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River and Mercantile Group PLC

Final Results

Year ended 30 June 2021

River and Mercantile Group PLC today publishes its audited results for the year ended 30 June 2021

Fee earning AUM increased by 8% to £47.6bn
Performance fees increased by 448% to £6.4m
Proposed total dividend for the year increased by 23% to 11.69 pence

Jonathan Dawson, Chairman, said:

"This has been another period of strong performance for the Group, with a significant improvement in profitability which enables us to pay an attractive dividend, including a special dividend driven by performance fees. The proposed sale of our Solutions business to Schroders will enable us to focus on the transformation of the remaining business into a specialist asset manager, where we see significant potential for further value creation for shareholders."

James Barham, Group Chief Executive said:

"The investments we have made in Wholesale and Institutional distribution, alongside the deepening and broadening of our investment capabilities have delivered earlier than anticipated. We have once again grown our AUM, by £3.4 billion during the period, the seventh year in a row we have done so, and this is a testimony to the quality of our offering, where 92% of funds and strategies by AUM have outperformed their relevant benchmarks over the last 12 months. Wholesale distribution improved strongly with net flow increase of £554 million compared to the previous year and we have had a successful CMA retendering process retaining 90% of relevant clients' assets through the process and winning 12 new clients during the period, delivering an additional £4.9 billion of Fiduciary and Derivative AUM and assets and transition. This, combined with our strong investment performance, positions the Group very well for continued growth over the coming years."

"The recent announcement of the sale of our Solutions Division to Schroders is an excellent outcome for all stakeholders and I am excited by the strength of this combination and the continuity and opportunity it provides for our clients and our people. Schroders will be an excellent owner of the business and for the long term future growth in an exciting and dynamic market."

Financial Highlights

- Fee earning AUM[1] increased by 8% to £47.6 billion (2020: £44.2 billion) representing the seventh consecutive year of AUM growth;
- Underlying revenue[2] down 2% to £67.9 million (2020: £69.4 million)
- Performance fees increased to £6.4 million (2020: £1.2 million);
- Statutory profit before tax increased 31% to £10.9 million (2020: £8.3 million);
- Adjusted underlying profit before tax[3] down 3% to £12.2 million (2020: £12.6 million);
- Adjusted profit before tax[4] increased 14% to £15.0 million (2020: £13.2 million);
- Adjusted basic EPS[5] and statutory basic EPS increased to 13.96 pence (2020: 11.79 pence) and 9.79 pence (2020: 6.39 pence) per share respectively; and
- Total dividend for the year of 11.69 pence per share up 23%.

Operating Highlights

- The business has performed strongly and is responding well to the investments made;
- Excellent investment performance across the business with 92% of funds and strategies by AUM outperforming relevant benchmarks over the last 12 months;
- 90% of Fiduciary AUM retained through the CMA process;
- An improvement in our RFP and pitch success rate and as a result a growing pipeline of opportunities;
- This has led to 12 new Fiduciary clients wins during the year, delivering an additional £4.9 billion of Fiduciary and Derivative AUM and assets in transition, which have subsequently transitioned and are now fee earning;
- Wholesale gross sales have grown by 180% over the last twelve months with an improvement in net flows of £554 million from the previous year;
- Wholesale pipeline is building strongly and is well positioned for the coming period;
- European fund launched and as of 5 November 2021 is in excess of £200 million; and
- Infrastructure team recruited and Infrastructure Equity Income fund readied for launch.

Proposed sale of Solutions to Schroders

- Post the year end, we announced on 26th October 2021 the proposed sale of our Solutions Division to Schroders for an enterprise value of £230 million. Solutions' Assets Under Management as at 30 September 2021 amounted to £42 billion;
- Sales price represents a premium of 28.2% over RMG's undisturbed market capitalisation on 9 August 2021, the day prior to the announcement by RMG that it had received a number of expressions of interest in Solutions;
- Enterprise value to EBITDA multiple of 13.4x based on Solutions' EBITDA for the year ended June 2021;
- Subject to and conditional on completion of the Sale, RMG's CEO, James Barham, will transfer with the Sale to lead this business and also to play a broader management role at Schroders. Until completion he will remain CEO of RMG;
- Alex Hoctor-Duncan will succeed James Barham as CEO of RMG following completion, and will join the Board on 29 November 2021 as previously announced;
- The Board will enter into a consultation with Shareholders on the use of the proceeds. It intends to return the majority of proceeds to Shareholders while retaining sufficient funds both to ensure that its existing business remains well capitalised and to facilitate its plans for the development of the asset management business;
- The Board plans to develop the ongoing asset management business to create and offer a broader range of high quality and value-added equity products, and in-demand alternatives and private market products, building on the Group's existing offering. It will initially focus this expanded offering through its existing distribution channels in UK wholesale and institutional markets, however it also intends to extend distribution to expand its addressable market;
- The Board will develop its detailed post-sale strategic plan over the coming months and will update shareholders on this plan as part of a full strategy, capital allocation and dividend policy update in the Spring of 2022.

Electronic copy

A PDF version of this announcement is available through the link on RNS, and from the Group's website www.riverandmercantile.com.

Notes:

[1]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, performance fees net of associated remuneration and deal related professional fees. 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, other gains and losses and deal related professional fees. 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 2021 or 2020. Statutory accounts for the year ended 30 June 2020 have been delivered to the Registrar of Companies. The auditor's report for 2021 and 2020 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 2021 is extracted from the audited accounts. The statutory accounts for the year ended 30 June 2021 will be delivered to the Registrar following the Group's AGM on 13 December 2021. The 2021 Annual Report and Accounts will be published in November 2021 and a copy will be available to view on the Group's website from Monday 8 November 2021.

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.

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Chairman's Statement

Although the announcement of the conditional sale of River and Mercantile Investments Limited (RAMIL, Solutions) which holds our Fiduciary Management and Derivatives business to Schroders was made in October, the preparatory work for the sale reflects detailed consideration by the Board of our strategy in the first half of 2021. The extensive preparations and the sale process itself have been time consuming and demanding. The resulting transaction, which is subject to the approval of shareholders at a general meeting to be called in December, is a clear demonstration of the Board's commitment to deliver proper value for shareholders, with a vital contribution made by James Barham our Group Chief Executive to the success of the exercise. The price achieved for RAMIL of £230 million, represented a premium of 28.2 per cent. over the Group's undisturbed market capitalisation on 9 August (the day prior to the announcement that the Group had received a number of expressions of interest in the Solutions business). This is a clear illustration of the discount that the market had applied to our Group and a spur to us to ensure that our shareholders received full value. The sale, if approved, is likely to be completed in the first quarter of next year. The Board intends to return the majority of proceeds to Shareholders following completion of the sale and will engage with Shareholders regarding the amount to be returned. Sufficient funds will be retained both to ensure that its existing business remains well capitalised and to facilitate its plans for the development of the asset management business.

The sale of RAMIL, and its attractiveness to a number of serious industry leaders, was underpinned by its robust performance in the retendering exercise for fiduciary managed pension assets required by the Competition and Markets Authority (CMA) following the latter's enquiry into the sector which was closed in June 2019. The outcome of the retendering for the Fiduciary Management business has been discussed in more detail in the Group Chief Executive's report. This is a tribute to our people in the business, to their focus on achieving great performance and great service for our clients, and to their energy in pitching for new opportunities arising from the sector-wide retendering. We believe that our retendering success is market leading.

Our equities business, River and Mercantile Asset Management LLP (RAMAM) has had a very strong year's performance. RAMAM has benefited from a sectoral shift towards 'value', which has played to the strengths and consistency of our team. The Board is very pleased to note that 11 of our 14 equities strategies are ahead of their respective benchmarks since inception – a remarkable achievement. Included in this is the European Fund which has exceeded its benchmark by in excess of 7.5 per cent. since its launch earlier this financial year.

In January, we announced that Ian Berry and a team of experienced infrastructure investment professionals had joined the Group and that we were planning to launch a new infrastructure fund. We hope to reach first close within the next two months. We have very high hopes for our investment in this space; it is clearly a key area for yield- seeking pension funds and other investors with critical income requirements.

Financial performance

Total revenues were up 5 per cent. (£3.7 million) following the achievement of material performance fees from both Solutions and Asset Management. Statutory profits before tax increased by 31 per cent. to £10.9 million and adjusted profits before tax increased by 14 per cent. to £15.0 million. The Directors have declared a second interim dividend of 4.48 pence per share and are recommending a final dividend of 3.32 pence per share. This amounts to a total dividend of 11.69 pence per share for the period, representing an increase in the total dividend for the year of 23 per cent.

We recognise the importance of dividends to our shareholders. against the background of the sale of RAMIL and in order to provide Shareholders with some certainty for the year ending 30 June 2022, the Board confirms that it intends to pay at least the same cash ordinary dividend per share as for the year ended 30 June 2021.

Board changes

In January we announced the appointment of Martin Gilbert to the Board as Deputy Chairman and an independent non-executive director. Martin has an outstanding record in the asset management sector and the Group is most fortunate in having his expertise and strategic wisdom to help us in our discussions.

In May we announced the appointment of Alex Hoctor-Duncan as an Executive Director with responsibility for strategic development. Alex will join the Board on 29 November at the expiry of his 'garden leave' and will set to work on developing new areas for our long-term growth, building on the Group's strong foundations. Alex has had a distinguished career in asset management largely at Blackrock and its UK precursor companies. Most recently he has been Global Head of Aberdeen Standard Investments, part of abrdn plc. As announced, James Barham will be leaving the Group to join Schroders as part of the sale of RAMIL and he will be succeeded as CEO by Alex Hoctor-Duncan.

Our people and culture

This has been a hard year in which many important and necessary strategic decisions have been taken and executed. It has been all the harder against the background of restrictions arising from the COVID pandemic and the associate disruption. On behalf of the Board, I pay tribute to the determination of all of the Group's people to ensure that our client service and support remained robust, and that our 'client first' instincts were able to be maintained: thank you! I particularly want to single out James Barham for his thoughtful leadership of our people through the last 20 COVID-impacted months. This has helped maintain the strong team spirit and culture in the Group.

Outlook

Looking ahead, we are working hard towards the completion of the sale of RAMIL in the first quarter of 2022, the proposed return of capital to shareholders, and the launch of our new strategic plan built around our asset management capabilities.

There is a lot of work to be done to execute our plans effectively, and no doubt we will also have to contend with the economic headwinds which are already being felt this year. However, I firmly believe that the Group will be able to continue to deliver good returns to shareholders through:-

- continuing to achieve strong performance for our investment clients;
- bearing down on costs as we right size the business; and
- investing in future strategic growth opportunities.

I therefore feel we can look ahead with optimism for the future of River and Mercantile.

Jonathan Dawson
Chairman

Group Chief Executive's Statement

Introduction

We have recently announced the sale of our UK Solutions business and before I address this, I would like to set out our work leading up to this and to place this corporate action into context.

I wrote in my report last year a clear strategic plan to transform the dynamics of the Group, invest in the key elements of our business and drive shareholder value. The strategic plan had a series of core deliverables; a significant investment in Distribution and in particular an overhaul of the Wholesale Distribution function, investment in deepening and broadening our investment capabilities and the development of an integrated operational infrastructure. These investments were a core part of the transformation of our business to deliver on the enormous potential embedded within the organisation. I will detail the actions we took over the last year and the impact this has had on our business which has led to some strong returns from within the business and the seventh consecutive year of consecutive AUM growth.

I also laid out my vision and leadership beliefs and a recognition that the ability to adapt to changing market conditions is crucial. The Fiduciary market has been undergoing significant change, an industry in which we are the longest established manager with a robust and growing client base, excellent investment performance and high-quality people throughout the organisation. This has contributed to the many industry awards our Solutions business has won over the last few years.

The Group has supported the growth and strategic development of both its Solutions and Asset Management divisions since the merger of P-Solve and River and Mercantile Asset Management and the subsequent listing in 2014. However, it has been increasingly clear given the continued undervaluation of our business, we needed to adapt our strategy to ensure that we were able to accelerate returns for shareholders and at the same time deliver the optimal environment for our Solutions business to grow and continue to deliver excellent outcomes to our clients.

We announced on the 26 October 2021 the sale of our UK Solutions Division to Schroders. We see this as a positive move for all stakeholders of the Group, our shareholders, our people, and our clients as we combine the UK's largest listed asset manager with the UK's longest established Solutions manager. We are creating, we believe, the most complete major proposition in a rapidly growing and exciting industry that continues to consolidate, whilst at the same time enabling the remaining business to focus on developing our specialist asset management capabilities.

The combination with Schroders ensures that we maintain the distinct characteristics of our Solutions business, our investment philosophy and process, our clear strategic thinking, and our integrated implementation, whilst benefiting from the scale of our combined operations and so continue to be a market leader and winner in this fast-growing and dynamic market.

As we will set out in the associated circular, we will utilise the proceeds of this sale to return the majority of the net proceeds to shareholders and to invest the balance in accelerating the growth of the remaining businesses through both organic and acquisition-led strategies to broaden and diversify the River and Mercantile business.

Solutions

Our Solutions business is a strong and attractive business which has continued to perform strongly over recent years. The initial element of the CMA order concluded on 9 June 2021 and it is clear that we fared well in an unprecedented period for the Fiduciary industry, we have retendered almost the entirety of our relevant AUM in a relatively short period. Since the beginning of the retendering process, we retained nearly 90 per cent. of relevant AUM compared to the average retention in the market of circa 73 per cent, and in addition we have won a significant number of new clients during the period and in spite of the corporate developments, the pipeline of new opportunities is strong.

We are clearly delighted with the vote of confidence we received from our clients through this process, and I would like to take this opportunity to reiterate our absolute commitment to deliver the investment returns and outcomes that they require.

We recognise that for some of our competitors the initial retendering process will continue for some time for a variety of reasons. We are confident of our ability to take advantage of this ongoing CMA related activity to increase market share, and at the same time continue to win new fiduciary mandates as the underlying market continues to grow with fund consolidation forecast to drive further activity.

Strategic Plan

I set out in my last report the strategic plan focused on the core elements, investing in distribution, a deepening and broadening of our investment capabilities and, operationally the development of a single target operating model across the Group. I have set out below an update on these elements over the last year.

Distribution: We have continued to invest in our distribution capabilities; overhauling our underperforming Wholesale distribution and implementing a technically strong and centralised Solutions sales capability alongside our Institutional distribution function.

The business delivered an increase in AUM of £3.4 billion during the year. We have seen a significant recovery in our Wholesale business following the investments we made in the distribution team this time last year. Wholesale gross sales have grown by 180 per cent. over the last twelve months with an improvement in net positive sales of £554 million from the previous year. I am especially pleased with the speed at which the restructured team has turned this part of our business around. The investment has repaired the underperformance that we had seen from this distribution channel over the last few years and looking forward, we expect Wholesale to continue to grow strongly.

Our institutional business continues to face some headwinds in the UK and particularly in Australia where recent regulatory changes has impacted investment behaviour of some of our clients. We have confidence in both markets and we have an extremely talented and well regarded institutional team and combined with a growing array of relevant products and solutions for this market, will lead to a recovery in this area and a return to growth.
The investment we have made in our Solutions distribution has equally delivered a clear transformation and all stages of our pipeline have been enhanced over the last 12-18 months. We announced that following the year end, we had an additional £2.1 billion of assets at various stages of the transition process, including £1.4 billion of assets where agreements have been signed however assets have not yet transferred.

Our pipeline has responded to the investment in sales and reflects our activities at each stage of the sales process. Our success rate at RFP and pitch has continued to improve and evidences the strong investment and client proposition that has been developed over time. There has been some short term disruptions in the Solutions pipeline, however, with the confirmation of the sale of our Solutions business to Schroders we believe progress will continue to improve and accelerate under their ownership.

Investment: We have invested in deepening existing investment capabilities in our Equities business to support the continued growth and expansion of this team. We have launched the European Fund, which is performing very strongly, and at the time of writing has just exceeded over £200 million and is receiving broad support from across the market. We are also continuing to design and develop relevant product for the market, and we are in the process of bringing SFDR Article 8 and Article 9 strategies to the market across both UK, European and Global strategies. We will launch these strategies on our Irish ICAV platform and as UCITS they support distribution into a range of global markets.

We are broadening our investment capabilities with the recruitment of a highly regarded physical Sustainable Infrastructure business led by Ian Berry, formerly Head of Infrastructure Equity at Aviva Investors. We also recruited a team with whom he used to work, and we are in the process of launching our first strategy, the Infrastructure Equity Income Fund where we are seeing strong support from across the market.

Operations: We undertook all the planning and preparation for the implementation of a new target operating model consolidating our operational capabilities across the Group onto a modern, flexible solution supported by a single data architecture designed to deliver operational leverage and enhanced client experience. This has been placed on hold temporarily as we deal with the sale of our Solutions business and we will review our needs once this process is complete.

2021 Group Performance

The Group has performed well over the period and total AUM has grown by 8 per cent. to £47.6 billion. The net flow ratio was +3.2 per cent. and investment performance was positive, contributing an additional 4.5 per cent. Total revenue rose by 5.3 per cent. to £74.3 million with statutory profit before tax increasing 31 per cent. to £10.9 million and adjusted profit before tax was £15.0 million, an increase of 14 per cent. The business has performed robustly and a combination of strong cost control and improving performance fees has delivered a positive outcome. The investments we have made in distribution and our investment capabilities have begun to deliver the outcomes we expected.

Investment Performance

Our investment performance has been impressive through the year across the business. Our equity portfolios performed well and the return to value toward the back end of the last calendar year has ensured that we recovered all the underperformance of the previous years. Performance against benchmarks and in absolute terms has been resilient and whilst some of our very specialist portfolios have struggled on a relative performance basis, over 75 per cent. of our strategies outperformed their relative benchmarks during the period.

Our Solutions performance is built on a long-established track record of outperformance. The team has delivered circa 10 per cent. p.a. absolute return since 2004 and this is a record that stands us out in the competitive Fiduciary market.

The last year was no exception, and we have continued to deliver with average portfolios outperforming their benchmarks by 9.8 per cent. This excellent performance along with an improved rate environment has ensured that our ability to deliver a growing level of performance fees is significantly enhanced.

Performance fees

These investment returns have led to a return of healthy performance fees from both our Solutions and Equities business. The pre-tax contribution was £2.8 million (performance fee profit excluding seed gains for the year) which compares favourably to a contribution in our last financial year of £0.6 million.

Outlook

The business is undergoing a significant transition which will leave the business as a specialist Asset Management business with a foundation in two key elements: Equities and Infrastructure. We will look to build out these capabilities and add teams and businesses where appropriate and continue the process of diversification that I set out in my original strategy. Alex Hoctor-Duncan joins our business as Head of Strategy at the end of November and I would like to take this opportunity to welcome him to our business. He will succeed me as Group Chief Executive subject to and conditional on completion of the sale of our Solutions business as I will transfer with the Solutions sale to lead this business and play a broader management role at Schroders.

As I have highlighted earlier in my statement, I believe this transaction with Schroders delivers a positive outcome for all stakeholders. In particular it ensures that the culture and values that nurture our people are protected and the distinct factors and characteristics of our Fiduciary and Derivatives solutions that have delivered so successfully for our clients will be enhanced within the Schroders family.

The remaining business operates in exciting growth markets and the development and launch of new products and structures over the coming months ensure that the business is well positioned, and I am excited by the opportunities available.

I took over as Group Chief Executive in 2019, having founded River and Mercantile Asset Management in 2006 and being its Chief Executive up to the merger with P-Solve in 2014. It has been a great honour to lead a simply fantastic business and to work with such incredibly talented people. As you know we are a people led business and it is the strength of those people that defines the strength of an organisation and we have been sustained in all that we do by loyal and enthusiastic clients.

As this is my last report as Group Chief Executive, I would like to take this opportunity to thank all our shareholders, our clients, and our people for their support. I am very proud of what has been achieved for both businesses and I am confident that River and Mercantile will continue to thrive and grow under Alex's leadership.

This has been a challenging year with the combination of the on-going COVID-19 backdrop alongside the corporate shift that has taken place and our people have continued to deliver exceptional results and a strong service for our clients. Our people and their support and hard work have ensured that the foundations of the business continue to stand out in crowded and competitive markets.

James Barham

Group Chief Executive

Chief Financial Officer's Review

Overview

Last year the Group reported its sixth consecutive year of AUM growth and this year we are pleased to report our seventh. This was achieved during a period of intense retendering as we completed the CMA review for the vast majority of our Fiduciary clients. The following key factors impacted the financial performance of the business during the year:

- As previously reported, the CMA retender process together with the impact of COVID has delayed the level of new business activity in Solutions to towards the end of the year. The fee margin compression as a result of the retendering process has to some extent been offset by investment performance, the net result being flat Fiduciary management fee revenue for the year;
- Derivatives AUM has grown at a stable fee margin, resulting in good management fee growth of 9 per cent. year on year;
- Our Equities business generated positive Wholesale net sales, a significant reversal versus prior year as highlighted in the CEO's statement. This together with strong investment performance more than offset the redemptions in our Institutional business. Management fee revenue for Equities as a whole, however, declined by 11 per cent. as we went into the year with lower AUM than the prior year average and our inflows were skewed towards the second half;
- The year saw a welcome return of material performance fees for the Group totalling £6.4 million, with strong outperformance in both Solutions and Equities;
- Staff costs increased during the year, both fixed and variable. This reflects the full year impact of initiatives commenced in the prior year, namely: investment in distribution, new initiatives such as Infrastructure further strengthening in our sustainable investment proposition and an associated increase in variable remuneration, also in part due to higher performance fee remuneration;
- There has been an increased focus during the year on cost saving initiatives with administration costs flat year on year and slightly down on an adjusted basis notwithstanding the Group's growth initiatives

Outlook

With good asset growth in Solutions and Wholesale towards the end of last year both of these businesses have higher in-force revenue than was generated during FY21, as detailed further below. With our retendering completed in all material respects, we have retained nearly 90 per cent. of relevant AUM and do not anticipate any further material fee margin attrition in relation to our existing Solutions clients. Margin's may vary as our average Solutions client size mix changes; however, as the Fiduciary market continues to grow strongly and evolve, we continue to focus on all client sizes from the large (over £1 billion) and medium, to smaller clients where the development and growth of our small schemes' solution is ongoing. How our client mix evolves over time will depend on a number of factors, but it is not expected to result in a material change in fee margins in the short to medium term.

Our strong relative investment performance in Fiduciary during the year is expected to continue to generate performance fees for FY22 as the three year deferral structure means we will continue to earn fees this year unless there is significant underperformance. If our relative performance against benchmarks remains flat this year then we would expect to generate higher performance fees than in FY21 as the release of the FY22 element of last year's performance deferral will take more of our clients above their high water mark into fee earning territory.

Our Infrastructure business is close to launching its first fund and we believe has a very exciting future. Successful growth will materially change the financial profile of the Group and we will keep our shareholders abreast of developments and expectations.

Finally, the announcement of the sale of the Solutions business to Schroders marks the Group's most significant development since its IPO in 2014. The financial shape of the business will change after completion and the Group's post sale strategic plan to be presented in Spring 2022 will obviously influence this. Until the transaction completes, the Group will broadly continue to operate as it currently does.

As part of the sale the Group has entered into a transition services agreement (TSA) with Schroders to facilitate the orderly transfer of the business and to temporarily provide certain group services to its new owner following completion. This will require a material level of group resource for a period post completion. Leading up to and following expiry of the TSA the Group will need to reduce its cost base to a level appropriate for the remaining business and to execute its new strategy. Given the expected timing of the disposal, the Group will own Solutions for the majority of the financial year ending 30 June 2022 and is therefore expected to be profitable for this financial year as a whole. Immediately following the sale, the Group will experience moderate and temporary run rate operating losses as it transitions to become a specialist asset manager. The Board's target is for the Group to achieve monthly run rate profitability by the end of the first full financial year following completion of the sale. Guidance on the Group's cost base and route to profitability will be given at the time of presentation of the Group's new strategy next year.

AUM

	Fiduciary Management	Derivative Solutions			Equity Solutions			
£ million		S. Equity	LDI	Total	Wholesale	Institutional	Total	Total AUM
Opening AUM	14,773	7,395	17,817	25,212	1,024	3,211	4,235	44,220
Sales	1,151	1,718	675	2,393	595	178	773	4,317
Redemptions	(1,463)	(735)	(1,034)	(1,769)	(404)	(1,060)	(1,464)	(4,696)
	(312)	983	(359)	624	191	(882)	(691)	(379)
Net rebalance and transfers	875	45	859	904	–	–	–	1,779
Net flow	563	1,028	500	1,528	191	(882)	(691)	1,400
Investment performance	722	–	–	–	422	843	1,265	1,987
Closing AUM	**16,058**	**8,423**	**18,317**	**26,740**	**1,637**	**3,172**	**4,809**	**47,607**
Change in AUM	8.7%	13.9%	2.8%	6.1%	59.9%	(1.2%)	13.6%	7.7%

AUM grew by £3.4 billion (+7.7 per cent.) during the year comprising £1.4 billion of net flows and £2.0 billion of positive investment performance. Equity Wholesale had a strong year in respect of both net sales of £0.2 billion and investment performance of £0.4 billion. Fiduciary Management and Derivatives performed well with positive net flows across all activities.

AUM Movements Since the Period End

As a result of the announcement on 10 August in relation to approaches the Company had received, the Solutions business has not won any material new business which is normal and expected in these circumstances. It is anticipated that following the announcement of the sale of the Solutions business to Schroders and the removal of the uncertainty around its future ownership, we should see a return to pitching for and winning new business.

Qtr ending 30 September 2021	Fiduciary Management	Derivative Solutions			Equity Solutions			
£ million		S. Equity	LDI	Total	Wholesale	Institutional	Total	Total AUM
Opening AUM	16,058	8,423	18,317	26,740	1,637	3,172	4,809	47,607
Sales	872	231	134	365	130	70	200	1,437
Redemptions	(336)	(549)	(602)	(1,151)	(63)	(512)	(575)	(2,062)
	536	(318)	(468)	(786)	67	(442)	(375)	(625)
Net rebalance and transfers	(24)	139	611	750	–	–	–	726
Net flow	512	(179)	143	(36)	67	(442)	(375)	101
Investment performance	86	–	–	–	44	(52)	(8)	78
Closing AUM	**16,656**	**8,244**	**18,460**	**26,704**	**1,748**	**2,678**	**4,426**	**47,786**
Change in AUM	3.7%	(2.1%)	0.8%	(0.1%)	6.8%	(15.6%)	(8.0%)	0.4%

Assets under management for the three months ended 30 September 2021 increased by a modest 0.4 per cent. This was primarily driven by £0.5 billion of positive Fiduciary net flows offset by £0.4 billion of Institutional Equity net outflows. Wholesale continues to generate consistent positive net flows.

During the three months to 30 September 2021 two Fiduciary Management clients gave notice of their intention to redeem for transition after September. As a result a total of £97 million of Fiduciary Management AUM and £290 million of Derivative AUM will be redeemed in the coming months.

In addition an Equity Solutions Institutional client notified their intention to redeem £265 million of their holdings in October 2021.

Positively, two new Derivative Solutions clients signalled their intention to fund £35 million of Structured Equity and £130 million of LDI in the coming months.

Financial highlights

	Year Ended 30 June			
£'000s (unless stated)	2021	2020	Movement	Movement %
Net management fees	57,423	58,449	(1,026)	(2%)
Advisory fees	10,490	10,932	(442)	(4%)
Total underlying revenue	67,913	69,381	(1,468)	(2%)
Performance fees	6,363	1,161	5,202	+448%
Total revenue	74,276	70,542	3,734	+5%
Administration expenses	15,997	15,926	71	0%
Total remuneration and benefits	43,188	41,158	2,030	+5%
Adjusted underlying profit before tax	12,234	12,564	(330)	(3%)
Adjusted underlying profit after tax	9,476	9,352	124	+1%
Performance fee profit before tax	2,754	622	2,132	+343%
Performance fee profit after tax	2,231	504	1,727	+343%
Adjusted profit before tax	14,988	13,186	1,802	+14%
Adjusted profit after tax	11,707	9,856	1,851	+19%
Statutory profit before tax	10,905	8,299	2,606	+31%
Statutory profit after tax	8,208	5,343	2,865	+54%
Adjusted underlying earnings per share basic (pence)	11.30	11.18	0.12	+1%
Adjusted earnings per share basic (pence)	13.96	11.79	2.17	+18%
Earnings per share basic (pence)	9.79	6.39	3.40	+53%
Dividend per share (pence)	11.69	9.54	2.15	+23%
Cash (£ million)	29.6	24.3	5.3	+22%
Surplus regulatory capital (£ million)	14.0	16.1	(2.1)	(13%)

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

	Fiduciary Management	Derivative Solutions	Equity Solutions	
			Wholesale	Institutional
Average fee earning AUM (£ million)	15,238	25,853	1,214	3,224
Net management fees (£'000s)	21,143	16,799	8,173	11,308
Average margin 2021 (bps)	13.9	6.5	67	35
In-force margin at 30 June 2021 (bps)	13.4	6.4	66	34
In-force margin at 30 September 2021 (bps)	12.8	6.2	66	36
Medium term guidance (bps)	12.5-13.5	6-7	60-65	33-36

Fee margins during the year were broadly in line with our previous medium-term guidance. The in-force margin for Fiduciary at the year end was 13.4 basis points and 12.8 basis points at the end of September 2021. We have reduced our guidance on Fiduciary to reflect transitions and final adjustments as a result of retenders which will reduce the year end in-force margin. Our medium-term guidance for the remainder of the business remains unchanged.

Revenue Weighted Asset Attribution (RWAA)

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.

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 Equities – "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".

RWAA

	Equities - Non-Discretionary	Equities - Discretionary	Interest Rates	Cash/ Independent	Other
30 June 2021	33%	3%	22%	39%	3%
31 December 2020	31%	3%	19%	44%	3%
30 June 2020	33%	4%	21%	39%	3%
31 December 2019	36%	4%	20%	37%	3%
30 June 2019	37%	3%	19%	38%	3%

Performance fees

Performance fees for the period of £6.4 million (prior year: £1.2 million) were principally earned during the second half of the year. Our macro views and tactical approach generated significant outperformance within Fiduciary and the outlook for 2022 is good as explained earlier in this review. Performance fees from Equities were earned primarily from the Micro Cap strategy which has potential to generate further performance fees in the current year.

Administrative expenses

	Year ended 30-Jun 2021 £'000	Year ended 30-Jun 2020 £'000
Marketing	**700**	799
Travel and entertainment	**29**	427
Office facilities	**2,344**	2,517
Technology and communications	**3,182**	3,247
Market data	**2,975**	2,346
Professional fees	**2,402**	2,064
Research	**1,154**	1,331
Governance expenses	**738**	801
Fund administration	**1,046**	1,162
Other staff costs	**321**	251
Insurance	**770**	613
Irrecoverable VAT	**299**	215
Other costs	**37**	153
Total administrative expenses	**15,997**	**15,926**

Administrative expenses remained flat at £16.0 million year on year. A continued focus on cost savings and efficiencies has meant no increase in total expenditure notwithstanding the Group's growth initiatives, new business areas and higher staff numbers.

The impact of COVID-19 restricted our ability, like everyone's, to travel and visit clients. Travel and entertainment cost will increase in 2022, however we do not anticipate this will yet fully return to levels seen pre pandemic in this current year.

Market data continues to increase at a material rate as a result of flexible working practices and higher data requirements as our investment into ESG analysis and client reporting continues. We expect this growth to slow in the current year.

Included within professional fees is £0.3 million in relation to the sale of the Solutions business and is an adjusting item which is deducted when deriving adjusted profit (see note 13). Professional fees also includes £0.4 million relating to the target operating model (TOM) project that was paused.

The sale of the Solutions business has resulted in incurring significant professional fees post year end which will be set out in the circular to shareholders.

Remuneration

Fixed remuneration costs increased by £0.8 million (3 per cent.) to £29.7 million reflecting, in the main, the full year effect of additional hires across the Group in the investment and distribution teams in FY21, new initiatives such as Infrastructure and further strengthening of our sustainable investment proposition.

Variable remuneration increased by £1.2 million (10 per cent.) due to higher staff numbers and higher performance fees earned, offset by lower levels within Asset Management reflecting the reduced level of profitability from the prior year. In the FY20 Annual Report we anticipated that remuneration would range between 58 per cent. and 60 per cent. of underlying revenue for the year before any impact of any performance fees. The actual underlying remuneration ratio was 58.0 per cent. excluding the IFRS 2 charge for dilutive share awards.

Performance fee remuneration was 60 per cent. of revenues in FY21 compared to prior years of 50 per cent., increased to reflect the positive client retention results following the completion of the CMA review retenders. Total remuneration costs as a percentage of total revenue remained at 58.1 per cent.

Two new dilutive share awards schemes were introduced during the year being the Executive Director Value Transformation Plan (“VTP”) and the Senior Management Share Plan (“SMSP”). As set out in last year’s annual report and this year’s interim results, the vesting of these awards is conditional on achieving a total shareholder return in excess of 12 per cent. per annum over the relevant measurement periods and the value of the awards is dependent on the level of return above this hurdle. As the awards have market-based conditions, under IFRS 2 the annual charge will remain the same irrespective of whether the awards vest or not, save for any adjustment to reflect a change in expectation of staff leaving over the vesting period. The charge is based on the fair market value of the award spread over the award period (in the case of the VTP) or vesting period (in the case of the SMSP). The charge for the part year was £0.9 million (prior year nil) and a full annual charge of £1.6 million. As a dilutive non-cash award, it is treated as an adjusting item to Adjusted Profit consistent with previous dilutive awards the Company has made.

Divisional analysis (unaudited)

The Group is not required to segmentally report as its different business activities 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 (see note 4 of the financial statements).
Notwithstanding this, due to the announced conditional sale of the Solutions business and to provide additional transparency to shareholders, this year the Group is providing a divisional analysis. The below has not been audited. It represents one method of separating the Group’s results based on the following assumptions:

a) Investment Solutions includes Fiduciary, Derivatives and Advisory activities, split between UK and US;
b) Asset Management includes Equities and Infrastructure split between UK and US (Equities only);
c) The four investment categories include all directly attributable costs. In relation to staff costs, in most cases any staff member who spends 75 per cent. or more of their time is included within the relevant category, primarily being investment, distribution and operations staff;
d) Central corporate and PLC costs are not allocated to the investment categories to minimise the level of judgement and estimation;
e) Corporate administration expenses predominantly comprise UK property costs, Group IT platform costs external audit, marketing and certain professional fees;
f) Corporate remuneration includes Executive Directors, Group heads of Distribution and Operations and Central Legal and Compliance, Risk, Marketing, Finance and HR staff;
g) PLC costs include Non-Executive Director fees, internal audit and other governance costs;
h) All costs are on an adjusted basis (see note 13 of the financial statements)

			Year ended 30 June 2021				
	UK	UK	US	US	UK	UK	
£'000	UK Investment Solutions unaudited	UK Asset Management unaudited	US Investment Solutions unaudited	US Asset Management unaudited	Corporate unaudited	PLC unaudited	Total unaudited
Net management fees	36,448	19,096	1,495	384	–	–	57,423
Net advisory fees	5,453	–	5,037	–	–	–	10,490
Performance fees	4,096	2,267	–	–	–	–	6,363
Total revenue	**45,997**	**21,363**	**6,532**	**384**	**–**	**–**	**74,276**
Total administrative expenses	**(2,724)**	**(3,874)**	**(1,437)**	**(586)**	**(5,923)**	**(1,159)**	**(15,703)**
Fixed remuneration	(13,126)	(5,506)	(4,854)	(1,010)	(4,733)	(494)	(29,723)
Variable remuneration	(5,405)	(5,378)	(646)	14	(2,050)	–	(13,465)
Total remuneration	**(18,531)**	**(10,884)**	**(5,500)**	**(996)**	**(6,783)**	**(494)**	**(43,188)**
Subtotal	**24,742**	**6,605**	**(405)**	**(1,198)**	**(12,706)**	**(1,653)**	**15,385**

Depreciation	–	–	(31)	(4)	(135)	–	(170)
Amortisation of software	–	–	–	–	(104)	–	(104)
Gain on disposal of fair value instruments	–	–	–	–	209	–	209
Finance income	–	–	–	–	25	–	25
Finance expense	–	–	–	–	(96)	–	(96)
Foreign exchange loss	–	–	–	–	(261)	–	(261)
Adjusted profit before tax	**24,742**	**6,605**	**(436)**	**(1,202)**	**(13,068)**	**(1,653)**	**14,988**

Liquidity and regulatory capital

Cash and cash equivalents increased to £29.6 million as at 30 June 2021. 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, after allowing for dividends to be paid in respect of the year, was £14.0 million and our regulatory capital resources represented just over 180 per cent. of the Group's current regulatory capital requirement.

Taxation

As previously reported, the Group's high effective tax rate is a result of it being unable to offset its US losses against its profitable UK activities. The effective tax rate on adjusted underlying profit was 23 per cent. for the year ended 30 June 2021 (2020: 26 per cent.) reflecting reduced levels of losses in the US. The statutory profit effective tax rate was 25 per cent. for the year ended 30 June 2021 (2020: 36 per cent.).

Distributable reserves

As at 30 June 2021, the Company had £53.7 million of distributable reserves (2020: £55.0 million).

Dividends

On 15 April 2021 an interim dividend of 3.89 pence was paid. The Directors have declared a second interim dividend of 4.48 pence per share to be paid on 10 December to shareholders on the register as at 19 November. The ex-dividend date will be 18 November 2021. The Directors are proposing to shareholders a final dividend of 3.32 pence per share which will take total dividends per share paid, declared and proposed for the year ended 30 June 2021 to 11.69 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 31 December 2021 to shareholders on the register as at 10 December 2021. The ex-dividend date will be 9 December 2021.

Simon Wilson

Chief Financial Officer

Our Strategy and Business Model

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, and Australia) and distribution partnerships in target geographies. 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 a 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 workforce.

Background

Our objective has been to identify more as an asset management business, managing and advising a broad range of strategies and clients on their assets. The recent announcement of the sale of our Solutions business will position the business as a more recognisable as a specialist asset management company built around our current core competencies of Equities and Infrastructure.

River and Mercantile in 2026

This shift in our strategy undertaken over the last twelve months will ensure that by 2026 we are an investment led asset manager with products at its heart. 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 needs to investment R&D to product design and distribution.
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 strategies being ahead of their respective benchmarks since inception whilst offering value for money;
- Products 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 already set out 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 diversified sources of revenue 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 investment 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 set out on the next few pages.

Our business model to deliver on this strategy is set around the three key pillars of any successful asset management business

Investment manufacturing

We have a high quality and relevant investment capability providing products and services meeting client needs across a range of audience groups. This is currently set out across our Fiduciary and Advisory investment team, our Equities teams managing UK, European, Emerging Market and Global equities, our Derivatives team managing Liability Driven Investment (LDI) including gilt collateral management and structured equity solutions and our recently launched Infrastructure business. We have also announced that we are selling our Solutions business to Schroders and the Group will focus on our asset management capabilities in Equities and Infrastructure

We will continue to invest in our Equities team and Infrastructure team and add new teams where appropriate. We have already highlighted that we are seeking additional capabilities. We have also continued to invest in our existing investment teams. For example, James Sym, a highly rated European value manager, joined the Equities PVT team from Schroders last year and we have recently added additional analyst resource. As at the date of writing, James Sym’s European Fund has raised over £200m AUM, which is a testament both to his investment expertise and our strong distribution capability.

Earlier this year we announced that a highly rated Sustainable Infrastructure team had joined the Group and we will be launching their flagship fund imminently. This is a key area for yield-seeking pension funds and other investors with income requirements.

We are also continuing to design and develop relevant product for the market, and we are in the process of bringing SFDR Article 8 and Article 9 strategies to the market across UK, European and Global strategies. 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 have invested heavily in our distribution capabilities and the business delivered an increase in AUM of £3.4 billion during the year. Our Wholesale distribution was overhauled, and we have seen a significant recovery in this distribution channel following the investments made in the area. As reported in the Group Chief Executive’s statement, Wholesale gross sales have grown by 180 per cent. over the past 12 months and we expect Wholesale to continue to grow strongly.

In the main we will own our distribution network as at scale this model generates the highest margin and return on investment 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 the UK 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. We will also continue to review alternative emerging platforms that will allow our clients to access our investment thinking in the most optimal manner.

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.

As noted in the Group Chief Executive's statement, we undertook the planning and preparation of the implementation of a new target operating model but have temporarily placed the implementation of this project on hold as we deal with sale of the Solutions business. We will re- visit this once the sale is complete in terms of the scale and need of any model enhancement required for the remaining business.

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 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.

The Board intends to refocus the Group as a specialist asset manager, positioned to grow through a diversification of its existing product offering and client base. The Board has confirmed that it will develop a detailed post-sale strategic plan over the coming months and update Shareholders on this plan as part of a full strategy, capital allocation and dividend policy update in the Spring of 2022.

Consolidated Income Statement

Year ended 30 June 2021

	Note	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
Revenue	3		
Net management fees		**57,423**	58,449
Advisory fees		**10,490**	10,932
Performance fees		**6,363**	1,161
Total revenue		**74,276**	70,542
Administrative expenses	5	**15,997**	15,926
Depreciation of owned assets	20	**170**	217
Amortisation	9	**3,019**	3,257
Impairment of intangible assets	9	**180**	1,377
Total operating expenses		**19,366**	20,777
Remuneration and benefits			
Fixed remuneration and benefits		**29,723**	28,922
Variable remuneration		**13,465**	12,236
Total remuneration and benefits	6	**43,188**	41,158
Dilutive share awards charge/(credit)	6, 7	**909**	(17)
Total remuneration and benefits including dilutive share awards		**44,097**	41,141
Total expenses		**63,463**	61,918
Gain on disposal of fair value investments		**209**	42
Other unrealised gains and (losses)	10	**215**	(301)
Profit before interest and tax		**11,237**	8,365

Finance income	11	**25**	54
Finance (expense)	11	**(96)**	(178)
Foreign exchange (loss) / gain		**(261)**	58
Profit before tax		**10,905**	8,299
Tax charge/(credit)	12		
Current tax		**3,146**	2,799
Deferred tax		**(449)**	157
Profit for the year attributable to owners of the parent		**8,208**	5,343
Earnings per share:	13		
Statutory basic (pence)		**9.79**	6.39
Statutory diluted (pence)		**9.78**	6.37

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

Consolidated Statement of Comprehensive Income

Year ended 30 June 2021

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit for the year	**8,208**	5,343
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustments	**164**	(29)
Total comprehensive income for the year attributable to owners of the parent	**8,372**	5,314

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

Consolidated Statement of Financial Position

Year ended 30 June 2021

	Note	**30 June 2021 £'000**	30 June 2020 £'000
Assets			
Cash and cash equivalents	15	**29,635**	24,251
Fee receivables	18	**4,880**	10,233
Other receivables	19	**21,881**	15,458
Assets held for sale	17	**–**	810
Investments held at fair value through profit or loss	16	**1,368**	290
Deferred tax asset	12	**519**	276
Right of use assets	21	**1,219**	2,586
Property, plant and equipment	20	**253**	438
Intangible assets	9	**23,514**	26,560
Total assets		**83,269**	80,902
Liabilities			
Current tax liabilities		**925**	383
Trade and other payables	22	**19,484**	17,493
Lease liability	21	**1,283**	2,691
Deferred tax liability	12	**1,731**	2,078
Total liabilities		**23,423**	22,645
Net assets		**59,846**	58,257

Equity			
Share capital	23	**256**	256
Share premium		**15,429**	15,429
Other reserves	24	**1,174**	1,010
Own shares held by EBT	25	**(4,029)**	(4,255)
Retained earnings		**47,016**	45,817
Equity attributable to owners of the parent		**59,846**	58,257

The notes to the consolidated financial statements form part of and should be read in conjunction with these financial statements. The financial statements were approved by the Board on 4 November 2021.

James Barham
Group Chief Executive

Simon Wilson
Chief Financial Officer

Consolidated Statement of Cash Flows

Year ended 30 June 2021

	Note	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
Cash flow from operating activities			
Profit before interest and tax		**11,237**	8,365
Adjustments for:			
Amortisation of intangible assets	9	**3,019**	3,257
Impairment of intangible assets	9	**180**	1,377
Depreciation of property, plant and equipment	20	**170**	217
Depreciation of right of use asset	21	**1,263**	1,278
Share-based payment expense		**1,009**	409
Other unrealised (gains) and losses	10	**(215)**	301
Disposal of investments held at fair value		**(209)**	(42)
Operating cash flow before movement in working capital		**16,454**	15,162
(Increase)/decrease in operating assets		**(1,077)**	26,502
Increase/(decrease) in operating liabilities		**1,942**	(28,555)
Cash generated from operations		**17,319**	13,109
Tax paid		**(2,604)**	(3,129)
Net cash generated from operating activities		**14,715**	9,980
Cash flow from investing activities			
Purchase of intangible assets	9	**(324)**	(385)
Purchase of property, plant and equipment	20	**–**	(45)
Interest received		**25**	54
Proceeds from disposal of investments held at fair value		**1,225**	6,342
Purchase of investments held at fair value		**(1,108)**	(1,523)
Purchase of investments held for sale	17	**–**	(810)
Net cash (used in)/generated from investing activities		**(182)**	3,633
Cash flow from financing activities			
Interest paid		**–**	(8)
Dividends paid	14	**(7,582)**	(12,135)
Purchase of own shares		**(350)**	–
Lease payments	21	**(1,384)**	(1,503)

Share issue		**–**	294
Net cash (used in) financing activities		**(9,316)**	(13,352)
Net increase in cash and cash equivalents		**5,217**	261
Cash and cash equivalents at beginning of year		**24,251**	24,046
Effects of exchange rate changes on cash and cash equivalents		**167**	(56)
Cash and cash equivalents at end of year	15	**29,635**	24,251

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

Consolidated Statement of Changes in Shareholders' Equity

Year ended 30 June 2021

	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 2019	256	15,136	45,472	(6,251)	10,250	64,863
Adjustment to retained earnings on transition to IFRS16	–	–	–	–	(189)	(189)
Adjusted as at 1 July 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	–	–	(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
Amendment to retained earnings on capital redemption of merger reserve	–	–	(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
Comprehensive income for the year:						
Profit for the year	–	–	–	–	8,208	8,208
Other comprehensive income	–	–	164	–	–	164
Total comprehensive income for the year	**–**	**–**	**164**	**–**	**8,208**	**8,372**
Transactions with owners:						
Dividends	–	–	–	–	(7,582)	(7,582)
Share-based payment expense	–	–	–	–	1,009	1,009
Deferred tax on share-based payment expense	–	–	–	–	140	140
Purchase of own shares	–	–	–	(350)	–	(350)
Disposal of shares in respect of award vesting	–	–	–	576	(576)	–
Total transactions with owners:	**–**	**–**	**–**	**226**	**(7,009)**	**(6,783)**
Balance as at 30 June 2021	**256**	**15,429**	**1,174**	**(4,029)**	**47,016**	**59,846**

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

Notes to the Consolidated Financial Statements

Year ended 30 June 2021

1. BASIS OF PREPARATION

The Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRS).
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.
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 that are held at fair value.

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. Such funds are consolidated either on a line–by–line basis, or if the fund meets the definition of an asset held for sale it is classified and accounted for on that basis (see note 17). 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 trust purchases shares pursuant to the non–dilutive equity awards granted to employees. These purchases and the operating costs of the trust are funded by the Company. The trust 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

Considering all significant aspects of the Group's relationship with the Investment Management Entities ("IMEs"), the Directors are of the opinion that although the Group manages the investment resources of the IMEs, with the exception of where the Group demonstrates control of an IME that it has seeded, the Group does not control the IMEs and therefore their assets, liabilities and net profit are not consolidated into the Group's financial statements. Contributing factors include; 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.

Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. A lease is identified if; there is an identified asset, the group obtains substantially all the economic benefits from use of the asset and the Group has the right to direct use of the asset.

The Group initially records a lease liability in the Group's consolidated statement of financial position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate that we would have to pay for a loan of a similar term, and with similar security to obtain an asset of similar value. A right of use (ROU) asset is also recorded at the value of the lease liability. Interest is accrued on the lease liability using the effective interest method to give a constant rate of return over the life of the lease whilst the balance is reduced as lease payments are made. The ROU asset is depreciated from commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term as the benefit of the asset is consumed. Increases or decreases that occur at contractually agreed market rent review dates are included in the lease liability once revised market rents have been agreed.

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.

Adoption of new standards and interpretations affecting the reported results or the financial position

There have been no new or revised standards or interpretations which have become effective or been early adopted in the period.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The significant accounting estimates of the Group are detailed below:

- The accounting for UCITS V deferred remuneration awards involves estimates of forfeiture rates
- Inputs and vesting assumptions for certain share awards including estimates for the expectation of whether the performance conditions will be met at the vesting date
- The valuation of client lists included within intangible assets includes estimates for appropriate multiples and disposal in calculating the net realisable value

The significant accounting judgements of the Group are detailed below:

- Inputs and vesting assumptions for certain share awards
- Impairment of intangible assets, goodwill and investments recorded in previous acquisitions. Depending upon the asset, this can involve judgements which include business growth and estimates including discount rates, comparable revenue multiples and comparable earnings multiples. During the period, the basis of assessment for impairment of certain investment management contracts was changed from a value in use method, to fair value less costs to sell
- Where the Group seeds a fund it is launching, judgement is required to determine whether the Group has control over the fund and therefore if the fund should be consolidated within the Group's results
- The Group incurs costs on behalf of a fund it is launching which will ultimately be recovered from the fund vehicle and drawings relating to the members of River and Mercantile Infrastructure LLP (RAMI LLP) which are held on the balance sheet until there are accumulated profits to distribute. Judgment is required to assess the likelihood of fund launch and the recovery of those costs (at the reporting date the Group had £1.2 million (2020 £nil) of costs receivable on its balance sheet).

3. REVENUE

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Net management fees		
– Fiduciary Management	**21,143**	21,118
– Derivatives	**16,799**	15,389
– Equity Solutions – Wholesale	**8,173**	8,851
– Equity Solutions – Institutional	**11,308**	13,091
Total net management fees	**57,423**	58,449
Advisory fees		
– Retainers	**4,771**	5,054
– Project fees	**5,719**	5,878
Total advisory fees	**10,490**	10,932
Total net management and advisory fees	**67,913**	69,381
Performance fees		
– Fiduciary Management	**4,096**	1,161
– Equity Solutions	**2,267**	–
Total performance fees	**6,363**	1,161
Total revenue	**74,276**	70,542

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 or NUM. 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 2021, rebates totalling £2,026,000 (2020: £2,739,000) were paid in respect of Equity Solutions and the Dynamic Asset Allocation 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. 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 £11,000 (2020: £30,000) contract liabilities as at the year ended 30 June 2021.

4. DIVISIONAL AND GEOGRAPHICAL REPORTING

The business operates through two 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 per cent. of the revenue of the Group (2020: 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 2021 was £6.9 million (2020: £6.3 million). The AUM of the US business was £1,432 million (2020: £1,449 million). Non–current assets held by the US business include £1.3 million (2020: £1.5 million) of goodwill.

5. ADMINISTRATIVE EXPENSES

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Marketing	**700**	799
Travel and entertainment	**29**	427
Office facilities	**2,344**	2,517
Technology and communications	**3,182**	3,247
Market data	**2,975**	2,346
Professional fees	**2,402**	2,064
Research	**1,154**	1,331
Governance expenses	**738**	801
Fund administration	**1,046**	1,162
Other staff costs	**321**	251
Insurance	**770**	613
Irrecoverable VAT	**299**	215
Other costs	**37**	153
Total administrative expenses	**15,997**	15,926

Included within office facilities expenses in the current year is the depreciation charge on the right of use asset of £1.3 million (2020: £1.3 million). The expenses relating to the Group's leased properties are charged as the straight–line depreciation cost of the capitalised asset.

Administrative expenses include the remuneration of the external auditors of £330,000, however the total charge in relation to the year for all audit related services is detailed below. The additional audit fees will be expensed in the following year.

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Audit of the Company's annual accounts	**161**	130
Audit of the Company's subsidiaries	**235**	114
Audit related assurance services	**64**	75
	460	319

6. REMUNERATION AND BENEFITS

Fixed remuneration represents contractual base salaries, RAMAM member drawings, employee benefits and recruitment costs. The Group operates a defined contribution plan under which it pays contributions to a third party. In the year the Group established a subsidiary, RAMI LLP, drawings relating to members of this partnership are only accounted for as an expense to the extent there are accumulated profits to distribute. At the year end all drawings relating to the members of RAMI LLP were held on the balance sheet of the Group (£293,000).

Variable remuneration relates to discretionary bonuses, variable profit share paid to the members of RAMAM, IFRS 2 charges in respect of share awards, associated payroll taxes and recruitment costs. Recruitment costs of £288,000 (2020: £393,000) were incurred in the year.

Variable remuneration also includes a charge of £193,000 (2020: £406,000) relating to the Group's non–dilutive share awards and credit of £6,000 (2020: credit of £40,000) of associated social security costs.

	Year ended 30 June 2021	Year ended 30 June 2020
The average number of employees (including Directors) employed was:		
UK Investment Solutions	**149**	144
US Investment Solutions	**41**	39
UK Asset Management	**43**	35
US Asset Management	**4**	4
Corporate	**46**	42
PLC	**5**	4
Total average headcount	**288**	268

The Group has modified the classification of its headcount analysis to better reflect its operational structure, the prior year has been restated to reflect the updated classifications.

	Note	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
The aggregate remuneration of employees (including Directors) comprised:			
Wages and salaries		**37,855**	36,192
Social security costs		**3,946**	3,575
Pension costs (defined contribution)		**1,113**	976
Share–based payment expense (excluding dilutive share awards)		**274**	415
Total remuneration and benefits (excluding dilutive share awards)		**43,188**	41,158
Fixed remuneration		**29,723**	28,922
Variable remuneration		**13,465**	12,236
		43,188	41,158
Dilutive share award costs:			
Share–based payment expense	7	**755**	–
Social security costs	7	**154**	(17)
Total dilutive share award costs/(credit)		**909**	(17)
Total remuneration and benefits (including dilutive share awards)		**44,097**	41,141

Directors' remuneration

The aggregate remuneration and fees payable to Executive and Non–Executive Directors for the year ended 30 June 2021 was £1,988,000 (2020: £1,042,000).

Information regarding the aggregate single figure remuneration of the Executive Directors (which includes the highest paid Director of £954,000 (2020: £395,000)) 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 2021 £'000	Year ended 30 June 2020 £'000
Short–term employee benefits	**7,428**	5,932
Long–term employee benefits	**–**	7
Pension costs	**166**	113
Share–based payment expense	**723**	141
	8,317	6,193

Details of share awards granted to Executive Directors for future performance periods are included in the Remuneration Committee Report in the Annual Report.

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.

The key features of the awards are:

Financial year of award	2016	2017	2018	2019	2020	2021
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	
Scheme 7 – Employees	–	–	–	–	–	189
Scheme 8 – SMSP	–	–	–	–	–	1,765
Scheme 9 – VTP	–	–	–	–	–	Variable
Maximum term at grant date						
Scheme 1 – Employees	5 years	4 years	4 years	3 years	n/a	n/a
Scheme 2 – Employees	4 years	n/a	n/a	n/a	n/a	n/a
Scheme 3 – Employees	4 years	4 years	4 years	3 years	n/a	n/a
Scheme 4 – Employees	n/a	n/a	3 years	3 years	n/a	n/a
Scheme 5 – Employees	n/a	n/a	4 years	n/a	n/a	n/a
Scheme 6 – Executive Directors	5 years	4 years	4 years	5 years	3 years	n/a
Scheme 7 – Employees	n/a	n/a	n/a	n/a	n/a	3 years
Scheme 8 – SMSP	n/a	n/a	n/a	n/a	n/a	4 years
Scheme 9 – VTP	n/a	n/a	n/a	n/a	n/a	5 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	n/a

Scheme 2 – Employees	1 and 2	n/a	n/a	n/a	n/a	n/a
Scheme 3 – Employees	1	1	1	1	n/a	n/a
Scheme 4 – Employees	n/a	n/a	1 and 4	1 and 4	n/a	n/a
Scheme 5 – Employees	n/a	n/a	none	n/a	n/a	n/a
Scheme 6 – Executive Directors	1 and 2	1 and 2	1 and 5	1 and 6	1	n/a
Scheme 7 – Employees	n/a	n/a	n/a	n/a	n/a	1
Scheme 8 – SMSP	n/a	n/a	n/a	n/a	n/a	1 and 2
Scheme 9 – VTP	n/a	n/a	n/a	n/a	n/a	1 and 2

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	2021	2021	2021 VTP
Grant date share price £	2.21	3.12	3.14	3.12	3.22	3.22	2.53	1.65	1.73	2.33	2.14
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	(11)	(457)	–	(189)	(328)	(36)	(13)	–	–	–	–
Number of shares vested during the year	(379)	(87)	(65)	(58)	(51)	–	–	–	–	–	–
Vesting profile adjustments	–	–	–	–	31	–	–	–	–	–	–
Number of shares outstanding at 30 June 2020	378	22	40	67	921	186	892	177	–	–	–
Number of shares granted during the year	–	–	–	–	–	–	–	–	189	1,765	Variable*
Number of shares forfeited during the year	(9)	–	–	–	(1)	–	–	–	–	(30)	–
Number of shares lapsed during the year	(369)	–	–	–	(819)	(2)	–	–	–	–	–
Number of shares vested during the year	–	(22)	(40)	(67)	(101)	(208)	(64)	–	–	–	–
Vesting profile adjustments	–	–	–	–	–	24	–	–	–	–	
Number of shares outstanding at 30 June 2021	–	–	–	–	–	–	828	177	189	1,735	Variable*
Fair value assumptions:											
Exercise price	£nil	£nil	£nil	£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%)	1.0%	(0.06%)	(0.02%)
Share price volatility	27.40%	27.90%	28.20%	28.20%	28.80%	28.80%	30.83%	33.66%	38%	38%	38%
Dividend yield	5%	5%	5%	5%	5%	5%	5%	5%	5%	2.88%	Nil
Number of shares expected to vest ’000	–	–	–	–	–	–	687	177	153	537	Variable*

* The number of shares issued under the VTP award will vary dependant on the total shareholder return over the vesting period.

The Group provides a sensitivity analysis to show the impact to the Group profit before taxation in the event that forfeiture conditions assumptions are exceeded or below that of the Group’s estimated percentages:

Impact on income statement of a change in forfeiture assumption	**Change**
+ 5%	**+£0.1m**
– 5%	**–£0.1m**

There were 220,601 awards exercised under the plans in 2021 (2020: 751,685). The weighted average share price at the date of exercise of these awards was £1.76 (2020: £2.61).

The weighted average fair value of awards granted under the plans during the year was £1.30 (2020: £1.65), excluding the VTP award.

The weighted average remaining contractual life of the share awards outstanding under the plans as at 30 June 2021 was 3 years (30 June 2020: 2 years).

Save–as–you earn (SAYE)

All eligible UK employees may participate in the Group's SAYE Plan. Under the terms of this plan, employees may enter into contracts to save up to the maximum amount permitted under legislation and, at the expiry of a fixed term, have the option to use these savings to acquire shares in the Company at a discounted price, calculated under the rules of the plan (currently a 20% discount to the market price at the date of award). The following table sets out the movement in SAYE awards recognised in the income statement during the year and the key inputs into the fair values of awards:

'000s	2016	2017	2018	2019	2020	2020
Number of shares outstanding at 30 June 2019	183	119	82	266	–	–
Number of options granted during the year	–	–	–	–	147	706
Number of shares forfeited during the year	–	(15)	–	–	(135)	–
Number of options exercised in the year	(183)	–	–	–	–	–
Number of shares outstanding at 30 June 2020	–	104	82	266	12	706
Number of options granted during the year	–	–	–	–	–	–
Number of options forfeited during the year	–	(104)	(76)	(203)	–	(83)
Number of shares outstanding at 30 June 2021	**–**	**–**	**6**	**63**	**12**	**623**
Fair value assumptions						
Exercise price	£1.87	£2.18	£2.65	£2.00	£1.95	£1.57
Risk free rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Share price volatility	25.50%	28.36%	28.30%	28.30%	31.09%	31.09%
Dividend yield	5%	5%	5%	5%	5%	5%

There were no options granted in the year (2020: 706,000).

There were no options exercised under the SAYE plan in 2021 (2020: 183,000). The weighted average contractual life of the options outstanding under the plan at 30 June 2021 was 2 years (2020: 3 years).

8. DEPRECIATION AND AMORTISATION

Depreciation 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 20. Depreciation on right of use leasehold assets is included within administrative expenses and detailed in note 5.

The amortisation charge relates to the IMA intangibles and recognised as part of the acquisition of RAMAM and the Group's internally generated software asset. The RAMAM IMA intangibles held at the balance sheet date are amortised over their expected useful life of ten years. 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. The Groups' software asset is amortised over the expected useful life.

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.

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 £'000	Software £'000	Total £'000
Cost:				
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
Additions	–	–	324	324
Exchange difference	(171)	–	–	(171)
At 30 June 2021	**15,518**	**38,621**	**793**	**54,932**
Accumulated amortisation and impairment:				
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
Amortisation charge	–	2,915	104	3,019
Impairment	180	–	–	180
At 30 June 2021	**619**	**30,606**	**193**	**31,418**
Net book value:				
At 30 June 2020	15,250	10,930	380	26,560
At 30 June 2021	**14,899**	**8,015**	**600**	**23,514**

Impairment review

Goodwill includes £13.2 million (2020: £13.6 million) in respect of RAMAM and £1.3 million (2020: £1.5 million) 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 per cent. per annum revenue growth rate for the next four years; no growth after this point; and a pre–tax discount rate of 10 per cent. 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 per cent. in projected revenue or a change in the discount rate to a rate in excess of 22 per cent. is required to indicate impairment.

The Directors estimated the recoverable amount of the Cassidy goodwill using the 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 valuation. A reduction in the revenue multiple of greater than 80 per cent. would be required to indicate impairment.

At the balance sheet date, the Group had an intangible asset of £8.0 million (2020: £10.9 million) relating to the RAMAM IMAs. The value of the intangible asset is supported using its fair value less costs of disposal. The fair value is calculated using an appropriate revenue multiple for the business and associated disposal costs. A decrease of greater than 20 per cent. in the revenue multiple used would be required to indicate any impairment.

In the prior year an intangible asset relating to the investment management contracts of the ILC funds was fully impaired, resulting in a net book value of £nil at both 30 June 2020 and 30 June 2021.

10. OTHER UNREALISED GAINS AND LOSSES

	Note	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
Investments held at fair value through profit or loss (FVTPL)	16	**287**	(435)
Gain on reclassification of held for sale asset to FVTPL	16	**233**	–
Recycle life-to-date gains to realised gains and losses		**(209)**	–
Unrealised foreign exchange on investments		**(47)**	–
Gain on purchase of UCITS		**–**	27
Change in fair value of contingent consideration		**(49)**	107
Total other unrealised gains and losses		**215**	(301)

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 £25,000 of bank interest (2020: £54,000). Finance expense comprises of lease liability finance interest unwind £96,000 (2020: £170,000) and bank charges of £nil (2020: £8,000).

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 2021 £'000	Year ended 30 June 2020 £'000
Current tax:		
Current tax on profits for the year	**3,146**	2,799

Deferred tax – origination and reversal of timing differences	**(449)**	157
Total tax charge	**2,697**	2,956

The total tax charge assessed for the year is higher (2020: lower) than the average standard rate of corporation tax in the UK. The differences are explained below:

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

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit before tax	**10,905**	8,299
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2020: 19%)	**2,072**	1,577
Effects of:		
Expenses not deductible for tax purposes	**44**	145
Losses not deductible for tax purposes	**374**	972
Other reconciling differences	**207**	262
Total tax charge	**2,697**	2,956

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Deferred tax assets		
At beginning of year	**276**	1,034
(Charge)/credit to the income statement:		
– share–based payment expense	**99**	(562)
– IFRS 16 movement	**4**	–
– movement in foreign exchange	**–**	6
Credit charge to equity:		
– share–based payment expense	**140**	(202)
– recycling of deferred tax on shares vested	**–**	–
At end of year	**519**	276

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Deferred tax liabilities		
At beginning of year	**2,078**	2,483
Charge/(credit) to the income statement:		
– amortisation of intangibles	**(554)**	(554)
– change in future tax rates	**175**	
– movement on intangibles	**–**	233
– movement on investments held at fair value	**32**	(84)
At end of year	**1,731**	2,078

On 11 March 2021, the Government announced its intention to increase the main corporation tax rate from 19 per cent. to 25 per cent. from 1 April 2023. The announced rate reductions have been substantively enacted by the Balance Sheet date and have been reflected above as appropriate.

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, excluding 1,590,950 shares held by the EBT (2020: 1,602,578).

The Group operates a 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.

	Year ended 30 June 2021	Year ended 30 June 2020
Profit attributable to owners of the parent (£'000)	**8,208**	**5,343**
Weighted average number of shares in issue ('000)	**83,853**	**83,624**
Weighted average number of diluted shares ('000)	**83,964**	**83,856**
Earnings per share:		
Earnings per share		
Basic (pence)	**9.79**	**6.39**
Diluted (pence)	**9.78**	**6.37**

Reconciliation between weighted average number of shares in issue

	Year ended 30 June 2021 '000	Year ended 30 June 2020 '000
Weighted average number of shares in issue – basic	**83,853**	83,624
Dilutive effect of shares granted under SAYE	**111**	232
Dilutive effect of executive and senior management share awards	**–**	–
Weighted average number of shares in issue – diluted	**83,964**	83,856

Adjusted profit

The Group uses adjusted profit (pre and post–tax), adjusted underlying profit (pre and post–tax), adjusted earnings per share and adjusted underlying earnings per share 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 unrealised gains and losses and dilutive share awards. In the year, adjusted profit before tax also adjusts for professional fees incurred in relation to the sale of the Solutions business.
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 on disposal of investments held at fair value.

Tax on adjusted profit and adjusted underlying profit adjusts for the corporation tax and deferred tax impact of the adjusting items.

Adjusted profit calculation:	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Statutory profit before tax	**10,905**	8,299
Adjustments:		
Amortisation and impairments of intangible assets (excluding software)	**3,095**	4,603
Deal related professional fees	**294**	–
Other unrealised (gains) and losses	**(215)**	301
Dilutive share awards costs/(credits)	**909**	(17)
Adjusted profit before tax	**14,988**	13,186
Taxes	**(3,281)**	(3,330)
Adjusted profit after tax	**11,707**	9,856
Performance fee profit calculation:		
Performance fees	**6,363**	1,161
Less remuneration at 60% (2020: 50%)	**(3,818)**	(581)

Realised gain on disposal of investments held at fair value	**209**	42
Performance fee profit before tax	**2,754**	622
Taxes	**(523)**	(118)
Performance fee profit after tax	**2,231**	504
Adjusted underlying profit calculation:		
Adjusted profit before tax	**14,988**	13,186
Less: Performance fee profit before tax	**(2,754)**	(622)
Adjusted underlying profit before tax	**12,234**	12,564
Taxes on adjusted profit	**(3,281)**	(3,330)
Add back: Taxes on performance fee profit	**523**	118
Adjusted underlying profit after tax	**9,476**	9,352
Adjusted underlying pre–tax margin (calculated on total revenue excluding performance fees)	**18%**	18%

Adjusted earnings per share

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Adjusted profit after tax	**11,707**	9,856
Adjusted underlying profit after tax	**9,476**	9,352
Weighted average shares ('000)	**83,853**	83,624
Weighted average diluted shares ('000)	**83,964**	83,856
Adjusted EPS:		
Basic (pence)	**13.96**	11.79
Diluted (pence)	**13.94**	11.75
Adjusted underlying EPS:		
Basic (pence)	**11.30**	11.18
Diluted (pence)	**11.29**	11.15

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 2021 £'000**	Year ended 30 June 2020 £'000
2019 second interim	3.50	1.60	5.10	**–**	4,269
2019 final	2.60	2.40	5.00	**–**	4,188
2020 first interim	3.90	0.50	4.40	**–**	3,678
2020 second interim	2.81	–	2.81	**2,360**	–
2020 final	2.24	0.10	2.34	**1,961**	–
2021 first interim	3.89	–	3.89	**3,261**	–
				7,582	12,135

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 2021 £'000**	30 June 2020 £'000	Credit rating	Rating body
Barclays Bank	**24,968**	19,305	A1	Moody's
Lloyds Bank	**3,807**	4,384	A1	Moody's

First Republic Bank	**860**	562	A1	Moody's
Total cash and cash equivalents	**29,635**	24,251		

16. INVESTMENTS HELD AT FVPL

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
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
Additions	**1,020**
Transfer from asset held for sale	**810**
Gain on transfer of asset held for sale	**233**
Other movements on investments	**(11)**
Movement in FVTPL	**287**
Foreign exchange movement	**(36)**
Disposals	**(1,225)**
At 30 June 2021	**1,368**

In the year, additions include the reclassification of an asset previously classified as held for sale plus any accumulated gains on derecognition as held for sale (see note 17).

17. 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. In the period the seeded fund met the definition of a subsidiary therefore was transferred from assets held for sale and consolidated as a subsidiary of the Group

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
Transfer to investments held at FVTPL	(810)
At 30 June 2021	**–**

18. 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 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 settled directly from the assets of the respective funds, the credit risk is considered to be very low. Taking into consideration the Group's historic 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 (2020: nil). The Directors are satisfied with the credit quality of counterparties.

	30 June 2021 £'000	30 June 2020 £'000
Fee receivables	**4,880**	10,233
	4,880	10,233

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

	30 June 2021 £'000	30 June 2020 £'000
Opening provision for impairment	**–**	–
Increase during the year	**–**	–
Receivable written off during the year	**–**	–
Closing provision for impairment	**–**	–

The average credit period on fee receivables is 26 days (2020: 13 days).

19. OTHER RECEIVABLES

	30 June 2021 £'000	30 June 2020 £'000
Accrued income	**18,322**	13,723
Prepayments	**2,242**	1,691
Other debtors	**1,317**	44
	21,881	15,458

The Group applies the IFRS 9 simplified approach to measuring ECLs for 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 (2020: nil).

The Group's policy on financial instruments can be found in note 27.

20. 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 is 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 2019	557	550	1,107
Additions	45	–	45
Exchange difference	5	2	7
At 30 June 2020	607	552	1,159
Additions	–	–	–
Disposals	–	–	–
Exchange difference	(20)	(9)	(29)
At 30 June 2021	**587**	**543**	**1,130**
Accumulated depreciation:			
At 30 June 2019	351	150	501
Depreciation charge of owned assets	72	145	217
Exchange difference	2	1	3
At 30 June 2020	425	296	721
Depreciation charge of owned assets	66	104	170
Exchange difference	(10)	(4)	(14)
At 30 June 2021	**481**	**396**	**877**

Net book value:			
At 30 June 2020	182	256	438
At 30 June 2021	**106**	**147**	**253**

21. RIGHT OF USE ASSETS AND LEASE LIABILITY

	Right of Use Asset £'000
Cost:	
At 30 June 2019	–
Recognition of asset on transition to IFRS 16	5,591
Additions	41
At 30 June 2020	5,632
Additions	–
Exchange difference	(176)
At 30 June 2021	**5,456**
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
Depreciation charge	1,263
Exchange difference	(72)
At 30 June 2021	**4,237**
Net book value:	
At 30 June 2020	2,586
At 30 June 2021	**1,219**

	Lease Liability
Lease 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
Payments made	(1,384)
Interest charge	96
Exchange difference	(120)
At 30 June 2021	**1,283**
Of which:	
Current lease liabilities	746
Non–Current lease liabilities	537
At 30 June 2021	**1,283**

From 1 July 2019, the Group's leases relating to office accommodation with terms of more than one year were 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 per cent.

22. TRADE AND OTHER PAYABLES

	30 June 2021 £'000	30 June 2020 £'000
Trade payables	**342**	195
VAT payable	**668**	1,110
Remuneration accruals	**14,800**	11,570
Other accruals and payables	**3,663**	4,588
Contract liabilities	**11**	30
	19,484	17,493

The Group's policy on financial instruments can be found in note 27.

23. 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 2019	85,296,176	255,889
Shares issued in respect of SAYE award vesting	157,458	472
Closing balance at 30 June 2020	85,453,634	256,361
Shares issued in respect of SAYE award vesting	–	–
Balance as at 30 June 2021	**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.

24. OTHER RESERVES

	30 June 2021 £'000	30 June 2020 £'000
Foreign exchange reserve	**514**	350
Capital redemption reserve	**84**	84
Capital contribution reserve	**576**	576
	1,174	1,010

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.

25. 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. At 30 June 2021 the EBT held 1,590,950 shares (2020: 1,602,578).

	£'000
Opening balance at 1 July 2019	6,251
Disposal of shares in respect of award vesting	(1,996)
Balance as at 30 June 2020	4,255
Purchase of own shares	350
Disposal of shares in respect of award vesting	(576)
Balance as at 30 June 2021	**4,029**

26. RELATED PARTY TRANSACTIONS

Related parties to the Group are key management personnel (note 6) and any interests in structured entities managed by the Group.

The interest in structured entities relates to investment funds that the Group manages and from which it receives management fees for providing this service. By virtue of the investment management agreements in place, such funds may be considered to be related parties. Investment management fees are included within management fees in note 3.

The revenue recognised in respect of net management and performance fee charges from these investment funds in the year was £8.0 million (2020: £9.5 million). At the end of the year £0.90 million (2020: £0.04 million) of revenue was accrued in respect of net management fees from these investment funds.

27. 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
The Group initially records all financial assets at fair value. The Group subsequently holds each financial asset at FVTPL or amortised cost on application of the 'Business Model' and 'Solely Payments of Principal and Interest' test. 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 loss. 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.

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 2021 £'000	30 June 2020 £'000
Financial assets		
Cash and cash equivalents	**29,635**	24,251
Fee receivables	**4,880**	10,233
Other receivables	**19,639**	13,767
Total financial assets held at amortised cost	**54,154**	48,251
Investments held at FVTPL	**1,368**	290
Total Investments held at FVTPL	**1,368**	290
Total financial assets	**55,522**	48,541

Other receivables exclude prepayments.

	30 June 2021 £'000	30 June 2020 £'000
Financial liabilities		
Trade and other payables	**19,302**	17,493
Lease liabilities	**1,283**	2,691
Total financial liabilities at amortised cost	**20,585**	20,184
Contingent consideration	**171**	228
Total financial liabilities held at fair value	**171**	228
Total financial liabilities	**20,756**	20,412

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.

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 per cent. and an assumed AUM growth of 10 per cent. per annum, the fair value of the contingent consideration payable is £171,000 (2020 : £228,000)

	30 June 2021 £'000	30 June 2020 £'000
Financial assets		
Financial assets held at fair value – level 2	**1,368**	290
	1,368	290

	30 June 2021 £'000	30 June 2020 £'000
Financial liabilities		
Financial liabilities held at fair value – level 3	**171**	228
	171	228

During the period the Group transferred its held for sale asset into financial assets held at fair value. With the exception of this transfer, 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.
The banks with whom the Group deposits cash and cash equivalent balances are monitored, including their credit ratings (note 15).

Market risk – pricing risk

Pricing is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those from interest rate risk or currency risk. In respect of pricing risk on financial instrument risks, the Group's exposure to pricing risk is principally through seed investments held. The Group does not hedge exposures to pricing risk.

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 entity's functional currency.

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

	30 June 2021 £'000	30 June 2020 £'000
Fee receivables	**511**	675
Cash and cash equivalents	**1,436**	1,158
Payables	**(2,007)**	(3,823)
Other assets	**3,055**	2,785
Assets held for sale	**–**	810
Investments held at fair value	**1,188**	240
Total	**4,183**	1,845

A 10 per cent. 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 £418,000 (2020: £185,000).

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 £1,283,000 (2020: £2,691,000) is presented on the statement of financial position.

At 30 June 2021, the Group had cash and cash equivalents of £29.6 million (2020: £24.3 million).
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 2021				
Assets				
Cash and cash equivalents	29,635	–	–	–
Fee income receivables	–	4,880	–	–
Other receivables	–	19,588	–	51
Total financial assets	**29,635**	**24,468**	**–**	**51**
Liabilities				
Trade and other payables	714	18,588	–	–
Lease liability	–	219	528	536
Total financial liabilities	**714**	**18,807**	**528**	**536**
Net liquidity surplus/(deficit)	**28,921**	**5,661**	**(528)**	**(485)**

	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
Lease liability	–	382	1,098	1,211
Total financial liabilities	–	15,755	2,244	2,157
Net liquidity surplus/(deficit)	24,251	3,651	2,292	(2,099)

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.

28. 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[1,2,3]	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, Delaware, 19801	Dormant service company
River and Mercantile Infrastructure LLP[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment advisor
River and Mercantile Infrastructure GP S.a.r.l.	Lux	100	2–4 rue Eugene Ruppert, L–2453	General partner
River and Mercantile International High Alpha Fund[4]	US	100	1209 Orange St, Delaware 19801	Equity fund
River and Mercantile Group Employee Benefit Trust	UK	0	12 Castle Street, St Helier, Jersey, JE2 3RT	Employee Benefit Trust

1. Indirect holding
2. Exempt from audit requirements
3. Dormant at 30 June 2021 but started to operate as a service company on 1 July 2021
4. Investment fund seeded by the Group which has been consolidated in the Group's results

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.

29. EVENTS AFTER THE REPORTING DATE

On 26 October 2021 the Group announced that it has entered into a contract with the Schroders Group to acquire its Solutions business. This announcement does not have a material impact on the financial results as presented however will impact the future operations of the Group.

With the exception of the event mentioned above 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 4.48 pence per share, of which 1.59 pence is a special dividend and relates to net performance fees. The second interim dividend will be paid on 10 December 2021 to shareholders on the register as at 19 November 2021. The ex–dividend date is 18 November 2021.

The Board of Directors have also proposed a final dividend for the year ended 30 June 2021, subject to approval by shareholders at the Group's AGM on 13 December 2021, of 3.32 pence per share, of which 1.06 pence is a special dividend and relates to net performance fees.