17 March 2021

LEI: 2138005C7REHURGWHW31

River and Mercantile Group PLC

Interim Results for the Six Months Ended 31 December 2020

River and Mercantile Group PLC today publishes its interim results for the six months ended 31 December 2020.

James Barham, Group Chief Executive commented:
"This has been a very busy period for the Group. Not only have we addressed the significant disruption caused by the pandemic, but we have also successfully launched a number of new initiatives across the business; from our Global Responsible Equity Strategy, to the positive start by our European Equity Fund, and, more recently, the hiring of our new Infrastructure team. Each of these initiatives is a response to strong client interest and need in these asset classes. There is also a strong sustainability and ESG theme within them, reflecting a growing requirement from clients that investment strategies should mirror wider social demands whilst continuing to achieve good returns.

In addition, we believe we have made the right investments in people to enable River and Mercantile to take advantage of the attractive growth opportunities that we have identified, to continue to deliver strong investment returns for our growing client base, and to provide longer-term value to shareholders.

Following a period of substantial investment, we are now redoubling our focus on improving our profitability through a series of cost cutting exercises to ensure that we return our core underlying margin to previous levels."

Operational Highlights

- 93% of investment strategies by AUM beat their respective benchmarks over the period;
- The Group has £2.2 billion of new mandates with IMAs under negotiation, the majority of which are Fiduciary Management;
- Average Fiduciary Management client term weighted by AUM of 8.1 years and 72% of assets managed for over five years;
- Derivatives business shows healthy growth with 2.5% increase, £0.6 billion, of net flows;
- US Solutions Business now profitable;
- New Wholesale team has driven a return to net inflows in Q2;
- Global Responsible Equity Strategy developed and now being marketed;
- European Equity Fund launched and performing well;
- New Infrastructure business established and team hired, first fund to be launched in 2021;
- Group Head of ESG hired.

Financial Highlights

- Fee earning AUM[1] increased by 3.4% to £45.7 billion (June 2020: £44.2 billion);
- Net AUM flows of +£0.1 billion, investment performance of +£1.4 billion;
- Underlying revenue[2] fell by 3.0% to £34.2 million (six months to 31 December 2019: £35.2 million);

- No material performance fees for the period (six months to 31 December 2019: £1.1 million), although UK Micro Cap Investment Company performance fee earned of £1.2 million will fall in H2 results;
- Adjusted underlying profit before tax[3] of £6.2 million (six months ended December 2019: £7.3 million);
- Statutory profit before tax of £4.6 million (six months ended December 2019: £5.7 million);
- Adjusted underlying basic EPS[4] of 5.56 pence (six months ended December 2019: 6.52 pence);
- Basic EPS of 3.94 pence (six months ended December 2019: 4.86 pence);
- The Board of Directors has declared a first interim dividend of 3.89 pence per share (prior year first interim ordinary dividend of 3.89 pence and a 0.5 pence special dividend).

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.

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

[3] 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 and dilutive share awards.

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

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.

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

For further information please contact:

Montfort Communications
Gay Collins, e: gaycollins@montfort.london t: +44(0)7798 626 282
Nick Bastin, e: bastin@montfort.london t: +44(0)7931 500 066

Group Chief Executive's Statement

Introduction

The six month period to 31 December 2020 continued to be demanding, with uncertainty and disruption caused by the pandemic which, despite our diversified business model, impacted our shorter-term financial results. There is a significant amount of positive work being undertaken across the business that will impact in our second half. I am grateful to all our employees for their success in maintaining a full service to all our clients whilst working from home and delivering excellent investment performance during the period.

Significant Developments

This has been a very busy period for the Group and we have successfully launched a number of new initiatives and there are a number of positive developments:

- The Group has £2.2 billion of new mandates with investment agreements currently in negotiation. The majority of these are for Fiduciary Management and will flow into "in transition" once documents are signed;
- Following a period of investment, our US Solutions business is now profitable;
- Our Global Responsible Equity Strategy, which builds on an existing investment strategy in our Fiduciary business, where we currently manage in excess of £4 billion of equities, has been developed into a product that we are successfully presenting to our wider wholesale and institutional clients;
- Our European Equity Fund has made a good start both in performance and funds raised;
- We have opened our newly established Infrastructure business and we will be launching our first infrastructure fund during 2021.

Each of these developments is a response to strong client interest and need in these asset classes. There is also a strong ESG theme within them reflecting a growing requirement from clients that investment strategies should mirror wider social demand for responsible investment strategies whilst continuing to achieve good returns and is in line with our sustainability theme. Our appointment of our Group Head of ESG underscores our long term commitment to responsible investing.

Distribution

The strengthening of our sales capability is largely complete. This investment has focussed on our Fiduciary and importantly our Wholesale business where we have under-performed in recent years. This investment is beginning to deliver results and it was encouraging to see a return to positive net flows over the second quarter in this key market. In addition, the gross pipeline of prospective mandates in our Fiduciary business following our refocus on distribution has recovered strongly having tapered off during the early stages of the pandemic and is now larger than at any point in our history.

Costs

The initial focus on our strategy has been to target distribution and we are now turning our focus to our profit margin. We are developing a series of cost cutting exercises to ensure that we return our core underlying margin to previous levels and we will update the market in due course. In addition, we continue to work on our longer-term detailed plans and associated timing to re-engineer the Group's operational infrastructure to allow us to cut operating costs materially and improve processes. Getting this right is key to delivering on our potential to improve the Group's financial performance while providing us with the capacity to scale up our activities.

Investment Performance

Over 71 per cent of investment strategies by number and over 93 per cent by assets under management have beaten their respective benchmarks during the period and in most cases by significantly more than

5 per cent. This has led to the crystallisation of a performance fee from the River & Mercantile UK Micro Cap Investment Company of approximately £1.2 million which will fall into H2's results. We have previously stated that given the economic and in particular the interest rate backdrop and the impact these have on clients' specific liability-based benchmarks, the potential to generate Fiduciary performance fees this year would be at lower levels than in FY2019. However, should our strong performance against benchmark continue for the balance of the financial year, we expect to crystallise some performance fees from our Fiduciary business at a higher level than in FY2020.

Our Strategy

As set out in our Annual Report last year we have continued to progress our five-year strategy, "Investing for Profitable Growth". As highlighted above, the investment in our distribution platform is largely complete and the deepening and broadening of our investment capabilities is underway. To help broaden understanding of our strategy we are focussing our business around two key activities;

Investment Solutions	- This will cover all our Fiduciary, Advisory and Derivatives activities;
Asset Management	- This encompasses all our Equity, Liquid Alternatives and Infrastructure activities.

These activities increasingly have sustainability as a core element of our proposition. Investment Solutions is well positioned to take advantage of the significant opportunities in the Fiduciary market as I have highlighted in the development of our pipeline of prospective mandates. In addition, we see Asset Management having significant growth opportunities and our range of strategies have significant excess capacity. We will provide detailed financial reporting on these two businesses separately in our full year results later this year.

Financial Performance

During the period, Group assets under management grew by 3.4 per cent to £45.7 billion. Despite this, total underlying revenues fell by 3.0 per cent against the comparable period last year and adjusted underlying profit before tax decreased by 15.0 per cent to £6.2 million (H1 FY2020: £7.3 million). There were a number of institutional accounts that we had previously advised the market were being redeemed which took effect during this reporting period; therefore, the redemption figure looks higher than we would expect in normal circumstances. We have generated modest client inflows despite the challenging market conditions, however, as I highlighted earlier there are a large number of accounts where we are in the process of negotiating IMA's and these will contribute to anticipated stronger AUM growth in the second half of our financial year.

Dividends

Considering the robust capital position of the Group and the Board's expectation of improved financial performance in the medium term, it has decided to maintain the first ordinary interim dividend at 3.89 pence per share, the same level as last year. This represents 70 per cent of adjusted underling earnings for the six months ended 31 December 2020. The Group's capital allocation policy is to maintain a minimum distribution of 60 per cent of adjusted underlying profit as dividend whilst, in practice, it has distributed 80 per cent for the full financial year.

Outlook

I am encouraged by the impact the investment in distribution is having on our business. We are focussed on returning the Group's underlying profit margin back to historic levels. We believe we have made the right investments in people to enable River and Mercantile to take advantage of the attractive growth opportunities that we have identified, to continue to deliver strong investment returns for our growing client base, and to provide longer-term value to shareholders.

As the CMA retender process must complete by June 2021 and given the strength of our pipeline we are confident that in the short to medium term there should be significant opportunity to grow Investment

Solutions as a result of pent-up activity since the CMA review began in 2017. Asset Management is ideally positioned to enhance its capabilities in a market place that is increasingly in demand.

River and Mercantile has developed an exciting range of products and solutions in markets where there is substantive and growing demand and the early signs are very positive.

The Board however is very conscious of the continuing weak share price: we are determined to address this with urgency to deliver value for shareholders.

James Barham
Group Chief Executive

Group Chief Investment Officer Report

In this report I would like to address the following:

- investment performance during the six month period to 31 December 2020;
- our investment outlook from here; and
- product developments we are making as a result.

Investment Performance

The table below shows the investment performance across our product range to the end of December 2020.

Annualised Investment Performance By Investment Strategy	AUM £bn 31 Dec 2020	Estimated Capacity[4] £bn	6 Months (%) Absolute	6 Months (%) Relative	1 Year (%) Absolute	1 Year (%) Relative	5 Years (% p.a.) Absolute	5 Years (% p.a.) Relative	Since Inception (% p.a.) Absolute	Since Inception (% p.a.) Relative	Date
STABILITY/RETURN GENERATION											
Fiduciary DB[1]	13.1		4.6%	5.5%	13.3%	2.8%	10.4%	2.2%	9.2%	1.7%	Jan-04
RAMIL Stable Growth Fund	1.1		11.2%	9.6%	5.5%	2.1%	7.4%	3.9%	7.9%	4.1%	Dec-08
Fiduciary DC - Long Term Growth	0.1	50.0	11.7%	8.7%	6.4%	0.7%	8.4%	1.6%	8.7%	1.9%	Oct-11
Fiduciary DC - Stable Growth	0.1		10.7%	8.1%	6.4%	1.8%	7.8%	2.1%	7.8%	2.1%	Oct-11
Fiduciary DC - Cautious Growth	0.1		8.0%	5.9%	7.0%	3.3%	7.9%	3.2%	8.1%	3.4%	Oct-11
Dynamic Asset Allocation	0.2	10.0	10.7%	8.5%	6.1%	1.7%	6.9%	2.2%	5.7%	1.1%	Sep-14
Global Macro	0.2	10.0	0.4%	n/a	(9.2%)	n/a	n/a	n/a	3.6%	n/a	Mar-18
US Solutions	0.5	1.6	6.7%	(0.3%)	15.2%	1.9%	10.0%	0.0%	8.5%	0.2%	Aug-13
Total Solutions AUM	15.4	71.6									
RETURN GENERATION/INCOME											
UK Equity Income	0.1	1.5	8.1%	0.0%	(1.8%)	10.0%	4.9%	0.3%	10.2%	1.7%	Feb-09
RETURN GENERATION - SPECIALIST											
UK Equity Smaller Companies	0.4	0.8	29.5%	(1.4%)	20.4%	15.5%	11.5%	3.4%	14.4%	7.0%	Nov-06
UK Recovery	0.2	0.5	25.9%	17.8%	(2.8%)	9.0%	10.0%	5.4%	11.7%	5.5%	Jul-08
Global Recovery	0.3	1.6	19.6%	7.5%	4.5%	(8.2%)	11.8%	(2.1%)	12.5%	1.0%	Mar-13
Global Recovery Focus Segregated	0.1	0.5	36.2%	12.2%	7.1%	(9.2%)	10.7%	(1.6%)	13.7%	3.2%	Feb-12
Global Recovery Concentrated Segregated	0.6	1.5	29.2%	6.2%	(0.9%)	(16.8%)	n/a	n/a	11.0%	(1.7%)	Apr-16
RETURN GENERATION - CORE											
UK Equity High Alpha	0.1	0.8	23.9%	15.8%	(5.8%)	6.0%	8.3%	3.7%	7.4%	2.9%	Nov-06
UK Core Segregated	0.2	0.5	7.0%	(1.1%)	(7.4%)	4.4%	6.1%	1.5%	7.0%	1.8%	Nov-10
UK Dynamic Equity	0.1	2.0	13.9%	5.8%	(3.8%)	8.0%	7.0%	2.5%	6.6%	2.3%	Mar-07
UK Micro Cap Investment Company	0.1	0.1	30.8%	(0.0%)	26.5%	21.6%	15.8%	7.7%	16.2%	7.9%	Dec-14
Global High Alpha	0.1	6.0	17.6%	5.5%	5.3%	(7.4%)	12.6%	(1.4%)	11.4%	(0.6%)	Dec-14
International High Alpha	0.0	3.8	23.3%	(1.1%)	n/a	n/a	n/a	n/a	0.0%	0.0%	May-20
European Fund	0.0	2.0	n/a	n/a	n/a	n/a	n/a	n/a	0.0%	0.0%	Sep-20
Segregated Mandates[2]	2.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
ILC Emerging Markets											
Global EM	0.1	3.5	34.3%	3.2%	21.2%	2.9%	13.7%	0.9%	6.3%	0.7%	Jan-12
Small/Mid Cap	0.0	2.0	34.5%	(2.2%)	18.3%	(1.0%)	10.0%	1.8%	5.7%	2.0%	Jan-13
Total Equity Solutions AUM	4.5	27.1									
Structured Equity	7.8	>20				n/a[3]					Dec-05
LDI	18.0	>30									Dec-05
Total Derivatives NUM	25.8	>50									
Total AUM/NUM	45.7	>100									

Z share class (gross of fees) performance for all funds except the ES R&M UK Equity Income and ES R&M UK Equity Smaller Companies funds which is B class performance. Performance for the ES R&M UK Equity Income Fund B share class (Inc) and the ES R&M UK Equity Smaller Companies Fund B share class (accumulation units) is net of an annual management charge of 0.75% per annum.

1. Fiduciary Defined Benefit (DB) reflects an equally weighted composite of all full fiduciary active schemes total portfolio returns against its full liabilities benchmark where used to report to the client, does not include schemes with asset restrictions.
2. Segregated mandates are measured against specific client benchmarks and therefore a composite performance benchmark is not meaningful.
3. Derivatives mandates do not target investment outperformance therefore this is not measured.
4. Capacity is the estimated maximum level of assets that could be managed without compromising the relevant investment strategy.

A key theme we have had for some time is that liquid equities are likely to be the key beneficiary of the post COVID environment. Also, because of the level of stimulus in the economic system, which in turn drives economic momentum, we have been expecting cyclicals to outperform, along with value and small cap. The reversal that made this come to fruition came very quickly around the US election period. November proved to be an extraordinary month for this on a number of levels, and this carried on into December.

Our multi-asset strategies, including Fiduciary Management, have been beneficiaries of this, and our ongoing commitment to value equity strategies has paid off during this period. We expect this to continue into 2021 and beyond.

We have also seen relatively strong performance since inception on our systematic equity strategies, and particularly our ESG capabilities, where we have achieved outperformance in a period that has been difficult for many ESG approaches. I talked about our approach to ESG in last year's annual report, and our differentiated approach has weathered this challenge well.

Investment Outlook

The same influences that have led us to be positive about equity markets remain in place. Strong stimulus, short interest rates lower for longer, low debt costs and improving economics all point to a great environment for listed equities. I do believe that at some point equities will experience a correction as valuations re-connect to economic reality, but this will simply be a speed bump on the road to strong equity returns in the next few years.

However, I also believe there is something more important going on. The transition of capital from the West to the East and back again tends to take the best part of a decade in each direction. At least for now the direction appears to favour the East. The weakness in the dollar in recent months is a sign of that movement. Economic stimulus in any event supports a medium term move towards the rest of the world, but I believe that valuation disparity between equity markets and relatively high returns on investment at attractive prices, particularly in EM, could lead to a more persistent migration of capital, a depreciation in the dollar, and a rise in commodity prices.

The attractiveness of segments within EM is illustrated by our Emerging Market Core portfolio. Al Bryant, the manager, has a process with a focus on valuation, and his portfolio currently offers a return on investment of around 18 per cent, with a PE that represents a discount of 25-30 per cent to the EM index, and more when compared to the global index. This is an extraordinary discount and exists simply because of the demand for "quality" companies in a falling yield environment.

It seems highly likely that bond yields will continue their rise. There are two critical influences here. The first is that central banks, particularly the Fed, are trying to engineer inflation. This is perhaps unsurprising given the high levels of debt that the COVID environment has brought, and inflation is the politest way to default. The second is that, as part of the stimulus process, central banks have bought a significant amount of sovereign debt, which will need to be sold back to the market at some point.

The effect of rising bond yields should be to reduce some of the attraction of high-quality companies, which have benefited from being high duration in a falling yields environment. Rising yields should run this in reverse, at least to a degree, and good old-fashioned value coupled with strong ROI should start working for the first time in many years. This is particularly the case when we have commodity-driven reflation. As a result, I believe there is a great opportunity to achieve significant positive returns through allocating to EM strategies such as Al's. The same is true for our value and small cap strategies managed by our PVT team. This is a great macro environment for those strategies to thrive.

I do believe, however, that these returns will come with some volatility, particularly in the process of economics re-connecting with valuations. We have been working for some time on a strategy that could complement equity portfolios and produce significant returns when equity markets fall. We are calling it anti-beta (for obvious reasons) and are using it to stabilise returns within multi-asset class portfolios, including for our Fiduciary Management clients.

Product Development we are Undertaking as a Result
We obviously already offer strategies that capture the simple ideas expressed above. But we have also been developing more focused equity strategies to play specific themes within our DAA fund. This includes a NASDAQ quality portfolio, and a local economy China portfolio. Both have ESG overlays. We will likely introduce other thematically focused portfolios in the coming months.

We do see strong demand for ESG-related strategies, and while the track record of our strategies is not multi-year, what we have for both our diversified and concentrated global portfolios is strong. We have designed the strategies with the objective of outperforming broad market indices, in order to overcome the historical challenges with these types of products in that they have tended to lag the market.

Another significant trend in recent years is the migration of capital towards illiquid strategies. While we are not advocates of the illiquidity premium as a general theme, there are illiquid strategies that we believe are very compelling. One such strategy is infrastructure equity, and that is why we have brought in Ian Berry, who with his team have a very well-regarded track record in running infrastructure. Their strategy is compelling, and we would encourage those who have not looked at it, but desire stable, predictable income, to consider it.

Overall Summary
This has been a very good period for the business in terms of investment performance and product development. We have managed to attract some excellent investors, which will help diversify the business and broaden the range of opportunities we can offer. All of these strategies are consistent with our outlook for the next few years and therefore we believe will support the growth aspirations of the business that James has described.

Mike Faulkner
Group Chief Investment Officer

Financial Review

Overview
The Group has continued to grow its AUM since June 2020 by 3.4 per cent, albeit mainly through investment performance rather than net flows which were broadly flat for the period. Underlying revenue for the period was down 3.0 per cent partly due to lower in force revenue going into the new financial year and partly due to net redemptions in our higher margin products during the period. Adjusted underlying profit before tax was down 15.0 per cent primarily due to this revenue reduction, with administration and staff costs in aggregate flat versus the comparable period, notwithstanding the investment in the business.

The CMA market review and re-tendering continues with the Group retaining the large majority of clients re-tendered since the process began. The effect of the CMA market review has created some inertia within the industry in relation to new Fiduciary mandates, with the focus being placed on fulfilling the CMA requirements. During the process, in line with our expectations, we have continued to see fee compression in the Fiduciary Management business which is common across the industry.

Our Derivatives business continues to show healthy growth across both LDI and Structured Equity with net flows of +£0.6 billion (2.5 per cent) for the period.

Considering the fact that the new Wholesale distribution team has been in place for a short period of time, it has been encouraging to see a return to net inflows for the second quarter of the financial year and a significant reduction in the net outflows for the period as a whole in this part of the business.

As we set out in our Annual Report last year, we expect a material improvement in AUM flows in the second half of the financial year. Our pipeline of potential new business is significantly better now than this time last year. The nature of our client base is largely institutional and with that comes more sizeable mandates but often lumpy and uneven flows. The delays in prospective clients making decisions on mandates that we saw in the first half has continued into early 2021. At the date of publication, whilst we have a number of institutional clients that have verbally confirmed our appointment, new IMA's signed since the end of the reporting period have been modest. As a consequence, and also accounting for the time it takes for assets to transition and become fee earning after an IMAs is signed, we will not see a full period impact on revenue from our anticipated improvement in flows for the remainder of the financial year.

We continue to build on the good momentum in Wholesale albeit against a backdrop of significant outflows seen by the industry during the early part of 2021.

Looking forward, we anticipate a modest and temporary decline in Advisory revenues in H2 compared to H1 due to lower billings as we focus on completing retenders before the June 2021 CMA deadline.

Financial Highlights

£'000 unless stated	6 months ended 31 December 2020	2019	Movement	Movement %
Net management fees	28,418	29,835	(1,417)	-5%
Advisory fees	5,782	5,408	374	+7%
Total underlying revenue	34,200	35,243	(1,043)	-3%
Performance fees	57	1,090	(1,033)	-95%
Total Revenue	34,257	36,333	(2,076)	-6%
Total Remuneration and benefits	19,864	20,648	(784)	-4%
Administration expenses	7,854	7,594	260	+3%
Adjusted underlying profit before tax	6,185	7,281	(1,096)	-15%
Performance fee profit before tax	28	812	(784)	-97%
Adjusted profit before tax	6,213	8,093	(1,880)	-23%
Statutory profit before tax	4,555	5,655	(1,100)	-19%
Adjusted underlying EPS basic (pence)	5.56	6.52	(0.96)	-15%
Adjusted EPS basic (pence)	5.59	7.31	(1.72)	-24%
EPS basic (pence)	3.94	4.86	(0.92)	-19%

AUM

For the six months ended 31 December 2020:

£'m	Fiduciary Management	Liquid Alternatives	Derivative Solutions S. Equity	Derivative Solutions LDI	Derivative Solutions Total	Equity Solutions Wholesale	Equity Solutions Institutional	Equity Solutions Total	Total AUM
Opening AUM	14,619	154	7,395	17,817	25,212	1,024	3,211	4,235	**44,220**
Sales	162	4	1,028	423	1,451	162	123	285	**1,902**
Redemptions	(999)	(2)	(449)	(893)	(1,342)	(223)	(513)	(736)	**(3,079)**
	(837)	2	579	(470)	109	(61)	(390)	(451)	**(1,177)**
Net rebalance and transfers	718	0	(108)	635	527	0	0	0	**1,245**
Net flow	(119)	2	471	165	636	(61)	(390)	(451)	**68**
Investment performance	705	16	0	0	0	209	502	711	**1,432**
Closing AUM	**15,205**	**172**	**7,866**	**17,982**	**25,848**	**1,172**	**3,323**	**4,495**	**45,720**
Change in fee earning assets	4.0%	11.7%	6.4%	0.9%	2.5%	14.5%	3.5%	6.1%	3.4%

Notes: Certain redemptions during the period totalling £0.9 billion had been previously notified to the market as part of our Q4 FY2020 and Q1 FY2021 trading statements, which took the remainder of the calendar year to transition. This comprised of £0.2 billion of Institutional Equities, £0.3 billion of Fiduciary Management assets and £0.4 billion of LDI Derivatives.

Fee Margins

6 months to 31 December 2020	Fiduciary Management[1]	Derivative Solutions	Equity Solutions: Wholesale	Equity Solutions: Institutional
Average fee earning AUM (£ million)	15,273	25,685	1,034	3,169
Net management fees (£ 000s)	10,728	8,495	3,603	5,592
Average margin 6m/e Dec 2020 (bps)	14.0	6.6	69.3	35.1
Average margin 6m/e Dec 2019 (bps)	16.2	6.2	66.1	34.2
In-force margin at December 2020 (bps)	13.7	6.5	69.6	34.5
Medium term margin guidance (bps)	13-14	6-7	60-65	33-36

Note:
[1] Includes Liquid Alternatives

Our medium-term fee margin guidance remains unchanged from last year's annual report. The in-force margin in Fiduciary has reduced to 13.7 basis points with one of the primary factors behind this being a £0.7 billion upwards rebalance, previously advised in our last trading statement, relating to the Group's largest client which, as part of our reappointment following the CMA re-tender, increased its AUM with the Group without any change in the total annual management fee.

AUM Movements Since the Period End

Since the end of the reporting period, the significant upwards rates movement in markets last month negatively impacted our Fiduciary Management AUM which sat £1.3 billion lower at the end of February than at the end of the reporting period, primarily as a result of this market movement.

Derivatives AUM was £0.5 billion lower over the same period mainly due to £0.7 billion of negative rebalancing as a result of mark to market movement on rolled contracts and clients adjusting their level of hedging.

Equity Solutions AUM was marginally up by £0.1 billion over the two months to February.

Average Fiduciary Client Term

In the Annual Report we explained why we are no longer publishing Regretted Institutional Attrition as a metric. As an alternative, the long-term nature of our Fiduciary Management business can be illustrated by the length of time clients have been engaged with the Group. Weighted by AUM, as at the end of December 2020, our average client term was 8.1 years and 72 per cent of our assets have been managed by the Group for over five years.

DB Fiduciary Management Clients as at 31 December 2020

Term	AUM £bn
Less than a year	1.32
1-2 Years	0.65
2-5 Years	2.03
5-10 Years	5.87
10-15 Years	1.85
15 Years +	2.49
Total	14.21

Administrative expenses
Administration costs increased by 3.4 per cent over the comparable half year period. Technology costs increased by £0.2m (8.4 per cent) compared to H1 FY2020 primarily as a result of market data spend reflecting additional requirements due to remote working and the launch of new funds.

Professional fees increased by £0.5 million, primarily in relation to our medium-term operational infrastructure project. Work continues on this project which during the next phase will be run utilising internal resource for the remainder of the financial year and we do not expect to incur material professional fees in relation to this project during H2 FY2021.

COVID-19 has impacted the Group's ability to meet clients face-to-face and naturally we have seen a continued reduction in travel and marketing spend.

In last year's annual report, we estimated administrative expenses would increase by approximately £1.5 million to £17.5 million for FY2021. Our current expectation is these costs will increase between £1.0 to £1.5 million for the full year versus FY2020 as we balance short and medium-term cost cutting initiatives with the growth in the business such as our new Infrastructure division.

Remuneration
Total pre-performance fee remuneration costs were 58 per cent of underlying revenue for the period (H1 FY2020: 57 per cent) the increase in this ratio being primarily attributable to an increase in fixed remuneration as a result of the Group's growth initiatives. Total remuneration decreased by £0.8 million comprising a £1.4 million reduction in variable remuneration and a £0.6 million increase in fixed remuneration. We continue to expect remuneration to fall within the range of 58 per cent to 60 per cent of underlying revenue for the current financial year before any impact of any performance fees and any accounting charge in relation to dilutive awards under the Value Transformation Plan and Senior Management Share Plan.

Liquidity and Regulatory Capital
The Group is strongly cash generative with net cash generated from operations of £6.2 million and at the period end the Group's cash and cash equivalents were £23.5 million. The Group prudently manages its regulatory capital position with surplus regulatory capital of £13.0 million at the period end and our regulatory capital resources representing approximately 175 per cent of our regulatory capital requirement.

Taxation
The effective tax rate on adjusted underlying profit was 25 per cent 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.

Dilutive Share Awards
The Company announced this January the grant of conditional awards to the Executive Directors under the Value Transformation Plan ("VTP") which was approved by shareholders at the Company's annual general meeting in December 2020. In addition to these awards, the Company issued further conditional dilutive share awards as part of its Senior Management Share Plan to incentivise and retain the Group senior management and key people (the "SMSP Awards"). The number of conditional shares granted to date under the SMSP Awards totals 1,735,000 shares.

The SMSP Awards are subject to a performance condition, aligned with the VTP, where vesting is conditional on the Company achieving a minimum 12 per cent per annum compound Total Shareholder Return ('TSR') over a performance period of three years from the award date. The initial share price used for the measurement of the performance condition is 170 pence. The SMSP Award will vest on a straightline basis between a TSR of 12 per cent per annum compounded (nil vesting) and 15 per cent per annum compounded (100 per cent vesting).

A further one-year employment period applies to SMSP Award at the end of the three-year performance period, after which the SMSP Award will vest subject to the terms of the Group's DEP Rules.

The fully diluted share count in relation to, inter alia, the VTP and SMSP will be calculated and reported for each period end based on the TSR since grant as at such period end.

Quarterly Trading Statements

The Board of the Company has determined to cease releasing quarterly trading statements. In addition to the Group's routine reporting of its interim and preliminary results, it will release AUM updates as at 31 December and 30 June each year and trading updates will be given at any time as deemed necessary or timely by the Board.

Distributable Reserves

As at 31 December 2020 the Company has £53.0 million of distributable reserves (30 June 2020: £55.0 million).

Dividends

On November 20 2020, the FY2020 second interim dividend of 2.81 pence per share was paid. In addition, on 18 December 2020 the FY2020 final dividend of 2.34 pence per share was paid, of which 0.10 pence was a special dividend relating to net performance fees.

The Directors have declared a first interim dividend of 3.89 pence per share, all of which is ordinary. This represents 70 per cent of the Group's total adjusted underlying profit after tax. This will be paid on 15 April 2021 to shareholders on the register as at 26 March 2021 and the ex-dividend date will be 25 March 2021.

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 including the potential affects arising from an event such as COVID-19. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 30 June 2020. At that date, the most significant risks were identified as being:

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 fund 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 critical staff)

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 crime

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.

Failure to perform fiduciary duty

The risk that we unintentionally or negligently fail to meet a professional obligation to specific clients (including fiduciary and suitability requirements). This could lead to direct financial loss, a loss of clients, failure to win new business and reputational issues.

Breakdown of processes and controls resulting in operational errors

The risk that inadequate or failed processes, people, systems and controls or from external events could result in direct financial losses, reputational damage and failure to win new business.

A significant error or breach of a client agreement may result in additional costs to redress the issue and could lead to outflows.

The unavailability of our business premises 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.

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 IAS 34 "Interim Financial Reporting" as adopted by the EU are gives a true and fair view of the asset, liabilities, financial positive and profit or loss of the Group; and

The interim management report includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority.

By order of the Board

James Barham
Group Chief Executive
16 March 2021

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

Introduction

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 2020 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.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the 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.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. 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.

Conclusion

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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with 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
16 March 2021

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 2020.

Condensed consolidated income statement

	Note	**Unaudited 6 months ended 31 December 2020 £'000**	Unaudited 6 months ended 31 December 2019 £'000
Revenue:			
Net management fees		**28,418**	29,835
Net advisory fees		**5,782**	5,408
Performance fees		**57**	1,090
Total revenue	3	**34,257**	36,333
Administrative expenses	4	**7,854**	7,594
Depreciation of owned assets		**107**	107
Amortisation of intangible assets	8	**1,511**	1,658
Impairment of intangible assets	8	**180**	450
Total operating expenses		**9,652**	9,809
Remuneration and benefits			
Fixed remuneration and benefits		**14,918**	14,305
Variable remuneration		**4,946**	6,343
Total remuneration and benefits		**19,864**	20,648
EPSP costs		**-**	(17)
Total remuneration and benefits including EPSP costs		**19,864**	20,631
Total expenses		**29,516**	30,440
Realised gain on disposal of investment held at fair value		**-**	267
Other unrealised (losses)		**(21)**	(358)
Profit before interest and tax		**4,720**	5,802
Finance income		**25**	42
Finance expense		**(59)**	(101)
Foreign exchange (loss)		**(131)**	(88)
Profit before tax		**4,555**	5,655
Tax charge/(credit)			
Current tax	9	**1,336**	1,626
Deferred tax	9	**(90)**	(25)
Profit after tax for the period attributable to owners of parent		**3,309**	4,054
Earnings per share			
Basic (pence)	11	**3.94**	4.86
Diluted (pence)	11	**3.94**	4.85

Condensed consolidated statement of comprehensive income

	Unaudited 6 months ended 31 December 2020 £'000	Unaudited 6 months ended 31 December 2019 £'000
Profit for the period	**3,309**	4,054
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation differences	**(142)**	(27)
Other comprehensive (loss)	**(142)**	(27)
Total comprehensive income for the period attributable to owners of the parent	**3,167**	4,027

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 2020 £'000**	Audited 30 June 2020 £'000
Assets			
Cash and cash equivalents		**23,460**	24,251
Fee receivables		**3,320**	10,233
Other receivables		**15,978**	15,458
Assets held for sale	7	**741**	810
Investments held at fair value through profit or loss	6	**1,407**	290
Deferred tax asset	9	**143**	276
Right of use lease asset	17	**1,868**	2,586
Property, plant and equipment		**319**	438
Intangible assets	8	**25,103**	26,560
Total assets		**72,339**	80,902
Liabilities			
Current tax liabilities		**504**	383
Trade and other payables		**11,374**	17,493
Lease liability	17	**1,885**	2,691
Deferred tax liability	9	**1,806**	2,078
Total liabilities		**15,569**	22,645
Net assets		**56,770**	58,257
Equity			
Share capital	13	**256**	256
Share premium		**15,429**	15,429
Other reserves	12	**868**	1,010
Own shares held by EBT	14	**(4,130)**	(4,255)
Retained earnings		**44,347**	45,817
Equity attributable to owners of the parent		**56,770**	58,257

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 16 March 2021.

James Barham
Group Chief Executive

Simon Wilson
Chief Financial Officer

Condensed consolidated statement of cash flows

	Note	**Unaudited 6 months ended 31 December 2020 £'000**	Unaudited 6 months ended 31 December 2019 £'000
Cash flow from operating activities			
Profit before interest and tax		**4,720**	5,802
Adjustments for:			
Amortisation of intangible assets	8	**1,511**	1,658
Impairment of intangible assets	8	**180**	450
Depreciation of right of use asset	17	**634**	638
Depreciation of property, plant and equipment		**107**	107
Share-based payment (credit) / charge	5	**(29)**	639
Gain on disposal of fair value investments		**-**	(267)
Other unrealised gains and losses		**21**	358
Operating cash flow before movement in working capital		**7,144**	9,385
Decrease in operating assets		**6,335**	30,691
(Decrease) in operating liabilities		**(6,056)**	(33,446)
Cash generated from operations		**7,423**	6,630
Tax paid		**(1,215)**	(1,281)
Net cash generated from operations		**6,208**	5,349
Cash flow from investing activities			
Purchase of intangible assets		**(370)**	-
Purchase of property, plant and equipment		**-**	(33)
New seed investment held at fair value	6	**(1,020)**	-
Proceeds from disposal of investments held at fair value		**-**	5,048
Interest received		**25**	42
Net cash (used in) / generated from investing activities		**(1,365)**	5,057
Cash flow from financing activities			
Interest paid		**-**	(6)
Lease liability payments	17	**(769)**	(385)
Dividends paid	10	**(4,322)**	(8,457)
Purchase of own shares		**(350)**	-
Share issue		**-**	275
Net cash used in financing activities		**(5,441)**	(8,573)
Net (decrease) / increase in cash and cash equivalents		**(598)**	1,833
Cash and cash equivalents at beginning of period		**24,251**	24,046
Foreign exchange movement		**(193)**	(120)
Cash and cash equivalents at end of period		**23,460**	25,759

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 2019	256	15,136	45,472	(6,251)	10,250	64,863
Adjustment to retained earnings on transition to IFRS 16	-	-	-	-	(189)	(189)
Adjusted as at 1 July 2019	256	15,136	45,472	(6,251)	10,061	64,674
Comprehensive income for the period:						
Profit for the period	-	-	-	-	5,343	5,343
Other comprehensive income	-	-	(29)	-	-	(29)
Total comprehensive income	-	-	(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)	-
Purchase of own shares by EBT	-	-	-	-	-	-
Shares issued in respect of award vesting	-	293	-	-	-	293
Capitalisation of merger reserve and capital reduction	-	-	(44,433)	-	44,433	-
Total transactions with owners:	-	293	(44,433)	1,996	30,413	(11,731)
Audited balance as at 30 June 2020	256	15,429	1,010	(4,255)	45,817	58,257
Profit for the period	-	-	-	-	**3,309**	**3,309**
Other comprehensive income	-	-	**(142)**	-	-	**(142)**
Total comprehensive income	-	-	**(142)**	-	**3,309**	**3,167**
Transactions with owners:						
Dividends	-	-	-	-	**(4,322)**	**(4,322)**
Share-based payment credit	-	-	-	-	**(29)**	**(29)**
Purchase of own shares	-	-	-	**(350)**	-	**(350)**
Shares issued in respect of award vesting	-	-	-	-	-	-
Deferred tax	-	-	-	-	**47**	**47**
Disposal of shares in respect of award vesting	-	-	-	**475**	**(475)**	-
Total transactions with owners:	-	-	-	**125**	**(4,779)**	**(4,654)**
Unaudited balance as at 31 December 2020	**256**	**15,429**	**868**	**(4,130)**	**44,347**	**56,770**

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 2020 comprise the Company and its subsidiaries (together referred to as “the Group").

2. Accounting policies

Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 2020 Annual Report. The comparative financial information for the year ended 30 June 2020 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 are 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 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 same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the Group's latest annual audited financial statements.

Going concern

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

The COVID-19 pandemic has resulted in significant volatility in UK and global stock markets. Whilst this has had an effect on underlying revenues, the Directors have reasonable belief that, having considered the Group and Company’s forecasted continued profitability, positive cashflow and capital base, the Group and Company has adequate resources to continue as a going concern for the foreseeable future.

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.

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.

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 2020.

Significant judgments and estimates

As detailed in the basis of preparation above, these financial statements are prepared in accordance with IFRS. The significant accounting policies of the Group which include estimates are detailed below: Recognition of management and performance fee revenues. This involves estimates of AUM positions for the purposes of accruing revenue, which are described in note 3.

– The accounting for UCITS V deferred remuneration involves estimates of forfeiture rates.
– Calculation of lease assets and lease liabilities.

The significant accounting policies of the Group which include judgements are detailed below:

– Impairment of intangible assets, goodwill and investments recorded in previous acquisitions. Depending upon the asset, this can involve judgements which include business growth and also estimates including discount rates, comparable revenue multiples and comparable earnings multiples. During the period, the basis of assessment for impairment was changed from a value in use method, to fair value less costs to sell.

- Provisions, which are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Determining whether provisions are required and at what level, requires both judgement and estimates.
- The accounting for share-based remuneration. This involves judgements relating to forfeiture rates and business outcomes and estimates of future share prices for National Insurance cost.
- The accounting for the contingent consideration in respect of the acquisition of the Emerging Markets ILC team. This involves judgements relating to revenue growth over time.
- Whether an asset should be classified as held for sale.

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.

3. Revenue

	Unaudited 6 months ended 31 December 2020	Unaudited 6 months ended 31 December 2019
Net management fees		
– Fiduciary Management	**10,728**	10,707
– Derivatives	**8,495**	7,426
– Equity Solutions – Wholesale	**3,603**	4,845
– Equity Solutions – Institutional	**5,592**	6,857
Net management fees	**28,418**	29,835
Advisory fees		
– Retainers	**2,602**	2,440
– Project fees	**3,180**	2,968
Advisory fees	**5,782**	5,408
Total underlying revenue	**34,200**	35,243
Performance fees		
– Fiduciary Management	**57**	1,090
– Equity Solutions	**–**	-
Total performance fees	**57**	1,090
Total revenue	**34,257**	36,333

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 2020, rebates totalling £961,000 (2019: £1,306,000) were paid in respect of Equity Solutions and DAA Fund management fees.

ADVISORY FEES

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

PERFORMANCE FEES

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

4. Administrative expenses

	Unaudited 6 months ended 31 December 2020 £'000	Unaudited 6 months ended 31 December 2019 £'000
Marketing	**289**	442
Travel and entertainment	**21**	254
Office facilities	**1,211**	1,324
Technology, market data and communications	**3,101**	2,861
Professional fees	**1,128**	652
Research	**604**	727
Governance expenses	**393**	424
Fund administration	**412**	295
Other costs	**695**	615
Total administrative expenses	**7,854**	7,594

Included within office facilities expenses in the current period is the depreciation charge on the right of use asset of £634,000 (December 2019: £525,000).

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. 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. 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.

Performance Share Plan

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

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

Full details of the share awards in respect of 2016, 2017, 2018, 2019 and 2020 can be found in the 30 June 2020 Annual Report. Awards granted in the period will be detailed in the June 2021 Annual Report.

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 2019 (Audited)	5,387
Additions	1,523
Movement in FVTPL	(435)
Foreign exchange movement	(58)
Disposals	(6,127)
At 30 June 2020 (Audited)	290
Additions	1,020
Movement in FVTPL	116
Foreign exchange movement	(19)
Disposals	-
At 31 December 2020 (Unaudited)	**1,407**

7. Assets Held for Sale

	Available-for-sale investments £'000
At 30 June 2019 (Audited)	-
Additions	810
At 30 June 2020 (Audited)	810
Foreign exchange movement	(69)
Disposals	-
At 31 December 2020 (Unaudited)	**741**

8. Intangible assets

	Goodwill £'000	Customer lists and IMAs £'000	Software £'000	Total £'000
Cost:				
At 30 June 2019 (Audited)	15,642	38,556	84	54,282
Exchange difference	47	65	–	112
Additions	-	-	385	385
At 30 June 2020 (Audited)	15,689	38,621	469	54,779
Exchange difference	(136)	(188)	–	(324)
Additions	–	–	370	370
At 31 December 2020 (Unaudited)	**15,553**	**38,433**	**839**	**54,825**
Accumulated amortisation and impairment:				
At 30 June 2019 (Audited)	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 (Audited)	439	27,691	89	28,219
Amortisation charge	–	1,457	54	1,511
Impairment	180	-	–	180
Exchange difference	–	(188)	–	(188)
At 31 December 2020 (Unaudited)	**619**	**28,960**	**143**	**29,722**
Net book value:				
At 30 June 2020 (Audited)	15,250	10,930	380	26,560
At 31 December 2020 (Unaudited)	**14,934**	**9,473**	**696**	**25,103**

9. 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. Subsequent to the balance sheet date the UK Government announced changes to the UK Corporation tax rate from 19% to 25% effective April 2023, this will not have a material impact on the Group's financial statements. The impact of this change has not been reflected in the interim financial statements but the impact on deferred taxation will be recognised in our results for the year ended 30 June 2021.

Current and deferred tax (continued)

Deferred tax is recognised in the income statement except where the future income or expense exceeds the life-to-date income or charge in the income statement, then the excess deferred tax will be recognised within 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.

	Unaudited 6 months ended 31 December 2020 £'000	Unaudited 6 months ended 31 December 2019 £'000
Current tax:		
Current tax on profits for the year	**1,336**	1,626
Deferred tax – origination and reversal of timing differences	**(90)**	(25)
Total tax charge	**1,246**	1,601

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

The differences are explained below:

	Unaudited 6 months ended 31 December 2020 £'000	Unaudited 6 months ended 31 December 2019 £'000
Profit before tax	**4,555**	5,655
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2020: 19%)	**865**	1,074
Effects of:		
Expenses not deductible for tax purposes	**6**	14
Losses not deductible for tax purposes	**176**	380
Other reconciling differences	**199**	133
Total tax charge	**1,246**	1,601

Current and deferred tax (continued)

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

	Unaudited at 31 December 2020 £'000	Audited 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	**(86)**	(562)
– movement in foreign exchange	**-**	6
Debit to equity:		
– share-based payment expense	**(47)**	(202)
At end of period	**143**	276

	Unaudited at 31 December 2020 £'000	Audited 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	**(276)**	(554)
– re-measurement of deferred tax on intangibles for changes in expected tax rate	**-**	233
– movement on investments held at fair value	**4**	(84)
At end of period	**1,806**	2,078

10. Dividends

During the period, the following dividends were paid:

	Ordinary (pence)	Special (pence)	Total (pence)	**Unaudited 31 December 2020 £'000**	Unaudited 31 December 2019 £'000
2019 second interim	3.50	1.60	5.10	**–**	4,269
2019 final	2.60	2.40	5.00	**–**	4,188
2020 second interim	2.81	-	2.81	**2,360**	–
2020 final	2.24	0.10	2.34	**1,962**	–
				4,322	8,457

The first interim dividend of 3.89 pence per share will be paid on 15 April 2021 to shareholders on the register as at 26 March 2021.

11. 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.

	Unaudited 6 months ended 31 December 2020	Unaudited 6 months ended 31 December 2019
Profit attributable to owners of the parent (£'000)	**3,309**	4,054
Weighted average number of shares in issue ('000)	**83,874**	83,437
Weighted average number of diluted shares ('000)	**83,921**	83,638
Earnings per share:		
Basic (pence)	**3.94**	4.86
Diluted (pence)	**3.94**	4.85

Reconciliation between weighted average number of shares in issue

	Unaudited 6 months ended 31 December 2020 000s	Unaudited 6 months ended 31 December 2019 000s
Weighted average number of shares in issue – basic	**83,874**	83,437
Dilutive effect of shares granted under SAYE	**47**	201
Weighted average number of shares in issue – diluted	**83,921**	83,638

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.

Earnings per share (continued)

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.

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.

	Unaudited 6 months ended 31 December 2020 £'000	Unaudited 6 months ended 31 December 2019 £'000
Adjusted profit calculation:		
Statutory profit before tax	**4,555**	5,655
Adjustments:		
Amortisation and impairments of intangible assets	**1,637**	2,097
Other unrealised (gains) and losses	**21**	358
Dilutive share awards costs/(credits)	**-**	(17)
Adjusted profit before tax	**6,213**	8,093
Taxes	**(1,528)**	(1,993)
Adjusted profit after tax	**4,685**	6,100
Performance fee profit calculation:		
Performance fees	**57**	1,090
Less remuneration at 50% (2020: 50%)	**(29)**	(545)
Gains and (losses) on disposal of investments	**-**	267
Performance fee profit before tax	**28**	812
Taxes	**(5)**	(154)
Performance fee profit after tax	**23**	658
Adjusted underlying profit calculation:		
Adjusted profit before tax	**6,213**	8,093
Less: Performance fee profit before tax	**(28)**	(812)
Adjusted underlying profit before tax	**6,185**	7,281
Taxes on adjusted profit	**(1,528)**	(1,993)
Add back: Taxes on performance fee profit	**5**	154
Adjusted underlying profit after tax	**4,662**	5,442
Adjusted underlying pre-tax margin (calculated on total revenue excluding performance fees)	**18%**	21%

Earnings per share (continued)

Adjusted earnings per share

	Unaudited 6 months ended 31 December 2020	Unaudited 6 months ended 31 December 2019
Adjusted profit after tax (£'000)	**4,685**	6,100
Adjusted underlying profit after tax (£'000)	**4,662**	5,442
Weighted average shares ('000)	**83,874**	83,437
Weighted average diluted shares ('000)	**83,921**	83,638
Adjusted earnings per share:		
Basic (pence)	**5.59**	7.31
Diluted (pence)	**5.58**	7.29
Adjusted underlying earnings per share:		
Basic (pence)	**5.56**	6.52
Diluted (pence)	**5.56**	6.51

12. Other reserves

	Unaudited 31 December 2020 £'000	Audited 30 June 2020 £'000
Foreign exchange reserve	**208**	350
Capital redemption reserve	**84**	84
Capital contribution reserve	**576**	576
	868	1,010

13. 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 at 30 June 2019 (Audited)	85,296,176	255,889
Shares issued in respect of SAYE award vesting	157,458	472
Balance as at 30 June 2020 (Audited)	85,453,634	256,361
Balance as at 31 December 2020 (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.

14. Own Shares held by EBT

	£'000
Balance at 30 June 2019 (Audited)	6,251
Disposal of shares in respect of award vesting	(1,996)
Balance at 30 June 2020 (Audited)	4,255
Acquisition of own shares by EBT	350
Disposal of shares in respect of award vesting	(475)
Balance as at 31 December 2020 (Unaudited)	4,130

15. 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 is shown below:

	Unaudited 6 months ended 31 December 2020 £'000	Unaudited 6 months ended 31 December 2019 £'000
Short-term employee benefits	**2,143**	2,268
Long-term employee benefits	**2**	3
Post-employment benefits	**72**	92
Share-based payments (credit) / expense	**(304)**	313
Total	**1,913**	2,676

16. Financial instruments

Categories of financial instruments

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

	Unaudited 31 December 2020 £'000	Audited 30 June 2020 £'000
Financial assets		
Cash and cash equivalents	**23,460**	24,251
Fee receivables	**3,320**	10,233
Other receivables	**14,199**	13,767
Total financial assets held at amortised cost	**40,979**	48,251
Investments held at FVTPL	**1,407**	290
Total Investments held at FVTPL	**1,407**	290
Total financial assets	**42,386**	48,541

Other receivables exclude prepayments.

	Unaudited 31 December 2020 £'000	Audited 30 June 2020 £'000
Financial liabilities		
Trade and other payables	**11,136**	17,493
Total financial liabilities at amortised cost	**11,136**	17,493
Contingent consideration	**219**	228
Total financial liabilities held at fair value	**219**	228
Total financial liabilities	**11,355**	17,721

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 2020 £'000	Audited 30 June 2020 £'000
Financial assets		
Financial assets held at fair value – level 2	**1,407**	290
	1,407	290

Financial liabilities

	Unaudited 31 December 2020 £'000	Audited 30 June 2020 £'000
Financial liabilities		
Financial liabilities held at fair value – level 3	**220**	228
	220	228

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

17. Leases

Right of Use Asset on Leasehold Property	£'000
Cost:	
At 30 June 2019	–
Recognition of asset on transition to IFRS 16	5,591
Additions	41
At 30 June 2020 (Audited)	5,632
Foreign Exchange	(140)
At 31 December 2020 (Unaudited)	**5,492**
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 (Audited)	3,046
Foreign Exchange	(56)
Depreciation Charge	634
At 31 December 2020 (Unaudited)	**3,624**
Net book value:	
At 30 June 2020	2,586
At 31 December 2020 (Unaudited)	**1,868**

Lease Liability	£'000
Liability:	
At 30 June 2019	–
Recognition of liability on transition to IFRS 16	4,024
Payments made	(1,503)
Interest charge	170
At 30 June 2020 (Audited)	2,691
Foreign Exchange	(96)
Payments made	(769)
Interest charge	59
At 31 December 2020 (Unaudited)	**1,885**
Of which:	
Current lease liabilities	1,217
Non-current lease liabilities	668
At 31 December 2020 (Unaudited)	**1,885**

18. Events after the reporting period

The Directors have declared an interim dividend of 3.89 pence per share.