River and Mercantile Group PLC

Interim Financial Report for the six months ended 31 December 2017

River and Mercantile Group PLC, the advisory and investment solutions business today publishes its interim results for the six months ended 31 December 2017.

Investment Highlights

- Fee earning AUM/NUM increased by 5% to £32.6bn. Fee earning AUM/NUM increased by 13% from 31 December 2016.
- Net inflows in the period (including rebalance) were £0.8bn and investment performance added a further £0.8bn.
- Performance fees for the period were £7.4m.

Financial Highlights

- Statutory net profit after tax was £9.1m, compared to £6.1m for the six months ended 31 December 2016, an increase of 49% primarily due to growth in management fees and performance fees.
- Statutory basic and diluted earnings per share (EPS) were 11.34 pence per share and 10.53 pence per share, compared to 7.41 pence and 7.40 pence respectively for the six months ended 31 December 2016.
- Adjusted profit after tax[1] was £9.6m, an increase of 17% compared to £8.2m for the six months ended 31 December 2016.
- Adjusted basic and diluted EPS[2] were 11.99 and 11.13 pence per share, compared to 10.03 pence and 10.02 pence respectively for the six months ended 31 December 2016.
- The Board of Directors have declared an interim dividend of 7.6 pence per share, of which 2.2 pence is a special dividend and relates to net performance fees. The dividend will be paid on 6 April 2018 to shareholders on the register as at 16 March 2018. The ex-dividend date is 15 March 2018.

Operating Highlights

- Net management and advisory fees were £31.6m, an increase of 8% over the prior six months and an increase of 19% over the six months ended 31 December 2016, due to the continued growth in AUM/NUM.
- Performance fees were £7.4m, an increase of 56% compared to £4.7m in the six months ended 31 December 2016.
- Adjusted underlying pre-tax margin[3] was 27%, compared to 29% in the year ended 30 June 2017 and 27% for the six months ended 31 December 2016.

- While the outcome for the previously announced FCA competition matter is still uncertain, the Board believes that it is prudent to recognise a £1m provision, with a £0.5m reduction in variable remuneration expense leading to a net impact on profit before tax of £0.5m.

A PDF copy of the interim financial report can be found at

http://riverandmercantile.com/Asp/uploadedFiles/file/Investor_relations/RandM_Interim_Report_201718.pdf

Notes:

[1] Adjusted profit comprises total revenue, remuneration expense, recurring administrative costs, depreciation, gains or losses on seed investments, and finance income or expense.

[2] Adjusted EPS is the adjusted profit after tax divided by the weighted average number of shares outstanding in the period, either including or excluding those which are dilutive (refer to note 10 in the condensed consolidated interim financial statements).

[3] Adjusted underlying profit is a measure of the core performance of the Group, as this is adjusted profit excluding performance fees (and remuneration associated with those performance fees).

Forward-looking statements

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

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

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

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Andrew Appleyard, Director

RIVER AND MERCANTILE
GROUP

Interim Financial Report

Six months ended 31 December 2017

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Chairman's statement

I am pleased to report that in the six months to 31 December 2017 River and Mercantile Group delivered further robust financial results underpinned by continuing strong investment performance adding £0.8bn to AUM.

Statutory profit grew to £9.1m (2016: £6.1m). Basic EPS grew by 53% to 11.34p and diluted EPS grew by 42% to 10.53p. In the light of this performance, the Board has declared an interim dividend of 7.6 pence per share, of which 2.2 pence is a special dividend relating to net performance fees. The dividend is in line with our policy of distributing a substantial proportion of our post tax profits each year.

This is my first statement since I joined the Board as Chairman last October. I have been hugely impressed by the commitment to client service, delivery of strong investment performance and focus on long-term strategies that I have seen across the Group as I have met the teams from the different business units. Their focus on meeting clients' needs is deeply ingrained into the firm's culture. This is the key test of a firm's quality and the Board will continue to make it a priority in everything we do.

While the outcome for the previously announced FCA competition matter is still uncertain, the Board believes that it is prudent to recognise a provision together with a reduction in variable remuneration expense.

As mentioned in Mike Faulkner's CEO report, in order to protect a strong culture, sometimes difficult decisions have to be made as we evidenced recently in the departure of a portfolio manager following an investigation into professional conduct.

Looking ahead, I believe that the Group is well placed to continue to deliver good year-on-year financial progress as management retains its focus on performance and meeting client needs. Mike's CEO report sets out our approach to this in more detail.

Finally, the Group is separating its Audit and Risk Committee to dedicate further focus on each area and I would also like to take this opportunity to welcome John Misselbrook who has joined us as a new Non-Executive Director and chair of the Risk Committee.

Jonathan Dawson
Chairman

Report of the Chief Executive Officer

The six months ended 31 December saw a period of good growth in the business. Net management and advisory fees grew by 19% compared to the first six month period last year, while total revenue (including performance fees) grew by 24%. Statutory profits over the same period grew by 51%.

Placed in the context of the longer term, we have achieved compound growth of 14% per annum in revenue over the same period three years ago (the first six month period after our IPO) and 30% per annum growth in statutory profits.

The growth we have achieved continues, we believe, to validate our outcome-led approach to client engagement.

Focus on more recent sources of growth

The business has grown during the six months, and this growth has come primarily from our Equities business (although for reasons I will come to, both Derivatives and Equities are leading our growth charge). As I have indicated on previous occasions, the four divisions are diversifying, in that they are all expected to grow in the medium/long term, but in the short term they will perform differently at different points in the market cycle.

Equity markets have seen relatively strong performance and this has corresponded in the six month period to rising bond yields. These conditions have a couple of effects:

- Rising bond yields create a headwind for Fiduciary Management AUM growth where liability hedges have produced negative returns – the absolute investment performance contribution from Fiduciary Management is less than 2% over the period. This is a drag on growth in that business line, even though investment performance relative to clients' liability-based benchmarks has been strong as evidenced by the performance fees earned.
- These conditions tend to result in more confidence, not just because of rising asset values but also because pension fund deficits will have reduced. This tends to be the environment (as we have described before) in which advisory and fiduciary services will face headwinds, but derivatives and equities will do particularly well.

This is logical – in an environment where things are going well, people are less inclined to want to solve a problem they don't seem to have.

In fact this is exactly what we are seeing, although our AUM numbers to the end of December seem to show it's only Equities that are benefiting. But what they don't show is just under £2bn of derivatives business that was at contracting stage, meaning the decision to appoint us has been made but documentation needs to be put in place in order for us to trade. Importantly, this includes a mandate in excess of £1bn from a local government pension scheme. We are seeing strong demand in that sector for these services and we believe we are well placed to compete for business here, particularly as the sector consolidates into pools. We also continue to see strong demand through consultancies for derivatives services and our experience is that these conditions should continue.

The interest in equities is no surprise to me and I don't see the demand abating. At one level, it is normal to see equity demand in late cycle, especially when sentiment is high. But I also think there's something else going on here. In an environment where prospective returns are viewed as being lower, the demand for finding sources of excess return are greater. But in a world of lower costs, there is greater demand to achieve this through high performance mandates. At the same time, low bond yields have had the effect of driving a very wide difference between quality/defensive strategies and value strategies. As a result, we have seen strong demand for our Potential, Valuation and Timing (PVT) team's value strategies, both from institutional and wholesale buyers. Given none of these drivers are likely to dissipate in the near term, I see demand for these strategies continuing to be strong.

Different types of solutions and the needs they meet

"Solutions" is something of a buzz-word now – although arguably not so much as crypto or coin – but it simply refers to the design of investment strategies that aim to deliver something that a client needs. In my view these needs fall into three types:

- Holistic – where the investment strategies relate to the majority or all of a client's assets
- Core – these tend to form a proportion, albeit a meaningful one, and exist to support the delivery of a holistic objective. I will explain this further below
- Specialist – these tend to form part of an asset class (or a core strategy) and often have a specific attribute that makes it an effective component.

I've summarised in the table below where our various existing strategies tend to sit in these categories.

Category	Current strategies	Current Assets £'bn
Holistic	Advisory Fiduciary Management	27 (Assets under advice) 10.7
Core	DAA/Opportunistic LDI Global Macro	0.3 14.1 -
Specialist	High alpha (value) equities Recovery (value) equities Smaller companies equities Income equities Structured equity (derivatives) ILC Emerging Markets	1.3 1.3 1.2 0.9 2.6 0.3

Most people would probably associate a Solutions approach with the first category. We don't see it that way – rather, we see it as a means of engaging with a client around their needs, such that what they buy from us is what they need. This applies in all categories, but in different ways. Here are some examples:

- **Value equities** – we have used Solutions skills to help clients engage with our value equity strategies, through understanding how best to blend them with other managers they may be using. This creates a deeper understanding of the financial attributes of these strategies, and creates a blend that is intended to produce a greater likelihood of achieving added value, stability of return or both. This applies to both institutional and wholesale. In the latter, for example, we have been

helping investors understand how our World Recovery strategy combined with Fundsmith in the right proportions, produces an equity portfolio with very attractive characteristics (this argument also applies to other quality managers). This allows investors to understand World Recovery not just as an individual investment but as a portfolio component.

- **Structured equity** – clients engaging with structured equity often require advice around how to design the arrangement in the context of market conditions. In some cases this requires us to give clients a very clear view of where we see market conditions evolving from here, and how that influences design. We also sometimes need to profile the active managers around which a structured equity solution is being managed, in order that the design reflects how the manager portfolio might behave in different conditions. There can be a fair amount of advice needed to determine how the client wants to trade off selling upside in return for achieving downside protection.

- **Alternatives** – while there are plenty of alternative strategies around, typically we will design the mandates we offer to complement the exposures a client already has in economic terms. The implication of this is that it should improve the likelihood of achieving the client's liability-led objective, by maintaining or improving return expectations, but in a more stable way.

In the context of the above, the Global Macro Fund we are launching is a core strategy because we've designed it to achieve two things:

- Positive returns when risk markets are falling in value, hence diversifying traditional beta sources; and
- Double digit return in the medium term, which plays specifically to the need for more return from other sources (the same point I made about demand for value equities earlier). I said in the 2017 Annual Report that we were intending to focus on products with a return generation bias, and this is a good example.

Clearly one can make an argument for this strategy as a diversifier, but that in itself doesn't necessarily make it compelling now. From our perspective, what makes it compelling is that we can see more difficult market conditions in the next couple of years and the launch of this strategy allows clients to manage a risk that is more near and present than it was a year ago.

We see a range of new opportunities along similar lines that would fit into the Core Solutions class. One such product for which we have developed the intellectual capital and process is an Absolute Emerging Markets strategy. This combines the emerging market stock selection skills from the ILC team that has joined us from Credit Suisse, with the macro thinking and hedging skills already present in the business. The result is a strategy that captures successfully the growth in emerging markets, but does so with far greater stability of return. We believe this has significant potential attractions for investors that want a core allocation to emerging markets, but are less enamoured with the volatile journey.

Recent News

I want to offer some comments on our recent announcement that we have parted company with Philip Rodrigs. We have said as much as we intend about the situation itself. In general, the reaction from clients and investors has been understanding and measured, but in one or two instances some

questions have been raised over whether this represents a cultural issue in the firm. It is this issue I want to address.

Every business will suffer issues such as these, even great firms. The test of a business is not its avoidance of them – which is impossible – but rather the way it navigates them when they arrive. The strength of a business to deal with such issues is influenced significantly by the quality of its culture and the unity its people can demonstrate in working through issues.

We take our culture and conduct very seriously. It is critical in a business model where we are focused on helping clients fully understand their needs and then solving them. As a result, when we encounter threats to these areas our approach is to deal with them decisively and openly. This is important in a business that is based on openness and transparency with its clients and its people. But a consequence of this approach is that it is very clear to everyone when an issue has arisen. There is little we can do about this – the alternative is far worse for the long term success of the business.

I would therefore encourage investors to see this for what we consider it to be – an issue to be navigated by a business that is otherwise on a strong long term growth path and one which represents our determination to hold everyone in the Group to the same high standard, regardless of position.

Market conditions

In recent weeks we have seen some significant weakness in markets and a consequent rise in volatility. While we do not believe this is necessarily the start of a downturn, we do believe there is a significant risk that the downturn will begin in a period measured in months. Our view is that we are in the "Apprehension" phase of the market cycle, and in this phase the question is generally when a downturn will emerge, rather than if. The recent market weakness is therefore probably the start of a period of rising uncertainty in anticipation of a downturn.

We have been advising clients of this view since last quarter, and have been helping them develop plans to prepare to defend. Obviously there are a number of ways to defend a downturn. It could be as simple as defending into off-risk assets. Alternatively, clients can insulate their risk through using hedging strategies such as structured equity (and many are taking this opportunity). It may make sense to implement strategies that respond to rising volatility, which tends to occur into a downturn. There is a range of other strategies that could be used, and we are well-placed to help clients determine the best approach in their specific circumstances.

For our firm, unlike more traditional "beta-exposed" managers, more difficult market conditions therefore present opportunities to help clients navigate and in doing so improve their financial position. It is probably of benefit to the business that we were already helping clients prepare for these conditions, and we will continue to do so in the coming months.

Summary

Our strategy of diversified growth across our divisions continues to develop as we expect for this phase in the cycle. We do foresee more difficult market conditions during the next couple of years, but even if these don't arise we would expect to see continued good demand for derivative and equity strategies, along with strong relative performance from Fiduciary Management and the effect of that on performance fees.

Our client-led approach is supporting business development and client retention across the whole of the business. The news of the departure of Philip Rodrigs emphasises that our culture remains very strong and focused on this approach. We are therefore confident that the business can continue delivering growth as it has done successfully since IPO. The recent market weakness presents opportunities for us to help clients prepare and we hope improve their financial position.

Once again, I would like to thank our investors for their continued support of our firm, for which we are very grateful.

Mike Faulkner
Chief Executive Officer

Financial review

Key Performance Indicators

Fee earning AUM/NUM	**6 months ended 31 December 2017**	Year ended 30 June 2017	6 months ended 31 December 2016
£'bn	**32.6**	31.0	28.7
1) Growth in fee earning AUM/NUM	**5%**	22%	13%

The growth in AUM/NUM is a key indicator of the client engagement process and is the driver for growth in net management fees. The growth in AUM/NUM is a function of new mandates, low attrition rates, aggregate investment performance, and net rebalance and transfers.

Regretted institutional attrition (RIA)	**6 months ended 31 December 2017**	Year ended 30 June 2017	6 months ended 31 December 2017
2) Regretted institutional attrition	**3%**	3%	1%

The Group's regretted institutional attrition varies from year to year but continues to be low when compared to traditional asset managers.

RIA is the opening AUM/NUM of lost institutional clients, divided by total opening AUM/NUM. It excludes pension clients which have entered the Pension Protection Fund due to sponsor default or pensions which have moved to buy-in or buy-out, and redemptions arising from operational cashflows such as fund benefit payments.

RIA is not directly measured for Equity Solutions – Wholesale as investor redemption decisions tend to be driven by their asset allocation and investment performance outcomes.

A key focus of our business is our client engagement process and low client attrition is a direct result of this.

Net management and advisory fees	**6 months ended 31 December 2017**	Year ended 30 June 2017	6 months ended 31 December 2016
£'m	**31.6**	55.9	26.7
3) Growth in net management and advisory fees	**8%**	22%	13%

Net management and advisory fees represent the underlying revenues generated by the business, which measure its sustainability.

Adjusted underlying pre-tax margin	**6 months ended 31 December 2017**	Year ended 30 June 2017	6 months ended 31 December 2017
4) Adjusted underlying pre-tax margin	**27%**	29%	27%

Adjusted underlying pre-tax margin is an indication of the ability to achieve scale through increased AUM/NUM and revenues, at a lower marginal increase in related expenses.

Percentage of adjusted earnings per share distributed				
Proposed interim dividend:	7.6p			
		6 months ended 31 December 2017	Year ended 30 June 2017	6 months ended 31 December 2016
5) Percentage of adjusted earnings per share distributed		**63%**	86%	60%

The Group's dividend policy is to pay at least 60% of the Group's adjusted underlying profits available for distribution by way of ordinary dividends. In addition, the Group expects to generate surplus capital over time, primarily from net performance fee earnings. The Group intends to distribute such available surpluses, after taking into account regulatory capital requirements and potential strategic opportunities, to shareholders primarily by way of special dividends.

Investment performance as at 31 December 2017

Annualised Investment Performance*	AUM/NUM £bn	Estimated Capacity £bn	1 Year (%)		3 Years (% p.a.)		5 Years (% p.a.)		Since Inception (% p.a.)		
By Investment Strategy	Dec-17		Abs.[1]	Rel.[2]	Abs.[1]	Rel.[2]	Abs.[1]	Rel.[2]	Abs.[1]	Rel.[2]	Date
STABILITY/RETURN GENERATION											
TIGS			7.7	5.1	12.1	4.7	12.5	4.2	10.9	3.0	Jan-04
PIL Stable Growth Fund	9.7		8.4	5.1	8.4	4.9	8.2	4.7	9.0	5.2	Dec-08
Inflation Plus Fund			7.6	3.5	8.2	5.6	8.1	5.7	7.3	4.2	Mar-04
Fiduciary DC - Long Term Growth	0.04	30.0	10.1	2.2	9.8	3.3	10.2	3.8	10.6	3.8	Oct-11
Fiduciary DC - Stable Growth	0.1		8.7	1.7	8.6	3.0	8.7	3.3	9.4	3.7	Oct-11
Fiduciary DC - Cautious Growth	0.1		7.2	1.3	9.0	4.5	9.2	4.8	9.8	5.1	Oct-11
Dynamic Asset Allocation	0.2	10.0	7.9	7.5	7.9	7.4	n/a	n/a	7.0	6.5	Sep-14
Fiduciary Insurance	0.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Apr-16
US Fiduciary	0.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Solutions AUM	**10.9**										
Structured Equity	2.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Dec-05
LDI	14.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Dec-05
Total Derivatives NUM	**16.7**										
RETURN GENERATION/INCOME											
UK Income	0.3	2.0	11.9	(1.2)	10.0	(0.1)	11.9	1.6	13.9	1.5	Feb-09
RETURN GENERATION – SPECIALIST											
UK Smaller Companies	0.9	0.8	30.9	9.0	18.5	4.5	22.8	9.7	14.1	6.8	Nov-06
UK L/ Term Recovery	0.2	0.2	18.6	5.5	15.1	5.0	18.4	8.1	15.0	6.2	Jul-08
World Recovery	0.4	1.0	21.2	8.0	18.6	4.0	n/a	n/a	19.1	6.4	Mar-13
World Recovery Focus	0.2	1.0	36.8	12.8	16.9	7.6	17.8	7.0	20.4	9.6	Feb-12
RETURN GENERATION – CORE											
UK High Alpha	0.3	1.0	17.1	4.0	13.7	3.6	15.5	5.2	9.3	2.8	Nov-06
UK Core Segregated	0.2	1.0	13.2	0.1	10.4	0.4	11.3	1.0	10.1	1.6	Nov-10
UK Dynamic Equity	0.4	1.0	19.4	6.3	14.0	4.0	15.7	5.5	8.5	2.4	Mar-07
UK Equity Micro Cap Investment Company	0.1	0.1	46.1	24.2	30.2	16.2	n/a	n/a	30.0	15.9	Dec-14
Global High Alpha	0.1	7.0	29.5	5.6	14.5	5.2	n/a	n/a	14.0	5.0	Dec-14
Segregated Mandates	1.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
ILC Emerging Markets											
ILC Emerging Markets	0.3	2.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Dec-18
Total Equity Solutions AUM	**4.9**	**17.1**									
Total AUM/NUM	**32.6**										

[1]All absolute investment performance is shown before the Group's management and performance fees are deducted. Details of the average management fee margins charged can be found in the AUM/NUM and margins table.

[2]The relative investment performance represents the absolute investment performance less the strategies respective benchmark or target. Relative performance is a measure of the outperformance/underperformance achieved through our investment management process.

The information above is disclosed in order to allow shareholders to assess the current performance of our investment strategies. While historical investment performance is not an indicator of future investment performance, the long term track records of our strategies give shareholders an indication of the sustainability of our investment performance across different investment cycles.

The information regarding the capacity of the strategies gives shareholders an indication of the available capacity in each of the strategies to determine the potential for future growth in AUM and revenues.

All investment performance is shown before the Group's management and performance fees are deducted. This gross of fees basis is chosen as it enables comparison of investment returns to be made across share classes and clients with different fee arrangements. The benchmark and target used to calculate relative performance is also on a gross of fees basis. Accordingly, we believe that the presentation of the gross investment performance allows shareholders to more clearly assess the potential for each of the strategies, independent of the investors' specific contractual fee arrangements.

AUM/NUM and margins

The growth of our net management fee revenue results from the growth of our assets and notional under management and the stability of our management fee margins charged to clients.

Positive net flows are an indication of both our ability to retain previously won assets; and our ability to win new mandates and increase allocations from existing client mandates.

The following table shows the AUM/NUM for the six months ended 31 December 2017.

	Assets Under Management (AUM) and Notional Under Management (NUM)					
£'m	Fiduciary Management	Derivative Solutions (NUM)	Equity Solutions			**Total AUM/ NUM**
			Wholesale	Institutional	Total	
Opening fee earning	10,528	16,888	1,821	1,812	3,633	**31,049**
Sales	353	1,396	445	428	873	**2,622**
Redemptions	(228)	(2,313)	(194)	(69)	(263)	**(2,804)**
	125	(917)	251	359	610	**(182)**
Net rebalance and transfers	(73)	732	-	280	280	**939**
Net flow	52	(185)	251	639	890	**757**
Investment performance	373	-	213	189	402	**775**
Closing fee earning	**10,953**	**16,703**	**2,285**	**2,640**	**4,925**	**32,581**
Mandates in transition	-	-	-	-	-	**-**
Redemptions in transition	-	(396)	-	-	-	**(396)**
Total mandated	**10,953**	**16,307**	**2,285**	**2,640**	**4,925**	**32,185**
Opening mandated	*10,526*	*16,316*	*1,821*	*1,812*	*3,633*	*30,475*
Increase/(decrease) in fee earning	**4%**	**(1)%**	**25%**	**46%**	**36%**	**5%**
Increase/(decrease) in mandated	4%	(0)%	25%	46%	36%	**6%**
Average fee earning AUM/NUM	10,620	16,621	2,069	2,073	4,142	**31,383**
Average margin December 2017 (bps)	17-18	6-7	70-71	41-42	56-57	**17**
Average margin June 2017 (bps)	17-18	6-7	71-72	41-42	56-57	**16**
Medium term margin guidance (bps)	16-17	6-7	66-68	39-40		
Net management fees 2017 £m	9.3	5.9	7.3	4.3	11.6	**26.7**

The first half of the year saw a redemption of structured equity NUM (£1.1bn), resulting from a single client whose mandate rolled-off following its contractual maturity. This reflected a normal client outcome, whereby the structure achieved its designed aims and was no longer needed.

Of our gross sales of £2.6bn during the period, £1.3bn was from new clients and £1.3bn was from increased allocations and new mandates from existing clients. The ability to grow through our existing clients is an indication of positive client satisfaction through delivering against outcomes and gives the business an overall lower cost of client engagement.

Investment performance added £0.8bn to AUM. Within Fiduciary Management, 62% of the performance was generated from the bond-based matching fund and 38% from the risk assets.

Overall margins have remained largely stable and consistent with our medium term guidance. Our medium term management fee margin guidance reflects increasing client mandate sizes and anticipated mix effects.

The acquisition of the Emerging Markets Industrial Lifecycle (ILC) team from Credit Suisse resulted in £280m of AUM transitioning to the Group in December 2017.

Regretted institutional attrition (RIA)

Our business model is focused on clients' needs and desired investment outcomes, rather than a product-led approach to engagement. This approach results in higher client satisfaction and an understanding of the role we play within a broader portfolio. We measure this with RIA.

£m	**Fiduciary Management**	**Derivative Solutions**	**Equity Solutions – Institutional**	**Total**
Gross outflows	228	2,313	69	2,610
Opening AUM/NUM	10,528	16,888	1,812	29,228
Outflow %	2%	14%	4%	9%
RIA 2017 (6 months)	**0.0%**	**12.5%**	**0.0%**	**3.4%**
RIA 2016 (12 months)	*1.1%*	*3.6%*	*11.6%*	*3.0%*

Revenue

£'000	**Unaudited 6 months ended 31 December 2017**	Unaudited 6 months ended 31 December 2016	Increase/ (decrease)
Net management fees			
- Fiduciary Management	**9,260**	8,519	9%
- Derivatives	**5,875**	5,343	10%
- Equity Solutions Wholesale	**7,298**	4,735	54%
- Equity Solutions Institutional	**4,288**	2,813	52%
Net management fees	**26,721**	21,410	25%
Advisory fees			
- Retainers	**2,584**	1,815	42%
- Project fees	**2,292**	3,420	(33%)
Advisory fees	**4,876**	5,235	(7%)
Total net management and advisory fees	**31,597**	26,645	19%
Performance fees			
- Fiduciary Management	**5,056**	4,447	14%
- Equity Solutions	**2,366**	300	689%
Total performance fees	**7,422**	4,747	56%
Total revenue	**39,019**	31,392	24%

Net management fees

Management fees are generally charged as a percentage of the AUM/NUM we manage for the clients and are negotiated with clients based on a number of factors including the size of mandate. Net management fees reflect rebates and other payments to external distributors.

During the six month period, we have seen strong growth in net management fees, leading to an increase of 25% compared to this time last year. This is an excellent result, reflecting the strong growth in AUM/NUM at stable management fee margins.

Fiduciary Management

Closing fee earning AUM £m	Growth in fee earning AUM*	Average AUM £m	Average margin (bps)	Revenue £m	Growth in revenue YoY
10,953	4%	10,620	17-18	9.3	9%

*Compared to June 2017

Fiduciary Management investment performance added 4% to opening AUM. Sales during the quarter added £0.4bn.

As part of the Financial Conduct Authority (FCA) Asset Management Market Study the FCA made a referral to the Competition and Markets Authority (CMA) to carry out a market investigation into the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK.

The Group is actively involved alongside many others in the market in responding to the CMA investigation, which is ongoing. However, we have seen some pension schemes deferring making decisions on whether to progress to a fiduciary management procurement process, which we believe is driven by a desire of trustees to see the findings before committing to a provider. Whilst our outlook remains cautious, we believe that continued professionalisation of the marketplace is ultimately beneficial to the Group. We expect preliminary findings from the CMA to be announced in the summer of 2018.

Multi Asset Solutions

During the year, the Dynamic Asset Allocation (DAA) Fund has continued to attract investors and at 31 December 2017 its AUM was £151m.

Derivative Solutions

Closing fee earning NUM £m	Growth in fee earning NUM*	Average NUM £m	Average margin (bps)	Revenue £m	Growth in revenue YoY
16,703	(1%)	16,621	6-7	5.9	10%

*Compared to June 2017

Derivative Solutions comprises Liability Driven Investing (LDI including gilt collateral management) and structured equity products.

Derivatives by type for the six months ended 31 December 2017:

£m	Structured equity	Gilts and LDI	Total NUM
Opening fee earning NUM	3,643	13,245	**16,888**
Sales	458	938	**1,396**
Redemptions	(1,473)	(840)	**(2,313)**
Net rebalance	12	720	**732**
Net flow	(1,003)	818	**(185)**
Closing fee earning NUM	2,640	14,063	**16,703**
Mandates in transition	-	-	**-**
Redemptions in transition	(265)	(131)	**(396)**
Total mandated NUM	2,375	13,932	**16,307**

Derivatives' structured equity capabilities provide strategies to shape the return profile of clients' equity portfolios.

As detailed earlier, the first half of the year saw a redemption of structured equity NUM (£1.1bn), resulting from a single client whose mandate rolled-off following its contractual maturity.

LDI relates to the management of interest rate and inflation risk in the underlying pension liabilities. We continued to see strong flows from existing clients who increased their level of hedging in response to market conditions and improved scheme funding levels. These hedges generally increase in value as interest rates fall, helping to defend clients from increases in their liabilities.

As structured equity products are usually sold at a lower margin than LDI due to their size, the average margins of the Derivative Solutions division will fall over time if structured equity continues to sell strongly.

Equity Solutions – Wholesale and Institutional

Closing fee earning AUM £m	Growth in fee earning AUM*	Average AUM £m	Average margin (bps)	Revenue £m	Growth in revenue YoY
4,925	36%	4,142	56-57	11.6	53%

*Compared to June 2017

The Equity Solutions division provides long-only equity funds and strategies to institutional clients and wholesale intermediaries. Institutional clients can access the strategies through funds or segregated mandates. The funds are available to wholesale intermediaries who distribute to their retail clients.

The six month period to December 2017 has seen significant growth from the PVT investment team with strong sales and investment performance driving AUM above £4.9bn, an increase of 36% since June 2017.

Advisory revenues

The Solutions division earns revenues from clients who engage us on a retained fee basis or for specific projects. This year has seen a 7% decrease in advisory revenues overall, but the retainer/project fees mix has improved through an increase in retainer revenue, both from existing client retainer increases and new client retainers being entered into.

The split between retainers and project fees was:

£'000	**6 months ended 31 December 2017**	6 months ended 31 December 2016
Retainers	**2,584**	1,815
Project fees	**2,292**	3,420
Total advisory fees	**4,876**	5,235

In the wake of Brexit last year many clients looked for specific project work which led to increased revenue in the six months to December 2016. In addition, the advisory business has seen a recent trend of clients looking to engage on a retainer fee basis as opposed to paying for specific projects.

Revenue-weighted asset attribution

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

Revenue-weighted asset attribution (RWAA) classifies our net management and advisory revenues by the respective driver of the revenue. Net management fees from Equity Solutions and Fiduciary Management that relate to equity allocations are classified as having an equity market driver, although the allocation to equities within Fiduciary Management is discretionary above a certain minimum (typically 20%). The components of Fiduciary Management that relate to bond and interest rate allocations are classified as having an interest rate driver.

Advisory revenues are not directly correlated to equity markets and therefore are classified as being "independent". In Derivative Solutions, while the underlying revenue is generated on hedging strategies in interest rates, inflation and equities, the revenue is not linked to the mark-to-market valuation but to the contractual notional amount of the derivative instrument. As a result, these revenues are also considered "independent" or cash-like in their characteristics.

RWAA	Equities - Discretionary	Equities - Non-discretionary	Interest Rates	Independent	Other
31 December 2017	6%	45%	12%	32%	5%
30 June 2017	7%	37%	15%	35%	6%

We believe this shows that the Group is diversified in its revenue base, with around half of revenue derived from sources which are less directly linked to equity market performance. This is not to say that a prolonged downturn would not have an impact on our business over time, but our revenues should show lower volatility than other traditional asset managers.

RWAA measures a differentiating attribute of our business which is a source of competitive advantage. The cross-cycle stability of our revenue base and therefore our net economics allows us to take a longer term view in hiring, retaining and developing our staff. This gives us a consistency of client engagement and allows us to build long term trusted relationships with our clients so that we understand their expected outcomes.

Performance fee revenue

The first half has seen a further increase in performance fees compared to this time last year, as a result of the strong underlying performance generated by the investment teams, coupled with the more favourable interest rate environment in the case of Fiduciary Management.

1. Fiduciary Management

Investment performance in TIGS (the main investment strategy within Fiduciary Management) above a benchmark generates performance fees from some clients.

The majority of the performance fees in TIGS are subject to a deferral mechanism whereby performance fees are recorded one third in the year the investment performance occurs, and two thirds deferred and spread over two further years. If the performance hurdle is exceeded on an annual basis, the next third of the deferred fees becomes payable in each of the subsequent years. Underperformance in the deferral period is required to be made up in subsequent periods before performance fees can be earned.

In the period ended 31 December 2017, of the £5.1m of performance fees earned, £2.1m were from previously deferred performance fees.

We continue to see outperformance compared to client benchmarks in Fiduciary Management, which has led to historic deferrals being earned.

The table below shows the level of performance fees the Group would crystallise at different outperformance levels. It is based upon the following assumptions:

1) Outperformance is consistent each year;
2) The current performance fee eligible AUM is as at 31 December 2017 without any future sales or redemptions included; and
3) The 31 December 2017 performance level is the starting point.

Outperformance each year	Actual fees £m	Estimated TIGS performance fees £m		
	December 2017	June 2018	June 2019	June 2020
0%	5	9	16	7
2%	N/A	9	20	15
4%	N/A	10	24	25

Performance fees are recorded on the anniversary dates of each client mandate.

2. Equity Solutions

In Equity Solutions, performance fees are earned on outperformance relative to a stated benchmark. Performance fees are realised based on a calendar year performance period, with the exception of the River and Mercantile UK Microcap Investment Company Limited ("RMMIC"). The RMMIC is structured as a closed-ended vehicle. If the net asset value rises above a prescribed value, the independent board of directors of the RMMIC will consider a redemption of shares and a return of capital to investors, which has happened twice over the life of the vehicle. At this point, the Group crystallises a performance fee.

Performance fees were £2.4m for the period ended 31 December 2017, including £1.0m from the RMMIC.

At 31 December 2017, total performance fee eligible assets (excluding RMMIC) were £527m. Of these assets, £264m were above their benchmark by less than 5% and £159m were above their benchmark by more than 5%.

Provision for FCA competition matter

On 29 November 2017, the FCA issued a statement of objection to four asset managers including RAMAM, alleging a breach of competition law concerning the disclosure and/or acceptance of information about the pricing for shares in relation to one IPO and one placing. These are provisional findings and may not necessarily lead to an infringement decision. The FCA will carefully consider written and oral representations by RAMAM and the other parties before making a final decision.

The matter does not affect any clients of the Group or the NAV of any fund or segregated mandate.

RAMAM and the Group have cooperated fully with the matter and are pursuing a robust defence. There are a number of uncertainties associated with the final outcome of the matter, including any financial penalty. However, the Directors have determined that it is prudent to recognise a provision at this stage and having taken advice, have set this at £1m.

In recognition of this provision, the Directors have reduced variable remuneration for the period by £0.5m, giving a net impact on profit before tax of £0.5m.

Administrative expenses

£'000	**6 months ended 31 December 2017**	6 months ended 31 December 2016
Administrative expenses	**6,973**	5,655
Less: non-recurring IT migration costs	**-**	(548)
Less: provision for FCA competition matter	**(1,000)**	-
Underlying administrative expenses	**5,973**	5,107
Total net management and advisory fees	**31,597**	26,645
Underlying administrative expenses vs net management and advisory fees	**19%**	19%

In the Group's 2017 Annual Report, we stated that whilst the ratio of administrative expenses to revenue would fall over time we expected the ratio to be in a range of 20-21% this year. The ratio is driven by the following areas of increased spend: occupancy; IT and legal costs relating to investment in the funds platform including the Global Macro Fund; regulatory compliance; and the new ILC team based in Chicago. Additionally, we announced that as a result of MiFID II implementation, we would incur a further £1.3m - £1.5m of research costs in the Group's income statement from 1 January 2018.

Despite the first half ratio being 19%, we expect that the profile of cost is such that on a full year basis we will report a ratio in line with the previously stated guidance of 20-21% plus research costs. In addition as set out in note 13, the Group has recognised a provision of £1m for the FCA competition matter.

Remuneration

£'000	**6 months ended 31 December 2017**	6 months ended 31 December 2016
Fixed remuneration	**11,446**	9,792
Variable remuneration	**8,196**	6,995
Total remuneration (excluding EPSP costs)	**19,642**	16,787
Total revenue (excluding other income)	**39,019**	31,392
Remuneration ratio (total remuneration excluding EPSP/total revenue)	**50%**	53%

Remuneration expense includes: fixed remuneration comprising base salaries, drawings, benefits and associated taxes; and variable remuneration comprising performance bonus, profit share paid to the

partners of RAMAM LLP, the amortisation of the fair value of performance share awards under non-dilutive share plans and associated taxes.

Fixed remuneration is allocated to net management and advisory fees. Variable remuneration is accrued on net management and advisory fees, and performance fees.

In the prior year, the Group reported a remuneration ratio of 52% on net management and advisory fees and 50% on net performance fees, and this is the accrual ratio for the current year as well. It is management's intention to reduce this ratio over the medium term, although the level in any given year may be affected by the level of investment in new teams.

Additionally, as a result of the provision for the FCA competition matter, the Board has set a further reduction in variable remuneration of £0.5m.

Executive Performance Share Plan (EPSP)

The EPSP was established at the IPO and Executive Directors were given awards over a maximum total of 7.3m shares, which they would be entitled to receive based upon achieving a compound total shareholder return of between 12% and 30% during the period from IPO to 30 June 2018, with a one-year holding period after vesting until 30 June 2019.

The EPSP costs in the income statement comprise the IFRS 2 accounting charge for the scheme and the accrued payroll tax costs related to the awards. The IFRS 2 charge is £452k per annum irrespective of the expected or actual outcome of the scheme. The payroll tax costs vary as a function of the number of shares expected to vest and the expected share price on vesting.

Based upon the TSR as at 31 December 2017, which was 26.8%, 5.7m shares would vest. For the purposes of cost accruals, the Directors have assumed that this TSR will be maintained up to the point of vesting in June, although the range of possible outcomes remains broad. This generates an Employer's National Insurance charge for the period of £0.6m.

Statutory and adjusted profits

The Directors use adjusted profit as a measure of the cash operating profits of the business. Adjusted profit is the basis for the dividend process, with the Group's stated dividend policy being to pay out at least 60% of adjusted profits each year (historically it has been higher).

Adjusted profit comprises total revenue, remuneration expense, recurring administrative costs, depreciation, gains or losses on seed investments, and finance income or expense.

Additionally, the Group uses adjusted underlying profit as a measure of the core performance of the Group, as this is adjusted profit excluding performance fees (and remuneration associated with those performance fees).

The adjusted underlying profit margin is a key performance indicator for the Group, as it reflects the ability of the Group to achieve further scale in its business by growing net management and advisory fees faster than costs, as a result of a scalable operating platform. Management have previously stated an objective to grow the adjusted underlying pre-tax margin to above 30% in the medium term.

£'m	**6 months ended 31 December 2017**	Year ended 30 June 2017	6 months ended 31 December 2016
Statutory profit before tax	**11.0**	16.4	7.0
Statutory pre-tax margin	**28%**	24%	22%
Adjusted profit before tax	**12.2**	23.4	10.2*
Adjusted pre-tax margin	**31%**	34%	33%*
Adjusted underlying profit before tax	**8.5**	16.4	7.1
Adjusted underlying pre-tax margin	**27%**	29%	27%
Adjusted profit after tax	**9.6**	18.6	8.2*

*In the prior year's interim report, the gain on disposal of seed position was not included in adjusted profit. However, this was included in adjusted profit in the Annual Report and is presented here consistent with that approach.

Adjusted underlying pre-tax margin represents adjusted underlying profit before tax, divided by net management and advisory fees.

ILC acquisition

Following the signing of a heads of terms and sub-IAA with Credit Suisse Asset Management (CSAM) in June 2017, an emerging market equity investment team (the ILC team) who managed $352m of assets, transferred to the Group. These strategies were managed under an investment advisory agreement with CSAM until the Luxembourg registered UCITS funds were transferred to the Group, which occurred in December 2017. The addition of the ILC team, who have a similar life cycle investment philosophy to the PVT Team, expands our equity solutions expertise into emerging market equities. The assets of £280m are shown in AUM since the funds have transferred to the Group under an IMA.

Prior to the IMA transfer, the income from the ILC team was recorded as advisory fees.

On transfer of the IMAs to the Group, an acquisition was triggered. The Group has estimated the cost of the acquisition, mainly represented by future revenue share payments as £1.5m. The net assets acquired comprise the IMAs and associated deferred tax liabilities, which have an assessed fair value of £3.3m. This results in a "bargain purchase", leading to a gain of £1.8m being recorded in the income statement. This represents an accounting entry as opposed to a realised gain and so it is excluded from adjusted profit.

Capital, liquidity and regulatory capital

The business is strongly cash generative, generating net cash from operations of £4m. Cash and cash equivalents at the period end were £22m.

In February 2018 we seeded the River and Mercantile Investments Global Macro Fund with £5m of the Group's capital.

As a business regulated by the UK Financial Conduct Authority, we hold prudent levels of capital resource in order to ensure our financial stability. We undergo an ongoing Internal Capital Adequacy Assessment Process (ICAAP), to ensure that we are holding sufficient levels of equity capital for the scale and nature of our operations and risk.

As at 31 December 2017, adjusting for the effect of the interim dividend declared we have excess qualifying regulatory capital of £7m.

Employee Benefit Trust (EBT)

The Group’s EBT purchases Group shares in the open market to meet the potential vesting of share awards granted under the Group’s performance share plan (PSP) and deferred equity plan (DEP) share plans, as the Board has stated that grants under these plans will not be dilutive to shareholders.

During the period, a tranche of previous share awards vested, with the EBT transferring or selling shares in order to deliver against the vesting awards. The EBT also purchased 0.3m shares relating to share awards granted in the prior year.

As at 31 December 2017, the EBT held 1.6m shares, which broadly corresponds to the number of shares subject to award up to 31 December 2017.

The weighted average number of Group shares in issue has reduced as a result of purchases of own shares by the EBT. The EBT has waived the right to dividends on the shares which it holds.

Dividends

On 3 November 2017, the 2017 second interim dividend of 8.1 pence per share was paid which included a special dividend of 2.8 pence relating to net performance fees. In addition, on 15 December 2017 the 2017 final dividend of 6.0p per share was paid, of which 2.8p pence was a special dividend relating to net performance fees.

The Directors are proposing to shareholders an interim dividend of 7.6 pence per share, of which 2.2 pence per share is a special dividend relating to net performance fees. This represents 63% of the adjusted underlying profit after tax and 63% of the net performance fee profit after tax. This is an increase in dividends of 36% compared to the prior year.

Kevin Hayes
Chief Financial Officer

Principal risks and uncertainties

There are a number of potential risks and uncertainties 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 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 2017, except for as noted below. At that date, the most significant risks were identified as being:

- The loss of, or inability to train or recruit, key personnel could have a material adverse effect on the Group's business;
- The risk of loss resulting from inadequate or failed internal processes, people, systems and controls (including from outsource providers) or from external events;
- The risk of critical systems or connectivity failures leading to an inability of the Group to operate for a period of time. This could lead to trading losses, as well as client losses and reputational damage;
- Significant withdrawals of AUM/NUM at short notice and loss of advisory mandates could have an impact on management and advisory fees; and
- Sustained underperformance across a range of the Group's products and strategies, or poor general performance in markets could result in reduced management and performance fee income.

The Directors consider that the risk of loss resulting from inadequate or failed internal processes, people, systems and controls has increased since June as a result of the FCA competition matter.

Additionally, the Directors consider that the risk of regulatory changes leading to increased levels of regulatory capital or costs of compliance has increased since June, given the high level of regulatory changes in train, including Brexit.

A more detailed explanation of the risks relevant to the Group is on pages 28-31 of the Group's 2017 Annual Report which is available at www.riverandmercantile.com.

Responsibility statement

The Directors confirm 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 and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- The interim management report includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules of the UK Financial Conduct Authority; and
- The condensed financial statements have been prepared in accordance with ASB's 2007 statement half yearly reports.

By order of the Board

Mike Faulkner	**Kevin Hayes**
Chief Executive Officer	Chief Financial Officer

A copy of this interim report will be posted on the Company's website on the date of this statement at www.riverandmercantile.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 2017 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 (IFRSs) as adopted by 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 by 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.

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.

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 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants
London
United Kingdom
6 March 2018

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 2017.

Condensed consolidated income statement

	Note	**Unaudited 6 months ended 31 December 2017 £'000**	Unaudited 6 months ended 31 December 2016 £'000
Revenue:			
Net management fees		**26,721**	21,410
Net advisory fees		**4,876**	5,235
Performance fees		**7,422**	4,747
Total revenue		**39,019**	31,392
Administrative expenses	4	**6,973**	5,655
Depreciation		**74**	67
Amortisation		**2,255**	2,165
Total operating expenses		**9,302**	7,887
Remuneration and benefits			
Fixed remuneration and benefits		**11,446**	9,792
Variable remuneration		**8,196**	6,995
Total remuneration and benefits		**19,642**	16,787
EPSP costs	5	**816**	513
Total remuneration and benefits including EPSP costs		**20,458**	17,300
Total expenses		**29,760**	25,187
Gain on disposal of available-for-sale investments	6	**-**	793
Other income	7	**1,805**	-
Profit before interest and tax		**11,064**	6,998
Finance income		**28**	25
Finance expense		**(117)**	(4)
Profit before tax		**10,975**	7,019
Tax charge			
Current tax	8	**2,150**	1,986
Deferred tax	8	**(303)**	(1,030)
		1,847	956
Profit after tax for the period attributable to owners of the Parent		**9,128**	**6,063**
Earnings per share			
Basic (pence)	10	**11.34**	7.41
Diluted (pence)	10	**10.53**	7.40

Condensed consolidated statement of comprehensive income

	Note	**Unaudited 6 months ended 31 December 2017 £'000**	Unaudited 6 months ended 31 December 2016 £'000
Profit for the period		**9,128**	6,063
Items that may be subsequently reclassified to profit or loss:			
Change in value of available-for-sale investments	6	**1**	444
Tax on change in value of available-for-sale investments	8	**-**	(89)
Gain on disposal of available-for-sale investments	6	**-**	(793)
Tax on gain on disposal of available-for-sale investment	8	**-**	159
Foreign currency translation differences		**11**	210
Other comprehensive income		**12**	(69)
Total comprehensive income for the period attributable to owners of the Parent		**9,140**	5,994

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 2017 £'000**	Audited 30 June 2017 £'000
Assets			
Cash and cash equivalents		**21,669**	30,759
Investment management balances		**8,188**	62,138
Available-for-sale investments	6	**13**	12
Fee receivables		**8,633**	5,619
Other receivables		**17,681**	14,898
Deferred tax asset	8	**3,745**	3,421
Property, plant and equipment		**531**	263
Intangible assets		**39,530**	37,353
Total assets		**99,990**	154,463
Liabilities			
Investment management balances		**8,206**	60,317
Current tax liabilities		**2,744**	3,111
Trade and other payables		**18,395**	18,699
Deferred tax liability	8	**4,423**	3,969
Total liabilities		**33,768**	86,096
Net assets		**66,222**	68,367
Equity			
Share capital	12	**246**	246
Share premium		**14,688**	14,688
Other reserves	11	**49,352**	49,340
Own shares held by EBT	12	**(4,229)**	(4,766)
Retained earnings		**6,165**	8,859
Equity attributable to owners of the Parent		**66,222**	68,367

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

The financial statements were approved by the Board and authorised for issue on 6 March 2018.

Mike Faulkner — Chief Executive Officer

Kevin Hayes — Chief Financial Officer

Condensed consolidated statement of cash flows

	Note	**Unaudited 6 months ended 31 December 2017 £'000**	Unaudited 6 months ended 31 December 2016 £'000
Cash flow from operating activities			
Profit before interest and tax		**11,064**	6,998
Adjustments for:			
Amortisation of intangible assets		**2,255**	2,165
Depreciation of property, plant and equipment		**74**	67
Share-based payment expense	5	**551**	637
Gain on bargain purchase		**(1,805)**	-
Gain on disposal of available-for-sale investments	6	**-**	(793)
Foreign exchange losses on operating activities		**-**	71
Operating cash flow before movement in working capital		**12,139**	9,145
Decrease/(increase) in operating assets		**48,154**	(9,315)
(Decrease)/increase in operating liabilities		**(53,900)**	6,771
Cash generated from operations		**6,393**	6,601
Tax paid		**(2,517)**	(1,127)
Net cash generated from operations		**3,876**	5,474
Cash flow from investing activities			
Purchase of intangible assets		**(281)**	(80)
Purchase of property, plant and equipment		**(342)**	-
Interest received		**-**	16
Investment in available-for-sale investments		**-**	(10)
Proceeds from disposal of available-for-sale investments	6	**-**	5,793
Net cash (used in)/generated from investing activities		**(623)**	5,719
Cash flow from financing activities			
Dividends paid	9	**(11,360)**	(4,805)
Transactions in own shares held by EBT		**(1,008)**	(331)
Net cash used in financing activities		**(12,368)**	(5,136)
Net (decrease)/increase in cash and cash equivalents		**(9,115)**	6,057
Cash and cash equivalents at beginning of period		**30,759**	14,147
Foreign exchange movement		**25**	(1)
Cash and cash equivalents at end of period		**21,669**	20,203

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 changes in shareholders' equity

	Share Capital £'000	Share premium £'000	Other reserves £'000	Purchase of own shares by EBT £'000	Retained earnings £'000	Total £'000
Audited balance as at 30 June 2016	246	14,688	49,553	(1,283)	532	63,736
Comprehensive income for the period:						
Profit for the period	-	-	-	-	13,356	13,356
Deferred tax credit on available-for-sale investments	-	-	(90)	-	-	(90)
Other comprehensive income	-	-	(123)	-	-	(123)
Total Comprehensive income	-	-	(213)	-	13,356	13,143
Transactions with owners:						
Dividends	-	-	-	-	(9,345)	(9,345)
Share-based payment expense	-	-	-	-	2,039	2,039
Deferred tax credit on share-based payment expense	-	-	-	-	2,277	2,277
Purchase of own shares by EBT	-	-	-	(3,483)	-	(3,483)
Total transactions with owners:	-	-	-	(3,483)	(5,029)	(8,512)
Audited balance as at 30 June 2017	246	14,688	49,340	(4,766)	8,859	68,367
Comprehensive income for the period:						
Profit for the period	**-**	**-**	**-**	**-**	**9,128**	**9,128**
Other comprehensive income	**-**	**-**	**12**	**-**	**-**	**12**
Total Comprehensive income	**-**	**-**	**12**	**-**	**9,128**	**9,140**
Transactions with owners:						
Dividends	**-**	**-**	**-**	**-**	**(11,360)**	**(11,360)**
Share-based payment expense	**-**	**-**	**-**	**-**	**551**	**551**
Deferred tax credit on share-based payment	**-**	**-**	**-**	**-**	**446**	**446**
Share scheme transfers to retained earnings	**-**	**-**	**-**	**1,545**	**(1,459)**	**86**
Purchase of own shares by EBT	**-**	**-**	**-**	**(1,008)**	**-**	**(1,008)**
Total transactions with owners:	**-**	**-**	**-**	**537**	**(11,822)**	**(11,285)**
Unaudited balance as at 31 December 2017	**246**	**14,688**	**49,352**	**(4,229)**	**6,165**	**66,222**

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 domiciled in England. The condensed consolidated interim financial statements of the Company for the six months ended 31 December 2017 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 by 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 2017 Annual Report. The financial information for the six months ended 31 December 2017 and 31 December 2016 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The Independent Auditors' Report on that Annual Report and financial statements for the year ended 30 June 2017 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 and Company have adequate resources to continue in operational existence for the foreseeable future.

In reaching this conclusion the Board has considered budgeted and projected results of the business including a 2018 budget and three year forecast for the Group with several scenarios, projected cash flow and regulatory capital requirements, and the risks that could impact on the Group's liquidity and solvency over the next 12 months from the date of approval of the financial statements. Additionally, the capital adequacy of the Group in base and stress scenarios is tested as part of the ICAAP and viability statement process.

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

Significant judgements and estimates

Some of the significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The policies which management consider critical because of the level of

complexity, judgement or estimation involved in their application and their impact on the financial statements are:

- Consideration of whether previously recorded goodwill is impaired, including the goodwill arising from the acquisition of RAMAM;
- The revenue recognition of management, advisory and performance fees;
- Share-based payment expense and related national insurance liabilities for awards under performance share plans;
- 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 judgements and estimates;
- The accounting for the acquisition of the ILC team; and
- The accounting for UCITS V deferred remuneration.

3. Seasonality of revenue

The Group earns net management fees evenly throughout the year based on the AUM/NUM during the month or quarter.

The retainer elements of net advisory fees are generally earned evenly throughout the year, however implementation and project fees are earned as specific projects are undertaken.

Performance fees are earned on crystallisation dates, which vary throughout the year but for the Equity Solutions division are generally on a calendar year basis.

4. Administrative expenses

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Marketing	**456**	396
Travel and entertainment	**345**	222
Office facilities	**1,167**	1,026
Technology and communications	**2,289**	2,224
Professional fees	**566**	652
Governance expenses	**237**	254
Fund administration	**346**	275
Other	**1,567**	606
Administrative expenses	**6,973**	5,655

Included in other costs is the cost of a provision for an FCA competition matter of £1,000,000 (note 13), irrecoverable VAT of £175,000 (2016: £21,000), insurance of £167,000 (2016: £143,000) and staff training of £65,000 (2016: £63,000).

5. Share based payments

Executive Performance Share Plan

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

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

Employee Share Plans

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

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

The fair value of the awards has been estimated using a combination of Monte Carlo simulation and Black-Scholes modelling The charge recognised in respect of PSP awards in the period ended 31 December 2017 is £270,000 (2016: £360,000). Additionally, a charge of £107,000 (2016: £88,000) for National Insurance on vesting has been accrued.

Full details of the share awards in respect of 2015, 2016 and 2017 can be found in the 30 June 2017 Annual Report.

The charge for the period also includes £55,000 for the Group's Save as You Earn Scheme (December 2016: £51,000).

6. Available-for-sale investments

The movement in the carrying value of the available-for-sale investment is analysed below:

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
At beginning of period	**12**	5,350
Additions	**-**	10
Movement in fair value	**1**	444
Disposals	**-**	(5,793)
At end of period	**13**	**11**

7. Other income – ILC acquisition

Following the onboarding of the ILC team, on 1 December 2017 the Group became the investment manager of the ILC funds. The contractual agreements entered into between the parties constitute a business combination under IFRS 3.

The consideration payable to Credit Suisse is based on the contractually agreed amounts payable, including a future net revenue share arrangement over five years and seven months from 1 December 2017 calculated solely on the Credit Suisse Lux Global Emerging Market ILC Equity Fund net management fees.

This contingent consideration is measured at fair value at the acquisition date. The contingent consideration balance is accounted for within "Trade and other payables" in the consolidated statement of financial position.

Based on a discount rate of 13% and an assumed AUM growth of 10% per annum, the fair value of the contingent consideration payable is £1,390,000. In addition, an upfront payment of £104,000 forms part of the acquisition costs together with the contingent consideration.

The fair value of the contingent consideration will be re-measured at each reporting date with any gain or loss being recognised immediately in the income statement.

The following table summarises the estimated fair values of consideration as well as the assets acquired and liabilities assumed at the date of acquisition, which will be subject to confirmation in the Group's 2018 Annual Report.

	Unaudited 31 December 2017 £'000
Fair value of contingent consideration on acquisition	**1,390**
Upfront consideration payable	**104**
Total consideration	**1,494**
Fair value of assets acquired and liabilities assumed:	
Intangible assets – Investment Management Agreements	**4,179**
Deferred tax liability on intangible assets	**(880)**
Total assets and liabilities	**3,299**
Negative goodwill	**(1,805)**

The business combination results in a bargain purchase transaction as a result of the fair value of assets acquired and liabilities assumed exceeding the total of the fair value of consideration payable. The Group has recognised the amount as a gain and recorded the amount in "Other income" in the consolidated income statement for the six months ended 31 December 2017.

8. Current and deferred tax

The most significant deferred tax items are the deferred tax liability established against the IMA intangible assets arising from the acquisition of RAMAM and the acquisition of the ILC team. In addition, a deferred tax asset has been recognised in respect of the EPSP and PSP share-based payment expenses. The amortisation of the IMA intangible assets are not deductible for corporation tax purposes therefore the deferred tax liability is released into the income statement to match the amortisation of the IMA intangibles. At each reporting date the Group estimates the corporation tax deduction that might be available on the vesting of EPSP and PSP shares, and the corresponding adjustment to the deferred tax asset is recognised in the income statement and equity.

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Current tax	**2,150**	1,986
Deferred tax	**(303)**	(1,030)
Total tax charge	**1,847**	956

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

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Profit before tax	**10,975**	7,019
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (December 2016: 19.75%)	**2,085**	1,386
Effects of:		
Expenses not deductible for tax purposes	**256**	682
Amortisation of RAMAM IMAs (including change in future tax rates)	**19**	(893)
Income not subject to tax	**(367)**	(88)
Other timing differences	**15**	(131)
Prior year adjustment	**(161)**	-
Total tax charge	**1,847**	956

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

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
Deferred tax assets		
At beginning of period	**3,421**	609
(Charge)/credit to the income statement:		
– accelerated capital allowances	**12**	12
– deductible temporary differences	**(24)**	(25)
– share based payment expense	**(110)**	548
Credit to equity - share based payment expense	**446**	2,227
At end of period	**3,745**	3,421
Deferred tax liabilities		
At beginning of period	**3,969**	5,347
(Credit)/charge to the income statement:		
– amortisation of intangibles	**(425)**	(849)
– adjustment to deferred tax on intangibles due to tax rates	**-**	(460)
– deferred tax liability on intangible acquisition	**879**	-
(Credit)/charge to equity:		
– movement on fair value of available-for-sale investments	**-**	90
– recycling of deferred tax on disposal of available-for-sale investments	**-**	(159)
At end of period	**4,423**	3,969

9. Dividends

During the period, the following dividends were paid:

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
2016 second interim (3.4 pence per share)	**-**	2,771
2016 final (2.5 pence per share)	**-**	2,034
2017 first interim (5.6 pence per share)	**-**	4,540
2017 second interim (8.1 pence per share)	**6,526**	-
2017 final (6.0 pence per share)	**4,834**	-
	11,360	9,345

The proposed interim dividend will be paid on 6 April 2018 to shareholders on the register at 16 March 2018.

10. Earnings per share

The basic earnings per share is 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 period. The average number of shares held by the Group's EBT during the period are deducted in this calculation.

To the extent that any of the EPSP performance shares (note 5) vest they will have a dilutive effect on the equity holders of the Company. The potential dilutive effect of the EPSP performance shares is considered in the calculation of diluted earnings per shares.

The compound return to shareholders is based on share price and dividends received by shareholders from the date of grant until the reporting date and has been calculated assuming that dividends are reinvested into shares on each ex-dividend date. This approach is consistent with the approach taken by the FTSE Russell UK index series, which is the primary index associated with the Group's listing venue, the LSE. The return has been compared against the respective performance criteria of the performance shares to determine if the shares are dilutive as of the reporting date.

Based on the Group's share price at 31 December 2017 and dividends paid, 100% of A shares and 36% of B shares will vest and will be considered dilutive for purposes of calculating diluted earnings per share (31 December 2016: Nil).

Additionally, the Group operates a save-as-you-earn scheme for employees. The potential dilutive effect of this scheme is also considered in the calculation of diluted earnings per share.

Earnings per share	**Unaudited 6 months ended 31 December 2017**	Unaudited 6 months ended 31 December 2016
Profit attributable to owners of the Parent (£'000)	**9,128**	6,063
Weighted average number of shares in issue ('000)	**80,481**	81,857
Weighted average number of diluted shares ('000)	**86,698**	81,920
Earnings per share (pence)		
Basic	**11.34**	7.41
Diluted	**10.53**	7.40

Reconciliation between weighted average shares in issue

	Unaudited 6 months ended 31 December 2017 '000	Unaudited 6 months ended 31 December 2016 '000
Weighted average number of shares in issue – basic	**80,481**	81,857
Dilutive effect of shares granted under save-as-you-earn	**592**	63
Dilutive effect of shares granted under EPSP	**5,625**	-
Weighted average number of shares in issue – diluted	**86,698**	81,920

As at 31 December 2017, there were no shares which were antidilutive during the six months ended 31 December 2017 but which may be dilutive in future periods (31 December 2016: none).

Adjusted profit

Adjusted profit comprises total revenue, remuneration expense, recurring administrative costs, depreciation, gains or losses on seed investments, and finance income or expense.

Additionally, the Group uses adjusted underlying profit as a measure of the core performance of the Group, as this is adjusted profit excluding performance fees (and remuneration associated with those performance fees).

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Adjusted underlying profit		
Net management and advisory fees	**31,597**	26,645
Administrative expenses	**(6,973)**	(5,108)
Underlying remuneration at 50.3%/54%	**(15,931)**	(14,413)
Depreciation	**(74)**	(67)
Finance (expense)/income	**(89)**	21
Adjusted underlying profit before tax	**8,530**	7,078
Adjusted underlying tax charge	**(1,890)**	(1,407)
Adjusted underlying profit after tax	**6,640**	5,671
Adjusted underlying pre-tax margin	**27%**	27%
Performance fee profit		
Performance fees	**7,422**	4,747
Less remuneration at 50%	**(3,711)**	(2,373)
Gain on disposal of seed position*	**-**	793
Performance fee profit before tax	**3,711**	3,167
Taxes	**(705)**	(626)
Performance fee profit after tax	**3,006**	2,541
Adjusted profit before tax*	**12,241**	10,245
Adjusted profit after tax*	**9,646**	8,212

	Unaudited 6 months ended 31 December 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Reconciliation to statutory profit		
Profit before tax	**10,975**	7,019
Adjustments:		
Amortisation of intangible assets and IMA	**2,255**	2,165
IT migration costs	**-**	548
Other income	**(1,805)**	-
EPSP costs	**816**	513
Adjusted profit before tax*	**12,241**	10,245
Adjusted profit after tax*	**9,646**	8,212
Weighted average shares	**80,481**	81,857
Weighted average diluted shares	**86,698**	81,920
Adjusted EPS:		
Basic (pence)*	**11.99**	10.03
Diluted (pence)*	**11.13**	10.02

*In the prior year's interim report, the gain on disposal of seed position was not included in adjusted profit. However, this was included in adjusted profit in the Annual Report and is presented here consistent with that approach.

11. Other reserves

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
Available-for-sale reserve	**2**	1
Foreign exchange reserve	**391**	380
Capital redemption reserve	**84**	84
Merger reserve	**44,433**	44,433
Capital contribution reserve	**4,442**	4,442
Other reserves	**49,352**	49,340

12. Share capital

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

	Unaudited 31 December 2017		Audited 30 June 2017	
	Number	**£**	Number	£
Allotted, called up and fully paid:				
Ordinary shares of £0.003	**82,095,346**	**246,286**	82,095,346	246,286

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

	Unaudited 6 months ended 31 December 2017		Unaudited 6 months ended 31 December 2016	
	'000	£'000	'000	£'000
Own shares held by EBT				
Shares purchased	**276**	**1,008**	185	331
Shares disposed	**(593)**	**(1,545)**	-	-
Total shares held	**1,583**	**4,229**	748	1,614

13. Provision for FCA competition matter

On 29 November 2017, the FCA issued a statement of objection to four asset managers including RAMAM, alleging a breach of competition law concerning the disclosure and/or acceptance of information about the pricing for shares in relation to one IPO and one placing. These are provisional findings and may not necessarily lead to an infringement decision. The FCA will carefully consider written and oral representations by RAMAM and the other parties before making a final decision.

The matter does not affect any clients of the Group or the NAV of any fund or segregated mandate.

RAMAM and the Group have cooperated fully with the matter and are pursuing a robust defence. There are a number of uncertainties associated with the final outcome of the matter, including any financial penalty. However, the Directors have determined that it is prudent to recognise a provision at this stage and having taken advice, have set this at £1m.

In recognition of this provision, the Directors have reduced variable remuneration for the period by £0.5m, giving a net impact on profit before tax of £0.5m.

14. Related party transactions

Related parties to the group are:

Punter Southall Group (PSG)

	Transaction amount	
	Unaudited 31 December 2017 £'000	Unaudited 31 December 2016 £'000
Transactions – expense		
Administrative recharges from PSG	**397**	838

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
Balances – due to/(from) related party		
Administrative recharges from PSG	**112**	224

Key management personnel compensation

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 2017 £'000	Unaudited 6 months ended 31 December 2016 £'000
Short-term employee benefits	**3,379**	1,976
Post-employment benefits	**67**	58
Share-based payment expense	**452**	338
Total	**3,898**	2,372

15. Financial instruments

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

Financial assets at fair value through profit or loss ('FVTPL')

Financial assets are classified as FVTPL when the asset is a trading instrument, or by designation if not. A financial asset may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Trade and other receivables

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due. For trade and other receivables, which are reported net, such provisions are recorded in a separate account with the loss being recognised in the consolidated income statement. On confirmation that the trade and other receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalent balances

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are held at fair value if this can be reliably measured. If the investments are not quoted in an active market and their fair value cannot be reliably measured, the available-for-sale investment is carried at cost, less accumulated impairment. Unless the valuation falls below its original cost, gains and losses arising from changes in fair value of available-for-sale assets are recognised directly in equity through other comprehensive income. On disposal the cumulative net gain or loss is transferred to the statement of comprehensive income. Valuations below cost are recognised as impairment losses in the income statement. Dividends are recognised in the income statement when the right to receive payment is established.

Trade and other payables

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

Categories of financial instruments

Financial instruments held by the Group are categorised under IAS 39 as follows:

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
Financial Assets		
Cash and cash equivalents	**21,669**	30,759
Investment management balances	**8,188**	62,138
Fee receivables	**8,633**	5,619
Other receivables	**16,638**	13,818
Total loans and receivables at amortised cost	**55,128**	112,334
Available-for-sale investments	**13**	12
Total available-for-sale assets at fair value	**13**	12
Total financial assets	**55,141**	112,346

Other receivables exclude prepayments.

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
Financial Liabilities		
Investment management balances	**8,206**	60,317
Contingent consideration	**1,381**	-
Trade and other payables	**15,517**	17,439
Total other liabilities at amortised cost	**25,104**	77,756
Total financial liabilities	**25,104**	77,756

Trade and other payables excludes deferred income.

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

There have been no transfers of financial instruments between levels during the period (December 2016: none).

16. UCITS V Remuneration

The Group's FCA regulated subsidiaries manage UCITS products and are therefore subject to UCITS V regulation relating to remuneration.

UCITS V requires employees whose professional activities have a material impact on the risk profile of the UCITS products offered by the Group, to defer a proportion of their variable remuneration over a minimum of 3 years. They are also required to receive this deferred remuneration in a combination of cash and UCITS instruments. All instruments are subject to an additional six month retention period before being transferred to the recipient.

As a result, for Group employees who are captured by these regulations, a portion of their variable compensation is to be paid out in deferred instalments of cash and instruments.

Per IAS 19 rules for 'deferred remuneration' expenses; assets and liabilities relating to these deferrals are to be measured at their fair value. The majority of expense for UCITS deferrals is therefore recognised within the year the awards are made.

Future payments are primarily dependent upon two factors, continued employment and malus provisions. As the Group has no prior experience of malus adjustments and the awards apply to a limited subset of senior staff an estimate of 10% forfeiture per annum was used, representing the combined risk of employees leaving the firm and the chance of a malus reduction in the deferral.

The expected cashflows were discounted at 12%, being the Group's minimum TSR hurdle for EPSP vesting.

For non-partner employees, the awards are also subject to payroll tax costs of 14.3%.

The future cashflows including payroll taxes and the remuneration expense recognised to date, is detailed below:

	Unaudited 31 December 2017 £'000	Audited 30 June 2017 £'000
Payments made:	**170**	-
Payable <1 year	**1,106**	-
Payable 2-3 years	**2,069**	-
Payable 3-5 years	**623**	-
Total UCITS V remuneration	**3,968**	-
Remuneration costs recognised to date	**3,584**	-
Discount to be unwound over remaining deferral period	**384**	-
Total UCITS V remuneration	**3,968**	-

17. Events after the reporting period

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