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River and Mercantile Group PLC

Full Year Preliminary Results

Year ended 30 June 2020 - Unaudited

River and Mercantile Group PLC today publishes its unaudited preliminary results for the year ended 30 June 2020.

Investing for Profitable Growth

James Barham, Group Chief Executive said:

"This has been a strong year for the Group and we have seen robust growth in our assets against challenging market conditions. Our underlying revenues have continued to grow during the period however, due to a reduction in performance fees and the investments we are making in the business, our adjusted profit before tax has fallen.

The Group is well positioned in this exciting and evolving industry in which we operate. Our focus on developing highly relevant investment solutions for our client base founded on our deep understanding of client needs, combined with strong and broadening distribution and robust and scalable operational infrastructure is key to our future development."

Financial Highlights

- Fee earning AUM[1] increased to £44.2 billion (2019: £39.8 billion) representing the sixth consecutive year of AUM growth;
- Underlying revenue[2] of £69.4 million (2019: £65.6 million), representing the fourth consecutive year of growth;
- Performance fees of £1.2 million (2019: £12.5 million);
- Adjusted underlying profit before tax[3] of £12.6 million (2019: £14.7 million);
- Adjusted profit before tax[4] of £13.2 million (2019: £20.9 million);
- Statutory profit before tax of £8.3 million (2019: £16.8 million);
- Adjusted basic EPS[5] and statutory basic EPS were 11.79 pence (2019: 20.26 pence) and 6.39 pence (2019: 16.22 pence) per share respectively;
- The Board of Directors has declared a second interim dividend of 2.81 pence per share; and
- The Board of Directors has also proposed a final dividend for the year ended 30 June 2020, subject to approval by shareholders at the Group's AGM, of 2.34 pence per share, of which 0.10 pence is a special dividend and relates to net performance fees, taking the total dividend for the year to 9.54 pence.

Operating Highlights

- Net AUM flows of +£3.7 billion (2019: +£5.4 billion);
- Investing for profitable growth in distribution and product;
- Augmentation of operational infrastructure underway; and
- Key hires made within investment management, distribution and corporate.

A PDF copy of the preliminary results can be found on the Group's website:

https://riverandmercantile.com/docs/RandM_Preliminary_Results_2020.pdf

Notes:

[1]The Board has decided to simplify the description of the reported level of fee earning mandates across asset classes managed by the Group, by consolidating the description AUM/NUM to AUM. Assets Under Management (AUM) represents amounts on which management fees and performance fees are charged across all asset classes managed by the Group. In relation to Derivatives, AUM represents the aggregate billing notional of the derivative contracts on which management fees are charged. There has been no change to the basis of measurement of AUM and the reported data is comparable on a like for like basis with that reported in prior periods.

[2] Underlying revenue is total revenue less performance fees.

[3] Adjusted underlying profit before tax comprises statutory profit before tax adjusted for amortisation and impairment of intangible assets, dilutive share awards, other gains and losses and performance fees net of associated remuneration. See note 13 of the consolidated financial statements for a reconciliation to statutory profit.

[4] Adjusted profit before tax comprises statutory profit before tax adjusted for amortisation and impairment of intangible assets, dilutive share awards and other gains and losses. See note 13 of the consolidated financial statements for a reconciliation to statutory profit.

[5] Adjusted basic EPS is the adjusted profit after tax divided by the weighted average number of shares outstanding in the period.

The financial information set out in these preliminary results do not constitute the Group's statutory accounts for the year ended 30 June 2020 or 2019. Statutory accounts for the year ended 30 June 2019 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. The financial information for the year ended 30 June 2020 is unaudited. The statutory accounts for the year ended 30 June 2020 will be delivered to the Registrar following the Group's AGM on 14 December 2020. The 2020 Annual Report and Accounts will be published in November 2020 and a copy will be posted on the Group's website.

This RNS has been approved on behalf of the Board.

Forward Looking Statements

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and businesses of River and Mercantile Group PLC. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution as they involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The continuing uncertainty in the global economic outlook inevitably increases the economic and business risks to which the Group is exposed.

Nothing in this announcement should be construed as a profit forecast.

For further information please contact:

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Chairman’s Statement

Introduction

The Coronavirus pandemic has been little short of a disaster for the world. Economies have been shattered, stock markets have been very volatile, companies have folded, unemployment is rising inexorably and family finances have been hard hit. It is likely to take many years for the economic losses to be restored and public borrowings to be paid down. In the meantime, we have begun to live our lives in new and different ways and the UK's economy, along with those of other countries, will have to reform itself to reflect the new paradigm. This will have far reaching implications for many sectors of the economy - banking, financial services, retail, property, transport, leisure to mention a few.

However, we must not allow ourselves to be drawn into a whirlpool of apocalyptic worry. The hard reality is that people will still need banking and financial services; people will still need to buy food and will still want to buy clothes, cars and other discretionary items; there will still be a need for commercial property, but perhaps not as we have known it; people will still want to buy houses; and people will still want to travel or take time off on holiday. We will all just have to learn how to do things differently - that is one of the great characteristics of human inventiveness and should provide hope for the future.

Despite the external pressures, we have not placed any member of staff on furlough and our capital position has not required us to seek any government funding assistance. I am delighted with the manner in which the business has conducted itself through this period and how well the business operated remotely, whilst still retaining our high standards of professional conduct and efficiency in keeping with the culture to which we aspire. I would therefore like to take this opportunity on behalf of my fellow Directors to thank everyone for their hard work and diligence through this challenging period.

Results and Dividend

River and Mercantile has delivered an encouraging outcome for the year against this background, with underlying revenue growing by 6 per cent to £69.4 million. Adjusted underlying profit before tax was lower by some 14 per cent held back the significant investment, discussed below, that we are making in distribution and investment manufacturing. In line with our stated policy the Directors have declared a second interim dividend of 2.81 pence per share and are recommending a final dividend of 2.34 pence per share, making a total of 9.54 pence for the year. The absence of significant performance fees in this period has contributed to these lower dividend levels and James Barham, our Group Chief Executive has commented on this in more detail in his report.

In addition, our earnings for the year were held back by investment in significant new hires, particularly in distribution and fund management. Expanding and upgrading our team is part of the Board's strategy to grow the Group organically with stronger and more effective wholesale distribution and fund management. The theme of this strategy is amplified in James' report, but is summed up in the phrase 'Investing for profitable growth'. We think that there are exciting opportunities available to us, both for individual new hires as well as teams to broaden our manufacturing capabilities and providing greater scale in our existing business.

People

We are continuing to invest in our people and systems and in this financial year, as already announced, we have made a number of changes within the senior management team. James Barham was appointed Group Chief Executive on 1 July 2019, succeeding Mike Faulkner who became the Group's Chief Investment Officer. During his first year James has refreshed the senior management team and in May 2020 Simon Wilson joined as our new Chief Financial Officer succeeding Kevin Hayes. There have been a number of other senior positions that have also been announced over the last 18 months with David Hanratty joining as Global Head of Distribution, Fran Fahey being appointed as Group Chief Operating Officer and David Peach appointed as our new HR Director. In addition, James Sym, a senior fund manager with a strong track record, joined us in the last quarter from Schroders and we have recently launched our European Fund managed by him. These developments are part of a clear strategy that James has highlighted in his report. We are investing in a number of areas over the next few years to deliver on our shared ambitions and the delivery of strong performance for shareholders. These ambitions will be linked into our remuneration strategy through the proposals being put forward for shareholder approval at this year's AGM.

Summary and Outlook

The year has brought huge challenges for our industry. I am proud of the way, however, that the Group moved with great speed and efficiency to remote working. Our IT systems were further strengthened and new collaborative tools were introduced to facilitate working from home. Client feedback has been very positive. I am deeply grateful to everyone at River and Mercantile for their hard work to ensure that our high standard of client service performance was sustained, and for ensuring that we were able at all times to keep our promise of 'client first'. As a Board we focussed on ensuring that the Group's financial controls and risk processes were maintained, as well as supporting the executive team in protecting our culture. This is no easy task when everyone is working from home. I particularly wish to recognise the leadership and communication efforts made by James in keeping all our people fully up to date with our progress and our responses to the challenges. It is also noteworthy that James donated part of his salary to charity and waived his bonus entitlement for the year.

The year ahead is going to have more challenges - obviously. There may be more lockdowns in the face of additional outbreaks of the virus which may frustrate economic recovery. In August, we began a gradual opening up of our two offices in the City, with the emphasis on maintaining distancing, sanitisation and deep cleaning, and ensuring as best we can, the protection of all of our people. Like many other companies we have reverted to a remote working environment for the most part following the Government's guidance in September. We will however incorporate additional agility to our working practices reflecting some of the positives that we have learnt over the last few months. The challenges of the past year have underscored our strengths - our client focus, our core values, our team spirit and our resilient culture - and we therefore look forward with confidence that we will deliver good performance for our clients and for our shareholders.

Jonathan Dawson
Chairman
River and Mercantile Group PLC

Group Chief Executive's Statement

Introduction

I set out in some detail in last year's annual report my views on the business and our industry, focussing on some of the changes that were evolving and how I saw our Group response to these developments. I also wrote at length in the interim report about some of the changes and investments that we are making and I would like to take the opportunity later in this report to set out my clear strategy and vision for our business over the next five years. Like all plans they are there to give a sense of shape and concept, however it is important to recognise that the role of leadership is to adapt those plans to the emerging challenges and therefore there must be a degree of flexibility embedded within this vision.

River and Mercantile is an investment led asset management business, built around strong product manufacturing and a growing distribution capability. Our understanding of client need provides us with an invaluable perspective and the ability to design and deliver products and services informed by this appreciation.

Our objective over the next five years is for River and Mercantile to significantly increase our growth rate and profitability, having at least doubled assets under management from current levels. We will have best of class operational and infrastructure systems designed to deliver profitable and scalable growth and delivering on the needs of our clients.

We expect to see that growth delivered across our existing business, however there will be development and enhancement within our underlying business lines, such as equities where we will look to continue to add regional equity strategies alongside an alternate Global ESG Growth/Quality Equity franchise. In addition, as I have highlighted previously, we would like to add an Alternative Credit team. Distribution is key to this development plan and over the last year alone we have begun a significant transformation of our distribution capabilities. We want our business to have a technically strong and properly resourced distribution function based around our core markets supported by a scalable and efficient operating platform.

2020 Review

It has been an extraordinary year not just for River and Mercantile but for society as a whole. It was unimaginable this time last year to most that we would suffer a global pandemic that has impacted our way of life in such a dramatic fashion. As I write, there is still a high degree of uncertainty around when and how we want to return to the office and what changes we will make to our longer-term working practices. The business moved quickly once the Government advice developed and we closed all our offices in late March 2020 and moved seamlessly to a remote working environment. I was very impressed with how well the business coped with this new operating environment and we have continued to look after all of our clients' interests in the same way had we physically been in the office.

The COVID-19 pandemic has fundamentally changed the way people interact and the restrictions on travelling and physical meetings mean, that companies more generally need to adapt their working practices and implement alternative methods of communication with clients, potential investors and shareholders. However, the development of technology over the last decade has allowed us to embrace this remote working protocol quickly and effectively. This has meant that the way we engage has adapted and that online communication, whether voice, video or email, has been able to ensure that our clients and shareholders have been kept up to date with developments in our business and their portfolios.

Against this backdrop, the Group has performed well over the period and total AUM has grown by 11 per cent. to £44.2 billion. The net flow ratio was +9 per cent. and investment performance was positive, contributing an additional 2 per cent. The growth was slightly below the 12 per cent. minimum growth per annum that we have set as a target, however given the conditions over the second half of our fiscal year I believe that this is a more than creditable performance and is a testament to the hard work of all the teams across the Group.

Underlying revenue rose by 6 per cent. to £69.4 million and adjusted profit before tax was £13.2 million, a decrease of 37 per cent. against the previous year's result of £20.9 million. Statutory profit before tax was £8.3 million (2019: £16.8 million). A significant factor behind these numbers has been the lower performance fees earned by the Group over the period. In 2019 the Group earned over £12 million in performance fees split across our Equities and Fiduciary businesses, however in 2020 this was not the case. There are some specific reasons behind this.

The majority of Fiduciary performance fees are calculated against clients' liability-related objectives. Over the last year, falling gilt yields have increased these liabilities significantly, in some cases in excess of 10 per cent. The hurdle that needs to be achieved before performance fees begin to accrue has been more difficult to meet despite most clients, following our advice, having high levels of interest rate and inflation hedging in place to mitigate this risk.

Outperformance relative to the liability benchmarks is primarily driven by allocating to risk assets such as equities, credit, property and alternatives. Over that same period, performance for these asset classes has been at times challenging, creating headwinds for generating high levels of outperformance. Our Fiduciary portfolio managers took swift action in Q1 2020 to reduce risk when it became clear how economically far-reaching the COVID-19 crisis would become. Protecting capital, however, is unlikely to generate high performance fees in the period protection is needed, but we hope will be beneficial in later years as assets are put to work in stronger market conditions.

Our Equities performance fees in prior years have mainly been driven from our Micro Cap strategy, where we receive a performance fee linked to the performance of the NAV of the UK Micro Cap Investment Company, however this is only crystallised when it undertakes a capital repayment event ensuring that our interest is aligned with the Micro Cap shareholders. These capital repayment events are only considered by the UK Micro Cap Investment Company Board once the NAV of the company exceeds £110 million. Over the last year under the stewardship of George Ensor, the strategy has performed very well and the NAV has recovered and is now approaching £100 million and therefore within striking distance of a capital repayment event and the release of embedded performance fees.

We have seen volatile market conditions over the last twelve months and in particular in this calendar year. Our diversified business model where circa 60 per cent. of our revenues are largely independent of equity market beta has provided the business and our shareholders with greater protection. This is shown in the Revenue Weighted Asset Attribution (RWAA) detailed in Simon's Financial Review.

Our Fiduciary and Advisory businesses have performed well during this period, a period where we saw a return to more normalised operating conditions following the completion of the Competition and Markets Authority (CMA) market review. The Fiduciary business had gross sales in excess of £1.5 billion and combined with strong investment performance assets grew to over £14.6 billion. We have seen a great level of activity from the business as a result of the re-tender process and it is encouraging that to date we have seen a very positive response from our existing clients and those where we are asked to pitch as other schemes undertake similar processes. We have strong relationships with the intermediaries in this space and we are working hard to ensure that our differentiated approach, strong investment returns and excellent client service are more broadly understood across the market.

Our Equities business has continued to perform in line with our expectations and those portfolios with a strong value and recovery bias struggled against the anti-value headwinds, whilst our more quality orientated portfolios have performed very strongly through the period. This has been borne out in the value assessment undertaken by the independent Authorised Corporate Director of our investment funds where none of our strategies were red flagged.

Assets were down over the year across both our institutional and wholesale client base, however with the investment we are making in distribution along with the broadening of our product offering, we believe we will see a return to growth from this important part of our business. We have continued to build our investment team with the recruitment into the PVT team of James Sym from Schroders and we have recently launched our European fund managed by him. Will Lough and George Ensor in the PVT team, who have been managing portfolios for the last few years, have demonstrated some excellent and consistent returns across their portfolios and, along with the recruitment of James, ensures that we have a broad and growing range of relevant products in this area.

Derivatives has been through a very strong period of growth which is unsurprising given the market conditions during the year. Assets have grown strongly with sales of over £5.8 billion with a strong focus on Structured Equity solutions. We continue to develop our relationships with the intermediaries and we have strong support from the majority of the key consultants in the UK institutional market. Our relationships with the local government pension schemes are very strong and this has been a key part in our growth over the last few years.

The development of our Liquid Alternatives capabilities continues, consistent with our long history of bespoke investment development to meet investment demand from our Fiduciary and Advisory clients. It is this creative and innovative research and development that has ensured that River and Mercantile has been one of the leading businesses in our chosen field. I see the linking of our ability to identify client need with investment R&D through to product design, creation and distribution as our core competence. The development of our Global Macro hedge fund and our Global Responsible Equity Fund are the most recent examples of this.

The development of ESG globally has been a powerful phenomenon over the last few years and this will be fully integrated across all aspects of investment markets over the next decade. We have made advances as a business on our commitments around diversity and sustainability and the positive impact we are able to have across all our stakeholders. More importantly this is being integrated into our investment products and vertically into our own business model. Whilst there has been a great deal of rhetoric around this issue, the majority of the action has taken place around Governance with little or at best limited action on Environmental and Social Issues. We are in the process of launching our first dedicated ESG strategy, the River and Mercantile Global Responsible Equity Fund (GREF) and we have been developing this in conjunction with a range of our clients to ensure that this meets their needs as investors.

We are continuing to develop our projects to support local charities and crucially where we believe we can make a difference. We encourage all our staff to take an active role in local charities and support groups where relevant, however as a business this year we felt it was important to support those in our community that are there to support us when we are unable to support ourselves. As a business and personally, we supported the “Critical NHS” charity that was established to provide support to the critical care workers operating across many of our London hospitals and we also supported a range of charities in the US and Australia.

There has been a reasonable amount of change across the senior management team at River and Mercantile. I have refreshed the team to help implement the strategic plans that I have set out for the business over the next few years. The arrival of Simon Wilson as Chief Financial Officer, David Hanratty as Global Head of Distribution, Fran Fahey as Group Chief Operating Officer and David Peach as HR Director are four of the key appointments that we have made over the last eighteen months and I am delighted to be working with them as we deliver on these exciting developments.

Outlook

River and Mercantile is well positioned in this exciting and evolving industry in which we operate. Our focus on developing highly relevant investment solutions for our broadening client base, founded on our deep understanding of client needs, combined with strong and broadening distribution, and a robust and scalable operational infrastructure is key to our future development. We have an incredibly talented employee base, rich in diversity and we have committed to continue to invest in our people to make sure that we provide the positive outcomes of which our clients have become accustomed.

I have set out in the next few pages the ambitions for our business, the investments we are making that will deliver the growth that we expect over the next few years and I am confident that we have the team to deliver on this expectation. I would like to take the opportunity to thank all of our staff and clients for their support during an extraordinary year.

James Barham
Group Chief Executive
River and Mercantile Group PLC

Our Strategy and Business Model

Investing for Profitable Growth

Our strategy as we develop the Group is for it to have the following key characteristics:

- ### A diversified and responsible investment capability

  A broad range of highly relevant products and solutions designed to meet clients’ needs where responsible investing and ESG are central to our beliefs.

- **Distribution driving profitable growth**

  Growth delivered through strength in distribution across our core markets (UK, US, Australia) and distribution partnerships in target geographies (US wholesale, Japan, Asia/China). Supporting this growth with a targeted business and investment team acquisition policy.

- **A robust and scalable operational platform**

  Investing to enhance our operational infrastructure to support this growth and deliver increasing efficiencies.

- **An embedded client service culture**

  Providing our clients with exceptional service supported by high quality reporting. We will invest in broadening our online and digital presence.

- **A strong understanding of our human capital and clear Employee Value Proposition**

  Our people are our greatest strength and we will continue to invest in training and development. The provision of a strong employee value proposition will ensure that River and Mercantile is regarded as a forward thinking, diverse and technically strong work force.

Background

We are an asset management business managing and advising a broad range of strategies and clients on their assets. We will become more recognisable as a pure asset management company, and our route to market for our investment thinking and advice outside of Fiduciary and Advisory will increasingly be through products as opposed to services.

Historically there was a view across investment markets that was based on a belief that "solutions" was the nirvana state; it was the elusive elixir of the investment world and countless investment businesses chased the establishment of solutions businesses, in many cases hiring at great expense from the consultant community. The irony of this is that "solutions" is not tangible, it is not a product that could be created by smashing together a couple of high profile individual consultants with a multi-asset capability, it is a mindset based on a deep and holistic understanding of client need. Shifting from a simple consultant to a fiduciary requires more than a shift in execution, it requires a much deeper understanding of real client need that embraces both the financial and emotional sides.

I strongly believe that River and Mercantile is firmly positioned as "the" pure play business in the solutions market, however we will continue to develop this thinking in product form that can be utilised across a broader market spectrum.

We are still delivering market leading investment returns tailored to individual client needs, combined with bespoke internal liability hedging strategies and this will continue to be the core of our business. Mike Faulkner has again developed some innovative thinking in terms of how we deal with complex investment problems within the market that is, in its own right, as revolutionary as the original concept of Fiduciary Management we brought to the market in 2003.

Where we have begun to make a real difference is the translation of the "solutions" mindset into tangible product. The first example of this was the DAA Fund, where we were able properly to take a concept of client need and map this into a strategy that satisfies this need and where that need is broadly universal.

River and Mercantile in 2025

It is this change that will ensure that by 2025 we have become an investment led asset manager with products at its heart, where in many cases the product has been designed based on a holistic solutions mindset. This commercial direction of travel will accelerate as we continue to take investment intellectual property and apply it to our strategies. As already highlighted, we see this as our core competence - the ability to link client need to investment R&D to product design and distribution.

This aligns with my view of the industry through the valley analogy that I espoused in my report last year. We want our business to reflect all that is positive about managers with demonstrable skill with the following core characteristics:

- We aspire to a high percentage of our products and solutions being ahead of their respective benchmarks since inception whilst offering value for money;
- Products and solutions must all meet identifiable client needs and be structured in a format that is appropriate to the underlying liquidity available;
- We distribute these investment products in scale to a broad range of clients where demand characteristics are common. This is as much an investment challenge as a distribution one and the two key parts of our business have to be able to work in tandem to achieve this objective; and
- We will have a modern and scalable operational platform to support this growth.

We have set out already the additional investment capabilities that we would like to develop over the next few years, not simply to meet our base aspirations but also to provide alternative sources of delivery in the event of underperformance in one or more of our underlying strategies. We do not want the success or otherwise of this Group strategy to be dependent on one strategy. The concept of picking “two funds” and committing the resources of the business to these strategies alone is naïve. We expose our business to too much execution and demand risk. Equally we are not suggesting we should launch a fund a month and move down the product proliferation route in a similar way to some of our peers over the last decade.

We will deliver this based on the following strategic business model.

Strategic Business Model

Our business model to deliver on this strategy is set around the three key pillars of any successful asset management business and we have set out the developments we are making in these areas as we target our objectives over the next five years.

Investment Manufacturing

We have a high quality and relevant investment capability providing products and services meeting client need across a range of audience groups. This is currently set out across our Fiduciary and Advisory investment team, our PVT (Potential, Valuation and Timing) Equities team managing UK and Global equities, our Industrial Life Cycle (ILC) team managing Emerging Market Equities, our Derivatives team managing Liability Driven Investment (LDI) including gilt collateral management and Structured Equity solutions and our Liquid Alternatives team managing a growing range of specialist return orientated products.

We will continue to invest in these teams and add new teams where appropriate. We have already highlighted that we are seeking additional capabilities and in particular, Alternative Credit and further equity capabilities, specifically a Global ESG Quality/Growth team to complement the existing PVT and ILC teams. We have also continued to invest in our existing investment teams for example James Sym, a highly rated European value manager joined the PVT Equity team from Schroders and we have recently added additional analyst resource. We will continue to make these additions to the investment teams across the business to make sure that we continue to deliver for our investors and develop innovative products to meet their needs.

Distribution

We are investing heavily in our distribution capabilities however the sheer cost of exploring all the markets and geographies available will, almost certainly, take too long and cost too much. The combination of internally sourced distribution around core markets and external partnerships for those markets where entry costs are too high or cultural challenges make having localised distribution imperative, is a key part of our strategy.

The investment we are making will create a large, high quality distribution network in the major global markets for asset management. Our focus will still be on selling our products and services to or through professional investors and intermediaries. We will not be involved in retail asset gathering, rather we will sell to the aggregators of retail assets in an increasingly vertically integrated value chain.

In the main we will own our distribution network as at scale this model generates the highest margin and ROI due to the overall institutional flavour of the assets which we seek to raise in large one to one relationships. Our own network will be concentrated in our home markets of United Kingdom and Europe, North America and Australia. These are large institutional and sophisticated wholesale markets where our existing and planned product line-up is well aligned with the deepest asset pools. Without the addition of other channels, the right sales strategy with a quality distribution team and continued product strength, these markets are capable of delivering significant assets in our higher margin products, whether performance or market trend driven. Lower margin derivative solutions will add to these sales figures.

We will also selectively seek distribution partnerships in markets and channels where the complexity and cost of having our presence is beyond what we are prepared to accept. This will be mainly accessing retail markets where our product set has a good fit, but we do not want the cost burdens that retail selling registrations bring with local regulators, nor the huge and constant volume of product and client service activities that require large internal and external teams. In effect we continue to follow our mantra of one to one high value relationships.

Operational
This is the glue that binds our investment manufacturing and client facing functions and ensures that we can deliver high quality and seamless support to our clients. We have begun a programme of investment in our operational infrastructure to ensure that we can provide the support to the business as we scale up over the coming years. This support will be increasingly centralised and this ensures that as we bring on more investors to this platform we are able to extract greater operational leverage.

We are progressing with our objective of delivering a consistent and scalable operating platform across the Group. This will provide a simplified and standardised platform that has the functionality to service all parts of the business, whilst at the same time delivers a flexible approach and level of technology expected with the rest of the market and the ability to plug straight into custodians and third-party platforms.

We will marry in-house expertise with common industry platforms in our new operating model, enhancing the ability to change as the business evolves. This will allow the consolidation and streamlining of resources, across the Group, to drive out operational efficiencies, benefit from economies of scale and further enhance our control environment. Critically the business will have the ability and flexibility to meet client needs with a broad range of instruments on standard process flows that do not create work arounds or ad-hoc processes.

Capital Allocation

This profitable growth programme will require continued investment as we attract more investment teams to our platform and the ongoing investment in our distribution and operational platform.

However, we are a cash generative business with a formulaic dividend policy. Therefore, against this backdrop and looking forward over the next five years we intend to apply the following capital allocation approach:

- We will consider any capital requirement for internal and external investment opportunities and the seeding of new funds we launch, at all times maintaining a robust balance sheet and a prudent approach to our regulatory capital surplus;
- We will maintain our minimum distribution of 60 per cent. of adjusted underlying profit as dividend, recognising that this is valued by the market and our shareholders; and
- We will consider share buybacks and special dividends where and when appropriate to return surplus capital including performance fee profit.

Summary
Our strategic objectives are ambitious over the coming years and we expect to see a transformation in the business as we continue this programme of investment in key parts of the Group. The delivery of high quality investment products and solutions to our clients and investors is paramount and the changes we are making we believe will deliver equally strong and growing returns for our shareholders. This process has already begun and we have made significant changes to the senior management team to deliver on these plans and we have also commenced the restructuring of our distribution teams and the investment in our operational infrastructure

Financial Review

Overview

For the sixth consecutive year the Group has grown its AUM which is noteworthy given the difficult market conditions faced during the period. We have changed our description of AUM, although the basis of measurement is unchanged, as explained further below. Furthermore, underlying revenue has grown for the fourth consecutive year albeit this was countered by a significant reduction in performance fees for the period. The following key factors during the year have impacted the financial performance of the business:

- Significant market volatility during the second half of the year which impacted fees earned and, together with the wider disruption in working practices across industry, reduced the scope for winning new institutional and wholesale assets;
- The exception to this was within our Derivatives business where activity levels in structured equity products was high during the period as clients repositioned or established new or increased levels of hedging strategies;
- Fiduciary Management, Derivatives, Advisory and Institutional Equity have all shown solid revenue growth however Wholesale Equities has had another challenging year and declining revenue which is addressed in the Group Chief Executive’s statement; and
- The Group has continued to invest in a number of areas which resulted in increased remuneration and administrative costs, primarily relating to our distribution capabilities, new fund structures to facilitate

global distribution and new product launches. This has reduced our margins and absolute levels of profitability in the short term given the time-lag between incurring cost and winning new assets, particularly in the institutional space where we currently generate most of our revenues.

Outlook

Asset raising activity levels and the pipeline of new opportunities has improved in recent months since lockdown was imposed in March. However, given the normal interval between interaction with clients and allocation, it is more likely that gross sales will be higher in the second half of the current financial year ending 30 June 2021.

As explained in the Group Chief Executive's statement we will continue to invest for profitable growth during the current year which will further increase remuneration and administrative costs as explained later in this review. Our programme of organic investment seeks to enhance the foundations of the business to achieve our ultimate objective of a step change in earnings per share and the value of the Group. The areas of investment are:

- **Investment manufacturing** – new products to meet our growing clients' needs by investing in the hire of additional investment teams and the development and launch of new strategies;
- **Distribution** – to build on our global institutional and wholesale capabilities through hiring in several key areas; and
- **Operational infrastructure** – to achieve a step change in EPS, we need to improve our profit margins. The programme of operational and IT infrastructure investment will enable us to benefit from operational leverage through greater efficiency in the medium and long term and to ensure that we have the operational bandwidth to accommodate the growth in product and strategies.

Assets Under Management

	Fiduciary		Derivative Solutions			Equity Solutions			Total
£'m	Management	Liquid Alts	S. Equity	LDI	Total	Wholesale	Institutional	Total	AUM
Opening	12,335	529	5,801	15,882	21,683	1,482	3,785	5,267	39,814
Sales	1,581	36	4,580	1,266	5,846	211	545	756	8,219
Redemptions	(746)	(426)	(3,461)	(517)	(3,978)	(574)	(864)	(1,438)	(6,588)
	835	(390)	1,119	749	1,868	(363)	(319)	(682)	1,631
Net rebalance and transfers	391	-	475	1,186	1,661	-	-	-	2,052
Net flow	1,226	(390)	1,594	1,935	3,529	(363)	(319)	(682)	3,683
Investment performance	1,058	15	0	0	0	(95)	(255)	(350)	723
Fee earning AUM	**14,619**	**154**	**7,395**	**17,817**	**25,212**	**1,024**	**3,211**	**4,235**	**44,220**
Change in fee earning assets	18.5%	(70.9%)	27.5%	12.2%	16.3%	(30.9%)	(15.2%)	(19.6%)	11.1%

The Board has decided to simplify the description of the reported level of fee earning mandates across asset classes managed by the Group, by consolidating the description AUM/NUM to AUM. AUM represents amounts on which management fees and performance fees are charged across all asset classes managed by the Group. In relation to derivatives, AUM represents the aggregate billing notional of the derivative contracts on which management fees are charged. There has been no change to the basis of measurement of AUM and the reported data is comparable on a like for like basis with that reported in prior periods.

AUM grew by £4.4 billion (11%) during the year comprising £3.7 billion of net flows and £0.7 billion of positive investment performance. Fiduciary Management and Derivatives performed strongly with positive net sales and flows across all activities. Our Equities business had a more difficult year in respect of both sales and performance which is addressed in the Group Chief Executive's Statement. Redemptions in Liquid Alternatives principally represents a single client redemption from the DAA Fund.

Financial Highlights

£'000s (unless stated)	Year Ended 30 June			
	2020	**2019**	**Movement**	**Movement %**

Net management fees	58,449	55,546	2,903	+5%
Advisory fees	10,932	10,038	894	+9%
Total underlying revenue	69,381	65,584	3,797	+6%
Performance fees	1,161	12,519	(11,358)	(91%)
Total Revenue	70,542	78,103	(7,561)	(10%)
Total Remuneration and benefits	41,158	41,664	(506)	(1%)
Administration expenses	15,926	15,647	279	+2%
Adjusted underlying profit before tax	12,564	14,650	(2,086)	(14%)
Adjusted underlying profit after tax	9,352	11,143	(1,791)	(16%)
Performance fee profit before tax	622	6,279	(5,657)	(90%)
Performance fee profit after tax	504	5,085	(4,581)	(90%)
Adjusted profit before tax	13,186	20,929	(7,743)	(37%)
Adjusted profit after tax	9,856	16,228	(6,372)	(39%)
Statutory profit before tax	8,299	16,788	(8,489)	(51%)
Statutory profit after tax	5,343	12,995	(7,652)	(59%)
Adjusted underlying EPS basic (pence)	11.18	13.91	(2.73)	(20%)
Adjusted EPS basic (pence)	11.79	20.26	(8.47)	(42%)
EPS basic (pence)	6.39	16.22	(9.83)	(61%)
Dividend per share (pence)	9.54	16.40	(6.86)	(42%)
Cash (£'m)	24.3	24.0	0.3	+1%
Surplus regulatory capital (£'m)	16.1	12.3	3.8	+31%

Note adjusted and adjusted underlying results are alternative performance measures which are reconciled to statutory profit in note 13 of the consolidated financial statements.

Management Fee Margins

			Equity Solutions	
	Fiduciary Management	Derivative Solutions	Wholesale	Institutional
Average fee earning AUM (£'m)	13,467	23,746	1,299	3,571
Net management fees (£'m)	21.1	15.4	8.9	13.1
Average margin 2020 (bps)	15.7	6.5	68	37
In-force margin at 30 June 2020 (bps)	14.8	6.5	66	35

Medium term guidance (bps)	13-14	6-7	60-65	33-36

Fee margins during the year were broadly in line with our previous medium-term guidance. We have reviewed and revised our medium-term guidance to reflect both the trends in industry but more specifically our strategic focus to target larger mandates across the business. The CMA market review and the subsequent re-tender process has and will continue to have an impact on margins and fee structures across the Fiduciary market. In addition, as we target larger mandates, we expect the margin earned on these assets to be lower than our current average albeit with a higher level of absolute revenue earned per client. As the wholesale equity market continues to evolve, becoming more institutional in nature with larger asset awards from the aggregators, margins have reduced although the impact going forward will be dependent on our business mix. Within Institutional Equities our fee margin guidance has been reduced to reflect the loss of a small number of old higher margin mandates and our strategy of targeting larger mandates, particularly in growth markets such as Australia.

Performance Fees

Performance fees for the period were principally earned during the first half of the year. As explained in the Group Chief Executive's Statement the equity market downturn during the second half of the year impacted our ability to generate outperformance within Fiduciary and, while the Group has the potential to earn performance fees in the current financial year both within Fiduciary and Equity Solutions, this will be at significantly lower levels then we have historically generated. The business will have the ability to generate performance fees through some of the new strategies being developed and we will keep the market updated as this develops.

Revenue Weighted Asset Attribution

	Equities - Non - discretionary	Equities - Discretionary	Interest Rates	Cash / Independent	Other
30 June 2020	33%	4%	21%	39%	3%
31 December 2019	36%	4%	20%	37%	3%
30 June 2019	37%	3%	19%	38%	3%
31 December 2018	38%	2%	22%	35%	3%
30 June 2018	38%	2%	19%	38%	3%

The revenues of traditional asset management firms have a high correlation to equity markets. However, the relative diversification of the Group's revenue streams compared to many of our peers mean they display greater stability and resilience to negative equity market movements.

Revenue-weighted asset attribution (RWAA) classifies our underlying revenues by the underlying asset class on which the management fees are charged. Net management fees from Equity Solutions are related to the variability of the underlying equity markets. In Fiduciary Management the management fees are based on the client's portfolio which will include equities, bonds and government securities. The management fee revenue is attributed in proportion to the composition of the underlying portfolio between credit instruments, equities and government securities. The Equity Non-discretionary category represents the minimum level of equity exposure we are required to hold in client portfolios, where this is specified. In Derivative Solutions the underlying revenue is linked to the contractual notional amount of the derivative instrument used to hedge interest rates, inflation and equities. As a result, these revenues are also considered "independent" or cash-like in their characteristics. The Other category includes property and alternatives.

Advisory revenues are based on retainers or specific projects and are not directly linked to asset classes and are therefore classified as being "independent".

Administrative Expenses

Administrative expenses increased by £0.3 million (2 per cent.) year on year primarily as a result of an increase in technology costs and professional fees in relation to our operational infrastructure. Remote working led to an increase in market data costs which were partly offset by a reduction in travel and entertainment.

Administrative expenses are anticipated to increase by approximately £1.5 million for the year ending 30 June 2021 as a result of the costs of launching new investment strategies and products in the form of professional fees and fund administration costs, further technology costs in relation to our operational infrastructure project and increased market data costs.

Remuneration

Fixed remuneration costs increased by £2.8 million (11%) to £28.9 million reflecting, in the main, additional hires across the Group and investment in Australia and the US. Variable remuneration reduced by £3.3 million (21%) predominantly due to significantly lower performance fees earned. Total remuneration costs (excluding recruitment costs) as a percentage of total revenue increased from prior year from 53 per cent. to 58 per cent. (54 per cent. when investment in Australia and the US is excluded, in line with our current Group remuneration policy). As we continue to invest in the business, we expect remuneration to range between 58 per cent. and 60 per cent. of underlying revenue for the current financial year before any impact of any performance fees earned.

Operational Infrastructure

One of the means to achieve a step change in the earnings of the Group is to unlock operational leverage in everything we do, particularly by improving efficiency in distribution, client servicing, operations and IT. Our target operating model is one of the cornerstones of the Group achieving greater operational leverage and we have commenced a multi-year programme of investment which will start in earnest in 2021.

For the year ended 30 June 2020, costs incurred in relation to this investment were £0.8 million of which £0.4 million were capitalised. Further detail regarding the costs of the programme and timing once the full scope has been determined will be presented in our interim report next year.

Liquidity and Regulatory Capital

Cash and cash equivalents increased marginally to £24.3 million as at 30 June 2020. The Group prudently manages its regulatory capital position and maintains a significant surplus of regulatory capital resources over its capital requirement. At the year-end that surplus was £16.1 million and our regulatory capital resources represented just under 200 per cent. of the Group's current regulatory capital requirement.

Authorised Corporate Director

Historically a Group entity acted as the Authorised Corporate Director (ACD) of River and Mercantile Funds ICVC. However, in line with best practice an independent firm, Equity Trustees Fund Services Limited, was appointed as independent ACD in October 2019. As a result of this appointment, the Group ceased to hold investment management balances (assets and liabilities) hence these were nil at the year-end (2019: assets £22.3 million; liabilities £22.3 million). There was no impact on the net assets of the Group.

Intangible Assets

The investment management agreement (IMA) in relation to the ILC business was acquired in 2017 for £0.1 million and a revenue trail for a period post acquisition. The acquisition resulted in the recognition of the IMA as an intangible asset, the value of which was fully impaired at the year-end due to reduced AUM, resulting in a full year charge of £1.1 million.

Taxation

The effective tax rate on adjusted underlying profit was 26 per cent. for the year ended 30 June 2020 (2019: 24 per cent.) reflecting unrelieved tax losses in the US. The statutory profit effective tax rate was 36 per cent. for the year ended 30 June 2020 (2019: 23 per cent.) reflecting the impairment of the ILC IMAs without an associated deferred tax asset, the US loss position together with a reduced proportion of profit generated in the UK primarily due to lower performance fees for the period.

Distributable Reserves

Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the Court, the Group capitalised its merger reserve of £44.4 million by paying up and issuing deferred shares in the Group (the "Deferred Shares"). The Group received Court approval in January 2020 to affect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Group.

As at 30 June 2020, the Company had £55.0 million of distributable reserves (2019: £10.8 million).

Dividends

On 16 April 2020 an interim dividend of 4.39 pence was paid of which 0.5 pence was a special dividend in relation to net performance fee profit. The Directors have declared a second interim dividend of 2.81 pence per share to be paid on 20 November 2020 to shareholders on the register as at 23 October 2020. The ex-dividend date will be 22 October 2020. The Directors are proposing to shareholders a final dividend of 2.34 pence per share which will take total dividends per share paid, declared and proposed for the year ended 30 June 2020 of 9.54 pence per share representing 80 per cent. of adjusted underlying profit after tax and 100 per cent. of performance fee profit after tax. The final dividend will be paid on 18 December 2020 to shareholders on the register as at 27 November 2020. The ex-dividend date will be 26 November 2020.

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 30 June 2020 £'000**	Year ended 30 June 2019 £'000
Revenue	3		
Net management fees		**58,449**	55,546
Advisory fees		**10,932**	10,038
Performance fees		**1,161**	12,519
Total revenue		**70,542**	78,103
Administrative expenses	5	**15,926**	15,647
Depreciation of owned assets	8,21	**217**	199
Amortisation	8,9	**3,257**	4,369
Impairment of intangible assets	8,9	**1,377**	-
Total operating expenses		**20,777**	20,215
Remuneration and benefits			
Fixed remuneration and benefits		**28,922**	26,145
Variable remuneration		**12,236**	15,519
Total remuneration and benefits	6	**41,158**	41,664
EPSP (credit)/cost	6,7	**(17)**	635
Total remuneration and benefits including EPSP		**41,141**	42,299
Total expenses		**61,918**	62,514
Gain on disposal of fair value investments		**42**	20
Other (losses) and gains	10	**(301)**	841
Profit before interest and tax		**8,365**	16,450
Finance income	11	**112**	339
Finance expense	11	**(178)**	(1)
Profit before tax		**8,299**	16,788
Tax charge/(credit)	12		
Current tax		**2,799**	4,403
Deferred tax		**157**	(610)
Profit for the year attributable to owners of the parent		**5,343**	12,995
Earnings per share:	13		

Statutory basic (pence)	**6.39**	16.22
Statutory diluted (pence)	**6.37**	15.61

The notes to the consolidated financial statements form part of and should be read in conjunction with the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Profit for the year	**5,343**	12,995
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustments	**(29)**	(21)
Total comprehensive income for the year attributable to owners of the parent	**5,314**	12,974

The notes to the consolidated financial statements form part of and should be read in conjunction with the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2020 £'000**	30 June 2019 £'000
Assets			
Cash and cash equivalents	15	**24,251**	24,046
Investment management balances	16	**-**	22,277
Fee receivables	19	**10,233**	4,412
Other receivables	20	**15,458**	25,505
Assets held for sale	18	**810**	-
Investments held at fair value through profit or loss	17	**290**	5,387
Deferred tax asset	12	**276**	1,034
Right of use assets	22	**2,586**	-
Property, plant and equipment	21	**438**	606
Intangible assets	9	**26,560**	30,753
Total assets		**80,902**	114,020
Liabilities			
Investment management balances	16	**-**	22,278
Current tax liabilities		**383**	621
Trade and other payables	23	**17,493**	23,775
Lease liability	22	**2,691**	–

Deferred tax liability	12	**2,078**	2,483
Total liabilities		**22,645**	49,157
Net assets		**58,257**	64,863
Equity			
Share capital	24	**256**	256
Share premium		**15,429**	15,136
Other reserves	25	**1,010**	45,472
Own shares held by EBT	26	**(4,255)**	(6,251)
Retained earnings		**45,817**	10,250
Equity attributable to owners of the parent		**58,257**	64,863

The notes to the consolidated financial statements form part of and should be read in conjunction with the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Year ended 30 June 2020 £'000**	Year ended 30 June 2019 £'000
Cash flow from operating activities			
Profit before interest and tax		**8,365**	16,450
Adjustments for:			
Amortisation of intangible assets	9	**3,257**	4,369
Impairment of intangible assets	9	**1,377**	–
Depreciation of property, plant and equipment	21	**217**	199
Depreciation of right of use asset	22	**1,278**	–
Share-based payment expense		**409**	1,545
Other gain and losses	10	**301**	(841)
Disposal of investments held at fair value		**(42)**	(394)
Operating cash flow before movement in working capital		**15,161**	21,328
Decrease /(increase) in operating assets		**26,502**	(11,478)
(Decrease)/increase in operating liabilities		**(28,554)**	9,724
Cash generated from operations		**13,109**	19,574
Tax paid		**(3,129)**	(4,685)
Net cash generated from operating activities		**9,980**	14,889
Cash flow from investing activities			
Purchase of intangible assets	9	**(385)**	–
Purchase of property, plant and equipment	21	**(45)**	(196)
Interest received		**54**	50
Proceeds from disposal of investments held at fair value		**6,342**	414
Purchase of investments held at fair value	17	**(1,523)**	(10)

Purchase of investments held for sale	18	**(810)**	–
Proceeds of disposal in investments		**–**	15
Net cash generated from investing activities		**3,633**	273
Cash flow from financing activities			
Interest paid		**(8)**	(1)
Dividends paid	14	**(12,135)**	(13,869)
Purchase of own shares		**–**	(1,694)
Lease payments	22	**(1,503)**	–
Share issue		**294**	408
Net cash (used in) financing activities		**(13,352)**	(15,156)
Net increase in cash and cash equivalents		**261**	6
Cash and cash equivalents at beginning of year		**24,046**	24,029
Effects of exchange rate changes on cash and cash equivalents		**(56)**	11
Cash and cash equivalents at end of year	15	**24,251**	24,046

The notes to the consolidated financial statements form part of and should be read in conjunction with the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Share premium £'000	Other reserves £'000	Own shares held by EBT £'000	Retained earnings £'000	Total £'000
Balance as at 30 June 2018	246	14,688	49,372	(4,981)	6,670	65,995
Comprehensive income for the year:						
Profit for the year	–	–	–	–	12,995	12,995
Other comprehensive income: foreign currency translation	–	–	(21)	–	–	(21)
Total comprehensive income for the year	–	–	(21)	–	12,995	12,974
Transactions with owners:						
Dividends	–	–	–	–	(13,869)	(13,869)
Share-based payment expense	–	–	–	–	1,545	1,545
Deferred tax on share-based payment expense	–	–	–	–	(1,350)	(1,350)
Realised tax in respect of award vesting	–	–	–	–	1,165	1,165
Share payment in respect of award vesting	–	–	–	–	(369)	(369)
Disposal of shares in respect of award vesting	–	–	–	424	(424)	–
Purchase of own shares by EBT	–	–	–	(1,694)	–	(1,694)
Reserves transfer upon transition to IFRS 9	–	–	(12)	–	12	–
Transfer to retained earnings	–	–	(3,867)	–	3,867	–
Shares issued in respect of award vesting	10	448	–	–	–	458
Foreign exchange adjustments	–	–	–	–	8	8
Total transactions with owners:	10	448	(3,879)	(1,270)	(9,415)	(14,106)
Balance as at 30 June 2019	256	15,136	45,472	(6,251)	10,250	64,863

Adjustment to retained earnings on transition to IFRS 16	–	–	–	–	(189)	(189)
Adjusted as at 1July 2019	256	15,136	45,472	(6,251)	10,061	64,674
Comprehensive income for the year:						
Profit for the year	–	–	–	–	5,343	5,343
Other comprehensive income: foreign currency translation	–	–	(29)	–	–	(29)
Total comprehensive income for the year	**–**	**–**	**(29)**	**–**	**5,343**	**5,314**
Transactions with owners:						
Dividends	–	–	–	–	(12,135)	(12,135)
Share-based payment expense	–	–	–	–	409	409
Deferred tax on share-based payment expense	–	–	–	–	(202)	(202)
Realised tax in respect of award vesting	–	–	–	–	(96)	(96)
Disposal of shares in respect of award vesting	–	–	–	1,996	(1,996)	–
Shares issued in respect of award vesting	–	293	–	–	–	293
Capitalisation of merger reserve and capital reduction	–	–	(44,433)	–	44,433	–
Total transactions with owners:	**–**	**293**	**(44,433)**	**1,996**	**30,413**	**(11,731)**
Balance as at 30 June 2020	**256**	**15,429**	**1,010**	**(4,255)**	**45,817**	**58,257**

The notes to the consolidated financial statements form part of and should be read in conjunction with the financial statements.

Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the High Court, the Company capitalised its merger reserve of £44.4m by cancelling the deferred shares in the Company (the "Deferred Shares") creating distributable reserves equal to the merger reserve. The Company received High Court approval in January 2020 to effect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company, accordingly supporting the Company's ability to pay future dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards, International Financial Reporting Interpretation Committee interpretations, and with those parts of the Companies Act 2006 applicable to groups reporting under IFRS as issued by the International Accounting Standards Board and adopted by the European Union (IFRS) that are relevant to the Group's operations and effective for accounting periods beginning on 1 July 2019.

GOING CONCERN

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The Directors have noted that financial markets have incurred increased volatility and uncertainty since the onset of the pandemic. This has had an adverse impact on many industries; however, the asset management sector has been reasonably protected. The rapid development and fluidity of this situation precludes any prediction as to the ultimate longer-term adverse impact of the virus on the UK and Global economies and the ability to recover from the shorter-term negative influence on certain financial markets. Whilst the significant fall in UK and global stock markets has had an effect on underlying revenues, the Directors have reasonable belief that, having considered the Group and Company's forecast continued profitability, positive cash flow and capital base, the Group and Company has adequate resources to continue as a going concern for the foreseeable future. The Directors continue to monitor this situation and evaluate the potential risks to the Group and Company.

Accordingly, the Group and Company 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.

BASIS OF CONSOLIDATION

The consolidated financial statements include the Company and the entities it controls (its subsidiaries). Subsidiaries are considered to be controlled where the Group has exposure to variable returns from the subsidiary, the power to affect those variable returns and power over the subsidiary itself. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date that the Group gains control, and de-consolidated from the date that control is lost.

If the Group controls a fund the fund is consolidated within the Group financial statements. In the case that the Group does not control a fund for the complete reporting period, then the fund is consolidated only for the part of the reporting period for which the Group has control over the entity.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the subsidiaries' identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard Group accounting policies.

All transactions and balances between entities within the Group have been eliminated in the preparation of the consolidated financial statements.

The Employee Benefit Trust (EBT) is included in the consolidated financial statements of the Group. The EBT purchases shares pursuant to the non-dilutive equity awards granted to employees. These purchases and the operating costs of the EBT are funded by the Company. The EBT is controlled by independent trustees and its assets are held separately from those of the Group.

The consolidated statement of financial position has been presented on the basis of the liquidity of assets and liabilities.

THE GROUP'S RELATIONSHIP WITH FUND ENTITIES

Effective 17 Oct 2019, River and Mercantile Asset Management LLP ("RAMAM") ceased to be the ACD of the ICVC Funds and we initiated the transfer of the ACD responsibility to an independent third-party management company.

Prior to 17 Oct 2019, the Group entities acted as the investment managers to funds and segregated managed accounts, and RAMAM was the Authorised Corporate Director (ACD) of River and Mercantile Funds ICVC (collectively 'Investment Management Entities' (IMEs)).

Considering all significant aspects of the Group's relationship with the IMEs, the directors are of the opinion that although the Group manages the investment resources of the IMEs, the existence of: termination provisions in the Investment Management Agreements (IMAs) which allow for the removal of Group entities as the investment manager; the influence exercised by investors in the control of their IME; the arm's length nature of the Group's contracts with the IMEs; and independent Boards of Directors of the IMEs, the Group does not control the IMEs and therefore their assets, liabilities and net profit are not consolidated into the Group's financial statements. The exception to this is where the Group has seeded a fund and determines that it subsequently has control over the fund, it will be consolidated accordingly.

FOREIGN CURRENCIES

The majority of revenues, assets, liabilities and funding are denominated in UK Pounds sterling (GBP/£), and therefore the presentation currency of the Group is GBP. All entities within the Group have a functional currency of GBP, except for River and Mercantile LLC which is based in the US.

Monetary items which are denominated in foreign currencies are translated at the rates prevailing at the reporting date. All resulting exchange differences are recognised in the income statement. Non-monetary items are measured at the rates prevailing on the date of the transaction and are not subsequently retranslated.

The functional currency of River and Mercantile LLC is US Dollars and is translated into the presentational currency as follows:

- assets and liabilities are translated at the closing rate at the date of the respective statement of financial position;
- income and expenses are translated at the daily exchange rate for the date on which they are incurred; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

ASSETS HELD FOR SALE

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets classified as held for sale are presented separately from the other assets in the balance sheet and are not depreciated or amortised while they are classified as held for sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset is recognised at the date of derecognition.

ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR THE FINANCIAL POSITION

This is the first set of the Group's financial statements where IFRS 16 has been applied. This new standard was adopted from 1 July 2019 and has had a significant impact on the amounts reported in these financial statements.

Transition to IFRS 16 Leases
IFRS 16 replaces IAS 17 Leases and became effective for reporting periods beginning on or after 1 January 2019. It provides a single accounting method for lessees, requiring the recognition of an asset and a lease liability representing the right of use of the underlying asset over the term of a lease.

The Group has opted to apply the modified retrospective approach, where the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. Comparative information will not be restated.

As at 1 July 2019 the recognition of a right of use asset and lease liability increased total asset and total liabilities by £3,823,000 and £4,024,000 respectively.

The right-of-use asset has been calculated as the present value of all future lease payments, including those relating to dilapidations and costs incurred in obtaining the leases. The lease liability is measured using an appropriate discount rate for the Group from the date of the initial application of the standard equal to the incremental borrowing rate of the Group on the leases of 5.0%.

The adjustment to opening reserves at 1 July 2019 was £189,000 being the difference between the right-of-use asset and the lease liability at the date of transition less any balances recognised under IAS 17. The lease payment expenses relating to the Group's property portfolio will now be split as the straight-line depreciation cost of the capitalised asset included as office facilities costs within administrative expenses and the unwinding of the lease liability charged to finance expenses. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5.0%.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

As detailed in note 1, these financial statements are prepared in accordance with IFRS.

The significant account policies of the Group which include estimates are detailed below:
- Recognition of management and performance fee revenues. This involves estimates of AUM positions for the purposes of accruing revenue, which are described in note 3.
- The accounting for UCITS V deferred remuneration involves estimates of forfeiture rates.
- Calculation of lease assets and lease liabilities.

The significant account policies of the Group which include judgements are detailed below:
- Impairment of intangible assets, goodwill and investments recorded in previous acquisitions. This involves judgements including business growth and estimates including discount rates, which are described in note 9.
- Provisions, which are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Determining whether provisions are required and at what level, requires both judgement and estimates.
- The accounting for share-based remuneration. This involves judgements relating to forfeiture rates and business outcomes and estimates of future share prices for National Insurance cost, which are described in note 7.
- The accounting for the contingent consideration in respect of the acquisition of the Emerging Markets Industrial Life Cycle (ILC) team. This involves judgements relating to the likely useful life of intangibles and estimates as to revenue and cost growth over time.
- Whether an asset should be classified as held for sale.

3. REVENUE

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Net management fees		
– Fiduciary Management	21,118	18,790
– Derivatives	15,389	13,379
– Equity Solutions – Wholesale	8,851	11,270
– Equity Solutions – Institutional	13,091	12,107
Net management fees	58,449	55,546
Advisory fees		
– Retainers	5,054	5,295
– Project fees	5,878	4,743
Advisory fees	10,932	10,038
Total underlying revenue	69,381	65,584
Performance fees		
– Fiduciary Management	1,161	10,553
– Equity Solutions	–	1,966
Total performance fees	1,161	12,519
Total revenue	70,542	78,103

NET MANAGEMENT FEES

Net management fees represent the fees charged pursuant to an IMA. Net management fees are reported net of rebates to clients and are typically charged as a percentage of the client's AUM. The fees are generally accrued based on a contractual daily fee calculation and billed to the client either monthly or quarterly. During the year ended 30 June 2020, rebates totalling £2,739,000 (2019: £2,835,000) were paid in respect of Equity Solutions and DAA Fund management fees.

ADVISORY FEES

Advisory fees represent fees charged under advisory agreements and are typically charged on a fixed retainer fee basis or through a fee for the delivery of a defined project. Fees are accrued monthly and charged when the work has been completed.

PERFORMANCE FEES

Performance fees are fees paid under certain IMAs for generating excess investment performance either on an absolute basis subject to a high-water mark, or relative to a benchmark. Performance fees are typically calculated as a percentage of the excess investment performance generated and may be subject to deferral and continued performance objectives in future periods. Performance fees are recognised in income when it is probable that the fee will be realised and there is a low probability of a significant reversal in future periods. This occurs once the end of the performance period has been reached. The client is invoiced for the performance fee at the end of the performance period which is generally annually, either on the anniversary of their IMA or on a calendar year basis.

CONTRACT BALANCES

The timing of client revenue recognition, billings and cash collections results in either trade receivables or accrued income on the Statement of Financial Position. For management fees, advisory fees and performance fees, amounts are billed in arrears pursuant to an IMA or advisory agreement with clients.

There were £30,000 (2019: £38,000) contract liabilities as at the year ended 30 June 2020.

4. DIVISIONAL AND GEOGRAPHICAL REPORTING

The business operates through four divisions, however, these are not considered to be segments for the purposes of IFRS 8 on the basis that decisions made by the Board are made at an overall Group level. The information received by the Board supports this decision-making, with income statements, balance sheets, forecasts and budgets presented at a Group level.

No single client accounts for more than 10% of the revenue of the Group (2019: none).

On a geographic basis the majority of the revenues are earned in the UK. The Group has an advisory, derivatives, fiduciary management and equity solutions business in the US and net revenue earned in the US for the year ended 30 June 2020 was £6.3m (2019: £6.1m). The AUM of the US business was £1,449m (2019: £918m).

Non-current assets held by the US business include £1.5m (2019: £1.5m) of goodwill.

5. ADMINISTRATIVE EXPENSES

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Marketing	**799**	883
Travel and entertainment	**427**	825
Office facilities	**2,517**	2,751
Technology, market data and communications	**5,593**	5,012
Professional fees	**2,064**	1,576
Research	**1,331**	1,334
Governance expenses	**801**	570
Fund administration	**1,162**	1,290
Other staff costs	**251**	543
Insurance	**613**	555
Irrecoverable VAT	**215**	93
Other costs	**153**	215
Total administrative expenses	**15,926**	15,647

Included within office facilities expenses in the current year is the depreciation charge on the right of use asset of £1.3m following the implementation of IFRS 16 (note 22). As the Group adopted IFRS 16 under the modified retrospective approach (note 1), the prior year has not been restated. The expenses relating to the Group's leased properties are charged as the straight-line depreciation cost of the capitalised asset.

Included within professional fees is the remuneration of the external auditors for the following services:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Audit of the Company's annual accounts	130	104
Audit of the Company's subsidiaries	114	99
Audit related assurance services	75	52
	319	255

6. REMUNERATION AND BENEFITS

Fixed remuneration represents contractual base salaries, RAMAM member drawings and employee benefits. The Group operates a defined contribution plan under which it pays contributions to a third party.

Variable remuneration relates to discretionary bonuses, variable profit share paid to the members of RAMAM, IFRS 2 charges in respect of share awards and associated payroll taxes and recruitment costs. Recruitments costs of £487,000 were incurred in the year (2019: £393,000).

Variable remuneration also includes a charge of £406,000 (2019: £964,000) relating to the amortisation of the Group's non-dilutive share awards and a credit of £40,000 (2019: credit of £132,000) of associated social security costs.

	Year ended 30 June	Year ended 30 June

	2020	2019
The average number of employees (including Directors) employed was:		
Advisory division	68	69
Fiduciary Management division	74	58
Derivative Solutions division	28	28
Equity Solutions division	31	31
Distribution	15	14
Corporate	52	55
Total average headcount	268	255

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
The aggregate remuneration of employees (including Directors) comprised:			
Wages and salaries		**36,192**	36,208
Social security costs		**3,575**	3,420
Pension costs (defined contribution)		**976**	937
Share-based payment expense		**415**	1,099
Total remuneration and benefits (excluding EPSP)		**41,158**	41,664
Fixed remuneration		**28,922**	26,145
Variable remuneration		**12,236**	15,519
		41,158	41,664
EPSP costs:			
Share-based payment expense	7	–	452
Social security costs	7	**(17)**	183
Total EPSP (credit)/costs		**(17)**	635

DIRECTORS' REMUNERATION

The aggregate remuneration and fees payable to Executive and Non-Executive Directors for the year ended 30 June 2020 was £1,042,000 (2019: £3,082,000).

Information regarding the aggregate single figure remuneration of the Executive Directors (which includes the highest paid Director of £395,000 (2019: £2,801,000) is included in the Remuneration Committee Report.

KEY MANAGEMENT REMUNERATION

Key management includes the Executive and Non-Executive Directors, and Executive Committee members. The remuneration paid or payable to key management for employee services is shown below:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Short-term employee benefits	**5,932**	8,316
Long-term employee benefits	**7**	280
Post-employment benefits	**113**	101
Share-based payment expense	**141**	302
	6,193	8,999

7. SHARE-BASED PAYMENTS

Where share-based awards are granted to employees, the fair value of the award at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each year-end date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of shares that eventually vest. Market vesting conditions are factored into the fair value of the awards granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of awards are modified before they vest, the change in the fair value of the award, measured immediately before and after the modifications, is recognised in the consolidated income statement over the remaining vesting period.

EXECUTIVE PERFORMANCE SHARE PLAN

As reported in the prior year's Annual Report, after completion of the Executive Performance share plan award holding period, during the year ended 30 June 2019 the award shares vested on 26 June 2019.

PERFORMANCE SHARE PLAN

The Group's Performance Share Plan and Deferred Equity Plan (collectively PSP) allows for the grant of nil cost options, contingent share awards or forfeitable share awards.

The fair value of the awards has been estimated using Black-Scholes modelling.

The key features of the awards are:

Financial year of award	2016	2017	2018	2019	2020
Grant date award value £'000					
Scheme 1 – Employees	1,971	713	94	131	–
Scheme 2 – Employees	100	–	–	–	–
Scheme 3 – Employees	407	466	1,622	274	–
Scheme 4 – Employees	–	–	612	612	–
Scheme 5 – Employees	–	–	155	–	–
Scheme 6 – Executive Directors	585	950	3,586	2,015	293
Number of shares granted '000					
Scheme 1 – Employees	892	229	29	41	–
Scheme 2 – Employees	45	–	–	–	–
Scheme 3 – Employees	184	150	514	108	–
Scheme 4 – Employees	–	–	196	190	–
Scheme 5 – Employees	–	–	48	–	–
Scheme 6 – Executive Directors	265	304	1,114	797	177
Maximum term at grant date					
Scheme 1 – Employees	5 years	4 years	4 years	3 years	n/a
Scheme 2 – Employees	4 years	n/a	n/a	n/a	n/a
Scheme 3 – Employees	4 years	4 years	4 years	3 years	n/a
Scheme 4 – Employees	n/a	n/a	3 years	3 years	n/a
Scheme 5 – Employees	n/a	n/a	4 years	n/a	n/a
Scheme 6 – Executive Directors	5 years	4 years	4 years	5 years	3 years
Vesting conditions (see key below)					
Scheme 1 – Employees	1, 2 and 3	1, 2 and 3	1, 2 and 3	1 and 4	n/a
Scheme 2 – Employees	1 and 2	n/a	n/a	n/a	n/a
Scheme 3 – Employees	1	1	1	1	n/a
Scheme 4 – Employees	n/a	n/a	1 and 4	1 and 4	n/a
Scheme 5 – Employees	n/a	n/a	none	n/a	n/a

Scheme 6 – Executive Directors	1 and 2	1 and 2	1 and 2	1 and 5	1

1. Remain employed throughout vesting period, subject to malus and good leaver provisions.
2. Achievement of specified total shareholder return target within a range.
3. Straight-line between minimum and maximum divisional AUM and revenue targets.
4. Achievement of specified revenue targets within a range.
5. Achievement of specified adjusted underlying EPS targets and personal objectives.
6. Achievement of specified adjusted underlying EPS targets and business performance criteria.

The following table sets out the movement in awards recognised in the income statement during the year and the key inputs into the fair values of awards:

	Financial year of award							
’000s	2016	2017	2018	2018	2018	2019	2019	2020
Grant date award value £’000	3,063	2,130	668	1,133	4,268	743	2,290	293
Grant date share price £	2.21	3.12	3.14	3.12	3.22	3.22	2.53	1.65
Number of shares outstanding at 30 June 2018	838	683	213	363	1,325	–	–	–
Number of shares granted during the year	–	–	–	–	–	231	905	–
Number of shares forfeited during the year	–	(72)	–	(7)	(13)	(9)	–	–
Exercised during the year	(70)	(29)	(102)	(42)	–	–	–	–
Vesting profile adjustments	–	(16)	(6)	–	(43)	–	–	–
Number of shares outstanding at 30 June 2019	**768**	**566**	**105**	**314**	**1,269**	**222**	**905**	**–**
Number of shares granted during the year	–	–	–	–	–	–	–	177
Number of shares forfeited during the year	–	(457)	–	(189)	(328)	(36)	(13)	–
Exercised during the year	(379)	(87)	(65)	(58)	(51)	–	–	–
Vesting profile adjustments	–	–	–	–	31	–	–	–
Number of shares outstanding at 30 June 2020	389	22	40	67	921	186	892	177
Fair value assumptions:								
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Risk free rate	0.94% or 1.00	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	(1.04%)
Share price volatility	27.40%	27.90%	28.20%	28.20%	28.80%	28.80%	30.83%	33.66%
Dividend yield	5%	5%	5%	5%	5%	5%	5%	5%
Number of shares expected to vest ’000	–	22	40	67	102	172	687	177

The volatility for awards granted in the year has been calculated based upon the annualised daily return on the Group’s share price from IPO to year end. All awards crystallise at the end of the vesting period subject to the approval of the Remuneration Committee. As at the reporting date 271,000 of the shares awarded were exercisable (2019: 504,000).

The 2019 Annual Report included an estimate for 2019 awards, a certain number of which were ultimately not granted. This has been retrospectively adjusted in the above table to show the awards granted that were outstanding at 30 June 2019.

8. DEPRECIATION AND AMORTISATION

Depreciation on owned assets charges primarily relate to IT and communications equipment, and leasehold improvements. The property, plant and equipment, and the depreciation accounting policies are described in note 21. Depreciation on right of use leasehold assets is included within administration expenses and detailed in note 5.

The amortisation charge primarily relates to the IMA intangibles and recognised as part of the acquisition of RAMAM and the ILC team as described in note 9. The RAMAM and ILC team IMA intangibles are amortised over their expected useful life of between five and ten years based on an analysis of the respective client channels. The amortisation is not deductible for tax purposes. At the date of the RAMAM acquisition a deferred tax liability was recognised and is being charged to the income statement tax expense in line with the amortisation of the related IMAs. At the date of the acquisition no deferred tax liability was recognised in respect of the ILC team IMAs as the US business has brought forward tax losses.

9. INTANGIBLE ASSETS

BUSINESS COMBINATIONS AND GOODWILL

All business combinations are accounted for using the acquisition method. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The fair value of a business combination is calculated at the acquisition date by recognising the acquired entity's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquired entity. The cost of a business combination in excess of fair value of net identifiable assets or liabilities acquired, including intangible assets identified, is recognised as goodwill. Any costs incurred in relation to a business combination are expensed as incurred.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not amortised but is reviewed for impairment annually, or more frequently when there is an indication of impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. Each CGU to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. 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 value 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 is not reversed in a subsequent period.

IDENTIFIABLE INTANGIBLE ASSETS

Investment management agreements and customer relationships

IMAs and customer relationships acquired in a business combination are recognised separately from goodwill at their fair value at the acquisition date. Customer relationships have an estimated useful life of twenty years and IMAs have estimated useful lives of five to ten years. The identified intangible assets are carried at cost less accumulated amortisation calculated on a straight-line basis, the remaining amortisation period at 30 June 2020 is 3 years and 9 months.

Internally generated software

The Group capitalises the development of internally developed software from which it expects to get future economic benefit. Internally generated software will be recorded at cost less accumulated amortisation.

Costs incurred during the development stage are capitalised until such time that the software is substantially complete and ready for its intended use. Amortisation is charged on a straight-line basis over the expected useful life of the software which is currently between four and five years, but is assessed separately for each identifiable software development. Internal and external costs incurred in connection with researching, training or maintenance of any internally generated software are expensed as incurred.

IMPAIRMENT OF INTANGIBLE ASSETS, EXCLUDING GOODWILL

At each statement of financial position date or whenever there is an indication that the asset may be impaired, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is the higher of the fair value less 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 the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, an impairment loss is recognised as an expense immediately. For assets other than goodwill, where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation or amortisation that would have been charged since the impairment.

	Goodwill £'000	Customer lists and IMAs	Software £'000	Total £'000

		£'000		
Cost:				
At 30 June 2018	15,595	38,491	84	54,170
Exchange difference	47	65	–	112
At 30 June 2019	15,642	38,556	84	54,282
Additions	–	–	385	385
Exchange difference	47	65	-	112
At 30 June 2020	15,689	38,621	469	54,779
Accumulated amortisation and impairment:				
At 30 June 2018	418	18,690	37	19,145
Amortisation charge	–	4,348	21	4,369
Exchange difference	–	15	–	15
At 30 June 2019	418	23,053	58	23,529
Amortisation charge	–	3,226	31	3,257
Impairment	21	1,356	–	1,377
Exchange difference	-	56	–	56
At 30 June 2020	439	27,691	89	28,219
Net book value:				
At 30 June 2019	15,224	15,503	26	30,753
At 30 June 2020	15,250	10,930	380	26,560

IMPAIRMENT REVIEW

Goodwill includes £13.2m (2019: £13.2m) in respect of RAMAM and £1.5m (2019: £1.5m) in respect of Cassidy Retirement Group Inc. (Cassidy).

The directors estimated the recoverable amount of the RAMAM goodwill based upon the value in use of the business. The value in use was measured using internal budgets and forecasts to generate a five-year view. The key assumptions used were: revenue based on internally approved budget in year one; an 8% revenue growth rate for the next four years; no growth after this point; and a pre-tax discount rate of 10% (2019: 12%). Estimates were made concerning remuneration and administrative costs, based upon current levels and expected changes.

Sensitivity analysis was performed on the key inputs of the valuation, being the growth and discount rates and future cash flows. A fall of greater than 10% in projected revenue or a change in the discount rate to a rate in excess of 38% is required to indicate impairment.

The directors estimated the recoverable amount of the Cassidy goodwill using a fair value less costs of disposal. This value was measured using the revenues of the CGU and third-party data concerning comparable revenue multiples paid for recent acquisitions of similar businesses.

The key assumptions included in the estimate were: the costs of disposal; and the assumption that the multiples observed in other businesses would be comparable. Sensitivity analysis was performed on the level 3 valuation under the fair value hierarchy. A reduction in the revenue multiple of greater than 50% would be required to indicate impairment.

Included in customers lists and IMAs as at 30 June 2019 was a net book value of £1,426,000 relating to the investment management balances of the ILC funds. The recoverable amount of the asset is assessed using its value in using a pre-tax discount rate of 10% (2019: 12%). Due to a reduction in the AUM in these funds an impairment charge of £1,143,000 has been recorded in the period ended 30 June 2020. Following this impairment and any accumulated amortisation charged, the net book value of the ILC IMAs as at 30 June 2020 was £nil. Where conditions which give rise to an impairment subsequently reverse the effect of the impairment charge is reversed as a credit to the income statement.

10. OTHER GAINS AND LOSSES

	Note	**Year ended**	Year ended

		30 June 2020 £'000	30 June 2019 £'000
Loss on disposal of fixed assets		-	(12)
Gain on disposal of subsidiary		-	15
Gain on purchase of UCITS		27	21
Investments held at FVTPL	17	(435)	441
Fair value of contingent consideration		107	376
Total other gains and losses		(301)	841

11. FINANCE INCOME AND EXPENSES

Finance income and expense are recognised in the period to which it relates on an accruals basis.

Finance income comprises £54,000 of bank interest (2019: £50,000), £58,000 of foreign exchange gain (2019: £209,000) and £nil of interest earned from a loan to Palisades (2019: £80,000).

Finance expense comprises of lease liability finance interest unwind £170,000 (2019: £nil) and bank charges of £8,000 (2019: £1,000).

12. CURRENT AND DEFERRED TAX

The tax charge consists of current tax and deferred tax. Current tax represents the estimated tax payable on the taxable profits for the period. Taxable profit differs from profit before tax reported in the consolidated 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. 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, and is measured using the substantively enacted rates expected to apply when the asset or liability will be realised or settled.

Deferred tax assets and liabilities are not offset unless the Group has legal right to offset which it intends to apply. Deferred tax assets are recognised only to the extent that the Directors consider it probable that they will be recovered.

Deferred tax is recognised in the income statement, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity.

The most significant deferred tax items are the deferred tax liability established against the IMA intangible asset arising from the acquisition of RAMAM and the deferred tax asset recognised in respect of the share-based payment expenses. The amortisation of the IMA intangible asset is not tax deductible for corporate tax purposes therefore the deferred tax liability is released into the consolidated income statement to match the amortisation of the IMA intangible.

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Current tax:		
Current tax on profits for the year	**2,799**	4,365
Adjustments in respect of prior years	**–**	38
Total current tax	**2,799**	4,403
Deferred tax – origination and reversal of timing differences	**157**	(610)
Total tax charge	**2,956**	3,793

The total tax charge assessed for the year is higher (2019: higher) than the average standard rate of corporation tax in the UK.

The differences are explained below:

	Year ended	Year ended

	30 June 2020 £'000	30 June 2019 £'000
Profit before tax	**8,299**	16,788
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2019: 19%)	**1,577**	3,190
Effects of:		
Expenses not deductible for tax purposes	**145**	10
Deferred tax on amortisation	**(321)**	(753)
Losses not deductible for tax purposes	**972**	865
Income not subject to tax	**–**	(135)
Adjustment in respect of prior years	**–**	(3)
Other timing differences	**583**	619
Total tax charge	**2,956**	3,793

The analysis of deferred tax assets and liabilities is as follows:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Deferred tax assets		
At beginning of year	**1,034**	2,443
(Charge)/credit to the income statement:		
– share-based payment expense	**(562)**	(59)
– movement in foreign exchange	**6**	–
Debit to equity:		
– share-based payment expense	**(202)**	(291)
– recycling of deferred tax on shares vested	**–**	(1,059)
At end of year	**276**	1,034
Deferred tax liabilities		
At beginning of year	**2,483**	3,153
Charge/(credit) to the income statement:		
– amortisation of intangibles	**(554)**	(752)
– movement on intangibles	**233**	-
– movement on investments held at fair value	**(84)**	82
At end of year	**2,078**	2,483

13. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company in issue during the year.

The Group operates a save-as-you-earn (SAYE) scheme for employees. The SAYE scheme allows employees to contribute towards a share option scheme over a three year period. At the end of the scheme the employees have the option to either receive shares in River and Mercantile Group PLC or cash. The potential dilutive effect of this scheme is also considered in the calculation of diluted earnings per share.

Additionally, in 2019 the vesting executive performance share plan ("EPSP") awards had a dilutive effect on the equity holders of the Company. Following the end of the holding period 57% of EPSP Performance Condition A shares vested on 26 June

2019 and were recognised as shares in issue.

The dilutive effect of the EPSP awards was considered in the calculation of diluted earnings per share for the year ended 30 June 2019.

	Year ended 30 June 2020	Year ended 30 June 2019
Profit attributable to owners of the parent (£'000)	**5,343**	12,995
Weighted average number of shares in issue ('000)	**83,624**	80,121
Weighted average number of diluted shares ('000)	**83,856**	83,244
Earnings per share:		
Earnings per share		
Basic (pence)	**6.39**	16.22
Diluted (pence)	**6.37**	15.61

Reconciliation between weighted average number of shares in issue

	Year ended 30 June 2020 '000	Year ended 30 June 2019 '000
Weighted average number of shares in issue – basic	**83,624**	80,121
Dilutive effect of shares granted under SAYE	**232**	335
Dilutive effect of shares granted under EPSP	**-**	2,788
Weighted average number of shares in issue – diluted	**83,856**	83,244

ADJUSTED PROFIT

The Group uses adjusted profit (pre and post-tax), adjusted underlying profit (pre and post-tax), adjusted EPS and adjusted underlying EPS as alternative performance measures.

The alternative performance measures are used to present shareholders and analysts with a clear view of what the Board considers to be a fair reflection of the Group's results by excluding certain non-cash items detailed below. In the case of underlying measures, these also exclude the impact of performance fees which are more volatile and less consistent in nature than the Group's other revenue sources. This enables consistent period-on-period comparison and makes it easier for users of the accounts to identify trends.

Adjusted profit comprises adjusted underlying profit and performance fee profit.

Adjusted profit before tax is determined by adjusting statutory profit before tax for the impact of amortisation and impairment of intangible assets (excluding software), other gains and losses and dilutive share awards.

Adjusted underlying profit before tax is calculated by subsequently deducting any performance fee profit before tax from adjusted profit before tax.

Performance fee profit represents performance fees, less the associated remuneration costs plus the gain or loss on disposal of seed investments held.

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Adjusted profit calculation:		

Statutory profit before tax	**8,299**	16,788
Adjustments:		
Amortisation and impairments of intangible assets	**4,603**	4,347
Other gains and losses	**301**	(841)
Dilutive share awards (credits)/costs	**(17)**	635
Adjusted profit before tax	**13,186**	20,929
Taxes	**(3,330)**	(4,701)
Adjusted profit after tax	**9,856**	16,228
Performance fee profit calculation:		
Performance fees	**1,161**	12,519
Less remuneration at 50% (2019: 50%)	**(581)**	(6,260)
Gains and (losses) on disposal of investments	**42**	20
Performance fee profit before tax	**622**	6,279
Taxes	**(118)**	(1,194)
Performance fee profit after tax	**504**	5,085
Adjusted underlying profit calculation:		
Adjusted profit before tax	13,186	20,929
Less: Performance fee profit before tax	(622)	(6,279)
Adjusted underlying profit before tax	**12,564**	14,650
Taxes on adjusted profit	**(3,330)**	(4,701)
Add back: Taxes on performance fee profit	**118**	1,194
Adjusted underlying profit after tax	**9,352**	11,143
Adjusted underlying pre-tax margin (calculated on total revenue excluding performance fees)	**18%**	22%

ADJUSTED EARNINGS PER SHARE

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Adjusted profit after tax	**9,856**	16,228
Adjusted underlying profit after tax	**9,352**	11,143
Weighted average shares ('000)	**83,624**	80,121
Weighted average diluted shares ('000)	**83,856**	83,244
Adjusted EPS:		
Basic (pence)	**11.79**	20.26
Diluted (pence)	**11.75**	19.50
Adjusted underlying EPS:		
Basic (pence)	**11.18**	13.91
Diluted (pence)	**11.15**	13.39

14. DIVIDENDS

The Group recognises dividends when an irrevocable commitment to pay them is incurred. In the case of interim dividends, this is generally the payment date. In the case of final dividends, this is the date upon which the dividend is approved by shareholders.

During the year, the following dividends were paid:

	Ordinary (pence)	Special (pence)	Total (pence)	**Year ended 30 June 2020 £'000**	Year ended 30 June 2019 £'000
2018 second interim	4.2	1.3	5.5	–	4,422
2018 final	3.2	2.3	5.5	–	4,424
2019 first interim	4.3	2.0	6.3	–	5,023
2019 second interim	3.5	1.6	5.1	**4,269**	–
2019 final	2.6	2.4	5.0	**4,188**	–
2020 first interim	3.9	0.5	4.4	**3,678**	–
				12,135	13,869

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits. At year end, all cash balances were held by banks with credit ratings as detailed below.

Bank	**30 June 2020 £'000**	30 June 2019 £'000	Credit rating	Rating body
Barclays Bank	**19,305**	18,728	A1/Negative	Moody's
Lloyds Bank	**4,384**	5,043	Aa3	Moody's
First Republic Bank	**562**	275	A1	Moody's
Total cash and cash equivalents	**24,251**	24,046		

16. INVESTMENT MANAGEMENT BALANCES

	30 June 2020 £'000	30 June 2019 £'000
Investment management receivables	**-**	**22,277**
Investment management payables	**-**	**22,278**

Effective 17 Oct 2019, River and Mercantile Asset Management LLP ceased to be the ACD of the ICVC Funds and we initiated the transfer of the ACD responsibility to an independent third party management company. The reduction of other receivables was a result of this change.

As ACD of River and Mercantile Funds ICVC (the Fund), the Group was required to settle transactions between investors and the depositary of the Fund. The Group was exposed to the short-term liquidity requirements to settle with the depositary of the Fund before receiving payments from the investor. The credit risk associated with the investment management balances held in the prior year is discussed in note 28.

The investment management balances were initially recognised at fair value, based upon the values given by the administrator of the ICVC of the contractually agreed subscription or redemption values, and were subsequently recognised at amortised cost using the effective interest method. Due to their short-term nature (typically less than a week), amortised cost closely approximates fair value. The Group applies the IFRS 9 three stage model to measuring expected credit losses (ECLs) for investment management balances at an amount equal to 12 months ECLs. The ECLs on investment management balances are calculated based on actual historic credit loss experienced over the preceding three to five years on the total balance of non-credit impaired investment management balances, and also the future likelihood of default. Taking into consideration the Group's historical experience, and their current credit exposures in light of future probabilities of default, the Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2019: nil).

17. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT AND LOSS

The Group uses capital to invest in its own fund products as seed investments. The investments are recognised as a financial asset in the balance sheet and changes to the fair value are recognised in the income statement. The fair value of the Group's investment in its Funds is derived from the fair value of the underlying investments, some of which are not traded in an active market and therefore the investment is classified as Level 2 under IFRS 13 Fair Value Measurement.

The movement in the carrying value of the investments is analysed below:

	Investments held at FVTPL £'000
At 30 June 2018	5,165
Additions	10
Movement in FVTPL	441
Foreign exchange movement	165
Disposals	(394)
At 30 June 2019	**5,387**
Additions	**1,523**
Movement in FVTPL	**(435)**
Foreign exchange movement	**(58)**
Disposals	**(6,127)**
At 30 June 2020	**290**

18. ASSETS HELD FOR SALE

Where the Group seeds a fund, which meets the definition of an asset held for sale it is accounted for accordingly. These will be held at the lower of cost or net realisable value.

The movement in the carrying value of the investments is analysed below:

	Investments held for sale £'000
At 30 June 2019	**-**
Additions	**810**
At 30 June 2020	**810**

19. FEE RECEIVABLES

Fee receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. The Group applies the IFRS 9 simplified approach to measuring ECLs for fee receivables at an amount equal to lifetime ECLs. The ECLs on fee receivables are calculated based on actual historic credit loss experienced over the preceding three to five years (which is adjusted for forward-looking estimates) on the total balance of non-credit impaired fee receivables and also the future likelihood of default.

The Group considers a fee receivable to be credit impaired when one or more detrimental events have occurred, such as significant financial difficulty of the client or it becoming probable that the client will enter bankruptcy or other financial reorganisation. As the majority of fee receivables are fees deducted from the net asset value by fund administrators from the respective funds off which they are calculated the credit risk is considered very low. Taking into consideration the Group's historical experience, and their current credit exposures in light of future probabilities of default, the Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2019: nil). The directors are satisfied with the credit quality of counterparties.

	30 June 2020 £'000	30 June 2019 £'000
Fees receivable	**10,233**	4,412
	10,233	4,412

As at 30 June 2020, the lifetime expected loss provision for fee receivables is as follows:

£'000	Current	30–60 days past due	61–90 days past due	91–365 days past due	More than 365 days past due	Total
Expected loss rate	0%	0%	0%	0%	50%	
Fee receivables balance	9,376	733	77	47	–	10,233
Loss provision	–	–	–	–	–	–

Movements in the impairment allowance for fee receivables are as follows:

	30 June 2020 £'000	30 June 2019 £'000
Opening provision for impairment	**–**	38
Increase during the year	**–**	7
Receivable written off during the year	**–**	(45)
Closing provision for impairment	**–**	**–**

The average credit period on fee receivables is 13 days (2019: 32 days).

20. OTHER RECEIVABLES

	30 June 2020 £'000	30 June 2019 £'000
Accrued income	**13,723**	18,186
Prepayments	**1,691**	1,494
Other debtors	**44**	5,825
	15,458	25,505

In 2019, other debtors included a receivable in respect of the settlement of shares sold to cover Executive Directors' employment taxes following the vesting of the EPSP awards of £3,693,000 and an ACD debtor of £1,083,000.

The Group applies the IFRS 9 simplified approach to measuring ECLs to other debtors. The Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2019: nil).

The Group's policy on financial instruments can be found in note 28.

21. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at historical cost less accumulated depreciation. Depreciation charges the cost of the assets to the consolidated income statement over their expected useful lives. Office equipment includes computer equipment which is depreciated over three years, and fixtures, fittings and equipment which is depreciated over seven years. Leasehold improvements are amortised over the remaining term of the leases. The depreciation period and method are reviewed annually. Depreciation on right of use leasehold assets is included in administration expenses.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 30 June 2018	573	415	988
Additions	64	132	196
Disposals	(85)	–	(85)
Exchange difference	5	3	8
At 30 June 2019	557	550	1,107
Additions	45	–	45

Exchange difference	5	2	7
At 30 June 2020	607	552	1,159
Accumulated depreciation:			
At 30 June 2018	365	22	387
Disposals	(85)	–	(85)
Depreciation charge on owned assets	71	128	199
At 30 June 2019	351	150	501
Depreciation charge on owned assets	72	145	217
Exchange difference	2	1	3
At 30 June 2020	425	296	721
Net book value:			
At 30 June 2019	206	400	606
At 30 June 2020	182	256	438

22. RIGHT OF USE ASSETS AND LEASE LIABILITY

Right of Use Asset on Leasehold Property	£'000
Cost:	
At 30 June 2019	**-**
Recognition of asset on transition to IFRS 16	5,591
Additions	41
At 30 June 2020	**5,632**
Accumulated depreciation:	
At 30 June 2019	**-**
Recognition of depreciation charge on transition to IFRS 16	1,768
Depreciation charge	1,278
At 30 June 2020	3,046
Net book value:	
At 30 June 2019	**-**
At 30 June 2020	2,586

Lease Liability	£'000
Liability: At 30 June 2019	-
Recognition of liability on transition to IFRS 16	4,024
Payments made	(1,503)
Interest charge	170
At 30 June 2020	**2,691**

Of which:

Current lease liabilities	1,456
Non-Current lease liabilities	1,235
At 30 June 2020	**2,691**

From 1 July 2019, the Group's leases relating to office accommodation with terms of more than one year are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5%. Leases with terms less than one year will continue to be recognised as an operating lease.

The below table shows a reconciliation from the operating lease commitments disclosed at 30 June 2019 to the lease liability recognised on implementation of IFRS 16:

	Lease Liability
Operating lease commitments at 30 June 2019	4,098
(Less): adjustments relating to leases of low value assets	(121)
Add: Adjustments as a result of different treatment of extension and termination options	332
(Less): discount using the lessee's incremental borrowing rate	(285)
Lease Liability recognised at 1 July 2020	**4,024**

23. TRADE AND OTHER PAYABLES

	30 June 2020 £'000	30 June 2019 £'000
Trade payables	**195**	771
VAT payable	**1,110**	1,029
Remuneration accruals	**11,570**	17,459
Other accruals and payables	**4,588**	4,478
Contract liabilities	**30**	38
	17,493	23,775

The Group's policy on financial instruments can be found in note 28.

24. SHARE CAPITAL

The Company had the following share capital at the reporting dates:

Allotted, called up and fully paid: Ordinary shares of £0.003 each	Number	£
Opening balance at 1 July 2018	82,095,346	246,286
Shares issued in respect of EPSP award vesting	2,956,336	8,869
Shares issued in respect of SAYE award vesting	244,494	734
Balance at 30 June 2019	85,296,176	255,889
Shares issued in respect of SAYE award vesting	157,458	472
Balance as at 30 June 2020	**85,453,634**	**256,361**

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

The share premium account arises from the excess paid over the nominal value of the shares issued.

25. OTHER RESERVES

	30 June 2020	30 June 2019

	£'000	£'000
Foreign exchange reserve	**350**	379
Capital redemption reserve	**84**	84
Merger reserve	**–**	44,433
Capital contribution reserve	**576**	576
	1,010	45,472

The foreign exchange reserve represents the cumulative foreign exchange differences arising on US Dollar denominated businesses in the Group as well as currency differences on goodwill and fair value adjustments on the acquisition of foreign subsidiaries. Upon any disposal of the US Dollar denominated business, the associated cumulative foreign exchange differences would be recycled through the consolidated income statement.

The capital contribution reserve arose from a historical acquisition whereby the Group's then parent settled part of the consideration in its own shares valued at £576,000. There was a reclassification to retained earnings for a capital contribution reserve item that arose from forgiveness of a dividend by the Group's then parent, PSG (£3,867,000).

Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the High Court, the Company capitalised its merger reserve of £44.4m by cancelling the deferred shares in the Company (the "Deferred Shares") creating distributable reserves equal to the merger reserve. The Company received High Court approval in January 2020 to effect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company accordingly, supporting the Company's ability to pay future dividends.

26. OWN SHARES HELD BY EBT

During the year, the Group's EBT purchased Group shares in relation to non-dilutive share awards (note 7). The shares held are measured at cost.

	£'000
Opening balance at 1 July 2018	4,981
Acquisition of own shares by EBT	1,694
Disposal of shares in respect of award vesting	(424)
Balance at 30 June 2019	6,251
Disposal of shares in respect of award vesting	(1,996)
Balance as at 30 June 2020	**4,255**

27. RELATED PARTY TRANSACTIONS

Related parties to the Group are its key management personnel (note 6)

In the prior year the Punter Southall Group (PSG) were a related party of the Group but ceased to be so in the year ended 30 June 2020 by virtue of PSG's representative director resigning on 30 June 2019.

SIGNIFICANT TRANSACTIONS WITH PSG

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Administrative charges from PSG:		
Office facilities	**N/A**	435
Total administrative charges	**N/A**	435

28. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the income statement.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses. Interest income is recognised by applying the effective interest rate, except for short-term trade and other receivables when the recognition of interest would be immaterial.

The impairment provision on financial assets measured at amortised cost (such as trade and other receivables) has been calculated in accordance with IFRS 9's expected credit loss model.

CASH AND CASH EQUIVALENT BALANCES

Cash and cash equivalents balances comprise cash in hand, cash at agents, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest method. Interest expense is recognised by applying the effective interest rate, except for short-term trade and other payables when the recognition of interest would be immaterial.

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial instruments held by the Group are categorised under IFRS 9 as follows:

	30 June 2020 £'000	30 June 2019 £'000
Financial assets		
Cash and cash equivalents	**24,251**	24,046
Investment management balances	**–**	22,277
Fee receivables	**10,233**	4,412
Other receivables	**13,767**	24,011
Total financial assets held at amortised cost	**48,251**	74,746
Investments held at FVTPL	**290**	5,387
Total Investments held at FVTPL	**290**	5,387
Total financial assets	**48,451**	80,133

Other receivables exclude prepayments.

	30 June 2020 £'000	30 June 2019 £'000
Financial liabilities		
Investment management balances	**–**	22,278
Trade and other payables	**17,493**	23,344
Total financial liabilities at amortised cost	**17,493**	45,622
Contingent consideration	**228**	393
Total financial liabilities held at fair value	**228**	393
Total financial liabilities	**17,721**	46,015

Trade and other payables exclude deferred income.

The directors consider the carrying amounts of the loan and receivables financial assets and financial liabilities carried at amortised cost to be a reasonable approximation to their fair values based upon their nature and the relatively short period of time between the origination of the instruments and their expected realisation.

As reported in the prior year's Annual Report the Group became the investment manager of the ILC funds. The contractual agreements entered into between the parties constituted a business combination under IFRS 3. The contingent consideration is calculated based on the percentage of revenue generated by an IMA and measured at fair value at each reporting date. The contingent consideration balance is recognised within Trade and other payables in the consolidated statement of financial position and changes in fair value are recognised in the income statement. In the year the contingent consideration has moved by £165,000 predominantly due to £112,000 of fair value adjustments.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, and held as FVTPL and revalued on a recurring basis, grouped into levels 1 to 3:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The Group does not hold financial instruments in this category;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group's seeding of funds is held within this category;
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's contingent consideration of the ILC team is held within this category. This contingent consideration is measured at fair value at the reporting date. Based on a discount rate of 10% and an assumed AUM growth of 10% per annum, the fair value of the contingent consideration payable is £228,000 (2019: £393,000).

	30 June 2020 £'000	30 June 2019 £'000
Financial assets		
Financial assets held at fair value – level 2	**290**	5,387
	290	5,387

	30 June 2020 £'000	30 June 2019 £'000
Financial liabilities		
Financial liabilities held at fair value – level 3	**228**	393
	228	393

There have been no transfers of financial instruments between levels during the period.

FINANCIAL RISK MANAGEMENT

The risks of the business are measured and monitored in accordance with the Board's risk appetite, and policies and procedures covering specific risk areas, such as: credit, market and liquidity risk.

The Group is exposed to credit risk, market risk (including interest rate and foreign currency risks) and liquidity risks from the financial instruments identified above. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty defaults on their contractual obligations resulting in financial loss to the Group. The carrying amount of financial assets at amortised cost recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group holds no collateral as security against any financial asset. Credit risk arises principally from the Group's fee receivables, other receivables and cash balances. The Group manages its credit risk through monitoring the aging of receivables and the credit quality of the counterparties with which it does business. Where it is deemed that a receivable is no longer recoverable it will be written off but will still be subject to enforcement activity.

The aging of outstanding fee receivables at the reporting date is given in note 19. There was no single fee receivable balance at year-end that is material to the Group (2019: none).

The banks with whom the Group deposits cash and cash equivalent balances are monitored, including their credit ratings (note 15). The Board consider both short term and long term credit ratings of its bank counterparties.

MARKET RISK – FOREIGN CURRENCY RISK MANAGEMENT

The Group's foreign currency risk arises where adverse movements in foreign exchange rates impact the value of the assets and liabilities held in currencies other than the local entities functional currency.

The carrying amount of the Group's foreign currency exposures are shown below in GBP:

	30 June 2020 £'000	30 June 2019 £'000
Fee receivables	**675**	25
Cash and cash equivalents	**1,158**	249
Payables	**(3,823)**	(1,026)
Other assets	**2,785**	1,653
Assets held for sale	**810**	-
Investments held at fair value	**240**	5,261
Total	**1,845**	6,162

A 10% fluctuation in the exchange rate between foreign currencies and UK Pounds sterling on the outstanding foreign currency denominated monetary items at year-end balances would result in a gain or loss of £185,000 (2019: £616,000).

Foreign exchange risk arising from transactions denominated in foreign currencies are monitored and where appropriate the currency required to settle the transaction may be purchased ahead of the settlement date.

MARKET RISK – INTEREST RATE RISK MANAGEMENT

The Group has minimal exposure to interest rate risk. The Group has no external borrowings, cash deposits with banks earn a floating rate of interest and the interest income is not significant in either year.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves to meet the Group's working capital requirements. Management monitors forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

The Group is cash generative before the payment of dividends and has cash and cash equivalent balances that support the Group's working capital requirements. The fee receivable invoicing cycle is generally quarterly; as a result cash balances are maintained to meet the ongoing expenses of the business during the quarterly cycles. The Group's capital expenditure requirements have not been significant and have been limited to office and IT equipment.

Prior to significant cash outflows (or entering into commitments which would result in significant cash outflows), including dividends, the Group undertakes liquidity and capital analysis.

The Group has entered into leases over its premises. The Group's lease liability of £2,691,000 is presented on the statement of financial position.

At 30 June 2020, the Group had cash and cash equivalents of £24.3m (2019: £24.0m).

LIQUIDITY GAP ANALYSIS

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

The net liquidity positions in the table below relate to cash flows on contractual obligations existing at the reporting date and does not take account of any cash flows generated from profits on normal trading activities.

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2020				
Assets				
Cash and cash equivalents	24,251	–	–	–
Fee income receivables	–	10,233	–	–
Other receivables	–	9,173	4,536	58

Total financial assets	24,251	19,406	4,536	58
Liabilities				
Trade and other payables	–	15,373	1,146	946
Total financial liabilities	–	15,373	1,146	946
Net liquidity surplus/(deficit)	24,251	4,033	3,390	(888)

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2019				
Assets				
Cash and cash equivalents	24,046	–	–	–
Investment management balances	–	22,277	–	–
Fee income receivables	–	4,412	–	–
Other receivables	–	19,100	4,855	56
Total financial assets	24,046	45,789	4,855	56
Liabilities				
Investment management balances	–	22,278	–	–
Trade and other payables	–	21,218	2,075	444
Total financial liabilities	–	43,496	2,075	444
Net liquidity surplus/(deficit)	24,046	2,293	2,780	(388)

CAPITAL MANAGEMENT

The Group operates its subsidiaries as self-sufficient entities which, save for activities in the US, are expected to be able to meet their funding requirements without recourse to the parent.

The Group's capital structure consists of equity (share capital and share premium), other reserves and its retained earnings; capital is managed on a consolidated and individual entity basis to ensure that each entity is able to continue as a going concern. Three of the Group's subsidiaries are regulated entities (one in the UK, one in the US and one in both the UK and the US). The Group scrutinises its capital adequacy using the Pillar 2 and ICAAP frameworks which are regulated by the FCA to maintain adequate capital requirements. The Group has complied with its regulatory capital required throughout the period covered by these financial statements.

29. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY UNDERTAKINGS

The Company became publicly listed on 26 June 2014 and remains publicly listed. The directors consider that there is no ultimate controlling party of the Group.

SUBSIDIARY UNDERTAKINGS

The following subsidiaries have been included in the consolidated financial information of the Group:

Name	Country of incorporation of registration	Proportion of voting rights/ordinary share capital held %	Registered office address	Nature of business
River and Mercantile Investments Limited[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment management
River and Mercantile US Holdings Limited[1]	UK	100	30 Coleman St, London, EC2R 5AL	Holding company for the US business
River and Mercantile LLC[1, 2]	US	100	130 Turner St, Waltham, MA 02453	Actuarial and consulting
River and Mercantile Holdings Limited	UK	100	30 Coleman St, London, EC2R 5AL	Holding company
River and Mercantile Asset Management LLP[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment management

River and Mercantile Group Services Limited[1,2]	UK	100	30 Coleman St, London, EC2R 5AL	Dormant service company
River and Mercantile Group Trustees Limited[1,2]	UK	100	30 Coleman St, London, EC2R 5AL	Dormant service company
River and Mercantile Services LLC[2]	US	100	1209 Orange St, Wilmington, Delaware 19801	Dormant service company
River and Mercantile Group Employee Benefit Trust	UK	0	12 Castle Street, St Helier, Jersey, JE2 3RT	Employee Benefit Trust
River & Mercantile International High Alpha Fund[3]	US	100	C/O Global Trust Company 12 Gill Street, Suite 2600 Woburn US-MA US 01801	Delaware series LLC

1. Indirect holding.
2. Exempt from audit requirements.
3. Fund consolidated as held for sale

River and Mercantile Asset Management LLP has a non-coterminous year end, reporting at 31 March on a standalone basis. This was the existing year-end date as at acquisition and no change is expected.

In the year River and Mercantile Services LLC was liquidated and ceased to form part of the Group.

30. EVENTS AFTER THE REPORTING DATE

Since the end of the financial year, the directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

The Board of Directors have declared a second interim dividend of 2.81 pence per share. The second interim dividend will be paid on 20 November 2020 to shareholders on the register as at 23 October 2020. The ex-dividend date is 22 October 2020.

The Board of Directors have also proposed a final dividend for the year ended 30 June 2020, subject to approval by shareholders at the Group's AGM on 14 December 2020, of 2.34 pence per share.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2020 £'000**	30 June 2019 £'000
Assets			
Cash and cash equivalents	2	**13,898**	11,104
Other receivables	3	**3,396**	12,947
Deferred tax asset	4	**126**	736
Right of use assets	6	**1,620**	-
Property, plant and equipment	5	**188**	314
Intangible assets	7	**380**	26
Investments	8	**58,901**	58,762
Total assets		**78,509**	83,889
Liabilities			
Payables	9	**2,697**	9,254
Lease liability	6	**1,578**	-
Total liabilities		**4,275**	9,254
Net assets		**74,234**	74,635
Equity			
Share capital	10	**256**	256

	Note	2020	2019
Share premium	11	**15,428**	15,136
Other reserves	12	**84**	44,517
Retained earnings		**58,466**	14,726
Equity attributable to owners		**74,234**	74,635

The notes to the financial statements of River and Mercantile Group plc (registered number 04035248) form part of and should be read in conjunction with the financial statements.

The Company's profit after tax for the year was £11,335,000 (2019: £15,810,000).

COMPANY STATEMENT OF CASH FLOWS

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Cash flow from operating activities		
Profit before interest and tax	**11,809**	15,791
Adjustments for:		
Depreciation of property, plant and equipment	**150**	122
Depreciation of right of use asset	**1,050**	-
Amortisation of intangible assets	**31**	21
EBT funding	**-**	2,079
Share-based payment expense	**265**	429
Dividends from subsidiaries	**(16,000)**	(23,200)
Other gains and losses	**(27)**	21
Operating cash flow before movement in working capital	**(2,722)**	(4,737)
Decrease/(Increase) in operating assets	**4,306**	(5,230)
Increase/(Decrease) in operating liabilities	**(6,691)**	649
Cash (used in) operations	**(5,107)**	(9,318)
Taxation received	**511**	1,206
Net cash (used in) operations	**(4,596)**	(8,112)
Cash flow from investing activities		
Purchases of property, plant and equipment	**(24)**	(190)
Purchase of intangible assets	**(385)**	-
Repayment of intercompany loan receivables	**4,877**	4,016
Interest received	**37**	36
Dividends received from subsidiaries	**16,000**	23,200
Net cash generated from investing activities	**20,505**	27,062
Cash flow from financing activities		
EBT funding settled	**-**	(2,200)
Dividends paid	**(12,135)**	(13,869)
Share issue	**294**	408

Lease liability payments	**(1,274)**	-
Net cash (used in) financing activities	**(13,115)**	(15,661)
Net increase in cash and cash equivalents	**2,794**	3,289
Cash and cash equivalents at beginning of year	**11,104**	7,815
Cash and cash equivalents at end of year	**13,898**	11,104

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance as at 30 June 2018	246	14,688	48,384	7,660	70,978
Comprehensive income for the year:					
Profit for the year	–	–	–	15,810	15,810
Total comprehensive income for the year	–	–	–	15,810	15,810
Transactions with owners:					
Dividends	–	–	–	(13,869)	(13,869)
Share-based payment expense	–	–	–	1,450	1,450
Deferred tax on share-based payment expense	–	–	–	(1,272)	(1,272)
Realised tax in respect of award vesting	–	–	–	1,080	1,080
Transfer to retained earnings	–	–	(3,867)	3,867	–
Share issue in respect of award vesting	10	448	–	–	458
Total transactions with owners:	10	448	(3,867)	(8,744)	(12,153)
Balance as at 30 June 2019	256	15,136	44,517	14,726	74,635
Adjustment to retained earnings on transition to IFRS 16	-	-	-	(123)	(123)
Adjusted Balance as at 30 June 2019	256	15,136	44,517	14,603	74,512
Comprehensive income for the year:					
Profit for the year	-	-	-	11,335	11,335
Total comprehensive income for the year	-	-	-	11,335	11,335
Transactions with owners:					
Dividends	-	-	-	(12,135)	(12,135)
Share-based payment expense	-	-	-	409	409
Deferred tax on share-based payment expense	-	-	-	(158)	(158)
Realised tax in respect of award vesting	-	-	-	(21)	(21)
Transfer to retained earnings	-	-	(44,433)	44,433	-
Share issue in respect of award vesting	-	292	-	-	292
Total transactions with owners:	-	292	(44,433)	32,528	(11,613)

Balance as at 30 June 2020	256	15,428	84	58,466	74,234

The merger reserve arose on the acquisition of RAMAM in March 2014. Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the High Court, the Company capitalised its merger reserve of £44.4 million by paying up and issuing deferred shares in the Company (the "Deferred Shares") to a nominee who held such shares in trust for the shareholders. The Company received High Court approval in January 2020 to affect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations, International Financial Reporting Interpretation Committee interpretations, and with those parts of the 2006 Act applicable to companies reporting under IFRS as issued by the International Accounting Standards Board as adopted by the European Union (IFRS) that are relevant to its operations and effective for accounting periods beginning on 1 July 2019.

PRINCIPAL PLACE OF BUSINESS

The Company's principal place of business is the same as its registered office.

RESULT FOR THE YEAR

The profit after tax for the year ended 30 June 2020 was £11,335,000 (2019: £15,810,000).

In accordance with s408 of the Companies Act 2006 a separate income statement has not been presented for the Company. There are no items of comprehensive income other than the result for the year and therefore no statement of comprehensive income has been prepared for the Company.

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 income statement.

DIVIDENDS

See note 14 of the consolidated financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank, cash at agents, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Below is a table detailing the credit rating of the banks with which the Company holds its cash, and the balance held at year-end.

Bank	**30 June 2020 £'000**	30 June 2019 £'000	Credit rating	Rating body
Barclays Bank	**13,898**	11,104	A1/Negative	Moody's

3. OTHER RECEIVABLES

	30 June 2020 £'000	30 June 2019 £'000
Taxes and social security	**327**	202
Prepayments and accrued income	**601**	779
Amounts owed from Group undertakings	**2,467**	8,116
Other debtors	**1**	3,850

	3,396	12,947

Other debtors in the prior year include a receivable in respect of the settlement of shares sold to cover Executive Directors' employment taxes following the vesting of the EPSP awards of £nil (2019: £3,693,000).

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

The Company applies the IFRS 9 simplified approach to measuring ECLs to accrued income and three staged model to measuring ECLs to the remaining other receivables. The Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2019: nil).

4. TAX

The Company's accounting policy in respect of tax is the same as that of the Group as detailed in note 12 of the consolidated financial statements.

	30 June 2020 £'000	30 June 2019 £'000
Deferred tax assets:		
At beginning of year	**736**	2,074
(Charge) to the income statement – share-based payment expense	**(451)**	(66)
(Charge) to equity – share-based payment expense	**(159)**	(1,272)
At year end	**126**	736

5. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is carried at historical cost less accumulated depreciation. Depreciation charges the cost of the assets to the consolidated income statement over their expected useful lives.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 30 June 2019	136	370	506
Additions	24	-	24
At 30 June 2020	160	370	530
Accumulated depreciation:			
At 30 June 2019	29	163	192
Depreciation charge	32	118	150
At 30 June 2020	61	281	342
Net book value:			
At 1 July 2019	107	207	314
At 30 June 2020	99	89	188

6. RIGHT OF USE ASSETS AND LEASE LIABILITY

Right of Use Asset on Leasehold Property	£'000
Cost:	
At 30 June 2019	-

Recognition of asset on transition to IFRS 16	4,066
Additions	-
At 30 June 2020	**4,066**
Accumulated depreciation:	
At 30 June 2019	-
Recognition of depreciation charge on transition to IFRS 16	1,396
Depreciation charge	1,050
At 30 June 2020	**2,446**
Net book value:	
At 30 June 2019	**-**
At 30 June 2020	**1,620**

Lease Liability	£'000
Liability: At 30 June 2019	-
Recognition of liability on transition to IFRS 16	2,739
Payments made	(1,274)
Interest charge	113
At 30 June 2020	**1,578**
Of which:	
Current lease liabilities	355
Non-Current lease liabilities	1,223
At 30 June 2020	**1,578**

From 1 July 2019, the Company's leases relating to office accommodation with terms more than one year are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5%.

7. INTANGIBLE ASSETS

Intangible assets are carried at historical cost less accumulated amortisation and impairment. Amortisation charges the cost of the assets to the income statement over their expected useful lives.

	Software £'000	Total £'000
Cost:		
At 30 June 2019	84	84
Additions	386	386
At 30 June 2020	**470**	**470**
Accumulated amortisation and impairment:		
At 30 June 2019	58	58
Amortisation charge	32	32

At 30 June 2020	**90**	**90**

Net book value:		
At 1 July 2019	26	26
At 30 June 2020	**380**	**380**

8. INVESTMENTS IN SUBSIDIARIES

	30 June 2020 £'000	30 June 2019 £'000
At start of year	**58,762**	57,645
Additions – share-based payments in subsidiaries	**139**	1,117
At end of year	**58,901**	58,762

The Company's investments in subsidiaries are stated at cost less provision for any impairment incurred. The Company has a 100% holding in River and Mercantile Holdings Limited.

9. PAYABLES

	30 June 2020 £'000	30 June 2019 £'000
Trade payables	**60**	563
Amounts owed to Group undertakings	**19**	-
Accruals and deferred income	**2,618**	8,691
	2,697	9,254

The Company also had payables of £1,578,000 in relation to its lease liabilities.

10. SHARE CAPITAL

Full details of the Company's share capital can be found in note 24 of the consolidated financial statements.

11. SHARE PREMIUM

Full details of any movements in share premium can be found in the Company statement of changes in equity.

12. OTHER RESERVES

A reconciliation of the movements in reserves can be found in the Company statement of changes in equity. Details on the nature of the other reserves in the Company can be found in note 25 of the consolidated financial statements.

A breakdown of other reserves is detailed below.

	30 June 2020 £'000	30 June 2019 £'000
Merger reserve	**-**	44,433
Capital redemption reserve	**84**	84
	84	44,517

As at 30 June 2020, the Company had £55,038,000 of distributable reserves (2019: £10,800,000).

13. FINANCIAL INSTRUMENTS

A discussion of the financial risks and associated financial risk management, which applies to all of the companies in the Group, can be found in note 28 of the consolidated financial statements, along with the Group's accounting policy in respect of financial instruments.

The financial assets and liabilities of the Company are categorised under IFRS 9 as follows:

	30 June 2020 £'000	30 June 2019 £'000
Financial assets held at amortised cost		
Cash and cash equivalents	**13,898**	11,104
Other receivables	**2,795**	12,168
Total financial assets held at amortised cost	**16,693**	23,272

Other receivables exclude prepayments.

	30 June 2020 £'000	30 June 2019 £'000
Financial liabilities held at amortised cost		
Payables	**2,697**	9,254
Total financial liabilities	**2,697**	9,254

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that the counterparty defaults on their contractual obligations resulting in financial loss to the Company. The carrying amount of financial assets at amortised cost recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company held no collateral as security against any financial asset. Credit risk arises principally from the Company's intercompany and cash balances. The Company manages its credit risk through monitoring the credit quality of the counterparties with which cash is held and the Company's subsidiaries resources.

The bank with whom the Company deposits cash and cash equivalent balances are monitored, including its credit ratings (note 2).

MARKET RISK – INTEREST RATE RISK MANAGEMENT

The Company has minimal exposure to interest rate risk. The Company has no external borrowings and cash deposits with banks earn a floating rate of interest. Interest income is not significant in either year.

LIQUIDITY GAP ANALYSIS

The table opposite presents the cash flows receivable and payable by the Company under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

The net liquidity positions in the table opposite relate to cash flows on contractual obligations existing at the balance sheet date and does not take account of any cash flows generated from profits on normal trading activities.

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2020				
Assets				
Cash and cash equivalents	**13,898**	**–**	**–**	**–**
Other receivables	**–**	**1,977**	**818**	**–**
Total financial assets	**13,898**	**1,977**	**818**	**–**
Liabilities				
Payables	**–**	**2,183**	**92**	**422**
Total financial liabilities	**–**	**2,183**	**92**	**422**

Net liquidity surplus	**13,898**	**(206)**	**726**	**(422)**

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2019				
Assets				
Cash and cash equivalents	11,104	–	–	–
Other receivables	–	6,864	5	5,299
Total financial assets	11,104	6,864	5	5,299
Liabilities				
Payables	–	8,823	374	57
Total financial liabilities	–	8,823	374	57
Net liquidity surplus	11,104	(1,959)	(369)	5,242

14. REMUNERATION AND BENEFITS

Details on each category of remuneration are explained in note 6 of the consolidated accounts.

The Company had an average of 45 employees during the year (2019: 49).

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
The aggregate remuneration of employees (including Directors) comprised:		
Wages and salaries	**5,891**	6,921
Social security costs	**820**	727
Pension costs (defined contribution)	**163**	148
Share-based payment expense	**276**	(49)
Total remuneration and benefits (excluding EPSP)	**7,150**	7,747

Details of the individual Directors' remuneration are shown in the Remuneration Committee Report.

15. RELATED PARTIES

The Company entered into the following transactions with related parties:

		Transaction recharge value		Balance owed/(owing)	
Related party	Type of transaction	**30 June 2020 £'000**	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
River and Mercantile Investments Limited	Management recharges	**9,216**	8,063	**–**	–
(subsidiary undertaking)	Intercompany balances	**–**	–	**1,099**	2,498
River and Mercantile LLC	Management recharges	**38**	31	**–**	–
(subsidiary undertaking)	Intercompany balances	**–**	–	**589**	449
River and Mercantile Holdings Limited	Intercompany loan interest income	**52**	–	**–**	–

(immediate subsidiary undertaking)	Intercompany balances	**–**	–	**818**	4,729
River and Mercantile Asset Management LLP	Management recharges	**458**	1,195	**–**	–
(subsidiary undertaking)	Intercompany balances	**–**	–	**343**	440

River and Mercantile Group PLC is the ultimate parent undertaking, River and Mercantile LLC and River and Mercantile Asset Management LLP are fellow subsidiaries and River and Mercantile Holdings Limited is the immediate parent undertaking.

16. OTHER INFORMATION

The Company has taken the exemption under s408(2) of the Companies Act 2006 to not present their remuneration separately in these financial statements.

A second interim dividend in respect of the year of 2.81 pence per share has been declared. The directors have proposed a final dividend in respect of the year of 2.34 pence per share, of which 0.10 pence is a special dividend relating to net performance fees.

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