

**RIVER AND MERCANTILE GROUP PLC**

**Interim Financial Statements for the six months ended 31 December  
2017**

**Registered No: 04035248**

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## **Directors and advisors for the six months ended 31 December 2017**

### **Directors**

J D S Dawson (appointed 1st October 2017)

M J Faulkner

J Barham

K J P Hayes

J J Berry

P Warry (resigned 31<sup>st</sup> October 2017)

J D Punter

R J E Minter-Kemp

A D Crawford-Ingle

J Misselbrook (appointed 16<sup>th</sup> February 2018)

### **Secretary**

S A Buckmaster

### **Registered office**

11 Strand

London

WC2N 5HR

### **Auditors**

BDO LLP

55 Baker Street

London

W1U 7EU

## Statement of Directors' responsibilities

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

The Directors have elected to prepare the interim report and the financial statements in accordance with the accounting policies set out in the notes to the financial statements.

The interim report and financial statements are required by law to be properly prepared within the meaning of section 838 (4) of the Companies Act 2006.

In preparing these financial statements, the directors are required to:

- ) select suitable accounting policies and then apply them consistently;
- ) make judgements and accounting estimates that are reasonable and prudent;
- ) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the interim report and financial statements.

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

**K J P Hayes**

Director

28 March 2018

## Condensed income statement

	Notes	6 months ended 31 December 2017 £'000	6 months ended 31 December 2016 £'000
<b>Income</b>			
Revenue	2	4,108	1,406
Dividends received	3	7,000	3,950
<b>Total income</b>		<b>11,108</b>	<b>5,356</b>
<b>Administrative expenses</b>			
Marketing		180	71
Travel and entertainment		105	34
Office facilities		991	84
Technology and communications		707	705
Professional fees		295	271
Governance		242	182
Other		103	206
Employee benefit trust funding		1,020	332
Depreciation		37	10
Amortisation		27	-
<b>Total administrative expenses</b>		<b>3,707</b>	<b>1,895</b>
<b>Remuneration and benefits</b>			
Fixed remuneration and benefits	10	2,219	1,114
Variable remuneration	10	1,614	636
<b>Total remuneration and benefits</b>		<b>3,833</b>	<b>1,750</b>
EPSP costs	11	816	513
<b>Total remuneration and benefits including EPSP</b>		<b>4,649</b>	<b>2,263</b>
<b>Total expenses</b>		<b>8,356</b>	<b>4,158</b>
<b>Profit before interest and tax</b>		<b>2,752</b>	<b>1,198</b>
Finance income		16	47
Finance expense		(2)	(1)
		<b>14</b>	<b>46</b>
<b>Profit before tax</b>		<b>2,766</b>	<b>1,244</b>
Taxation charge/(credit)	8	116	(416)
<b>Profit after tax</b>		<b>2,650</b>	<b>1,660</b>

All amounts relate to continuing activities.

There is no comprehensive income other than the profit for the period.

The notes on pages 8 to 14 form part of these financial statements.

## Condensed statement of financial position

	Notes	31 December 2017 £'000	30 June 2017 £'000
<b>ASSETS</b>			
Cash and cash equivalents	4	9,755	15,182
Investments	5	57,056	56,941
Other receivables	6	1,155	5,663
Property, plant and equipment		312	19
Intangible assets		58	79
Corporation tax		439	-
Deferred tax asset	8	2,915	2,629
<b>Total assets</b>		<b>71,690</b>	<b>80,513</b>
<b>LIABILITIES</b>			
Payables	7	4,833	5,980
<b>Total liabilities</b>		<b>4,833</b>	<b>5,980</b>
<b>NET ASSETS</b>		<b>66,857</b>	<b>74,533</b>
<b>EQUITY</b>			
Share capital	9	246	246
Share premium	12	14,688	14,688
Other reserves	13	48,384	48,384
Retained earnings		3,539	11,215
<b>Capital and reserves attributable to shareholders</b>		<b>66,857</b>	<b>74,533</b>

The notes on pages 8 to 14 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 28 March 2018.

**K J P Hayes**

Director

28 March 2018

## Condensed statement of cash flows

	6 months ended 31 December 2017 £'000	6 months ended 31 December 2016 £'000
<b>Cash flow from operating activities</b>		
Loss before interest, tax and dividends	(4,248)	(2,752)
<b>Adjustments for:</b>		
Share-based payments	425	344
Employment benefit trust funding costs	1,020	332
Amortisation of intangible assets	27	-
Depreciation of property, plant and equipment	37	10
<b>Operating cash flow before movement in working capital</b>	<b>(2,739)</b>	<b>(2,066)</b>
Decrease in operating assets	4,306	3,819
(Decrease)/increase in operating liabilities	(946)	31
<b>Cash generated from operations</b>	<b>621</b>	<b>1,784</b>
Taxation (paid)/received	(443)	124
<b>Net cash generated from operations</b>	<b>178</b>	<b>1,908</b>
<b>Cash flow from investing activities</b>		
Purchase of intangible assets	-	(79)
Purchase of property, plant and equipment	(334)	(2)
Proceeds of dividends from subsidiaries	7,000	3,950
Interest received	14	-
<b>Net cash generated from investing activities</b>	<b>6,680</b>	<b>3,869</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(11,360)	(4,805)
EBT funding settled	(1,020)	(332)
Share repurchase	95	-
<b>Net cash used in financing activities</b>	<b>(12,285)</b>	<b>(5,137)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,427)</b>	<b>640</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,182</b>	<b>7,633</b>
Foreign exchange movement	-	36
<b>Cash and cash equivalents at end of period</b>	<b>9,755</b>	<b>8,308</b>

The notes on pages 8 to 14 form part of these financial statements.

## Condensed statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>Balance at 30 June 2016</b>	246	14,688	48,384	9,097	72,415
<b>Comprehensive income for the period:</b>	-	-	-	-	-
Profit for the year	-	-	-	7,461	7,461
<b>Total comprehensive income</b>	-	-	-	7,461	7,461
<b>Transactions with owners:</b>					
Share-based payment expense	-	-	-	2,039	2,039
Deferred tax credit on share-based payment expense	-	-	-	1,963	1,963
Dividends	-	-	-	(9,345)	(9,345)
<b>Total transactions with owners:</b>	-	-	-	(5,343)	(5,343)
<b>Balance at 30 June 2017</b>	246	14,688	48,384	11,215	74,533
<b>Comprehensive income for the period:</b>					
Profit for the period	-	-	-	2,650	2,650
<b>Total comprehensive income</b>	-	-	-	2,650	2,650
<b>Transactions with owners:</b>					
Share-based payment expense	-	-	-	425	425
Deferred tax credit on share-based payment expense	-	-	-	397	397
Share scheme transfers	-	-	-	212	212
Dividends	-	-	-	(11,360)	(11,360)
<b>Total transactions with owners:</b>	-	-	-	(10,326)	(10,326)
<b>Balance at 31 December 2017</b>	246	14,688	48,384	3,539	66,857

The notes on pages 8 to 14 form part of these financial statements.



## **Notes to the financial statements**

### **1. Basis of preparation**

The unaudited financial statements of the Company for the six months ended 31 December 2017 have been prepared for the purposes of reporting the distributable reserves as at that date, pursuant to a distribution to shareholders by way of interim dividend. They exclude disclosures and information which the Directors have deemed not material for the proposed distribution. They do not represent a full set of financial statements, and therefore should not be relied upon as such.

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and interpretations (collectively, "IFRS"), International Financial Reporting Interpretation Committee ("IFRIC") interpretations, and with those parts of the 2006 Companies Act, namely s838 and s395 to 397, applicable to companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("IFRS as adopted by the EU") that are relevant to its operations and effective for accounting periods beginning on 1 July 2017, save for those areas which the Directors have deemed not material to the proposed distribution.

#### **Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Board have considered the following: budgeted and projected results of the business, projected cash flow and regulatory capital requirements, and the risks that could impact on the Company's liquidity and solvency over the next 12 months. Accordingly, the financial statements have been prepared on a going concern basis using the historical cost convention except for the measurement at fair value of certain financial instruments that are held at fair value.

#### **Foreign Currencies**

To the extent that the Company undertakes transactions in currencies other than GBP, the transactions are translated into GBP using the exchange rate prevailing at the date of the transaction. Balances denominated in foreign currencies are translated into GBP using the exchange rate prevailing at the balance sheet date. All foreign exchange differences arising from the settlement of transactions or the translation of balances are recognised in operating expenses in the condensed income statement.

## 2. Revenue

Revenue represents charges made by the Company to its subsidiaries for costs incurred during the period and for provision of management services.

## 3. Dividends received

Dividends received represent dividends received from subsidiaries during the period.

## 4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

## 5. Investments

	<b>6 months ended 31 December 2017 £'000</b>	Year ended 30 June 2017 £'000
At start of period	<b>56,941</b>	55,756
Additions – share-based payments in subsidiaries	<b>115</b>	1,185
At end of period	<b>57,056</b>	56,941

The Company's investments in subsidiaries and associates are stated at cost less provision for any impairment incurred.

## 6. Other receivables

	<b>6 months ended 31 December 2017 £'000</b>	Year ended 30 June 2017 £'000
Taxes and social security	-	202
Prepayments and accrued income	<b>298</b>	336
Amounts owed from group undertakings	<b>748</b>	5,029
Other debtors	<b>109</b>	96
	<b>1,155</b>	5,663

Amounts owed from group undertakings represent balances incurred in the course of trade and are payable on demand.

## 7. Payables

	<b>6 months ended 31 December 2017 £'000</b>	Year ended 30 June 2017 £'000
Trade Payables	<b>9</b>	636
Accruals	<b>4,824</b>	5,344
	<b>4,833</b>	5,980

## 8. Corporation and deferred tax

Tax charge consists of current tax and deferred tax. Current tax represents the estimated tax payable on the taxable profits for the period. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

	<b>6 months ended 31 December 2017 £'000</b>	6 months ended 31 December 2016 £'000
Current tax	<u>5</u>	<u>(325)</u>
Deferred tax	<u>111</u>	<u>(91)</u>
Total tax charge/(credit)	<u><b>116</b></u>	<u><b>(416)</b></u>

### Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit reported in the condensed 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 Company's liability or asset for current tax is calculated using the statutory tax rates at the balance sheet date.

The tax assessed for the period is lower (2016: lower) than the average standard rate of Corporation Tax in the UK. The differences are explained below:

	<b>6 months ended 31 December 2017 £'000</b>	6 months ended 31 December 2016 £'000
Profit before tax	<u>2,766</u>	<u>1,244</u>
Profit before tax multiplied by the average rate of Corporation Tax in the UK of 19% (2016: 19.75%)	<u>526</u>	<u>246</u>
Effects of:		
Expenses not deductible for tax purposes	479	117
Income not subject to tax	(1,330)	(780)
Short-term timing differences	125	(2)
Other timing differences	<u>316</u>	<u>3</u>
Tax charge/(credit)	<u><b>116</b></u>	<u><b>(416)</b></u>

## Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The most significant deferred tax item is the asset in respect of the EPSP share-based payment expense and associated National Insurance cost. At each reporting date the Company estimates the Corporation Tax deduction that might be available on the vesting of EPSP shares and the corresponding adjustment to deferred tax asset is recognised in the condensed income statement and equity.

	<b>6 months ended 31 December 2017 £'000</b>	Year ended 30 June 2017 £'000
<b>Deferred tax assets</b>		
At beginning of period	<b>2,629</b>	437
(Debit)/credit to the income statement:		
Share-based payment expense	<b>(111)</b>	229
Credit to equity:		
Share-based payment expense	<b>397</b>	1,963
At end of period	<b>2,915</b>	2,629

## 9. Share capital

The Company had the following share capital at the balance sheet date:

	<b>31 December 2017</b>	30 June 2017
Ordinary shares issued (No.)	<b>82,095,346</b>	82,095,346
Nominal value of shares held at £0.003 (£)	<b>246,286</b>	246,286

The ordinary shares carry the right to vote and rank pari passu for dividends.

## 10. Remuneration and benefits

During the period the Company had 35 employees (2016: 12), which include the Executive Directors of the Group. The increase is due to the movement of corporate function staff into the Company.

	<b>6 months ended 31 December 2017 £'000</b>	6 months ended 31 December 2016 £'000
Wages and salaries	<b>2,719</b>	1,440
Pension	<b>66</b>	24
Social security	<b>717</b>	200
Share-based payment expense	<b>331</b>	86
	<b>3,833</b>	1,750

## 11. Share-based payments

### Executive Performance Share Plan

An Executive Performance Share Plan (EPSP) has been established to grant the Executive Directors performance shares. Two classes of awards exist: Performance Condition A Awards and Performance Condition B Awards which are conditional upon achieving a specified Total Shareholder Return (TSR) over a four year period ending 30 June 2018. Neither share class is eligible for dividends during the vesting period. Full details of the Plan can be found in the Group's 2017 Annual Report, a summary is provided in the below table:

	<b>Condition A Awards</b>	<b>Condition B Awards</b>
Number of shares granted	4,843,626	2,462,860
Exercise price per share	£0.003	£0.003
Total Shareholder Return (TSR) over four year period	Minimum 12%	Minimum 25%
TSR at which 100% of shares vest after the four year period	24%	30%
Shares expected to vest	4,843,626 (100%)	886,630 (36%)
IFRS 2 charge for the period	£184,000	£42,000
Employer's National Insurance charge for the period	£335,000	£255,000

### Employee Share Plans

The Group has established Performance Share Plans (PSP) to allow the grant of nil cost options, contingent share awards or forfeitable share awards. The Directors have stated an intention that vested share awards under the PSP would not be dilutive to shareholders, as the shares will be purchased by the Group's Employee Benefit Trust (EBT).

The Directors have granted awards to staff in respect of the years ended 30 June 2015, 30 June 2016 and 30 June 2017 which vest on 30 June 2017, 2018 or 2019 depending on the award.

The fair value of the awards has been estimated using a combination of Monte Carlo simulation and Black-Scholes modelling. The charge recognised in respect of PSP awards in the period ended 31

December 2017 is £191,000 (2016: £85,000). Additionally, a charge of £62,000 (2016: £18,000) for National Insurance on vesting has been accrued.

Full details of the share awards in respect of 2015, 2016 and 2017 can be found in the Group's 2017 Annual Report.

The charge for the period also includes £9,000 for the Group's Save-as-You-Earn scheme (December 2016: £33,000).

## 12. Share premium

A reconciliation of the movements in share premium can be found in the condensed statement of changes in equity.

## 13. Reserves

	<b>6 months ended 31 December 2017 £'000</b>	Year ended 30 June 2017 £'000
Capital redemption reserve	<b>84</b>	84
Merger reserve	<b>44,433</b>	44,433
Capital contribution reserve	<b>3,867</b>	3,867
<b>Other reserves</b>	<b>48,384</b>	48,384

The Company's distributable reserves were:

	<b>6 months ended 31 December 2017 £'000</b>	Year ended 30 June 2017 £'000
Retained earnings	<b>3,539</b>	11,215
Capital contribution reserve	<b>3,867</b>	3,867
<b>Total distributable reserves</b>	<b>7,406</b>	15,082

#### 14. Dividends

The Company recognises dividends payable and receivable at such time as their payment becomes irrevocable.

During the period, the following dividends were paid:

	<b>6 months ended 31 December 2017 £'000</b>	Year ended 30 June 2017 £'000
2016 second interim (3.4 pence per share)	-	2,771
2016 final (2.5 pence per share)	-	2,034
2017 first interim (5.6 pence per share)	-	4,540
2017 second interim (8.1 pence per share)	<b>6,526</b>	-
2017 final (6.0 pence per share)	<b>4,834</b>	-
	<b>11,360</b>	<b>9,345</b>

#### 15. Other information

On 6 March 2018 the Directors declared an interim dividend of 7.6 pence per share, of which 2.2 pence is a special dividend and relates to net performance fees. The dividend payable is expected to be £6.1m.

The Company has not entered into any significant commitments or contingent liabilities after the balance sheet date.