25 March 2022

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River and Mercantile Group PLC

Interim Results for the Six Months Ended 31 December 2021

River and Mercantile Group PLC (the 'Company') today publishes its interim results for the six months ended 31 December 2021.

Alex Hoctor-Duncan, CEO commented:

"With the completion of the sale of our UK Solutions business to Schroders, we have a mandate to accelerate growth, broaden our platform and develop as a differentiated, purpose driven asset management firm. We want to deliver impactful investment management and stand out because we are passionate about what we do, and can deliver diversified alpha returns in line with our stated investment style. We will become an attractor of talent and an incubator of innovation. We want to attract new individuals and teams that complement what we do as well as help us to develop into new market segments that will diversify our current business. We look to the future with confidence, notwithstanding the challenging geo-political environment. For me, the journey has just started, and this is an exciting time for our business."

Highlights[1]

Solutions and Asset Management have both performed well with increased AUM and revenue and strong growth in adjusted profit for the period.

As a consequence of the sale of our UK Solutions business to Schroders (the 'Solutions Sale'), these results are necessarily complex, treating this business as a discontinued activity which includes the required recognition of costs associated with the transaction in this period prior to the recognition of the profit of the sale.

- The Solutions Sale was agreed with Schroders for £230m and completed after the period end on 31 January 2022;
- Fee earning AUM[2] (including UK Solutions) increased by 4.9% to £49.9bn (June 2021: £47.6bn);
- Net AUM flows of +£1.3bn, investment performance of +£1.0bn;
- Underlying revenue[3] increased by £0.4m to £34.6m;
- Significant performance fees of £7.2m for the period (six months to 31 December 2020: £0.1m);
- Adjusted profit before tax[4] increase of 78% to £11.0m (six months to 31 December 2020: £6.2m);
- Adjusted underlying profit before tax[5] of £6.4m, increase of 4% (six months ended December 2020: £6.2m);
- Statutory loss after tax of £6.8m (six months ended December 2020: profit £3.3m) reflecting transaction and remuneration costs in relation to the Solutions Sale to Schroders, and an impairment of intangible assets primarily as a result of a lost institutional IMA.

Notes:

[1] The highlights presented represent the financial results for both continuing and discontinued operations of the Company for the period ended 31 December 2021 and comparative periods.

[2] 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.

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

[4] Adjusted profit before tax comprises statutory profit before tax adjusted for amortisation and impairment of intangible assets (excluding software), dilutive and cash settled share awards, other unrealised gains and losses and corporate related transaction costs.

[5] Adjusted underlying profit before tax is a measure of the underlying performance of the Group and is determined by adjusting statutory profit before tax for the impact of performance fees and associated remuneration, amortisation and impairment of intangible assets (excluding software), other unrealised gains and losses, dilutive and cash settled share awards and corporate related transaction costs.

This RNS has been approved for release 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.

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

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Chairman's Statement

The last six months have seen very substantial changes for the Group (RMG) as the Board executed its strategy to realise value for our shareholders against the background of a share price that materially undervalued the Group. The sale of our UK Solutions business to Schroders for £230m (a sum that was greater than the entire market value of RMG) was the first step which was completed on 31 January 2022. Subject to shareholders' and FCA change of controller approval some £190m of these proceeds (equivalent to a minimum of 220p per share) will be returned to shareholders as soon as practicable in the context of the AssetCo transaction. In addition, we have also contracted with the management of US Solutions to sell that business to them, again subject to shareholders' approval. Both of these steps are to be put to shareholders in general meetings to be held on 1 April. On the same day our shareholders will also vote on the Scheme of Arrangement to approve the acquisition of RMG by AssetCo. These resolutions have been unanimously recommended by the Independent Directors as the best outcome for shareholders as a whole.

All of this work has been remarkably complex given the different components of the process to realise value. I wish to thank our current executive leadership team of Alex Hoctor-Duncan and Simon Wilson as well as our previous CEO, James Barham who transferred to Schroders, for the exceptional effort they and their colleagues have made to get us thus far.

I am also pleased, notwithstanding the corporate activity, that the Group's financial performance under the period of review has been strong with AUM, revenue and adjusted profit all increasing. Of necessity our financial statements are more complex than usual given the need under accounting standards to show the UK Solutions business as a discontinued operation and the requirement to recognise contingent costs associated with the transaction in advance of recognising profit from the transaction.

Looking ahead, subject to shareholders' approval and change of control permission being granted by the FCA, we will soon be part of AssetCo. I think this will be an exciting opportunity for our shareholders, executives and asset managers to participate in the building of a new and ambitious modern asset management company. I shall continue my association with RMG through joining the AssetCo board as Senior Independent Director.

Alex Hoctor-Duncan's report sets out his vision for RMG's active equity management team. We have already hired Matt Hudson to replace Dan Hanbury who left in February, and two talented key managers have been promoted within RAMAM to more senior roles. Discussions are under way with a number of other potential new hires in market segments that are complementary to our current business. We are also close in launching our new Infrastructure fund under Ian Berry and his team who joined RMG last year. This is a very exciting development in private markets where we can establish a very strong proposition for long-term investors.

Over the last few weeks our world has changed very dramatically. Many of the old 'certainties' around European security, active engagement with Russia, future defence planning within NATO and the EU have been shaken and have unsurprisingly weighed heavily on markets. Inflation, already rising, will evidently rise much further and for longer than was anticipated. We can only hope that the fighting within Ukraine following the Russian invasion may soon cease and a negotiated peace prevail.

Jonathan Dawson
Chairman of the Board

CEO's Statement

It is a great pleasure to write to you as the new CEO of River and Mercantile. I joined the firm at the end of November 2021 and became CEO in February following the successful completion of the Solutions Sale. Just prior to this, on 25 January 2022, our Board announced their recommendation for an all-share acquisition of RMG by AssetCo. I do believe that this transaction will provide both our clients and colleagues with a powerful investment platform that will accelerate our growth ambitions.

I echo the Chairman's sentiments in relation to the very troubling situation in Ukraine. As a business, we acted quickly to review our position in respect of the sanctions and can report that our investment exposure in this regard is immaterial and have taken appropriate steps to write down the value of these investments and/or sell the position where possible.

Since the announcement of the recommended take-over and the completion of the Solutions Sale we have had the news that Dan Hanbury will leave the firm to pursue other interests and that one of our large institutional clients notified us of a £0.9bn redemption.

As I reflect on both events, I believe that it tells us more about how we must develop and diversify the future of the Company. I am pleased that we already have the talent within the firm. With George Ensor we have a proven high quality small and mid-cap equity fund manager who is already well known and respected by our clients. The associated outflows have been modest since the announcement of Dan's departure, and since George took over as manager several clients have invested in the Smaller Companies fund.

We ranked 11th for industry net sales in the UK for active equity mutual fund sales in 2021. For a small business like ours this is a great achievement and is thanks to our high quality sales and client support front office working closely with investors combined with diversified alpha returns in line with our stated investment style.

We have a mandate to accelerate growth, to broaden our platform and to stand out as a differentiated, purpose driven asset management firm. Therefore, I am equally pleased to announce the arrival of Matt Hudson who has joined the PVT team in order to develop our equity income franchise alongside an existing member of the PVT team Anna Pugh. These are two examples of developing talent internally and attracting new people to the organisation in order to develop and strengthen our culture as a forward looking asset manager. We need to be deliberate, to challenge the status quo and truly deliver impactful investment management and stand out because we care and are passionate about what we do.

Purpose and culture are incredibly important to me. Since joining, I have met with everyone in the firm to engage on the topic of purpose in our industry and what that means for us. What is clear from our own engagement is that we care about our world, the societies we invest in, the clients that invest with us and our employees who want their work to make a difference.

I believe our purpose and culture will deliver superior investment excellence and establish the foundation of our platform for consistent and high quality growth. We will become an attractor of talent and an incubator of innovation.

For me, the journey has just started, and this is an exciting time for our business.

Alex Hoctor-Duncan
CEO

Financial Review

Overview

This set of interim results is somewhat different to prior years as a result of the required disclosure under IFRS to treat the UK Solutions business as a discontinued operation for the full period under review. The standards also require us to accrue the costs associated with the Solutions Sale and certain remuneration awards a large proportion of which, as at the end of the reporting period, remained conditional on completion occurring. The consequence of this is that the costs are recognised ahead of profits from the transaction.

Consequently, this financial review will cover more than the underlying trading performance of the Group as a whole and we will also explain the impact of the material post balance sheet event of the Solutions Sale and the statutory disclosure of continuing and discontinued operations.

Trading Performance

Group Financial Summary (continuing and discontinued operations)

Adjusted underlying profit before tax increased by 4% to £6.4m and, together with performance fee profit before tax of £4.6m (H1 FY21: nil), the Group's total adjusted profit before tax was £11.0m for the period, an increase of 78% over the corresponding prior year period. Adjusted profit after tax was £8.8m representing an increase of 89%. Statutory loss after tax was £6.8m (H1 FY21: profit £3.3m) the reduction from the prior period reflecting the Solutions Sale transaction costs including associated remuneration and an impairment of intangible assets primarily as a result of a lost institutional IMA. Basic adjusted earnings per share were 10.51 pence (H1 FY21: 5.59 pence).

Solutions

The Solutions business performed admirably considering that for the large part of the period the market was aware of the potential sale which had a consequential impact on business development, together with the distraction of the sale process itself. Fiduciary Management and Derivatives both generated strong AUM net flows and investment performance increasing them by 9% and 6% for the half year respectively. Furthermore, performance fees for the period were £7.2m, an increase over the estimate provided in the January trading statement. These are all testaments to the management team, staff and the quality of the business. We wish them well and success as part of Schroders.

Asset Management

Wholesale's momentum, which began accelerating towards the end of the previous interim period and really found its legs in H2 FY21, continued into H1 FY22 with net flows of £285m for the period, representing 17% growth in AUM over the six months. As previously reported, our Institutional business suffered net redemptions of £847m, primarily from our Australian business where clients, as a result of the regulatory changes in that market, redeemed to de-risk out of equities or as a result of merger activity with other Super Funds.

Our Infrastructure proposition continues to be received well by clients however it has been somewhat frustrating that we have not yet been able to announce the first fund launch as a result of the uncertainty around the Group's corporate activity. We remain very confident that the fund will launch in the near future and that the team will commence investing in the strong pipeline of assets it has been working on over the past year.

Events Since the Period End

Since 31 December 2021 a number of significant events have occurred:

- The Solutions Sale completed for gross proceeds of £237m;
- A recommended acquisition of the Company by AssetCo;

- We announced a return of capital of £190m via a B share scheme conditional on shareholder and FCA change of controller approval of the AssetCo acquisition; and
- We also announced the conditional sale of the US Solutions business.

Less positively and as previously announced, Dan Hanbury, the manager of our Smaller Companies and UK Equity Income funds left the business and one of our large institutional clients redeemed £0.9bn of AUM.

We appointed George Ensor to take over the management of the Smaller Companies Fund and who has been part of the PVT team for nearly eight years, has managed our Micro Cap fund with great success and is well known by our clients. The net outflows since the change in manager of the fund has been modest at approximately 15% of its AUM, is currently broadly stable and we are targeting a return to AUM growth for this fund in the short to medium term.

The smaller UK Equity Income fund has had net outflows of approximately £25m. However, the appointment of Matt Hudson has been well received as we reinvigorate this strategy.

Financial highlights of continuing and discontinued operations

£'000s (unless stated)	**2022**	**2021**	**Change**	**% Change**
Net Management Fees	30,080	28,418	1,662	+6%
Advisory Fees	4,509	5,782	(1,273)	(22%)
Total underlying revenue	**34,589**	**34,200**	**389**	**+1%**
Performance fees	7,160	57	7,103	>100%
Total Revenue	**41,749**	**34,257**	**7,492**	**+22%**
Administrative expenses - adjusted	8,323	7,852	471	+6%
Administrative expenses - transaction related	7,675	-	n/a	
Total remuneration and benefits - adjusted	22,818	19,865	2,953	+15%
Total remuneration and benefits - transaction related	1,417	-	n/a	
Dilutive shares award and cash settled share award charge	4,428	-	n/a	
Adjusted underlying profit before tax	6,415	6,185	230	+4%
Adjusted underlying profit after tax	5,093	4,662	431	+9%
Performance fee profit before tax	4,616	28	4,588	>100%
Performance fee profit after tax	3,739	23	3,716	>100%
Adjusted profit before tax	11,031	6,213	4,818	+78%
Adjusted profit after tax	8,832	4,685	4,147	+89%
Statutory (loss) / profit before tax	(6,110)	4,555	(10,665)	n/a
Statutory (loss) / profit after tax	(6,780)	3,309	(10,089)	n/a
Adjusted underlying earnings per share basic (pence)	6.06	5.56	0.50	+9%
Adjusted earnings per share basic (pence)	10.51	5.59	4.92	+88%
Statutory (loss) / earnings per share basic (pence)	(8.07)	3.94	(12.01)	n/a
Dividend per share (pence)	0.00	3.89	(3.89)	
Cash £ (million)	24.4	23.5	0.9	+4%

AUM

For the six months ended 31 December 2021, Continuing and Discontinued:

£ million	Fiduciary Management	Derivative Solutions S. Equity	Derivative Solutions LDI	Derivative Solutions Total	Equity Solutions Wholesale	Equity Solutions Institutional	Equity Solutions Total	Total AUM
Opening AUM	16,058	8,423	18,317	26,740	1,637	3,172	4,809	47,607
Sales	1,251	452	1,060	1,512	420	299	719	3,482
Redemptions	(875)	(865)	(990)	(1,855)	(135)	(1,146)	(1,281)	(4,011)
	376	(413)	70	(343)	285	(847)	(562)	(529)
Net rebalance and transfers	(24)	(60)	1,944	1,884	-	-	-	1,860
Net flow	352	(473)	2,014	1,541	285	(847)	(562)	1,331
Investment performance	1,064	-	-	-	6	(65)	(59)	1,005
Closing AUM	**17,474**	**7,950**	**20,331**	**28,281**	**1,928**	**2,260**	**4,188**	**49,943**
Change in AUM	8.8%	(5.6%)	11.0%	5.8%	17.8%	(28.8%)	(12.9%)	4.9%
Net flows ratio	2.2%	(5.6%)	11.0%	5.8%	17.4%	(26.7%)	(11.7%)	2.8%
Investment performance ratio	6.6%	n/a	n/a	n/a	0.4%	(2.0%)	(1.2%)	2.1%

For the two months ended 28 February 2022 – Asset Management:

£ million	Equity Solutions Wholesale	Equity Solutions Institutional	Equity Solutions Total
Opening AUM	1,928	2,260	4,188
Sales	120	14	134
Redemptions	(157)	(978)	(1,135)
Net flow	(37)	(964)	(1,001)
Investment performance	(140)	(18)	(158)
Closing AUM	**1,751**	**1,278**	**3,029**
Change in AUM	(9.2%)	(43.5%)	(27.7%)
Net flows ratio	(1.9%)	(42.7%)	(23.9%)
Investment performance ratio	(7.3%)	(0.8%)	(3.8%)

Fee Margins – Asset Management

	Wholesale	**Institutional**
Average fee earning AUM (£ million)	1,764	2,621
Net management fees (£'000s)	5,803	4,511
Average margin for the period	65	34
In-force margin at 31 December 2021 (bps)	65	36
In-force margin at 28 February 2022 (bps)	62	42
Medium term guidance (bps)	55-60	35-40

Administrative Expenses (continuing and discontinued operations)

Administrative expenses, excluding transaction costs, increased by £0.5m (6%) over the period. Transaction related professional fees including those conditional on the completion of the Solutions Sale totalled £7.7m (with £3.7m of these being conditional on completion of the sale).

Since the completion of the Solutions Sale the Group has been taking actions to right size its cost base. This will result in a reduction in administrative costs, primarily in property, IT, insurance and professional fees. There is no intention to materially reduce the cost base in relation to investment activities.

Remuneration (continuing and discontinued operations)

Pre-performance fee remuneration costs were unchanged from prior year at 58% of underlying revenue before dilutive share awards, SMSP charge (see below) and before the accrual of staff retention schemes and transaction bonuses which were conditional on completion of the Solution Sale. Our performance fee remuneration ratio was however materially lower than in previous periods at 36% of performance fees as a result of the high level of fees and the Solutions Sale completion mechanics agreed with Schroders.

During the period the Group's Remuneration Committee decided that the SMSP dilutive share awards should, conditional on completion of the Solutions Sale, be modified to cash awards at a value to be calculated on the same basis as the original share awards but as at the completion date of the Solutions Sale. For participants leaving the group to join Schroders the cash cost of this is treated as a liability in the completion accounts mechanism and therefore effectively as a cost of the deal. For remaining staff these cash awards will vest on the first anniversary of the Solutions Sale completion as a retention mechanism. This modification of the awards for remaining staff, which was conditional on completion of the Solutions Sale results in a one off charge of £0.9m to remuneration during the period and further retention awards amounted to £0.2m, both charges being part of continuing operations. The SMSP modification is included under Dilutive shares award and cash settled share award charge on the face of the income statement.

Transaction bonuses in relation to and conditional on the Solutions Sale were £1.4m and form part of the result of discontinued operations.

Subsequent to the period end, the Remuneration Committee determined that Solutions Sale be treated as a corporate event under the rules of the Value Transformation Plan. Accordingly, as a result of completion of the transaction, the Executive Directors (CFO and former CEO) will be awarded c1.1m ordinary share options and c£3.0m in cash to settle their tax liabilities. Under IFRS 2 an additional charge of £2.3m has been recognised under continuing operations to reflect the shortened expected vesting period as at 31 December 2021.

Divisional Analysis (Adjusted, unaudited)

	Six months ended 31 December 2021 (unaudited)							
	UK	UK	US	US	UK	UK		
£'000	**UK Investment Solutions (discontinued)**	**UK Asset Management**	**US Investment Solutions**	**US Asset Management**	**Corporate**	**PLC**	**Transaction costs**	**Total**
Net management fees	18,977	10,124	788	188	3	-	-	30,080
Net advisory fees	2,125	-	2,384	-	-	-	-	4,509
Performance fees	7,160	-	-	-	-	-	-	7,160
Total revenue	**28,261**	**10,124**	**3,172**	**188**	**3**	**-**	**-**	**41,749**
Total administrative expenses	**(2,483)**	**(1,753)**	**(679)**	**(211)**	**(2,783)**	**(412)**	**(7,675)**	**(15,997)**
Fixed remuneration	(6,723)	(2,696)	(2,384)	(464)	(2,838)	(241)	-	(15,346)
Variable remuneration	(2,971)	(3,156)	(215)	(2)	(1,128)	-	(1,417)	(8,890)
Total remuneration	**(9,695)**	**(5,852)**	**(2,599)**	**(466)**	**(3,966)**	**(241)**	**(1,417)**	**(24,235)**
Other gains and losses and FX	444	-	-	-	156	-	-	600
Depreciation	(52)	-	(14)	(2)	(59)	-	-	(127)
Amortisation of software	-	-	-	-	(50)	-	-	(50)
Adjustments to profit:								
Direct Non-Staff costs	-	-	-	-	-	-	7,675	7,675
Bonus - Cash	-	-	-	-	-	-	1,417	1,417
Adjusted profit / (loss) before tax	**16,476**	**2,519**	**(120)**	**(491)**	**(6,699)**	**(653)**	**-**	**11,031**

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 2021 annual financial statements).

Notwithstanding this, due to the sale of the UK Solutions business and to provide additional transparency to shareholders, the Group is providing a divisional analysis. The above 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;

c) The four investment categories include all directly attributable costs. In relation to staff costs, in most cases any staff member who spends 75% 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 all UK property costs (excluding UK Solutions), 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 2021 annual financial statements)

Continuing Operations, Assets Held for Sale and Discontinued Operations

Loss before tax of continuing operations was £5.4m (H1 FY21: £4.4m) after adjusting for intangible asset charges and dilutive and cash settled share award charges. Continuing operations revenue increased 4% to £13.5m and continuing administrative costs decreased by 4% to £5.8m for the period. This increase in these reported losses is primarily a result in the increase in remuneration reflecting a number of factors including performance fees earned by Solutions which remained part of the Group serviced by Corporate during the period under review and strong performance by our distribution team.

The cost base of continuing operations is reflective of the central corporate function that was still required to support the UK Solutions business. As previously explained to stakeholders, the Group is now taking actions to right size the continuing operations cost base to a level suitable for a smaller business.

As highlighted earlier, the UK Solutions business has been treated as an asset held for sale and a discontinued operation. The statutory financial statements show the results of the UK Solutions business as a single profit after tax item in the income statement with the remainder of the income statement reflecting the continuing operations. Only dedicated and transferred costs or transaction costs are included within discontinued operations and no intergroup cost allocations are made. Consequently, all central costs sit in continuing operations. The US Solutions business is treated as a continuing operation.

The consolidated statement of financial position shows the total assets and liabilities of UK Solutions business as two line items held for sale. Subsequent to the period end the UK Solutions entity paid a pre completion dividend of £5.2m to the continuing operations group.

Regulatory Capital

The Group's regulatory capital resources as at 31 December 2021 were £31.0m. As a result of completion of the Solutions Sale, our estimated pro forma capital resources allowing for the proceeds from the sale all associated professional and remuneration costs, expected adjustments to the completion accounts and the deconsolidation of the balance sheet of the entity sold is approximately £244m (unaudited). This pro forma makes no allowance for costs in relation to the proposed AssetCo acquisition, B share scheme or retention award remuneration not already charged prior to 31 December 2021. Nor does it adjust for the proposed sale of the US Solutions business. Our regulatory capital requirement following the Solutions Sale is approximately £7.6m.

Taxation

The effective tax rate on adjusted underlying profit was 21% for the period reflecting unrelieved tax losses in the US and has reduced compared to last year as a result of the improving financial performance in the US.

Intangible Assets

An intangible asset impairment charge of £2.2m relates to the IMA intangible asset and primarily reflects a loss of an institutional client after the period end.

Dividends

As stated in AssetCo's announced recommended offer for the Company, the board does not intend to declare any further dividends, subject to the acquisition of the Company completing.

Simon Wilson
Chief Financial Officer

Principal risks and uncertainties

There are a number of potential risks and uncertainties, including current and emerging risks, which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The risks noted below implicitly cover a wide range of business risks. Since the 2021 Annual Report the Russian invasion of Ukraine has and is likely to continue to have a material impact on the global economy, market levels and volatility. This may have a material impact on the Group's revenue through lower AUM, client redemptions and/or poor investment performance. In addition since the 2021 Annual Report the Solutions Sale has completed and as a consequence the Group has become less diversified in terms of its activities and clients which results in a greater level of risk in the factors identified. The most significant risks identified in the 2021 Annual Report are detailed below and in the opinion of the Directors remain unchanged:

Sustained market decline

The risk of a severe economic downturn and related sustained decline in asset prices. A severe economic downturn could lead to a reduction in AUM resulting in a decline in revenue and capital levels.

Sustained investment underperformance

The risk that our clients will not meet their investment objectives due to poor relative performance of one or more of the Group's funds over a prolonged period. Sustained underperformance across a range of the Group's products and strategies could result in a corresponding reduction in management and performance fee revenue.

People risk (loss of a senior portfolio manager)

The risk of failure to retain or attract the people critical to successfully delivering investment outperformance to our clients and all other aspects of our strategy. The unplanned departure of a senior fund manager or a member of our leadership team could lead to significant redemptions from our funds, failure to deliver our strategy or failure to run our business efficiently, resulting in a material impact on revenue and capital levels.

Liquidity risk

The risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost.

Counterparty and credit risk

The risk that clients or counterparties fail to fulfil their contractual obligations to make a payment.

Failure of a critical outsourced service provider

The risk that an outsourced partner fails to provide the service required either through their own organisational failure, or through substandard performance. Our relationships with stakeholders may be jeopardised if our outsourced partners provide inadequate service, resulting in the loss of clients or regulatory or financial censure and negative financial consequences.

Information and communication technology

The risk of critical systems or connectivity failures leading to an inability of the Group to operate for a period of time. The unavailability of our key systems could mean we are unable to act on behalf of our clients and/ or perform other time-critical activities to ensure the smooth running of our business. This could lead to trading losses, as well as client losses and reputational damage.

Cyber threat

The risk that a successful cyberattack could result in the loss of Group or client assets or data or cause significant disruption to key systems. Failure to repel successfully a significant attack could undermine stakeholder confidence in our ability to safeguard assets, which could affect our ability to retain existing clients and attract new business, and hence affect capital and revenue.

Legal and regulatory risks

The risk of breaching, or non-compliance with applicable law and regulations, resulting in an increased level of regulatory intervention, regulatory censure and/or fines, and temporary restrictions on our ability to operate. A breach of regulatory or legal requirements could result in fines and sanctions which could diminish the Group's reputation with clients and the market generally.

Responsibility Statement

The Directors confirm that to the best of their knowledge: The unaudited condensed consolidated set of financial statements has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that they give a true and fair view of the asset, liabilities, financial position and profit or loss of the Group.

By order of the Board

Alex Hoctor-Duncan
CEO

25 March 2022

A copy of this interim report will be posted on the Company's website on the date of this statement at www. riverandmercatile.com

INDEPENDENT REVIEW REPORT TO RIVER AND MERCANTILE GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cash flows and condensed consolidated statement of changes in shareholder's equity; and the related notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants

London, UK

25 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed consolidated interim financial statements

This Interim Report should be read in conjunction with the Annual Report of the Group for the year ended 30 June 2021.

Condensed consolidated income statement

Continuing operations	Note	**Unaudited 6 months ended 31 December 2021 £'000**	Unaudited, Restated 6 months ended 31 December 2020 £'000
Revenue			
Net management fees		**11,103**	9,927
Net advisory fees		**2,384**	3,018
Performance fees		**-**	-
Total revenue	3	**13,487**	12,945
Administrative expenses	4	**5,840**	6,085
Depreciation of owned assets		**75**	93
Amortisation of intangible assets	9	**1,509**	1,512
Impairment of intangible assets	9	**2,191**	180
Total operating expenses		**9,615**	7,870
Remuneration and benefits			
Fixed remuneration and benefits		**8,623**	7,956
Variable remuneration		**4,501**	3,056
Total remuneration and benefits		**13,124**	11,012
Dilutive shares award and cash settled share award charge		**4,220**	-
Total remuneration and benefits including dilutive and cash settled awards		**17,344**	11,012
Total expenses		**26,959**	18,882
Realised gain on disposal of investment held at fair value		**41**	-
Other unrealised gains and (losses)		**29**	(21)
(Loss) before interest and tax		**(13,402)**	(5,958)
Finance income		**23**	25
Finance expense		**(34)**	(59)
Foreign exchange gain/(loss)		**126**	(105)
(Loss) before tax		**(13,287)**	(6,097)
Tax (credit) / charge			
Current tax	10	**(2,037)**	104
Deferred tax	10	**(1,466)**	(109)
(Loss) after tax from continuing operations		**(9,784)**	(6,092)
Profit after tax from discontinued operations	8	**3,004**	9,401
(Loss) / Profit for the year attributable to owners of the parent		**(6,780)**	3,309
(Loss) per share attributable to owners of the parent from continuing operations			
Basic (pence)	12	**(11.65)**	(7.26)
Diluted (pence)	12	**(11.65)**	(7.26)
(Loss) / Earnings per share attributable to owners of the parent			
Basic (pence)	12	**(8.07)**	3.94
Diluted (pence)	12	**(8.07)**	3.94

Condensed consolidated statement of comprehensive income

	Unaudited 6 months ended 31 December 2021 £'000	Unaudited, Restated 6 months ended 31 December 2020 £'000
(Loss) / profit for the period	**(6,780)**	3,309
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation differences	**84**	163
Total comprehensive (loss) / profit	**(6,696)**	3,472

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

Condensed consolidated statement of financial position

	Note	Unaudited 31 December 2021 £'000	Audited 30 June 2021 £'000
Assets			
Cash and cash equivalents		**8,859**	29,635
Fee receivables		**597**	4,880
Other receivables		**7,418**	21,881
Assets held for sale	7,8	**35,201**	-
Investments held at fair value through profit or loss	6	**1,067**	1,368
Right of use assets	18	**1,269**	1,219
Deferred tax asset	10	**1,509**	519
Property, plant and equipment		**95**	253
Intangible assets	9	**19,877**	23,514
Total assets		**75,892**	83,269
Liabilities			
Current tax liabilities		**-**	925
Trade and other payables		**8,604**	19,484
Corporate transaction costs		**5,943**	-
Liabilities held for sale	7,8	**8,950**	-
Lease liability	18	**1,458**	1,283
Deferred tax liability	10	**1,046**	1,731
		26,001	23,423
Total liabilities			
Net assets		**49,891**	59,846
Equity			
Share capital	14	**256**	256
Share premium		**15,429**	15,429
Other reserves	13	**1,258**	1,174
Own shares held by EBT	15	**(3,176)**	(4,029)
Retained earnings		**36,124**	47,016
Equity attributable to owners of the parent		**49,891**	59,846

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

The financial statements were approved by the Board and authorised for issue on 25 March 2022.

Alex Hoctor-Duncan
CEO

Simon Wilson
Chief Financial Officer

Condensed consolidated statement of cash flows

	Note	Unaudited 6 months ended 31 December 2021 £'000	Unaudited, Restated 6 months ended 31 December 2020 £'000
Cash flow from operating activities			
(Loss) before interest and tax from continuing operations		**(13,402)**	(5,958)
Adjustments for:			
Amortisation of intangible assets	9	**1,509**	1,511
Impairment of intangible assets	9	**2,191**	180
Depreciation of right of use asset	18	**456**	374
Depreciation of property, plant and equipment		**75**	93
Share-based payment charge / credit	5	**3,131**	(29)
Gain on disposal of fair value investments		**(29)**	-
Other unrealised (gains) and losses		**(41)**	21
Operating cash flow before movement in working capital		**(6,110)**	(3,808)
(Increase) in operating assets		**(89)**	(1,096)
Increase / (decrease) in operating liabilities		**311**	(2,861)
Cash (used) in operations		**(5,888)**	(7,765)
Tax recovered / (paid)		**1,467**	(536)
Net cash used in continuing operations		**(4,421)**	(8,301)
Cash generated from discontinued operations	8	**6,486**	14,509
Net cash generated from operating activities		**2,065**	6,208
Cash flow from investing activities			
Purchase of intangible assets	9	**(28)**	(370)
Purchase of property, plant and equipment		**-**	-
New seed investment held at fair value	6	**-**	(1,020)
Proceeds from disposal of investments held at fair value		**304**	-
Interest received		**23**	25
Net cash generated / (used) from investing activities		**299**	(1,365)
Cash flow from financing activities			
Interest paid		**-**	-
Lease liability payments	18	**(769)**	(769)
Dividends paid	11	**(6,565)**	(4,322)
Purchase of own shares by EBT	15	**(335)**	(350)
Share issue		**-**	-
Net cash used in financing activities		**(7,669)**	(5,441)
Net (decrease) in cash and cash equivalents		**(5,305)**	(598)
Cash and cash equivalents at beginning of period		**29,635**	24,251
Foreign exchange movement		**44**	(193)
Cash and cash equivalents at end of period for continuing operations		**8,859**	12,765
Cash and cash equivalents included in disposal group	8	**15,515**	10,695
Total cash and cash equivalents at end of period		**24,374**	23,460

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

Condensed consolidated statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Own shares held by EBT £'000	Retained earnings £'000	Total £'000
Audited balance as at 30 June 2020	256	15,429	1,010	(4,255)	45,817	58,257
Comprehensive income for the period:						
Profit for the period	-	-	-	-	8,208	8,208
Other comprehensive income	-	-	164	-	-	164
Total comprehensive income	-	-	164	-	8,208	8,372
Transactions with owners:						
Dividends	-	-	-	-	(7,582)	(7,582)
Share-based payment expense	-	-	-	-	1,009	1,009
Shares issued in respect of award vesting	-	-	-	-	-	-
Deferred tax 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)
Audited balance as at 30 June 2021	256	15,429	1,174	(4,029)	47,016	59,846
Comprehensive income for the period:						
Loss for the period	-	-	-	-	**(6,780)**	**(6,780)**
Other comprehensive income	-	-	**84**	-	-	**84**
Total comprehensive (loss) / income	-	-	**84**	-	**(6,780)**	**(6,696)**
Transactions with owners:						
Dividends	**-**	**-**	**-**	**-**	**(6,565)**	**(6,565)**
Share-based payment expense	**-**	**-**	**-**	**-**	**3,130**	**3,130**
Purchase of own shares	**-**	**-**	**-**	**(335)**	**-**	**(335)**
Shares issued in respect of award vesting	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax	**-**	**-**	**-**	**-**	**511**	**511**
Disposal of shares in respect of award vesting	**-**	**-**	**-**	**1,188**	**(1,188)**	**-**
Total transactions with owners:	**-**	**-**	**-**	**853**	**(4,112)**	**(3,259)**
Unaudited balance as at 31 December 2021	**256**	**15,429**	**1,258**	**(3,176)**	**36,124**	**49,891**

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

Notes to the condensed consolidated interim financial statements

1. General information

River and Mercantile Group PLC ('the Company'), is a company incorporated in England and Wales (Co. no. 04035248). The condensed consolidated interim financial statements for the six months ended 31 December 2021 comprise the consolidated results and financial position of the Company and its subsidiaries (together referred to as 'the Group').

2. Accounting policies

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union, was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. River and Mercantile Group PLC transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 July 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Group's 2021 Annual Report. The comparative financial information for the year ended 30 June 2021 included in these interim financial statements does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

The annual financial statements of the Group for the year ended 30 June 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to regulation (EC) No 1606/2002 as it applies in the European Union. The Independent Auditors Report on that Annual Report and financial statements for the year ended 30 June 2021 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 same accounting policies and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements.

The comparative period to December 2020 has been restated to separately present those items identified as discontinued operations.

Accounting Policies (continued)

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors have reasonable belief that, having considered the Group and Company's forecasted performance, cashflow and capital base, the Group and Company has adequate resources to continue as a going concern for the foreseeable future. The Directors have taken into the account the sale of the Solutions business and proposed subsequent return of capital to shareholders in making this assessment.

Accordingly, the Group condensed financial statements have been prepared on a going concern basis using the historical cost convention, except for the measurement at fair value of certain financial instruments that are held at fair value.

Foreign currencies

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.

Accounting Policies (continued)

Assets held for sale

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

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

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

Discontinued operations

A discontinued operation is identified when a significant line of the Group's business has been disposed of or classified as held for sale. The sum of the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less cost to sell or fair value adjustments on the disposal of the assets (or disposal group) is presented as a single amount on the face of the Statement of Comprehensive Income. The net cash flows attributable to the operating, investing, and financing activities of a discontinued operation are separately presented on the face of the cash flow statement.

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 six months to 31 December 2021.

Significant judgments 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.
- 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

Accounting Policies (continued)

- 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 £2.1m (December 2020: £nil) of such items receivable on its balance sheet).
- The Group applies judgement in determining whether to classify an asset as held for sale. At the balance sheet date, the Directors have considered the treatment of its UK Solutions business and its US Solutions business against the criteria within IFRS 5. It was determined that its UK Solutions business is held for sale at the balance sheet date but the US Solutions business was not classified as held for sale as it did not meet all the conditions required under the standard.

Consolidation of seed capital investments

The Group holds seeding investments in funds which it manages. Judgement is required to be exercised in terms of assessing whether these funds are to be consolidated in accordance with IFRS 10. Where the Group holds seed investments in funds that it controls, it typically expects its interest in the funds to be diluted to such an extent that it will no longer control the fund within twelve months of seeding. The Group considers these investments to be assets acquired with a view to subsequent disposal. The Group's policy is to hold these seed investments as assets held for sale in accordance with IFRS 5, where the conditions are met. At the balance sheet date there are no seed investments classified as held for sale.

3. Revenue

Revenue from continuing operations:	**Unaudited 6 months ended 31 December 2021**	Unaudited, Restated 6 months ended 31 December 2020
Net management fees		
– Fiduciary Management (US)	**470**	550
– Derivatives (US)	**318**	183
– Equity Solutions – Wholesale	**5,804**	3,602
– Equity Solutions – Institutional	**4,511**	5,592
Net management fees	**11,103**	9,927
Advisory fees (US)		
– Retainers	**863**	964
– Project fees	**1,521**	2,054
Advisory fees (US)	**2,384**	3,018
Total revenue from continuing operations	**13,487**	12,945

There were no performance fees in the period relating to continuing operations (December 2020: nil).

NET MANAGEMENT FEES
Net management fees represent the fees charged pursuant to an IMA. Net management fees are reported net of rebates to clients and are typically charged as a percentage of the client's AUM. The fees are generally accrued based on a contractual daily fee calculation and billed to the client either monthly or quarterly. During the six months ended 31 December 2021, rebates totalling £764,000 (December 2020: £768,000) were paid in respect of 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 typically billed 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.

4. Administrative expenses

Administrative expenses from continuing operations:	**Unaudited 6 months ended 31 December 2021 £'000**	Unaudited, Restated 6 months ended 31 December 2020 £'000
Marketing	**341**	285
Travel and entertainment	**45**	21
Office facilities	**700**	748
Technology, market data and communications	**2,065**	2,195
Professional fees	**622**	992
Research	**524**	560
Governance expenses	**549**	393
Fund administration	**356**	477
Other staff costs	**207**	94
Insurance	**172**	168
Irrecoverable VAT	**251**	149
Other costs	**8**	3
Total administrative expenses from continuing operations	**5,840**	6,085

Included within office facilities expenses in the current period is the depreciation charge on the right of use asset on continuing operations of £456,000 (December 2020: £374,000).

Transaction related fees in relation to the sale of the Solutions business have been classified within discontinued operations (Note 8).

5. Share-based payments

Employee share plans

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. Awards with only non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of shares that eventually vest. Awards with any market vesting conditions are valued at the date the award is granted and as long as all other vesting conditions are satisfied, a flat charge over the period of vesting based on this valuation is recognised. 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 fair value of the award is measured immediately before and after the modification. Where there is an increase in the fair value of the award immediately prior to modification the increase in the life-to-date charge is recognised immediately in the in the Consolidated Income Statement and the future cost is spread over the remaining vesting period.

Deferred Equity Plan (DEP)

The Group's DEP allows for the grant of nil cost options, contingent share awards or forfeitable share awards.

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

Full details of the share awards in respect of 2019, 2020 and 2021 can be found in the 30 June 2021 Annual Report.

Awards granted or modified in the period will be detailed in the June 2022 Annual Report. In the period the Group accelerated the IFRS 2 charge on some of its dilutive share awards, reflecting an expected vesting on the completion of the Solutions Sale, consequently this vesting is contingent upon the Solutions sale completing. This resulted in an additional charge of £3,237,000 in the period inclusive of associated national insurance, this charge has been recognised in continuing operations.

Save-as-you earn (SAYE)

All eligible UK employees may participate in the Group's Sharesave 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).

6. Investments held at fair value

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

	Investments held at FVTPL £'000
At 30 June 2020 (Audited)	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 (Audited)	1,368
Additions	-
Movement in FVTPL	(27)
Foreign exchange movement	30
Disposals	(304)
At 31 December 2021 (Unaudited)	**1,067**

7. Assets and Liabilities Held for Sale

	Unaudited 31 December 2021 £'000	Audited 30 June 2021 £'000
Assets held for sale	**35,201**	-
Liabilities held for sale	**8,950**	-

On 26 October 2021 the Group announced that it had entered into a contract with Schroder International Holdings Limited, a wholly owned subsidiary of Schroders plc to sell its UK Solutions business. The offer was for 100% of the share capital of the Group's subsidiary River and Mercantile Investments Limited.

On 13 December 2021 the sale was approved by the Company's shareholders. As at 31 December 2021 the sale of the business was considered highly probable and was recognised as a held for sale and a discontinued operation.

Assets and liabilities held for sale represent the assets and liabilities of the disposal group, excluding any intercompany balances.

See note 8 for detailed breakdown of assets and liabilities held for sale.

8. Discontinued Operations

The results of the UK Solutions business for the period have been reported as a discontinued operation.

The identification, allocation and presentation of the UK Solutions business as a discontinued operation is considered a judgemental area of the standards. The discontinued operations presented in these financial statements include;

Statement of Financial Position presentation:

- The UK Solutions business, meaning River and Mercantile Investments Limited (RAMIL); and
- The exclusion of all intercompany balances and transactions in the period between RAMIL and other Group companies;

Statement of Comprehensive Income presentation:

- The inclusion of all identifiable transaction related costs such as legal and professional fees;
- The inclusion of specific transaction related compensation costs, including some specific one-off costs for staff remaining with the Group where those costs are directly attributable to the transaction;
- The inclusion of property costs incurred specifically in relation to the discontinued operation; and
- The inclusion of staff costs outside of RAMIL who transferred to Schroders with the sale.

Financial information relating to the discontinued operation for the period is set out below.

Discontinued operations (continued)

Statement of Comprehensive Income

Discontinued operations	**Unaudited 6 months ended 31 December 2021 £'000**	Unaudited 6 months ended 31 December 2020 £'000
Revenue		
Net management fees	**18,977**	18,491
Net advisory fees	**2,125**	2,764
Performance fees	**7,160**	57
Total revenue	**28,262**	21,312
Administrative expenses	**2,483**	1,767
Transaction related professional fees	**7,675**	-
Depreciation of owned assets	**52**	14
Total operating expenses	**10,210**	1,781
Remuneration and benefits		
Fixed remuneration and benefits	**6,723**	6,962
Variable remuneration	**2,971**	1,891
Transaction related variable remuneration	**1,417**	-
Total remuneration and benefits	**11,111**	8,853
Dilutive share awards charge	**208**	-
Total remuneration and benefits including dilutive share awards	**11,319**	8,853
Total expenses	**21,529**	10,634
Foreign exchange (loss)	**(3)**	(26)
Other gains	**447**	-
Profit before tax from discontinued operations	**7,177**	10,652
Tax charge		
Current tax	**4,166**	1,232
Deferred tax	**7**	19
Profit after tax from discontinued operations	**3,004**	9,401

Information on discontinued operations earnings per share is included in note 12.

Transaction related professional fees relates to legal and advisor costs in connection with the sale of the UK Solutions business. At the reporting date £3,700,000 of the professional fees recognised were contingent on completion of the sale of UK Solutions.

Transaction related variable remuneration costs reflect bonuses payable to employees in relation to the sale. Transaction related variable remuneration costs reflect bonuses payable to employees which are contingent on completion of the sale of UK Solutions.

In the prior years the Group allocated tax losses to the disposal group. As a consequence of the structure of the sale of the UK Solutions business, those tax losses for the years ending 30 June 2021 and 30 June 2020 were reallocated to continuing operations (to the extent there were profits available) resulting in a one-off credit to continuing operations of £2,116,000 and a corresponding one-off charge to discontinued operations. There was no overall change to the consolidated tax charge as a result of this change.

Discontinued operations (continued)

At 31 December 2021 the carrying amounts of assets and liabilities were reclassified as held for sale. There was no gain or loss recognised as a result of this reclassification. The breakdown of the assets and liabilities held for sale is detailed below:

	Unaudited 31 December 2021 £'000
Assets	
Cash and cash equivalents	**15,515**
Fee receivables	**1,785**
Other receivables	**17,574**
Deferred tax asset	**292**
Property, plant and equipment	**35**
Total assets	**35,201**
Liabilities	
Current tax liabilities	**2,103**
Trade and other payables	**6,847**
Total liabilities	**8,950**
Net assets	**26,251**

Cash flows from discontinued operations for the period were as follows:

Discontinued operations	**Unaudited 6 months ended 31 December 2021 £'000**	Unaudited 6 months ended 31 December 2020 £'000
Net cash generated from operating activities	**6,486**	14,509
Net increase in cash and cash equivalents	**6,486**	14,509

9. Intangible assets

	Goodwill £'000	Customer lists and IMAs £'000	Software £'000	Total £'000
Cost:				
At 30 June 2020 (Audited)	15,689	38,621	469	54,779
Exchange difference	(171)	-	-	(171)
Additions	-	-	324	324
At 30 June 2021 (Audited)	15,518	38,621	793	54,932
Exchange difference	35	–	–	35
Additions	–	–	28	28
At 31 December 2021 (Unaudited)	**15,553**	**38,621**	**821**	**54,995**
Accumulated amortisation and impairment:				
At 30 June 2020 (Audited)	439	27,691	89	28,219
Amortisation charge	-	2,915	104	3,019
Impairment	180	-	-	180
At 30 June 2021 (Audited)	619	30,606	193	31,418
Amortisation charge	–	1,459	50	1,509
Impairment	–	2,191	-	2,191
At 31 December 2021 (Unaudited)	**619**	**34,256**	**243**	**35,118**
Net book value:				
At 30 June 2021 (Audited)	14,899	8,015	600	23,514
At 31 December 2021 (Unaudited)	**14,934**	**4,365**	**578**	**19,877**

At 31 December 2021 the IMA intangibles which arose from the acquisition of RAMAM were impaired. The impairment was primarily driven by a loss of an institutional client after the period end. The impact of this impairment was £2,191,000.

10. Income tax

Income tax expense is recognised based on management's estimate of the estimated income tax rate expected for the period. The change in the effective tax rate in the period compared to the same period in the prior year reflects the significant amount of non-deductible costs in relation to the sale of the UK Solutions business in the period and reduced losses in the US.

In the prior years the Group allocated tax losses to the disposal group. As a consequence of the structure of the sale of the UK Solutions business those, tax losses for the years ending 30 June 2021 and 30 June 2020 were reallocated to continuing operations (to the extent there were profits available) resulting in a one-off credit to continuing operations of £2,116,000 and a corresponding one-off charge to discontinued operations. There was no overall change to the consolidated tax charge as a result of this change.

Income tax (continued)

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

	Unaudited at 31 December 2021 £'000	Audited Year ended 30 June 2021 £'000
Deferred tax assets		
At beginning of year	**519**	276
(Charge)/credit to the income statement:		
– share-based payment expense	**784**	99
-IFRS 16 movement	**(13)**	4
– movement in foreign exchange	**-**	-
(Charge)/credit to equity:		
– share-based payment expense	**511**	140
Transfer to asset held for sale	**(292)**	-
At end of period	**1,509**	519

	Unaudited at 31 December 2021 £'000	Audited Year ended 30 June 2021 £'000
Deferred tax liabilities		
At beginning of year	**1,731**	2,078
Charge/(credit) to the income statement:		
– amortisation of intangibles	**(276)**	(554)
– impairment of intangibles	**(416)**	-
– re-measurement of deferred tax on intangibles for changes in expected tax rate	**-**	175
– IFRS 16 movement	**10**	-
– movement on investments held at fair value	**(3)**	32
At end of period	**1,046**	1,731

11. Dividends

During the period, the following dividends were paid:

	Ordinary (pence)	Special (pence)	Total (pence)	**Unaudited 31 December 2021 £'000**	Unaudited 31 December 2020 £'000
2020 second interim	2.81	-	2.81	-	2,360
2020 final	2.24	0.10	2.34	-	1,962
2021 second interim	2.89	1.59	4.48	**3,770**	-
2021 final	2.26	1.06	3.32	**2,795**	-
				6,565	4,322

12. Earnings per share

The basic 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 any shares held by the Group's EBT). The diluted earnings per share adjusts the basic earnings per share for the conversion of any dilutive potential ordinary shares, calculated at the balance sheet date.

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.

Under IAS 33 ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Consequently, the potential dilutive effects of shares granted have not been treated as dilutive for the purposes of calculating statutory dilutive earnings per share for December 2021 as the continuing group has made a loss in the period and any dilutions to the share count would result in an increase in earnings per share from continuing operations, contrary to the standard.

	Unaudited 6 months ended 31 December 2021	Unaudited 6 months ended 31 December 2020
(Loss) attributable to owners of the parent from continuing operations (£'000)	**(9,784)**	(6,092)
Profit attributable to owners of the parent from discontinued operations (£'000)	**3,004**	9,401
(Loss) / profit attributable to owners of the parent (£'000)	**(6,780)**	3,309
Weighted average number of shares in issue ('000)	**84,003**	83,874
Weighted average number of diluted shares ('000)	**84,003**	83,921
(Loss) per share from continuing operations:		
Basic (pence)	**(11.65)**	(7.26)
Diluted (pence)	**(11.65)**	(7.26)
Profit per share from discontinued operations:		
Basic (pence)	**3.58**	11.21
Diluted (pence)	**3.58**	11.21
(Loss) / earnings per share to owners of the parent:		
Basic (pence)	**(8.07)**	3.94
Diluted (pence)	**(8.07)**	3.94

Earnings per share (continued)

Reconciliation between weighted average number of shares in issue

	Unaudited 6 months ended 31 December 2021 000s	Unaudited 6 months ended 31 December 2020 000s
Weighted average number of shares in issue – basic	**84,003**	83,874
Dilutive effect of shares granted under value transformation plan (VTP)	**-**	-
Dilutive effect of shares granted under senior management share plan (SMSP)	**-**	-
Dilutive effect of shares granted under SAYE	**-**	47
Weighted average number of shares in issue – diluted	**84,003**	83,921

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 (APM). It should be noted that this APM is not a GAAP measure and is not intended to substitute for them, consequently adjusted profit may not be the same as that used by other companies.

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 costs and corporate related transaction related costs 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 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, dilutive share awards, cash settled share awards and corporate related transaction costs.

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 realised gain or loss on disposal of seed investments held.

Earnings per share (continued)

	Unaudited 6 months ended 31 December 2021 £'000	Unaudited 6 months ended 31 December 2020 £'000
Adjusted profit calculation:		
Statutory loss before tax from continuing operations	**(13,287)**	(6,097)
Statutory profit before tax from discontinued operations	**7,177**	10,652
Total statutory (loss) / profit before tax	**(6,110)**	4,555
Adjustments:		
Amortisation and impairments of intangible assets	**3,650**	1,637
Transaction related professional fees	**7,675**	-
Transaction related variable remuneration	**1,417**	-
Other unrealised (gains) and losses	**(29)**	21
Dilutive shares award and cash settled share award charge	**4,428**	-
Adjusted profit before tax	**11,031**	6,213
Taxes	**(2,199)**	(1,528)
Adjusted profit after tax	**8,832**	4,685
Performance fee profit calculation:		
Performance fees	**7,160**	57
Less associated remuneration	**(2,585)**	(29)
Gains and (losses) on disposal of investments	**41**	-
Performance fee profit before tax	**4,616**	28
Taxes	**(877)**	(5)
Performance fee profit after tax	**3,739**	23
Adjusted underlying profit calculation:		
Adjusted profit before tax	**11,031**	6,213
Less: Performance fee profit before tax	**(4,616)**	(28)
Adjusted underlying profit before tax	**6,415**	6,185
Taxes on adjusted profit	**(2,199)**	(1,528)
Add back: Taxes on performance fee profit	**877**	5
Adjusted underlying profit after tax	**5,093**	4,662
Adjusted underlying pre-tax margin (calculated on total revenue excluding performance fees)	**19%**	18%

Earnings per share (continued)

Adjusted earnings per share:

	Unaudited 6 months ended 31 December 2021	Unaudited 6 months ended 31 December 2020
Adjusted profit after tax (£'000)	**8,832**	4,685
Adjusted underlying profit after tax (£'000)	**5,093**	4,662
Weighted average shares ('000)	**84,003**	83,874
Adjusted weighted average diluted shares ('000)	**84,003**	83,921
Adjusted earnings per share:		
Basic (pence)	**10.51**	5.59
Diluted (pence)	**10.51**	5.58
Adjusted underlying earnings per share:		
Basic (pence)	**6.06**	5.56
Diluted (pence)	**6.06**	5.56

13. Other reserves

	Unaudited 31 December 2021 £'000	Audited 30 June 2021 £'000
Foreign exchange reserve	**598**	514
Capital redemption reserve	**84**	84
Capital contribution reserve	**576**	576
	1,258	1,174

14. 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	£
Balance as at 30 June 2020 (Audited)	85,453,634	256,361
Balance as at 30 June 2021 (Audited)	85,453,634	256,361
Balance as at 31 December 2021 (Unaudited)	**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.

15. Own Shares held by EBT

	£'000
Balance at 30 June 2020 (Audited)	4,255
Acquisition of own shares by EBT	350
Disposal of shares in respect of award vesting	(576)
Balance at 30 June 2021 (Audited)	4,029
Acquisition of own shares by EBT	335
Disposal of shares in respect of award vesting	(1,188)
Balance as at 31 December 2021 (Unaudited)	3,176

16. Related party transactions

Related parties to the Group are its key management personnel.

Key management personnel remuneration

Key management includes the Executive and Non-Executive Directors, and the Executive Committee members. The remuneration paid or payable to key management for employee services (from both continuing and discontinued operations) is shown below:

	Unaudited 6 months ended 31 December 2021 £'000	Unaudited 6 months ended 31 December 2020 £'000
Short-term employee benefits	**2,163**	2,143
Long-term employee benefits	**-**	2
Post-employment benefits	**63**	72
Transaction related variable remuneration	**745**	-
Share-based payments expense / (credit)	**3,738**	(304)
Total	**6,709**	1,913

17. Financial instruments

Categories of financial instruments

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

	Unaudited 31 December 2021 £'000	Audited 30 June 2021 £'000
Financial assets		
Cash and cash equivalents	**8,859**	29,635
Fee receivables	**597**	4,880
Other receivables	**6,135**	19,639
Assets held for sale	**35,201**	-
Total financial assets held at amortised cost	**50,792**	54,154
Investments held at FVTPL	**1,067**	1,368
Total Investments held at FVTPL	**1,067**	1,368
Total financial assets	**51,859**	55,522

Other receivables exclude prepayments.

	Unaudited 31 December 2021 £'000	Audited 30 June 2021 £'000
Financial liabilities		
Trade and other payables	**8,469**	19,302
Corporate transaction costs	**5,943**	-
Lease liabilities	**1,458**	1,283
Liabilities held for sale	**8,950**	-
Total financial liabilities at amortised cost	**24,820**	20,585
Contingent consideration	**135**	171
Total financial liabilities held at fair value	**135**	171
Total financial liabilities	**25,955**	20,756

Trade and other payables exclude deferred income.

The Directors consider the carrying amounts of the 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.

Financial instruments (continued)

Fair value of financial assets and liabilities

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).

Financial assets

	Unaudited 31 December 2021 £'000	Audited 30 June 2021 £'000
Financial assets		
Financial assets held at fair value – level 2	**1,067**	1,368
	1,067	1,368

Financial liabilities

	Unaudited 31 December 2021 £'000	Audited 30 June 2021 £'000
Financial liabilities		
Financial liabilities held at fair value – level 3	**135**	171
	135	171

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

18. Leases

Right of Use Asset on Leasehold Property	£'000
Cost:	
At 30 June 2020 (Audited)	5,632
Foreign exchange	(176)
At 30 June 2021 (Audited)	5,456
Additions	750
Disposal	(1,518)
Foreign Exchange	37
At 31 December 2021 (Unaudited)	**4,725**
Accumulated depreciation:	
At 30 June 2020 (Audited)	3,046
Depreciation charge	1,263
Exchange difference	(72)
At 30 June 2021 (Audited)	4,237
Foreign Exchange	21
Depreciation charge from continuing operations	456
Depreciation charge from discontinued operations	260
Disposal	(1,518)
At 31 December 2021 (Unaudited)	**3,456**
Net book value:	
At 30 June 2021	1,219
At 31 December 2021 (Unaudited)	**1,269**

Leases (continued)

Lease Liability	£'000
Liability:	
At 30 June 2020	2,691
Payments made	(1,384)
Interest charge	96
Foreign Exchange	(120)
At 30 June 2021 (Audited)	1,283
Additions	886
Foreign Exchange	24
Payments made	(769)
Interest charge	34
At 31 December 2021 (Unaudited)	**1,458**
Of which:	
Current lease liabilities	757
Non-current lease liabilities	701
At 31 December 2021 (Unaudited)	**1,458**

In the period the Group signed a new lease in relation to its Coleman Street office. The lease in relation to the discontinued operation at Aldermanbury Square ended in December 2021.

19. Events after the reporting period

A number of items material to the Group have occurred in the time after the end of the reporting period 31 December 2021. These are detailed below.

On 25 January 2022 the Board of Directors recommended an acquisition of the Company by AssetCo plc ("AssetCo") for the entire issued and to be issued ordinary share capital of the Group. It is intended that, subject to shareholder and FCA approval, the acquisition will be implemented by way of a court-sanctioned scheme of arrangement under Part 26 of the 2006 Act.

On 25 January 2022 the Group announced the proposed sale of its US Solutions business to Agilis Holding Company LLC.

On 31 January 2022 the Group completed the sale of its UK Solutions business to Schroders for gross proceeds of £237m.

On 1 February 2022 the Company appointed Alex Hoctor-Duncan (a Director of the Company) as Chief Executive Officer of the Group.

Events after the reporting period (continued)

On 4 February 2022 the Remuneration Committee of the Group approved that the Solutions Sale constituted a corporate event under the VTP rules. Accordingly, the Committee approved the vesting of the award to the Executive Directors of the Group (including the former CEO) of 1,109,875 ordinary share options and a cash sum to settle their tax liabilities which is estimated to be approximately £3m. In the period the share based payment charge in respect of this award was accelerated to reflect the expected early vesting as at 31 December 2021.

On 19 February 2022, the Directors announced their intention to return £190m to shareholders by way of a B Share scheme, subject to shareholder approval and FCA change of controller approval of the AssetCo acquisition.

On 8 March 2022 the Group published shareholder circulars relating to the acquisition by AssetCo, the return of capital and the sale of the US Solutions business. The Court Meeting in relation to the AssetCo acquisition and the General Meetings for the shareholder vote on the return of capital, AssetCo acquisition and sale of the US Solutions business will be held on 1 April 2022.