Tatton
ASSET MANAGEMENT PLC

CREATING THE ENVIRONMENT FOR GROWTH

Annual Report and Accounts 2021

CREATING THE ENVIRONMENT FOR GROWTH

Tatton Asset Management plc has delivered strong growth in what has been a challenging year, demonstrating the resilience of Tatton's business model.

Since the business floated four years ago, it has more than doubled the level of assets under management ("AUM"), reaching a milestone of £9bn at the end of this financial year.

www

Find out more about Tatton Asset Management at tattonassetmanagement.com

Financials

Adjusted operating profit*

£11.402m

+25.6%
(2020: £9.076m)

Profit before tax

£7.303m

-29.1%
(2020: £10.296m)

Read more on page 35

Adjusted EPS*

14.74p

+22.8%
(2020: 12.00p)

Basic EPS on opposite page

Proposed final dividend

7.5p

+17.2%
(2020: 6.4p)

* Alternative performance measures are detailed in note 22

Contents

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Group revenue

£23.353m

+9.3%
(2020: £21.369m)

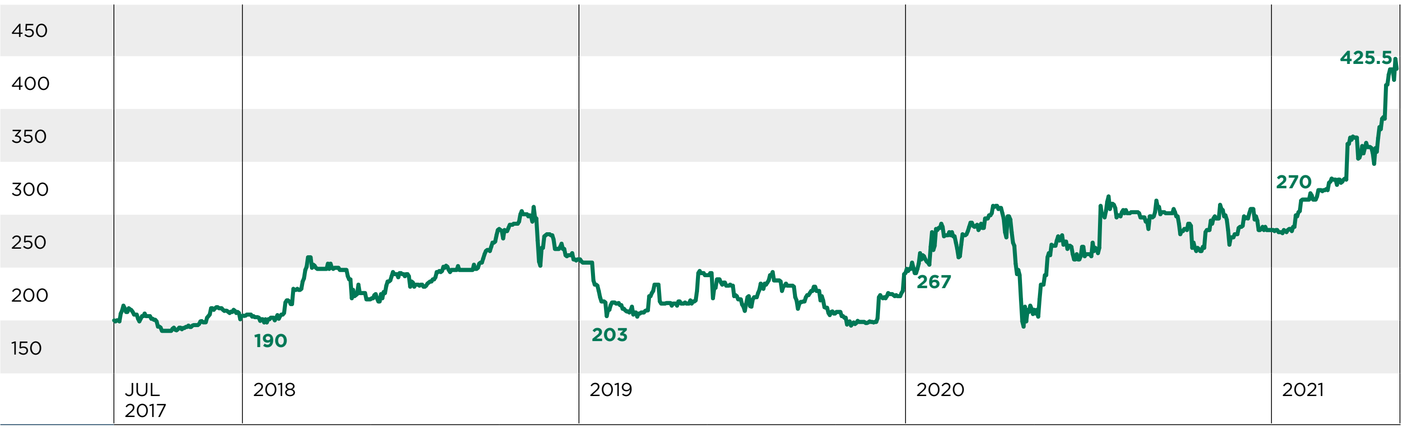
AUM

£9.0bn

+35.2%
(2020: £6.7bn)

Highlights

Share price trading



TATTON'S SHARE PRICE

Total Shareholder Return for TAM over the same period is 112%

Financial

- Group revenue increased 9.3% to £23.353m (2020: £21.369m)
- Adjusted operating profit* up 25.6% to £11.402m (2020: £9.076m)
- Adjusted operating profit* margin increased to 48.8% (2020: 42.5%)
- Profit before tax £7.303m (2020: £10.296m) due to the catch-up in share-based payment charges
- Final dividend increased by 17.2% to 7.5p (2020: 6.4p), giving a full year dividend of 11.0p (2020: 9.6p)
- Fully diluted adjusted earnings per share ("EPS")* increased by 22.8% to 14.74p (2020: 12.00p) and basic EPS 10.86p (2020: 14.98p) due to the catch-up in share-based payment charges
- Healthy financial position, strong balance sheet and £16.934m of net cash (2020: £12.757m)

Read more on page 34

Operational

- Tatton's discretionary assets under management ("AUM") increased 35.2% to £8.990bn (2020: £6.651bn)
- Tatton's ethical portfolios increased 141% to £441m (2020: £183m)
- Organic net inflows of £0.755bn (2020: £1.129bn) or 11.4% of opening AUM, an average of £62.9m per month
- The Group responded swiftly to the COVID-19 outbreak and efficiently implemented comprehensive business continuity plans
- Tatton increased its IFA firms by 12.3% to 668 (2020: 595) and number of client accounts to 72,450 (2020: 66,100)
- Paradigm Mortgages increased its number of member firms to 1,612 (2020: 1,544) and gross lending to £11.34bn and Consulting member firms increased to 407 (2020: 394)

Read more on page 6

A BROADER PROPOSITION

Our vision is to be the provider of choice for financial advisers and their end clients who seek third party investment and operational support in order to elevate outcomes for both advisers and their clients.

We are transparent, honest, open and without pretence. Across our Group we strive to be appropriately knowledgeable, to be conscious of risk and to continually improve.

> "We support our Financial Advisers so they can spend time helping their clients and grow their businesses."

PAUL HOGARTH Chief Executive Officer

Investment case

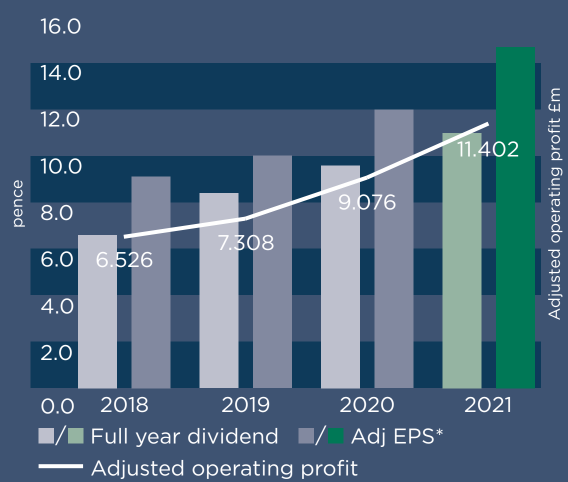
Tatton Asset Management plc continues to deliver strong growth across revenue, adjusted operating profit* and AUM. AUM has grown by 35.2% in the year to £9.0bn and has grown by over £5bn in under 4 years, an average annual growth of 23.4% since 2017. The majority of this growth has been achieved organically, with average annual net inflows since listing in 2017 of £1.0bn per annum.

The Group continues to grow and circa 85% of its revenue is recurring. The Group continues to deliver increasing profit margins, now at 48.8% and a 22.8% increase in fully diluted adjusted EPS* in the current financial year.

We have a progressive dividend policy with circa 70% of adjusted earnings being paid out as dividends to shareholders giving a dividend yield of 3.1%.

Average annual growth in AUM since 2017*	Average annual net inflows since 2017*
23.4%	£1.0bn
Increase in Adjusted EPS*	**Cash on the balance sheet**
22.8%	£16.9m
Current year dividend growth	**Current year dividend yield**
14.6%	3.1%

Earnings support a stable and sustainable dividend



Read more on page 6

* Alternative performance measures are detailed in note 22.

The Group is a highly cash-generative business and it has a resilient balance sheet with £16.9m of net cash and £24.4m of net assets. In addition, we have access to a committed £10m revolving credit facility with a £20m accordion, providing liquidity and a good foundation for any future acquisitive growth.

TAM recruits and retains high quality people that have a diverse range of skills and experience.

Number of Tatton firms	Average annual growth in firm numbers*
668	29.6%
Number of employees	**Employee retention rate**
86	90%

Group's proposition

- **Market leading on-platform discretionary fund management service**
  - Full range of risk-rated investment portfolios
  - Multi-manager funds complement portfolios
  - Highly experienced investment team
- **Exclusively available to the clients of IFAs**
- **Clients benefit from gaining access to full discretionary management of their investments**
- **Platform agnostic – now available on 15 platforms**
- **Comprehensive mortgage offering to directly authorised firms, including a whole of market lender panel**
- **Financial compliance support to directly authorised wealth managers, IFAs and mortgage advisers**

Our operating segments

Tatton Investment Management

TATTON INVESTMENT MANAGEMENT DIVISION

Tatton is a discretionary investment manager providing a range of investment services, predominately through an on-platform only model portfolio service to the clients of IFAs. It manages £8.990 billion of assets for the private clients from 668 UK IFA firms.

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

Paul Hogarth
Chief Executive Officer

Paradigm

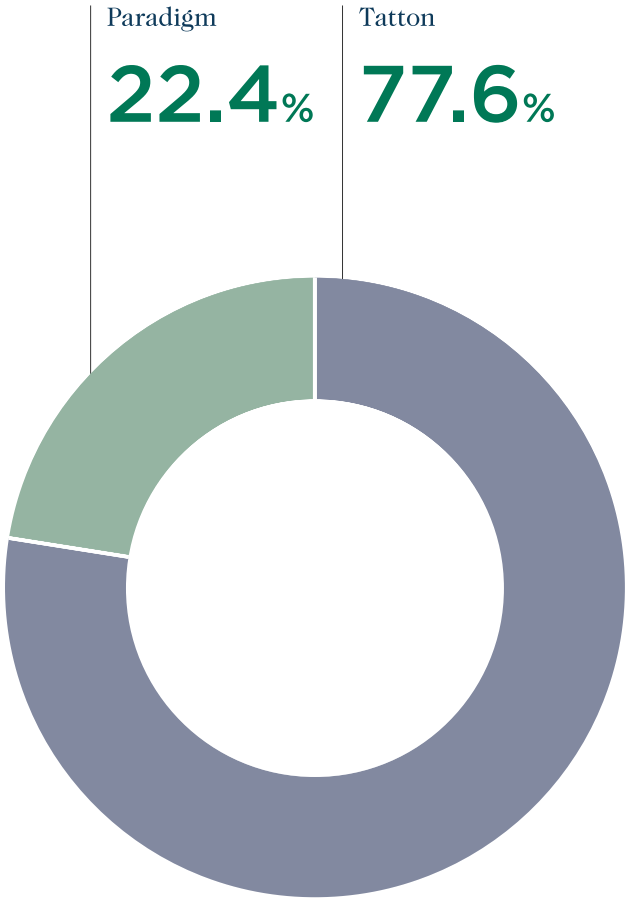
PARADIGM – IFA SUPPORT SERVICES DIVISION

Paradigm Mortgage Services is one of the UK's leading mortgage distribution businesses, with membership of over 1,600 directly authorised firms, representing c.4,200 regulated IFAs.

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

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

Group revenue breakdown



Chairman's Statement

During the year, the Group has continued to deliver on its strategic objectives and maintained strong growth in revenue, adjusted profits* and assets under management ("AUM").

The impact of the COVID-19 pandemic over the reporting period ended 31 March 2021 has been widely reported and is now broadly understood. Notwithstanding the challenges that have arisen in this connection the Group has delivered on expectations for growth in revenue, adjusted operating profit* and AUM as well as on its strategic objectives. For this we have, in particular, our remarkable staff and a wide range of discriminating Independent Financial Advisers ("IFAs"), and their clients to thank. Their adaptability, commitment and resilience are at the heart of what Tatton has been able to achieve over the last 12 months.

CONTINUED PROGRESS AGAINST OUR STRATEGY

ROGER CORNICK Chairman

"The Group has continued to deliver on its strategic objectives and maintained strong growth in revenue, profits and AUM."

FINANCIAL PERFORMANCE

Despite the challenges of the pandemic over the whole of the review period the Group has performed well. At the start of the year, we reacted swiftly to changing circumstances by transitioning to a new working and trading environment, redeploying resources to direct online engagement, running multiple online events and employing a communication strategy which included frequent online investment updates to support the IFA community and their clients. Operating along these lines the Group's business model has proved very resilient. Group revenues increased by 9.3% to £23.4 million (2020: £21.4 million). Adjusted operating profit* increased by 25.6% to £11.4 million (2020: £9.1 million) and profit before tax, after incurring exceptional costs and share-based payment charges, was £7.3 million (2020: £10.3 million). The resulting impact on fully diluted adjusted earnings per share* was an increase of 22.8% to 14.74p (2020: 12.00p). Basic earnings per share were 10.86p (2020: 14.98p).

STRATEGY

In the early part of this year when the outlook was very uncertain, we implemented a capital investment, pay and recruitment freeze as we sought clarity on the impact of the pandemic on both our business and the wider industry. This was quickly lifted, and in the second half of this year we resumed investment in people and technology to develop the business. While this has been a challenging period, we have deployed our agility and resilience not only to engage with the immediate issues, but also to advance our capabilities for the future.

We remain committed to the growth of AUM by providing products and services that are designed to support IFAs in advising their clients, and we will continue to invest in both people and technology that will grow the business by enhancing our relationships with the IFA community. While we aim to at least sustain our rate of organic growth, we also intend to supplement this growth through targeted M&A activity.

This year has seen an increase in corporate activity in our industry driven by the continued trend for consolidation and supported by the low cost of capital. In considering the opportunities, and threats, implicit in these developments our focus remains on assets that are strategically relevant and aligned, and those that will enhance our products and services, and support the maintenance of our position as an innovative and forward thinking business. By paying close attention to fundamentals, we aim to continue to create long-term value for all our stakeholders.

BOARD AND CORPORATE GOVERNANCE

Tatton Asset Management remains committed to the highest standards of corporate governance. The Board and its Committees guide the Company and lead its strategic outlook, and we are determined to ensure that we have the right mix of skill sets to steer the Group forward. In support of this aim I would like to welcome Lesley Watt who joins the Board as an independent Non-Executive Director. Lesley will serve on the Audit and Risk, Remuneration and Nominations Committees, and brings with her a significant amount of Board and M&A experience. Following this appointment Chris Poil will become the Senior Non-Executive Director. In a business evolving in the current challenging environment, we will maintain a governance structure that underpins and facilitates growth, while ensuring effective controls and safeguards are in place.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires the Directors to act in the way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this s.172 requires a Director to have regard, amongst other matters, to the likely consequences of any decisions in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company. Further information can be found on pages 12 to 15 of this Report.

DIVIDENDS

The Group has continued its growth trajectory and delivered against its financial performance targets maintaining both a strong balance sheet and cash generation which remain a key focus for the Board. The Board is proposing a final dividend of 7.5p per share, bringing the total ordinary dividend for the year to 11.0p per share, an increase of 14.6%, which is 2.0 times covered by adjusted earnings per share. The Board continues to operate a progressive dividend policy and targets a payout ratio in the region of 70% of annual adjusted earnings per share over the medium term.

OUTLOOK

While the ever-changing market in which we operate can be quick to take advantage of any reliance on historical achievement, we believe that the momentum built up over this reporting period, combined with the potential of a number of opportunities currently under review, supports a sense of confidence, and optimism, as we view both the year ahead and the longer-term future of the Group.

Roger Cornick
Chairman

* Alternative performance measures are detailed in note 22.

Adjusted operating profit*

£11.4m +25.6% (2020: £9.1m)

Revenue

£23.4m +9.3% (2020: £21.4m)

INVESTMENT EVOLVED

PAUL HOGARTH Chief Executive Officer

> "We have responded swiftly and effectively to the challenges of the pandemic, always keeping the needs and interests of the IFA community front of mind."

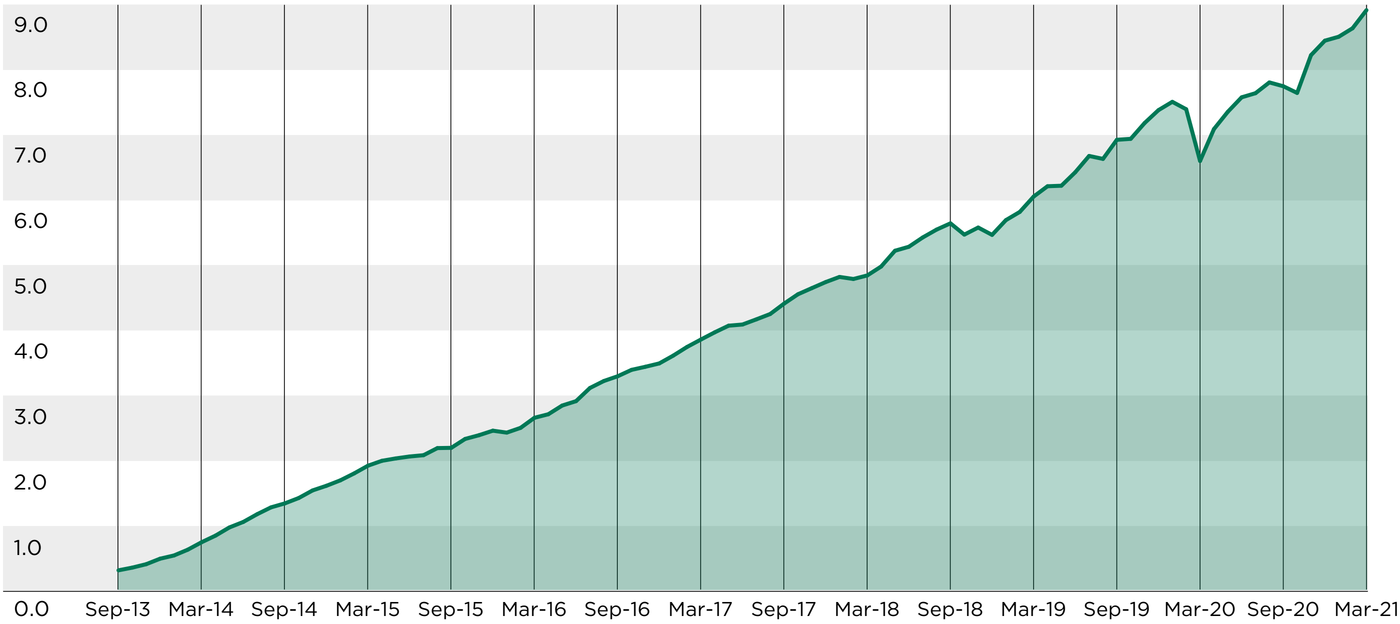
* Alternative Performance Measures are detailed in note 22

Chief Executive's Review

This has been a significant year for the Group, a year that has seen unprecedented change and one in which I am pleased to report we have continued to grow and prosper. We are proud to have played a very positive role in supporting all our clients in what has been a very tough environment, but one which we have navigated successfully.

We maintained our focus and continued to adopt our clear and sustainable business strategy, which is to drive revenue and profitability through broadening our appeal, widening our client base and further developing and growing our AUM. We continue to achieve this through engagement with our existing client base while at the same time attracting new firms that value our services and propositions, which in turn drives our growth. I am pleased to report the Group has now reached a milestone of £9.0bn of AUM, an increase of over £5bn in under four years from the point the business listed in July 2017. Impressively, the vast majority of this £5bn growth has been achieved organically except for a small acquisition of £135m relating to the Sinfonia funds in 2019.

Tatton Assets under Management in £ billion



This reported financial year has run in parallel with the COVID-19 pandemic and whilst our business has continued to prosper it is certainly not lost on me that it has been a difficult time for many other corporates and indeed, more importantly, for many individuals who have been affected in what has been a distressing and challenging year in lots of different ways. Tatton has a long track record of putting the client first and our success has been built on the core values of putting the IFA at the heart of our business. This year this philosophy has been critical and our ability to adapt to their changing needs has paid dividends. We have done this through an ongoing process of IFA engagement, listening to what they want and need and then delivering this to enable our IFAs to concentrate on running their business, meeting clients and ensuring their client needs are satisfied.

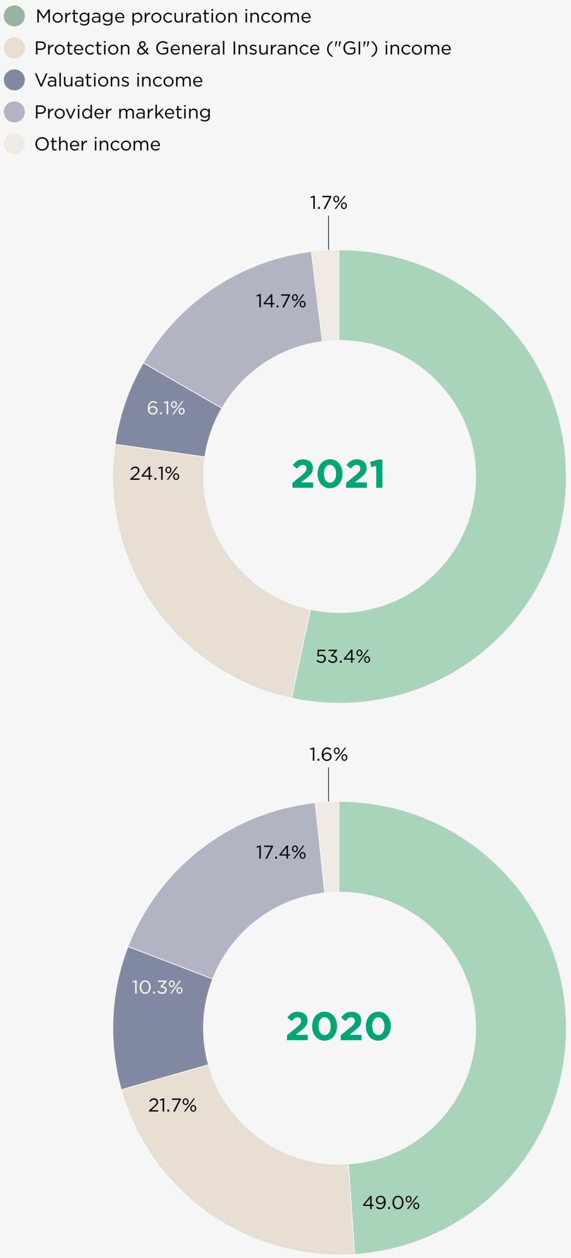
The business model has been tested and proved to be very resilient both financially but also operationally as we have adapted to change. I am proud of the way in which everyone in the Group addressed the challenges they have faced, both personally and professionally, while protecting the health and safety of their colleagues and communities. This mindset enabled us to adapt quickly and seamlessly to a new trading environment and implement a broad range of changes, which included the redeploying of resources to direct online engagement and running multiple interactive virtual events and frequent video investment updates. While this year has seen a material change in the way we operate and interact with our clients, it has also been a period where we have learned a lot about ourselves and our business and in many ways, we have become a stronger and better business for it. Following the end of the transition period on 31 December 2020 with the United Kingdom finally leaving the European Union on the 31 January 2020, there have been no direct material financial or operational impacts to the Group as a consequence.

REVIEW OF THE FINANCIAL YEAR AND MARKET OVERVIEW

I am pleased to report we delivered another record year for revenue and profit driven by solid organic growth. Revenue increased by 9.3% to £23.4m (2020: £21.4m) and adjusted operating profit* increased by 25.6% to £11.4m (2020: £9.1m) with adjusted operating profit* margin increasing to 48.8% (2020: 42.5%). Pre-tax profit after exceptional items, amortisation of customer relationship intangibles, finance costs and share-based payment charges decreased to £7.303m (2020: £10.296m) due to the increase in share-based payment charges in the period, following a release of the provision at the March 2020 year end. This release was solely related to the increased level of uncertainty in the market due to the COVID-19 pandemic.

As reported in the interim accounts, there is little doubt that the pandemic impacted our business in the first half of this financial year. There remained a significant amount of uncertainty as we entered the second half of the year and we prudently anticipated delivering a similar financial performance across the business. While we could not predict the length of the downturn, the work we did very early in this pandemic gave us a strong platform from which to push on and continue to grow. As such, the second half performance was a significant gain on the first and we improved our performance across all our metrics. We continued to benefit from a reduction in costs as we continued to work and engage with our firms and client base remotely, but the improved second half was fundamentally underpinned by improving markets, net inflows in Tatton which increased 30% in the second half of the year compared to the first half of the year, and an increase in gross lending (£6.3bn vs £5.0bn) in Paradigm.

IMPACT OF COVID-19 ON PARADIGM MORTGAGES



- Strong customer growth and an increase in lending from £5.0bn in the first half of the year, to £6.3bn in the second.
- Despite this, Mortgages revenue fell slightly year on year due to the impact of COVID-19 on the different income streams.
- Income from gross lending (procuration fees) increased due to the increase in gross lending, albeit there has been a change in product mix with a greater level of re-mortgages and product transfers rather than new purchases.
- Protection and GI income has seen a small increase.
- Valuations income was significantly affected with no valuations income in Q1 during the first lockdown.
- Provider marketing was also significantly affected as this relates to marketing income from strategic partners with a large proportion relating to face-to-face events which have not been able to continue in the same format.

TATTON

Tatton has continued to grow from strength to strength over the last 12 months in what has been a difficult year for all IFAs. We continue to grow organically, attracting new firms to our propositions, and continue to see positive net inflows. We now work with 668 (2020: 595) adviser firms and support over 72,450 (2020: 66,000) clients and we have continued to experience new net inflows through the year totalling £755m (2020: £1.129bn).

As reported in the interims the first few months of this year were difficult times as we all adjusted to the new circumstances that the pandemic placed on us; however, we adjusted quickly and built up momentum throughout the year and delivered a much stronger second half with flows in H2 being £427m, a 30% increase on the £328m in H1. Overall, the business saw its AUM increase 35% or £2.3bn year on year to a new milestone of £9.0bn (2020: £6.7bn). In addition to the £755m of new net inflows, markets contributed £1.6bn or 24%.

This year has seen us continue to broaden our propositions, expanding the number of platforms we operate on to 15 with plans to add more in the near future, and we have implemented a suite of new global models to complement our growing blended models. The Tatton environmental, social and governance ("ESG") proposition continues to grow strongly and now accounts for over 5% of the overall AUM or £0.4bn and is anticipated to make further strides given its strong performance and the ongoing trends in the market for ESG propositions.

The strategic partnership agreement with Tenet has completed its first full year and we now have £0.5bn of AUM from 104 firms. We will continue to focus on the development of our AUM both organically but also through acquisitions of targeted funds, further strategic alliances and joint ventures where these fit with our strategy and direction.

PARADIGM (IFA SUPPORT SERVICES DIVISION)

The Paradigm division has shown considerable strength over the last 12 months. In what was a particularly difficult start to the financial year it has ultimately delivered a very resilient performance. Revenue for the year was £5.2m (2020: £5.4m), and costs were tightly controlled ensuring its adjusted operating profit* contribution was not impacted, delivering £2.0m (2020: £1.8m). Importantly, the second half performance was significantly stronger as the business took advantage of the increasing demand in the housing market. To put this in context, following the lifting of the lockdown restriction in the first half of the year, which halted all physical in-situ valuations, it soon became clear the UK public had not lost their desire to move and improve. In fact, in many ways the pandemic has stimulated many homeowners to re-evaluate their living arrangements, reconsider lifestyle, and look for homes with more room and the ability to accommodate working from home either fully or part of the time. This in turn fed through to the mortgage market and was further aided by government stimulus and the July 2020 reduction in stamp duty that was extended to end June 2021 from its original 31 March 2021 deadline. While initially access to lending was harder, as lenders limited products, restricted criteria and critically withdrew high loans to value ("LTVs"), as the year progressed more funds became available and lending restrictions were relaxed more towards pre-pandemic terms. The increase in activity improved gross lending from £5.0bn in the first half to £6.3bn in the second half. Overall revenue increased by 21%, AUM reached a new milestone

£9.0bn

+35.2% (2020: £6.7bn) from 668 firms, an increase of 12.3% in the year

Paradigm Mortgages gross lending

£11.3bn

+15.0% (2020: £9.9bn), a record year, with procuration income now making up more than half of Mortgages' income

£0.5m, compared to the first half of the year, and with continued cost control positively impacted the contribution in year.

Although some way off pre-pandemic levels, lenders have now returned to 95% LTV lending, helped partly by the government mortgage guarantee scheme and also with many lenders choosing to lend at this level through their own means. As the market continues to stabilise, we believe the specialist lending sector will play a more prominent role, particularly with regard to self-employed clients and those with new earnings complexities, for example those borrowers who were furloughed. While in many ways there remains a degree of uncertainty and it is therefore difficult to predict, on balance, we believe the next 12 months for the mortgage market remain positive. While we do not anticipate a significant increase in the volume of gross mortgage lending, retention business is strong and growing and we believe we are well placed to continue to take advantage of the opportunities to grow our lending and cross-sales activities across the Paradigm business, for example Protection and General Insurance and Compliance services.

Paradigm Consulting has continued to maintain close links to its firms and advisers and supply best-in-class solutions and support to ensure IFA firms can effectively navigate the constantly changing regulatory landscape. This year was a difficult year for advisers and Paradigm as a partner needed to be adaptable in the way it provided its regulatory and compliance services. Paradigm successfully adopted virtual support processes at the same time as remaining focused on delivering bespoke consultancy to satisfy the varying needs and wants of the IFAs. Over the period the business has increased the number of firms we work with to 407 (2020: 394) and demonstrates the importance of flexibility and service.

CURRENT TRADING AND OUTLOOK

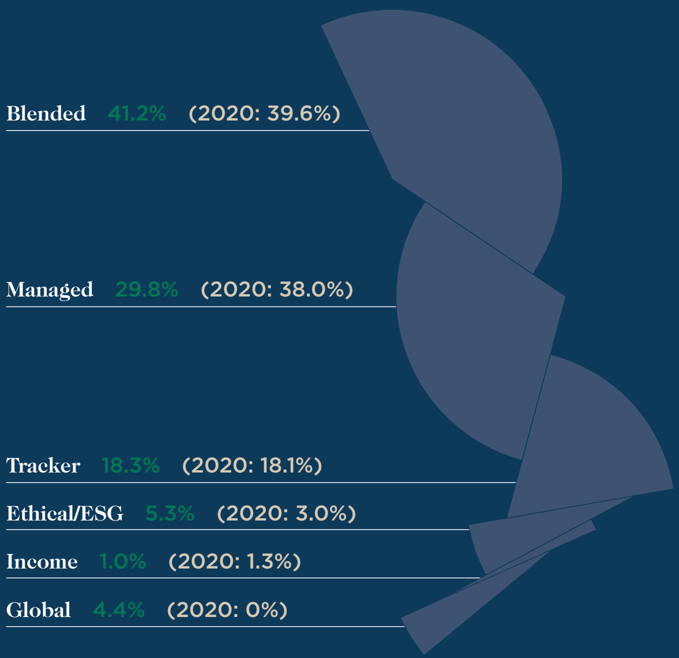
As we enter the new financial year we do so with a degree of optimism. The industry is tuned into the new environment and while we look to return to more face-to-face interaction, there is no doubt we will continue to utilise the alternative solutions of online interaction and home working and essentially adopt a hybrid model to best leverage the use of time and resources. At the time of writing, activity and IFA engagement have been stable and this has been reflected in the new net inflows in the final quarter of the financial year under review. This momentum has also carried forward into the start of the new financial year.

While the past 12 months have been challenging, our ambition remains focused on continuing to deliver the organic growth in AUM and with £10bn in touching distance we set our sights well beyond this milestone. To support this ambition, corporate activity remains part of our strategy. This year has seen us participate in a number of corporate processes commencing early in the year with the proposed acquisition in the first half of this financial year of £5.5bn of funds and, while we were ultimately unsuccessful, we followed a disciplined process and with a developing pipeline our ambition for acquisitive growth remains undimmed, either through funds, entities or joint ventures that are value creating and fit with the strategic direction of the Group. To supplement this, we will also pursue other strategic partnerships and we are delighted to bring on board new IFA partners following a due diligence process with Threesixty Services, a provider of compliance and business support services to over 900 directly authorised client firms and 9,000 advisers. This further extends our reach, which will support our organic growth plans alongside other exciting strategic partnerships and acquisition opportunities.

As we enter the new financial year, we remain confident the Group will continue to make progress and we look forward to reporting on this progress as the year unfolds.

Paul Hogarth
Chief Executive Officer

Distribution of AUM across proposition matrix



- Launch of Global portfolios during the year offering investors the widest choice of portfolio styles and risk profiles.
- Continued growth in Ethical portfolios.

A YEAR OF OPPORTUNITY AND OPTIMISM THROUGH THE PANDEMIC

LOTHAR MENTEL Chief Investment Officer

> "We proved our commitment to our IFAs through decisive action in the depth of the crisis and by adapting and enhancing the way we do business."

Chief Investment Officer's Report

2020, from an investment perspective a year that at times seemed the ultimate annus horribilis, ended well, despite the global economy suffering the worst recessionary decline on record.

The key for us was to look through the noise and mayhem of March 2020 and rapidly develop our understanding of how capital markets would react to the duress caused by the short-term evaporation of earnings, vs the counterbalancing efforts by governments and central banks and their determination to prevent major damage to the output potential of their economies and the wellbeing of society.

At Tatton we stood closely by our investors and, knowing that fear is the worst imaginable adviser, we provided relentless client communication insights into the drivers of market dynamics that once again were welcomed as valuable reassurance. Once global policy support commitment materialised, we adeptly positioned portfolios for the recovery.

PROPOSITION AND BUSINESS DEVELOPMENTS

As previously reported, we managed the change to remote working seamlessly and were able to support adviser businesses and their clients during this time in exactly the same way as if we had been office based. After an initial adjustment period, advisers took advantage of the changed landscape and discovered operational efficiencies arising from remote business practices that enabled them to extend their own regional footprint to mutual benefit.

The widespread acceptance of online meetings successfully transformed the modus operandi of our lead generation team and the increased use of technology within day to day operations acted as a catalyst for the introduction of segmentation, targeting and positioning business practices with advisers. Our continued investment in new digital infrastructure has delivered significant improvements in processing new business mandates and meaningful enhancements to online IFA client management through the Tatton Portal, which were well received by all adviser firms.

The fallout from Brexit and the shifts in the world economy from the COVID-19 pandemic acted as a catalyst to bring forward changes in our investment offering. In July we launched the Tatton Global Portfolios, giving investor the choice to invest in portfolios weighted towards a global market capitalisation or in our Tatton Classic Portfolios with their more traditional UK home biased asset allocation.

The pandemic has also stimulated a surge in interest towards ethical and ESG investing. Tatton has one of the longest-running Ethical Managed Portfolio Services ("MPS") (launched in 2014) in the UK and we have seen interest grow significantly in our portfolios. This led to a noticeable change in the distribution of inflows with a much larger proportion now going towards our Ethical portfolios as investors reprioritised their balance of investment aims. The exceptionally strong outperformance of growth and momentum assets during 2020 also led to increased flows into our Tatton Tracker Portfolio range as market capitalisation weighted investment exposures appeared superior.

2020/2021 CAPITAL MARKETS AND RETURNS

1 APRIL 2020–31 MARCH 2021

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

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical	ARC PCI[1]
Defensive	13.2	10.6	11.9	16.2	11.5
Cautious	20.9	17.4	19.1	22.2	18.5
Balanced	26.2	22.5	24.3	25.9	18.5/ 24.8[2]
Active	32.7	28.1	30.4	30.2	24.8
Aggressive	39.0	33.7	36.3	35.0	31.7
Global Equity	41.1	37.9	39.5	39.4	31.7

5 YEARS, 1 APRIL 2016–31 MARCH 2021

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

	Tatton Managed	Tatton Tracker	Tatton Blended	Tatton Ethical[3]	ARC PCI[1]
Defensive	4.6	4.5	4.5	–	3.6
Cautious	6.3	6.2	6.3	–	5.3
Balanced	7.3	7.5	7.4	9.1	5.3/ 7.2[2]
Active	8.7	8.9	8.8	–	7.2
Aggressive	10.1	10.2	10.1	–	8.9
Global Equity	13.5	13.2	13.4	–	8.9

1 ARC PCI – Asset Risk Consultants Private Client Indices ("PCI").
2 Balanced Portfolios are measured against both ARC Balanced Asset PCI and ARC Steady Growth PCI as in risk terms the Balanced Portfolios lie in the middle of these Indices.
3 Only Tatton Ethical Balanced has existed for five years.

Adapting to living and operating under constraints that Western societies last experienced during WWII and the resultant worst recession on record dominated all aspects of life and business. However, the key difference of the pandemic recession was its deliberate creation by governments to mitigate the public health impact of the COVID-19 virus, not market forces. Nevertheless, the early rapid market recovery was initially interpreted as a temporary reversal (known as a bear market bounce). This recovery diverted from historical precedent and became sustained when it became evident that the global economy was unlikely to suffer long-lasting scarring damage and that demand was likely to rebound very strongly.

The rebound was led by China and Eastern Asia, where we had an overweight position to benefit, as it emerged first from the pandemic. Likewise beneficial was the reiteration of an overall equity overweight in early April while distinctly underweighting UK equities. The US followed China in the recovery of its stock market, as the home to the bulk of digital global enterprises such as Amazon, Microsoft, Netflix and other big tech benefited from consumers being homebound.

The second pandemic wave in the autumn created an inevitable market setback but markets then reversed dramatically in light of rapid progress of vaccine developments. This also marked the beginning of the "great rotation" with value and income investment assets staging a massive recovery – the flip side being underperformance of growth and momentum-style investments that had been the leaders of the initial market recovery.

The new US administration instigated a faster vaccination campaign and a greater post-pandemic stimulus programme than anticipated, which extended positive market sentiment – despite the ever-rising death toll and subsequent return of tightened restrictions. As society learned to live with the pandemic, but also started to see it coming to an end, a level of orthodoxy returned to capital markets. In this environment active stock picking made a strong comeback with sectoral and market understanding becoming a premium once again and rapidly closing the return gap to index trackers and momentum investing that had opened up in the first half of 2020.

We were very pleased that our diversified investment approach, actively tilting towards trends in investments rather than following them exclusively, delivered strong and consistent returns. I am very satisfied that our stewardship approach, with a determined focus on sustainable and repeatable returns, has been well received by our investors.

OUTLOOK FOR 2021

The outlook for the remainder of 2021 is brightened by the anticipation of a widespread economic recovery boom. Beyond that it remains unclear if global GDP growth rates can be maintained at higher than pre-pandemic levels, or will return to the post-Global Financial Crisis ("GFC") decade of subdued demand and growth. Nevertheless, the necessity to reinvigorate the economy decisively in order to mitigate the negative impact of the vastly increased public sector debt provides policy makers with a strong incentive not to repeat their demand suppressing post-GFC mistakes.

Tatton's investment and business model has emerged successfully from the 2020/2021 years and we have been able to prove our commitment to the IFA sector through decisive action in the depth of the crisis and now by adapting and enhancing the way we do business. As advisers and their clients reflect on what worked well for them during the stresses of the pandemic, we are confident that we remain well positioned with a cost-effective and broad investment offering.

Lothar Mentel
Chief Investment Officer

Engaging with our stakeholders

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

> “Throughout the year we have continued to listen to our stakeholders and understand their needs. We have invested more time and resources in investor and wider market communication and provided support and reassurance to our IFAs and their clients.”

PAUL EDWARDS Chief Financial Officer

Our stakeholders

Firms and clients

IFAs and their clients are the central focus of our business. The Group’s ongoing success is built upon understanding our customers’ needs, both those of the IFAs and of their clients, and responding with products and support. As we understand their needs, we will continue to anticipate future requirements to allow IFAs to continue focusing on their clients and build their businesses.

Shareholders

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

People

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

Society

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

External service providers

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

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

Regulators

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

Their material issues	How we engage	Highlights and key decisions	Further links
— Performance of our funds and portfolios — Transparency — Quality of service — Fair pricing	— The business development teams meet regularly with current and potential firms to develop a clear view of client objectives and how these are likely to evolve — Virtual events, including partner forums, roadshows and continuing professional development ("CPD") events	— **In July 2020 we launched the Tatton Global Portfolios** — **As a result of the COVID-19 restrictions, Tatton and Paradigm ran multiple interactive virtual events and frequent video investment updates. Paradigm held 79 events during the year attracting 5,359 attendees in total**	— See our business model on pages 18 and 19 — A summary of our proposition is shown on pages 2 and 3 — The Group's KPIs are shown on pages 28 and 29 — Read more about our markets on pages 16 and 17 — The Group's strategy is detailed on pages 20 and 21
— Compelling business model and growth prospects — Long-term sustainable business which delivers attractive returns through maintaining a progressive dividend policy — High standards of governance	— Regular meetings are held with our investors throughout the year — Results presentations have been held virtually at the half and full year	— **Delivered against our dividend policy with a total full year dividend of 11.0p, an increase of 14.6% (FY20: 9.6p)** — **Adjusted operating profit* of £11.402m, an increase of 25.6% (FY20: £9.076m)** — **The decision was made to hold the half year and full year results presentations with shareholders virtually due to COVID-19 restrictions**	— See our business model on pages 18 and 19 — Our dividend policy is detailed on page 49 — The Group's KPIs are shown on pages 28 and 29 — The Group's strategy is detailed on pages 20 and 21
— Making a difference for our customers — Having opportunities for learning, growth and further development — Being fairly rewarded for their contributions	— Presentations by the Board to discuss performance and the Company's strategic plans — Regular management briefings	— **During the year the Group supported a range of individuals through professional qualifications** — **Further extension of the Enterprise Management Incentive ("EMI") and Sharesave schemes** — **Staff transitioned seamlessly to working from home**	— See our business model on pages 18 and 19 — See our ESG section on pages 36 and 39
— Society has an interest in how we manage our clients' assets and ensure good stewardship over our investments — They have an interest in ensuring we manage our business in a manner which minimises our impact on the environment and helps to benefit society	— We aim for high standards of governance across the Group. Our careful selection process for Tatton's Ethical portfolios prioritises funds that actively engage with company managers on ESG issues	— **Growth in our Ethical portfolios** — **Continued improvement and adoption of corporate governance guidelines** — **Group-wide review of our approach to ESG and establishment of a working group led by Chris Poil, Senior Non-Executive Director and the Head of the Audit and Risk Committee**	— See our business model on pages 18 and 19 — See our ESG section on pages 36 and 39
— Trusted partnerships — Strong governance — Clear communications	— Regular service reviews — Annual due diligence reviews — Collaborative engagement	— **We maintained ongoing relations with our key suppliers and partners during the year with updates at Board meetings**	— Read more on pages 36 to 39
— Ensuring that the business understands and adopts the principles and rules of the FCA Handbook — Open and transparent communication — Demonstrating good conduct — Acting in our customers' best interests	— Direct communication through our compliance senior manager function holder — We always engage in an open and co-operative manner	— **The Board and Audit and Risk Committee received and reviewed regular compliance reports** — **Completion of FCA COVID-19 questionnaires throughout the year** — **Surplus regulatory capital was maintained throughout the year**	— Information on our risk management framework and processes is shown on pages 30 and 31 — Our Corporate Governance Statement is shown on pages 42 to 44

Section 172 statement

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

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

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

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

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

The opposite page shows some of the key decisions made by the Board having regard to the Group's stakeholders over the course of the financial year due to the impact of the COVID-19 pandemic.

Our approach to Section 172

Leadership and management receive training on Directors' duties to ensure awareness of the Board's responsibilities

INFORMED BOARD

- Our Board continually engages with stakeholders. Read more on pages 12 and 13
- Board papers cover a broad range of topics to capture s.172 factors that are relevant to the strategic direction of the Group

DISCUSSIONS HELD BY THE BOARD TO DETERMINE STRATEGY

- The Group has a flat structure and a culture of openness and transparency ensuring proper consideration of the potential impacts of decisions
- The Board are continually reviewing and ensuring that the governance in place is relevant for the size and nature of the business and the Board recognises the value it brings to the Group
- The Board considers and adapts its strategic direction with a view to ensuring it meets its long-term strategic objectives
- The Board regularly receives and reviews financial and operational information that supports decision making and drives long-term value creation

BOARD DECISION

- The Board determines the action to be taken following discussions
- We evaluate the outcomes of our decisions, take action and amend the strategy and implement change where necessary

The impact of the COVID-19 pandemic has run in parallel with our financial year, inevitably impacting our business and each of our stakeholders.

Throughout the year, we have looked after the welfare and safety of our employees.

We have communicated with our IFAs and their clients, providing critical reassurance at a time of uncertainty and volatility.

We responded quickly and adapted our processes to a new working environment, continuing to deliver uninterrupted business operations, creating value for our shareholders and maintaining a strong capital position.

Our response to the pandemic throughout the year

> "Throughout the year, the Board has looked to make decisions to support its workforce and customers, review the resilience of its supply chain and consider the interest of its shareholders and regulators."

PAUL HOGARTH
Chief Executive Officer

Throughout 2020/2021

At each Board meeting, the Board reviewed the impact of the pandemic on our workforce and the resilience of the business and its supply chain.

Tatton and Paradigm redeployed resources to direct online engagement, running multiple interactive virtual events which were very successful.

February 2020 onwards

Tatton provided reassurance to our IFAs and their clients through consistent client communication insights into the drivers of market dynamics and Paradigm supported its intermediaries with ongoing updates.

March 2020

Our staff transitioned seamlessly to working from home. The Board continued to support its people and take all precautions necessary, constantly monitoring the evolving situation.

May 2020

The Board considered the interest of its shareholders and the Group's financial position when proposing the payment of the FY20 final dividend of 6.4p. During FY21 the Board has proposed total dividends of 11.0p.

June and November 2020

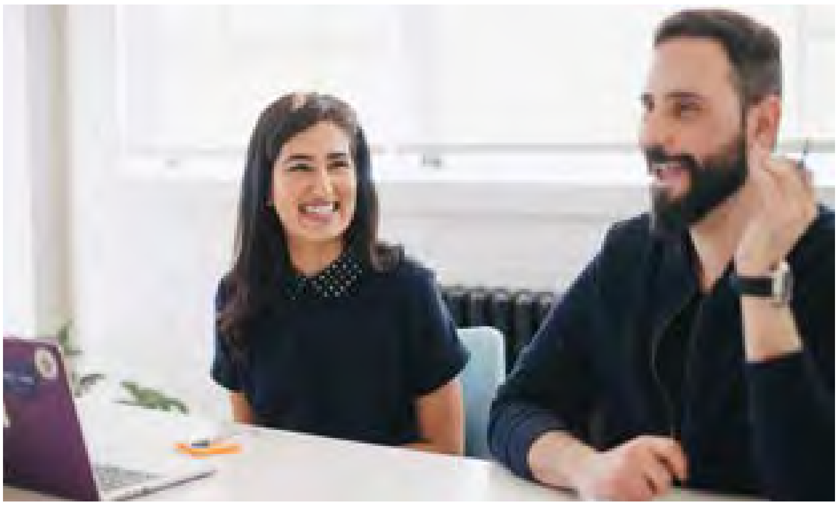
The Board continued to engage with our investors, holding the Group's full year and half year presentations virtually.

July 2020

The Group's Annual General Meeting ("AGM") was held with two members in attendance and the Board attending by phone. All shareholders were able to raise issues or concerns in advance of the meeting and vote by proxy.

Our markets are evolving and so are we

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



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

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

0.15%

Tatton DFM MPS fee is 55% lower than the average MPS fee of 0.33%[1]

2 INCREASING DEMAND FOR ESG SOLUTIONS

An increased focus on climate change and environmental issues has driven consumer demand for a choice of investment options that focus on corporate environmental, social and governance factors. COVID-19 has reinforced this trend, making investors more aware of and likely to act in relation to social and environmental issues.

€120bn

of net inflows into European sustainable funds in Q1 2021, making up 51% of overall new flows into European funds[2]

3 DISRUPTION IN THE INVESTMENT MARKETS

COVID-19 has provided the most significant level of market turbulence since the 2008 financial crisis, with the global economy suffering the worst recorded recessionary decline. Such market disruption can significantly affect consumer confidence and alter both their short- and long-term attitudes towards savings and investment.

-30%

FTSE 100 fell by 30% to 6,100 in February/March 2020, recovering to over 7,000 by June 2021

4 GROWING STRENGTH OF THE IFA SECTOR

The requirement for advice from IFAs continues to increase as the mass affluent make complex decisions around financial planning, particularly during a time of market turbulence. The pandemic saw IFAs adapt their advice process and shift successfully to remote working; however regulatory and technological change continues to drive consolidation across the industry.

5,512 +0.1%

Number of Directly Authorised IFA Firms[3]

5 GROWING STRENGTH OF PLATFORM MARKET

The platform market is fast growing and becoming an increasingly attractive method for managing investments. Following the FCA's Investment Platforms Market Study in 2019, it should become easier for consumers to choose or switch platforms through clearer pricing information and the reduction or removal of exit fees.

£541bn +9.3%

On-platform AUM[4], forecast to be >£1trn by 2025

6 APPETITE FOR LENDING

After an effective closure of the mortgage market in April 2020, the pandemic stimulated many homeowners to re-evaluate their living arrangements. This in turn fed through to the mortgage market and as the year progressed more funds became available and criteria restrictions relaxed.

£258bn -5.0%

Gross lending in the UK market in 2020

7 IMPACT OF REGULATORY CHANGE

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

#1 concern

Regulation is the biggest concern for IFAs in 2021[5]

1. Platforum, October 2020
2. Morningstar, February 2021
3. PIMFA, November 2020
4. Platforum, November 2020
5. Schroders, November 2020

Growth Opportunities

As these market trends evolve, we see the opportunity for Tatton to take advantage of the growth opportunities that these present to our business and to our stakeholders.

Advisers continue the trend of outsourcing

We have a growing IFA customer base, winning new firms through demonstrating the benefits and value of outsourcing the discretionary fund management of the IFAs' clients' investment portfolios. We offer a broad range of model portfolios and funds at a transparent and highly competitive cost, focusing on delivering an investment performance that matches the clients' risk appetite.

668 firms **+12.3%**

Number of firms using the Tatton DFM service

Demand increases for sustainable investing and business practices

Tatton offers a complete range of risk profiles in our Ethical Portfolios enabling investors to choose from a range of investment products that best suit their circumstances. During the year the Group has launched a Group-wide review of the adequacy and effectiveness of our ESG policies, to increase the level of transparency in our reporting and to drive better outcomes for our stakeholders. See pages 36 to 39 for more information.

£441m **+183%**

AUM in Tatton's Ethical Portfolios

Growing demand for investment platforms

The UK platform market continues to grow. Consumers benefit from the platform model by being able to engage more closely with their financial planning and monitor their investments to aid decision making. IFAs can offer their clients a broad range of investment propositions while also benefiting from the platform's operational efficiencies.

£1.0trn

On-platform AUM forecast to be greater than £1.0trn by 2025

Strength of the UK mortgage market

95% loan to value lending is now more freely available, helped partly by the government backed scheme though many lenders chose to lend at this level through their own means. As the market continues to stabilise, the specialist lending sector will play a more prominent role as it returns to pre-pandemic levels of lending which were curtailed due to funding issues. All in all, while there remains a level of uncertainty, the UK mortgage market remains resilient supported by ongoing demand for mortgage products.

£11.34bn **+15.0%**

Paradigm Mortgages gross lending

How we do business

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

Our inputs

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

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

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

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

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

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

How we create long-term value

Client financial goals

— Investment goals
— Length of investment
— Risk appetite

IFA

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

OUR BUSINESS MODEL IS UNDERPINNED BY:

— Our strategy, pages 20 and 21
— Our risk management framework, pages 30 and 31
— Our high standards of corporate governance, pages 42 to 44
— How we engage with our stakeholders, pages 12 to 15

Tatton

INVESTMENT PORTFOLIOS AND FUNDS

— 668 firms
— 72,450 client accounts
— £8.990bn AUM
— 44 risk-rated portfolios across a range of strategies across 15 platforms

Paradigm

MORTGAGES AND INSURANCE

— 1,612 member firms
— £11.34bn gross lending

COMPLIANCE ADVICE AND SUPPORT TO IFAS

— 407 Consulting member firms
— Over 1,150 IFAs

Our outputs

SHAREHOLDERS

The Group has a cash-generative business model, access to a committed £10m revolving credit facility and a further £20m accordion, significant levels of recurring revenue and strong profit margins in a growth market. The value generated from the business is issued to shareholders as dividends or reinvested in the business to drive future growth. We have a progressive dividend policy – see page 49.

CLIENTS

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

IFAS

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

EMPLOYEES

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

SOCIETY

The services provided by the Group to IFAs and their clients allow individuals to save and invest with confidence. See pages 36 to 39.

AUM

£8.990bn (2020: £6.651bn)

Adjusted operating profit*

£11.402m (2020: £9.076m)

* Alternative performance measures are detailed in note 22.

We remain focused on a growth strategy

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

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

Our strategy	1 DEEPEN OUR IFA RELATIONSHIPS TO GROW AUM	2 ORGANIC GROWTH – INCREASE SHARE OF OUR RESPECTIVE MARKETS
Description	Strengthening existing IFA/client relationships and building new long-term relationships, delivering sustainable value for both the IFA/clients and shareholders	Further penetrate our markets adding new firms in Tatton and new members in Paradigm
2021 achievements	— AUM has increased by 35.2% to £8.990bn from £6.651bn in the prior year across all firms and clients — The number of firms in the year increased by 12.3% to 668 — We launched Global portfolios in the year, increasing our proposition to our clients	— New firms and new members increased across all parts of the business — Tatton +12.3% to 668 firms — Paradigm Mortgages +4.4% to 1,612 — Paradigm Consulting +3.3% to 407
2022 objectives	— We continue to invest in account management, both external and internal, to ensure we are well placed to service the IFAs' needs — Further broaden our proposition and service portfolio — Maintain the market leading product and service proposition	— Maintain new firm growth in Tatton and Paradigm through further marketing and account management
KPIs	Net inflows **£0.8bn** Net inflows as % of opening AUM **11.4%** Increase in AUM in the year **35.2%**	Tatton firm numbers **668** Growth in Tatton firms **12.3%** Mortgages members **1,612** Consulting members **407**
Risks	INTERNAL — Failure of investment strategy — Key personnel risk (the loss of, or inability to recruit and retain key personnel) EXTERNAL — Adverse macro-economic, political and market factors which affect performance — Changing regulatory and competitive environment which could adversely impact AUM and client number targets — System failure, cyber security and data protection breaches causing reputational damage	INTERNAL — Failure of investment strategy — Loss or failure of key IFA client EXTERNAL — Increasing level of competition and new entrants into the MPS market — IFA consolidation reduces the number of targets with the potential to impact existing firms

3 M&A ACTIVITY REMAINS PART OF THE GROUP'S GROWTH STRATEGY	4 MIGRATION OF ASSET "BACK BOOKS"	5 STRATEGIC PARTNERSHIPS AND JOINT VENTURES
We continue to look to complement our strong organic growth through targeted acquisitions that fit strategically and will be earnings enhancing	Existing clients using Tatton's DFM service have a back book of assets that we look to migrate over to Tatton in the medium term	Agreements put in place to develop strategic partnership/alliances and joint ventures as an additional distribution channel to increase assets on the Tatton DFM service
— This year we have participated in a number of corporate processes, in each of which we have followed a disciplined process — We have developed a strong pipeline of potential targets to support future M&A activity	— This financial year we developed and migrated back books with a total value of £71m	— This is the first full year of the strategic partnership with Tenet Group. At March 2021, 104 firms have contributed £0.5bn to Tatton's overall AUM of £9.0bn — We have brought on board new IFA partners following a due diligence with Threesixty Services
— Our ambition is to grow both organically and also through making strategic acquisitions that are earnings enhancing and have the potential to fit our wider strategic objectives. We will continue to evaluate opportunities as and when they arise	— We maintain a pipeline of back book opportunities. As we head into the new financial year, we will look to execute the migrations while developing further opportunities to add to the pipeline	— Continue to develop existing strategic alliances and develop new relationships that align objectives and deliver the best outcomes for the client and IFA
Cash at bank **£16.9m** Undrawn debt facility **£10.0m** Access to accordion **£20.0m**	AUM **£9.0bn** Back book migrations **£71m**	Attributable firms **104** Attributable AUM **£0.5bn**
INTERNAL — Due diligence and post acquisition integration risk — Liquidity risk where the Group is unable to obtain sufficient funding EXTERNAL — Adverse macro-economic, political and market factors which affect the valuation of target companies/fund ranges — Interest rate risk on borrowings — Bank default	INTERNAL — Failure of investment strategy — Key personnel risk (relationship management) — Loss or failure of key IFA client EXTERNAL — Changing competitive environment — Failure of a third party platform provider	INTERNAL — Key personnel risk (relationship management) — Failure of investment strategy EXTERNAL — Changing competitive environment — Regulatory changes affecting the Group's ability to reach new distribution channels

Read more on page 6

Delivering value through strategic partnerships

"Our working relationship with Tatton has been easy from the beginning. The investment proposition provides a range of competitively priced managed portfolios including an ethical option. Introducing Tatton to our clients has been straightforward and now forms part of our overall offering, improving our processes and allowing us to focus on the planning needs of our clients."

CRAIG BONSOR Jalapeno Financial Planning

www

Find out more about Tatton Asset Management at tattonassetmanagement.com

JUSTINE RANDALL Sales Director

After completing the first full year of working with the Tenet Group, our partnership has brought 104 new IFA firms and in excess of £0.5bn of client assets into the Tatton family.

We have been delighted to extend our distribution footprint by demonstrating to the Tenet firms the value of working with an investment manager with a strong track record.

This has enabled the team and I to work with firms of all shapes and sizes to deliver a consistent approach to managing investments and service excellence. Most importantly, this allows the advisers to focus on what they do best – helping clients achieve their financial and lifestyle goals.

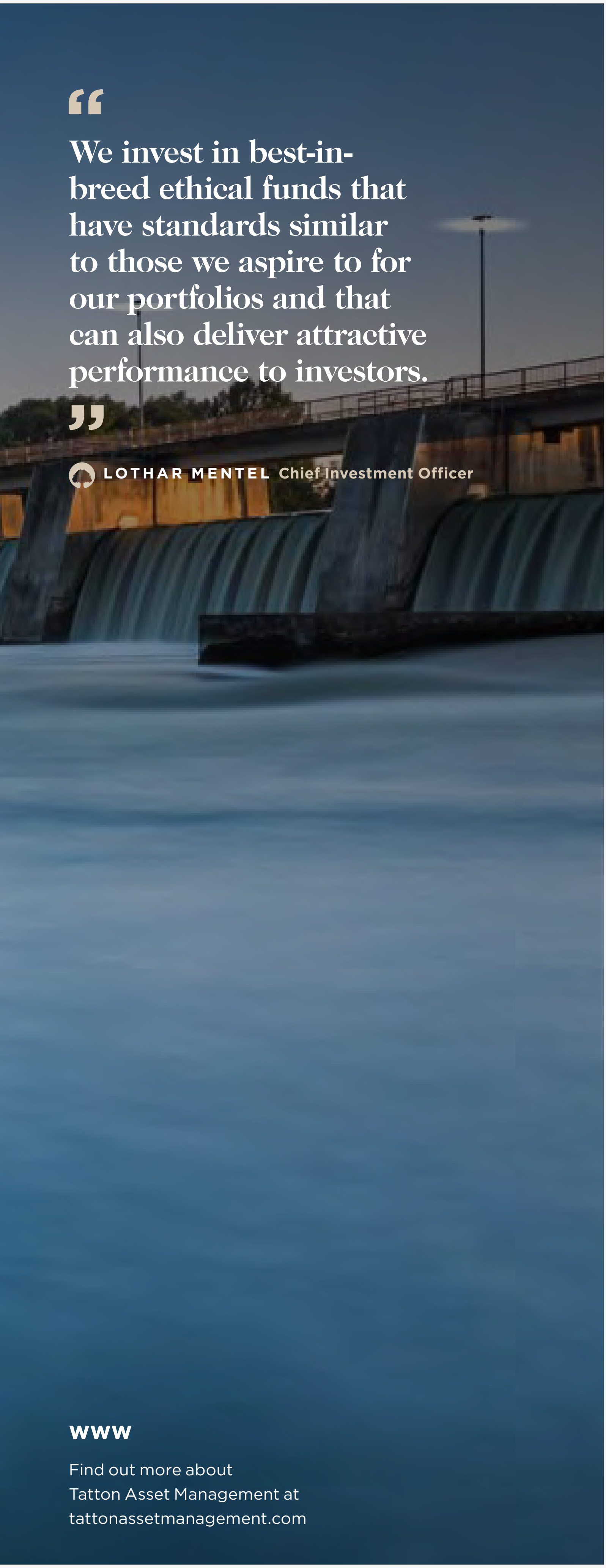
18 months

104 firms

£0.5bn AUM

Justine Randall
Sales Director

Making a difference through ethical investments



> “We invest in best-in-breed ethical funds that have standards similar to those we aspire to for our portfolios and that can also deliver attractive performance to investors.”

LOTHAR MENTEL Chief Investment Officer

WWW

Find out more about Tatton Asset Management at tattonassetmanagement.com

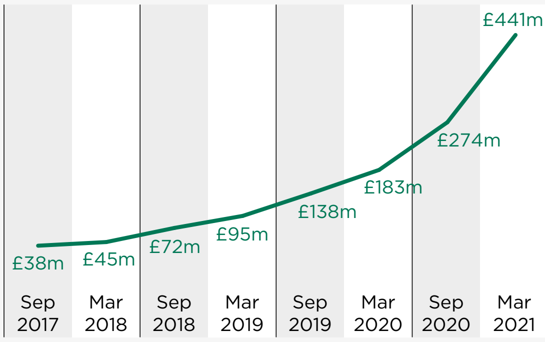
Tatton’s Ethical Portfolios hold £441 million of AUM, 5% of our overall AUM and an increase of 141% in the year.

Over the years many investors have become frustrated that their investments do not take into consideration the environmental impact or corporate behaviour of the underlying companies in the funds. Environmental and socially responsible policies are more central to our everyday lives and so investing according to these principles is becoming more mainstream.

Tatton Investment Management’s Ethical Portfolios are designed to suit the needs of investors who want their investments to align with their own responsible investing concerns. We offer a complete range of risk profiles in our Ethical Portfolios allowing us to meet the needs of the majority of investors. To do this, we combined our sophisticated investment process with a set of negative and positive ethical screens, selecting managers with strategies and investment outlooks that complement each other to create harmonious investment portfolios.

Read more on page 39

AUM (£m)



AUM

£441m +141% (2020: £183m)

Net flows

£204m +89% (2020: £108m)

Number of accounts

4,472 +98% (2020: 2,263)

% of overall AUM

4.9% +2.1% (2020: 2.8%)

Supporting IFAs in a rollercoaster mortgage market

> Despite a challenging year in the mortgage market, Paradigm has excelled in recruiting new firms and has reached record levels of mortgage completions and applications.

ROBERT HUNT
Chief Executive Officer of Paradigm Mortgages

www

Find out more about Tatton Asset Management at tattonassetmanagement.com

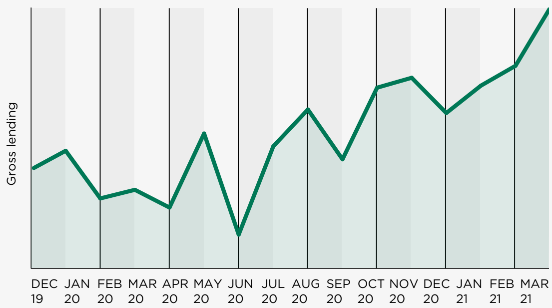
ROBERT HUNT
Chief Executive Officer of Paradigm Mortgages

In April 2020, due to the first lockdown, the housing market was in effect closed to new business with the subsequent impact on mortgage lending. Roll on 12 months and Paradigm has had a record year in mortgage applications and completions.

This is not solely down to the reduction in stamp duty – by the time the Chancellor introduced this in July the market was already running apace and Paradigm was able to build on this due to the support we offered to our members and the wider market during the difficult months of lockdown. Paradigm continued to recruit new firms despite not being able to make in-person visits.

These factors, and a dedicated, hard working team, enabled Paradigm to provide high quality service and support to our members through the most difficult of times, with the result that we increased our completions by 15% to £11.34bn in a market that declined by 5%.

Mortgage completions trend over lockdown



Group performance

Strategic objectives

The Group uses these financial and strategic Key performance indicators ("KPIs") to measure its progress and the achievement against its strategy.

1 DEEPEN OUR IFA RELATIONSHIPS TO GROW AUM

Tatton firm numbers

668

2 ORGANIC GROWTH – INCREASE SHARE OF OUR RESPECTIVE MARKETS

Net inflows

£0.8bn

3 M&A ACTIVITY REMAINS PART OF THE GROUP'S GROWTH STRATEGY

Opportunities being considered while maintaining discipline around fundamentals

4 MIGRATION OF ASSET "BACK BOOKS"

Migration of back books contributed to AUM of

£9.0bn

5 STRATEGIC PARTNERSHIPS AND JOINT VENTURES

Attributable AUM

£0.5bn

Read more on page 20

Financial KPIs

GROUP REVENUE (£M)
Revenue generated by the Group for the financial year.

2018	15.5
2019	17.5
2020	21.4
2021	**23.4**

ADJUSTED OPERATING PROFIT* (£M)
Adjusted operating profit* generated by the Group.

2018	6.5
2019	7.3
2020	9.1
2021	**11.4**

FULLY DILUTED ADJUSTED EPS* (P)
Adjusted profit after tax* divided by the weighted average number of fully diluted ordinary shares.

2018	9.12
2019	10.02
2020	12.00
2021	**14.74**

PROPOSED FINAL DIVIDEND (P)
Final proposed dividend per share.

2018	4.4
2019	5.6
2020	6.4
2021	**7.5**

Non-financial KPIs

AUM (£BN)
Total AUM at the end of the year.

2018	4.879
2019	6.068
2020	6.651
2021	**8.990**

ASSET NET INFLOWS (£BN)
Growth in new clients has helped drive positive net inflows.

2018	0.960
2019	1.106
2020	1.129
2021	**0.755**

TATTON INVESTMENT MANAGEMENT FIRMS
Number of Tatton firms at the end of the financial year.

2018	341
2019	445
2020	595
2021	**668**

PARADIGM CONSULTING MEMBERS
The year end number of Paradigm Consulting members.

2018	368
2019	390
2020	394
2021	**407**

PARADIGM MORTGAGES MEMBERS
Number of Paradigm Mortgages members at the end of the year.

2018	1,220
2019	1,392
2020	1,544
2021	**1,612**

MORTGAGES GROSS LENDING (£BN)
Value of gross lending by Paradigm firms.

2018	6.87
2019	8.39
2020	9.86
2021	**11.34**

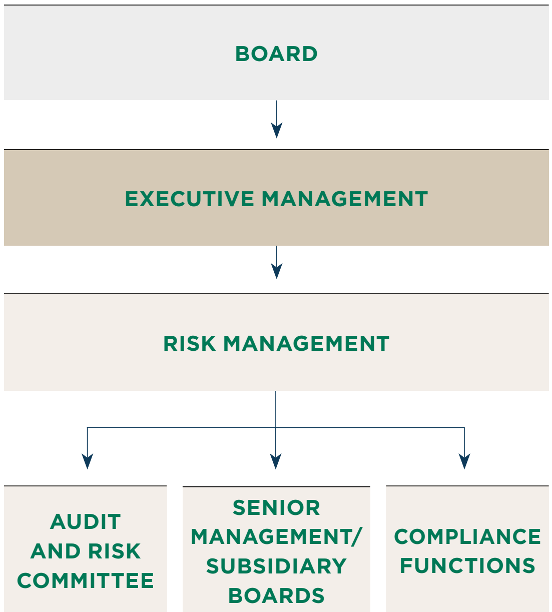
* Alternative performance measures are detailed in note 22.

FY2021 progress and FY2022 outlook	Key risks	Link to strategic objectives
Revenue has grown by 9.3% in the year, driven by the increase in AUM and number of firms receiving the Tatton and Paradigm services. The Group's strategy is to continue its growth both organically and through M&A activity.	A reduction in AUM through adverse macro-economic, political or market factors or through a changing competitive environment reduces revenue. A loss or failure of a key IFA client or reputational damage reducing AUM will also affect the Group's revenue.	1,2,3,4,5
TAM has a high level of recurring revenue and high level of operational gearing, delivering increased profits and margins. Adjusted operating profit* has increased by 25.6% to £11.402m, delivering adjusted operating profit* margin of 48.8% (2020: 42.5%). Profit before tax, however, has reduced to £7.303m (2020: £10.296m) due to the catch-up in share-based payment charges.	Adjusted operating profit* would be affected by a reduction in revenue or increased operating costs, for example through the revenue risks listed above or through increased costs from changes to legislation and regulation or a system failure, cyber security or data breach.	1,2,3,4,5
Strong growth across the Group has driven an increase of 22.8% in fully diluted adjusted EPS* to 14.74p, reflecting the increased value delivered to shareholders. The Group expects to continue to grow EPS through the scalability of the business model and continued strategic execution.	Fully diluted adjusted EPS* would be affected by a reduction in profits.	1,2,3,4,5
A final proposed dividend of 7.5p gives a full year dividend of 11.0p. The Group targets continued growth in dividends per share in line with the Group's dividend policy; see page 49.	A reduction in profits would reduce the level of profits available for distribution to shareholders. If the Group had a shortfall in cash or other liquid assets, changed its strategy on the allocation of capital or an inability to obtain sufficient funding it may be unable to pay a dividend.	1,2,3,4,5

FY2021 progress and FY2022 outlook	Key risks	Link to strategic objectives
AUM has increased by £2.3 billion, or 35.2% this year to a new milestone of £9.0 billion. Net inflows were £0.8 billion in the year with positive market movements of £1.5 billion following the COVID-19 pandemic-related market downturn at the end of the 2020 financial year.	There may be falls in AUM through adverse macro-economic, political or market factors. The Group may suffer outflows as a result of a changing competitive environment, a failure in its investment strategy, a loss or failure of a key IFA client or a failure to recruit and retain quality personnel to meet its clients' needs.	1,2,3,4,5
Strong growth in new clients has helped drive positive net inflows of £755 million despite the challenging market conditions of the last financial year. We built up momentum through the year, delivering £427 million in H2 compared with £328 million in H1 and carry this momentum into the new financial year.	Net inflows may reduce due to adverse market conditions, a loss or failure of a key IFA client, a changing competitive environment or a failure of the Group's investment strategy.	1,2,3,4,5
Strong growth in the number of firms using the Tatton DFM service, an increase of 12.3% to 668 firms. The Group continues to focus on increasing our share of the market and adding new firms.	An increasingly competitive environment may affect the Group's ability to add new firms. The Group may lose firms due to a failure of the Group's investment strategy or its recruitment and retention of quality personnel.	2,3,5
Paradigm Consulting members maintained steady growth in new members, increasing by 3.3% to 407 and the Group will continue to support its firms and gain new members.	The Group may not be able to increase the number of member firms due to an increasingly competitive environment and market consolidation.	2,5
Paradigm Mortgages has excelled in recruiting new firms, increasing its members by 4.4% to 1,612.	The Group may not be able to increase the number of member firms due to an increasingly competitive environment.	2,5
Paradigm Mortgages increased its gross lending by 15.0% to £11.34bn in a market that declined by 5%. As Paradigm continues to recruit new firms, it will increase its share of the mortgage market.	Paradigm gross lending would be affected by the number of member firms.	2

Our approach to risk

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



Risk management

RISK MANAGEMENT FRAMEWORK

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

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

- Industry risks
- Operational risks
- Financial risks

PHILOSOPHY AND CULTURE

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

GOVERNANCE

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

The Audit and Risk Committee met three times in the year and, following the appointment of Lesley Watt in April 2021, its members are:

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

We look forward to the additional oversight and challenge that Lesley will be able to bring from her previous experience.

TIML RISK REVIEW

During the year, the Group's regulated entity, TIML, completed an independent review of its current risk management practices to support its growth strategy and ensure ongoing alignment with good practice. Although this review did not identify any material deficiencies, the TIML Board agreed the following enhancements:

- clarifying the risk governance arrangements between the Group and TIML, via a revised schedule of Matters Reserved;

Risk assessment process

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

— implementing a more structured risk appetite framework, comprising both financial and franchise risk areas; and

— enhancing the current risk reporting of the top risks facing the business, which is ongoing.

The progress in delivering these changes is overseen by the TIML Board and reported to the TAM Audit and Risk Committee on a quarterly basis.

RISK APPETITE

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

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

RISK REPORTING

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

The following section shows our assessment of the top risks that we face, along with how the significance of the risk has changed during the year. As the UK has now left the European Union without any material impact to the Group's business, this specific risk has been removed and the Group will continue to monitor the related risks of Adverse macro-economic, political and market factors and Changes to UK tax law. New and emerging risks are considered and assessed by the Board throughout the year for inclusion in this list.

THREE LINES OF DEFENCE

1 FIRST LINE OF DEFENCE

OWNERSHIP AND MANAGEMENT OF RISK WITHIN THE BUSINESS

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

2 SECOND LINE OF DEFENCE

RISK OVERSIGHT AND CHALLENGE

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

3 THIRD LINE OF DEFENCE

INDEPENDENT ASSURANCE

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

Read more on page 42

Industry risks

Key: Risk increased · Risk decreased · Risk unchanged

Risk		Impact	Mitigation
Adverse macro-economic, political and market factors Economic, political and market forces, particularly impacting the UK equity markets, which are beyond the Group's control could adversely affect the value of AUM from which the Group derives revenues. This could be sudden in cases such as the COVID-19 pandemic, and could cause significant volatility in global markets and severe economic weakness which undermines confidence.	Risk decreased	— Downturns in the market and resultant falls in AUM or other income would have a negative impact on the Group's revenue and profit — Market uncertainty can lead to clients being reluctant to invest in the market, so reducing net inflows	— The Group has an experienced investment management team with a strong track record — Investment strategies are continually monitored by the Investment Committee — A prudent approach to investment strategy means that a significant proportion of AUM is made up of lower risk appetite portfolios which typically have a market fall correlation of approximately 60%
Changing competitive environment The market environment in which the Group operates is highly competitive with fast changing characteristics and trends.	Risk increased	— Loss of competitive advantage such that AUM and client number targets are adversely impacted. This would have a negative impact on revenue and profitability	— Broad service offering providing diversified revenue streams across an increased number of platforms — Highly competitive pricing points — Deep industry experience and strong client relationships resulting in a loyal customer base — Strong brand and excellent reputation
Regulatory risk Changes to or new legislation and/or regulation, or changes to interpretation and/or failure to comply with existing legislation and/or regulation, may adversely impact the Group's operations and competitive position.	Risk unchanged	— Regulatory fine and/or censure — Related negative publicity could reduce customer confidence and affect ability to generate net inflows — Poor conduct could have a negative impact on client outcomes, impacting the Group's ability to achieve strategic objectives — Complaints and claims from third parties and clients in connection with the Group's regulatory responsibilities could have an adverse impact on the Group's financial condition	— Regulatory advice is a core business stream for the Group meaning that a strong risk culture exists throughout the Group — The Group delivers strong regulatory and compliance support to clients through dedicated compliance teams and systems — The Group's strong financial position provides a safeguard should changes to regulatory capital requirements occur
Change to UK tax law A change to UK tax law, particularly as a result of a change in UK law post Brexit and as the economy recovers from the COVID-19 pandemic, could adversely impact the performance and attractiveness of long-term saving and investment through pensions and other wrap products.	Risk increased	— Increase in taxes leaves investors with less free cash to invest, resulting in a reduction savings and investment in pensions and other wrap products, so reducing AUM and the Group's revenue	— Broad service offering, providing diversified revenue streams

Operational risks

Risk		Impact	Mitigation
Failure of a third party service provider The Group manages its investments through the use of third party service providers, e.g. platform/authorised corporate director providers. Operational failure or cessation of trade of a significant third party could have a material adverse impact on the Group's reputation, operations, financial performance and growth.	Risk unchanged	— Negative impact on customer outcomes due to service unavailability, delays in receiving and/or processing customer transactions or interruptions to settlement and reconciliation processes — Financial impact through increased operational losses — Regulatory fine and/or censure	— Due diligence is performed when selecting key suppliers — The Group is covered by third party indemnities for business-critical services — Third party relationships are subjected to a high level of ongoing oversight, including due diligence and a risk-based approach, from the Group's internal compliance function. This gives assurance that third party platform providers meet the Group's high standards.
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.	Risk unchanged	— Inability to service client needs — Reputational damage	— Recruitment programmes are in place to attract suitable staff — The success of the Group's listing has increased our ability to attract and retain high calibre candidates — Staff share schemes are in place to incentivise staff and encourage long-term retention

Operational risks continued

Key: Risk increased | Risk decreased | Risk unchanged

Risk		Impact	Mitigation
Failure of investment strategy The risk that the investment strategy fails to maintain an acceptable level of performance, particularly in times of significant market volatility such as due to the impact of the COVID-19 pandemic, resulting in a decline in revenues and in the value of assets from which revenues are derived.	Risk unchanged	— Negative impact on achievement of AUM, net inflows and client number strategic targets — Poor client outcomes that also prevent the achievement of our growth targets — Reputational damage	— The Group has an experienced investment management team with a strong track record — Investment strategies are continually monitored by senior management, the Investment Committee and the Board — Due to the nature of the Group's investment strategy, its portfolios typically have a market fall correlation of approximately 60%
Loss or failure of key IFA client The Group has several major IFA clients. A change in relationship or termination of business with any of these, and the Group being unable to replace them in a timely fashion, could have an adverse impact.	Risk unchanged	— Negative impact on achievement of AUM, operating profit and client number strategic targets — Reputational damage	— The Group has a clearly defined business development strategy and a broad service offering — The Group continues to add member firms, so diversifying its client base — Client engagement is proactively managed by dedicated client managers who have in-depth knowledge of the IFA industry and expert regulatory and compliance knowledge
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. There is a heightened risk for financial fraud as individuals take advantage of the current COVID-19 pandemic situation.	Risk increased	— Related negative publicity could damage customer and market confidence in the business, affecting our ability to retain and attract new customers — Information security breaches could result in fine/censure from regulators, the Information Commissioner's Office and the FCA	— Experienced in-house team of IT professionals supported by reputable and established third party suppliers — IT disaster recovery procedures in place — Data Protection Officers appointed — Penetration testing conducted regularly — Increased awareness and training of employees

Financial risks

Risk		Impact	Mitigation
Counterparty credit risk A counterparty to a financial obligation may default on repayments, particularly if under financial stress due to the COVID-19 pandemic	Risk unchanged	— Unintended market exposure — Customer detriment	— 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 — All receivables are paid monthly
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 an inability to obtain sufficient additional funding.	Risk unchanged	— Reputational damage — Potential customer detriment — Financial loss — Unable to meet obligations as they fall due	— Profitable and cash-generative business — New £10m revolving credit facility put in place in the year, with a £20m accordion — Active cash flow forecasting and liquidity management ensures availability of funds at short notice — The Group maintains a cash surplus above regulatory and working capital requirements
Bank default The risk that one of the Group's relationship banks could default.	Risk unchanged	— Financial loss — Unable to meet obligations as they fall due	— The Group only uses banks with strong credit ratings — Banking relationships are reviewed regularly
Concentration risk Risk arising from lack of diversification in business activity or geography.	Risk unchanged	— Over-reliance on one business activity could lead to financial underperformance	— Broad range of business services offered, providing diversified revenue streams and a diverse and growing client base — Recruitment into the Group's sales functions in the year in order to grow AUM across a broader client base

Group revenue (£m)

£23.4m +9.3%

2019	£17.5m
2020	£21.4m
2021	£23.4m

AUM (£bn)

£9.0bn +32.5%

2019	£6.1bn
2020	£6.7bn
2021	£9.0bn

Adjusted EPS* (p)

14.74p +22.8%

2019	10.02p
2020	12.00p
2021	14.74p

RESILIENCE AND LONG-TERM VALUE CREATION

PAUL EDWARDS Chief Financial Officer

"The Group has delivered a strong financial performance in a difficult year, highlighting the resilience of its business model."

Chief Financial Officer's Report

OVERVIEW

In a year which has seen significant uncertainty and market volatility, the Group has shown a considerable level of resilience across all areas of the business. The Group's business model has been resoundly tested and proved to be robust as the Group delivered strong growth across revenue, adjusted operating profit* and earnings while maintaining a strong balance sheet and liquidity position.

RECORD REVENUE AND PROFITS

Revenue – Group reported revenue increased by 9.3% to £23.353 million (2020: £21.369 million).

Tatton revenue increased 13.6% to £18.097 million (2020: £15.924 million). AUM increased 35.2% to reach £8.990 billion (2020: £6.651 billion). This increase in AUM includes net inflows of £755 million despite the challenging market conditions and was supported by investment returns of 23.8% as markets recovered following the deterioration of asset values in February 2020 due to the COVID-19 pandemic. The mix of the investment income continues to evolve with income from MPS continuing to show strong growth. Tatton funds continue to make an increase in contribution as we further expand our proposition beyond purely MPS. Funds, or non-MPS, AUM now accounts for £0.5 billion of AUM (2020: £0.3 billion).

Paradigm's revenue reduced by 3.4% to £5.240 million (2020: £5.426 million) as the initial lockdown and subsequent restrictions impacted valuations and marketing income, predominately in H1. However, despite the restrictions in place, Paradigm Mortgages adapted quickly to the new environment and increased its member firms to 1,612 (2020: 1,544) driving an increase of 15.0% in gross lending from completions to £11.34 billion (2020: £9.86 billion). Paradigm Consulting member firms increased to 407 (2020: 394).

Profit – The Group delivered adjusted operating profit* of £11.402 million (2020: £9.076 million), an increase of 25.6%. Adjusted operating profit* margin increased to 48.8% (2020: 42.5%), supported by our business model and the low level of operational gearing but also uniquely this year has seen a reduction in costs of circa £0.6 million related to travel and marketing. Total Group operating profit was £7.508 million (2020: £10.302 million) which includes the impact of the cost of separately disclosed items of £3.894 million with the prior year benefiting from a credit from separately disclosed items of £1.227 million, largely relating to the VAT refund received in 2020.

In order to better understand the profitability of the divisions, each division has been allocated an element of central overhead costs. The allocation is based on the amount of time spent by central functions and the central services used by the divisions. The operating profit figures for the current and prior year reflect the allocation of these central costs so that the prior year figures are comparable.

Tatton continues to make investments which underpin our growth, increasing our sales team at the start of the financial year by an additional three people to help drive and support future growth. Adjusted operating profit* increased by 26.4% to £10.901 million (2020: £8.622 million[1]) and its adjusted margin* increased to 60.2% (2020: 54.1%[1]). Tatton's continued strong growth has ensured it remains the largest part of the Group, contributing 77.5% of the revenue and 95.6% of the adjusted operating profit* (see note 4), a trend that is expected to continue. Paradigm's adjusted operating profit* contributed £2.028 million (2020: £1.891 million[1]), with margin of 38.7% (2020: 34.9%[1]).

CHANGE IN VAT TREATMENT

At the end of March 2020, the Group agreed with HM Revenue & Customs ("HMRC") that Tatton's supplies of DFM services in respect of model portfolios would be exempt from VAT. As a result, the Group received a VAT refund of £1.7 million in the prior year relating to the years 2015 to 2019. During this financial year, HMRC has continued correspondence with the Group to seek further understanding and clarification around the Group's MPS service, with a further claim relating to 2020 remaining outstanding.

SEPARATELY DISCLOSED ITEMS

Separately disclosed items include the cost of share-based payments of £3.740 million, amortisation of customer relationship intangible assets of £0.120 million, £0.218 million of acquisition-related fees and a credit relating to the change in fair value of contingent consideration of £0.184 million; see note 6. There has been a significant increase in share-based payments this year as a consequence of the release of the majority of the provision in the prior year due to the uncertainty around the impact that the COVID-19 pandemic would have on the financial performance of the Group. Due to the Group's response and management of the business, the Group has delivered a strong financial performance effectively requiring two years' charge to be taken in the current financial year. Although some of these items may recur from one period to the next, operating profit has been adjusted for these items to give better clarity of the underlying performance of the Group. The alternative performance measures ("APMs") are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets.

EARNINGS PER SHARE

Basic earnings per share reduced to 10.86p (2020: 14.98p) due to the impact of the share-based payments charge in the year and the benefit in 2020 of the credit relating to the VAT refund. Adjusted earnings per share* increased by 22.9% to 16.14p (2020: 13.13p) and adjusted fully diluted earnings per share increased by 22.8% to 14.74p (2020: 12.00p).

STATEMENT OF FINANCIAL POSITION AND CASH

The Group continues to strengthen its balance sheet and net assets increased to £24.446 million (2020: £17.778 million). The Group continued to see healthy cash generation and ended the year with cash on the balance sheet of £16.934 million (2020: £12.757 million). Net cash generated from operating activities before exceptional items was £10.906 million (2020: £9.831 million), 95.6% of adjusted operating profit*. The Group received £3.212 million on the issue of new shares following the exercise of employee share options and, following demand from institutional investors, Zeus Capital, the Company's Broker, elected to exercise their warrant over 1,118,151 ordinary shares. The warrant was granted at the point of listing in July 2017 and there are no other warrants outstanding.

DEBT FACILITY

Earlier this year the Group has put in place a new debt facility giving access to up to £30 million of funds. The new facility is split between a £10 million three-year committed revolving credit facility which remains undrawn, with an accordion option of £20 million. The accordion feature remains uncommitted at this stage but accessible on short notice and provides financial flexibility for future corporate transactions.

DIVIDENDS

The Board is recommending a final dividend of 7.5p. When added to the interim dividend of 3.5p this gives a full year dividend of 11.0p. This proposed dividend reflects both our cash performance in the period and our underlying confidence in our business. If approved at the Annual General Meeting the final dividend will be paid on 28 July 2021 to shareholders on the register on 25 June 2021.

RISK MANAGEMENT

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 32 and 33. We choose key performance indicators that reflect our strategic priorities of investment, growth and profit and these are detailed on pages 28 and 29.

The Strategic Report found on pages 1 to 39 has been approved and authorised for issue by the Board of Directors and signed on their behalf on 14 June 2021 by:

Paul Edwards
Chief Financial Officer

1. Restated for the allocation of central overhead costs in the year ending March 2020

* Alternative performance measures are detailed in note 22.

Positive action

The Board understands and is committed to its Environmental, Social and Governance ("ESG") responsibilities and ensures that ESG considerations are built into the Group's strategy across the whole of the business. We conduct our operations with integrity, fairness and transparency and we recognise that we have an important part to play in shaping the future for all our stakeholders. We are committed to delivering positive outcomes for all.

OUR ESG PRIORITIES

The Board initiated an ESG review during this year to address how the business responds to ESG-related matters at the corporate level. A sub-committee has been established with Chris Poil (Senior Non-Executive Director and Head of the Audit and Risk Committee) leading this team with the aim of creating a roadmap to develop the initiatives in this area. The ESG sub-committee feed information into the Board where it identifies any gaps in its application of ESG principles including opportunities where we can make further progress in the future. The Board has commenced holding ESG as a standing item on its agenda and uses the information provided by the sub-committee in its decision making process as detailed on page 14 and takes appropriate action. Our key priorities for further improvement over the short term are:

ENVIRONMENT

— Monitoring and reporting on climate change impact, energy consumption and energy efficiency
— Waste management, considering Green IT and IT recycling

SOCIAL

— Extending employee communication around wellbeing and engagement
— Reporting on equal opportunity and equal pay
— Other means of supporting employee learning and development
— Consideration of other ways of supporting charitable giving

GOVERNANCE

— ESG reporting including a Corporate Responsibility Policy

Other ESG areas are regularly monitored and reviewed by the Board and the Audit and Risk Committee.

ENVIRONMENT

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

We have a relatively small number of employees with three UK offices. Our employees rarely travel internationally, and particularly in the current year, our UK travel has significantly reduced with employees making use of video conferencing facilities. This is a trend which we expect to continue to some extent, even once all the restrictions relating to the COVID-19 pandemic have been removed.

OUR PEOPLE AND CULTURE

People are our most important asset in achieving our Group strategy and provide excellent service and support to IFAs which enables them to meet the needs of their clients. In support of this, we aim to ensure all employees have the skill set to deliver this and in addition that they feel they are respected, motivated and safeguarded while at work. The business remains small with currently fewer than 90 employees which allows the Directors to communicate with employees informally throughout the year but also through annual conferences and general meetings. In addition, there are appropriate procedures in place to ensure employees are able to raise issues through our grievance and harassment policies and Whistleblowing Policy which encourages employees to report matters of significant concern to their line manager, Compliance Manager, the Board or the Chair of the Audit and Risk Committee. The Board is also currently considering additional ways of extending communication and engagement with employees.

We encourage all employees to develop and make progress in their careers at TAM plc, whether through internal training, apprenticeship schemes or professional qualifications. The Group supports its employees with training and development, assisting financially and with time where appropriate to help them meet their goals; this includes CPD targets set by our regulators, ensuring that our investment managers have the appropriate technical and supervision skills to maintain the highest levels of client service.

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

Total employee turnover during the year was 10%, of which 6% was voluntary employee turnover.

MENTAL HEALTH AND WELLBEING

We focus on the wellbeing of our people and we are acutely aware this year in particular of the challenges that everyone has faced since lockdown commenced. We have introduced access for all employees to a range of health support services, including remote GP access, mental health support and life, money and wellbeing support. We hope that this will be a valuable addition to staff benefits.

COVID-19

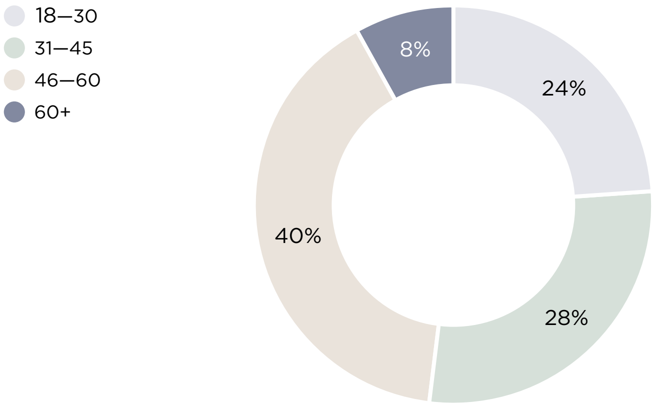
As the impact of the COVID-19 pandemic evolved over the past year, we have paid particular attention to supporting our employees as well as our clients. We adapted seamlessly to working from home and supported employees whose circumstances were more challenging. We invested in new equipment for employees and ensured all employees had laptops to enable them to work from home. Online communication tools which were already in place across the business became the day to day means of communicating across the workforce and externally. During the year, all Board and Committee meetings have been held virtually due to the impact of the pandemic. Our business continuity plans were proved to be effective as our customer support and business processes continued unaffected. The Group has not received any funding from government for any purpose, including the pandemic, as the Board believes that these government schemes are intended for businesses significantly more affected than TAM plc. In addition, no staff were made redundant directly because of the pandemic.

DIVERSITY AND INCLUSION

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

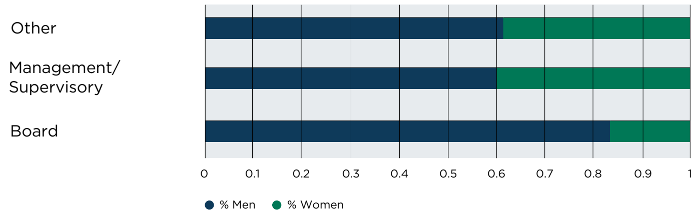
We recognise that women have been less well represented at all levels in the investment management industry and the financial services sector has the largest pay gap. The Group's figures correlate with this but show a slight improvement on the previous year where in March 2021, the Group employed 88 permanent staff, with a total of 33 women, 38% of our workforce (2020: 36%).

Age breakdown within Tatton

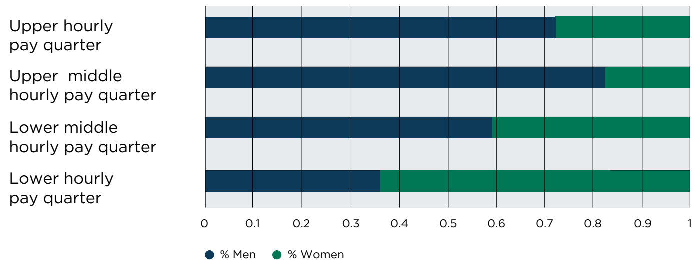


GENDER PAY GAP REPORTING

Gender Breakdown within Tatton



Tatton Gender pay gap by hourly pay quarter



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

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

We have analysed where there are men and women who perform the same role and in all cases they are paid equally. The mean hourly pay gap in 2021 is 45% and the median hourly pay gap is 48%. These differences reflect the profile of the workforce at different job levels where there is a higher number of men in senior roles than women, however this is a trend which is changing in our organisation as women have made up 75% of the most recent appointments into senior positions.

Our people and culture

European sustainable fund assets[1]

£1,332bn

+199% from 2020

Flows into European funds[1]

51%

of all new flows into European funds are now going into Sustainable funds

SUPPLIERS

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

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

CHARITABLE GIVING

In 2020, the Group, its employees, customer and strategic partners participated for a third year in the Trussell Trust's Reverse Advent Calendar, with the Group matching all donations by 150%. The Trussell Trust and its network of UK food banks supports people across the UK experiencing food poverty of some kind and due to the COVID-19 pandemic many of the usual fundraising activities have not been possible.

REGULATION AND FINANCIAL CRIME

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

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

GOVERNANCE

The Company has applied the principles of the Quoted Companies Alliance Corporate Governance Code (the "Code") in so far as it can be applied practically. The Code is constructed around ten broad principles, accompanied by an explanation of what those principles entail together with a set of disclosure requirements. These principles and how we comply with them can be found on pages 42 to 44 of this report and on the Group's website.

TAX STRATEGY

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

Our appetite for tax risk is low and we do not participate in aggressive tax planning or condone abusive tax practices which would contravene our ethics and culture. We pay all tax as it falls due and believe in maintaining a transparent and professional working relationship with HMRC and other tax authorities. In respect of the year ended 31 March 2021, the Group has paid £2.1 million of corporation tax.

CYBER AND DATA SECURITY

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

1. Morningstar, 2021

European sustainable fund assets[1]

12%

of total European assets

81%

of millennials are demanding 'climate aware' responsible investment products[2]

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

TATTON'S APPROACH TO ESG INVESTING

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

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

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

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

DO TATTON ETHICAL PORTFOLIOS MAKE A DIFFERENCE?

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

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

2. KPMG

The Board

ROGER CORNICK
Chairman

PAUL HOGARTH
Chief Executive Officer

PAUL EDWARDS
Chief Financial Officer

Committee memberships

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

Roger Cornick

Commenced: 2017

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

Paul Hogarth

Commenced: 2007

Skills, competence and experience:
Paul is the Chief Executive Officer of Tatton Asset Management, as well as Senior Partner at Paradigm Consulting.

Paul has over 30 years' experience in financial services, the majority of which were at the centre of IFA distribution. Paul was the Co-Founder of Bankhall in 1987, and built Bankhall Investment Associates from scratch to sale in May 2001 at which point 25% of the IFA sector utilised at least part of the Bankhall service proposition. After leaving Bankhall he went on to establish Paradigm Partners Limited, which launched in 2007 and has since grown to become one of the UK's top five distribution businesses. Subsequently he was also the Founder of Perspective Financial Group Limited later in 2007 and of Tatton Capital Limited in 2012.

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

Paul Edwards

Commenced: 2018

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

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

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

LOTHAR MENTEL

Director & Chief Investment Officer

Commenced: 2012

Skills, competence and experience:
Lothar is the Chief Investment Officer of Tatton Asset Management. He is also Chief Executive Officer for Tatton Investment Management.

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

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

CHRIS POIL

Non-Executive Director & Head of Audit and Risk

Commenced: 2017

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

LESLEY WATT

Non-Executive Director

Commenced: 2021

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

ROBERT HUNT

Chief Executive Officer of Mortgages

Commenced: 2007

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

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

In 1978 Robert joined the Royal Air Force where he studied electronic engineering for 5 years.

Corporate Governance Statement

INTRODUCTION

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. The Group has taken into consideration the guidance for smaller quoted companies on the Code produced by the Quoted Companies Alliance Corporate Governance Code (the "Code") and taken steps to apply the principles of the Code in so far as it can be applied practically, given the current size of the Group and the nature of its operations; see page 44.

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

LEADERSHIP AND ROLE OF THE BOARD

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

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

The Board comprises three Executive Directors, a Non-Executive Chairman and two Non-Executive Directors. The Group appointed a new Non-Executive Director, Lesley Watt, effective from April 2021. The names, biographical details and Committee memberships of the Board are set out on pages 40 and 41 of this report. Responsibilities of each Board member have been clearly established and there is a clearly defined division of responsibility between the Chairman and the Chief Executive. The Chairman is responsible for leading the Board, ensuring that shareholders are adequately informed with respect to the Group's affairs and that there are efficient communication channels between management, the Board and shareholders. The Chief Executive is responsible for innovation, managing the strategy of the Group and leading the senior management team in developing and implementing the strategy to maximise shareholder value.

BOARD COMMITTEES

NOMINATIONS COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT AND RISK COMMITTEE

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

BOARD EFFECTIVENESS, COMPOSITION AND INDEPENDENCE OF THE BOARD

During the year, and up until the date of signing this report, the Board comprised a Non-Executive Chairman, two Non-Executive Directors 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 sets of the Board and areas we have identified for development to meet future needs and address succession planning. The Board composition of Non-Executive and Executive Directors has remained the same during the financial year, with Lesley Watt joining the Board as a Non-Executive Director in April 2021. The Board members seek continuous improvement, ensuring they have the necessary up-to-date experience, skills and capabilities with development and training where required, see further information opposite. Although not members of the Committees, the Executive Directors attend meetings of the Audit and Risk Committee, Remuneration Committee and Nominations Committee as invited attendees, when appropriate.

MEETINGS AND ATTENDANCE

The following table sets out attendance of each Director at Board meetings held during the 12 months to the year ended 31 March 2021:

	Board	Remuneration Committee	Nominations Committee	Audit and Risk Committee
Number of meetings held	**5**	**4**	**1**	**3**
Roger Cornick	5	4	1	3
Chris Poil	5	4	1	3
Paul Hogarth	5	4	1	2
Lothar Mentel	5	–	–	–
Paul Edwards	5	4	–	3

Lesley Watt was appointed to the Board as a Non-Executive Director in April 2021 and therefore is not shown in the table above.

PERFORMANCE

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

DEVELOPMENT AND TRAINING

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

STAKEHOLDER INTERESTS AND ENGAGEMENT

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

COMMUNICATION WITH SHAREHOLDERS

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. Such systems are designed to manage rather than eliminate risks and can only provide reasonable, not absolute, assurance against material misstatement or loss. An ongoing process has been established to promote and communicate an appropriate risk culture within the Group and to identify, evaluate and manage significant risks faced by each part of the Group. This process has been in place throughout the year under review and includes key risks (industry, financial and operational) facing the Group. The process has also included the review and circulation of the Whistleblowing Policy to enable anonymous reporting of complaints. In addition, the Board has also received external reports in relation to cyber security and uses a range of measures to manage this risk, including the use of cyber security policies and procedures, security protection tools and ongoing detection and monitoring of threats. The Board routinely reviews the effectiveness of the systems of internal control and risk management to ensure controls react to changes in the Group's operations.

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

Paul Edwards
Chief Financial Officer

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

QCA Code Principle	Required disclosure	Reference
1	Establish a strategy and business model which promote long-term value for shareholders	Our business model is shown on pages 18 and 19 of the 2021 Annual Report
2	Seek to understand and meet shareholder needs and expectations	How we engage with our Stakeholders is shown on pages 12 to 15 of the 2021 Annual Report
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	How we engage with our Stakeholders is shown on pages 12 to 15 of the 2021 Annual Report
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Our risk management processes and principal risks are shown on pages 30 to 33 the 2021 Annual Report
5	Maintain the board as a well-functioning, balanced team led by the chair	Details of our Board members are shown on pages 40 and 41 of the 2021 Annual Report
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Details of our Board members are shown on pages 40 and 41 of the 2021 Annual Report
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Corporate Governance Report and Remuneration Report are detailed on pages 42 and 43 and 45 to 48 of the 2021 Annual Report
8	Promote a corporate culture that is based on ethical values and behaviours	Our ESG report is shown on pages 36 to 39 of the 2021 Annual Report
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the board	The Corporate Governance Report is detailed on pages 42 and 43 of the 2021 Annual Report
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	How we engage with our Stakeholders is shown on pages 12 to 15 and our Corporate Governance Report and Remuneration Report are detailed on pages 42 and 43 and 45 to 48 of the 2021 Annual Report

Directors' Remuneration Report

REMUNERATION POLICY

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

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

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

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

The Committee believes that the level of remuneration for Executive Directors is commensurate with the corporate and personal performance of the Executive Directors for the financial year ended 31 March 2021.

EXTERNAL APPOINTMENTS

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

REMUNERATION POLICY FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman and other Non-Executive Directors are appointed under a letter of appointment. The letters of appointment cover such matters as duties, time commitment and other business interests. The Remuneration Committee determines the remuneration for the Chairman and Non-Executive Directors within the limits set in the Company's Articles of Association. The fee for the Chairman's role takes into account the time commitment required for the role, the skills and experience of the individual and market practice in comparable companies. The Chairman's fee is currently set at £90,000 per annum. The Non-Executive Director fees policy is to pay a basic fee for membership of the Board, with additional fees for the Senior Independent Director and Chairmanship of a Committee to take into account the additional responsibilities and time commitments of these roles. The Non-Executive Director's fee is currently set at £70,000 per annum.

SERVICE CONTRACTS

It is the Group's policy for all Executive Directors to have contracts of employment that contain a termination notice period of not less than 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 (AUDITED)

Directors' remuneration payable in respect of the year ended 31 March 2021 was as follows:

	31/03/2021					31/03/2020			
Executive Directors	**Basic salary and fees £**	**2020/2021 Bonus £**	**2019/2020 Deferred Bonus[3] £**	**Pension-related and other taxable benefits £**	**Total £**	Basic salary and fees £	Bonus £	Pension-related and other taxable benefits £	Total £
Paul Hogarth	**342,000**	**150,000**	**300,000**	**1,887**	**793,887**	342,000	–	1,622	343,622
Lothar Mentel	**305,176**	**85,000**	**100,000**	**6,046**	**496,222**	300,381	35,000	11,573	346,954
Paul Edwards	**262,500**	**85,000**	**100,000**	**951**	**448,451**	262,500	–	935	263,435
Sub-total	**909,676**	**320,000**	**500,000**	**8,884**	**1,738,560**	904,881	35,000	14,130	954,011
Non-Executives									
Roger Cornick	**90,000**	**–**	**–**	**–**	**90,000**	90,000	–	–	90,000
Chris Poil	**70,000**	**–**	**–**	**–**	**70,000**	70,000	–	–	70,000
Total	**1,069,676**	**320,000**	**500,000**	**8,884**	**1,898,560**	1,064,881	35,000	14,130	1,114,011

Notes

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

2 All Executive Directors have received additional basic salary in lieu of pension contributions.

3 In the financial year ended 31 March 2021, bonuses of £500,000 relate to the performance in the financial year ended 31 March 2020, however the decision for the award was deferred until October 2020 due to the uncertainty around the impact on the business of the COVID-19 pandemic, see further information overleaf.

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 March with any changes typically taking effect in April taking account of market levels, corporate performance and individual performance.

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

PENSION PROVISION

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

OTHER BENEFITS

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

SHORT-TERM INCENTIVES – 2021 PERFORMANCE AND REMUNERATION OUTCOMES

Our remuneration framework for our Executive Directors is closely aligned with the financial performance of the Group. The Group's assets under management grew by 35.2% to reach £8.990 billion at 31 March 2021, revenue grew by 9.3% to £23.353 million and adjusted operating profit* grew by 25.6% to £11.402 million, which represents an underlying operating margin of 48.8%. Any bonuses paid as a short-term incentive are based on predetermined financial targets set at the start of the financial year and personal performance. For further details on the financial performance of the firm, please see pages 34 and 35.

In the financial year ended 31 March 2021, bonuses of £820,000 were paid to Executive Directors, of which £500,000 relates to the performance in the financial year ended 31 March 2020 where the predetermined financial targets had been met. However, due to the extraordinary circumstances relating to the impact of the COVID-19 pandemic which unfolded at the time of the prior year end March 2020, it was agreed by the Board that the Group would implement a salary increase and bonus freeze at the start of this financial year. The allocation and decision of this award was therefore deferred until October 2020 when there was greater clarity around the short- and medium-term implications of the pandemic on the financial performance of the Group.

LONG-TERM INCENTIVES

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

SHARESAVE PLAN

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

TAM PLC LONG-TERM INCENTIVE PLAN

The Directors have adopted the TAM plc EMI plan which became effective on admission and which was extended in each subsequent year up to 2020. The EMI plan is a share option plan under which all eligible employees (including Executive Directors) may be granted options over shares on a tax-advantaged basis, under the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 5"). Non-qualifying options may also be granted under the EMI plan.

VESTING OF 2017 EMI SCHEME

The EMI options granted in 2017 were based on a combination of targets for adjusted earnings per share ("EPS") growth of 40% and total shareholder return ("TSR") of 30% compound annual growth over a three-year period.

The 2017 EMI scheme vested in July 2020 and the vesting outcome was 76% of the total options granted. This resulted in 2,196,185 options vesting. During the year 673,568 shares were issued by the Company to satisfy options which were exercised with the remaining 1,522,617 options being unexercised as at 31 March 2021.

PERFORMANCE CONDITIONS FOR CURRENT EMI SCHEMES

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

*Alternative performance measures are detailed in note 22.

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

The Committee currently believes these are fair and appropriate conditions for rewarding participants as they align their interests with those of shareholders and, being measured over a three-year period, align the reward with the Group's strategy for growth by encouraging longer-term profitable growth. When determining the adjusted EPS growth, the shares will be fully diluted and the impact of adjusted items as determined by the Board, see note 6, will be disregarded to ensure that they do not artificially impact the EPS measurement.

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

DIRECTORS' INTERESTS IN SHARE OPTIONS

Outstanding share options granted to Executive Directors are as follows:

Executive Directors	Date of grant	Exercise price	At 31 March 2020 Number	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2021 Number
Paul Hogarth	7 July 2017	£1.89	503,168	–	–	(121,098)	382,070
	7 August 2018	£0.00	330,000	–	–	–	330,000
	28 July 2020	£0.00	–	174,758	–	–	174,758
Lothar Mentel	7 July 2017	£1.89	1,118,150	–	–	(269,106)	849,044
	7 August 2018	£0.00	330,000	–	–	–	330,000
	28 July 2020	£0.00	–	162,274	–	–	162,274
Paul Edwards	7 August 2018	£0.00	765,000	–	–	–	765,000
	28 July 2020	£0.00	–	141,624	–	–	141,624
			3,046,318	**478,656**	**–**	**(390,204)**	**3,134,770**

MALUS AND CLAWBACK

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

GRANT OF EQUITY SHARE OPTIONS UNDER THE EMI PLAN

At 31 March 2021, the Company had granted options to certain of its Executive Directors and senior managers to acquire (in aggregate) up to 8.2% of its share capital. The maximum entitlement of any individual was 2.4%.

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 2021 the Company held no shares in treasury, other than those held by the Employee Benefit Trust to satisfy options awarded under share incentive schemes (2020: 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.

EMPLOYEE BENEFIT TRUST ("EBT")

The Company's EBT was established for the benefit of the employees, former employees and their dependants of the Group. The EBT may be used in conjunction with the EMI plan where the Remuneration Committee decides in its discretion that it is appropriate to do so. The Company may provide funds to the trustee by way of loan or gift to enable the trustee to subscribe or purchase existing shares in the market in order to satisfy awards made under the EMI plan or the SAYE share option plan. During the year, the Company has made a gift of £0.975 million to the EBT (2020: £1.0 million).

As at 31 March 2021, the EBT held a total of 775,157 ordinary shares (2020: 413,411) equating to 1.34% of the issued ordinary share capital of the Company (2020: 0.74%).

TOTAL SHAREHOLDER RETURN FROM ADMISSION ON AIM TO 31 MARCH 2021

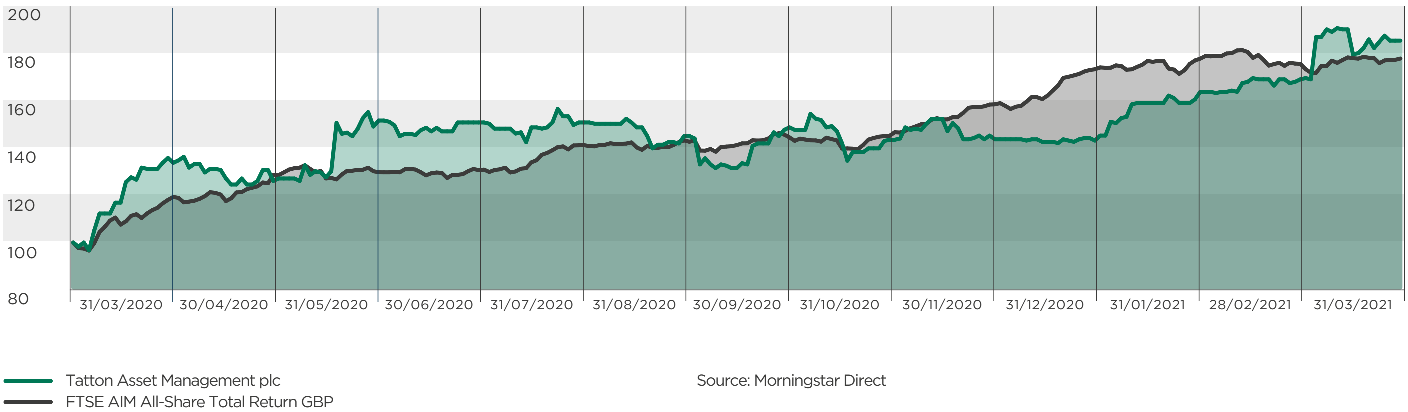
The Company's share price in the period from admission on AIM on 7 July 2017 to 31 March 2021 increased from £1.56 to £3.51 and market capitalisation grew from £87,215,720 to £203,192,191 with £15.78 million returned to shareholders by way of dividend.

The graph below shows the Company's TSR compared to the FTSE AIM All-Share Index in the 12 months to 31 March 2021. 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 2021 were as follows:

	No. of ordinary shares	Percentage shareholding (%)
Paul Hogarth	10,575,358	18.27%
Lothar Mentel	1,022,373	1.73%
Paul Edwards	94,864	0.16%
Christopher Poil	173,205	0.30%
Roger Cornick	32,051	0.06%



Source: Morningstar Direct

Directors' Report

The Directors are pleased to present their report together with the audited consolidated financial statements for the year ended 31 March 2021.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A review of the business and future developments can be found in the Chairman's Statement and the Chief Executive's Review on pages 4 and 5, and 6 to 9 respectively.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

Group profit before tax was £7.303 million (2020: £10.296 million), down 29.1% on the prior year due to the catch-up in share-based payment charges and the credit relating to the change in the VAT treatment of Tatton's investment management services, see note 6. Adjusted operating profit* was £11.402 million (2020: £9.076 million) giving an Adjusted operating profit* margin of 48.8% (2020: 42.5%).

Operating profit after the effect of share-based payments, amortisation on customer relationship intangible assets and exceptional items is £7.508 million (2020: £10.302 million).

An interim dividend in respect of the period ended 30 September 2020 of 3.5p per share was paid to shareholders on 18 December 2020. The Directors recommend a final dividend of 7.5p per share. This has not been included within the Group financial statements as no obligation existed at 31 March 2021. If approved, the final dividend will be paid on 28 July 2021 to ordinary shareholders whose names are on the register at the close of business on 25 June 2021.

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

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

The Company's key stakeholders are shown on pages 12 and13 and we have detailed how we engage with them and understand their issues and the impact of the decisions of management on our stakeholders.

ALTERNATIVE PERFORMANCE MEASURES

We use a number of performance measures to assist in presenting information in this statement in a way which can be easily analysed and understood. We use such measures consistently and reconcile them as appropriate and they are used by management in evaluating performance. See notes 2.23 and 22.

SHARE CAPITAL

As at 31 March 2021 there were 57,889,065 fully paid ordinary shares of 20p amounting to £11,577,813, an increase of £396,310 on the prior year due to the issue of shares upon exercise of employee share options and the exercise of a warrant over new shares in the Company by Zeus Capital Investments Limited (the holding company of Tatton's nominated adviser and joint broker).

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

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

SHARE OPTIONS

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

SIGNIFICANT SHAREHOLDERS

At 14 May 2021, the Company had been notified of the following interests representing 3% or more of its issued share capital:

Shareholder	Shares held	Percentage holding
Paul Hogarth and connected parties	10,575,358	18.26%
Funds and accounts under management by direct and indirect investment management subsidiaries of BlackRock, Inc.	8,292,340	14.32%
Liontrust Investment Partners LLP	7,097,519	12.26%
Chelverton Asset Management Limited	2,760,914	4.77%
Canaccord Genuity Wealth Limited	2,985,443	5.16%
Kames Capital plc	2,764,449	4.77%
Legal & General Investment Management Limited	2,613,866	4.51%
Gresham House Asset Management Limited	2,133,394	3.68%
Standard Life Aberdeen plc	1,829,564	3.16%

PURCHASE OF OWN SHARES

At the 2020 AGM, shareholders authorised the Company to buy back up to 10% of its own ordinary shares by market purchase at any time prior to the conclusion of the AGM to be held in 2021. The Company did not purchase any of its own shares during the financial year, other than through the EBT (note 19). The cost of shares purchased and held by the EBT is deducted from equity.

At the forthcoming AGM, the Directors will seek to extend shareholders' approval for a further period to the conclusion of the AGM to be held in 2022, by way of special resolution, for the grant of an authority for the Company to make market purchases of up to 10% of its own shares. The Directors consider that the grant of the power for the Company to make market purchases of the Company's shares would be beneficial for the Company and accordingly they recommend this special resolution to shareholders. The Directors would only exercise the authority sought if they believed such a purchase in the interests of shareholders generally. The minimum price to be paid will be the shares' nominal value of 20p and the maximum price will be no more than 5% above the average middle market quotations for the shares on the five days before the shares are purchased.

TAKE OVER DIRECTIVE

The Company has only one class of ordinary share and these shares have equal voting rights. The nature of individual Directors' holdings is disclosed on page 48. There are no other significant holdings of any individual.

BOARD OF DIRECTORS

The names of the present Directors and their biographical details are shown on pages 40 and 41. At the AGM, to be held on 21 July 2021, all Executive and Non-Executive Directors will offer themselves for re-election.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

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

DIRECTORS' INTERESTS

Directors' emoluments, interests in the shares of the Company and options to acquire shares are disclosed in the Directors' Remuneration Report on pages 45 to 48. Paul Hogarth is also the beneficial owner of Paradigm House, the Group's registered address and the trading premises of PPL.

CONFLICTS OF INTEREST

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

DIRECTORS' INDEMNITY

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

PRINCIPAL RISKS

A report on principal risks, risk management and internal controls is included on pages 30 to 33.

EMPLOYEES

The Group is committed to the principle of equal opportunities in employment and to ensuring that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, age, race, colour, nationality, ethnic or national origin, religion, disability, sexuality, or unrelated criminal convictions. The Group applies employment policies which are believed to be fair and equitable and which ensure that entry into, and progression within, the Group is determined solely by application of job criteria and personal ability and competency.

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

There is further information on the Group's employee engagement and how it fosters relationships with stakeholders on pages 12 to 15.

FINANCIAL INSTRUMENTS

The Group's financial instruments at 31 March 2021 comprise cash and cash equivalents, receivable and payable balances that arise directly from its daily operations and £0.2 million of financial assets at fair value through profit or loss. Cash flow is managed to ensure that sufficient cash is available to meet liabilities. The Group is not reliant on income generated from cash deposits. The Group has one operating subsidiary (Tatton) which is supervised in the UK by the FCA. The Group must comply with the regulatory capital requirements set by the FCA and manages its regulatory capital through continuous review of Tatton's capital positions and requirements, which are reported to the Board monthly.

POST BALANCE SHEET DATE EVENTS

There have been no material post balance sheet events.

POLITICAL DONATIONS

The Group made no political donations or contributions during the year (2020: £nil).

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held on 21 July 2021. A notice convening the meeting will be sent to shareholders on 24 June 2021.

AUDITOR

Deloitte LLP was the Group's independent auditor during the year and has confirmed its willingness to continue in office. A resolution to reappoint Deloitte LLP as auditor to the Group and to authorise the Directors to set its remuneration will be proposed at the 2021 AGM. Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

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

CORPORATE GOVERNANCE

A full review of corporate governance appears on pages 42 to 44.

STATEMENT OF DIRECTORS' RESPONSIBILITIES/ DISCLOSURES TO THE AUDITOR

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

RELATED PARTIES

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

GOING CONCERN

The Board has reviewed detailed papers prepared by management that consider the Group's expected future profitability, dividend policy, capital position and liquidity, both as they are expected to be and also under more stressed conditions. The Board has also reviewed the management actions that could be taken in these scenarios. Management have also prepared reports in relation to the operational resilience of the business reflecting the switch to home working in compliance with government advice and effectively implementing its business continuity planning procedures.

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

Liquidity – The Group has a robust financial liquidity position with £16.9 million cash at 31 March 2021 and no debt, a £10 million committed revolving credit facility which remains undrawn with access to an accordion of £20 million and a highly efficient working capital cycle, ensuring strong operating cash conversion (95.6% of adjusted operating profit).

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

Having given due consideration to the risks, uncertainties and contingencies disclosed in the financial statements and accompanying reports, the Directors believe the business is well placed to manage its business risk successfully. Accordingly, the financial statements have been prepared on a going concern basis. Details of the Group's business activities, results, cash flows and resources, together with the risk it faces and other factors likely to affect its future development, performance and position are set out in the Strategic Report; see page 4 onwards.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

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

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

Paul Hogarth
Chief Executive Officer

Paul Edwards
Chief Financial Officer

Independent Auditor's Report to the members of Tatton Asset Management Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

— the financial statements of Tatton Asset Management plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
— the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
— the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

— the consolidated statement of total comprehensive income;
— the consolidated and parent company balance sheets;
— the consolidated and parent company statements of changes in equity;
— the consolidated cash flow statement; and
— the related notes 1 to 25.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. BASIS FOR OPINION

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

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

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

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: — Share based payments; and — Impairment of intangible assets. Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £365,000 which was determined on the basis of 5% of profit before tax.
Scoping	Our audit covered 100% of the group's profit before tax, revenue, and net assets.
Significant changes in our approach	In the prior year we identified a key audit matter in respect of valuation and completeness over the intangible asset recognised following the acquisition of Sinfonia Asset Management Limited. However, for the current period the impairment of such intangible has been retained as a key audit matter with the completeness assertion not deemed relevant as this related to the fair value of the assets acquired.

4. CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

5. KEY AUDIT MATTERS

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

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

5.1. SHARE BASED PAYMENTS

Key audit matter description	There are three Enterprise Management Incentive (EMI) schemes in place, beginning August 2018, 2019, and 2020, in addition to the three Sharesave schemes. The August 2018 scheme has different vesting conditions for directors (B options) and non-directors (A options). The 2017 EMI and Sharesave schemes vested in July 2020. During the year, the Remuneration Committee reviewed and modified the vesting criteria for the 2017 and 2018 EMI schemes, to account for the unexpected impact arising from market movements due to COVID-19, albeit this did not impact the valuation of the scheme significantly. Our key audit matter has been pinpointed to the 2018 EMI scheme, given the size of the income statement charge. The 2018 EMI scheme has two performance conditions; being total shareholder return (TSR) accounting for 25% of the pay-out, and earnings per share (EPS) growth accounting for 75% of the pay-out, over the three year vesting period. TSR growth is a market condition, which means that the number of options expected to vest is embedded in the fair value of the option, using a Monte Carlo model. EPS growth is a non-market condition, which means that the number of options expected to vest should be adjusted to the extent that the relevant measure of performance is expected to be met, using a Black Scholes model. The accuracy of share based payments is considered to be the focus of our key audit matter, due to the judgements inherent in the assumptions used in the models. Specifically the accuracy of the number of options expected to vest under the EPS performance condition of the EMI scheme. The accounting policies adopted by the Group and the sources of estimation uncertainty have been disclosed within note 2.20 and 2.22 respectively within the financial statements. Note 20 details the reconciliation of the share based payment balance.
How the scope of our audit responded to the key audit matter	To address our share based payment key audit matter, we have performed the following procedures over the significant risk: — Obtained an understanding of the relevant controls put in place by management to manage the risks associated with accounting for share based payments; — Challenged the EPS growth assumptions that determines the number of options that will vest, through recalculation and extrapolation of historical growth rates and by reviewing analyst growth forecasts; — Worked with our internal specialists on share based payment valuations to review the scheme documentation, and recalculate the valuation of the schemes at the reporting date under IFRS 2, including the impact of modifications to the scheme; — Assessed the fair value output from the fair value model to determine whether it is generating a reasonable fair value based on the assumptions.
Key observations	As a result of the above procedures, we consider that the share based payment charge is materially in line with the requirements of IFRS 2.

5.2. IMPAIRMENT OF INTANGIBLE ASSETS

Key audit matter description	On 30 September 2019, the Group acquired the share capital of Sinfonia Asset Management Limited ("SAML") gaining control over the entity. At acquisition, the Group identified any other identifiable intangible assets acquired in the business combination. The Group recognised a client relationship intangible asset relating to the non-contractual customer relationships, with the customer being the IFA. The initial cost of the intangible assessment was valued at £1.2m and is being amortised over a ten-year period since this is considered the estimated useful life of the customer relationship. As at 31 March 2021 the carrying amount of the intangible is £1.02m, with £0.18m relating of accumulated amortisation and no historic impairment losses. We have identified a key audit matter and fraud risk in relation to the valuation of the customer contract intangible, specifically in relation to the determination of future cash flows and growth rates used in the value in use (VIU) calculation as part of the impairment assessment which requires significant judgement and therefore potential for management to introduce bias in estimates. The accounting policies adopted by the Group have been disclosed within notes 2.8 and 2.9 to the financial statements. Impairment of client relationships has been identified as a critical accounting judgement in note 2.22. Note 12 details the reconciliation of the client relationship intangible balance.
How the scope of our audit responded to the key audit matter	To address our intangible asset impairment key audit matter, we have: — Obtained an understanding of relevant controls in relation to the impairment review process for client relationship intangibles; — Challenged the key assumptions used within management's future cash flows through seeking corroboratory and contradictory evidence; and — Tested management's forecasting accuracy by reference to cash flows/customer lapses observed since the acquisition date.
Key observations	As a result of the above procedures, management's judgement and estimates are reasonable and concur no impairment of the intangible asset is required.

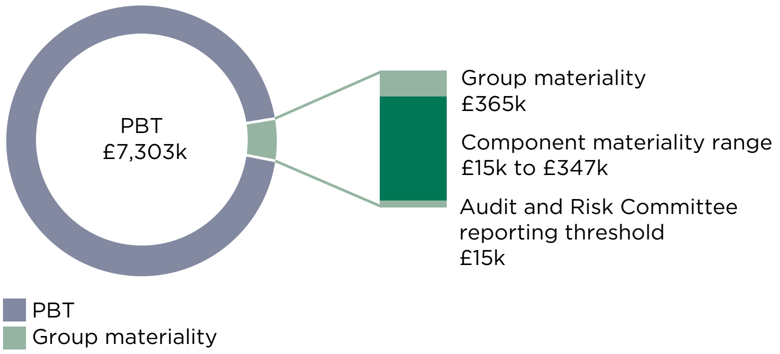
6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

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

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

	Group financial statements	Parent Company financial statements
Materiality	£365,000 (2020: £439,000)	£310,250 (2020: £351,000)
Basis for determining materiality	5% of profit before tax (2020: 5% of adjusted income before tax) For our basis of materiality we have used profit before tax which has changed from the prior year where adjusted profit before tax was used. The benchmark was normalised in the prior year as a result of a prior period VAT refund within exceptional income. There were no adjustments to profit before tax in the current year.	Parent company materiality equates to 2% of total assets (2020: 2% of total assets), which is capped at 85% (2020: 80%) of Group materiality. The percentage of Group materiality has been determined based on the contribution to the total Group net assets.
Rationale for the benchmark applied	We have determined materiality based on profit before tax as it is a profit driven business, therefore is considered the most relevant benchmark for users of the financial statements.	The main operation of the parent company is to hold investments in the subsidiaries. We have therefore selected total assets as the benchmark for determining materiality. We have however capped materiality based on the Group materiality.



6.2. PERFORMANCE MATERIALITY

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

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: — Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over investment wrap service income; — Our understanding of the entity and its environment, in particular the resilience of the group against the impact of Covid 19; and — Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £15,000 (2020: £22,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

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

Our Group audit focused on the three (2020: three) material trading entities within the Group's three (2020: three) reportable segments and the three (2020: three) material holding companies including the parent Company. The Group audit team performed full scope audits on all entities directly, which account for 100% (2020: 100%) of the Group's profit before tax, revenue and net assets. We have used appropriate levels of materiality for the three material trading entities and three material holding companies that ranged from £15,000–£347,000 (2020: £83,000–£417,000).

7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

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

We tested the manual controls in place for investment wrap service related revenue and relied on the controls in place for our testing of this balance.

8. OTHER INFORMATION

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

We have nothing to report in this regard.

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

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

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

9. RESPONSIBILITIES OF DIRECTORS

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

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

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

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

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

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

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

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

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

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

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

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified share based payments and the impairment of intangible assets as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

13. OPINION ON OTHER MATTER PRESCRIBED BY OUR ENGAGEMENT LETTER

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

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

14.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

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

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

We have nothing to report in respect of these matters.

14.2. DIRECTORS' REMUNERATION

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

We have nothing to report in respect of this matter.

15. USE OF OUR REPORT

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

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
14 June 2021

Consolidated Statement of Total Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2021

	Note	**31-Mar 2021 (£'000)**	31-Mar 2020 (£'000)
Revenue		**23,353**	21,369
Other exceptional income	6	**–**	1,588
Administrative expenses		**(15,845)**	(12,655)
Operating profit		**7,508**	10,302
– Share-based payment costs	6	**3,740**	108
– Amortisation of intangibles – customer relationships	6	**120**	60
– Exceptional items	6	**34**	(1,394)
Adjusted operating profit (before separately disclosed items)[1]		**11,402**	9,076
Finance costs	7	**(205)**	(6)
Profit before tax		**7,303**	10,296
Taxation charge	8	**(1,192)**	(1,933)
Profit attributable to shareholders		**6,111**	8,363

Earnings per share – Basic	9	**10.86p**	14.98p
Earnings per share – Diluted	9	**10.31p**	14.54p
Adjusted earnings per share – Basic[2]	9	**16.14p**	13.13p
Adjusted earnings per share – Diluted[2]	9	**14.74p**	12.00p

1 Adjusted for exceptional items, amortisation on client relationship intangibles and share-based payments. See note 22.

2 Adjusted for exceptional items, amortisation on client relationship intangibles and share-based payments and the tax thereon. See note 22.

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

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

Consolidated Statement of Financial Position

AS AT 31 MARCH 2021

	Note	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Non-current assets			
Goodwill	11	**6,254**	6,254
Intangible assets	12	**1,436**	1,495
Property, plant and equipment	13	**992**	1,034
Deferred tax assets	16	**1,420**	–
Total non-current assets		**10,102**	8,783
Current assets			
Trade and other receivables	14	**4,302**	3,431
Financial assets at fair value through profit or loss	17	**163**	–
Corporation tax		**48**	–
Cash and cash equivalents		**16,934**	12,757
Total current assets		**21,447**	16,188
Total assets		**31,549**	24,971
Current liabilities			
Trade and other payables	15	**(6,587)**	(6,186)
Corporation tax		–	(199)
Total current liabilities		**(6,587)**	(6,385)
Non-current liabilities			
Other payables	15	**(516)**	(702)
Deferred tax liabilities	16	–	(106)
Total non-current liabilities		**(516)**	(808)
Total liabilities		**(7,103)**	(7,193)
Net assets		**24,446**	17,778
Equity attributable to equity holders of the Company			
Share capital	18	**11,578**	11,182
Share premium account		**11,534**	8,718
Own shares	19	**(1,969)**	(996)
Other reserve		**2,041**	2,041
Merger reserve		**(28,968)**	(28,968)
Retained earnings		**30,230**	25,801
Total equity		**24,446**	17,778

The financial statements on were approved by the Board of Directors on 14 June 2021 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 2021

	Note	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Other reserve (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2019		11,182	8,718	–	2,041	(28,968)	22,315	15,288
Profit and total comprehensive income		–	–	–	–	–	8,363	8,363
Dividends	9	–	–	–	–	–	(4,920)	(4,920)
Share-based payments	20	–	–	–	–	–	86	86
Deferred tax on share-based payments		–	–	–	–	–	(43)	(43)
Own shares acquired in the year	19	–	–	(996)	–	–	–	(996)
At 31 March 2020		11,182	8,718	(996)	2,041	(28,968)	25,801	17,778
Profit and total comprehensive income		**–**	**–**	**–**	**–**	**–**	**6,111**	**6,111**
Dividends	9	**–**	**–**	**–**	**–**	**–**	**(5,551)**	**(5,551)**
Share-based payments	20	**–**	**–**	**–**	**–**	**–**	**2,954**	**2,954**
Deferred tax on share-based payments		**–**	**–**	**–**	**–**	**–**	**915**	**915**
Issue of share capital on exercise of employee share options		**396**	**2,816**	**–**	**–**	**–**	**–**	**3,212**
Own shares acquired in the year	19	**–**	**–**	**(973)**	**–**	**–**	**–**	**(973)**
At 31 March 2021		**11,578**	**11,534**	**(1,969)**	**2,041**	**(28,968)**	**30,230**	**24,446**

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2021

	Note	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Operating activities			
Profit for the year		**6,111**	8,363
Adjustments:			
Income tax expense		**1,192**	1,933
Finance costs	7	**205**	6
Depreciation of property, plant and equipment	13	**351**	298
Amortisation of intangible assets	12	**341**	195
Share-based payment expense	6	**3,740**	108
Changes in:			
Trade and other receivables		**(537)**	(1,016)
Trade and other payables		**(531)**	1,338
Exceptional items	6	**34**	(1,394)
Cash generated from operations before exceptional items		**10,906**	9,831
Cash generated from operations		**10,872**	11,225
Income tax paid		**(2,051)**	(2,278)
Net cash from operating activities		**8,821**	8,947
Investing activities			
Payment for the acquisition of subsidiary, net of cash acquired		**(160)**	(2,002)
Purchase of intangible assets		**(282)**	(271)
Purchase of property, plant and equipment		**(67)**	(294)
Net cash used in investing activities		**(509)**	(2,567)
Financing activities			
Interest (paid)/received		**(36)**	162
Transaction costs related to borrowings		**(613)**	–
Dividends paid	9	**(5,551)**	(4,920)
Proceeds from the issue of shares		**3,212**	–
Purchase of own shares	19	**(973)**	(996)
Repayment of lease liabilities		**(174)**	(61)
Net cash used in financing activities		**(4,135)**	(5,815)
Net increase in cash and cash equivalents		**4,177**	565
Cash and cash equivalents at beginning of period		**12,757**	12,192
Net cash and cash equivalents at end of period		**16,934**	12,757

Notes to the Consolidated Financial Statements

1 General Information

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

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

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

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

2 Accounting Policies

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

2.1 BASIS OF PREPARATION

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

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

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

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

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

2.2 GOING CONCERN

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

2 Accounting Policies continued

2.3 BASIS OF CONSOLIDATION

The Group's financial statements consolidate those of the Parent Company and all of its subsidiaries as at 31 March 2021. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 March.

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

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

2.4 ADOPTION OF NEW AND REVISED STANDARDS

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

The following revised standards and interpretations have been adopted in the current year, being amendments to the Conceptual Framework in IFRS Standards, IAS 1 'Presentation of Financial Statements', IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', IFRS 16 'Leases', IFRS 3 'Business Combinations', IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'. These amendments have not had a material impact on the financial statements of the Group.

STANDARDS IN ISSUE NOT YET EFFECTIVE

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

EFFECTIVE DATE 1 JANUARY 2023

IFRS 17 'Insurance Contracts'

In addition the following standards each have amendments will be effective for accounting periods beginning on or after 1 January 2021:

IFRS 10 'Consolidated Financial Statements' IAS 28 'Investments in Associates and Joint Ventures', IAS 1 'Presentation of Financial Statements', IFRS 3 'Business Combinations', IAS 16 'Property, Plant and Equipment', IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

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

2.5 REVENUE

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

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

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

2 Accounting Policies continued

2.6 EXCEPTIONAL ITEMS

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

2.7 INTEREST INCOME AND INTEREST EXPENSE

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

2.8 IMPAIRMENT

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

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

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

2.9 GOODWILL AND INTANGIBLE ASSETS

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

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

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

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

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

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

2 Accounting Policies continued

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

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

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

The Directors have reviewed the intangible assets as at 31 March 2021 and have considered the COVID-19 pandemic as a potential indicator of impairment. As a result of the review, it was determined that none of the assets are impaired (2020: none).

2.10 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2 Accounting Policies continued

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

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

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

2.12 LEASES

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

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

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

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

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

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

2 Accounting Policies continued

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

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

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

2.13 CASH AND CASH EQUIVALENTS

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

2.14 FINANCIAL INSTRUMENTS

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

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

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

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

FINANCIAL INVESTMENTS

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

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

TRADE RECEIVABLES

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

2 Accounting Policies continued

TRADE AND OTHER PAYABLES

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

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

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

INTEREST-BEARING BORROWINGS

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

2.15 TAXATION

CURRENT TAX

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

DEFERRED TAX

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

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

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

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

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

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

2 Accounting Policies continued

CURRENT AND DEFERRED TAX FOR THE YEAR

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

2.16 RETIREMENT BENEFIT COSTS

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

2.17 PROVISIONS

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

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

2.18 EQUITY, RESERVES AND DIVIDEND PAYMENTS

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

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

2.19 EMPLOYEE BENEFIT TRUST

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

2.20 SHARE-BASED PAYMENTS

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

2.21 OPERATING SEGMENTS

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

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

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

2 Accounting Policies continued

2.22 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

GOODWILL AND CLIENT RELATIONSHIP INTANGIBLES

CRITICAL JUDGEMENT

Impairment of goodwill and client relationship intangibles

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

BUSINESS COMBINATIONS

ESTIMATION UNCERTAINTY

Valuation of the earn-out consideration

On 30 September 2019, the Group acquired the entire share capital of Sinfonia Asset Management Limited ("Sinfonia"). The Group accounted for the transaction as a business combination. The purchase price payable for the acquisition was split into a number of different parts. The payment of certain elements has been deferred. At 31 March 2021, there remained one element of deferred consideration unvested and subject to ongoing vesting conditions. The value of earn-out consideration is variable, dependent on performance by the acquired business against certain operational targets by 30 September 2021. The estimated value of earn-out consideration that will be payable at these dates is £nil, based on projections of growth in funds under management over that period.

Under the terms of the agreements, the maximum possible payment under the remaining earn-out and incentivisation award is capped at £345,000, which represents qualifying funds under management of approximately £132.5 million at 30 September 2021.

SHARE-BASED PAYMENTS

ESTIMATION UNCERTAINTY

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

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

These estimates are reviewed regularly and the charge to the Statement of Total Comprehensive Income is adjusted accordingly (at the end of the relevant scheme as a minimum). Based on the current forecasts of the Group, the charge for the year is based on 100% of the options vesting for the element relating to non-market-based performance conditions. A decrease of 10% in the vesting assumptions would reduce the charge in the year by £341,000. In considering the level of satisfaction of performance obligations, the Group's forecast has been reviewed and updated for the expected impact of the COVID-19 pandemic, various market scenarios and management actions. This forecast has been used to estimate the relevant vesting assumptions for the Enterprise Management Incentive ("EMI") schemes in place.

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

2 Accounting Policies continued

2.23 ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRSs. The Group believes that these APMs provide users with additional helpful information on the performance of the business. The APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board. Some of these measures are also used for the purpose of setting remuneration targets. The APMs used by the Group are set out in note 22 including explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant. There is also further information on separately disclosed items in note 6.

3 Capital Management

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

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

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

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

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

The Group manages its total equity which totalled £24.4 million as at 31 March 2021 (2020: £17.8 million). Surplus regulatory capital was maintained throughout the year at both a consolidated Group level and individual regulated entity level. There were no changes in the Group's approach to capital management during the year.

4 Segment Reporting

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

The Group's reportable segments under IFRS 8 are therefore Tatton, Paradigm, and "Central" which contains the Operating Group's central overhead costs. During the financial year, it was decided that centrally incurred overhead costs should be allocated to the Tatton and Paradigm divisions on an appropriate pro rata basis and this is how financial information is presented to the Group's CODM. The March 2020 comparative figures have been presented on a like for like basis showing the relevant allocation of central costs on the prior year.

4 Segment Reporting continued

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

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

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

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

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

Year ended 31 March 2020 restated[2]	Tatton (£'000)	Paradigm (£'000)	Central (£'000)	Group (£'000)
Revenue	15,924	5,426	19	21,369
Other exceptional income	1,588	–	–	1,588
Administrative expenses	(7,492)	(3,599)	(1,545)	(12,655)
Operating profit/(loss)	10,020	1,827	(1,545)	10,302
Share-based payments	–	–	108	108
Exceptional items	(1,458)	64	–	(1,394)
Amortisation of client relationship intangible assets	60	–	–	60
Adjusted operating profit/(loss) (before separately disclosed items)[1]	8,622	1,891	(1,437)	9,076
Finance (costs)/income	(20)	13	1	(6)
Profit/(loss) before tax	10,000	1,840	(1,544)	10,296

All turnover arose in the United Kingdom.

1 Alternative performance measures are detailed in note 22.
2 Administrative expenses in March 2020 have been restated to include an allocation of central overhead costs to aid comparability with the current year.

5 Operating Profit

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

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Amortisation of software	**221**	135
Depreciation of property, plant and equipment	**175**	160
Depreciation of right-of-use assets	**176**	138
Gain arising on financial assets designated as FVTPL	**(35)**	–
Separately disclosed items (note 6)	**3,894**	(1,226)
Services provided by the Group's auditor:		
Audit of the statutory consolidated and Company financial statements of Tatton Asset Management plc	**69**	34
Audit of subsidiaries	**66**	58
Other fees payable to auditor:		
Non-audit services	**25**	86

Total audit fees were £135,000 (2020: £92,000). Total non-audit fees payable to the auditor were £25,000 (2020: £86,000).

6 Separately Disclosed Items

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Restructuring costs	**–**	97
Acquisition-related expenses	**218**	97
Gain arising on changes in fair value of contingent consideration	**(184)**	–
VAT reclaim income	**–**	(1,588)
Total exceptional costs/(income)	**34**	(1,394)
Share-based payment charges	**3,740**	108
Amortisation of client relationship intangible assets	**120**	60
Total separately disclosed items	**3,894**	(1,226)

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

EXCEPTIONAL ITEMS

During the period, the Group pursued a potential acquisition of a business which fitted the strategic direction of the Group and would have been both material and complementary to the Tatton portfolio of products. The Group incurred professional fees of £218,000 during the process which have been treated as exceptional items.

Acquisition-related expenses during the financial year ended 31 March 2020 related to the acquisition of the share capital of Sinfonia Asset Management Limited ("Sinfonia"), incurring acquisition-related costs of £97,000.

6 Separately Disclosed Items continued

During the current financial year, the Group revalued its financial liability at FVTPL relating to the deferred consideration on the acquisition of Sinfonia. This has resulted in a credit from the change in fair value of £184,000 being recognised in the year.

During the financial year ended 31 March 2020, the Group incurred a restructuring charge relating to the rationalisation and restructuring of various departments and functions. The headcount reduction resulted in redundancy costs, payment in lieu of notice, settlement and other restructuring-related costs. These have been excluded from underlying earnings in view of their one-off nature.

In addition, during the financial year ended 31 March 2020, the Group agreed with HMRC that Tatton's supplies of discretionary fund management services in respect of model investment portfolios are exempt from VAT. As a result, the Group recognised income of £1,756,000 relating to the four-year period ended 31 March 2019, £1,675,000 of which has been received from HMRC as a VAT refund. This is offset by £168,000 of professional fees. The Group reflected this change in treatment of revenue and the level of irrecoverable input VAT in revenue and administrative expenses from 1 April 2019.

SHARE-BASED PAYMENTS

Share-based payments is a recurring item, though the value will change depending on the estimation of the satisfaction of performance obligations attached to certain awards. It has been excluded from the core business operating profit since it is a significant non-cash item. Underlying profit, being adjusted operating profit, represents largely cash-based earnings and more directly relates to the financial reporting period. The current year charge of £3,740,000 has seen a material increase on the prior year charge of £108,000, as in the prior year a significant amount of the provision for share-based payments was released due to the uncertainty around the impact that the COVID-19 pandemic would have on the financial performance of the business. In the current year, there is an increased expectation of the amount of options that will vest for the schemes currently in place, so increasing the charge in the Statement of Comprehensive Income.

AMORTISATION OF CLIENT RELATIONSHIP INTANGIBLE ASSETS

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

7 Finance Costs

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Bank interest income	**1**	3
Other interest income	**–**	13
Interest expense on lease liabilities	**(25)**	(22)
Interest payable in servicing of banking facilities	**(181)**	–
	(205)	(6)

8 Taxation

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Current tax expense		
Current tax on profits for the period	**1,790**	1,986
Adjustment for under-provision in prior periods	**13**	7
	1,803	1,993
Deferred tax expense		
Share-based payments	**(563)**	(12)
Origination and reversal of temporary differences	**7**	57
Adjustment in respect of previous years	**(55)**	(95)
Effect of rate changes	**–**	(10)
Total tax expense	**1,192**	1,933

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

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Profit before taxation	**7,303**	10,296
Tax at UK corporation tax rate of 19% (2020: 19%)	**1,388**	1,956
Expenses not deductible for tax purposes	**63**	87
Income not taxable	**(34)**	–
Adjustments in respect of previous years	**(42)**	(88)
Differences in tax rates	**–**	(10)
Fixed asset differences	**6**	–
Share-based payments	**(189)**	(12)
Total tax expense	**1,192**	1,933

In the 3 March 2021 Budget, it was announced that the UK corporation tax rate will change to 25% from 1 April 2023 but this has not yet been substantively enacted. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

9 Earnings per Share and Dividends

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

NUMBER OF SHARES

	31-Mar 2021	31-Mar 2020
Basic		
Weighted average number of shares in issue	**56,835,807**	55,907,513
Effect of own shares held by an EBT	**(551,954)**	(72,355)
	56,283,853	55,835,158
Diluted		
Effect of weighted average number of options outstanding for the year	**2,966,507**	1,694,831
Weighted average number of shares (diluted)[1]	**59,250,360**	57,529,989
Adjusted diluted		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	**2,370,976**	3,545,946
Adjusted diluted weighted average number of options and shares for the year[2]	**61,621,336**	61,075,935

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

Own shares held by an EBT represents the Company's own shares purchased and held by the Employee Benefit Trust ("EBT"), shown at cost. In the year ended 31 March 2021 the EBT purchased 361,746 (2020: 413,411) of the Company's own shares.

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	**6,111**	8,363
Share-based payments – IFRS 2 option charges	**3,740**	108
Amortisation of intangible assets – customer relationships	**120**	60
Exceptional costs/(income) – see note 6	**34**	(1,394)
Tax impact of adjustments	**(923)**	194
Adjusted basic and diluted profits for the period and attributable earnings	**9,082**	7,331
Earnings per share (pence) – Basic	**10.86**	14.98
Earnings per share (pence) – Diluted	**10.31**	14.54
Adjusted earnings per share (pence) – Basic	**16.14**	13.13
Adjusted earnings per share (pence) – Diluted	**14.74**	12.00

DIVIDENDS

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

During the year, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2020 of £3,552,000, representing a payment of 6.4p per share. In addition, the Company paid an interim dividend of £1,999,000 (2020: £1,789,000) to its equity shareholders. This represents a payment of 3.5p per share (2020: 3.2p per share).

The Company's dividend policy is described in the Directors' Report on page 49. At 31 March 2021, the Company's distributable reserves were £28.6 million (2020: £25.8 million).

10 Staff Costs

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

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Wages, salaries and bonuses	**4,971**	5,995
Social security costs	**619**	594
Pension costs	**200**	160
Termination benefits	**54**	88
Share-based payments	**1,257**	123
	7,101	6,960

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

	31-Mar 2021	31-Mar 2020
Administration	**82**	79
Key management	**3**	3
	85	82

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 2021 (£'000)	31-Mar 2020 (£'000)
Short-term employee benefits	**1,730**	940
Post-employment benefits	**5**	11
Other long-term benefits	**4**	3
Share-based payments	**2,483**	(15)
	4,222	939

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

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Total fees	**160**	160

The Group incurred Social security costs of £235,000 (2020: £126,000) on the remuneration of the Directors and Non-Executive Directors.

The remuneration of the highest paid Director was:

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Total	**794**	347

The highest paid Director did not exercise any share options in the period. There were 174,758 share options granted to the highest paid Director in the year.

11 Goodwill

	Goodwill (£'000)
Cost and carrying value at 31 March 2020 and 31 March 2021	6,254

The carrying value of goodwill includes £5.9 million allocated to the Tatton operating segment and CGU. This is made up of £2.5 million arising from the acquisition in 2014 of an interest in Tatton Oak Limited by Tatton Capital Limited consisting of the future synergies and forecast profits of the Tatton Oak business, £2.0 million arising from the acquisition in 2017 of an interest in Tatton Capital Group Limited and £1.4 million of goodwill generated on the acquisition of Sinfonia. The carrying value of goodwill also includes £0.4 million allocated to the Paradigm operating segment and CGU relating to the acquisition of Paradigm Mortgage Services LLP.

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

IMPAIRMENT LOSS AND SUBSEQUENT REVERSAL

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

IMPAIRMENT TESTING

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

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of units that are expected to benefit from that business combination. The Directors test goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The Directors have reviewed the carrying value of goodwill at 31 March 2021 and do not consider it to be impaired.

GROWTH RATES

The value in use is calculated from cash flow projections based on the Group's forecasts for the year ending 31 March 2022 which are extrapolated for a further four years. The Group's latest financial forecasts, which cover a three-year period, are reviewed by the Board.

DISCOUNT RATES

The pre-tax discount rate used to calculate value is 10.8% (2020: 7.7%). 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 2021 is £245 million (2020: £414 million). From the assessment performed, there are no reasonable sensitivities that result in the recoverable amount being equal to the carrying value of the goodwill attributed to the CGU.

12 Intangible Assets

	Computer software (£'000)	Customer relationships (£'000)	Total (£'000)
Cost			
Balance at 31 March 2019	266	–	266
Additions	271	–	271
Acquired on acquisition of a subsidiary	–	1,196	1,196
Balance at 31 March 2020	537	1,196	1,733
Additions	282	–	282
Balance at 31 March 2021	**819**	**1,196**	**2,015**
Accumulated amortisation and impairment			
Balance at 31 March 2019	(43)	–	(43)
Charge for the period	(135)	(60)	(195)
Balance at 31 March 2020	(178)	(60)	(238)
Charge for the period	(221)	(120)	(341)
Balance at 31 March 2021	**(399)**	**(180)**	**(579)**
Net book value			
As at 31 March 2019	223	–	223
As at 31 March 2020	359	1,136	1,495
As at 31 March 2021	**420**	**1,016**	**1,436**

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

13 Property, Plant and Equipment

	Computer, office equipment and motor vehicles (£'000)	Fixtures and fittings (£'000)	Right-of-use assets – buildings (£'000)	Total (£'000)
Cost				
Balance at 31 March 2019	507	478	–	985
Increase attributable to change in accounting standards	–	–	689	689
Additions	81	213	–	294
Balance at 31 March 2020	588	691	689	1,968
Additions	67	–	242	309
Disposals	(223)	(214)	–	(437)
Balance at 31 March 2021	**432**	**477**	**931**	**1,840**
Accumulated depreciation and impairment				
Balance at 31 March 2019	(397)	(239)	–	(636)
Charge for the period	(73)	(87)	(138)	(298)
Balance at 31 March 2020	(470)	(326)	(138)	(934)
Charge for the period	(80)	(95)	(176)	(351)
Disposals	223	214	–	437
Balance at 31 March 2021	**(327)**	**(207)**	**(314)**	**(848)**
Net book value				
As at 1 April 2019	110	239	–	349
As at 31 March 2020	118	365	551	1,034
As at 31 March 2021	**105**	**270**	**617**	**992**

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

13 Property, Plant and Equipment continued

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

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

RIGHT-OF-USE ASSETS

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Amounts recognised in profit and loss		
Depreciation on right-of-use assets	**(176)**	(138)
Interest expense on lease liabilities	**(25)**	(22)
Expense relating to short-term leases	**(44)**	(94)
Expense relating to low value assets	**(1)**	(1)
	(246)	(255)

At 31 March 2021, the Group is committed to £nil for short-term leases (2020: £nil).

The total cash outflow for leases amounts to £220,000 (2020: £156,000).

14 Trade and Other Receivables

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Trade receivables	**172**	116
Amounts due from related parties	**29**	108
Prepayments and accrued income	**3,060**	1,948
Other receivables	**1,041**	1,259
	4,302	3,431

All trade receivable amounts are short term. The carrying value is considered a fair approximation of their fair value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") for trade receivables at an amount equal to lifetime ECLs. In line with the Group's historical experience, and after consideration of current credit exposures, the Group does not expect to incur any credit losses and has not recognised any ECLs in the current year (2020: £nil).

The amounts due from related parties are net of provisions. At 31 March 2021 Tatton Asset Management plc made full provision of £60,000 against the recoverability of amounts due from Jargonfree Benefits LLP in addition to the full provision of £1,251,000 made at 31 March 2017 by Paradigm Mortgage Services LLP. During the year, Paradigm Partners Limited wrote off a debt with Amber Financial Investments Limited ("Amber") of £350,000 which had been fully provided for. Amber was previously a related party as an entity controlled by Paul Hogarth until its sale in November 2020.

The carrying value of the provisions as at 31 March 2021 was £1,311,000 (2020: £1,601,000).

Trade receivable amounts are all held in sterling.

15 Trade and Other Payables

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Trade payables	**294**	275
Amounts due to related parties	**236**	222
Accruals	**3,330**	2,476
Deferred income	**132**	131
Contingent consideration	**–**	344
Other payables	**3,111**	3,440
	7,103	6,888
Less non-current portion:		
Contingent consideration	**–**	(172)
Other payables	**(516)**	(530)
Total non-current trade and other payables	**(516)**	(702)
Total current trade and other payables	**6,587**	6,186

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

Trade payable amounts are all held in sterling.

16 Deferred Taxation

	Deferred capital allowances £'000	Share-based payments £'000	Acquisition intangibles £'000	Total £'000
Asset/(liability) at 31 March 2019	(45)	149	–	104
Acquisition of subsidiary	–	–	(227)	(227)
Income statement (charge)/credit	(81)	130	11	60
Equity charge	–	(43)	–	(43)
(Liability)/asset at 31 March 2020	(126)	236	(216)	(106)
Income statement credit	25	563	23	611
Equity credit	–	915	–	915
Asset/(liability) at 31 March 2021	**(101)**	**1,714**	**(193)**	**1,420**

17 Financial Instruments

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

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

17 Financial Instruments continued

FAIR VALUE ESTIMATION

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (LEVEL 1)

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Financial investments in regulated funds or model portfolios	**163**	28

All financial liabilities except for contingent consideration are categorised as financial liabilities measured at amortised cost and are also classified as level 1. The only financial liabilities measured subsequently at fair value on level 3 fair value measurement represent contingent consideration relating to a business combination.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (LEVEL 3)

Contingent consideration	£'000
Balance at 1 April 2020	344
Paid in the year	(160)
Changes in fair value of contingent consideration	(184)
Balance at 31 March 2021	**–**

INTEREST RATE RISK

The Group finances its operations through a combination of retained profits and a bank facility which currently remains undrawn. The Group would have an exposure to interest rate risk should this facility be drawn as it has a floating rate above the base rate. The Group's cash and cash equivalents balance of £16,934,000 was its only financial instrument subject to variable interest rate risk. The impact of a 0.1% increase or decrease in interest rate on the post-tax profit is not material to the Group. At 31 March 2021, total borrowings were £nil (2020: £nil).

17 Financial Instruments continued

CREDIT RISK

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

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

Classes of financial assets – carrying amounts:	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Cash and cash equivalents	**16,934**	12,757
Trade and other receivables	**3,808**	3,110
	20,742	15,867

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

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

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

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Not more than 3 months	**147**	75
More than 3 months but not more than 6 months	**16**	19
More than 6 months but not more than 1 year	**5**	17
More than 1 year	**4**	5
Total	**172**	116

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

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

LIQUIDITY RISK

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

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

17 Financial Instruments continued

At 31 March 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-current	
At 31 March 2021	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
Trade and other payables	**6,228**	**–**	**–**	**–**
Lease liabilities	**113**	**114**	**516**	**–**
Total	**6,341**	**114**	**516**	**–**

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

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

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

MARKET RISK

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

18 Equity

	Number
Authorised, called up and fully paid £0.20 ordinary shares	
At 1 April 2020	55,907,513
Issue of share capital on exercise of employee share options	863,401
Issue of share capital on exercise of share warrant	1,118,151
At 31 March 2021	**57,889,065**

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

19 Own Shares

The following movements in own shares occurred during the year:

	Number of shares	£'000
At 1 April 2020	413,411	996
Acquired in the year	361,746	973
At 31 March 2021	**775,157**	**1,969**

Own shares represent the cost of the Company's own shares, either purchased in the market or issued by the Company, that are held by an EBT to satisfy future awards under the Group's share-based payment schemes (note 20). 775,157 shares were held in the EBT at 31 March 2021 (2020: 413,411).

20 Share-Based Payments

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

20.1 CURRENT SCHEMES

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

On 7 July 2017 the Group launched an EMI share option scheme relating to shares in Tatton Asset Management plc to enable senior management to participate in the equity of the Company. 3,022,733 options with a weighted average exercise price of £1.89 were granted, exercisable in July 2020. There have been 673,568 options exercised during the period from this scheme and 696,099 of these options lapsed.

The scheme was extended on 8 August 2018, 1 August 2019 and 28 July 2020 with 1,720,138, 193,000 and 1,000,000 zero cost options granted in each respective year. These options are exercisable on the third anniversary of the grant date. A total of 3,022,733 options with a weighted average exercise price of £1.89 were granted, each exercisable in July 2020. The options vest in August 2021, August 2022 or July 2023 provided certain performance conditions and targets, set prior to grant, have been met. If the performance conditions are not met, the options lapse.

A total of 4,386,070 options remains outstanding at 31 March 2021, 1,522,617 of which are currently exercisable. No options were forfeited in the period (2020: 68,319 options were forfeited).

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

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2019	4,631,056	1.19
Granted during the period	193,000	–
Forfeited during the period	(68,319)	0.52
Outstanding at 31 March 2020	4,755,737	1.15
Exercisable at 31 March 2020	–	–
Outstanding at 1 April 2020	4,755,737	1.15
Granted during the period	1,000,000	–
Exercised during the period	(673,568)	1.70
Lapsed during the period	(696,099)	1.83
Forfeited during the period	–	–
Outstanding at 31 March 2021	**4,386,070**	**0.66**
Exercisable at 31 March 2021	**1,522,617**	**1.89**

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

On 7 July 2017, 5 July 2018, 3 July 2019 and 6 July 2020 the Group launched all employee Sharesave schemes for options over shares in Tatton Asset Management plc, administered by Yorkshire Building Society. Employees are able to save between £10 and £500 per month over a three-year life of each scheme, at which point they each have the option to either acquire shares in the Company or receive the cash saved.

Over the life of the 2018 TAM Sharesave scheme it is estimated that, based on current saving rates, 48,688 share options will be exercisable at an exercise price of £1.90. Over the life of the 2019 TAM Sharesave scheme it is estimated that, based on current savings rates, 75,610 share options will be exercisable at an exercise price of £1.79. Over the life of 2020 TAM Sharesave scheme it is estimated that, based on current savings rates, 134,656 share options will be exercisable at an exercise price of £2.29. During the period, 189,833 options have been exercised and 2,940 options have been forfeited.

20 Share-Based Payments continued

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

	Number of share options granted (number)	Weighted average price (£)
Outstanding at 1 April 2019	131,976	1.70
Granted during the period	102,493	1.75
Forfeited during the period	(10,741)	1.85
Outstanding at 31 March 2020	223,728	1.73
Exercisable at 31 March 2020	26,176	1.70
Outstanding at 1 April 2020	223,728	1.73
Granted during the period	70,894	2.08
Exercised during the period	(189,833)	1.70
Forfeited during the period	(2,940)	2.01
Outstanding at 31 March 2021	**101,849**	**1.81**
Exercisable at 31 March 2021	**10,588**	**1.70**

20.2 VALUATION ASSUMPTIONS

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

	EMI scheme				Sharesave scheme			
	2020	2019	2018	2017	2020	2019	2018	2017
Share price at grant (£)	2.84	2.12	2.40	1.89	2.85	2.14	2.34	1.89
Exercise price (£)	–	–	–	1.70	2.29	1.79	1.90	1.70
Expected volatility (%)	34.80	30.44	28.48	26.00	34.80	30.44	28.48	26.00
Expected life (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Risk free rate (%)	(0.06)	0.35	0.81	0.66	(0.06)	0.35	0.81	0.66
Expected dividend yield (%)	3.38	3.96	2.75	4.50	3.38	3.96	2.75	4.50

20.3 IFRS 2 SHARE-BASED OPTION COSTS

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
TAM EMI scheme	**3,716**	84
TAM Sharesave scheme	**24**	24
	3,740	108

21 Related Party Transactions

ULTIMATE CONTROLLING PARTY

The Directors consider there to be no ultimate controlling party.

RELATIONSHIPS

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

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

From 30 November 2020 Amber Financial Investments Limited is no longer a related party. The transactions shown below are those which took place in the financial period during which the company was a related party. The balance receivable/payable is the year end balance.

RELATED PARTY BALANCES

		2021		2020	
	Terms and conditions	**Value of income/ (cost) (£'000)**	**Balance receivable/ (payable) (£'000)**	Value of income/ (cost) (£'000)	Balance receivable/ (payable) (£'000)
Amber Financial Investments Limited	Payable within 30 days	**226**	**29**	297	25
Jargonfree Benefits LLP	Repayment on demand	–	–	15	66
Paradigm Management Partners LLP	Repayment on demand	–	–	1	5
Paradigm Investment Management LLP	Repayment on demand	**(2)**	**(235)**	(5)	(234)
Suffolk Life Pensions Limited	Payable in advance	**(76)**	**(1)**	(57)	9
Hermitage Holdings (Wilmslow) Limited	Repayment on demand	**(18)**	–	4	4

Balances with related parties are non-interest bearing.

KEY MANAGEMENT PERSONNEL REMUNERATION

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

22 Alternative Performance Measures ("APMs")

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Adjusted operating profit before separately disclosed items	Operating profit	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Adjusted profit before tax; before separately disclosed items	Profit before tax	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Adjusted earnings per share – Basic	Earnings per share – Basic	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Adjusted earnings per share – Diluted	Earnings per share – Diluted	Exceptional items, share-based payments and amortisation of client relationship intangibles and the tax thereon. The dilutive shares for this measure assume that all contingently issuable shares will fully vest. See note 9.	An important measure where exceptional items distort the understanding of the operating performance of the business. Allows comparability between periods. See also note 2.23.
Net cash generated from operations before separately disclosed items	Net cash generated from operations	Exceptional items, share-based payments and amortisation of client relationship intangibles. See note 6.	Net cash generated from operations before exceptional costs. To show underlying cash performance. See also note 2.23.

22 Alternative Performance Measures ("APMs") continued

OTHER MEASURES

APM	Closest equivalent measure	Reconciling items to their statutory measure	Definition and purpose
Tatton – assets under management ("AUM") and net inflows	None	Not applicable	AUM is representative of the customer assets and is a measure of the value of the customer base. Movements in this base are an indication of performance in the year and growth of the business to generate revenues going forward. Net inflows measure the net of inflows and outflows of customers assets in the year.
Paradigm Consulting members and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Paradigm Mortgages lending, member firms and growth	None	Not applicable	Alternative growth measure to revenue, giving an operational view of growth.
Dividend cover	None	Not applicable	Dividend cover (being the ratio of the proposed final dividend against diluted earnings per share before exceptional items and share-based charges) demonstrates the Group's ability to pay the proposed dividend.
CAGR in AUM and CAGR in Tatton firm numbers	None	Not applicable	The Cumulative Annual Growth Rate in AUM and Tatton firm numbers since the Group listed on the AIM Stock exchange in July 2017.
Average annual net inflows	None	Not applicable	The average annual net inflows since the Group listed on the AIM stock exchange in July 2017.

23 Post Balance Sheet Events

There were no material post balance sheet events.

24 Capital Commitments

At 31 March 2021, the Directors confirmed there were no capital commitments (2020: none) for capital improvements.

25 Contingent Liabilities

At 31 March 2021, the Directors confirmed there were no contingent liabilities (2020: none).

Company Statement of Financial Position

AS AT 31 MARCH 2021

	Note	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Non-current assets			
Investments in subsidiaries	5	**77,216**	77,216
Property, plant and equipment		**13**	5
Deferred tax assets	17	**–**	235
Total non-current assets		**77,229**	77,456
Current assets			
Trade and other receivables	13	**9,397**	9,264
Cash and cash equivalents	14	**8,182**	7,657
Total current assets		**17,579**	16,921
Total assets		**94,808**	94,377
Current liabilities			
Trade and other payables	15	**(1,791)**	(1,932)
Total current liabilities		**(1,791)**	(1,932)
Net assets		**93,017**	92,445
Equity attributable to equity holders of the Company			
Share capital	16	**11,578**	11,182
Share premium account		**11,534**	8,718
Own shares	12	**(1,969)**	(996)
Merger reserve		**67,316**	67,316
Retained earnings		**4,558**	6,225
Total equity		**93,017**	92,445

The Company generated a profit of £1,017,000 during the financial year (2020: profit of £5,706,000).

The financial statements were approved by the Board of Directors on 14 June 2021 and were signed on its behalf by:

PAUL EDWARDS
Director
Company registration number: 10634323

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital (£'000)	Share premium (£'000)	Own shares (£'000)	Merger reserve (£'000)	Retained earnings (£'000)	Total equity (£'000)
At 1 April 2019	11,182	8,718	–	67,316	5,397	92,613
Profit and total comprehensive income	–	–	–	–	5,706	5,706
Dividends	–	–	–	–	(4,920)	(4,920)
Share-based payments	–	–	–	–	85	85
Deferred tax on share-based payments	–	–	–	–	(43)	(43)
Own shares acquired in the year	–	–	(996)	–	–	(996)
At 31 March 2020	11,182	8,718	(996)	67,316	6,225	92,445
Profit and total comprehensive income	**–**	**–**	**–**	**–**	**1,017**	**1,017**
Dividends	**–**	**–**	**–**	**–**	**(5,551)**	**(5,551)**
Share-based payments	**–**	**–**	**–**	**–**	**2,953**	**2,953**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**(86)**	**(86)**
Issue of share capital on exercise of employee share options	**396**	**2,816**	**–**	**–**	**–**	**3,212**
Own shares acquired in the year	**–**	**–**	**(973)**	**–**	**–**	**(973)**
At 31 March 2021	**11,578**	**11,534**	**(1,969)**	**67,316**	**4,558**	**93,017**

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

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 2021 were authorised for issue by the Board of Directors on 14 June 2021. 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 2021.

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

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

2.2 INVESTMENTS

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

2.3 FINANCIAL INSTRUMENTS

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

2.4 TRADE AND OTHER RECEIVABLES

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

2.5 TRADE AND OTHER PAYABLES

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

2.6 CASH AND CASH EQUIVALENTS

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

2 Accounting Policies continued

2.7 SHARE-BASED PAYMENTS

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

2.8 INTEREST INCOME AND INTEREST EXPENSE

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

2.9 TAXATION

CURRENT TAX

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

DEFERRED TAX

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

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

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

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

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

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

CURRENT AND DEFERRED TAX FOR THE YEAR

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

2 Accounting Policies continued

2.10 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 2021 (£'000)	31-Mar 2020 (£'000)
Share-based payment charges (note 11)	**3,740**	108

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

4 Services Provided by the Company's Auditor

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

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Audit of the statutory financial statements of TAM plc	**69**	34
Services provided by the Group's auditor:		
Non-audit services	**18**	22

5 Investments

	£'000
Cost and net book value at 1 April 2019, 31 March 2020 and 31 March 2021	77,216

The principal investments comprise shares at cost in the following companies:

Name of subsidiary	Country of incorporation	Holding	Direct/Indirect
Nadal Newco Limited	United Kingdom	100%	Direct
Paradigm Partners Limited	United Kingdom	100%	Indirect
Paradigm Mortgage Services LLP	United Kingdom	100%	Indirect
Tatton Capital Group Limited*	United Kingdom	100%	Indirect
Tatton Capital Limited	United Kingdom	100%	Indirect
Tatton Investment Management Limited	United Kingdom	100%	Indirect
Tatton Oak Limited	United Kingdom	100%	Indirect
Tatton Crown Investments Limited*	United Kingdom	100%	Indirect
Sinfonia Asset Management Limited	United Kingdom	100%	Indirect

* Indicates that this subsidiary is entitled to exemption from audit under section 479A of the Companies Act 2006 for the year ending 31 March 2021.

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

6 Directors and Employees

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

	31-Mar 2021 Number	31-Mar 2020 Number
Administration	**11**	12

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Wages, salaries and bonuses	**1,521**	1,130
Social security costs	**188**	142
Pension costs	**10**	12
Share-based payment charges	**3,740**	108
	5,459	1,392

The remuneration of the highest paid Director was:

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Total	**794**	347

7 Ultimate Controlling Party

The Directors consider that there is no ultimate controlling party.

8 Finance Costs

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Bank interest income	**1**	–
Interest payable in servicing of banking facilities	**(181)**	–
	(180)	–

9 Taxation

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Current tax income		
Current tax on profits for the period	**–**	–
Deferred tax charge/(income)		
Share-based payments	**149**	4
Adjustment in respect of previous years	**–**	(123)
Difference in tax rates	**–**	(16)
Total tax charge/(income)	**149**	(135)

9 Taxation continued

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

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Profit before taxation	**1,166**	5,571
Tax at UK corporation tax rate of 19% (2020: 19%)	**221**	1,059
Expenses not deductible for tax purposes	**54**	25
Income not taxable	**(1,501)**	(1,496)
Differences in tax rates	**–**	(16)
Share-based payments	**522**	4
Adjustments in respect of prior years	**–**	(123)
Group relief	**853**	412
Total tax charge/(credit)	**149**	(135)

In the 3 March 2021 Budget, it was announced that the UK corporation tax rate will increase to 25% from 1 April 2023. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

10 Dividend Paid and Proposed

During the year, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2020 of £3,552,000, representing a payment of 6.4p per share. In addition, the Company paid an interim dividend of £1,999,000 (2020: £1,789,000) to its equity shareholders. This represents a payment of 3.5p per share (2020: 3.2p per share).

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 March 2021 of 7.5p (2020: 6.4p) per share which will absorb an estimated £4.3 million (2020: £3.6 million) of shareholders' funds. It will be paid on 28 July 2021 to shareholders who are on the register of members on 25 June 2021.

11 Share-based Payments

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

12 Own Shares

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

13 Trade and Other Receivables

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Amounts due from related parties	**8,821**	9,184
Prepayments and accrued income	**553**	50
Other debtors	**23**	30
	9,397	9,264

All trade receivable amounts are short term. All of the Company's trade and other receivables have been reviewed for indicators of impairment and, where necessary, a provision for impairment made. The carrying value is considered a fair approximation of their fair value. At 31 March 2021 Tatton Asset Management plc made full provision of £60,000 against the recoverability of amounts due from a related party, Jargonfree Benefits LLP. This provision has been charged to the Statement of Total Comprehensive Income and there has been no other provision made for impairment of receivable balances (2020: £nil).

Trade receivable amounts are all held in sterling.

14 Cash and Cash Equivalents

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Cash at bank	**8,182**	7,657

15 Trade and Other Payables

	31-Mar 2021 (£'000)	31-Mar 2020 (£'000)
Trade payables	**55**	44
Amounts due to related parties	**110**	1,309
Accruals	**1,626**	534
Other creditors	**–**	45
	1,791	1,932

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

Trade payable amounts are all held in sterling.

16 Equity

	Number
Authorised, called up and fully paid £0.20 ordinary shares	
At 1 April 2020	55,907,513
Issue of share capital on exercise of employee share options	863,401
Issue of share capital on exercise of share warrant	1,118,151
At 31 March 2021	**57,889,065**

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

17 Deferred Taxation

	Share-based payments £'000	Total £'000
Asset at 31 March 2019	143	143
Income statement credit	135	135
Equity charge	(43)	(43)
Asset at 31 March 2020	235	235
Income statement charge	(149)	(149)
Equity charge	(86)	(86)
Asset at 31 March 2021	**–**	**–**

18 Contingent Liabilities

At 31 March 2021, the Directors confirmed there were no contingent liabilities (2020: none).

19 Capital Commitments

At 31 March 2021, the Directors confirmed there were no capital commitments (2020: none) for capital improvements.

20 Related Party Transactions

The Company has taken advantage of the exemption under paragraph 8(K) of FRS 101 not to disclose transactions with entities that are wholly owned subsidiaries of TAM plc. There are no other related party transactions other than those that have been disclosed in note 21 to the consolidated financial statements.

20.1 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Other than the Directors and Officers of the Group (see note 21 to the consolidated financial statements), no other key management personnel have been identified.

21 Events After the Reporting Period

There were no events after the reporting period.

Design and production
www.luminous.co.uk

Paradigm House,
Brooke Court, Wilmslow,
Cheshire
SK9 3ND