

18 June 2024

**Tatton Asset Management PLC**  
**(“TAM plc”, the “Group” or the “Company”)**  
**AIM: TAM**

**AUDITED FINAL RESULTS**  
**For the year ended 31 March 2024**

***New growth target of £30 billion AUM/I by the end of FY 2029***

TAM plc, the investment management and IFA support services group, today announces its audited final results for the year ended 31 March 2024 (“FY24”), which show strong, double-digit growth across revenue and adjusted operating profit, at the top end of market consensus, driven by record levels of AUM and net inflows.

**FINANCIAL HIGHLIGHTS**

- Group revenue increased 13.9% to £36.807m (2023: £32.327m)
- Adjusted operating profit<sup>1</sup> up 12.9% to £18.514m (2023: £16.402m)
- Adjusted operating profit<sup>1</sup> margin 50.3% (2023: 50.7%)
- Profit before tax £16.751m (2023: £15.996m)
- Adjusted fully diluted EPS<sup>2</sup> increased 11.2% to 22.91p (2023: 20.61p)
- Final dividend of 8.0p (2023: 10.0p), giving a total dividend for the year of 16.0p (2023: 14.5p) - up 10.3%
- Strong financial liquidity position, with net cash of £24.8m (2023: £26.5m)
- Strong balance sheet – net assets increased to £43.3m (2023: £41.8m)

**OPERATIONAL HIGHLIGHTS**

- AUM/I<sup>3</sup> increased 26.9% to £17.604bn (2023: £13.871bn). Current AUM/I<sup>3</sup> at June 2024 c.£18.564bn (AUM<sup>3</sup> c.£17.516bn)
- AUM<sup>3</sup> increased 30.0% to £16.551bn (2023: £12.735bn)
- Organic net inflows were £2.303bn (2023: £1.794bn), an increase of 18.1% of opening AUM with an average run rate of £192m per month
- The Group exceeded its three-year 'Roadmap to Growth' strategy, which set an ambitious target of £15.0bn AUM/AU<sup>3</sup> by 31 March 2024, achieving an additional £2.6bn or 17.4% above target
- Tatton’s IFA firms increased by 12.2% to 975 (2023: 869) and the number of client accounts increased 17.9% to 126,150 (2023: 107,010)
- Paradigm Mortgages grew market share, participating in mortgage completions totalling £13.1 billion (2023: £14.5 billion), a 9.7% reduction year on year compared to a 29% year-on-year fall in the gross mortgage market
- Mortgage member firms increased 9.4% in the year to 1,916 members (2023: 1,751 members)

**OUTLOOK**

- New growth target set at £30 billion AUM/I<sup>3</sup> by the end of the financial year 2029
- Net AUM/I<sup>3</sup> inflows of £0.9 billion in Q1 FY25, matching inflows in the whole of H1 in the year under review, with more normalised run rate expected for the remainder of FY25
- The Board looks to the year ahead and beyond with confidence

- 1 Operating profit before exceptional items, share-based payment charges, amortisation of acquired intangibles, changes in fair value of contingent consideration and operating loss relating to non-controlling interest.
- 2 Adjusted fully diluted earnings per share is calculated by dividing the adjusted operating profit less cash interest and less tax on operating activities by the weighted average number of ordinary shares in issue during the year plus potentially dilutive ordinary shares.
- 3 “AUM” is Assets under management. “AUM/I” is Asset under management and influence.

**Paul Hogarth, Chief Executive Officer, commented:**

“This has been another exceptional year for the Group. We achieved a substantial increase in net inflows, totalling £2.3 billion, with a particularly strong finish in the second half, especially in the last quarter. This performance underscores the organic growth potential in our market, culminating in an end-of-year AUM/I of £17.6 billion—26.9% higher than at the start of the year and 17.4% above our three-year target of £15 billion.

“As promised, we have set a new milestone for the future: we aim to grow our AUM/I to £30 billion by the end of the financial year 2029. I am pleased to report that we have made an encouraging start towards this goal, achieving net inflows of approximately £0.9 billion in Q1 FY25. To put this in perspective, £0.9 billion was the same level of net inflows we achieved in the first half of FY24, the year under review. Whilst this is a very positive start, it is important to note that several large new mandates have boosted net inflows. We are delighted with this, but we do anticipate a return to a more normalised run rate for the remainder of the year.”

**Commenting on Outlook he added:**

“Looking ahead, we are very optimistic about our growth trajectory and the opportunities that lie ahead. Our goal is to exceed our £30 billion AUM/I target, enhance our market position, and continue to support and champion the IFA community. Our focus will remain on maintaining organic growth, improving operational efficiency, and fulfilling our commitments to our stakeholders. We are confident that our strategic approach, coupled with our dedication to excellence, will lead to continued success and solidify our position as a leading asset management firm in the UK.”

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## Chairman's Report

### TEAM WORK AND TALENT DELIVERS RESULTS

**Over the twelve-month period ended 31 March 2024 – a year that delivered little to improve the challenging political and economic circumstances of previous reporting periods, both globally and domestically – I am pleased to be able to report, once again, a satisfying outcome for Tatton Asset Management plc (“TAM”, the “Group” or the “Company”) with our highest-yet levels of assets under management (“AUM”), revenue and profit before tax, enabling us to announce another year of increased dividends.**

The year under review saw the successful culmination of the Group's three-year “Roadmap to Growth” strategy announced in 2021, targeting an increase in AUM from £9 billion to £15 billion through a combination of organic growth and strategic acquisitions. At 31 March 2024, our AUM/AUI<sup>1</sup> of £17.6 billion materially exceeded this objective, with £1.65 billion of the additional £8.6 billion derived from strategic acquisitions, and the balance derived through a combination of organic growth and increased investment values.

Following this significant achievement, the Group has targeted a further rise in AUM for the five-year period ending March 2029, rising from £17.6 billion to £30 billion. Details of this development are set out in the Strategic Report on pages 16 and 17 of the 2024 Annual Report. In planning for a successful outcome for this new challenge we will build on our already extensive relationships within the Independent Financial Adviser (“IFA”) community. The combination of our long term investment track record, our cutting-edge customer service reputation, and our effective investment communications, provide leading support for the products and services that we offer IFAs helping them better advise and support their own clients. A relentless focus on this single route to market has been the platform for the growth that is outlined in this report, and we are committed to optimising this approach over the next several years.

Paradigm, our IFA consultancy business, has continued to perform in line with expectations, delivering expert regulatory consulting to the IFA community, and remains well-positioned to continue to do so. This year has been a more challenging period for the Mortgage division. We participated in mortgage completions totalling £13.1 billion (2023: £14.5 billion), a 9.7% reduction year on year; however this was in line with our expectations and compares well to the UK gross mortgage market where gross advances (mortgage lending) declined by 29% over the same period. We continue to expand our distribution footprint and are well-placed to take advantage of opportunities as the market recovers.

### FINANCIAL HIGHLIGHTS

Group revenue increased by 13.9% to £36.8m (2023: £32.3m), while adjusted operating profit<sup>1</sup> rose by 12.9% to £18.5m (2023: £16.4m). The Group's operating profit fell slightly to £16.5m (2023: £16.6m), while profit before tax improved to £16.8m (2023: £16.0m). Profit after tax fell by 3.4% to £12.9m (2023: £13.4m), largely due to the increase in the corporation tax rate from 19% to 25%. The impact of the above changes on fully diluted adjusted earnings per share (“EPS”) was an increase of 11.2% to 22.9p (2023: 20.6p), with diluted adjusted EPS increasing to 23.32p (2023: 21.01p), while basic EPS fell to 21.4p (2023: 22.4p), mostly due to the larger gain on the release of contingent consideration in the prior year, along with the increase in the corporation tax rate this year.

## **OUR PEOPLE**

The staff at TAM remain the most important factor in the Group's success. Their commitment and capability are the driving force behind the achievements detailed in this annual report and accounts, and their collective determination to flourish, on a personal as well as corporate level, forms a foundation that supports the confidence that runs through the entirety of this report. On behalf of the Board, I would like to thank every member of staff for their contribution over a gratifying year.

We remain committed to fostering a culture of inclusion, collaboration, and professional development, one in which our employees are empowered to take ownership of their work and are provided with opportunities for professional growth and advancement. We are proud of the diverse and talented team that we have built, and we are committed to investing in their continued success in order to drive the success of the organisation over the longer term.

## **ROLE OF THE BOARD AND ITS EFFECTIVENESS**

The Board of Directors plays a crucial role in governance and strategic direction and is responsible for overseeing the management of the Group, setting its strategic direction, and ensuring that TAM operates in the best interests of its shareholders and other stakeholders. My primary role as Chairman is to provide leadership to the Board and to provide the right environment to enable each of the Directors, and the Board as a whole, to perform effectively, provide sound guidance and oversight, make informed decisions and ensure that the company operates with integrity and transparency. It is my view that the Board has an appropriate balance of skills with which to carry out its duties and that it is highly effective, with a thorough understanding of the opportunities and threats facing the Group.

## **UK CORPORATE GOVERNANCE**

Tatton Asset Management plc is committed to maintaining high standards of corporate governance. The Board of Directors recognises the importance of good governance in the management of the Group and in the protection of shareholder interests. The Group adheres to the principles of the QCA Corporate Governance Code (the "QCA Code") and continuously reviews its governance practices to ensure that they meet the evolving needs of the business and its stakeholders. Details of how we have applied the principles that form the QCA Code are provided throughout the 2024 Annual Report and are detailed on pages 51 and 52.

## **SECTION 172 STATEMENT**

Section 172 of the Companies Act 2006 requires that the Directors act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. For this reason section 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 44 and 45 of the 2024 Annual Report.

## **DIVIDENDS**

The Group continues to perform well, as we maintain our focus on creating long-term sustainable shareholder value. Given our continued progress, and in line with the guidance that we issued at the half year when we indicated that the split of the dividend would be 50:50 between the interim and final dividend, the Board is proposing a final full year dividend of 8.0p per share (see note 11). This brings the total ordinary dividend for the year to 16.0p per share, an increase of 10.3% on the prior year, which is

covered 2.9 times by adjusted earnings per share<sup>1</sup>. Subject to shareholder approval at the forthcoming Annual General Meeting, the dividend will be paid on 6 August 2024 to shareholders who are on the register on 28 June 2024. The ex-dividend date will be 27 June 2024.

### **OUTLOOK AND PROSPECTS**

In general, the global economy has been surprisingly resilient over the twelve-month period under review. While we are cautiously optimistic regarding the immediate future, we remain conscious that threats to the economic landscape remain, and that persistent inflation and geopolitical events have the potential to undermine recent progress. Nevertheless, we are confident that the momentum that we have created over recent years has the potential to provide a continuing increase in our market share, while general recognition that the Model Portfolio Service approach to asset management is a growing sector of the industry and will, in the absence of headwinds, combine to provide a strong platform for further progress.

Finally, I would like to express my gratitude to shareholders for their continued support, to clients for their trust and loyalty, to advisers for their partnership and collaboration, and to our employees for their loyalty and commitment. I look forward to another successful year ahead for Tatton Asset Management plc.

**Roger Cornick**  
Chairman

## Chief Executive Officer's Review

### CREATING THE ENVIRONMENT FOR GROWTH

**This year marks the end of our three-year “Roadmap to Growth” strategy, wherein in 2021, we set ourselves the ambitious target of increasing our AUM by £6bn, from what was then £9bn to £15bn, through a combination of organic growth and acquisitions.**

While we were close to reaching the target at this year's interim result, I am now delighted to say that we have exceeded the target with a final value of AUM/AUI<sup>1</sup> of £17.6bn as of 31 March 2024, 17.4% ahead of the original target. While we delivered the £17.6bn through a combination of organic growth and acquisitions, I am particularly pleased that we would have exceeded the target due to purely organic growth alone, through a combination of £5.4bn of net inflows and a positive investment performance of £1.5bn over the three-year period. We can add to that the two strategic acquisitions of £0.65bn of Verbatim Funds and £1.05bn of AUI from 8AM Global Limited, which complemented the organic growth to reach the £17.6bn milestone.

### FINANCIAL PERFORMANCE

This year has been another challenging year for many businesses, due to a combination of continued geopolitical and global economic influences that have continued to impact not only the markets generally, but also the key areas in which we operate. As in prior years, we are not immune to the impacts of these events. However, we have continued to adapt and respond to the challenges that we face by continuing to focus on servicing the customer and IFA community while expanding our distribution footprint, with a view to maintaining and increasing our market share wherever possible. This aim is underpinned by our long-term track record of consistent investment performance and market-leading customer service and communications, which, when combined with our existing IFA distribution partnerships, continue to drive the success of the business. We were delighted to have this validated through being recognised in a recent Defaqto DFM survey as both the preferred and the most recommended DFM MPS provider.

Group revenue increased by 13.9% to £36.8m (2023: £32.3m) and Group adjusted operating profit<sup>1</sup> increased by 12.9% to £18.5m, with an adjusted operating profit<sup>1</sup> margin that was broadly in line with the prior year of 50.3% (2023: 50.7%). Our operating profit was £16.5m, in line with that of the prior year of £16.6m. We ended the year with cash on the balance sheet of £24.8m (2023: £26.5m).

1. Alternative performance measures are detailed in note 27.

Tatton revenue increased strongly by 19.0% to £30.9m, which was accompanied by a new record for organic net inflows in the year of £2.303bn, 18.1% of opening AUM. Net inflows in the first half of the year were £0.910bn with the second half of the year materially improving to £1.393bn. We are pleased that net inflows stayed consistently strong throughout the year, averaging £192m per month. This was split £152m in the first six months and a significant improvement to £232m in the second six months. Clearly, the second half of the year was much stronger, although there was no single event responsible for this strong performance; it was due to a general improvement across the board with the last three months, and particularly March, being very strong. In addition to organic flows, the markets added a further £1.538bn over the year, with the second half of the year accounting for £1.438bn. During the year, we disposed of our £25m AIM portfolio and, with 8AM Global contributing £1.053bn of AUI, our total AUM/AUI<sup>1</sup> finished the year at £17.604bn.

	TOTAL £BN
Opening AUM 1 April 2023	12.735
Organic net inflows	2.303
Market and investment performance	1.538
Disposal of AIM portfolio	(0.025)
<b>Closing AUM 31 March 2024</b>	<b>16.551</b>
8AM – AUI <sup>1</sup>	1.053
<b>Total closing combined AUM/AUI<sup>1</sup> 31 March 2024</b>	<b>17.604</b>

Tatton adjusted operating profit<sup>1</sup> increased by 22.8% to £19.4m (2023: £15.8m) and the adjusted operating profit<sup>1</sup> margin increased to 63.0% (2023: 61.1%). Operating profit margin fell to 60.2% from 65.6%, partly due to a large release of contingent consideration payable on 8AM and Verbatim in the prior year of £2.7m, while this year took the impact of an impairment of £1.3m against the investment in 8AM. While we have continued to invest in the business to drive future growth, this year saw the benefit of the sale of AIM, which overall, contributed a one-off gain by adding £0.5m to the adjusted operating profit<sup>1</sup> of Tatton. Tatton continues to account for a greater proportion of the income and now stands at 83.9% of Group revenue, along with contributing the vast majority of the Group operating profit.

Paradigm revenue decreased by £0.5m, or 7.1%, to £5.9m. In many ways this was a very resilient performance from the business. While the consultancy element of this business remained stable, albeit losing a small number of firms to consolidation, as predicted the Mortgages business faced a more difficult year, with completions reducing by 9.7% to £13.1bn (2023: £14.5bn). This was in line with guidance, but was, more importantly, a good result when compared to the UK gross mortgage market, which fell by 29%. As a consequence of reduced revenue and investment in the cost base, which included the full-year effect of new personnel and cost inflation, the adjusted operating profit<sup>1</sup> fell to £1.8m (2023: £2.4m) with a margin of 29.9% (2023: 37.5%), with a similar fall in Operating profit and related margin delivering £1.5m at 25.6% (2023: £2.2m at 34.5%).

### **STRATEGY: PROGRESS AND MARKET TRENDS**

Our vision has always been to create lasting and sustainable growth by being the preferred provider for IFAs. To achieve and support this vision, we have offered products and services that are competitive in the market and that help IFAs give better advice to their clients. We have also sought to improve our market position by growing our client base and increasing our AUM while expanding our range of service offerings. After celebrating our 10th anniversary last year and completing our ‘Roadmap to Growth’ strategy this year, we look forward with excitement and the same passion for the business that we have always had, and we are eager to enter the next phase of our growth and development as a business.

We constantly monitor the IFA sector to identify the trends and the direction of the broader market, and how we can assist in developing and creating solutions that help the IFA with their own strategic direction and growth, while supporting their clients and improving client outcomes. In response to considering how we can further support our IFAs, during the year we made an investment of £0.5m in Fintegrate Financial Solutions Limited, a company which provides a financial planning software tool to IFAs.

There have been two main trends lately across the IFA sector. The first involves the growing use of the MPS solution, as IFAs have increasingly delegated investment decisions to an independent DFM; Tatton has been a major beneficiary of this trend. The second trend, consolidation, has been a rising factor in the wider IFA market. Some market consultants think that over time, the market will consolidate further,



whereby five or six major consolidators will take over about half of the market. I do not agree with this view, as I think that there will always be a demand for the independent local high-street IFA. When IFAs wish to retire, I can see many younger IFA businesses wanting to buy them up. Some consolidators think that it is just a matter of aggregation, i.e. buying firms at a lower price than their target exit value, while others aim to vertically integrate the firms. We think that there is more to this process than that, and we continue to research and consider possible alternative solutions.

## **MARKET DEVELOPMENT**

The core trends that continue to drive growth regarding the adoption of UK MPS remain unchanged, with the key aspect being outsourcing portfolio management responsibilities, which allows the advisers to focus on financial planning and client relationships and on continuing to grow and improve their businesses. The MPS market has continued to show significant growth and, as in prior years, the assets held on platform and in MPS remain the fastest-growing area for Wealth Managers and are becoming a substantial part of the investment landscape. Platform, industry research consultants, have provided a market update which supports the view that this trend is set to continue. There was last reported over £139bn of MPS assets on platform as of December 2023, which accounted for 19.3% of the £722bn of assets on platform in total, an increase from 16% in the previous year. We believe that the market remains on track to reach £200bn by 2027. Extending the picture globally reinforces this view, as the current level of \$4.2tn of assets being held in MPS is set to increase to \$10tn by 2028<sup>2</sup>.

The market remains competitive with over 100 MPS providers made up of new entrants and traditional investment managers. Pricing has continued its downward trend, with average pricing levels now being 19bps, although a broad range is still found within the pricing landscape. Tatton remains very competitive and, when coupled with our long-term track record of consistent investment performance and market-leading customer service and communications, and combined with our IFA distribution partnerships, our proposition remains market-leading and compelling.

## **REGULATION**

Consumer Duty legislation came into effect in July 2023 and it has been a factor in the IFAs' shift from in-house managed portfolios to third party MPS providers. The FCA has made it clear that they wish firms to act in the best interests of their retail customers, which includes considering moving some investment clients' portfolios from more costly bespoke models to simpler model portfolios, if these are more suitable for the customer's investment size, as laid out under the Duty's price and value outcome principle. I remain of the view that third party MPS providers are well placed to meet the regulation's requirements by offering low-cost and competitive investment options for clients, while helping the IFA to comply with Consumer Duty requirements. As an MPS-focused investment manager, this requirement of Consumer Duty aligns with our strengths in putting the adviser at the centre of the value chain and enabling the delivery of better client outcomes.

1. Alternative performance measures are detailed in note 27.
2. Fundscape: How to win business and influence model portfolios.

## **PARADIGM**

Overall, Paradigm delivered a resilient performance this year. Paradigm Consulting remained stable, although Paradigm Mortgages' performance was not immune from the challenges created by a difficult housing market wherein the resilience of all intermediary participants was tested. During the year, the housing purchase market stalled, which impacted the available product mix and the resultant margins. In addition, affordability constraints, which were driven by higher borrowing costs (with rates peaking in August 2023 at 5.25%, three times higher than those two years prior), impacted both new buyers and

those rolling off less expensive fixed-term deals. As in prior periods, lenders focused on retaining their existing customers, and Product Transfer (“PT”) (fixed-rate maturities) business rose. This change was at the expense of more margin-rich remortgage business and buy-to-let volumes, which also suffered when both funding and affordability constraints made their mark.

As we look forward with confidence, activity and demand are improving, as evidenced by greater numbers of sellers and prospective buyers, with mortgage applications and approvals at their highest levels in 18 months. Property values epitomise this resilience since UK house prices remained largely unchanged on a monthly basis, with the latest research suggesting that house prices will increase by 2.5% in 2024. That being said, the market remains sensitive to short-term fluctuations; although Paradigm anticipates another challenging year, we do believe that as the economic outlook improves and interest rates inevitably decline, homebuyers will gain confidence from a period of relative stability. Pent-up consumer demand, underpinned by improving affordability, will drive transaction volumes upward. While brokers will not ignore the opportunities presented by PTs, they will benefit from improvements in the Purchase and Remortgage markets, both of which offer greater margins. This positive outlook should be balanced by the general state of political uncertainty in the UK in the run-up to the general election, together with wider global uncertainties that have the capacity to disrupt market stability. As a result, many commentators believe that there are unlikely to be meaningful falls in mortgage rates this year, while there is still the potential for short-term fluctuations in the cost of debt and house prices.

Therefore, when evaluating the short to medium term, Paradigm’s positive membership growth, which is up by 9.4% on the prior year, is predicted to continue and should result in increased completion volumes for 2025, essentially returning back to 2022/23 levels of c.£14.3bn. With a stronger economic performance expected in 2025 and 2026, we maintain a broadly positive outlook.

### **STRATEGIC GOALS AND PRIORITIES**

- AUM expansion and organic growth
  - Target AUM/AUI<sup>1</sup> of £30bn by March 2029, a cumulative annual growth rate of 11.3%
  - Consistently achieve a minimum average of £2bn of net inflows per annum
- Strategic acquisitions and partnerships
  - Identify and execute targeted acquisitions that align with our business model and enhance our AUM and our wider proposition
  - Forge new partnerships to aid distribution, broaden our reach, and access new markets
- Expand Distribution
  - Build on our recent success by delivering further strategic partnerships and collaborations with larger IFA firms, delivering enhanced client outcomes
- Paradigm market share
  - Continue to increase the number of firms that utilise Paradigm, specifically, by taking a greater share of the available mortgage broker and intermediary market and increasing the level of mortgage completions

### **OUTLOOK AND SUMMARY**

In summary, the Group has delivered another strong year of growth in terms of net inflows and AUM, while also demonstrating continued resilience when seen against the backdrop of what has been another difficult year across markets and the general economy. As we welcome the coming years, we are excited

by the future opportunities that we have as a business, and we look forward to maintaining our focus on the strategic initiatives that we have set out and delivering the next phase of our growth and vision for the future.

This success would not be possible without the unwavering commitment and hard work of our entire team across the Group. I extend my sincere gratitude for their enduring dedication to serving our customers and clients; their extraordinary abilities continue to be the foundation of our achievements.

**Paul Hogarth**

Chief Executive Officer

## **Q&A with our Chief Executive Officer**

### **What has been the impact of Consumer Duty over the last 12 months and how do you see it moving forward?**

It would appear that the focus from the regulator so far has been on the larger product manufacturers and, indeed, platforms. IFAs are now, in the main, totally up to speed with Consumer Duty and what is required from them to comply. We are starting to see some signs of pockets of traditional discretionary fund management making its way to MPS. I would expect this trend to continue and gather momentum, which should be a tailwind for our business.

### **How has the IFA sector been impacted by Private Equity consolidators over the last few years?**

Private equity (“PE”) has been very active in the wealth management arena. They have led the consolidation trend in the platform market, where numerous platforms are now owned by PE. They have also backed IFA consolidation and, indeed, the leading consolidators are nearly all owned by PE. I do not necessarily see this as a bad thing, as this highlights the true value of IFA practices. The principals of the IFA businesses are, therefore, encouraged to grow and invest in their business to take advantage of this at a future date.

### **Do you see the continued growth of Model Portfolio Solutions over the coming years?**

Absolutely, yes. As a business, we continue to look to see if there are other propositions that fulfil all the positive elements that the MPS service provides. The combination of price, consistent investment performance and client outcomes, along with the transparency and simplicity of the product, underpins continual growth. At the moment, and in general, I cannot see a better place for clients’ hard-earned capital.

### **How do you see technology and, in particular, artificial intelligence (“AI”) impacting the investment world in the near to medium term?**

We believe that IFAs should embrace AI as a tool to help them improve the efficiency of their businesses and deliver some of the more automated services that they provide. Simple tools and solutions that can help to record annual review meetings and client conversations must be a good starting point. Overall, I see AI making a really positive contribution to what we do, although ultimately, I do not think AI is a threat to our business and will not replace human interaction and the investment decision-making process.

### **How do you keep the TAM team constantly motivated?**

We are still a small, growing business benefitting from our continued growth and offer a great place to work. We are small enough to know everyone’s first name and appreciate the contribution each individual makes to the success of the overall business. We naturally reward success with performance related pay, bonuses and options where appropriate. We have a strong service-led culture that permeates through the business and reflects the values to which we aspire. The Board and senior management have always had an open door policy and openly communicate our corporate goals and acknowledge individual achievement.

## Chief Investment Officer's Report

THE FIRST 10 YEARS BUILDS A FOUNDATION FOR THE NEXT

### PROPOSITION DEVELOPMENT

We continue to benefit from the strength of our relationships with the advisers that recommend Tatton's investments to their clients. Our business model, which has the genuine synergy created by mutual benefit, remains flexible and responsive to the needs of IFAs and meeting their clients' desired outcomes.

Listening and responding to feedback enables Tatton to build the IFA relationship based on the trust created by long-term delivery. Central to this is the consistency of our portfolio management approach, which generates sustained repeatable investment performance and is not reactive to short-term market distractions.

As part of this, we expanded our Overlay Strategy to our Tracker and Global models, as they had reached a sufficient scale. The Overlay Strategy, created in 2016 for Tatton's Managed models, uses an open-ended structure created at each risk profile, which provides access to alternative share classes, improved trading and smoother portfolio management. With this expansion, the majority of Tatton's models now benefit from the significant efficiencies and dynamic investment opportunities the Overlay Strategy brings.

Responding to adviser feedback and rising interest rates, in August 2023, we launched the Tatton Money Market Portfolio, a portfolio of ultra-low-risk money market funds, to give investors access to higher rates of interest on cash than they could receive from a standard notice bank account and maintain control of their asset through their chosen investment platform.

We have also improved our client reporting by enabling advisers to personalise performance charts in our monthly and quarterly factsheets. We also enhanced our portfolio update reporting by making it more accessible through our new Portfolio Decisions report. All these reports are automated and generated for each adviser through the Tatton Portal, increasing the direct support of their day-to-day client reports.

### 2023/24 CAPITAL MARKETS AND RETURNS

Tatton's strength is our clearly defined investment process and the robust discipline of the investment team. Our focus remains on being long-term investment managers and we are not distracted by short-term market narratives.

The last year duly rewarded long-term investors. Capital markets rebounded strongly from the 2022 downturn. Holders of risk assets saw significant returns as worries about inflation, interest rates and global recession faded. Returns were pleasing for the markets and our portfolios, which were suitably positioned to take advantage of the opportunities that arose.

During the 2022/23 period, we saw the sharpest monetary policy squeeze in a generation. Spiking global inflation forced central banks to rapidly raise interest rates, pushing up government bond yields. Market sentiment showed concerns over the central banks keeping rates 'higher for longer' but through 2023/24 it looked increasingly certain that interest rates will be cut. The forward rate curve informs us that the markets see The Bank of England and the US Federal Reserve to have all but confirmed that their next rates move will be a cut, and expectations of a looser policy have already propelled risk assets.

The turnaround started in bond markets. Indications last summer were that the inflation crises might be over, but it was not until the end of October that market confidence rose. Falling inflation and a growing expectation of rate cuts helped bring an extremely difficult period for bonds to an end. This brought tactical return opportunities through active duration management in the Overlay Strategy.

Equities markets followed. Falling bond yields made equities more attractive and this valuation effect clearly impacted prices, but the rally was not just about that adjustment. Towards the end of 2023, markets also anticipated rebounding global growth. This delivered an incredible 'Santa Rally' in December, and the first three months of 2024 were similarly positive.

## INVESTMENT PORTFOLIO RETURNS

### 1 year, 1 April 2023 – 31 March 2024

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

	TATTON MANAGED	TATTON TRACKER	TATTON BLENDED	TATTON ETHICAL	ARC PCI <sup>1</sup>
Defensive	5.3	6.5	5.9	9.6	4.7
Cautious	8.2	9.1	8.6	11.4	7.3
Balanced	10.6	11.2	10.9	12.8	7.3/9.3 <sup>2</sup>
Active	12.4	13.0	12.7	14.2	9.3
Aggressive	14.5	14.4	14.4	15.2	11.1
Global Equity	20.6	19.6	20.1	16.6	11.1

### 3 years, 1 April 2021 – 31 March 2024

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

	TATTON MANAGED	TATTON TRACKER	TATTON BLENDED	TATTON ETHICAL	ARC PCI <sup>1</sup>
Defensive	0.0	0.7	0.4	0.7	0.6
Cautious	2.3	3.0	2.7	2.3	2.0
Balanced	4.2	4.7	4.5	3.6	2.0/3.0 <sup>2</sup>
Active	6.0	6.3	6.1	5.1	3.0
Aggressive	7.4	7.6	7.5	6.2	3.6
Global Equity	9.0	9.0	9.0	6.9	3.6

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.

Underlying that growth story was the drop in global inflation. Growth has been surprisingly resilient against rapid interest rate hikes, and markets became convinced that this will carry on through to eventual rate cuts – more so for the US, where consumer demand has stayed surprisingly strong for years. Markets seem to believe that inflation will come all the way down without high rates hurting the economy too much.

That belief has effectively saved markets from the typical recession at the end of a growth cycle, and we have effectively 'rewound' into an a mid-cycle environment. When rates inevitably fall, we expect this will bring opportunities for smaller businesses – and they will already be starting from a strong point, with so few 'going bust' compared to previous cycles.

In the first quarter of 2024, the rally broadened, having previously focused on large US tech companies – the so-called “magnificent seven”. The tech domination created misplaced fears of another dotcom-style bubble, as those companies have been propelled by growing profits and not just exuberance.

A notable feature of the capital market rally was the fall in stock market volatility during that period, despite yields rebounding and expectations for rate cuts being pushed further into the future. This shows that investors have a bigger appetite for risk assets. That attitude is an endorsement of the global economy and there are opportunities, but with high valuations there is also room for disappointment, and this creates patches of volatility, as seen in early April. Markets may be too positive for our liking.

## **OUTLOOK**

It looks like the remainder of 2024 should be a calmer period than the immediately preceding years. The pricing of volatility options tells us that investors think risks are low – but that is not the same thing as risks actually being low. Markets can still fall and, with price-to-earnings ratios so high (especially in the US), there is a sense that any extra shocks could impact hard. However, markets have demonstrated notable resistance and there is no clear signal that positive sentiment will falter at this time.

This year will see general elections in the UK and US, both of which should interest markets. Britain looks certain to get a change of government. Capital markets appear completely unphased, though in large part because they are expecting very little to change. The Starmer-led Labour party has firmly pushed its centrist credentials and is likely to pursue a very similar economic policy to Rishi Sunak and Jeremy Hunt. Politics always has the capacity to create surprises, so we note that policies could alter in the run-up to the election.

The US presidential election outcome is much more uncertain. Donald Trump is the very slight favourite in a rematch with President Biden. There will be more drama as we approach November. In particular, there could be accusations of bias thrown at the Federal Reserve if it is perceived to be helping Biden to cut rates. How this affects bonds and the US Treasury’s massive debt pile will be crucial.

Tatton will continue to stick to our principles and pursue a calm stewardship of our clients’ investments. Short-term market dramas can be hard to ignore, but so often, the consistent management of long-term investments require us to do exactly that. Our portfolio performance in the last year vindicates this strategy, and we have every faith that it will continue to do so.

Our principles of long-term stewardship have helped us not only in terms of market returns, but in terms of growing and thriving as a business. We are proud to have gained a reputation as a safe, professional guardian of clients’ investments. This has allowed us to grow, even through difficult periods in recent years.

The heart of our model is about working with IFAs to manage their clients’ savings and investments to create their best outcomes. We focus on calm, clear and consistent stewardship so that IFAs can focus on clients’ individual needs. We will always strive to communicate what we are doing and why with utmost clarity, and we are thankful to IFAs for telling us what is best for their clients. As ever, maintaining these high standards will be key to our success.

## **LOTHAR MENTEL**

Chief Investment Officer

# Chief Financial Officer's Report

## GROWTH DRIVES STRONG FINANCIAL RESULTS

### OVERVIEW

The Group has demonstrated again the strength of its business model. Despite a year of geopolitical tensions, global inflation and the resulting high interest rates, the Group has continued to deliver its market leading, customer-focused service across both Tatton and Paradigm. The financial performance of the Group has continued to go from strength to strength, delivering record net inflows that have driven double-digit growth in revenue and adjusted operating profits<sup>1</sup>, with operating profit remaining broadly in line year on year. The Group's strong financial fundamentals are also demonstrated on the balance sheet, with high liquidity through a cash-generative operating model.

### REVENUE AND PROFITS

Group revenue increased by 13.9% to £36.8m (2023: £32.3m). Due to the continued growth in our AUM, Tatton's investment-related income now accounts for 83.9% (2023: 80.2%) of our total Group revenue, a trend that is anticipated to continue through our focused strategy and continuation of current market trends. Tatton revenue increased by 19.0% to £30.9m (2023: £25.9m). While many asset managers have continued to see outflows and redemptions this year, Tatton's AUM/AUI<sup>1</sup> increased by 26.9% to reach £17.6bn (2023: £13.9bn), driven by our highest-yet net inflows of £2.3bn, 18.1% of opening AUM, with markets adding a further £1.5bn in the year. As Tatton's AUM was significantly higher in March 2024 than in March 2023, the level of trade receivables and accrued income on the balance sheet has also increased significantly from £2.9m to £4.3m.

Tatton's adjusted operating profit<sup>1</sup> increased by 22.8% to £19.4m (2023: £15.8m) and its adjusted operating profit margin<sup>1</sup> increased to 63.0% (2023: 61.1%). Its operating profit increased to £18.6m (2023: £17.0m), with a fall in margin from 65.6% to 60.2% due to the impact of an impairment in the investment in 8AM of £1.3m.

Paradigm's adjusted operating profit<sup>1</sup> fell to £1.8m from £2.4m due to a reduction in mortgage completions in the year, which we had anticipated. There was a similar reduction in operating profit to £1.5m (2023: £2.2m). While the UK gross mortgage market fell by 29%, Paradigm's completions fell by only 9.7% to £13.1 billion, a robust performance in the circumstances. Paradigm's adjusted operating profit<sup>1</sup> margin decreased to 29.9% (2023: 37.5%) with operating profit margin of 25.6% (2023: 34.5%). Paradigm is obviously leveraged to the UK mortgage market and we anticipate margins increasing in line with the expected increase in completion volumes in the coming year.

Group operating profit was £16.5m (2023: £16.6m). This includes the increase in administrative expenses of £3.3m in the year, of which £1.0m relates to separately disclosed items; this excludes the £1.25m impairment on 8AM not included within administrative expenses. Underlying growth in costs excluding these items is £2.3m, or an increase of 14.3%. Of this growth, 11.7% is people cost related, relating to investment in new employees and salary increases, with 5.2% relating to variable pay that reflected the strong net inflows and financial performance this year. The remaining increase in administrative expenses predominately reflects the investment in marketing and distribution activity, along with governance and compliance costs. Operating profit also includes a gross contribution of £0.5m from the disposal of our AIM portfolio in September 2023. The net impact year on year is a modest increase of £0.3m when including the revenue foregone in the second half of this year.



## RESULTS OF JOINT VENTURES

The Group's share of the loss from joint ventures is £1.2m (2023: £0.2m profit), including £1.3m of impairment of the investment in 8AM. Further details are included in note 13.

## SEPARATELY DISCLOSED ITEMS

Separately disclosed items are adjusting items to Operating profit and total £2.1m. This includes the cost of share-based payments of £1.5m, in line with the prior year of £1.5m, amortisation of acquisition-related intangible assets of £0.6m, a credit relating to fair value gain on contingent consideration of £1.4m, and an exceptional item of an impairment loss of £1.3m, as detailed above. An adjustment has also been made to remove the operating loss relating to the non-controlling interest in Fintegrate Financial Solutions Limited ("Fintegrate"), a small investment made during the year, of £0.1m to reflect the Adjusted operating profit<sup>1</sup> attributable to shareholders of TAM.

At March 2024, one contingent consideration payment remained outstanding relating to the acquisition of 8AM, which is dependent on reaching target profitability. At the year end, the Group has considered the performance of the business and released £0.9m of contingent consideration liability, leaving £nil remaining on the balance sheet. The fair value of the two contingent consideration payments remaining relating to the Verbatim funds, acquired in 2021, has also been reduced by £0.5m. These releases have contributed to the reduction in the balance of trade and other payables as at March 2024 to £9.1m (2023: £10.2m), along with a payment of contingent consideration of £0.9m. In the prior year, the fair value gain on contingent consideration was £2.7m.

STATUTORY	MAR-24	MAR-23
Operating profit (£m)	<b>16.464</b>	16.610
Basic EPS (p)	<b>21.39</b>	22.43
Diluted EPS (p)	<b>21.02</b>	21.70
Cash generated from operations (£m)	<b>16.930</b>	15.790

## ALTERNATIVE PERFORMANCE MEASURES ("APMS")

A comparison between key statutory measures and APMs is detailed in the table above, with further information as to the reconciliation between the two measures being provided in note 27. The APMs provide additional information to investors and other external shareholders to provide additional understanding of the Group's results of operations as supplemental measures of performance. The APMs are used by the Board and management to analyse the business and financial performance, track the Group's progress and help develop long-term strategic plans. Some APMs are also used as key management incentive metrics.

## FINANCE INCOME/(COSTS)

The Group has recognised finance income of £0.6m (2023: £nil) due to the interest received on corporate cash. Finance costs have reduced from £0.6m to £0.4m as a result of the Group's banking facility coming to an end in the year.

## TAXATION

The Group's tax charge for the year is £3.8m (2023: £2.6m), an effective tax rate of 23% (2023: 16%). The charge has increased this year, largely due to the increase in the corporation tax rate to 25%. In addition, the prior year's effective tax rate was reduced due to release of £2.7m of contingent consideration which is non-taxable. This year's results included non taxable income of £1.4m relating to the release of contingent consideration, offset by the £1.3m impairment loss which is not deductible. The Group has

recognised a deferred tax asset of £2.7m (2023: £1.3m), which has grown in the year due to the increase in the value of unexercised share options as a result of the increase in TAM's share price. This deferred tax asset is expected to be recoverable against future profits.

## ACQUISITION

During the year, the Group acquired a controlling interest in Fintegrate, a digital financial planning software company. The acquisition of Fintegrate was made in order to broaden the support services that the Group can offer to its IFA firms. The Group paid £0.5m for 56.49% of the share capital of Fintegrate, and has recognised on acquisition £0.5m of goodwill and £0.4m of software; see note 25.

## STATEMENT OF FINANCIAL POSITION AND CASH

The Group's balance sheet remains strong, with net assets of £43.3m (2023: £41.8m) and cash of £24.8m (2023: £26.5m). The Group maintains a very strong operating cash conversion of over 90%; however during the year, there was a reduction in cash held on the balance sheet, explained by strategic cash allocation decisions. In addition to the items already detailed, the Group acquired 658,800 of its own shares for £3.3m in the Employee Benefit Trust for the purpose of managing employee incentives and to protect against future share price fluctuations. We also paid £10.8m in dividends this year.

Our financial resources are kept under continual review, ensuring that we have headroom over our regulatory capital requirements at both a Group and entity level. We formally review comprehensive stress and conduct scenario testing on at least an annual basis.

ALTERNATIVE PERFORMANCE MEASURE	MAR-24	MAR-23
Adjusted operating profit (£m)	<b>18.514</b>	16.402
Adjusted basic EPS (p)	<b>23.73</b>	21.72
Adjusted fully diluted EPS (p)	<b>22.91</b>	20.61
Cash generated from operations before exceptional items (£m)	<b>16.930</b>	16.188

£'000	31-MAR 2024	31-MAR 2023
Total equity	<b>43,334</b>	41,781
Less: Foreseeable dividend	<b>(4,841)</b>	(6,000)
Less: Non-qualifying assets	<b>(21,405)</b>	(20,972)
Total qualifying capital resources	<b>17,088</b>	14,809
Less: Capital requirement	<b>(4,274)</b>	(4,400)
Surplus Capital	<b>12,814</b>	10,409
% Capital resource requirement held	<b>400%</b>	337%

## CAPITAL ALLOCATION

As we grow, capital allocation decisions will continue to be made in a manner that supports the Group's strategic objectives, maximises shareholder value and sustains long-term growth. We will continue to invest in strategic initiatives through prioritising organic investment in our product offering but also by making strategically aligned investments and acquisitions. This year, return on capital employed<sup>1</sup> was 41.9% (2023: 42.2%). The Board regularly reviews the Group's capital structure to ensure alignment with the Group's strategic objectives and will respond, should the needs of our business and market change.

## EARNINGS PER SHARE ("EPS")

Basic EPS reduced slightly to 21.39p (2023: 22.43p). Despite the growth in revenue in the year, the prior year results included the release of £2.7m of contingent consideration, with a smaller further release in

the current year of £1.4m. This, along with £1.3m of impairment in the investment in 8AM, have contributed to the reduction in basic EPS. However, removing the impact of separately disclosed items, adjusted fully diluted EPS<sup>1</sup> has increased by 11.2% to 22.91p (2023: 20.61p), with adjusted diluted EPS of 23.32p (2023: 21.01p).

## **DIVIDENDS**

The Board is recommending a final dividend of 8.0p. When added to the interim dividend of 8.0p, this gives a full year dividend of 16.0p (2023: 14.5p), an increase of 10.3% on the prior year. This proposed dividend reflects our underlying confidence in our business and follows the 50/50 split highlighted at the half year, maintaining our policy of paying a dividend that is approximately 70% of the adjusted earnings. If approved at the Annual General Meeting, the final dividend will be paid on 6 August 2024 to shareholders on the register on 28 June 2024.

## **RISK MANAGEMENT**

Risk is managed closely; it is spread across our businesses and managed to individual materiality. Our principal risks have been referenced primarily on pages 23 to 25 of the 2024 Annual Report. We choose key performance indicators that reflect our strategic priorities of investment, growth and profit, and these are detailed on pages 18 and 19 of the 2024 Annual Report.

The Strategic Report found on pages 1 to 45 of the 2024 Annual Report has been approved and authorised for issue by the Board of Directors and signed on their behalf on 17 June 2024 by:

### **Paul Edwards**

Chief Financial Officer

1. Alternative performance measures are detailed in note 27.

## Consolidated Statement of Total Comprehensive Income for the year ended 31 March 2024

	NOTE	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
<b>Revenue</b>	5	<b>36,807</b>	32,327
Share of (loss)/profit from joint ventures	13	<b>(1,188)</b>	160
Administrative expenses		<b>(19,155)</b>	(15,877)
<b>Operating profit</b>	6	<b>16,464</b>	16,610
• Share-based payment costs	7	<b>1,458</b>	1,511
• Amortisation of acquisition-related intangibles	7	<b>633</b>	534
• Operating loss relating to non-controlling interest	7	<b>59</b>	–
• Gain arising on changes in fair value of contingent consideration	7	<b>(1,350)</b>	(2,651)
• Exceptional items	7	<b>1,250</b>	398
Adjusted operating profit <sup>1</sup>		<b>18,514</b>	16,402
Finance income	8	<b>640</b>	–
Finance costs	9	<b>(353)</b>	(614)
<b>Profit before tax</b>		<b>16,751</b>	15,996
Taxation charge	10	<b>(3,830)</b>	(2,623)
<b>Profit and total comprehensive income for the financial year</b>		<b>12,921</b>	13,373
<b>Profit and total comprehensive income attributable to owners of the Parent Company</b>		<b>12,986</b>	13,373
<b>Profit and total comprehensive income attributable to non-controlling interests</b>		<b>(65)</b>	–
Earnings per share – Basic	11	<b>21.39p</b>	22.43p
Earnings per share – Diluted	11	<b>21.02p</b>	21.70p
Adjusted earnings per share – Basic <sup>1</sup>	11	<b>23.73p</b>	21.72p
Adjusted earnings per share – Diluted <sup>1</sup>	11	<b>23.32p</b>	21.01p
Adjusted earnings per share – Fully Diluted <sup>1</sup>	11	<b>22.91p</b>	20.61p

1. See note 27.

All revenue, profit and earnings are with respect to continuing operations.

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

## Consolidated Statement of Financial Position

as at 31 March 2024

	NOTE	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
<b>Non-current assets</b>			
Investments in joint ventures	13	5,352	6,762
Goodwill	14	9,796	9,337
Intangible assets	15	3,686	3,615
Property, plant and equipment	16	816	454
Deferred tax assets	19	2,571	1,258
Other receivables	17	188	–
<b>Total non-current assets</b>		<b>22,409</b>	<b>21,426</b>
<b>Current assets</b>			
Trade and other receivables	17	5,108	3,782
Financial assets at fair value through profit or loss	21	106	123
Corporation tax		–	121
Cash and cash equivalents		24,838	26,494
<b>Total current assets</b>		<b>30,052</b>	<b>30,520</b>
<b>Total assets</b>		<b>52,461</b>	<b>51,946</b>
<b>Current liabilities</b>			
Trade and other payables	18	(8,109)	(7,911)
Corporation tax		(2)	–
<b>Total current liabilities</b>		<b>(8,111)</b>	<b>(7,911)</b>
<b>Non-current liabilities</b>			
Other payables	18	(1,016)	(2,254)
<b>Total non-current liabilities</b>		<b>(1,016)</b>	<b>(2,254)</b>
<b>Total liabilities</b>		<b>(9,127)</b>	<b>(10,165)</b>
<b>Net assets</b>		<b>43,334</b>	<b>41,781</b>
<b>Equity</b>			
Share capital	22	12,102	12,011
Share premium account		15,487	15,259
Own shares	23	(3,278)	–
Other reserve		2,041	2,041
Merger reserve		(28,968)	(28,968)
Retained earnings		45,892	41,438
<b>Equity attributable to owners of the Parent Company</b>		<b>43,276</b>	<b>41,781</b>
Non-controlling interest		58	–
<b>Total equity</b>		<b>43,334</b>	<b>41,781</b>

The financial statements were authorised and approved by the Board of Directors on 17 June 2024 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 2024

	NOTE	SHARE CAPITAL (£'000)	SHARE PREMIUM (£'000)	OWN SHARES (£'000)	OTHER RESERVE (£'000)
At 1 April 2022		11,783	11,632	–	2,041
Profit and total comprehensive income		–	–	–	–
Dividends	11	–	–	–	–
Share-based payments		–	–	–	–
Deferred tax on share-based payments		–	–	–	–
Current tax on share-based payments		–	–	–	–
Issue of share capital on exercise of employee share options		52	117	–	–
Own shares acquired in the year	23	–	–	(28)	–
Own shares utilised on exercise of options	23	–	–	28	–
Issue of share capital on acquisition of a joint venture		176	3,510	–	–
<b>At 31 March 2023</b>		<b>12,011</b>	<b>15,259</b>	<b>–</b>	<b>2,041</b>
Profit and total comprehensive income		–	–	–	–
Acquisition of a subsidiary		–	–	–	–
Dividends	11	–	–	–	–
Share-based payments		–	–	–	–
Deferred tax on share-based payments		–	–	–	–
Current tax on share-based payments		–	–	–	–
Issue of share capital on exercise of employee share options		91	228	–	–
Own shares acquired in the year	23	–	–	(3,347)	–
Own shares utilised on exercise of options	23	–	–	69	–
<b>At 31 March 2024</b>		<b>12,102</b>	<b>15,487</b>	<b>(3,278)</b>	<b>2,041</b>

	MERGER RESERVE (£'000)	RETAINED EARNINGS (£'000)	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS (£'000)	NON- CONTROLLING INTEREST (£'000)	TOTAL EQUITY (£'000)
At 1 April 2022	(28,968)	34,556	31,044	–	31,044
Profit and total comprehensive income	–	13,373	13,373	–	13,373
Dividends	–	(7,714)	(7,714)	–	(7,714)
Share-based payments	–	1,307	1,307	–	1,307

Deferred tax on share-based payments	–	18	18	–	18
Current tax on share-based payments	–	(102)	(102)	–	(102)
Issue of share capital on exercise of employee share options	–	–	169	–	169
Own shares acquired in the year	–	–	(28)	–	(28)
Own shares utilised on exercise of options	–	–	28	–	28
Issue of share capital on acquisition of a joint venture	–	–	3,686	–	3,686
<b>At 31 March 2023</b>	<b>(28,968)</b>	<b>41,438</b>	<b>41,781</b>	<b>–</b>	<b>41,781</b>
Profit and total comprehensive income	–	12,986	12,986	(65)	12,921
Acquisition of a subsidiary	–	–	–	123	123
Dividends	–	(10,846)	(10,846)	–	(10,846)
Share-based payments	–	980	980	–	980
Deferred tax on share-based payments	–	760	760	–	760
Current tax on share-based payments	–	643	643	–	643
Issue of share capital on exercise of employee share options	–	–	319	–	319
Own shares acquired in the year	–	–	(3,347)	–	(3,347)
Own shares utilised on exercise of options	–	(69)	–	–	–
<b>At 31 March 2024</b>	<b>(28,968)</b>	<b>45,892</b>	<b>43,276</b>	<b>58</b>	<b>43,334</b>

The other reserve and merger reserve were created on 19 June 2017 when the Group was formed. The other reserve comprises the profits of the group entities prior to the merger, and the merger reserve is the difference between the Company's capital and the acquired Group's capital, which has been recognised as a component of equity. The merger reserve was created through merger accounting principles on the share for share exchange on the formation of the Group. Both the other reserve and the merger reserve are non-distributable.

## Consolidated Statement of Cash Flows for the year ended 31 March 2024

		31-MAR 2024	31-MAR 2023 RESTATED*
	NOTE	(£'000)	(£'000)
<b>Operating activities</b>			
Profit for the year		12,921	13,373
Adjustments:			
Income tax expense	10	3,830	2,623
Finance income	8	(640)	–
Finance costs	9	353	614
Depreciation of property, plant and equipment	16	375	384
Amortisation of intangible assets	15	543	661
Share-based payment expense	24	1,236	1,420
Post tax share of loss/(profit) of joint venture less amortisation and the impairment loss on the investment	13	1,188	(39)
Changes in fair value of contingent consideration	7	(1,350)	(2,651)
Changes in:			
Trade and other receivables		(1,576)	(146)
Trade and other payables		50	(449)
Cash flows from exceptional items	7	–	398
Cash generated from operations before exceptional items		16,930	16,188
<b>Cash generated from operations</b>		<b>16,930</b>	<b>15,790</b>
Income tax paid		(3,740)	(2,559)
<b>Net cash from operating activities</b>		<b>13,190</b>	<b>13,231</b>
<b>Investing activities</b>			
Payment for the acquisition of a business combination or joint venture, net of cash acquired	25	(254)	(152)
Dividends received from joint venture		255	60
Purchase of intangible assets		(249)	(229)
Purchase of property, plant and equipment		(115)	(89)
Interest received		640	–
Payment of contingent consideration		(937)	–
<b>Net cash used in investing activities</b>		<b>(660)</b>	<b>(410)</b>
<b>Financing activities</b>			
Interest paid		(63)	(186)
Dividends paid	11	(10,846)	(7,714)
Proceeds from the issue of shares		249	132
Purchase of own shares	23	(3,278)	–
Repayment of loan liabilities	20	(18)	–
Repayment of lease liabilities	20	(230)	(269)
<b>Net cash used in financing activities</b>		<b>(14,186)</b>	<b>(8,037)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,656)</b>	<b>4,784</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>26,494</b>	<b>21,710</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>24,838</b>	<b>26,494</b>

\* See note 2.1 for details regarding the prior year restatement.



# 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 multi-manager funds.

News updates, regulatory news and financial statements can be viewed and downloaded from the Group’s website, [www.tattonassetmanagement.com](http://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 MATERIAL ACCOUNTING POLICIES

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

### 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 a historical cost basis, except for financial assets and financial liabilities measured at fair value. 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 wherein 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.

A restatement has been made to the Consolidated Statement of Cash Flows for the year ending 31 March 2023 to reflect dividends received from joint ventures as cash flows from investing activities, whereas it was shown as cash flows from financing activities in the prior year. This has reduced cash flows used in

investing activities and increased cash flows used in financing activities by £60,000 in the year ended 31 March 2023.

In the prior year, a separate Joint venture deficit of £21,000 was presented in the Consolidated Statement of Changes in Equity. This has been included within Retained earnings in the current year and the comparatives restated.

## **2.2 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. In doing so, the Directors have considered the current economic environment, with its high interest rates, high yet falling inflation, cost of living pressures, and the impact of climate change.

Whilst macroeconomic conditions and the impact of climate change may affect the Group, and are considered under the Group's principal risks, these are not considered to impact the going concern basis of the Group – the Board is satisfied that the business can operate successfully in these conditions but will continue to monitor developments in these areas. The Board uses the approved budget as its base case and then applies stress tests to this. In its stress tests, the Board has considered a significant reduction in equity market values, for example if there was a repeat of market impacts seen at the start of COVID-19, or sudden and high volumes of outflows from AUM as a result of a reputational, regulatory or performance issues. This would reduce revenue and profitability, however the results of these tests show that there are still sufficient resources to continue as a going concern. There are not considered to be any plausible scenarios which would lead to the failure of the Company. The Board closely monitors KPIs and reports from management around investment performance, feedback from IFAs and key regulatory changes or issues. See more information in the Directors' report on pages 62 to 63 of the 2024 Annual Report. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

## **2.3 Basis of consolidation**

The Group's financial statements consolidate those of the Parent Company and entities controlled by the Parent Company (its subsidiaries) as at 31 March 2024. The Parent controls a subsidiary if it has power over the investee, 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. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary.

All subsidiaries have a reporting date of 31 March, with the exception of Fintegrate Financial Solutions Limited which has a reporting date of 30 June. In the case of joint ventures, those entities are presented as a single line item in the Consolidated Statement of Total Comprehensive Income and Consolidated Statement of Financial Position.

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 (when control is obtained), up to the effective date of disposal (when control of the subsidiary ceases), as applicable.

## **2.4 Adoption of new and revised standards**

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

- IFRS 17 “Insurance Contracts”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”
- Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction” and “International Tax Reform – Pillar 2 Model Rules”

The Directors adopted the new or revised Standards listed above, but they have had no material impact on the financial statements of the Group.

### **Standards in issue but not yet effective**

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

### **Effective date 1 January 2024 or later**

- Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendment to IFRS 16 “Lease Liability in a Sale and Leaseback”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
- Amendments to IAS 21 “Lack of Exchangeability”
- IFRS 18 Presentation and Disclosure in Financial Statements

With the exception of the adoption of IFRS 18, the adoption of the above standards and interpretations is not expected to lead to any changes to the Group’s accounting policies nor have any other material impact on the financial position or performance of the Group. The impact of IFRS 18 on the Group is currently being assessed and it is not yet practicable to quantify the effect of this standard on these consolidated financial statements, however there is no impact on presentation for the Group in the current year given the effective date – this will be applicable for the Group’s 2027/28 Annual Report.

## **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 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 on a continuous basis over the period in which the related service is provided.
- Fees charged to IFAs for compliance consultancy services, which are recognised when performance obligations are met. Membership services include support and software income that is recognised on an over-time basis in line with the access to the services. Membership services also includes specific services, such as regulatory visits and learning and development, and revenue is recognised in line with the service to the customer, at the point the service is provided.
- 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 at a point in time when commission is approved for payment by the lender, which is the point at which all performance obligations have been met.
- Fees for marketing services provided to providers of mortgage and investment products, which are recognised in line with the service provided to the customer.

#### **Contract assets**

A contract asset is initially recognised for revenue earned from services for which the receipt of consideration is conditional on the successful completion of the service and performance obligation. Upon completion of the service, the amount recognised as accrued income is reclassified to trade receivables. Contract assets are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts and are presented as ‘Accrued income’ in the notes to the financial statements.

#### **Contract liabilities**

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as deferred income until the Group delivers the performance obligations under the contract (i.e., transfers control of the related goods or services to the customer), at which point revenue is recognised in line with the delivery of the performance obligation.

### **2.6 Interest income and interest expense**

Finance income is recognised as interest accrued (using the effective interest method) and includes interest receivable on the Group’s cash and cash equivalents and on funds invested outside the Group. Interest received is recognised as a cash flow from investing activities in the Consolidated Statement of Cash Flows.

Finance expense comprises the unwinding of discounts on contingent consideration and interest incurred on lease liabilities recognised under IFRS 16. Finance costs are recognised in the Consolidated Statement of Total Comprehensive Income using the effective interest rate method. Interest paid is recognised as a cash flow from financing activities in the Consolidated Statement of Cash Flows.

### **2.7 Separately disclosed items**

Separately disclosed items may include “Exceptional items” as detailed below, but may also include other items that meet at least one of the following criteria:

- It is a significant item, which may cross more than one accounting period.

- It is a significant non-cash item, including share based payment charges.
- It has been directly incurred as a result of either an acquisition or divestiture, including amortisation of acquisition-related intangible assets or fair value changes of contingent consideration.
- It is unusual in nature, e.g. outside of the normal course of business.
- The operating profit/(loss) relating to non-controlling interest is also removed to reflect the adjusted operating profit attributable to the Company's shareholders.

The Board exercises judgement as to whether the item should be classified as an adjusting item within Separately disclosed items. Separately disclosed items are shown separately on the face of the Statement of Total Comprehensive Income and included within administrative expenses. Although some of these items may recur from one period to the next, operating profit has been adjusted for these items on a consistent basis to provide additional helpful information and enable an alternative comparison of performance over time. 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.

## **2.8 Exceptional items**

Exceptional items are disclosed and described separately in the financial statements to provide further information on items which are one off and are material in size or nature and so are shown separately due to the significance of their nature and amount. This includes items which are incremental to normal operations, such as costs relating to an acquisition, disposal or integration, or impairment losses, these do not reflect the business's trading performance and so are adjusted to ensure consistency between periods.

## **2.9 Goodwill and intangible assets**

Goodwill from a business combination is initially recognised and measured as set out in note 2.13. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (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 inflows (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. An internally

generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Costs associated with developing or maintaining computer software programs that do not meet the capitalisation criteria under IAS 38 are recognised as an expense as incurred.

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, the client relationship intangible assets, brand intangible assets, and acquired software 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 for all asset classes at 10 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.

## **2.10 Impairment**

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each Statement of Financial Position date and whenever there is an indication at the end of a reporting period that the asset may be impaired. Assets subject to depreciation and amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Where the asset does not generate cash flows that are independent of other assets, the Group estimates the recoverable amount of each cash-generating unit ("CGU") to which the asset belongs. 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 of an asset or CGU exceeds its recoverable amount. The recoverable amount is the higher of the fair value less the costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been

adjusted. Impairment losses recognised with respect to 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.

Where an impairment loss on intangible assets, excluding goodwill, subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, in such a way that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss that has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

### **2.11 Property, plant and equipment**

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

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

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

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

### **2.12 Change in accounting estimates**

During the year, the Group reviewed the useful economic life of software assets held on the balance sheet and concluded that the life should be increased from three years to five years, in order to bring it in line with the expected use of the software. This change in accounting estimate has been accounted for prospectively in the accounts, in line with IAS 8.

The effect of this increase in useful economic life in the current year accounts amounts to a decrease in amortisation and the respective increase in intangible assets on the balance sheet of £129,000. It is expected that in future years, the impact of this change will be on a similar scale.

### **2.13 Business combinations**

Acquisitions of 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 by 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 the income statement 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; liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); and assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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. Any other contingent consideration is remeasured to fair value at subsequent reporting dates, with changes in fair value recognised in profit or loss. The unwinding of the discount rate where contingent consideration is discounted is recognised as a finance cost in the Statement of Comprehensive Income.

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.

#### **2.14 Joint ventures**

Joint ventures are entities in which the Company has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where decisions over the relevant activities require the unanimous consent of the joint partners. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, the Company initially records the investment in the



consolidated Statement of Financial Position at the fair value of the purchase consideration (cost) and adjusted thereafter to recognise the Company's share of the entity's profit or loss after tax and amortisation of intangible assets.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The Statement of Financial Position, therefore, subsequently records the Company's share of the net assets of the entity plus any goodwill and intangible assets that arose on purchase less subsequent amortisation. The Statement of Changes in Equity records the Company's share of other equity movements of the entity. At each reporting date, the Company applies judgement to determine whether there is any indication that the carrying value of joint ventures may be impaired.

If there is objective evidence that the Group's net investment in a joint venture is impaired, the requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture.

### **2.15 Leases**

At the 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 commencement date of the lease, with the exception of short-term leases (defined as leases with a lease term of 12 months or less). 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 Group's incremental borrowing rate. The incremental borrowing rate is determined, where possible, by using recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party

financing was received. The incremental borrowing rate depends on the term, country, currency and security of the lease, and also the start date of the lease.

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the 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.

## **2.16 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and short-term deposits held with banks by the Group. Cash equivalents are short-term (generally with an original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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 cash equivalents for the purpose only of the Consolidated Statement of Cash Flows. At 31 March 2024, there were no balances drawn down on bank overdrafts (2023: nil).

## **2.17 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 with terms that require delivery of the financial asset within a 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.

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

### **Financial investments**

Financial investments are classified as fair value through profit or loss (“FVTPL”) if they do not meet the criteria of Fair Value through Other Comprehensive Income (“FVOCI”) or amortised cost. They are also classified as FVTPL 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.

The Group’s financial investments include investments in a regulated open-ended investment company that is managed and evaluated on a fair value basis in line with the market value. These financial assets do not meet the criteria of FVOCI or amortised cost as the asset is not held to collect contractual cash flows and/or selling financial assets, and the asset’s contractual cash flows do not represent solely payments of principal and interest (“SPPI”).

### **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. The financial assets are held in order to collect the contractual cash flows and those cash flows are payments of interest and principal only.

### **Impairment of financial assets**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses that uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has, therefore, concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No impairment has been recognised in the year (2023: nil).

The carrying amount of the financial assets is reduced by the use of a provision. When a trade receivable is considered uncollectable, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the carrying amount of the provision are recognised in the income statement.

### **Trade and other payables**

Trade and other payables, except for those which are financial liabilities at FVTPL, are recognised initially at fair value and are 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 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.

## **2.18 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 arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **2.19 Retirement benefit costs**

The Group pays into personal pension plans for which the amount charged to income with respect to 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.

### **2.20 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 at a general meeting prior to the reporting date.

### **2.21 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 in the Company and the Group. The assets held by the EBT are consolidated into the Group's financial statements. Any consideration paid or received for the purchase or sale of these shares is shown as a reduction in the reconciliation of movements in shareholders' funds. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale, issue or cancellation of these shares.

## **2.22 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. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves. Fair value is measured by use of the Black–Scholes model or Monte Carlo model, as appropriate.

## **2.23 Climate change**

The Group is continually developing its assessment of the impact that climate change has on the assets and liabilities recognised and presented in its financial statements. The potential impact of climate change on the Group's AUM and future net operating revenue generation is considered in the Principal Risks section of this Annual Report and Accounts. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. This reflects the conclusion that climate change is not expected to have a significant impact on the Group's short-term cash flows, including those considered in the going concern and viability assessments.

## **2.24 Operating segments**

The Board is considered to be the chief operating decision maker ("CODM"). The Group comprises 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.

Some centrally incurred overhead costs are allocated to the Tatton and Paradigm divisions on an appropriate pro rata basis. There remain central overhead costs within the Operating Group which have not been allocated to the Tatton and Paradigm divisions which are classified as "Unallocated" within note 4.

## **2.25 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.

The prior year financial statements discussed critical accounting judgements in relation to the acquisition of 8AM Global Limited ("8AM") and of the Verbatim funds business in prior years and therefore are not relevant for the current year financial statements. In addition there were disclosed key sources of estimation uncertainty in relation to the contingent consideration in respect of these two acquisitions. There remains outstanding contingent consideration payments still to be made in the future that are dependent on the outcome of the performance targets. The contingent consideration for 8AM is dependent on the future profitability of the business and the contingent consideration for the Verbatim

funds is dependent on the value of AUM held in the funds over the measurement periods. There are no reasonable assumptions that the Group could make about the future, or about other major sources of estimation uncertainty, in relation to the contingent consideration that would have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Therefore these have not been disclosed as key sources of estimation uncertainty in the current year.

## **Investments in joint ventures**

### **Estimation uncertainty**

#### **Impairment of investments in joint ventures**

Impairment exists when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. The entire carrying amount of the investment is tested for impairment, in accordance with IAS 36, as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

For the purposes of impairment testing, the cash-generating potential of the investment in the joint venture, 8AM, has been determined using a discounted cash flow model that assesses sensitivity to operating margins, discount rates and AUM growth rates. The results of the calculation indicate that the investment in 8AM is impaired, and an impairment charge of £1,250,000 has been recognised in the Statement of Total Comprehensive Income in the financial year. The remaining value of the investment in 8AM is £5.352 million.

The Group has conducted an analysis of the sensitivity to changes in the key assumptions used to determine amount and timing of cashflows. A reduction in the terminal growth rate by 1% would lead to an additional impairment of £481,000.

The impact of the discount rate used has also been considered, and a 1% increase in the discount rate applied to the discounted cash flow model would lead to an additional impairment charge of £826,000.

## **Business combinations**

### **Critical judgement**

#### **Client relationship, brand and software intangibles purchased through corporate transactions**

When the Group purchases client relationships, brands and software through transactions with other corporate entities, a judgement is made as to the identification of the intangible asset and whether the transaction should be accounted for as a business combination or as a separate purchase of intangible assets. In making this judgement, the Group assesses the assets, liabilities, operations and processes that were the subject of the transaction against the definition of a business combination in IFRS 3. For a business combination it is determined whether all elements of a business in IFRS 3 have been met, in particular, consideration is given to the inputs, processes and outputs, and that there is at least, an input and a substantive process that together significantly contribute to the ability to create output. It has also been considered whether the integrated set of activities is capable of being conducted and managed as a business by a market participant, and judgement made as to whether the acquired process is substantive. If the acquisition is not deemed to be a business, it is treated as an acquisition of an asset or a group of assets.

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, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## **2.26 Other estimates**

### **Estimation uncertainty**

Given the significance of share-based payments as a form of employee remuneration for the Group, management are providing additional information on the estimates involved in the accounting for share-based payments. This is not considered to be a key source of estimation uncertainty given the materiality of the impact that changes in estimates have and as a result of the changes in estimates not impacting the carrying amount of an asset or liability in the balance sheet. 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 a range of 85% to 100% of the options in various scheme years vesting for the element relating to non-market-based performance conditions. If the estimate was increased to 100% for all schemes, it would increase the charge in the next 12 months by £37,000. A decrease of 10% in the vesting assumptions would reduce the charge in the next financial year by £54,000.

In considering the level of satisfaction of performance obligations, the Group’s forecast has been reviewed and updated for the expected impact of the 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.

## **2.27 Alternative performance measures**

In reporting financial information, the Group presents alternative performance measures (“APMs”) that 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 27, 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 7.

## **3 CAPITAL MANAGEMENT**

The components of the Group’s capital are detailed on the Consolidated Statement of Financial Position and as at the reporting date the Group had capital of £43,334,000 (2023: £41,781,000). Capital generated from the business is both reinvested in the business to generate future growth and returned to shareholders principally in the form of dividends.

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 FCA's Investment Firms Prudential Regime and the Capital Requirements Directive IV prescribed in the UK by the FCA. The Directive requires continual assessment of the Group's risks that is underpinned by the Group's Internal capital adequacy and risk assessment ("ICARA"). The ICARA considers the relevant current and future risks to the business and the capital considered necessary to support these risks.

The Group actively monitors its capital base to ensure that it maintains sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and individual regulated entity regulations and liquidity requirements. The Group assesses the adequacy of its own funds on a consolidated and legal entity basis on a frequent basis. This includes continuous monitoring of 'K-factor' variables, which captures the variable nature of risk involved in the Group's business activities. A regulatory capital update is additionally provided to senior management on a monthly basis. In addition to this, the Group has implemented a number of 'Key Risk Indicators', which act as early warning signs with the aim of notifying senior management if own funds misalign with the Group's risk appetite and internal thresholds.

The FCA requires the Group to hold more regulatory capital resources than the total capital resource requirement. The total capital requirement for the Group is the higher of the Group's Own Funds Requirement (based on 25% of fixed overheads), its Own Harm requirement (based on the Group's requirement for harms from ongoing activities as calculated in the ICARA) and Wind-down requirement (capital requirement should the firm wind down). The total capital requirement for the Group is £4.27 million (unaudited), which is based on the Group's Own Funds Requirement. As at 31 March 2024, the Group has regulatory capital resources of £9.52 million (unaudited), significantly in excess of the Group's total capital requirement. During the period, the Group and its regulated subsidiary entities complied with all regulatory capital requirements.

#### **4 SEGMENT REPORTING**

Information reported to the Board of Directors as the 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 and Paradigm, with centrally incurred overhead costs applicable to the segments being allocated to the Tatton and Paradigm divisions on an appropriate pro-rata basis. Unallocated central overhead costs of the Operating Group are classified as "Unallocated" in the table below to provide a reconciliation of the segment information to the financial statements. Unallocated costs include general corporate expenses, head office salaries, and other administrative costs that are not directly attributable to the operating segments. These costs are managed at the corporate level and are not allocated to the segments for performance evaluation.

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 the provision of support services to IFAs and mortgage advisers. For management purposes, the Group uses the same measurement policies as are used in its financial statements. The Paradigm division includes the trading subsidiaries of Paradigm Partners Limited and Paradigm Mortgages Services LLP, which operate as one operating segment as they have the same economic characteristics, they are run and managed by the same management team, and the methods used to distribute the products to customers are the same. The information presented in this Note is consistent with the presentation for internal reporting. Total assets and liabilities for each operating segment are not regularly provided to the CODM.

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

YEAR ENDED 31 MARCH 2024	TATTON (£'000)	PARADIGM (£'000)	UNALLOCATED (£'000)	GROUP (£'000)
<b>Revenue</b>	<b>30,864</b>	<b>5,943</b>	<b>–</b>	<b>36,807</b>
Share of post-tax loss from joint ventures	(1,188)	–	–	(1,188)
Administrative expenses	(11,092)	(4,421)	(3,642)	(19,155)
<b>Operating profit/(loss)</b>	<b>18,584</b>	<b>1,522</b>	<b>(3,642)</b>	<b>16,464</b>
Share-based payments	340	186	932	1,458
Gain arising on changes in fair value of contingent consideration	(1,350)	–	–	(1,350)
Exceptional items	1,250	–	–	1,250
Amortisation of acquisition-related intangible assets	621	12	–	633
Non-controlling interest	–	59	–	59
<b>Adjusted operating profit/(loss)1</b>	<b>19,445</b>	<b>1,779</b>	<b>(2,710)</b>	<b>18,514</b>

YEAR ENDED 31 MARCH 2024	TATTON (£'000)	PARADIGM (£'000)	UNALLOCATED (£'000)	GROUP (£'000)
Statutory operating costs included the following:				
Depreciation	249	112	14	375
Amortisation	734	16	–	750

YEAR ENDED 31 MARCH 2023	TATTON (£'000)	PARADIGM (£'000)	UNALLOCATED (£'000)	GROUP (£'000)
<b>Revenue</b>	25,929	6,396	2	32,327
Share of post tax profit from joint ventures	160	–	–	160
Administrative expenses (restated)	(9,084)	(4,191)	(2,602)	(15,877)
<b>Operating profit/(loss) (restated)</b>	<b>17,005</b>	<b>2,205</b>	<b>(2,600)</b>	<b>16,610</b>
Share-based payments (restated)	544	192	775	1,511
Exceptional items	398	–	–	398
Gain arising on changes in fair value of contingent consideration	(2,651)	–	–	(2,651)
Amortisation of acquisition-related intangible assets	534	–	–	534
<b>Adjusted operating profit/(loss)1</b>	<b>15,830</b>	<b>2,397</b>	<b>(1,825)</b>	<b>16,402</b>

YEAR ENDED 31 MARCH 2023	TATTON (£'000)	PARADIGM (£'000)	UNALLOCATED (£'000)	GROUP (£'000)
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Statutory operating costs included the following:

Depreciation	238	135	11	384
Amortisation	769	12	–	781

All turnover arose in the United Kingdom. Note that the share-based payments costs in the prior year have been restated to reflect the charge relating to employees of the relevant divisions. This has reduced administrative expenses within 'Unallocated', with an increased charge being reflected in Tatton and Paradigm.

The key decision makers use the KPIs as detailed on pages 18 and 19 of the 2024 Annual Report.

1. Alternative performance measures are detailed in note 27.

## 5 REVENUE

The disaggregation of consolidated revenue is as follows:

OPERATING SEGMENT MAJOR PRODUCT/SERVICE LINES		31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
Tatton	Investment management fees	30,864	25,929
Paradigm	IFA consulting and support services income	2,221	2,276
Paradigm	Mortgage-related services income	2,990	3,342
Paradigm	Marketing income	732	778
	Central income (presented as a reconciling item to Group revenue)	–	2
		<b>36,807</b>	<b>32,327</b>

The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating segments (see note 4). All the revenue relates to trading undertaken in the UK.

Investment management fees are recurring charges derived from the market value of retail customer assets, based on asset mix and portfolio size, and are, therefore, subject to market and economic risks. The rate charged is variable and is dependent on the product. Although most ongoing revenue is based on the value of underlying benefits, these are not considered to constitute variable income in which significant judgement or estimation is involved. The calculations are based on short timelines or point-in-time calculations that represent the end of a quantifiable period, in accordance with the contract. These are charged to and paid by the client on the same value, constituting the transaction price for the specified period. At any time during the period, a client may choose to remove their assets from a service and no further revenue is received.

All obligations to the customer are satisfied at the end of the period in which the service is provided for ongoing revenue, with payment being due immediately.

IFA consulting and support services income and marketing income are fixed based on the service provided. The rate charged for mortgage-related services income is variable and is dependent on the product. See note 2.5 for details of when revenue is recognised for the Paradigm product lines, including compliance consultancy services, mortgage-related services and marketing services.

There are no elements of revenue that relate to contracts with an expected duration of over on year, therefore the Group has applied the practical expedient for contracts less than one year.

## 6 OPERATING PROFIT

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

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
Amortisation of software	117	247
Amortisation of acquisition-related intangibles (note 7)	633	534
Depreciation of property, plant and equipment (note 16)	159	168
Depreciation of right-of-use assets (note 16)	216	216
Impairment of investment in joint venture (note 7)	1,250	–
Loss arising on financial assets designated as FVTPL	2	28
Employee benefit expense (note 12)	12,448	10,764
Gain arising on changes in fair value of contingent consideration (note 7)	(1,350)	(2,651)
<b>Services provided by the Group's auditor:</b>		
Audit of the statutory consolidated and Company financial statements of Tatton Asset Management plc	130	121
Audit of subsidiaries	79	66
Other fees payable to auditor:		
Non-audit services	9	8

Total audit fees were £209,000 (2023: £187,000). Total non-audit fees payable to the auditor were £9,000 (2023: £8,000).

'Amortisation of software' in the table above excludes £12,000 (2023: £nil) of amortisation relating to the software acquired on acquisition of Fintegrate, which is included in the £633,000 (2023: £534,000) of amortisation of acquisition-related intangibles.

## 7 SEPARATELY DISCLOSED ITEMS

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
Gain arising on changes in fair value of contingent consideration	(1,350)	(2,651)
Exceptional costs	1,250	398
Share-based payment charges	1,458	1,511
Operating loss due to non-controlling interest	59	–
Amortisation of acquisition-related intangible assets	633	534
<b>Total separately disclosed items</b>	<b>2,050</b>	<b>(208)</b>

Separately disclosed items that are shown separately on the face of the Statement of Total Comprehensive Income reflect costs and income that do not reflect the Group's trading performance and may be considered material (individually or in aggregate if of a similar type) due to their size or frequency, and are adjusted to present Adjusted operating profit so as to ensure consistency between periods. The costs or income above are all included within administrative expenses except for the Exceptional costs in FY24 of £1,250,000 which is recognised within the Share of loss of joint ventures.

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 regarding 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.

#### **Gain arising on changes in fair value of acquisition-related items**

During the year, the Group revalued its financial liability at fair value through profit or loss relating to the contingent consideration on the acquisition of the Verbatim funds business and 8AM Global Limited. This has resulted in a credit of £1,350,000 being recognised in the year (2023: £2,651,000).

#### **Exceptional items**

During the year, the Group has reviewed the investment in the 8AM joint venture for impairment and has recognised an impairment loss in the year of £1,250,000. Further information is included in note 13. As the impairment of the investment is a non-cash item, there are no cash flows from exceptional items included on the Consolidated Statement of Cash Flows.

During the prior year, the Group acquired 50% of the share capital of 8AM Global Limited. The Group incurred professional fees of £229,000 during the process, which have been treated as exceptional items. The Group also incurred other one-off costs of £169,000 during the prior year, including costs in relation to the acquisition of the Verbatim funds business in 2022.

#### **Share-based payment charges**

Share-based payments is a recurring item, although the value will change depending on the estimation of the satisfaction of performance obligations attached to certain awards. It is an adjustment to operating profit since it is a significant non-cash item. Adjusted operating profit represents largely cash-based earnings and more directly relates to the trading performance of the financial reporting period.

#### **Operating loss due to non-controlling interest**

There are £59,000 of losses within the Group’s operating profit relating to the non-controlling interest in Fintegrate Financial Solutions Limited. This has been excluded from the Group’s adjusted operating profit to reflect the adjusted operating profit attributable to the Group.

#### **Amortisation of acquisition-related intangible assets**

Payments made for the introduction of client relationships and brands that are deemed to be intangible assets are capitalised and amortised over their useful life, which has been assessed to be ten years. This includes £207,000 of amortisation of the intangibles recognised on the acquisition of 8AM, where the amortisation charge is included within the Share of profit from joint venture on the Consolidated Statement of Total Comprehensive Income. This amortisation charge is recurring over the life of the intangible asset, although it is an adjustment to operating profit since it is a significant non-cash item. Adjusted operating profit represents largely cash-based earnings and more directly relates to the trading performance of the financial reporting period.

### **8 FINANCE INCOME**

	31-MAR 2024	31-MAR 2023
	(£'000)	(£'000)
Bank interest income	640	–
<b>Total finance income</b>	<b>640</b>	<b>–</b>

## 9 FINANCE COSTS

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
Unwinding of the discount on contingent consideration	(201)	(228)
Interest expense on lease liabilities	(6)	(14)
Bank interest income	–	6
Interest payable in the servicing of banking facilities	(146)	(378)
<b>Total finance costs</b>	<b>(353)</b>	<b>(614)</b>

## 10 TAXATION

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
<b>Current tax expense</b>		
Current tax on profits for the period	4,798	3,159
Adjustment for (over)/under provision in prior periods	(290)	14
	<b>4,508</b>	<b>3,173</b>
<b>Deferred tax credit</b>		
Current year (credit)/charge	(173)	(371)
Adjustment with respect to previous years	(505)	(56)
Effect of changes in tax rates	–	(123)
	<b>(678)</b>	<b>(550)</b>
<b>Total tax expense</b>	<b>3,830</b>	<b>2,623</b>

Deferred tax credit includes £33,000 relating to the release of the deferred tax liability on the investment in 8AM Global Limited, which is recognised within the 'Investment in joint ventures' balance on the Consolidated Statement of Financial Position.

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 2024 (£'000)	31-MAR 2023 (£'000)
<b>Profit before taxation</b>	<b>16,751</b>	<b>15,996</b>
Tax at UK corporation tax rate of 25% (2023: 19%)	4,188	3,039
Expenses not deductible for tax purposes	462	93
Income not taxable	(443)	(533)
Adjustments with respect to previous years	(795)	(41)
Effect of changes in tax rates	–	(122)
Capital allowances in excess of depreciation	6	3
Deferred tax asset not recognised	142	–
Share-based payments	270	184
<b>Total tax expense</b>	<b>3,830</b>	<b>2,623</b>

The increase in the UK corporation tax rate from 19% to 25% became effective on 1 April 2023. The deferred tax asset in both the current and prior year was calculated based on this rate, reflecting the expected timing of reversal of the related temporary differences. £603,000 of the adjustments with

respect of prior years relates to the reversal of a deferred tax liability on the Verbatim intangible assets following the remeasurement of the tax base of the asset.

## 11 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 2024	31-MAR 2023
<b>Basic</b>		
Weighted average number of shares in issue <sup>1</sup>	61,064,870	59,608,203
Effect of own shares held by an EBT	(358,196)	–
	<b>60,706,674</b>	59,608,203
<b>Diluted</b>		
Effect of weighted average number of options outstanding for the year	1,075,124	2,006,603
Weighted average number of shares (diluted) <sup>2</sup>	61,781,798	61,614,806
<b>Fully diluted</b>		
Effect of full dilution of employee share options which are contingently issuable or have future attributable service costs	1,096,621	1,192,528
Adjusted diluted weighted average number of options and shares for the year <sup>3</sup>	<b>62,878,419</b>	62,807,334

1. The weighted average number of shares in issue includes contingently issuable shares where performance obligations have been met and there will be little to no cash consideration, but the share options have yet to be exercised.
2. The weighted average number of shares is diluted due to the effect of potentially dilutive contingent issuable shares from share option schemes.
3. 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.

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 2024, the EBT purchased 1,005,696 (2023: 139,500) of the Company's own shares. The Company utilised 346,896 (2023: 139,500) of the shares during the year to satisfy the exercise of employee share options. At March 2024, there remained 658,800 of the Company's own shares being held by the EBT (2023: nil).

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
Earnings attributable to ordinary shareholders		
Basic and diluted profit for the period	12,986	13,373
Share-based payments – IFRS 2 option charges	1,458	1,511
Amortisation of acquisition-related intangible assets	633	534
Exceptional costs (note 7)	1,250	398
Gain arising on changes in fair value of contingent consideration (note 7)	(1,350)	(2,651)
Unwinding of discount on contingent consideration (note 9)	201	228
Tax impact of adjustments	(770)	(447)
Adjusted basic and diluted profits for the period and attributable earnings	<b>14,408</b>	12,946

Earnings per share (pence) – Basic	<b>21.39</b>	22.43
Earnings per share (pence) – Diluted	<b>21.02</b>	21.70
Adjusted earnings per share (pence) – Basic	<b>23.73</b>	21.72
Adjusted earnings per share (pence) – Diluted	<b>23.32</b>	21.01
Adjusted earnings per share (pence) – Fully Diluted	<b>22.91</b>	20.61

## 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. The Company’s dividend policy is described in the Directors’ Report on pages 62 and 63, of the 2024 Annual Report. As at 31 March 2024, the Company’s distributable reserves were £7,761,000 (2023: £9,562,000).

During the year, Tatton Asset Management plc paid the final dividend related to the year ended 31 March 2023 of £6,006,000 representing a payment of 10p per share. During FY23 £4,810,000 was paid as the final dividend related to the year ended 31 March 2022 representing 8.5p per share. In addition, the Company paid an interim dividend of £4,841,000 (2023: £2,904,000) to its equity shareholders. This represents a payment of 8.0p per share (2023: 4.5p per share).

The Directors are proposing a final dividend with respect to the financial year ended 31 March 2024 of 8.0p (2023: 10.0p) per share, which will absorb £4,841,000 (2023: £6,006,000) of shareholders’ funds. It will be paid on 6 August 2024 to shareholders who are on the register of members on 28 June 2024.

During the year to March 2024, the Directors became aware that interim dividends paid in 2020, 2021, 2022 and 2023 were made other than in accordance with the Companies Act 2006 because interim accounts had not been filed prior to payment. In addition, the Board became aware that the calculation of distributable reserves for FY21 was completed across the Group rather than the Company meaning that there were insufficient distributable profits in the Company at the time the final dividend relating to FY21 was paid in July 2021. A resolution has been proposed for the Annual General Meeting due to be held on 30 July 2024 to authorise the appropriation of distributable profits to the payment of the relevant dividends, and remove any right for the Company to pursue shareholders or Directors for repayment. The overall effect of the resolution would be to return all parties to the position they would have been in, should the relevant dividends have been made in full compliance with the Companies Act 2006.

## 12 STAFF COSTS

The staff costs were as follows:

	<b>31-MAR 2024</b>	31-MAR 2023
	<b>(£'000)</b>	(£'000)
Wages, salaries and bonuses	<b>9,468</b>	7,934
Social security costs	<b>1,161</b>	1,032
Pension costs	<b>361</b>	287
Share-based payments	<b>1,458</b>	1,511
<b>Total employee benefit expense</b>	<b>12,448</b>	10,764

The remuneration relating to Executive Directors has been included in the figures above. In the prior year, these costs were presented separately and so the prior year figures have been restated to include Executive Directors’ remuneration for consistency.



The average monthly number of employees (including Executive Directors) during the year was as follows:

	31-MAR 2024	31-MAR 2023
Administration	101	94
Key management	3	3
	<b>104</b>	<b>97</b>

### 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 2024 (£'000)	31-MAR 2023 (£'000)
Short-term employee benefits	2,058	1,434
Post-employment benefits	10	4
Share-based payments	571	676
	<b>2,639</b>	<b>2,114</b>

The table above shows the remuneration for both Executive Directors and Non-Executive Directors, whereas in the prior year, Non-Executive Directors' fees of £270,000 were shown separately.

The Group incurred social security costs of £293,000 (2023: £195,000) on the remuneration of the Directors and Non-Executive Directors. Retirement benefits are accruing to one Director (2023: one) under a defined contribution pension scheme. Within the figures above is £10,000 of company contributions paid to a pension scheme in respect of this Director's qualifying services.

Dividends totalling £2,026,000 (2023: £1,458,000) were paid in the year with respect to ordinary shares held by the Company's Directors. The aggregate gains made by the Directors on the exercise of share options during the year were £248,250 (2023: £190,750).

The remuneration of individual Directors is provided in the Remuneration Committee report on pages 58 to 61 of the 2024 Annual Report. The Directors' remuneration disclosures on pages 58 to 61 of the 2024 Annual Report form part of these financial statements.

The remuneration of the highest paid Director was:

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
Total remuneration and benefits in kind	695	424

The highest paid Director exercised nil share options in the period (2023: nil). There were 20,000 share options granted to the highest paid Director in the year (2023: 30,000). There was £nil (2023: £nil) of money or net assets (other than share options) paid to or receivable by the highest paid Director under long term incentive schemes in respect of qualifying services. The highest paid Director received £1,740,000 (2023: £1,257,000) in dividends in the year with respect to ordinary shares held by the Director and connected parties. No contributions were made to a defined contribution scheme with respect to the highest paid Director in the period.

### 13 INVESTMENTS IN JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

(£'000)

<b>At 1 April 2023</b>	<b>6,762</b>
Profit for the year after tax	269
Amortisation of intangible assets relating to joint ventures	(207)
Deferred tax credit on amortisation of intangible assets relating to joint ventures	33
Impairment loss	(1,250)
Distributions of profit	(255)
<b>At 31 March 2024</b>	<b>5,352</b>

An impairment review was carried out over the investment in 8AM Global Limited (“8AM”) due to the trading performance of the entity being lower than expected. A value in use calculation has been performed with the recoverable amount being lower than the carrying value of the investment. An impairment loss of £1,250,000 has been recognised within administrative expenses in the Consolidated Statement of Total Comprehensive Income in the year. The pre-tax discount rate applied to the cashflow forecasts has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, company size premium and a risk adjustment (beta), grossed up to a pre-tax rate. The pre-tax discount rate used to calculate value is 16.3% (2023: 11.2%).

The value-in-use is calculated from cash flow projections based on the Group’s forecasts for the five years ending 31 March 2029. The Group’s latest forecasts, which covers a five-year period, are reviewed by the Board. The Group has also considered expectations about possible variations in the amount or timing of those cash flows, details about changes in assumptions and the impact of these changes is detailed in note 2.25. A declining growth rate of 13% down to 5% has been applied for the ten year period following the five-year forecast period and a terminal growth rate of 2.5% for the investment in 8AM has been applied to year fifteen cash flows. The terminal growth rate is prudent given the historical growth seen by the Group in the market in which 8AM operates, and does not exceed the long-term industry average growth rate.

8AM belongs to the Tatton operating segment as disclosed within note 4.

NAME OF JOINT VENTURE	NATURE OF BUSINESS	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARE	PERCENTAGE OWNED BY THE GROUP
	Investment			
8AM Global Limited	Management	United Kingdom	Ordinary Shares	50.0%
Niche Investment Management Limited	Investment Management	United Kingdom	Ordinary Shares	50.0%
Becketts Wealth Limited	Investment Management	United Kingdom	Ordinary Shares	50.0%

All of the above joint ventures are accounted for using the equity method in these consolidated financial statements, as set out in the Group’s accounting policies in note 2.

Summarised financial information in respect of the Group’s only material joint venture, 8AM, is set out below.

	<b>31-MAR 2024</b>	31-MAR 2023
	<b>(£’000)</b>	(£’000)
Non-current assets	<b>29</b>	35
Current assets	<b>645</b>	934

Current liabilities	(178)	(502)
<b>Total equity</b>	<b>496</b>	<b>467</b>
Group's share of net assets	238	224
Goodwill and intangible assets	5,551	7,009
Deferred tax liability	(437)	(471)
<b>Carrying value held by the Group</b>	<b>5,352</b>	<b>6,762</b>

Current assets above include £345,000 of cash and cash equivalents (2023: £675,000). There are no current or non-current financial liabilities excluding trade and other payables and provisions included in current liabilities and non-current liabilities.

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
<b>Revenue</b>	<b>1,732</b>	<b>1,512</b>
Profit for the year/period	539	320
Dividends received from the joint ventures in the year/period	255	60
The above profit for the year/period includes the following:		
Depreciation and amortisation	7	8
Interest income	6	–
Income tax expense	282	78

There is no interest expense in the year (2023: £nil).

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
<b>Joint Venture's profit for the year/period</b>	<b>539</b>	<b>320</b>
Group's share profit for the year/period before adjustments	269	160
Amortisation of customer relationship intangible assets	(207)	(121)
Impairment loss	(1,250)	–
<b>Group's share of (loss)/profit for the year/period</b>	<b>(1,188)</b>	<b>39</b>

8AM Global Limited has a reporting date of 30 June. The net asset position shown in the table above is as at 31 March to align with the Group's own reporting. Niche Investment Management Limited and Becketts Wealth Limited both have a reporting date of 31 March, in line with the Group. The comparative figures for income and expense for the prior year reflect the results of 8AM Global Limited since its acquisition by the Group.

The Group's interest in all individually immaterial joint ventures accounted for using the equity method is £nil (2023: £nil). The Group's share of profit for the year for these joint ventures is £nil (2023: £nil).

## 14 GOODWILL

	GOODWILL (£'000)
Cost and carrying value at 1 April 2022 and 31 March 2023	9,337
Recognised as part of a business combination	459
<b>Cost and carrying value at 31 March 2024</b>	<b>9,796</b>

The carrying value of goodwill includes £9.4 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, £1.4 million of goodwill generated on the acquisition of Sinfonia, £3.1 million of goodwill generated on the acquisition of the Verbatim funds business and £0.5 million of goodwill generated on the acquisition of 56.49% Fintegrate Financial Solutions Limited within the financial year (see note 25).

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.

Goodwill relating to 8AM Global Limited is shown within the Investments in Joint Ventures (see note 13).

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 an 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 that 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 2024 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 next five years ending 31 March 2029. The Group's latest financial forecasts, which cover a five-year period, are reviewed by the Board. A terminal growth rate of 5% (2023: 5%) for the Tatton CGU has been applied to year five cash flows. The terminal growth rate is prudent, given the historical growth seen by the Group, and does not exceed the long-term industry average growth rate. A terminal growth rate of 0% has been applied to the Paradigm Mortgage Services LLP CGU that reflects the outer year budget revenue.

### **Discount rates**

The pre-tax discount rate applied to the cashflow forecasts is derived from the average of the pre-tax weighted average cost of capital used by a large number of comparable businesses, the data for which is externally available. It is assumed that these businesses have a similar level of risk to the Group. The pre-tax discount rate used to calculate value is 14.4% (2023: 11.2%) and has been used for all CGUs.

### **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. Forecast sales growth rates are based on past experience, which has been adjusted for the strategic direction and near-term investment priorities for each CGU. The Tatton

CGU has not budgeted for any market movements and has used an average growth rate of net flows of 10%, which management believe is prudent given the size of the market and historical growth. The Paradigm Mortgage Services LLP CGU has an assumed 8% per annum increase in completions for years 1-3 and then no growth thereafter.

From the assessment performed, no reasonably possible change in a key assumption would cause the recoverable amount of either the Tatton CGU or the Paradigm Mortgage Services LLP CGU to equal its carrying value.

## 15 INTANGIBLE ASSETS

	COMPUTER SOFTWARE (£'000)	CLIENT RELATIONSHIPS (£'000)	BRAND (£'000)	TOTAL (£'000)
<b>Cost</b>				
Balance at 31 March 2022	1,006	4,034	98	5,138
Additions	229	–	–	229
Balance at 31 March 2023	1,235	4,034	98	5,367
Additions	249	–	–	249
Acquired as part of a business combination	365	–	–	365
<b>Balance at 31 March 2024</b>	<b>1,849</b>	<b>4,034</b>	<b>98</b>	<b>5,981</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 31 March 2022	(645)	(441)	(5)	(1,091)
Charge for the period	(247)	(404)	(10)	(661)
Balance at 31 March 2023	(892)	(845)	(15)	(1,752)
Charge for the period	(129)	(404)	(10)	(543)
<b>Balance at 31 March 2024</b>	<b>(1,021)</b>	<b>(1,249)</b>	<b>(25)</b>	<b>(2,295)</b>
<b>Net book value</b>				
As at 31 March 2022	361	3,593	93	4,047
As at 31 March 2023	343	3,189	83	3,615
<b>As at 31 March 2024</b>	<b>828</b>	<b>2,785</b>	<b>73</b>	<b>3,686</b>

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

## 16 PROPERTY, PLANT AND EQUIPMENT

	COMPUTER, OFFICE EQUIPMENT AND MOTOR VEHICLES (£'000)	FIXTURES AND FITTINGS (£'000)	RIGHT- OF- USE ASSETS – BUILDINGS AND MOTOR VEHICLES (£'000)	TOTAL (£'000)
<b>Cost</b>				
Balance at 31 March 2022	345	477	991	1,813
Additions	86	3	–	89
Disposals	(77)	–	–	(77)
Balance at 31 March 2023	354	480	991	1,825
Additions	97	18	622	737
Disposals	(104)	–	(689)	(793)
<b>Balance at 31 March 2024</b>	<b>347</b>	<b>498</b>	<b>924</b>	<b>1,769</b>

<b>Accumulated depreciation and impairment</b>				
Balance at 31 March 2022	(239)	(302)	(523)	(1,064)
Charge for the period	(72)	(96)	(216)	(384)
Disposals	77	–	–	77
Balance at 31 March 2023	(234)	(398)	(739)	(1,371)
Charge for the period	(86)	(73)	(216)	(375)
Disposals	104	–	689	793
<b>Balance at 31 March 2024</b>	<b>(216)</b>	<b>(471)</b>	<b>(266)</b>	<b>(953)</b>
<b>Net book value</b>				
As at 31 March 2022	106	175	468	749
As at 31 March 2023	120	82	252	454
<b>As at 31 March 2024</b>	<b>131</b>	<b>27</b>	<b>658</b>	<b>816</b>

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

The Group leases buildings, motor vehicles and IT equipment. The Group has applied the practical expedient for short-term leases and so has not recognised IT equipment within ROU assets. The average lease term is five years. One lease expired in the year and a new lease was entered into in its place. The maturity analysis for lease liabilities is shown in note 21. The future lease payments relating to lease liabilities are fixed.

#### Right-of-use assets

	<b>31-MAR 2024</b>	31-MAR 2023
	<b>(£'000)</b>	(£'000)
Amounts recognised in profit and loss		
Depreciation on right-of-use assets	<b>(216)</b>	(216)
Interest expense on lease liabilities	<b>(6)</b>	(14)
Expense relating to short-term leases	<b>(66)</b>	(59)
	<b>(288)</b>	(289)

At 31 March 2024, the Group is committed to £64,000 for short-term leases (2023: £80,000).

The total cash outflow for all leases amounts to £294,000 (2023: £339,000). The cash outflows for the principal portion of lease liabilities and for the interest portion of lease liabilities is shown within financing activities in the Consolidated Statement of Cash Flows. The cash outflows for the payments of short-term leases are shown within operating activities in the Consolidated Statement of Cash Flows.

#### 17 TRADE AND OTHER RECEIVABLES

	<b>31-MAR 2024</b>	31-MAR 2023
	<b>(£'000)</b>	(£'000)
Trade receivables	<b>878</b>	278
Accrued income	<b>3,427</b>	2,614
Prepayments	<b>756</b>	843
Other receivables	<b>235</b>	47
	<b>5,296</b>	3,782
Less non-current portion:		
Other receivables	<b>(188)</b>	–

Total non-current trade and other receivables	<b>(188)</b>	–
Total current trade and other receivables	<b>5,108</b>	3,782

Trade and other receivables, excluding prepayments, are financial assets. The carrying value of these financial assets are considered a fair approximation of their fair value. Accrued income is made up of contract assets which are balances due from customers that arise when the Group delivers the service. Payment for services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the services are performed to represent the entity's right to consideration for the services transferred to date. This usually relates to providing one month of investment management service prior to receiving the cash from the customer in the following month. The balance of trade receivables and of accrued income at 1 April 2022 was £329,000 and £2,653,000 respectively.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (“ECLs”) for trade receivables and accrued income 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 (2023: £nil).

Trade receivable amounts are all held in sterling.

## 18 TRADE AND OTHER PAYABLES

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
Trade payables	328	397
Amounts due to related parties	–	234
Accruals	4,389	3,301
Deferred income	238	138
Contingent consideration	903	2,989
Lease liabilities	659	261
Other payables	2,608	2,845
	<b>9,125</b>	<b>10,165</b>
Less non-current portion:		
Contingent consideration	(402)	(2,209)
Lease liabilities	(567)	(45)
Other payables	(47)	–
Total non-current trade and other payables	<b>(1,016)</b>	<b>(2,254)</b>
Total current trade and other payables	<b>8,109</b>	<b>7,911</b>

Trade payables, accruals, lease liabilities, contingent consideration and other payables are considered financial liabilities. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Within other payables, there is a loan of £46k that holds a fixed and floating charge over all present and future property and undertakings of Fintegrate Financial Solutions Limited.

Trade payable amounts are all held in sterling.





Financial assets at FVPL	–	–	<b>106</b>	<b>106</b>	–	–	123	123
Trade receivables	<b>878</b>	–	–	<b>878</b>	278	–	–	278
Accrued income	<b>3,427</b>	–	–	<b>3,427</b>	2,614	–	–	2,614
Other receivables	<b>235</b>	–	–	<b>235</b>	47	–	–	47
Cash and cash equivalents	<b>24,838</b>	–	–	<b>24,838</b>	26,494	–	–	26,494
	<b>29,378</b>	–	<b>106</b>	<b>29,484</b>	29,433	–	123	29,556
<b>Financial liabilities</b>								
Trade and other payables	–	<b>8,228</b>	–	<b>8,228</b>	–	9,532	–	9,532
Lease liabilities	–	<b>659</b>	–	<b>659</b>	–	261	–	261
	–	<b>8,887</b>	–	<b>8,887</b>	–	9,793	–	9,793

### Fair value estimation

IFRS 7 requires the 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 held at amortised cost and are classified as level 1. The carrying amount of these financial assets at amortised cost approximate to their fair value. 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)

	<b>31-MAR 2024</b>	31-MAR 2023
	<b>(£'000)</b>	(£'000)
Financial investments in regulated funds or model portfolios	<b>106</b>	123

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.

Contingent consideration has been valued using a discounted cash flow method that was used to capture the present value arising from the contingent consideration. The unobservable inputs are:

- The risk-adjusted discount rate of 8.01%; and
- Probability-adjusted level of assets under management, which have a range of £246,000,000 to £390,000,000.

The higher the discount rate, the lower the fair value. If the discount rate was 1% higher/lower while all other variables were held constant, the carrying amount would decrease/increase by £8,000. If the weighted average of AUM increased/decreased by £10,000,000, the carrying amount would increase/decrease by £29,000.

Financial liabilities at fair value through profit or loss (level 3)

CONTINGENT CONSIDERATION	£'000
Balance at 1 April 2022	2,486
Recognition of contingent consideration as part of a business combination	2,926
Unwinding of discount rate	228
Changes in fair value of contingent consideration	(2,651)
<b>Balance at 31 March 2023</b>	<b>2,989</b>
Contingent consideration paid	(937)
Unwinding of discount rate	201
Changes in fair value of contingent consideration	(1,350)
<b>Balance at 31 March 2024</b>	<b>903</b>

The unwinding of the discount rate and the changes in fair value of contingent consideration have been recognised in the Consolidated Statement of Total Comprehensive Income.

During the year, a payment of £250,000 was made relating to the contingent consideration due for the acquisition of 8AM Global Limited. At 31 March 2023, the undiscounted liability held for this first payment totalled £101,000. A payment of £687,000 was made relating to the contingent consideration due for the acquisition of the Verbatim funds. At 31 March 2023, the undiscounted liability held for this first payment amounted to £706,000.

The fair value of the remaining contingent consideration for 8AM and Verbatim was reviewed at 31 March 2024 using a discounted cash flow analysis. The expected cash flows are estimated based on the Group's knowledge of the business and how the current economic environment is likely to impact it. For 8AM Global Limited, the second contingent consideration payment is based on the run rate EBIT at deferred payment date compared to that at acquisition. The unobservable inputs for the 8AM contingent consideration include the risk-adjusted discount rate of 8.0% (2023: 7.8%) and future profitability of the business of up to £500,000. If the discount rate were to change by 1%, this would increase/decrease the fair value of contingent consideration by £nil. If profitability were to be 10% higher or lower, the fair value of contingent consideration would increase/decrease by £nil.

Based on results to date, it was deemed extremely unlikely that the conditions for payment would be made and so the brought forward liability of £889,000 relating to 8AM was released.

For Verbatim, the expected change in AUM and resulting cash flows are estimated based on the Group's knowledge of the business and how the current economic environment is likely to impact it. The contingent consideration payable is dependent on the total value of AUM at the payment date compared to the value of AUM at acquisition, £650m. The scenarios used to calculate the deferred payments were updated to include AUM movements to date and management's perception of likelihood of occurrence. This led to a reduction of £461,000 in the value of contingent consideration recognised.

The unobservable inputs for the Verbatim contingent consideration include the risk-adjusted discount rate of 8.0% (2023: 7.8%) and future AUM of the funds ranging in value up to £400m. If the discount rate were to change by 1%, this would increase/decrease the fair value of contingent consideration by £8,000. If AUM were to be 10% higher or lower, the fair value of contingent consideration would increase/decrease by £90,000.

### Interest rate risk

The Group finances its operations through retained profits. The Group's cash and cash equivalents balance of £24,838,000 and borrowings of £85,000 are the financial instruments subject to variable interest rate risk. The impact of a 1% increase or decrease in interest rate on the post-tax profit is not material to the Group.

### 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 creditworthiness 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 its financial assets recognised at 31 March.

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 2024 (£'000)	31-MAR 2023 (£'000)
Not more than 3 months	814	233
More than 3 months but not more than 6 months	42	30
More than 6 months but not more than 1 year	14	6
More than 1 year	8	8
<b>Total</b>	<b>878</b>	<b>277</b>

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 where the Group has reasonable and supportable information that demonstrates otherwise.

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 the 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. 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.

At 31 March 2024, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	CURRENT		NON-CURRENT	
	WITHIN 6 MONTHS (£'000)	6 TO 12 MONTHS (£'000)	1 TO 5 YEARS (£'000)	LATER THAN 5 YEARS (£'000)
<b>AT 31 MARCH 2024</b>				
Trade and other payables	7,259	4	57	5
Lease liabilities	95	56	644	–
Contingent consideration	521	–	451	–
<b>Total</b>	<b>7,875</b>	<b>60</b>	<b>1,152</b>	<b>5</b>

Lease liabilities above totalling £795k are the undiscounted values of the total lease liability of £659k as shown in note 18. Contingent consideration above totalling £972k is the undiscounted liability of the contingent consideration of £903k as shown in note 18.

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

	CURRENT		NON-CURRENT	
	WITHIN 6 MONTHS (£'000)	6 TO 12 MONTHS (£'000)	1 TO 5 YEARS (£'000)	LATER THAN 5 YEARS (£'000)
<b>AT 31 MARCH 2023</b>				
Trade and other payables	6,775	–	–	–
Lease liabilities	134	88	46	–
Contingent consideration	807	–	2,527	–
<b>Total</b>	<b>7,716</b>	<b>88</b>	<b>2,573</b>	<b>–</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ from 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, this 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 £5,000 higher/lower, due to changes in the fair value of financial assets at fair value through profit or loss.

## 22 SHARE CAPITAL

	NUMBER OF SHARES
<b>Authorised, called-up and fully paid £0.20 ordinary shares</b>	
At 1 April 2022	58,914,887
Issue of share capital on exercise of employee share options	263,098
Issue of share capital on purchase of a joint venture	877,737
At 1 April 2023	60,055,722
Issue of share capital on exercise of employee share options	455,678
<b>At 31 March 2024</b>	<b>60,511,400</b>

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

## 23 OWN SHARES

The following movements in own shares occurred during the year:

	NUMBER OF SHARES	£'000
At 1 April 2022	–	–
Acquired in the year	139,500	28
Utilised on exercise of employee share options	(139,500)	(28)
At 1 April 2023	–	–
Acquired in the year	658,800	3,278
New share capital issued to the EBT	346,896	69
Utilised on exercise of employee share options	(346,896)	(69)
<b>At 31 March 2024</b>	<b>658,800</b>	<b>3,278</b>

Own shares represent the cost of the Company's own shares, either purchased in the market or issued by the Company, which are held by an EBT to satisfy future awards under the Group's share-based payment schemes (note 24).

## 24 SHARE-BASED PAYMENTS

During the year, a number of share-based payment schemes and share options schemes have been utilised by the Group, described under 24.1 Current schemes.

### 24.1 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 nil (2023: nil) options exercised during the year from this scheme.

The scheme was extended on 8 August 2018, with 1,720,138 zero-cost options granted. This scheme vested in August 2021 and 50,000 options were exercised in the year (2023: 50,000). The scheme was extended again on 1 August 2019, 28 July 2020, 15 July 2021 and 25 July 2022 with 193,000, 1,000,000, 279,858 and 274,268 zero-cost options granted in each respective year. These options are exercisable on the third anniversary of the grant date. There were 204,523 zero-cost options granted in the current year financial year on 24 July 2023.

The options granted in 2020 vested and became exercisable in July 2023. There have been 296,896 options exercised during the period from this scheme. The weighted average share price at the date of exercise was £4.97. 27,912 of these options lapsed in the year. A total of 2,569,630 options remain outstanding at 31 March 2024, 1,878,861 of which are currently exercisable. 64,524 options were forfeited in the period (2023: 6,355).

The weighted average contractual life for share options outstanding at the end of the period was 5.55 years (2023: 6.40 years).

The vesting conditions for the scheme are detailed in the Remuneration Committee report on pages 58 to 61 of the 2024 Annual Report. The weighted average fair value of the options granted during the year was £4.37. 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. 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 24.2 and 24.3, respectively.

	NUMBER OF SHARE OPTIONS GRANTED	WEIGHTED AVERAGE PRICE (£)
Outstanding at 1 April 2022	2,726,026	0.60
Granted during the period	274,268	–
Exercised during the period	(189,500)	–
Forfeited during the period	(6,355)	–
Outstanding at 31 March 2023	2,804,439	0.59
Exercisable at 31 March 2023	1,256,668	1.31
Outstanding at 1 April 2023	2,804,439	0.59
Granted during the period	204,523	–
Exercised during the period	(346,896)	–
Forfeited during the period	(64,524)	–
Lapsed during the period	(27,912)	–
<b>Outstanding at 31 March 2024</b>	<b>2,569,630</b>	<b>0.64</b>
<b>Exercisable at 31 March 2024</b>	<b>1,878,861</b>	<b>0.88</b>

#### **(ii) Tatton Asset Management plc Sharesave scheme (“TAM Sharesave scheme”)**

On 6 July 2020, 2 August 2021, 4 August 2022 and 25 August 2023, the Group launched all employee Sharesave schemes for options over shares in Tatton Asset Management plc, with the schemes in the periods 2020 and 2021 being administered by Yorkshire Building Society and the schemes in 2022 and 2023 being administered by Link Group. 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.

The 2020 TAM Sharesave scheme vested in August 2023 and 108,781 share options became exercisable. Over the life of the 2021 TAM Sharesave scheme it is estimated that, based on current savings rates, 38,160 share options will be exercisable at an exercise price of £3.60. Over the life of the 2022 TAM Sharesave scheme, it is estimated that, based on current savings rates, 45,763 share options will be exercisable at an exercise price of £3.26. Over the life of the 2023 TAM Sharesave scheme, it is estimated that, based on current savings rates, 89,223 share options will be exercisable at an exercise price of £3.89. 108,781 options were exercised in the year at a weighted average share price at the date of exercise of £4.97. The weighted average contractual life for share options outstanding at the end of the period was 1.54 years (2023: 1.02 years).

The weighted average fair value of the options granted during the year was £1.60. 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 24.2 and 24.3, respectively.

	NUMBER OF SHARE OPTIONS GRANTED	WEIGHTED AVERAGE PRICE (£)
Outstanding at 1 April 2022	114,517	2.14
Granted during the period	60,538	2.53
Exercised during the period	(73,599)	1.79
Forfeited during the period	(6,361)	2.66
Outstanding at 31 March 2023	95,095	2.57
Exercisable at 31 March 2023	–	–
Outstanding at 1 April 2023	95,095	2.57
Granted during the period	90,473	2.93
Forfeited during the period	(6,810)	3.22
Exercised during the period	(108,781)	2.29
Outstanding at 31 March 2024	<b>69,977</b>	<b>3.53</b>
Exercisable at 31 March 2024	–	–

## 24.2 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			
	2023	2022	2021	2020	2023	2022	2021	2020
Share price at grant (£)	<b>4.74</b>	4.03	4.60	2.84	<b>4.91</b>	4.25	4.80	2.85
Exercise price (£)	–	–	–	–	<b>3.89</b>	3.26	3.60	2.29
Expected volatility (%)	<b>35.24</b>	34.05	33.76	34.80	<b>35.13</b>	34.05	33.76	34.80
Expected life (years)	<b>3.00</b>	3.00	3.00	3.00	<b>3.00</b>	3.00	3.00	3.00
Risk free rate (%)	<b>4.64</b>	1.71	0.24	(0.06)	<b>4.74</b>	1.71	0.12	(0.06)
Expected dividend yield (%)	<b>3.06</b>	3.11	2.39	3.38	<b>2.95</b>	3.11	2.39	3.38

### 24.3 IFRS 2 share-based option costs

	31-MAR 2024 (£'000)	31-MAR 2023 (£'000)
TAM EMI scheme	1,376	1,446
TAM Sharesave scheme	82	65
	<b>1,458</b>	<b>1,511</b>

The Consolidated Statement of Cash Flows shows an adjustment to Net cash from operating activities relating to share-based payments of £1,236,000 (2023: £1,420,000). This is a charge in the year of £1,458,000 (2023: £1,511,000) adjusted for cash paid relating to national insurance contributions on the exercise of share options of £222,000 (2023: £91,000). Of the charge of £1,458,000, £980,000 is recognised through equity with the remaining £478,000 relating to the cost of national insurance contributions which are not accounted for through equity.

### 25 Business combinations

On 29 November 2023, the Group acquired 56.49% of Fintegrate Financial Solutions Limited ("Fintegrate"), a digital financial planning software company, and the acquisition has been treated as a business combination. The acquisition of Fintegrate was made in order to broaden the support services the Group can offer to its IFA firms across the Group. The amounts recognised with respect to the identifiable assets acquired and liabilities assumed upon the acquisition of Fintegrate are set out in the table below:

	£'000
<b>Identifiable intangible assets</b>	365
Cash	273
Trade and other receivables	10
Trade and other payables	(365)
Deferred tax liability	(92)
<b>Total identifiable assets</b>	<b>191</b>
Less: non-controlling interest	(123)
Goodwill	459
<b>Total Consideration</b>	<b>527</b>
Satisfied by:	
Cash	527
<b>Total consideration transferred</b>	<b>527</b>
Net cash outflow arising on acquisition	
Cash consideration	527
Less: net cash acquired	(273)
<b>Net cash outflow</b>	<b>254</b>

The fair value of the Fintegrate software within its identifiable intangible assets has been measured using a relief from royalty valuation methodology. The model uses estimates of the future growth of the business to derive a forecast series of cash flows and applies a royalty rate, with the relief from royalty being discounted to a present value to determine the fair value of the software acquired. The useful economic life of the software has been determined to be ten years.



The goodwill of £459,000 arising from the acquisition consists of future synergies and future income expected to be generated from the entity. None of the goodwill is expected to be deductible for income tax purposes.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Fintegrate, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets, which was a net asset position of £123,000 at acquisition. Acquisition-related costs (included in administrative expenses) amount to £27,000. Fintegrate contributed £18,000 to revenue and a loss of £137,000 to the Group's profit, before making any adjustment for non-controlling interest, for the period between the date of acquisition and the reporting date. Had Fintegrate been consolidated from 1 April 2023, the Consolidated Statement of Total Comprehensive Income would have included revenue of £32,000 and loss of £508,000.

## 26 RELATED PARTY TRANSACTIONS

### Ultimate controlling party

The Directors consider there to be no ultimate controlling party.

### Relationships

Balances and transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Group has trading relationships with the following entities in which Paul Hogarth, a Director, has a beneficial interest:

ENTITY	NATURE OF TRANSACTIONS
Suffolk Life Pensions Limited	The Group pays lease rental payments on an office building held in a pension fund by Paul Hogarth.
Hermitage Holdings (Wilmslow) Limited	The Group incurs recharged costs from this entity relating to trading activities.

### Related party balances

TERMS AND CONDITIONS	2024 VALUE	BALANCE	2023 VALUE	BALANCE	
	OF INCOME/ (COST) (£'000)	RECEIVABLE/ (PAYABLE) (£'000)	OF INCOME/ (COST) (£'000)	RECEIVABLE/ (PAYABLE) (£'000)	
Suffolk Life Pensions Limited	Payable in advance	(47)	(15)	(61)	–
Hermitage Holdings (Wilmslow) Limited	Repayment on demand	(12)	–	(12)	1

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 12.

## 27 ALTERNATIVE PERFORMANCE MEASURES ("APMS")

The Group has identified and defined certain measures that it uses to understand and manage its performance. The measures are not defined under IFRS and are not considered to be a substitute for or

superior to IFRS measures, but management believe that these APMs provide stakeholders with additional helpful information and enable an alternative comparison of performance over time. The APMs should not be viewed in isolation, but as supplementary information. APMs may not be comparable with similarly titled measures presented by other companies.

The APMs are used by the Board and management to analyse the business and financial performance, track the Group’s progress and help develop long-term strategic plans. Some APMs, where noted below, are used as key management incentive metrics. The APMs provide additional information to investors and other external shareholders to provide additional understanding of the Group’s results of operations as supplemental measures of performance.

There have been a number of APMs which have been removed from the list below this year. These are items which have previously been disclosed as an alternative way of looking at the growth of the Group but are not KPIs of the business. The APMs removed from this list during the year as they have not been referred to in this Annual Report are: Adjusted profit before tax before separately disclosed items; Dividend cover; Dividend yield; CAGR in AUM and CAGR in Tatton firm numbers; and Average annual net inflows.

APM	CLOSEST EQUIVALENT MEASURE	RECONCILING ITEMS TO THEIR STATUTORY MEASURE	DEFINITION AND PURPOSE
Adjusted operating profit	Operating profit	Items in note (a) below	The reconciliation between Operating profit and Adjusted operating profit can be seen on the face of the Consolidated Statement of Total Comprehensive Income. See note 7 for the value of the adjusting items. This is a key management incentive metric.
Adjusted operating profit margin	Operating profit margin	Items in note (a) below	Adjusted operating profit divided by revenue to report the margin delivered. Progression in adjusted operating margin is an indicator of the Group’s operating efficiency. See note 7 for the value of the adjusting items.
Cash generated from operations before exceptional items	Cash generated from operations	Cash flows from exceptional items	Cash generated from operations is adjusted to exclude cash flows from exceptional items. The reconciliation between cash generated from operations and Cash generated from operations before exceptionals can be seen on the Statement of Cash Flows. This is a measure of the cash generation and working capital efficiency of the Group’s operations and is a key management performance measure.

Adjusted earnings per share – Basic	Earnings per share – Basic	Items in note (b) below	Profit after tax attributable to shareholders of the Company is adjusted to exclude separately disclosed items as detailed in note 11 and is divided by the same denominator as Basic EPS, being the weighted average number of ordinary shares in issue. Adjusted EPS – Basic is presented to reflect the impact of the separately disclosed items included in Adjusted operating profit.
Adjusted earnings per share – Fully Diluted	Earnings per share – Diluted	Items in note (b) below	Profit after tax is adjusted to exclude separately disclosed items as detailed in note 11 and is divided by the total number of dilutive shares, assuming all contingently issuable shares will fully vest. The reconciliation and calculation of Adjusted EPS – Diluted is shown in note 11. Adjusted EPS – Fully Diluted is presented to reflect the impact of the separately disclosed items included in Adjusted operating profit and to include all shares which are contingently issuable assuming share options fully vest. This is a key management incentive metric.
<b>Other measures</b>			
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 customer assets in the year. Net inflows are a key management incentive metric.
Tatton – assets under influence (“AUI”)	None	Not applicable	AUI is representative of the customer assets which are not directly managed by Tatton but over which we hold influence due to our shareholding in the company in which they are managed, and is a measure of the value of the customer base. Movements in this base are an indication of our participation in the joint venture and its growth in order to generate Tatton’s share of profits going forward.
Tatton firms	None	Not applicable	Alternative growth measure to revenue; an operational view of growth in the Tatton division.
Paradigm – Consulting members,	None	Not applicable	Alternative growth measure to revenue; an operational view of growth in the Paradigm

Mortgages lending and member firms			division which is supported by two main service lines: Consulting and Mortgages.
Return on capital employed ("ROCE")	None	Not applicable	ROCE is calculated as annual adjusted operating profit for the last 12 months, as shown on the Consolidated Statement of Total Comprehensive Income, expressed as a percentage of the average total assets less current liabilities. The denominator for 2024 is £44.2m and for 2023 is £38.9m. ROCE measures how effectively we have deployed our resources and how efficiently we apply our capital.

- (a) Reconciling items include: Exceptional items, share-based payments, changes in the fair value of contingent consideration, amortisation of acquisition-related intangibles, and operating loss relating to non-controlling interest.
- (b) Reconciling items include: Exceptional items, share-based payments, changes in the fair value of contingent consideration, amortisation of acquisition-related items, unwinding of discount on contingent consideration, and the tax thereon.

## 28 POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

## 29 CAPITAL COMMITMENTS

At 31 March 2024, the Directors confirmed there were no capital commitments (2023: none) for capital improvements.

## 30 CONTINGENT LIABILITIES

At 31 March 2024, the Directors confirmed there were no contingent liabilities (2023: none).