on trees

For most it's hard earned and should be well protected and invested, helping it grow and provide for the future

Personal finance continues to evolve and the mass affluent, many in their mid-life, need help and advice.

In recent years there have been several factors driving the need for advice, the accumulation of personal wealth, gains in the property market and the deregulation of pensions have given financial advisers an unheralded opportunity to help individuals take greater ownership of their own financial future. Individuals need help and are looking for advice to protect and grow their assets.

For shelter and for growth

Knowing where to put your money needs a plan for the short and the long-term

IFAs face a new set of challenges, meeting growing demand, whilst managing the increasing challenges of regulation and reporting.

Financial Advisers have the opportunity to help the mass affluent, and to build bigger, more profitable advice businesses. There are challenges however, in providing advice that meets the requirements of all their clients, the complexity of which is ever increasing due to the regulatory burden of greater documentation, disclosure and reporting requirements. While this is driving up the unit cost of advice, pressure on fees from automated online ‘advice’ is capping revenues. IFAs need a partner to help them focus their efforts on helping their customers.

Strength comes from knowledge

Years of working with IFAs means that we know how to make them stronger

The knowhow, the tools and the investment Tatton Asset Management provide is game changing for IFAs.

We help Financial Advisers create the business infrastructure and to grow businesses fit for purpose. We ease the cost of regulation, we facilitate advised property lending and we have created the UK's leading platform based discretionary fund management business – that only manages the money of advised investors.

Technology allows all Financial Advisers to offer clients discretionary fund management – we lowered the costs to increase access to meet the needs of more clients, make advice more profitable and offer investment excellence at the same time.

A strong period of growth

Roger Cornick
Chairman

As an element of the process that preceded our IPO on 6 July last year, I became Chairman of Tatton Asset Management plc (TAM) having been attracted by the quality of the people involved, and their achievements, up until that time. Happily, in reporting on the year ended 31 March 2018, I'm able to highlight a performance that has built on the pre-IPO success and delivered a strong set of results for our first year of trading as a public listed company.

Results

The Group has delivered results that have met the exacting objectives set out for the first full year following the Company's listing on the AIM – London Stock Exchange last year. Tatton Investments continued to leverage its competitive position as an on-platform discretionary asset management provider, increasing assets under management by 25.6% to £4.9 billion (2017: £3.9 billion). Paradigm Partners, the Group's IFA trusted adviser and support services business continues to grow and attract new members with partner firms increasing by 4.5% to 368. Paradigm Mortgage Services, the Group's mortgage distribution and support services business, continues to grow with membership rising by 14.1% to 1,220. This has resulted in Group revenue for the year increasing by 30.7% to £15.5m (2017: £11.9m) and underlying earnings before interest and tax increasing by 44.7% to £6.5m (2017: £4.5m). Profit before tax after incurring exceptional costs and share based charges was £3.6m (2017: £2.0m). The resulting impact on adjusted earnings per share is an increase of 49.5% to 9.6p (2017: 6.5p). Basic earnings per share was 4.1p (2017: 2.1p).

Strategy

The Group's strategic objective remains focused on organic growth through the provision of all major products and services that an IFA requires to service its clients. We will continue to develop the opportunities that exist in this space and, through carefully selected acquisitions, seek to strengthen and deepen our service proposition and expertise where appropriate.

Our people

We believe our strongest competitive advantage is our people and our culture. Our strong business performance would not be achieved without their hard work and commitment across the whole Group. We have made good progress in our first year as an AIM listed business and on behalf of the Board, I would like to thank all our employees who have contributed to a successful year in 2018.

Board Changes

Following the retirement of Noel Stubley at the end of April 2018, we would like to welcome our new Chief Financial Officer (CFO), Paul Edwards who has been in place since the beginning of May 2018. Paul brings considerable listed public company experience to the role which allied to his broad range of financial and operational expertise will greatly strengthen the management team.

Dividends

Given the strong financial performance and growth prospects of the Group, the Board is recommending a final dividend of 4.4p per share which will be payable on the 10 August 2018 to shareholders who are on the register as at the 6 July 2018. This when combined with the interim dividend of 2.2p pence per share, gives a full year dividend of 6.6p (2017:nil).

Outlook

As we look to the year ahead, each part of the Group is well placed to continue to take advantage of the opportunities that exist in their respective markets. The Board remains focused on creating long-term value for stakeholders and we have been encouraged by our business performance to date. We remain optimistic regarding the future opportunities for the Group.

Growing together – business and client synergy

Paul Hogarth
Chief Executive Officer

I am very pleased to be able to report a very successful first year as a listed entity. All three divisions within the group have performed well and indeed have benefited from the improved profile afforded to a listed business. As a management team we are energised by the success of our IPO and indeed of the performance of the group over our first year on AIM.

We remain committed to our group strategy of growing our business as a service provider of choice to Directly Authorised Financial Advisers across all of their major products and services. We champion the Independent Financial Advice sector. Working closely with advisers makes us very different to the majority of our competitors. As a business, our ability to grow is largely dependent on the success of the IFA sector we support which I am delighted to report is in rude health. The IFA Community has benefited from both the Retail Distribution Review and Treating Customers Fairly. We support the IFA in the provision of financial advice and wealth management services to their clients and in particular the mass affluent.

Chief Executive's report continued

Market overview

The cost of an ageing population has both forced companies to close occupational pensions and the state to withdraw from retirement and care support except for the most needy. The market demand for financial advice and guidance of some form has grown and will continue to grow, in particular for the mass affluent.

This demand is being met by the financial services industry through technology adoption in broadly two ways: a near complete reliance on the use of artificial intelligence decision making through robo-advice or enhancing the benefits of face to face intermediated financial advice.

Core to our strategy is to make it easier for Financial Advisers to build better, bigger businesses. The use of technology and infrastructure to support, not replace, financial advice is central to that. This will help to improve Financial Advisers' business and service and also create a carried benefit to the financial lives of their clients.

The market demand for financial advice is growing, however the ability of Financial Advisers to meet this demand has been challenged due to widely acknowledged increase in business costs, increased regulatory pressures and competitive forces on fees. Put simply its more expensive in cost and time to provide the same service.

The increased complication of managing and operating as a Financial Adviser is further compounded by the complexity in the provision of financial advice and Financial Advisers' ability to provide their clients with an understanding of their investment options based on their risk tolerance. This, in practical terms is burdened, by the construction, monitoring and rebalancing of investment portfolios – brought into focus by the regulatory requirement of investors, both large and small to achieve comparable outcomes and received service.

Financial Advisers are increasingly seeing investment fulfilment as non-core and expensive due to the cost, regulatory exposure and professional commitment to offer their clients high levels of holistic financial advice and service rather than investment management.

Therefore, the key driver for Financial Advisers is to focus where they can truly add value in the eyes of their clients which is a personalised advice and financial planning service while increasing their business' scalability through streamlining the provision of the required financial instruments.

For Tatton, if we make it easier for IFAs to succeed and it becomes 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.

All of the group businesses adhere to this strategy of simply improving IFA businesses efficiency by realising time and cost benefits of delegating those tasks where scale and quality benefits can be realised for both the adviser and their clients, the mass affluent financial consumer.

Our services

Our first year as an AIM listed entity has consolidated our strategy. As an independent, financially robust, profitable and operationally transparent business we are able to develop deeper and more strategic relationships with our Financial Adviser clients across the group businesses. I am very pleased that all of the group businesses can function as standalone operations but together create a company ideally placed to benefit from developing the professionalism and sophistication of financial advice within the UK.

Paradigm Partners

I can announce that Paradigm Partners is being rebranded to Paradigm Consulting, a name that reflects the nature of the business in the provision of compliance advice and audit, business strategy consultancy and a new academy to help our advisers cope with the increased demand for advice.

Paradigm Partners, the foundation firm of Tatton Asset Management continually develops its service, taking advantage of opportunities whilst creating deeper relationships with Financial Adviser businesses and indeed extending the general reach of the group.

The impact and benefits of our service is reflected in the incredibly hard work undertaken by our compliance consultants in order to prepare our IFA firms for MiFID 2 and latterly GDPR.

Paradigm Mortgages

For most of the UK population, the home they own is their largest single asset and assisting in its purchase and protection is an essential service of Financial Advisers and therefore clearly an area of opportunity for Tatton Asset Management. In aggregating mortgage lending and life insurance, Paradigm Mortgages enables Financial Advisers to benefit from the economies of scale in lending and insurance provision, evidence of the carried benefit to private clients of the Financial Adviser using our services.

The effect is that we have grown our membership by over 14% in the last 12 months, showing that there is a greater awareness of the collective strengths of working in partnership with the IFA community.

Tatton Investment Management

The quality of investment performance delivered across our assets under management has demonstrated that we have been able to successfully combine a business that significantly lowers the cost of investing and adheres to the highest investment management standards to deliver against given investment objectives.

The adoption of our size and platform agnostic discretionary portfolio management service as a centralised investment proposition for Financial Advisers has increased access to discretionary asset management to more investors and delivered on our strategy of helping to create scalable advice businesses. We now have over 341 (2017: 237) adviser firms and over 48,800 (2017: 39,610) client accounts with an average portfolio size of £100,000.

I am very pleased to report that over the last year we have been able to launch the Tatton Blended Funds investment range to allow non-platform access to our investment approach that utilise the same cost model resulting in some of the lowest charging multi asset, multi manager funds in the market. Due to increasing popular demand, we have also extended our Ethical/ESG range of portfolios across all the main UK investor risk profiles.

Our pipeline of potential new IFA businesses looking to utilise Tatton Investment Management's services continues to grow, as they look to benefit from our enhanced investment proposition and our greater understanding of their needs.

Outlook

The outlook for the group is positive. We are uniquely able to develop our offering because of the knowledge base created though Paradigm Partners, as evidenced by the success of Tatton Investment Management. Being able to anticipate and accommodate the future business environment of the UK's financial advice sector is a key element to ensure continued organic growth, future product development and potential strategic relationships and acquisitions.

As we have shown across the three businesses within the group what we have done and will continue to do is improve and increase the day to day business of a Financial Adviser.

Timeline

2007

Paradigm Partners (PPL) launched

Paradigm Mortgages (PMS) launched

2009

Launch of Tatton Oak JV

2010

500 PMS members

2011

300 PPL members

2013

Formation of TCL & acquisition of remaining 75% TOL

750 PMS members

2014

Launch of Paradigm Protect

Tatton AUM: £1bn

2015

Tatton AUM: £2bn

2016

Tatton AUM: £3bn

2017

Launch of Tatton AIM IHT service

1,000 PMS members

2018

Tatton AUM: £4.9bn (31 March)

Launch of Blended funds under TIML

On a firm path of growth

Tatton Investment Management

Tatton Investment Management is a leading investment manager providing discretionary asset management to the clients of financial advisers through wrap-platform technology.

Achievements

- Delivered significant growth in AUM to £4.9bn
- Introduced new funds and platforms while maintaining consistent investment performance

2018 Objectives

- Maintain growth of AUM in line with historic levels
- Continue to invest in the business for future growth

Paradigm Partners

Paradigm Partners is one of the leading support services and compliance partner to directly authorised financial advisers in the UK.

Achievements

- Double digit revenue growth while improving service levels
- Delivered good operational leverage through existing relationships

2018 Objectives

- Maintain quality of service offering
- Maintain steady growth of membership

Paradigm Mortgage Services

Paradigm Mortgage Services is one of the UK's leading Mortgage Distributor businesses, providing a wide range of mortgage and related support services to members.

Achievements

- Significantly outperformed market growth for mortgage completions
- Robust new member growth

2018 Objectives

- To further exploit opportunities to grow ahead of the general growth in the market
- Accelerate retention business to boost application volume

KPIs

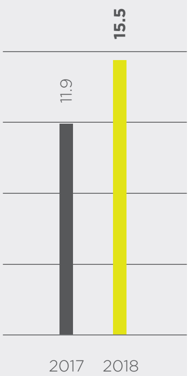
Financial KPIs

Group Revenue (£m)

£15.5m

+25.6%

A record year for the Group with strong revenue growth being delivered across all divisions

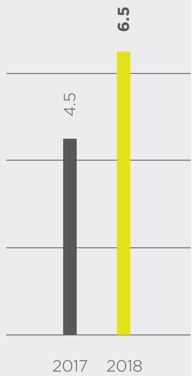


Adjusted Operating Profit (£m)*

£6.5m

+44.7%

Adjusted operating profits increased by 44.7% to £6.5m delivering an improved margin of 42.1%

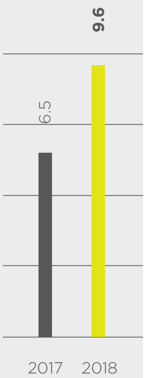


Adjusted EPS pence*

9.6p

+49.5%

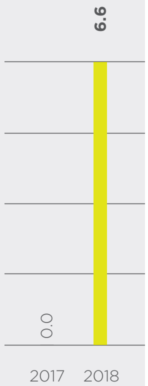
Strong growth across the Group has delivered strong growth in Adjusted EPS up 49.5% to 9.6p



Proposed Final Dividend

4.4p

A final proposed dividend of 4.4p gives a full year dividend of 6.6p

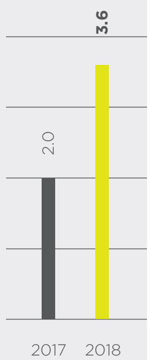


Profit before tax

3.6m

+76.8%

Profit before tax increased 76.8% after charging both exceptional items and share based charges



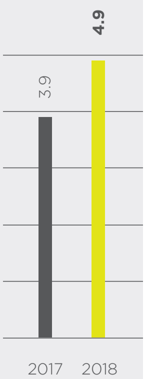
Non-financial KPIs

AUM (£bn)

£4.9bn

+25.6%

Assets under management have increased by £1bn or 25.6% this year, increasing £80m per month on average

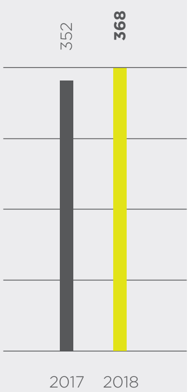


PPL Members

368

+4.5%

Steady growth in new members maintained

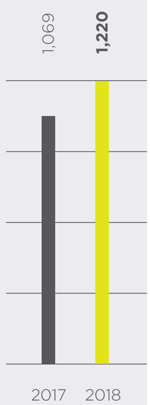


PMS Clients

1,220

+14.1%

Strong growth in new clients has helped drive growth throughout the business



* Adjusted for exceptional items and share based payments

NB Alternative performance measure definitions can be found on page 62.

Principal risks

Risk and description	Mitigation
Industry risks	
Adverse macro-economic, political and market factors Economic, political and market forces, particularly those impacting the UK equity markets, which are beyond the Groups control could adversely affect the value of assets under management from which the Group derives revenues.	• The Group has an experienced investment management team with a strong track record • Investment strategies are continually monitored by the investment committee • A prudent approach to investment strategy means that a significant proportion of AUMs are made up of lower risk appetite portfolios which typically have a market fall correlation of less than 50%
Changing competitive environment The market environment in which the group operates is highly competitive with fast changing characteristics and trends.	• Broad service offering providing diversified revenue streams • Highly competitive pricing points across a range of services • Deep industry experience and strong client relationships resulting in a loyal customer base • Strong brand and excellent reputation
Regulatory risk Changes to legislation and regulation, or changes to interpretation and enforcement of existing legislation and regulation may adversely impact the Group's operations and competitive advantages.	• Regulatory advice is a core business stream for the Group meaning that a strong culture of compliance exists throughout the Group • The Group delivers strong regulatory and compliance through dedicated compliance teams and systems • The Group's strong financial position provides a safeguard should changes to regulatory capital requirements occur
Termination of the UK's European Union membership The UK exiting the European Union could have a material adverse impact on the fiscal and legal framework in which the Group operates, and impact the UK's economic performance in the long term.	• Strategic focus on the UK investment market means the Group is less exposed to any negative impact on London as a global financial centre
Change to UK tax law Changes to UK tax law could adversely impact the performance and attractiveness of long-term saving and investment through pensions and other wrap products.	• Cross-party political desire to encourage long term savings to provide for ageing population • Changes to tax law can increase the demand for professional advice to ensure tax effectiveness of long term savings and investments
Operational risks	
Failure of a third party platform provider The Group manages its investments through third party platform providers. Operational failure or cessation of trade of a major platform could have a material adverse impact on the Group's reputation, operations, financial performance and growth.	• Due diligence is performed when selecting key suppliers • The Group is covered by third party indemnities for business-critical services • Third party relationships are reviewed on an ongoing basis

Risk and description	Mitigation
Failure of investment strategy The risk that investment strategies fail to maintain an acceptable level of performance resulting in a decline in revenues and a decline in the value of assets from which revenues are derived.	• The Group has an experienced investment management team with a strong track record • Investment strategies are continually monitored by senior management
Loss or failure of key IFA client The Group has several major IFA clients. A change in relationship or termination of business with any of these, and the Group is unable to replace them in a timely fashion, could have a material adverse impact.	• The Group has a clearly defined business development strategy which continues to enhance the Group's service offering • Client engagements are proactively managed through dedicated client managers who have in-depth knowledge of the IFA industry and expert regulatory and compliance knowledge
Failure to recruit and retain quality personnel The Group operates in a competitive market for talent and failure to recruit and retain key personnel could adversely impact the Group's operational performance.	• Recruitment programmes are in place to attract suitable staff • The success of the Group's listing has increased our ability to attract and retain high calibre candidates • Staff share schemes are now in place to incentivise staff and encourage long-term retention
System failure, cyber-security and data protection The risk that operations are impacted or that data loss or data breach occurs due to system error, malfunction or malicious external breach.	• Experienced in-house team of IT professionals supported by reputable and established third party suppliers • IT disaster recovery procedures in place • Data Protection Officer appointed for GDPR • Penetration testing conducted annually

Financial risks

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

Building the foundations for growth

Paul Edwards
Chief Financial Officer

Overview

The 2017/18 financial year was an excellent year for the Group. Following the successful IPO on 6 July 2017 the Group has continued to make good progress and deliver a set of strong results for its first year as a public company. We have seen strong growth in revenue, profits and margins in each of our three markets. Good underlying cash generation supports our increased dividend and the Group's financial position remains strong.

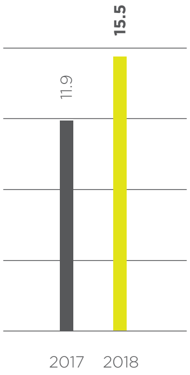
Record revenue and profits

Group revenue increased by 30.7% to £15.5m (2017: £11.9m); Tatton Investment Management revenue increased by 46.5% to £6.3m (2017: £4.3m) as assets under management increased over the year and totalled £4.9bn at the year end (2017: £3.9bn), Paradigm Partners continued to attract new clients and revenue was £6.8m (2017: £5.8m), an increase of 17.9%. Paradigm Mortgages revenue grew by 31.9% to £2.4m (2017: £1.8m).

Group revenue

£15.5m

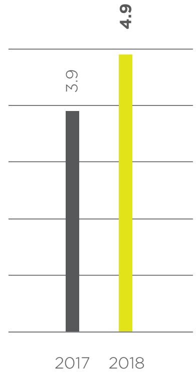
+30.7%



Discretionary assets under management

£4.9bn

+25.6%



The Group delivered a record year for Adjusted Operating Profit*, which increased by 44.7% to £6.5m (2017: £4.5m) and Adjusted Operating Profit* margin improved to 42.1% (2017: 38.0%). Tatton Investment Management contributed £3.0m (2017: £1.2m) improving its margin to 47.8% (2017: 28.3%). Paradigm Partners contributed Adjusted Operating Profit* of £3.6m (2017: £2.9m) with an improved margin of 52.7% (2017: 50.1%), and Paradigm Mortgages Adjusted Operating Profit* contributed £1.4m (2017: £0.8m) improving the margin to 57.9% (2017: 46.2%).

Total Group operating profit was £3.6m (2017: £2.0m) after charging IPO exceptional costs of £2.0m and share based payments of £1.0m of which £0.8m related to exceptional share-based charges incurred as a consequence of the IPO. Operating profit has been adjusted for these items to give better clarity of the underlying performance of the Group.

Net finance costs

The Group generates strong cash flow and has net cash on its balance sheet. The Group does however have access to a small short-term overdraft facility. The net finance costs relating to this facility were £26k (2017: £36k) a small decrease in the year. The facility extends to 30 September 2018 however it is the intention of the Group to review the ongoing facility arrangements in the new financial year.

Taxation

Our tax arrangements are driven by commercial transactions, managed in a responsible manner based on compliance, transparency and co-operation with tax authorities.

The Group's tax charge of £1.1m (2017: £0.8m) includes a £0.7m charge (2017: £0.4m) on trading activities. The effective tax rate excluding adjusted items and the change in rate of UK corporation tax has decreased to 18.4% (2017: 18.6%). The Group's cash tax payment in the year was £1.4m (2017: £0.1m), or 19.2% of underlying profit before tax.

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

Improvement in underlying earnings per share

Basic earnings per share increased to 4.1p (2017: 2.1p). Adjusted earnings per share* increased by 49.5% to 9.6p (2017: 6.5p).

Cash flow

The Group continued to see healthy cash generation and closing net cash was £10.6m (2017: £nil).

Net cash generated from operating activities before exceptional costs was £5.6m (2017: £6.2m). Exceptional costs totalled £2.0m and in the main related to the IPO. Net cash generated from operating activities was £2.3m (2017: £3.6m).

"We delivered a strong financial performance setting the foundations for future progress."

Adjusted Operating Profit

£6.5m

+44.7%

Adjusted Earnings Per Share

9.6p

+49.5%

Net cash interest paid in the year was £26k (2017: £36k) and relates to the short-term overdraft facility in place. Income tax paid was £1.4m (2017: £0.1m) with the increase being as a consequence of enhanced profits in the year, and dividends paid in the year included both the interim dividend and a pre IPO dividend which in total was £1.6m.

At the time of the successful IPO earlier in the year the Group raised an additional £10.0m. This cash remains in place and will be utilised for future capital investments to support growth and any potential acquisitions that fit the profile and strategic direction of the Group.

Dividends and capital allocation

The Board is recommending a final dividend of 4.4p. When added to the interim dividend of 2.2p gives a full year dividend of 6.6p. This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business. Dividend cover (being the ratio of earnings per share before exceptional items and share based charges), is 1.4 times. If approved at the Annual General Meeting the final dividend will be paid on 10 August 2018 to shareholders on the register on 6 July 2018. 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.

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 16 to 17. 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.

A strong and balanced team

The Board comprises of 3 Executives and 2 Non-Executives.

Roger Cornick
Non-Executive Chairman

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

Paul Hogarth
Chief Executive Officer

Paul is the Chief Executive Officer of Tatton Asset Management, as well as Senior Partner at Paradigm Partners Ltd, Chairman at Tatton Capital Group and Founder of Perspective Financial Group Limited.

Paul has over 30 years' experience in Financial Services the majority of which being at the centre of IFA distribution. Paul was the Co-Founder of Bankhall in 1987, and built Bankhall Investment Associates from scratch to sale in May 2001 at which point 25% of the IFA sector utilised at least part of the Bankhall service proposition. After leaving Bankhall he went on to establish Paradigm Partners Ltd which launched in April 2007 and has since grown to become one of the UK's top 5 distribution businesses.

Paul studied BA in Economics at Heriot Watt University in Edinburgh.

Lothar Mentel
Chief Investment Officer

Lothar is the Chief Investment Officer of Tatton Asset Management. He is also Chief Executive Officer for Tatton Investment Management.

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

Lothar was educated in Germany and holds a postgraduate degree in Business and Economics (Diplom Oekonom) from Rhur-Universitaet Bochum.

Paul Edwards
Chief Financial Officer

Paul is the Chief Financial Officer of Tatton Asset Management. He is also Group Finance Director for Paradigm Partners Ltd.

Prior to joining Paradigm, Paul has previously been Group Finance Director of a number of quoted companies, most recently on the main board of Scapa Group plc. He has also held a number of other senior finance roles in a broad range of listed and private companies.

Chris Poil
Senior Independent Non-Executive Director

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

"Our established Board bring the skills and insight to deliver customers' needs."

Corporate Governance Statement

Introduction

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules, the Group is not required to comply with the provisions of the UK Corporate Governance Code. In our first year as a public company the Code has not been applied in full, however, the Board is committed to working towards full compliance over the coming years. This year the Group has taken into consideration the Guidance for Smaller Quoted Companies on the Code produced by the Quoted Companies Alliance and taken steps to apply the principles of the Code in so far as it can be applied practically, given the current size of the Group and the nature of its operations.

Leadership and role of the board

The Board is responsible for the long-term success of the Group and is ultimately accountable for the Group's strategy, risk management and performance. The Board's primary roles are to provide entrepreneurial leadership to the Group within a framework of prudent and effective control which enables risk to be assessed and managed, and to set the Group's strategic objectives and to ensure that the necessary resources are made available so that those objectives can be met. The Board also sets the Group's values and standards and is responsible for ensuring that its obligations to its shareholders and other stakeholders including employees, suppliers, customers and the community, are understood and met.

The Board comprises of three Executive Directors, a Non-Executive Chairman and a Non-Executive Director. The names, biographical details and Committee memberships of the Board are set out on page 21 of this report.

Responsibilities of each board member have been clearly established and there is a clearly defined division of responsibility between the Chairman and the Chief Executive. The Chairman is responsible for leading the board, ensuring that shareholders are adequately informed with respect to the group's affairs and that there are efficient communication channels between management, the board and shareholders. The Chief Executive is responsible for innovation, managing the strategy of the group and leading the senior management team in developing and implementing the strategy to maximise shareholder value.

Board Committees

Nominations Committee

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

Remuneration Committee

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

Audit and Risk Committee

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

Board effectiveness

Composition and independence of the Board

During the year, the Board comprised a of Non-Executive Chairman, a Non-Executive Director and three Executive Directors. The board has determined that all the non-executive directors are independent in character and judgement and neither represent a major shareholder group nor have any involvement in the day to day management of the company or its subsidiaries. The non-executive directors continue to complement the executive directors experience and skills, bringing independent judgement and objectivity to enhance shareholder value.

The skills and experience of the Non-Executive Directors are wide and varied and they provide constructive challenge in the Boardroom. The composition of the Board is intended to ensure that its membership represents a mix of backgrounds and experience that will optimise the quality of deliberations and decision making. We consider diversity in the composition to be an important factor in the effectiveness of the Board and, in searching for prospective Directors, we consider the existing skill set of the Board and areas we have identified for development to meet future needs and address succession planning.

Following the year under review, Paul Edwards was appointed as an Executive Director and assumed the role of Chief Financial Officer on 1 May 2018 following Noel Stubley's retirement from the post after which the Board composition remains the same.

Meetings and attendance

The following table sets out attendance of each Director at Board meetings held during the 9 months from the date of listing to the year ended 31 March 2018:

	Board	Remuneration Committee	Nominations Committee	Audit Committee
Roger Cornick	4	2	–	2
Chris Poil	4	2	–	2
Paul Hogarth	4	1	–	–
Lothar Mentel	4	–	–	–
Noel Stubley	4	–	–	2
Paul Edwards	1	2	–	–

Although not members of the Committees, the Executive Directors attend meetings of the Audit and Risk Committee, Remuneration Committee and Nominations Committee as invited attendees, when appropriate.

Re-election

Paul Edwards (Chief Financial Officer) was appointed to the Board on 1 May 2018 and his appointment will be subject to formal approval by shareholders at the Annual General Meeting to be held on 31 July 2018. The Board has voluntarily adopted a policy that all Directors wishing to remain in post will propose themselves for re-election annually.

Performance

The board conducts a formal annual review of the performance of individual directors, to monitor and improve effectiveness. The performance of the chief executive is undertaken by the non-executive chairman. In addition to individual reviews, the board considers its overall performance as a body and of its committees. The review has confirmed that the performance of the board and its committees is effective and appropriate.

Development and training

The chairman is responsible for ensuring directors continuing professional development and every director is entitled to receive training and development relevant to their responsibilities and duties. The directors take advantage of relevant seminars and conferences and receive training and advice on new regulatory requirements and relevant current developments from the company and professional advisers.

Communication with shareholders

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

At the Company's Annual General Meeting, all Directors will be available to respond to questions from shareholders present. The Annual General Meeting provides a forum for constructive communication between the Board and shareholders. In addition, throughout the year, the Executive Directors, and separately the Chairman, meet with investors to discuss matters relevant to the Company.

Internal control and risk management

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

An ongoing process has been established to promote and communicate an appropriate risk culture within the Group and to identify, evaluate and manage significant risks faced by each part of the Group. This process has been in place throughout the year under review and includes key risks (financial and operational) facing the Group. The process has also included the review and circulation of the Group Open Door Policy and procedure (previously known as the Whistleblowing Policy) to enable anonymous reporting of complaints. In addition, the Board has also received external reports in relation to cyber security and uses a range of measures to manage this risk, including the use of cyber security policies and procedures, security protection tools, ongoing detection and monitoring of threats.

The Board routinely reviews the effectiveness of the systems of internal control and risk management to ensure controls react to changes in the Group's operations.

On behalf of the Board

Paul Edwards
Chief Financial Officer
27 June 2018

Directors' Remuneration Report

Remuneration policy

Remuneration policy for Executive Directors

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

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

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

The committee believes that the level of remuneration to executive directors is commensurate with the corporate and personal performance of the executive directors for the financial year ended 31 March 2018.

External appointments

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

Remuneration policy for the Chairman and Non-Executive Directors

The Chairman and other Non-Executive Directors are appointed under a letter of appointment. The letters of appointment cover such matters as duties, time commitment and other business interests.

The Remuneration Committee determines the remuneration for the Chairman and Non-Executive Directors within the limits set in the Company's Articles of Association.

The fee for the Chairman's role takes into account the time commitment required for the role, the skills and experience of the individual and market practice in comparable companies. The Chairman's fee is currently set at £90,000 per annum.

The Non-Executive Director fees policy is to pay a basic fee for membership of the Board, with additional fees for the Senior Independent Director and chairmanship of a Committee to take into account the additional responsibilities and time commitments of these roles. The Non-Executive Directors' fee is currently set at £70,000 per annum.

Service contracts

It is the Group's policy for all Executive Directors to have contracts of employment that contain a termination notice period not exceeding 12 months. All executive Director appointments continue until terminated by either party on giving not less than 12 months' notice to the other party.

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

Single total figure of remuneration for each director

Directors' remuneration payable in respect of the year ended 31 March 2018 was as follows:

Director	Basic salary and fees	Pension related benefits	Bonus	Other taxable benefits[1,2]	**Total**
Paul Hogarth[3]	£251,697	–	–	£1,432	**£253,129**
Noel Stubley[4]	£145,500	£7,728	–	£933	**£154,161**
Lothar Mentel	£237,500	£11,875	£223,698	£607	**£473,680**
Paul Edwards[5]	£16,667	£833	–	–	**£17,500**
Sub-total	£651,364	£20,436	£223,698	£2,972	**£898,470**
Non-Executives					
Roger Cornick (appointed 6th July 2017)	£66,231	–	–	–	**£66,231**
Chris Poil (appointed 6th July 2017	£51,513	–	–	–	**£51,513**
Sub-total	£117,744	–	–	–	**£117,744**
Total	£769,108	£20,436	£223,698	£2,972	**£1,016,214**

Notes

1 The benefit package of each executive Director includes the provision of life insurance and private health cover under Group schemes
2 The benefit package of Paul Hogarth includes a provision for a company car
3 Paul Hogarth has received additional basic salary in lieu of pension contributions
4 Retired 30 April 2018
5 Paul Edwards joined the business on 5 March 2018 and was appointed Chief Financial Officer on 1 May 2018

Components of remuneration

Salaries and fees

Salaries for executive directors are determined by the remuneration committee. The level of salary broadly reflects the value of the individual, their role, skills and experience. Salaries are reviewed annually in April taking account of market levels, corporate performance and individual performance.

Fees to non-executive directors are determined by the board, having regard to fees paid to other non-executive directors in other UK quoted companies, the responsibilities of the individual non-executive director and the time committed to the company.

Pension provision

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

Other benefits

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

Short term incentives

Performance based bonuses are assessed on a discretionary basis.

Long term incentives

The long-term incentive plan for executives is designed to reward execution of strategy and growth in shareholder value over a multiple-year period. Long term performance measurement discourages excessive risk taking and inappropriate short-term behaviours and encourages Executive Directors to take a long-term view by aligning their interests with those of shareholders. Where possible, and to the limits applied by the legislation, the long-term incentive plan benefits from the tax advantages under an Enterprise Management initiative ("EMI") scheme.

Share save plan

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

Tatton Asset Management long-term incentive plan

The Directors have adopted the Tatton Asset Management plc EMI plan which became effective on admission. The EMI plan is a share option plan under which all eligible employees (including executive directors) may be granted options over shares on a tax-advantaged basis, under the provisions of Schedule 5 of the Income Taxes (Earnings and Pensions) Act 2003 ("Schedule 5"). Non-qualifying options may also be granted under the EMI plan.

Performance conditions

Options granted under the LTIP are only exercisable subject to the satisfaction of performance conditions which will determine the proportion of the option that will vest at the end of the three-year performance period. The performance conditions used in determining the number of options that will vest are split between trading earnings per share (EPS) growth and total shareholder return (TSR). The Committee currently believes these are fair and appropriate conditions for rewarding participants as it aligns their interests with those of shareholders and, being measured over a three-year period, aligns the reward with the Company's strategy for growth by encouraging longer term profitable growth. When determining the trading EPS growth, the shares will be fully diluted, the impact of exceptional items as determined by the board will be disregarded to ensure that they do not artificially impact the EPS measurement. The option will vest in respect of growth in EPS over the three-year performance period commencing 1 April 2017. If the EPS growth falls between the threshold and maximum for EPS growth, the proportion of the option subject to the EPS measure that vests will be determined on a straight-line basis. The option will vest in respect of growth in TSR from the date of IPO to 31 March 2020. If the CAGR of TSR falls between the threshold and maximum for CAGR, the proportion of the option subject to the TSR measure that vests will be determined on a straight-line basis.

Clawback

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

Grant of equity share options under the LTIP

At 31 March 2018, the Company had granted options to certain of its Executive Directors, and senior managers to acquire (in aggregate) up to 5.4% of its share capital. The maximum entitlement of any individual was 2.0%.

Terms of awards

Options may be granted over newly issued shares, treasury shares or shares purchased in the market. To satisfy exercised options, shares may be purchased in the market or new shares subscribed from the Company. At 31 March 2018 the Company held no shares in treasury (2017: Nil).

Unapproved share scheme

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

Directors' interest in share options

Outstanding share options granted to executive directors on 7 July 2017 are as follows:

	Exercise Price	At 31 March 2017 Number	Granted during the year	Exercised during the year	Forfeited during the year	**At 31 March 2018 Number**
Paul Hogarth	£1.89	–	503,168	–	–	**503,168**
Lothar Mentel	£1.89	–	1,118,150	–	–	**1,118,150**
Noel Stubley[1]	£1.89	–	111,815	–	–	**111,815**
Total	£1.89	–	1,733,133	–	–	**1,733,133**

1 Noel Stubley ceased to be a Director on 30 April 2018

Total Shareholder returns from admission on AIM to 31 March 2018

The Company's share price in the period from admission on AIM to 31 March 2018 increased from £1.89 to £2.12 and market capitalisation grew from £105,665,199m to £118,523,927m, with £1.23m returned to shareholders by way of dividend.

The graph below shows the Company's total shareholder returns (TSR) compared to the FTSE AIM All Share Index in the period from admission on AIM to 31 March 2018. TSR is defined as share price growth plus reinvested dividends. The Directors consider the FTSE AIM All Share Index to be the most appropriate index against which the TSR of the Company should be measured.

Directors' interests

The beneficial interests of the Directors and their connected persons in the ordinary share capital of the Company at 31 March 2018 were as follows:

	No. of Ordinary Shares	Percentage shareholding (%)
Paul Hogarth	10,484,632	18.755
Lothar Mentel	865,988	1.549
Noel Stubley	397,805	0.711
Christopher Poil	128,205	0.229
Roger Cornick	32,051	0.057

On behalf of the Board:

Chris Poil
Chairman of the Remuneration Committee
27 June 2018

Governance

Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements for the year ended 31 March 2018.

Review of the business and future developments

A review of the business and future developments can be found in the Chairman's statement and the Chief Executive's statement on pages 10 and 11 respectively.

Principal activities

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

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

Results and dividends

Group profit before tax was £3.6m (2017: £2.0m), up 78.7% on the prior year due to strong revenue growth. Operating profit adjusted for share-based payments and exceptional items, including those related to the Group's IPO was £6.5m (2017: £4.5m) giving an operating margin of 42.1% (2017: 38.0%).

An interim dividend in respect of the period ended 30 September 2017 of 2.2p per share was paid to shareholders on 12 January 2018. The directors recommend a final dividend of 4.4p per share. This has not been included within the Group financial statements as no obligation existed at 31 March 2018. If approved, the final dividend will be paid on 10 August 2018 to ordinary shareholders whose names are on the register at the close of business on 5 July 2018.

Alternative performance measures

We use a number of performance measures to assist in presenting information in this statement in a way which can be easily analysed and understood. We use such measures consistently and reconcile them as appropriate and they are used by management in evaluating performance. See note 24.

Share capital

As at 31 March 2018 there were 55,907,513 fully paid ordinary shares of 20p amounting to £11,181,503.

Details of the issued share capital, together with detailed movements in the Company's issued share capital during the year are shown in note 15 of the Company financial statements on page 71. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at General Meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation other than:

- certain restrictions may be imposed from time to time by laws and regulations pursuant to the Listing Rules of the FCA, whereby certain Directors, officers and employees of the Group require the approval of the Group to deal in ordinary shares of the Company; and
- following admission to the AIM London Stock Exchange a number of lock-in agreements, dated 23rd June 2017, between the Company and each of the Selling Shareholders, Directors and Proposed Directors pursuant to which each signatory agreed to certain restrictions regarding the disposal of their shares in the Company for a period following Admission. Those restrictions include, inter alia, that the signatories will not, during the period of twelve months from the date of Admission, transfer the legal and/or beneficial ownership of any Ordinary Shares held by them.

Significant shareholders

At 27 June 2018, the Company had been notified of the following interests representing 3% or more of its issued share capital.

Shareholder	Shares held	Percentage holding
Paul Hogarth and connected parties	10,484,632	18.80%
Paradigm Partners Trust	1,979,890	3.50%
Funds and accounts under management by direct and indirect investment management subsidiaries of Blackrock, Inc	6,436,056	11.51%
Liontrust Investment Partners LLP	6,178,540	11.05%
Accounts managed on a discretionary basis by Lombard Odier Investment Managers Group	4,166,666	7.45%
Legal & General Investment Management Limited	3,205,128	5.73%
Chelverton Asset Management Limited	3,405,000	6.09%
Miton Group plc	2,636,932	4.72%
Kames Capital plc	2,500,000	4.47%

The Directors are not aware of any other agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Share options

Details of the Company's share capital and options over the Company's shares under the Company's employee share plans are given in note 21 of the Group financial statements.

Purchase of own shares

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

Takeover directive

The company has only one class of ordinary share and these shares have equal voting rights. The nature of individual Directors' holdings is disclosed on page 27. There are no other significant holdings of any individual.

Board of directors

The names of the present Directors and their biographical details are shown on page 21.

At the Annual General Meeting, to be held on 31 July 2018, Paul Edwards will offer himself for election. All other members of the Board, apart from Noel Stubley, following his resignation will offer themselves for re-election.

Appointment and replacement of directors

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

Directors' interests

Directors' emoluments, interests in the shares of the Company and options to acquire shares are disclosed in the Directors' Remuneration Report on page 25. Paul Hogarth is also the beneficial owner of Paradigm House, the group's registered address and the trading premises of PPL.

Conflicts of interest

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

Directors' indemnity

All directors and officers of the Company have the benefit of the indemnity provision contained in the Company's Articles of Association. The provision, which is a qualifying third-party indemnity provision, was in force throughout the last financial year and is currently still in force. The Group also purchased and maintained throughout the financial period

Directors' and Officers' liability insurance in respect of itself and its directors and officers, although no cover exists in the event directors or officers are found to have acted fraudulently or dishonestly.

Principal risks

A report on principal risks, risk management and internal controls is included on pages 16 to 17.

Employees

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

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

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

The Group provides a Group Personal Pension plan which is open to all employees.

The Group operates an Enterprise Management Incentive scheme and a Group Share Save scheme, details of which are provided in the Directors Remuneration Report and the financial statements.

Financial instruments

The Group's financial instruments at 31 March 2018 comprise cash and cash equivalents and receivable and payable balances that arise directly from its daily operations.

Cash flow is managed to ensure that sufficient cash is available to meet liabilities. The Group is not reliant on income generated from cash deposits.

The Group has one operating subsidiary (TIML) which is supervised in the UK by the Financial Conduct Authority ("FCA"). The Group must comply with the regulatory capital requirements set by the FCA and manages its regulatory capital through continuous review of TIML's capital positions and requirements, which are reported to the Board monthly.

Post balance sheet date events

No post balance sheet events.

Political donations

The Group made no political donations or contributions during the year (2017: £nil).

Annual General Meeting (AGM)

The AGM of the Company will be held at the offices of DWF LLP, Manchester on 31 July 2018. A notice convening the meeting will be sent to shareholders on 10 July 2018.

Auditor

Deloitte LLP were the Group's independent auditor during the year and have confirmed their willingness to continue in office. A resolution to reappoint Deloitte LLP as auditors to the Group and to authorise the Directors to set their remuneration will be proposed at the 2018 Annual General Meeting.

Each of the persons who is a director at the date of approval of this annual report confirms that:

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

Corporate governance

A full review of corporate governance appears on pages 22 to 23.

Statement of Directors responsibilities/disclosures to the auditor

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

Related parties

Details of related party transactions are given in Note 23 of the Group financial statements.

Basis of preparation of the financial statements

Having given due consideration to the risks, uncertainties and contingencies disclosed in the financial statements and accompanying reports the Directors believe the business is well placed to manage its business risk successfully. The Group's financial projections show the Group should continue to be cash generative and that the Group will have sufficient resources to continue its operations. Accordingly, the Directors continue to adopt the going concern basis of preparation of the financial statements.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Company and of the profit or loss of the Company for that period.

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

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

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

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

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

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

Paul Hogarth
Chief Executive Officer
27 June 2018

Paul Edwards
Chief Financial Officer
27 June 2018

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

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements of Tatton Asset Management plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 27.

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

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach	
Key audit matters	The key audit matters that we identified in the current year were: • Group reconstruction accounting • share based payments • related parties This is a first year audit of a new Group.
Materiality	We determined materiality for the Group's consolidated financial statements to be £300,000 using the basis of 2% of revenue.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team. Our group audit scope achieved coverage of 100% of the group's profit before tax revenue and net assets.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Key audit matters

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

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

Group reconstruction accounting	
Key audit matter description	The accounting treatment for the creation of the group from a number of entities that were previously under common control has been accounted for using merger accounting. The group reconstruction and the related share for share exchanges are complex areas of accounting, which include highly material balances. If treated incorrectly they could have a material impact on the financial statements. We identified a significant risk of material misstatement in relation to the group reconstruction accounting treatment; and specifically the accuracy of the merger accounting and share for share exchange accounting and the completeness of the consolidation journals relating to the reconstruction. The accounting treatment of the group reconstruction is included in the critical accounting policies note.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of controls over the group reconstruction and consolidation process. We challenged the accounting treatment of each step within the group reconstruction, by assessing whether each transaction has been accounted for correctly under FRS 102 merger accounting principles (as IFRS 3 business combinations does not apply to a combination of entities under common control). We reviewed the merger accounting treatment, and specifically the treatment of pre and post merger reserves; by assessing whether this has been disclosed in line with the requirements of FRS 102 (Business combinations and goodwill). We tested the completeness of the consolidation journals by gaining a detailed understanding of the reconstruction process and related documentation and evaluating whether all relevant journals have been reflected in the year-end consolidation.
Key observations	As a result of our audit testing, we found that Management's accounting treatment of the group reconstruction is appropriate, and the merger accounting principals have been applied correctly and consistently.

Share based payments	
Key audit matter description	The accounting treatment of share based payments and specifically the ongoing Enterprise Management Initiative (EMI) and Sharesave share schemes is a significant area of judgement due to the nature of the assumptions used in the valuation models. The key judgements used by management are: the exercise price, risk free rate, yield percentage, volatility, leavers and vesting. The group uses a Black Scholes model to determine the fair value of the EPS element of the share options, and a Monte Carlo model for the TSR element of the scheme. The key risks in relation to share based payments have been identified as: • the appropriateness and accuracy of the assumptions used to determine the valuation of the shares; and • the completeness of the inputs used in determining the valuation of the shares. The accounting treatment of the group reconstruction is included in the critical accounting policies note. The detail of the transaction is included within note 2.3.
How the scope of our audit responded to the key audit matter	We evaluated the design, and tested the implementation of controls over the share based payment calculations. We verified the inputs used in both of the models to third party sources or recalculations. We have also used our own share based payment experts to challenge the inputs and to recalculate the fair values at the grant date using an internally developed model. We challenged the key assumptions and judgements used in the model, as outlined above, through benchmarking to similar share schemes, and our understanding of the Group.
Key observations	As a result of our audit testing we found that the assumptions used in the model to value the share options were appropriate and the share based charge is considered to be reasonable.

Related parties	
Key audit matter description	The Tatton Asset Management Group has related parties debtors outstanding of £469,000 at the year end, however due to the significant number of related parties that exist, there is the potential for unidentified balances and transactions, thereby impacting related party disclosure related to debtors and creditors under IFRS. Our key audit matter is focused on the completeness, accuracy and adequacy of disclosure of related party transactions with entities outside of the Group. The related parties accounting policy is detailed within note 1, and the disclosure in note 23.
How the scope of our audit responded to the key audit matter	We evaluated the design, and tested the implementation of controls over the identification of related party transactions. We have used our analytics software to perform analysis on all of the accounting journals posted in the year to identify any transactions with related parties which have not been disclosed in the financial statements. In addition, we have obtained the bank statements for Tatton Asset Management, Paradigm Partners, Paradigm Mortgage Services and Tatton Investment Management; and performed a search for transactions with related parties to test the completeness of the related parties listing. We have obtained supporting documentation for a sample of related party transactions and obtained the business rationale for the transaction. We have assessed the adequacy of the related party disclosures against IAS 24.
Key observations	As a result of our testing, we have found that the related party transactions disclosed are reasonable; and in compliance with the requirements of IAS 24

Our application of materiality

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

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

Materiality	Group Financial Statements	Parent Company Financial Statements
	£300,000	£240,000
Basis for determining materiality	2% of revenue	The basis of materiality is net assets taking into account the Group materiality, the materiality is approximately 0.3% of net assets.
Rationale for the benchmark applied	The main driver of the group is the revenue earned from assets under management (AUM), and this is what investors will focus on. We have therefore selected revenue as the benchmark for determining materiality.	The main operations of the parent company is to hold the investments in the subsidiaries. We have therefore selected net assets as the benchmark for determining materiality.

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

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Our Group audit focused on the four principal trading entities within the Group's three reportable segments and four holding companies including the parent company. The group audit team performed full scope audits on all entities directly, which account for 100% of the group's profit before tax and revenue. We have used a levels of materiality for the four trading entities that ranged from £60,000 – £140,000 and £240,000 for the parent company.

At the parent entity consolidation procedures have been completed to address our key audit matter around group reconstruction accounting.

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

Other information

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

We have nothing to report in respect of these matters.

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

Peter Birch FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, UK

Consolidated Statement of Total Comprehensive Income

For the year ended 31 March 2018

	Note	**31-Mar 2018 (£'000)**	31-Mar 2017 (£'000)
Revenue		**15,507**	11,864
Administrative expenses		**(8,981)**	(7,354)
Adjusted operating profit (before separately disclosed items)[1]		**6,526**	4,510
– Share-based payment costs	5	**(986)**	(75)
– Exceptional items	5	**(1,964)**	(2,412)
Total administrative expenses		**(11,931)**	(9,841)
Operating profit		**3,576**	2,023
Finance costs	6	**(26)**	(36)
Profit before tax		**3,550**	1,987
Taxation charge	7	**(1,110)**	(834)
Profit for the year on continuing operations		**2,440**	1,153
Loss related to disposal of discontinued operations		**(164)**	–
Profit attributable to shareholders		**2,276**	1,153
Earnings per share – Basic	8	**4.07p**	2.06p
Earnings per share – Diluted	8	**3.85p**	2.06p
Adjusted earnings per share – Basic[2]	8	**9.64p**	6.45p
Adjusted earnings per share – Diluted[2]	8	**9.12p**	6.45p

1 Adjusted for exceptional items and share based payments. See note 24.

2 Adjusted for exceptional items and share based payments and the tax thereon. See note 24.

There were no other recognised gains or losses other than those recorded above in the current or prior year and therefore a statement of other comprehensive income has not been presented.

The notes on pages 42 to 63 form part of these financial statements.

Consolidated Balance Sheet

For the year ended 31 March 2018

	Note	Year ended 31-Mar 2018 (£'000)	Year ended 31-Mar 2017 (£'000)
Non-current assets			
Goodwill	10	**4,917**	4,917
Property, plant and equipment	11	**104**	75
Investments in joint venture	12	**–**	(31)
Total non-current assets		**5,021**	4,961
Current assets			
Trade and other receivables	13	**2,452**	3,148
Cash and cash equivalents		**10,630**	687
Total current assets		**13,082**	3,835
Total assets		**18,103**	8,796
Current liabilities			
Trade and other payables	14	**(3,922)**	(4,154)
Corporation tax		**(605)**	(860)
Borrowings	16	**–**	(697)
Total current liabilities		**(4,527)**	(5,711)
Non-current liabilities			
Deferred tax liabilities	17	**(15)**	(12)
Total non-current liabilities		**(15)**	(12)
Total liabilities		**(4,542)**	(5,723)
Net assets		**13,561**	3,073
Equity attributable to equity holders of the company			
Share capital	20	**11,182**	11,182
Share premium account		**8,718**	8,718
Other reserve		**2,041**	2,133
Merger reserve		**(28,968)**	(18,960)
Retained earnings		**20,588**	–
Total equity		**13,561**	3,073

The notes on pages 42 to 63 form part of these financial statements.

The financial statements on pages 38 to 41 were approved by the Board of Directors on 27 June 2018 and were signed on its behalf by:

Paul Edwards
Director

Company registration number: 10634323

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital (£'000)	Share premium (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2016	11,182	8,718	3,578	(17,112)	–	6,366
Profit and total comprehensive income	–	–	1,152[1]	–	–	1,152
Dividends	–	–	(2,672)	–	–	(2,672)
Share based payments	–	–	75	–	–	75
Adjustments related to merger accounting	–	–	–	(1,848)	–	(1,848)
At 31 March 2017	11,182	8,718	2,133	(18,960)	–	3,073
Profit and total comprehensive income	**–**	**–**	**598**	**–**	**1,678**	**2,276**
Dividends	**–**	**–**	**(1,564)**	**–**	**(1,230)**	**(2,794)**
Share based payments	**–**	**–**	**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**

1 Retained profits have been put into pre and post IPO reserves for the purpose for identifying distributable reserves, both the other reserve and the merger reserve are non-distributable.

Consolidated Statement of Cash Flows
For the year ended 31 March 2018

	Note	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Operating activities			
Profit for the year		**2,276**	1,153
Adjustments:			
Income tax expense		**1,110**	834
Depreciation of property, plant and equipment		**53**	43
Share-based payment expense		**986**	75
Share of (profit)/loss from joint venture		**(31)**	24
Changes in:			
Change in trade & other receivables		**(544)**	1,471
Change in trade & other payables		**(188)**	180
Cash generated from operations		**3,662**	3,780
Cash generated from operations before exceptional costs		**5,626**	6,192
Exceptional costs	5	**(1,964)**	(2,412)
Cash generated from operations		**3,662**	3,780
Income Tax paid		**(1,374)**	(131)
Net cash from operating activities		**2,288**	3,649
Investing activities			
Purchase of property, plant and equipment		**(82)**	(51)
Net cash used in investing activities		**(82)**	(51)
Financing activities			
Proceeds from the issue of shares		**10,000**	–
Stamp duty paid on share transfer		**(10)**	–
Dividends paid		**(1,556)**	(2,672)
Net cash used in financing activities		**8,434**	(2,672)
Net increase in cash and cash equivalents		**10,640**	926
Cash and cash equivalents at beginning of period		**(10)**	(936)
Net Cash and cash equivalents at end of period		**10,630**	(10)

The accompanying notes are an integral part of the annual financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

The Group comprises of 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 advisor 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 CA06 Section408 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 an 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 IFRS 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 Group has not previously prepared annual consolidated financial statements in accordance with EU endorsed IFRSs. However, three years of consolidated financial statements prepared under IFRS 1 "First time adoption of International Financial Reporting Standards" are presented in the Group's AIM Admission document dated 6 July 2017. Reconciliations of how the Group's transition from UK GAAP to IFRS affected its reported financial position, financial performance and cash flows are presented in that document.

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

2.2 Going Concern

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

2.3 Basis of consolidation

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. Following the share for share exchange referred to above, Tatton Asset Management plc became the ultimate legal parent of the Group.

In the absence of an IFRS which specifically deals with similar transactions, management judge it appropriate to refer to other similar accounting frameworks for guidance in developing an accounting policy that is relevant and reliable. The Directors consider the share for share exchange transaction to be a group reconstruction rather than a business combination in the context of IFRS 3 (revised), 'Business Combinations', which has been accounted for using merger accounting principles. Therefore, although the share for share exchange did not occur until 19 June 2017, the consolidated financial statements of Tatton Asset Management plc are presented as if the group of companies had always been part of the same group.

Accordingly, the following treatment was applied in respect of the share for share exchange:

- The assets and liabilities of Tatton Asset Management Limited and its subsidiaries were recognised in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value; and
- The retained losses and other equity balance recognised in the consolidated financial statements for the year ended 31 March 2018 reflect the retained losses and other equity balances of Tatton Asset Management plc and its subsidiaries recorded before the share for share exchange. However, the equity structure (share capital and share premium balances) shown in the consolidated financial statements reflects the equity structure of the legal parent (Tatton Asset Management plc), including the equity instruments issued under the share for share exchange. The resulting difference between the parent's capital and the acquired Group's capital has been recognised as a component of equity being the 'merger reserve'.

The Company had no significant assets, liabilities or contingent liabilities of its own at the time of the share for share exchange and no such consideration was paid.

2.4 Subsidiaries

The Group's financial statements consolidate those of the parent Company and all of its subsidiaries as at 31 March 2018. 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 9, 'Financial instruments', effective date 1 January 2018.
- IFRS 15, 'Revenue from Contracts with Customers', effective date 1 January 2018.
- IFRS 16, 'Leases', effective date 1 January 2019.
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions, effective date 1 January 2018.
- Annual improvements to IFRS 2014 – 2016 cycle – Relating to IFRS 1 First time adoption of IFRS and IAS 28 Investments in associates and joint ventures.

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.

2 Accounting policies continued

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 possible exception of IFRS 15 and IFRS 16.

IFRS 15 (effective for the year beginning 1 April 2018) may have an impact on how revenue is measured and disclosed within the financial statements. Beyond this, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

IFRS 16 (effective for the year beginning 1 April 2019) will require all leases to be recognised on the balance sheet. Currently, IAS 17 – Leases only requires leases categorised as finance leases to be recognised on the balance sheet. Management will perform a detailed review of the impact of the standard during the year ending 31 March 2019.

2.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is reduced for estimated rebates and other similar allowances.

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 (AUI) held on the relevant investment platform.
- Fees for discretionary fund management services in relation to on-platform investment Assets Under Management (AUM). Revenue 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.

2.7 Separately disclosed items

Separately disclosed items are those significant items which in management's judgement should be highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

2.8 Interest income and interest expense

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

2.9 Impairment

Assets which have an indefinite useful life are not subject to amortisation and are tested for impairment at each Statement of Financial Position date. Assets subject to depreciation and amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses on previously revalued assets are recognised against the revaluation reserve as far as this reserve relates to previous revaluations of the same assets. Other impairment losses are recognised in the 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 are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

2.10 Property, plant and equipment

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

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

2.11 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 cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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 acquired, 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.

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.

2 Accounting policies continued

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.

2.12 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 Combined Statement of Cash Flows.

2.13 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 and other receivables

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

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.

2.14 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) or 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 form the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the year

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

2.15 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.

2.16 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 require 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.

2.17 Investments in joint ventures

Investments in joint ventures are accounted for using the equity method.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

2.18 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits or losses.

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

2.19 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.

2.20 Operating segments

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

- TIML – discretionary fund management services.
- PPL – the provision of compliance and support services to IFAs.
- PMS – the provision of mortgage advisor support services.

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

2.21 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 the most significant 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 IAS10. There are no critical accounting estimates based on sources of estimation uncertainty.

The following judgements have the most significant effect on the financial statements.

Merger accounting

When applying the judgement in relation to applying merger accounting or acquisition accounting there were a number of elements taken into consideration. Key elements were that it is typically the preferred option, but also merger accounting will usually present more useful information for the users of the financial statements by presenting the results of a continuing business.

2.22 Alternative performance measures

In reporting financial information, the Group presents alternative performance measures, 'APMs' which are not defined or specified under the requirements of IFRS. 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. Each of the APMs, used by the Group are set out on page 62 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant.

3 Segment reporting

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

The Group's reportable segments under IFRS8 are therefore Tatton, Paradigm Partners, 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 Partners is that of provision of support services to Independent 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 2018	**Tatton (£'000)**	**Paradigm Partners (£'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**
IFRS2 share based payments	–	(846)	–	(140)	(986)
Exceptional charges	–	–	–	(1,964)	(1,964)
Operational profit	**3,023**	**2,727**	**1,370**	**(3,544)**	**3,576**
Finance (costs)/income	–	(19)	(9)	2	(26)
Profit/loss before tax	**3,023**	**2,708**	**1,361**	**(3,542)**	**3,550**

Financial Statements

Notes to the Consolidated Financial Statements continued

3 Segment reporting continued

Period ended 31 March 2017	Tatton (£'000)	Paradigm Partners (£'000)	Paradigm Mortgage Services (£'000)	Central (£'000)	Group (£'000)
Revenue	**4,317**	**5,753**	**1,794**	**–**	**11,864**
Administrative expenses	(3,095)	(2,870)	(966)	(423)	(7,354)
Adjusted Operating Profit	**1,222**	**2,883**	**828**	**(423)**	**4,510**
IFRS2 share based payments	–	(75)	–	–	(75)
Exceptional charges	(233)	(373)	(1,251)	(555)	(2,412)
Operating profit	**989**	**2,435**	**(423)**	**(978)**	**2,023**
Finance costs	–	(33)	(3)	–	(36)
Profit before tax	**989**	**2,402**	**(426)**	**(978)**	**1,987**

All turnover arose in the United Kingdom.

4 Operating profit

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

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Operating lease rentals – land and buildings	**210**	179
Operating lease rentals – equipment and vehicles	**9**	11
Depreciation: property, plant and equipment	**53**	43
Separately disclosed items (note 5)	**2,950**	2,487
Services provided to the Group's auditor		
Audit of the statutory consolidated and company financial statements of Tatton Asset Management PLC	**31**	–
Audit of subsidiaries	**37**	49
Other fees payable to auditor:		
Tax services	**225**	10
Non-audit services	**443**	–

Total audit fees were £68,000 (2017: £49,000) Total non-audit fees payable to the auditor were £668,000 (2017: £10,000).

Non audit services relate mainly to IPO in 2017.

5 Separately disclosed items

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Non-recurring costs relating to corporate transactions	**–**	9
Product launch costs	**–**	143
IPO costs	**1,964**	625
Provision against related entity loans	**–**	1,635
Total exceptional items	**1,964**	2,412
Share based payments	**986**	75
Total separately disclosed items	**2,950**	2,487

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

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.

6 Finance costs

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Bank interest (paid)/income	**(1)**	2
Bank charges	**(25)**	(38)
	(26)	(36)

7 Taxation

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Current tax expense		
Current tax on profits for the period	**1,107**	829
Adjustment for under provision in prior periods	**–**	–
	1,107	829
Deferred tax expense		
Origination and reversal of temporary differences	**3**	5
Total tax expense	**1,110**	834

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 as follows:

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Profit before taxation	**3,550**	1,987
Tax at UK corporation tax rate of 19% (2017: 20%)	**675**	397
Expenses not deductible for tax purposes	**279**	506
Capital allowances in excess of deprecation	**(5)**	(2)
Chargeable gains	**161**	–
LLP members of Group not subject to corporation tax	**–**	(67)
Total tax expense	**1,110**	834

The UK corporation tax rate was 20% between the period 1 April 2015 to 31 March 2017. The rate reduced to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the Company's future current tax credit/charge accordingly. The deferred tax liability as at 31 March 2018 has been calculated based on a rate of 17% based on when the Company expects the deferred tax liability to reverse.

8 Earnings per share and dividends

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholder 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

	2018	2017
Basic		
Weighted average number of shares in issue	**55,907,513**	55,907,513
Diluted		
Share options	**4,394,259**	–
Weighted average number of shares (diluted)	**59,121,943**	55,907,513

8 Earnings per share and dividends continued

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	**2,276**	1,153
Share based payments – IFRS2 option charges	**986**	75
Exceptional costs – see note 5	**1,964**	2,412
Tax impact of adjustments	**–**	(35)
Adjusted basic and diluted profits for the period and attributable earnings	**5,226**	3,605
Earnings per share (pence) (basic)	**4.07**	2.06
Earnings per share (pence) (diluted)	**3.85**	2.06
Adjusted earnings per share (pence) (basic)	**9.64**	6.45
Adjusted earnings per share (pence) (diluted)	**9.12**	6.45

Dividends

During the year, Tatton Asset Management plc paid an interim dividend of £1,229,965 (2017: £nil) to its equity shareholders.

This represents a payment of 2.2p per share.

Dividends of £1,563,575 (2017: £2,671,867) relating to the Group's pre-IPO activity were paid prior to the IPO, which occurred in July 2017.

9 Staff costs

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Wages, salaries and bonuses	**3,788**	3,001
Social security costs	**510**	270
Pension costs	**86**	82
Share-based payments	**986**	75
	5,370	3,428

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

	31-Mar 2018	31-Mar 2017
Administration	**72**	62
Key management	**3**	3
	75	65

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 2018 (£'000)	31-Mar 2017 (£'000)
Wages, salaries and bonuses	**875**	344
Social security costs	**111**	39
Pension costs	**20**	7
Benefits in kind	**3**	4
	1,009	394

In addition to the remuneration above, the non-executive Chairman and non-executive directors have submitted invoices for their fees as follows:

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Total fees	**118**	–

The remuneration of the highest paid director was:

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Total	**474**	257

10 Goodwill and intangibles

	Goodwill (£'000)
Cost	
Balance at 1 April 2016	4,917
Adjustment for provisional fair value of consideration	–
Balance at 31 March 2017	4,917
Adjustment for provisional fair value of consideration	–
Balance at 31 March 2018	**4,917**
Carrying value	
Balance at 1 April 2016	4,917
Balance at 31 March 2017	4,917
Balance at 31 March 2018	**4,917**

The goodwill of £4.9 million relates to £2.9m 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 £2.0m 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 Combined 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 2018 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 ending 31 March 2019 which are extrapolated for a further 4 years. The Group's latest financial forecasts which cover a 3 year period, are reviewed by the board.

10 Goodwill and intangibles continued

Discount rates

The pre-tax discount rate used to calculate value is 8.3% (2017: 4%). 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 2018 is £223m. Increasing the discount rate to 177% and leaving all other factors the same would lead to the recoverable amount being equal to the carrying value of the goodwill attributed to the cash generating unit.

11 Property, plant and equipment

	Computer, office equipment and motor vehicles (£'000)	Fixtures and fittings (£'000)	Total (£'000)
Cost			
Balance at 1 April 2016	303	214	517
Additions	50	–	50
Balance at 31 March 2017 and 1 April 2017	353	214	567
Additions	82	–	82
Balance at 31 March 2018	**435**	**214**	**649**
Accumulated depreciation and impairment			
Balance at 1 April 2016	(235)	(214)	(449)
Charge for the period	(43)	–	(43)
Balance at 31 March 2017 and 1 April 2017	(278)	(214)	(492)
Charge for the period	(53)	–	(53)
Balance at 31 March 2018	**(331)**	**(214)**	**(545)**
Carrying amount			
As at 1 April 2016	68	–	68
As at 31 March 2017	75	–	75
As at 31 March 2018	**104**	**–**	**104**

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

12 Investments in joint ventures

The Group held the following investments in Joint Ventures during the period:

Name	Business Activity	Country of Incorporation	Holding
Adviser Cloud Limited	Software Company	England & Wales	50%

Carrying value as at:	**31-Mar 2018 (£'000)**	31-Mar 2017 (£'000)
At beginning of year	**(31)**	(7)
Share of retained profit/(loss)for the year	**31**	(24)
At end of year	**–**	(31)

The historical cost of the joint venture was £1, when it was acquired in December 2015, and has not changed since.

At 31 March 2018, Paradigm Partners Limited wrote off amounts due from Advisor Cloud Limited an entity for which Paradigm Partners Limited held 50% of the share capital, amounting to £164,000 which was disposed of. The cumulative profit up to the point of disposal was £31,000.

13 Trade and other receivables

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Trade receivables	**172**	170
Amounts due from related parties	**50**	100
Prepayments and accrued income	**1,602**	1,289
Other receivables	**227**	1,188
Loan notes	**401**	401
	2,452	3,148

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: (2017: £1,601,000). The amounts due from related parties are net of provisions, these are analysed in note 15.

Trade receivable amounts are all held in Sterling.

14 Trade and other payables

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Trade payables	**277**	222
Amounts due to related parties	**32**	–
Accruals	**1,261**	1,326
Deferred income	**216**	158
Other payables	**2,136**	2,448
	3,922	4,154

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

15 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 provision as at 31st march 2018 was £1,601,000. (2107: £1,601,000) There has been no movement in the carrying value during the year.

16 Borrowings

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Borrowings within one year		
Bank overdrafts	**–**	697
Total borrowings	**–**	697

Bank overdrafts are repayable on demand. The bank overdrafts are secured by a fixed and floating charge over all property and assets present and future. The average effective interest rate on bank overdrafts approximates 3.2 per cent per annum (2017: 3.2 per cent; 2016: 3.2 per cent). The Group is not subject to covenants under the terms of its debt agreements.

17 Deferred taxation

	£'000
At 1 April 2017	12
Recognised in profit or loss	3
At 31 March 2018	**15**
At 1 April 2016	7
Recognised in profit or loss	5
At 31 March 2017	12

18 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 and interest rate of 6%, and are classified as level 2.

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 2018, total borrowings were £nil.

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligation to the Group. 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:	**2018**	2017
Cash and cash equivalents	**10,630**	687
Trade and other receivables	**2,051**	2,747
Loan notes	**401**	401
	13,082	3,835

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 creditworthy counterparties.

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

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

	2018	2017
Not more than 3 months	**116**	144
More than 3 months but not more than 6 months	**3**	–
More than 6 months but not more than 1 year	**–**	–
More than one year	**–**	–
Total	**119**	144

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 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 materiality analysis below.

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

At 31 March 2018, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

		Current		**Non-current**
At 31 March 2018	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
Bank overdrafts	**–**	**–**	**–**	**–**
Other bank borrowings	**–**	**–**	**–**	**–**
Trade and other payables	**3,922**	**–**	**–**	**–**
Total	**3,922**	**–**	**–**	**–**

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

		Current		Non-current
At 31 March 2017	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Bank overdrafts	697	–	–	–
Other bank borrowings	–	–	–	–
Trade and other payables	4,154	–	–	–
Total	4,851	–	–	–

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

19 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings ('£000)	Short-term borrowings (£'000)	Total (£'000)
At 1 April 2017	–	697	697
Cash flows:			
Repayment	–	(697)	(697)
Proceeds	–	–	–
Non-cash:			
Reclassification	–	–	–
At 31 March 2018	**–**	**–**	**–**

20 Equity

	31-Mar 2018 (number)	31-Mar 2017 (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 1 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 current period. See note 2.3 for an explanation of merger accounting treatment relating to earlier periods.

21 Share based payment

During the year, a number of share based payment schemes and share options schemes have been utilised by the company, all but two of which ceased as a result of the IPO in July 2017. The remaining live schemes are described under (a) current schemes, below, while those schemes ceasing as a result of the IPO are described under(b) schemes closed prior to the IPO of Tatton Asset Management plc on page 59.

(a) 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 forfeited or expired in the period. A total of 3,022,733 options remain outstanding at 31 March 2018, none of which are currently exercisable.

The options vest in July 2020 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.

Year ended 31 March 2018	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2017	–	–
Granted during the period	3,022,733	1.83
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at 31 March 2018	**3,022,733**	**1.83**
Exercisable at 31 March 2018	**–**	**–**

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

On 7 July 2017 the Group launched an all employee sharesave scheme 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 the scheme to August 2020 at which point they each have the option to either acquire shares in the Company, or receive the cash saved.

Over the life of the Sharesave scheme it is estimated that, based on current saving rates, 253,376 share options will be exercisable at an exercise price of £1.70. No options have been exercised, forfeited or expired in the period.

Within the accounts of the Company, the fair value at grant date is estimated using the Black Scholes methodology for 100% of the options. Key valuation assumptions and the costs recognised in the accounts during the period are noted in (c) and (d) overleaf respectively.

Year ended 31 March 2018	Number of share options granted (number)	Weighted average price (£)
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	**–**	**–**

(b) Schemes Closed prior to the IPO of Tatton Asset Management plc

As a direct result of the corporate restructure that culminated in the IPO of Tatton Asset Management plc in July 2017, the following share based schemes were finalised and options exercised where relevant:

(i) Tatton Capital Group Limited EMI Scheme ("TCGL EMI Scheme")

In October 2015, Tatton Capital Group Limited (TCGL), a subsidiary of the Company, launched an EMI share option scheme to enable senior management to participate in the equity of TCGL. A total of 1,580 options over F shares in TCGL with a weighted average exercise price of £1 were granted in October 2015, each exercisable upon sale of the company. Upon acquisition of TCGL during the restructuring ahead of the IPO in July 2017, all 1,580 options were exercised, and none remain outstanding.

Within the accounts of the Company, the fair value at grant date was estimated using the Black Scholes methodology for 100% of the options. Key valuation assumptions and the costs recognised in the accounts during the period are noted in (c) and (d) overleaf respectively.

21 Share based payment continued

Year ended 31 March 2018	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2017	**1,580**	**1.00**
Granted during the period	**–**	**–**
Forfeited during the period	**–**	**–**
Exercised during the period	**(1,580)**	**1.00**
Outstanding at 31 March 2018	**–**	**–**
Exercisable at 31 March 2018	**–**	**–**
Year ended 31 March 2017		
Outstanding at 1 April 2016	1,580	1.00
Granted during the period	–	–
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at 31 March 2017	1,580	1.00
Exercisable at 31 March 2017	–	–

(ii) Paradigm Partners Limited Employee Shareholder Scheme ("PPL ESS")

In March 2016, Paradigm Partners Limited (PPL) issued employee shareholder status shares to enable senior management to participate in the equity of that business. A total of 14,350 C shares in PPL, with a weighted average exercise price of £0.01 were granted in March 2016, each exercisable upon sale of the company. Upon acquisition of PPL during the restructuring ahead of the IPO in July 2017, all 14,350 shares were sold, and none remain outstanding.

Within the accounts of the Company, the fair value at grant date was estimated using the Black Scholes methodology for 100% of the shares, which for accounting purposes were treated as options under IFRS2. Key valuation assumptions and the costs recognised in the accounts during the period are noted in (c) and (d) below respectively.

(iii) Paradigm Partners Limited D Share Options ("PPL D Options")

In June 2017, Paradigm Partners Limited (PPL) issued to certain senior management options to acquire 2,500 D shares in Tatton Capital Group Limited (TCGL) to enable them to participate in the equity of that business. A total of 2,500 options over D shares in TCGL, with a weighted average exercise price of £1 were granted in June 2017, each exercisable upon sale of the company. Upon acquisition of PPL and TCGL during the restructuring ahead of the IPO in July 2017, all 2,500 options were exercised, and none remain outstanding.

Within the accounts of the Company, the fair value at grant date was estimated using the actual price paid for the shares of £826,728.

Year ended 31 March 2018	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2017	**–**	**–**
Granted during the period	**2,500**	**1.00**
Forfeited during the period	**–**	**–**
Exercised during the period	**(2,500)**	**1.00**
Outstanding at 31 March 2018	**–**	**–**
Exercisable at 31 March 2018	**–**	**–**

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

(c) 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	TAM Sharesave Scheme	TCGL EMI Scheme	PPL ESS
Share price at grant (£)	1.89	1.89	1.56	55.00
Exercise price (£)	1.89	1.70	0.00	55.00
Expected volatility (%)	26	26	10	26
Expected life (years)	6.50	3.25	1.75	1.25
Risk free rate (%)	0.41	0.66	0.92	0.60
Expected dividend yield (%)	4.50	4.50	0.00	0.00

(d) IFRS2 Share based option costs

	31 March 2018 (£'000)	31 March 2017 (£'000)
TAM EMI Scheme	**124**	–
TAM Sharesave Scheme	**16**	–
PPL ESS	**19**	75
PPL D Options	**827**	–
	986	75

22 Operating lease commitments

The Group acts as a lessee for land and buildings, plant and machinery and motor vehicles, under operating leases. The Group's significant lease arrangements are for properties, for which there are no significant lease incentives. At 31 March 2018, the property lease periods range from 1 year to 18 months. 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 which include motor vehicles.

	2018		2017	
	Land and buildings (£'000)	**Other (£'000)**	Land and buildings (£'000)	Other (£'000)
Less than one year	**192**	**–**	117	6
Between one and five years	**28**	**–**	84	–
	220	**–**	201	6

Lease expense during the year amounts to £218k (2017: £190k), representing the minimum lease payment.

23 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.
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.

Notes to the Consolidated Financial Statements continued

23 Related party transactions continued

Related parties balances

	2018 Value of income/ (cost) (£'000)	2018 Balance receivable/ (payable) (£'000)	2017 Value of income/ (cost) (£'000)	2017 Balance receivable/ (payable) (£'000)
Advisor Cloud Limited	**–**	**4**	–	–
Amber Financial Investments Limited	**523**	**27**	264	34
Jargon Free Benefits LLP	**20**	**19**	5	–
Paradigm Management Partners LLP	**–**	**–**	–	66
Perspective Financial Group Limited	**401**	**423**	1,170	446
Suffolk Life Pensions Limited	**(55)**	**–**	(55)	–

Key management personnel remuneration

Key management includes Executive and Non-Executive Director. The compensation paid or payable to key management personnel is as disclosed in note 9 on page 52.

24 Alternative performance measures

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 3	Adjusted operating profit before separately disclosed items. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Adjusted earnings per share – Basic	Earnings per share – basic	Exceptional costs and share based payments, and the tax thereon. See note 8	Adjusted earnings per share – Basic. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Adjusted earnings per share fully diluted	Earnings per share – fully diluted	Exceptional costs and share based payments, and the tax thereon. See note 8	Adjusted earnings per share fully diluted. This is considered to be an important measure where exceptional items distort the operating performance of the business.
Net cash generated from operations before exceptional costs	Net cash generated from operations	Exceptional costs	Net cash generated from operations before exceptional costs. To show underlying cash performance.

Other measures

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Tatton – Assets under management	None	Not applicable	AUM is representative of the customer assets os is a measure of the value of the customer base. Movements in this base are indication of performance in the year and growth of the business to generate revenues going forward.
Paradigm Partners 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 ratio of earnings per share before exceptional items and share based charges) is 1.4 times demonstrating ability to pay.

25 Post balance sheet event

There were no material post balance sheet events.

26 Capital Commitments

At 31 March 2018, the directors confirmed there were capital commitments of £329.806 (2017: £nil) for process improvements.

27 Contingent Liabilities

At 31 March 2018, the directors confirmed there were contingent liabilities of £nil (2017: £nil).

Company Statement of Financial Position

	Note	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Non-current assets			
Investments in subsidiaries	5	**77,216**	–
Property, plant and equipment		**3**	–
Total non-current assets		**77,219**	–
Current assets			
Assets classified as held for sale			
Trade and other receivables	12	**10,453**	–
Cash and cash equivalents	13	**5,736**	–
Total current assets		**16,189**	–
Total assets		**93,408**	–
Current liabilities			
Trade and other payables	14	**(1,379)**	(555)
Corporation tax		**(1)**	–
Borrowings		**–**	–
Total current liabilities		**(1,380)**	(555)
Non-current liabilities			
Total liabilities		**(1,380)**	(555)
Net assets		**92,028**	(555)
Equity attributable to equity holders of the company			
Share capital	20	**11,182**	–
Share premium account		**8,718**	–
Other reserve		**140**	–
Merger Reserve		**67,316**	–
Retained earnings		**4,672**	–
Total equity		**92,028**	(555)

The Company generated a loss of £3,541,986 during the financial year (2017: £555,000).

The financial statements on pages 64 to 65 were approved by the Board of Directors on 27 June 2018.

Paul Edwards
Director
Company registration number 10634323

The notes on pages 66 to 72 form an integral part of the financial statements.

Company Statement of Changes in Equity

	Share capital (£'000)	Share premium (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2016	–	–	–	–	–	–
Loss for the period	–	–	–	–	(555)	(555)
At 31 March 2017	–	–	–	–	(555)	(555)
Loss for the period	–	–	–	–	(3,543)	(3,543)
Issue of share capital	11,182	8,718	–	67,316	–	87,216
Share based payments	–	–	140	–	–	140
Dividends	–	–	–	–	8,770	8,770
At 31 March 2018	**11,182**	**8,718**	**140**	**67,316**	**4,672**	**92,028**

Financial Statements

Notes to the Company Financial Statements

1 Authorisation of Financial Statements and Statement of Compliance with FRS 101

The financial statements of Tatton Asset Management plc for the year ended 31 March 2018 were authorised for issue by the Board of directors on 27 June 2018. Tatton Asset Management plc is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in sterling.

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

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting Policies

2.1 Accounting policies

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2018.

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

a) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
   1) Paragraph 79(a)(IV) of IAS 1;
   2) Paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
b) The requirements of paragraphs 10(d), and 134 – 136 of IAS 1 'Presentation of Financial Statements' and the requirements of IAS 7 'Statement of Cash Flows';
c) The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
d) The requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
e) The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
f) The disclosure requirements of IFRS 7 'Financial Instruments'.

2.2 Investments

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

2.3 Financial instruments

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

2.4 Trade and other receivables

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

2.5 Trade and other payables

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

2.6 Cash and cash equivalents

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

2.7 Share-based payments

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

2.8 Interest income and interest expense

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

2.9 Taxation

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) or 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 not 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 form the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the year

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

Notes to the Company Financial Statements continued

2 Accounting Policies continued

2.10 Dividends

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

2.11 Retirement benefit costs

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

3 Operating loss

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

	31 -Mar 2018 (£'000)	31 -Mar 2017 (£'000)
Share-based payment costs (note 11)	**140**	–

Share-based payment costs relate to the provision made in accordance with IFRS 2 'Share-based payment' following the issue of share options to employees.

4 Services provided by the companies auditor

During the period the Company obtained the following services provided by the Company's auditor at the costs detailed below:

	31 -Mar 2018 (£'000)	31 -Mar 2017 (£'000)
Audit of the statutory financial statements of Tatton Asset Management plc	**31**	–

5 Investments

	£'000
Cost and net book value	
At 1 April 2016	–
Additions	–
As at 31 March 2017	–
Additions	**77,216**
As at 31 March 2018	**77,216**

The principal investment comprises shares at cost in the following companies:

Name of subsidiary	Country of incorporation	Holding
Nadal Newco Limited	United Kingdom	100%
Paradigm Partners Limited	United Kingdom	100%
Paradigm Mortgage Services LLP	United Kingdom	100%
Tatton Capital Group Limited	United Kingdom	100%
Tatton Capital Limited	United Kingdom	100%
Tatton Investment Management Limited	United Kingdom	100%
Tatton Oak Limited	United Kingdom	100%
Tatton Onshore Tax Strategies Limited	United Kingdom	100%

6 Directors and employees

Details of the directors and employees are shown in note 9 to the consolidated financial statements.

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

	31-Mar 2018	31-Mar 2017
Administration	**11**	–

	31-Mar 2018	31-Mar 2017
Remuneration	**900**	–
Social security costs	**107**	–
Benefits in kind	**13**	–
Contributions to defined contribution pension plans	**16**	–
	1,036	–

The remuneration of the highest paid director was:

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Remuneration	**253**	–
Social security costs	**34**	–
Benefits in kind	**1**	–
Total highest paid Directors' remuneration	**288**	–

7 Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

8 Finance expense

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Bank interest income	**2**	–
Bank charges	**–**	–
	2	–

9 Income tax

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Current tax (income)/expense		
Current tax on profits for the period	**–**	–
Adjustment for under provision in prior periods	**–**	–
	–	–
Deferred tax expense		
Origination and reversal of temporary differences	**–**	–
Adjustments in respect of prior periods	**–**	–
Total tax (income)/expense	**–**	–

Financial Statements

Notes to the Company Financial Statements continued

9 Income tax continued

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

	31-Mar 2018 (£'000)	31-Mar 2017 (£'000)
Loss before taxation	**(3,542)**	(555)
Tax at UK corporation tax rate of 19% (2017: 20%)	**(673)**	(111)
Group relief	**673**	111
Total tax (income)/expense	**–**	–

The UK corporation tax rate was 20% between the period 1 April 2015 to 31 March 2017. The rate reduced to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the Company's future current tax credit/charge accordingly. The deferred tax liability as at 31 March 2018 has been calculated based on a rate of 17% based on when the Company expects the deferred tax liability to reverse.

10 Dividend paid and proposed

During the year, Tatton Asset Management plc paid an interim dividend of £1,229,965 (2017: £nil) to its equity shareholders.

This represents a payment of 2.2p per share (2017: £nil) per share.

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2018 of 4.4p (2017: nil) per share which will absorb an estimated £2.5m of Shareholders' funds. It will be paid on 10 August 2018 to Shareholders who are on the register of members on 5 July 2018.

11 Share based payments

Details of share-based payments are shown in note 21 to the consolidated financial statements.

12 Trade and other receivables

	Company 31-Mar 2018 (£'000)	Company 31-Mar 2017 (£'000)
Trade receivables	**10,410**	–
Amounts due from related parties	**29**	–
Prepayments and accrued income	**14**	–
	10,453	–

All trade receivable amounts are short term. All of the Company's trade and other receivables have been reviewed for indicators of impairment and where necessary, a provision for impairment provided. The carrying value is considered a fair approximation of their fair value. The value of the impairment charged to the income statement is £nil (2017 : £nil).

Trade receivable amounts are all held in Sterling.

13 Cash and cash equivalents

	Company 31-Mar 2018 (£'000)	Company 31-Mar 2017 (£'000)
Cash at bank	**5,736**	–

14 Trade and other payables

	Company 31-Mar 2018 (£'000)	Company 31-Mar 2017 (£'000)
Trade payables	**1,162**	–
Accruals	**217**	555
	1,379	555

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

15 Equity

	31-Mar 2018 (number)	31-Mar 2017 (number)
Authorised, called up and fully paid		
£0.20 Ordinary shares	**55,907,513**	–
	55,907,513	–

Each share in Tatton Asset Management plc carries 1 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 current period. See note 1 for an explanation of merger accounting treatment relating to earlier periods.

16 Contingent liabilities

The directors confirmed that at 31 March 2018, no contingent liabilities existed £nil (2017: £nil).

17 Capital commitments

The directors confirmed that at 31 March 2018, no capital commitments existed £nil (2017: £nil).

18 Related Party Transactions

The company has taken advantage of the exemption under paragraph 8(K) of FRS101 not to disclose transactions with entities that are wholly owned subsidiaries of Tatton Asset Management plc. There are no other related party transactions other than those that have been disclosed in note 23 to the consolidated financial statement.

18.1 Transactions with key management personnel

Other than the Directors and Officers of the Group (see note 6), no other key management personnel have been identified.

19 Events after the reporting period

There were no events after the reporting period.

Notes

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