Tatton Asset Management

Impressive interims support recent upgrade

17 November 2021

In October, we upgraded our forecasts and fair value based on higher-than-expected AUM at the end of H1 (£10.8bn on 30 Sep, +38% y-o-y), with net inflows being particularly strong (£652m, 99% up on H1 21), and a growth outlook boosted (primarily) by a new distribution agreement concluded with Fintel plc - which provides access to 3,800 intermediary firms.

Tatton's interims confirm our projected strong H1 performance. Short-term growth momentum continues with AUM reaching £11.2bn on 12 Nov. And progress on the Tenet partnership (incepted 2019) show a 'snowball' growth effect kicking in, which reinforces the medium-term potential of the Fintel deal, and supports our forecasts.

H1 revenue increased 26% y-o-y from £10.96m to £13.85m. Adjusted operating profit increased 38% from £5.03m to £6.93m; while adjusted operating margin increased from 45.9% to 50.1%; and PAT increased 47% from £2.66m to £3.90m. Basic EPS increased 43% to 6.82p while adjusted fully diluted EPS increased 34% to 8.76p.

Net assets increased 38% y-o-y to £27.5m with £5.7m of Intangible assets (incl. goodwill) recognised from the Verbatim funds acquisition which added £650m AUM. Cash from operations (before exceptionals of £0.2m) was £7.0m, up from £4.4m. **Net cash increased from £13.3m to £14.7m, despite a £2.8m payment for the Verbatim funds. Tatton remains debt free.**

Tatton's Board has recommended an interim dividend of 4.0p per share, an increase of 14% on the prior period interim dividend (3.6p). This is consistent with the policy of paying an annual dividend of approximately 70% of adjusted earnings after tax, with one third paid as an interim.

Potential to exceed growth targets

In March 21 (AUM: £9.0bn), Tatton outlined a plan to reach £15bn AUM in three years. It targeted £1bn of organic net inflows per year and had a healthy M&A pipeline. Today, with such strong inflow momentum, and in particular the huge potential of the Fintel distribution deal**, we think it could hit the target without further acquisitions. On this basis, our fair value is 560p per share.**

This value has potential to increase if further value enhancing acquisitions are executed and/or if organic growth exceeds expectations. In addition, given its growth prospects, we don't consider Tatton's forward PE (adjusted) of 29 to be particularly demanding.

Key Financials

Year-end 31 Mar	FY 19A	FY 20A	*H1 21A*	FY 21A	*H1 22A*	FY 22E	FY 23E
AUM end-of-period, £bn	6.1	6.7	*7.8*	9.0	*10.8*	11.4	13.1
Revenue, £m	17.5	21.4	*11.0*	23.4	*13.8*	29.4	32.5
Operating profit (adj), £m	7.3	9.1	*5.0*	11.4	*6.9*	14.3	16.3
Operating margin (adj), %	41.7%	42.5%	*45.9%*	48.8%	*50.1%*	48.7%	50.2%
EPS basic (adj), p	11.0	13.1	*7.2*	16.1	*9.5*	19.7	22.5
Div, p	8.4	9.6	*3.6*	11.0	*4.0*	12.0	15.6
Yield, %	1.4%	1.7%	*0.6%*	1.9%	*0.7%*	2.1%	2.7%
PER*	52.8	44.2	*40.3*	35.9	*30.6*	29.4	25.7
Net assets, £m	15.3	17.8	*20.0*	24.4	*27.5*	29.3	34.9
Net cash, £m	12.2	12.8	*13.3*	16.9	*14.7*	19.8	24.9

Source: Company Historic Data, ED estimates. PER and Yield based on share price of: ***580p***

**PER based on adj basic earnings (particularly relevant in FY21 due to extraordinary share-based pmt charge)*

Company Data

EPIC	TAM
Price (last close)	580p
52 weeks Hi/Lo	590p/252p
Market cap	£342m
ED Fair Value / share	560p
Proforma net cash	£15m
Avg. daily volume	55k

Share Price, p

Source: ADVFN

AUM 12 Nov 21: £11.2bn

Description

Tatton Asset Management was founded in 2007 and serves smaller, UK-based Independent Financial Advisers via two distinct business units: *investment management* (discretionary fund management or DFM) delivered via WRAP platforms (just under 80% of group revenue), and *adviser support services* - regulatory and compliance consulting and outsourcing, plus mortgage and protection insurance aggregation (just over 20% of group revenue).

Next event: FY trading update Apr 22

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Asset management: impressive H1, huge potential

AUM reached £10.8bn on 30 Sep 21, an increase of 20% in H1 (31 Mar 21: £9.0bn) and up 38% y-o-y (30 Sep 20: £7.8bn). Net inflows contributed 36% of the AUM growth in H1 (£652m), investment performance 28% (495m), and an acquisition (Verbatim funds) 36% (£650m).

IFA client firms increased by 13% to 703 (30 Sep 21: 624) and the number of accounts increased 19% to 81,600 (30 Sep 21: 68,500), indicative of good progress in winning new clients and of increasing share of assets managed among existing clients (because growth in accounts exceeds growth in new clients).

This translated to an **impressive business unit financial performance** (numbers below are for *Tatton*, the asset management business i.e., excluding *Paradigm*, the IFA support services business). Revenue grew 27% to £10.9m (H1 21: £8.6m) and made up 79% of group revenue. Adjusted operating profit (excluding exceptional items, share-based payments and amortisation) grew 34% to £6.7m (H1 21: £5.0m), with adjusted operating profit margin increasing to 61.3% (H1 21: 57.8%). Profit and margins were however flattered to a small degree because of the large proportion of remote client contact being undertaken with margins expected to be flat in H2 as more face-to-face contact (and associated costs) returns, before increasing again as a result of scale benefits.

Strong start to 3-year growth plan

In Mar 21, when AUM was £9.0bn, Tatton outlined a growth plan to achieve £15bn of AUM in three years. It was targeting £1bn of organic growth per year (net inflows) and had a healthy M&A pipeline. Recent AUM growth from market performance was running at around £0.3bn per year (although it correctly stressed that it is almost inevitable that AUM levels will experience some volatility because of market movements).

Roadmap to growth

Source: Company

Tatton's early progress on its three-year journey suggests it is well ahead of this growth target. By 12 November, AUM had reached £11.2bn.

Net inflow momentum

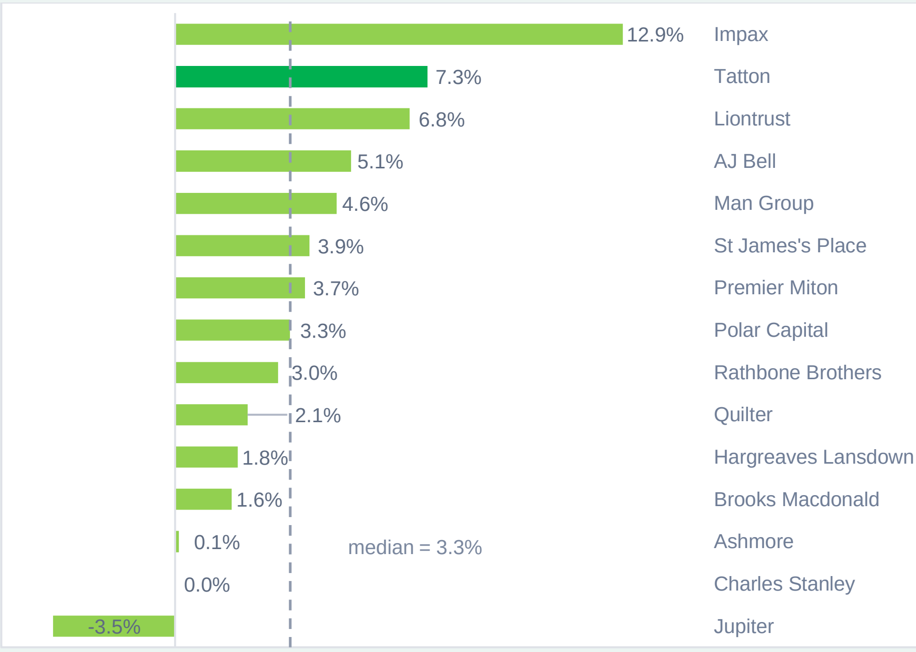
H1 net inflows of £652m were stronger than expected (99% up on H1 21: £328m) and translated to a 'run rate' of £109m per month (£1.3bn annualised), well ahead of the targeted £1bn per annum.

With most asset managers and platforms having reported AUM results for the Jul-Sep 21 quarter, Tatton has been **one of the top performers when it comes to net inflows** over a 6-month and 12-month time horizon (data for Brewin Dolphin, River & Mercantile, and City of London Investment Group not available).

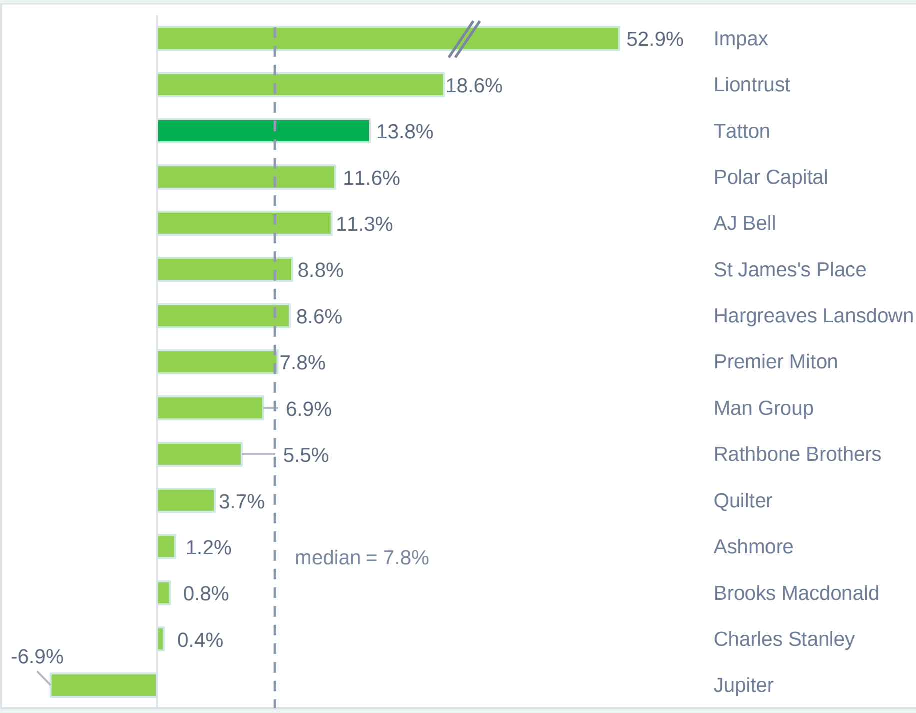
Tatton has constructed, and is delivering, a market leading proposition. It is also strategically well positioned to benefit from larger market trends. UK on-platform discretionary fund management (DFM) managed portfolio services (MPS) AUM (Tatton's core offering) reached **£67bn** in Dec 2020, making up a **14% share** of overall platform AUM (£594bn).

Less than four years prior, in Mar 2017, DFM MPS AUM stood at **£25bn** and made up a **5.5% share** of the on-platform market (*Source: Platforum*).

Net inflows as % of opening AUM, 6m to 30 Sep 21



Net inflows as % of opening AUM, 12m to 30 Sep 21



Source: Company reports and updates, ED analysis
Data excludes AUM from acquisitions

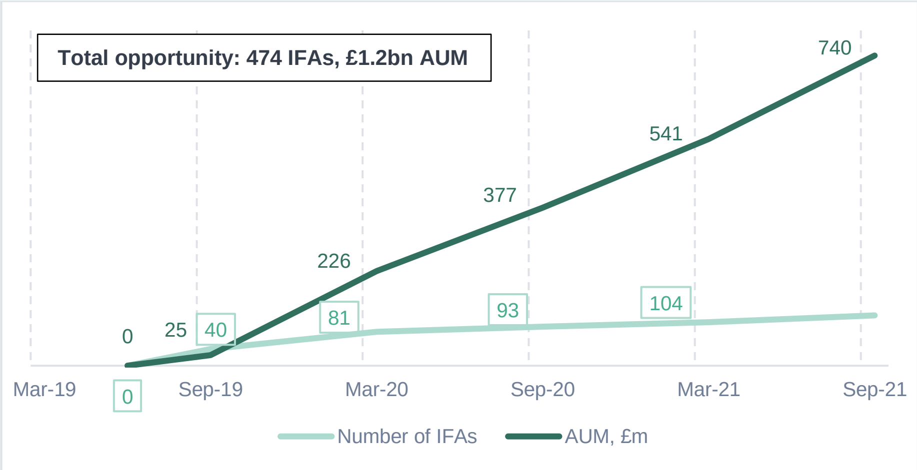
Organic growth potential from strategic partnerships

Important to Tatton's growth momentum is the success of its **strategic partnerships** which reduce its dependence on winning new client firms 'one-by-one'.

Tenet

Its most mature partnership dates back to 2019, when Tatton won a long-term mandate to provide a managed portfolio service through Tenet Group, one of the UK's largest adviser support groups, giving Tatton strategic access to 474 additional IFA firms, with the corresponding opportunity to rapidly boost AUM (total opportunity estimated at £1.2bn). **Since inception in June 2019, this mandate has resulted in over 100 new IFA clients placing £740m of AUM with Tatton, and we think this partnership has legs to deliver significantly more growth.**

Tenet Group strategic partnership growth profile



Source: Company reports and updates, ED analysis

While the Covid-19 pandemic almost certainly slowed the IFA conversion rate on the Tenet partnership (conversion slowed after Mar 20), the AUM progression clearly illustrates Tatton's opportunity to increase AUM without being overly dependent on winning new clients i.e., AUM from the Tenet deal has continued to grow rapidly despite IFA conversion being relatively modest since the start of the pandemic.

This is because when an IFA enters a relationship with Tatton, it typically moves only a small part of its client's assets to Tatton immediately (firms with less than a one-year relationship with Tatton have an average AUM of around £1.5m) but increases this over time (average AUM per existing IFA is around £10m for direct firms – a direct firm is an IFA that places its AUM with Tatton without being a Paradigm client as well. 'Dual client firms' have an even higher average of around £30m).

Average AUM per Tenet IFA has grown to over £7m, illustrating the continued support of Tenet IFAs. On top of this is the opportunity to continue to win new Tenet IFAs.

This new-client opportunity coupled with the opportunity to increase AUM per IFA leads us to conclude that the Tenet partnership is likely to deliver significantly more AUM growth.

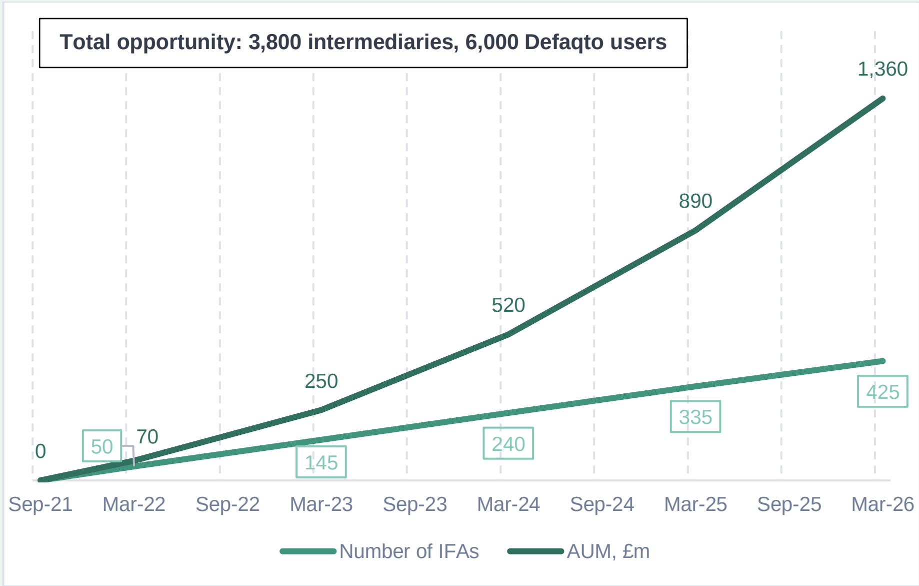
Fintel

Then, in Sep 21, Tatton announced a new strategic partnership with Fintel plc, a prominent service provider to financial advisers (but with a non-core asset management arm). Tatton signed a five-year strategic distribution agreement which provides access for the distribution of Tatton funds and portfolios to 3,800 Fintel intermediary firms and 6,000 Defaqto users.

It also secured the right to 2,500 Defaqto licenses (a financial product rating tool) which it can distribute to its own adviser-clients to enhance Tatton's offering.

This distribution deal looks to have significantly larger potential than the Tenet partnership. We believe that £1.3bn - £1.5bn would be a conservative AUM estimate over five years. This is based on adding around 100 new Fintel IFA clients per year with AUM per client growing from £1.4m per firm one-year after the start of a new relationship with Tatton, to £5.4m after five years with Tatton.

Fintel strategic partnership estimated growth profile



Source: Company reports and updates, ED analysis

Other partnerships

Tatton has also now announced new strategic partnerships with **Threesixty Services** (900+ IFAs, including over 100 discretionary management firms - more than 9,000 individuals) and the commencement of its engagement with **Sesame Bankhall Group** (10,000+ Advisers, 800+ directly regulated financial services firms)[1]. Both of these deals appear to have strong potential for AUM growth, and should help to underpin strong inflow momentum.

Between Tenet, Fintel, Threesixty and Sesame Bankhall, it is now obvious that these strategic partnerships will be playing a significant role in delivering Tatton's organic AUM growth targets.

Acquisition strategy underway: further deals expected

In addition to the robust organic growth pipeline, Tatton is also pursuing a strategic acquisition strategy, and has **a significant 'war chest' of £14.7m net cash.** Net cash was £16.9m on 31 Mar 21 but has now reduced because of the £2.8m first tranche payment for the Verbatim funds – see below.

This strategy is already underway with two acquisitions concluded in recent years, which we believe have been concluded at **attractive valuations** and have **relatively low execution and integration risk**. They were both closely linked to strategic partnerships (see above) and constituted the acquisition of non-core, 'going concern' funds from sellers whose rationale was well understood by Tatton, with the management of these funds being taken over by Tatton, rather than the acquisition of whole businesses with complexities such as teams and systems which would need to be integrated.

[1] *All numbers taken from Tatton Investor and Analyst presentation, June 21.*

The first of these was executed in 2019, when Tatton acquired **Sinfonia Asset Management** from the Tenet Group which added £135m of AUM and comprised five risk-targeted funds to complement Tatton's existing fund range. The consideration paid was up to £2.7m (£2.0m upfront with £0.7m becoming payable only on meeting performance criteria). The price-to-AUM valuation ratio of this deal was 1.5% (well below Tatton's current market-cap-to-AUM ratio of around 3.1%).

The second acquisition was concluded in Sep 21 when Tatton acquired the **Verbatim** range of funds with £650m AUM, from Fintel plc. These consist of multi-asset and multi-index funds, which are certainly complementary to Tatton's existing fund range and are products that are popular with its core adviser base.

Tatton will be paying up to £5.8m (£2.8m paid in cash on completion with the balance becoming payable on performance criteria being met). The price for this fund range looks even more attractive at a price-to-AUM valuation ratio of 0.9%.

We think finding further valued-enhancing acquisition opportunities is a realistic expectation.

Investment offering underpins success

The above organic and acquisitive growth opportunities are of course underpinned by Tatton continuing to offer clients a suitable range of investment products and delivering on its investment performance goals. To this end, it maintains an attractive record, with advisers' confidence in Tatton being well justified.

Tatton continues to add to its product range. In addition to its managed portfolio service (£9.6bn out of £10.8bn AUM on 30 Sep 21), it also has a bespoke portfolio service (BPS) and a range of investment funds which now make up £1.2bn (11.3%) of AUM. The fund range was recently boosted by the acquisition of the Verbatim funds (£650m).

In particular, Tatton's ethical portfolios are proving popular. These have grown to £627m AUM, +129% over 12 months, with net inflows of £158m in H1 (24% of total inflows).

The investment performance of its suite of portfolios have comfortably outperformed industry peers with all core strategies producing higher returns against the relevant benchmarks over five years (dark green shading depicts outperformance versus benchmark), and its ethical product set producing particularly impressive returns over a three year period.

CORE PRODUCT SET: Portfolio Performance (%)
Annualised, after DFM charge and fund costs – 5 years to 30 Sep 21

	Active	Tracker	Hybrid	Ethical	ARC Peers*
Defensive	3.7	3.6	3.6		3.1
Cautious	5.3	5.1	5.2		4.7
Balanced	6.4	6.3	6.3	8.2	6.3
Active	7.7	7.6	7.7		6.3
Aggressive	8.9	8.7	8.8		7.8
Global Equity	12.0	11.7	11.8		7.8

** ARC PCI –UK wealth management portfolio peer group with historically comparable asset allocation characteristics*
Source: Tatton Analysts Presentation Novemeber 2021

ETHICAL PRODUCT SET: Portfolio Performance (%) Annualised, after DFM charge and fund costs – 3 years to 30 Sep 21		
	Ethical	ARC Peers*
Defensive	**6.6**	3.5
Cautious	**8.2**	4.7
Balanced	**9.0**	5.9
Active	**9.9**	5.9
Aggressive	**11.0**	7.3
Global Equity	**11.3**	7.3

** ARC PCI –UK wealth management portfolio peer group with historically comparable asset allocation characteristics*
Source: Tatton Analysts Presentation Novemeber 2021

Given the current traction Tatton is showing, coupled with the organic and acquisitive growth opportunities it has, we think Tatton is on track to exceed its three-year (Mar 24) AUM target of £15bn.

Paradigm: strong mortgage growth, consulting solid

The Paradigm business unit, which provides IFA support services – mortgage broking and protection insurance services; and regulatory and compliance consulting and outsourcing services (consulting) had a strong H1.

Mortgage client firms increased from 1,612 to 1,646 during H1 with completions up 32% y-o-y (from £5.0bn in H1 21 to £6.6bn). Paradigm reports good activity in the housing market with record numbers of mortgage applications, boosted by the UK Government's stamp duty 'holiday' stimulus and a return to more 'normal' property market processes with fewer pandemic-related constraints in the period (in 2020, lockdowns had a significant impact on surveys, viewings etc).

Tatton also reports an improved product supply environment with the number of mortgage products made available by lenders increasing. It anticipates steady and stable conditions in this segment.

Consulting member firms increased from 407 to 418. But pleasingly, Tatton reports an **increase in additional consulting and contracted compliance days**, boosted by the benefits of integrating the Paradigm businesses (mortgages and consulting were placed under one business unit in late-2019).

Financial performance of the Paradigm business unit was very strong compared to the same period last year, but it is important to bear in mind that the mortgage business was heavily affected by the pandemic in 2020, hence part of the growth in this period reflects a 'bounce back'. **Revenue grew 26% year on year to £2.95m (H1 21: £2.34m) while adjusted operating profit grew 96% to £1.25m (H1 21: £0.64m).**

H1 Group financials better than expected

Income statement

At a group level, revenue increased 26% y-o-y from £10.96m to £13.85m. Adjusted operating profit increased 38% from £5.03m to £6.93m, while adjusted operating margin increased from 45.9% to 50.1%.

Pre-tax profit after the impact of exceptional items (£0.2m related to the acquisition of the Verbatim funds), amortisation of customer relationship intangibles, finance costs and share-based payment charges increased 56% y-o-y from £3.07m to £4.79m, while profit after tax increased 46.5% from £2.66m to £3.90m.

At a per share level, basic earnings per share increased 43% from 4.77p to 6.82p, while adjusted fully diluted EPS increased 34% from 6.55p to 8.76p. This includes the impact of potentially dilutive shares.

Balance sheet and cash resources

The balance sheet of the group continued to strengthen with **net assets increasing 38% from £20.0m on 30 Sep 20 to £27.5m**.

The group has recognised an increase of £5.7m of Intangible assets including goodwill, largely relating to the acquisition of the Verbatim funds, resulting in an increase in intangible assets from £7.7m on 30 Sep 20 to £13.4m.

Cash generated from operations was £6.8m (£7.0 million before exceptional items compared to £4.4m in H1 21). **Net cash increased 11% from £13.3m to £14.7m, despite the £2.8m first tranche payment for the Verbatim funds. Tatton remains debt free.**

Dividends

Tatton's Board has recommended an interim dividend of 4.0p per share (around £2.4m), an increase of 14% on the prior period interim dividend (3.6p). This is consistent with the firm's policy of paying a total annual dividend of approximately 70% of adjusted earnings after tax, with one third of this being paid as an interim dividend.

Our forecast dividend for the full financial year is 12.0p per share which would result in a yield of 2.1% on the last closing share price.

Issue of new shares

In the period, the Group issued 966,546 shares to the Employee Benefit Trust (EBT). The EBT subsequently held 1,741,703 shares which were utilised in full to satisfy the exercise of both 2017 and 2018 Enterprise Management Incentive (EMI) options which had met a proportion of the vesting criteria. The Group also issued 49,803 shares to employees who elected to exercise their options pursuant to the Company's Save As You Earn (SAYE) employee share scheme.

Growth assumptions and core value

Prior to the Sep 21 announcement of the Fintel distribution deal and Verbatim funds acquisition, we had forecast that Tatton would attract around £1bn of net inflows per year for the next few years, and market movements would add a further 4% per year to AUM, with Tatton reaching around £15bn AUM by 2025 (excluding acquisitions). This now looks overly conservative.

Net inflows are currently running at £1.3bn per year (£652m in H1), and even though net inflows do fluctuate to a degree (they tend to dip with downside market moves and vice versa), they will almost certainly be boosted by the Fintel distribution deal (see our assumptions on page 5), and by the Threesixty and Sesame Bankhall deals.

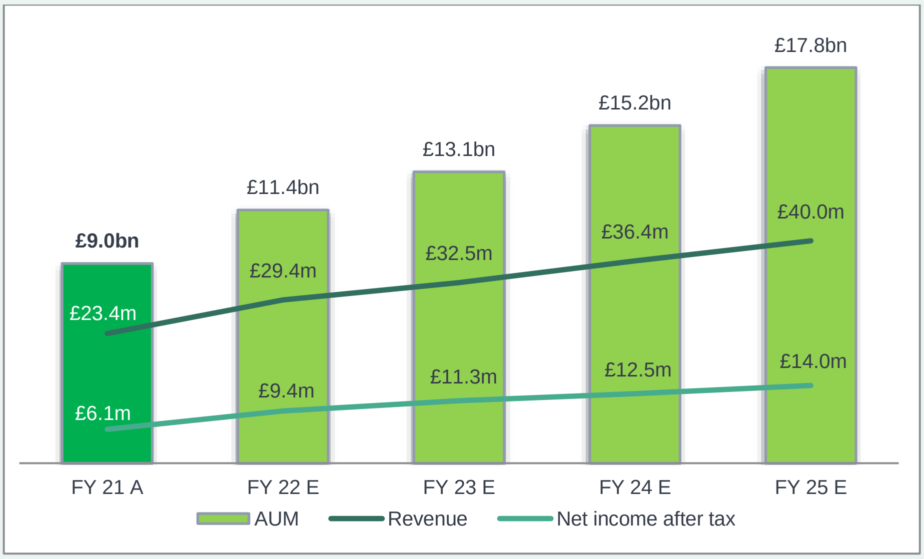
In the assumptions behind our core valuation, we have assumed that net inflows of £1.2bn are achieved in FY22 (ending 31 Mar 22), growing to around £2bn in FY25 (much of this acceleration arises from the trend of IFAs starting their relationship with Tatton by moving only a small portion of client assets, and increasing this over time as confidence in the new relationship builds – a 'snowball effect' which has become evident from the Tenet relationship). We have maintained our assumption of 4% AUM growth from market movements, once again stressing that market movements can introduce significant volatility into asset managers' AUM levels.

Combined, these assumptions result in Tatton achieving its 3-year goal of £15bn AUM in FY24 without further acquisitions, and growing AUM to £17.8bn by FY25.

We have allowed for some price erosion due to competition in our modelling but as scale benefits kick in, we expect adjusted operating margins to increase by around 1% per year. These assumptions result in the five-year forecasts illustrated below.

If we assume that Tatton is acquired at the end of our forecast period at a PE multiple of 20 (well below the current sector median of over 30 but noting that pre-pandemic sector medians were around 20), **we find Tatton's core value to be 560p per share. If further value-enhancing acquisitions are found, or if organic growth is higher than the above assumptions, this core value could increase significantly.**

Summary growth projections



Source: Company Historic Data, ED estimates
Note: FY 24 (31 Mar 24) net income growth impacted by increase in UK corporation tax rate from 19% to 25%

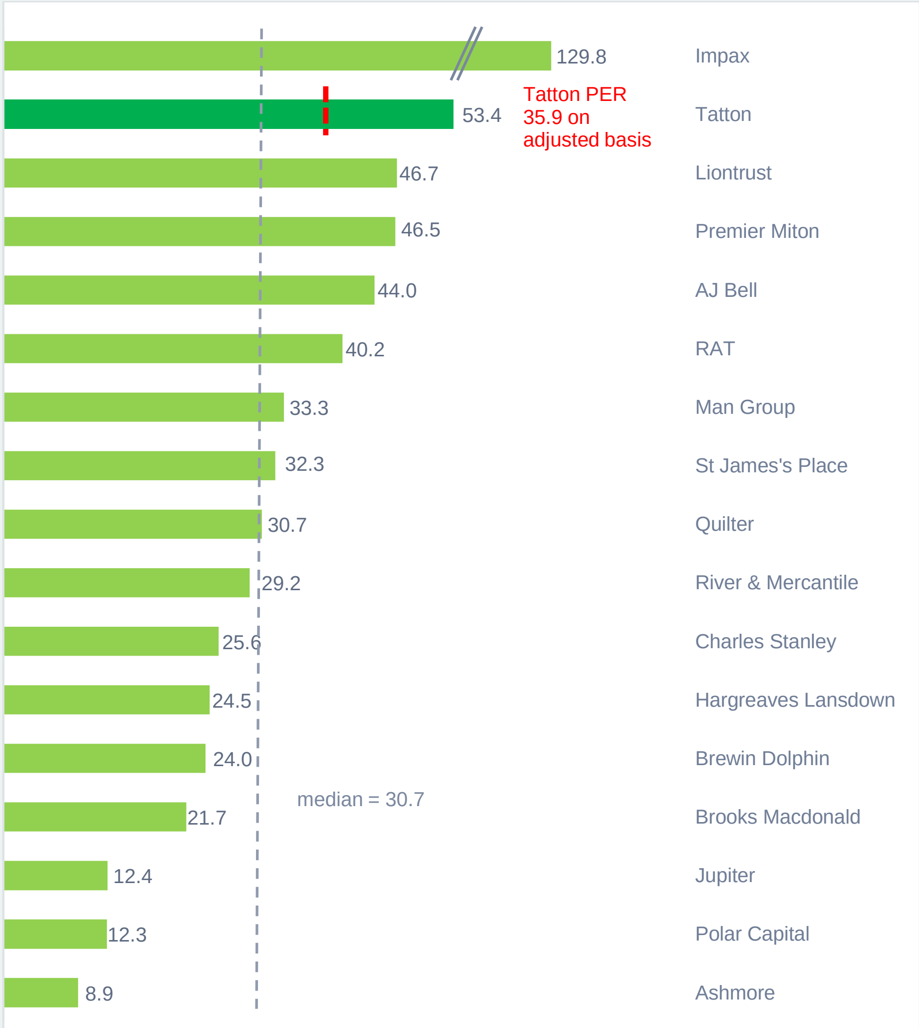
PER not particularly demanding

Given its growth leader status and its growth opportunities, we do not believe Tatton commands a particularly demanding valuation rating compared to other asset managers and platforms.

While its PER using basic (non-adjusted) earnings is indeed in the top quartile of the peer group, we remind readers of Tatton's extraordinary share-based payment charge of £3.7m in FY21 which resulted in depressed basic earnings and inflates its PER (the FY21 charge was particularly high because Tatton did not release this charge in FY20 due to the prevailing uncertainty of the impact of the pandemic at the end of FY20 – this was then subsequently incurred in FY21).

Tatton's PER using adjusted earnings is 35.9, which would place it in the second quartile of peer group PE ratios.

PE ratios, UK-listed asset managers and platforms



Source: ADVFN
Data as at 12 Nov 21

We conclude that on a fundamental valuation and peer comparison basis, there is potential for further re-rating Tatton shares should it deliver on its growth potential.

Historical and forecast financials

Consolidated Income Statement + Forecasts						
12 months to end Mar, £'000s	**FY 20A**	***H1 21 A***	**FY 21A**	***H1 22A***	**FY 22E**	**FY 23E**
Revenue	**21,369**	***10,956***	**23,353**	***13,847***	**29,407**	**32,502**
Other exceptional revenue	1,588	*-*		*-*		
Admin exp (before separately disclosed items)1	(12,293)	*(5,926)*	(11,951)	*(6,913)*	(15,087)	(16,172)
Adj op profit (before separately disclosed items)1	**9,076**	***5,030***	**11,402**	***6,934***	**14,321**	**16,330**
Share based payment costs	(108)	*(1,642)*	(3,740)	*(1,735)*	(2,000)	(2,000)
Amortisation of intangibles - cust relationships	(60)	*(60)*	(120)	*(60)*	(120)	(120)
Exceptional items	1,394	*(219)*	(34)	*(187)*	(250)	-
Total admin expenses	(12,655)	*(7,847)*	(15,845)	*(8,895)*	(17,457)	(18,292)
Operating profit	**10,302**	***3,109***	**7,508**	***4,952***	**11,951**	**14,210**
Finance income/(costs)	(6)	*(35)*	(205)	*(165)*	(300)	(300)
Profit before tax	**10,296**	***3,074***	**7,303**	***4,787***	**11,651**	**13,910**
Tax	(1,933)	*(414)*	(1,192)	*(889)*	(2,214)	(2,643)
Profit attributible to shareholders	**8,363**	***2,660***	**6,111**	***3,898***	**9,437**	**11,267**
Basic EPS, p	15.0	*4.8*	10.9	*6.8*	16.4	19.6
Diluted EPS, p	14.5	*4.6*	10.3	*6.4*	15.7	18.6
Basic adjusted EPS2, p	13.1	*7.3*	16.1	*9.5*	19.7	22.5
Diluted adjusted EPS2, p	12.0	*6.6*	14.7	*8.8*	18.2	20.6

Source: Group report & accounts and ED estimates

1 Adjusted for exceptional items and share-based payments

2 Adjusted for exceptional items and share-based payments and the tax thereon

Consolidated Balance Sheet + Forecasts						
As at 31 Mar, £'000s	**FY 20A**	***H1 21 A***	**FY 21A**	***H1 22A***	**FY 22E**	**FY 23E**
Non-current assets						
Intangible assets incl goodwill	7,749	*7,693*	7,690	*13,437*	13,484	14,234
Property, plant and equipment	1,034	*1,133*	992	*888*	1,094	1,189
Deferred income tax assets	-	*614*	1,420	*1,414*	1,420	1,420
Total non-current assets	**8,783**	***9,440***	**10,102**	***15,739***	**15,998**	**16,843**
Current assets						
Trade and other receivables	3,431	*4,635*	4,302	*8,565*	5,417	5,987
Cash and cash equivalents	12,757	*13,328*	16,934	*14,747*	19,781	24,927
Financial assets at fair value through P&L		*-*	163	*177*	163	163
Corporation tax asset		*3*	48	*2,043*	48	48
Total current assets	**16,188**	***17,966***	**21,447**	***25,532***	**25,409**	**31,125**
TOTAL ASSETS	**24,971**	***27,406***	**31,549**	***41,271***	**41,408**	**47,968**
Current liabilities						
Trade and other payables	(6,186)	*(6,571)*	(6,587)	*(10,335)*	(8,295)	(9,167)
Corporation tax	(199)	*-*	-	*-*	(255)	(363)
Total current liabilities	**(6,385)**	***(6,571)***	**(6,587)**	***(10,335)***	**(8,550)**	**(9,530)**
Non-current liabilities						
Other payables	(702)	*(802)*	(516)	*(3,388)*	(3,516)	(3,516)
Deferred tax liabilities	(106)	*-*	-	*-*	-	-
Total non-current liabilities	**(808)**	***(802)***	**(516)**	***(3,388)***	**(3,516)**	**(3,516)**
TOTAL LIABILITIES	**(7,193)**	***(7,373)***	**(7,103)**	***(13,723)***	**(12,066)**	**(13,046)**
NET ASSETS	**17,778**	***20,033***	**24,446**	***27,548***	**29,342**	**34,922**
Equity						
Share capital	11,182	*11,352*	11,578	*11,781*	11,781	11,781
Share premium account	8,718	*9,997*	11,534	*11,617*	11,617	11,617
Other reserve	2,041	*2,041*	2,041	*2,041*	2,041	2,041
Merger reserve	(28,968)	*(28,968)*	(28,968)	*(28,968)*	(28,968)	(28,968)
Retained Earnings	25,801	*26,607*	30,230	*33,239*	35,033	40,613
Acquisiton of own shares	(996)	*(996)*	(1,969)	*(2,162)*	(2,162)	(2,162)
TOTAL EQUITY	**17,778**	***20,033***	**24,446**	***27,548***	**29,342**	**34,922**

Source: Group report & accounts and ED estimates

Consolidated Statement of Cash Flows + Forecasts						
12 months to end Mar, £'000s	**FY 20A**	***H1 21 A***	**FY 21A**	***H1 22A***	**FY 22E**	**FY 23E**
Operating activities						
Profit for the year	**8,363**	***2,660***	**6,111**	***3,898***	**9,437**	**11,267**
Adjustments:						
Income tax expense	1,933	*414*	1,192	*889*	2,214	2,643
Finance (income)/costs	6	*35*	205	*165*	300	300
Depreciation of property, plant and equipment	298	*165*	351	*181*	442	488
Amortisation of intancible assets	195	*161*	341	*210*	341	341
Share-based payment expense	108	*1,642*	3,740	*1,735*	2,000	2,000
Changes In:						
Trade and other receivables	(1,016)	*(659)*	(537)	*(3,146)*	(1,115)	(570)
Trade and other payables	1,338	*(240)*	(531)	*2,879*	1,708	873
Exceptional costs	(1,394)	*219*	34	*187*	250	-
Cash from operations before exceptional costs	**9,831**	***4,397***	**10,906**	***6,998***	**15,576**	**17,342**
Cash generated from operations	**11,225**	***4,178***	**10,872**	***6,811***	**15,326**	**17,342**
Income tax paid	(2,278)	*(985)*	(2,051)	*(1,612)*	(1,958)	(2,536)
Net cash from operating activities	**8,947**	***3,193***	**8,821**	***5,199***	**13,368**	**14,806**
Investing activities						
Acquisition payment, net of cash acquired	(2,002)	*-*	(160)	*-*	(2,825)	(750)
Purchase of intangible assets	(271)	*(105)*	(282)	*(2,957)*	(310)	(341)
Purchase pf property, plant and equipment	(294)	*(22)*	(67)	*(17)*	(370)	(409)
Net cash used in investing activities	**(2,567)**	***(127)***	**(509)**	***(2,974)***	**(3,505)**	**(1,500)**
Financing activities						
Proceeds from the issue of shares	-	*1,449*	3,212	*93*	93	-
Transaction costs related to borrowings	-	*(316)*	(613)			
Stamp duty paid on share transfer	-	*-*	-	*-*	-	-
Interest received/(paid)	162	*1*	(36)	*(47)*	(300)	(300)
Payment of lease liabilities	(61)	*(50)*	(174)	*(174)*	(174)	(174)
Acquisition of own shares	(996)	*-*	(973)	*-*	-	-
Dividends paid	(4,920)	*(3,579)*	(5,551)	*(4,284)*	(6,635)	(7,686)
Net cash used in financing activities	**(5,815)**	***(2,495)***	**(4,135)**	***(4,412)***	**(7,016)**	**(8,160)**
Net increase in cash and cash equivalents	**565**	***571***	**4,177**	***(2,187)***	**2,846**	**5,146**
Cash and equivalents at beginning of the period	12,192	*12,757*	12,757	*16,934*	16,934	19,781
Net cash and equivalents at end of the period	**12,757**	***13,328***	**16,934**	***14,747***	**19,781**	**24,927**

Source: Group report & accounts and ED estimates

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