Results for the year ended 31 December 2019

28 February 2020

- Strong investment performance, with 72% of mutual fund AUM above median over three years. 14% of segregated mandates and investment trusts were above their benchmarks over three years.
- Increase of £0.1bn in AUM, after net outflows of £4.5bn
- Net management fees[1] decreased by 6% to £370.0m
- Statutory profit before tax decreased by 16% to £151.0m
- Basic earnings per share decreased to 27.5p
- Underlying profit before tax[1] decreased by 11%[2] to £162.7m
- Underlying earnings per share[1] decreased by 11%[2] to 28.8p
- Total dividends per share of 17.1p

	Year ended 31 December 2019	Year ended 31 December 2018	% change
Assets under management (AUM) (£bn)	42.8	42.7	0%
Net outflows (£bn)	(4.5)	(4.6)	-2%
Net management fees[1] (£m)	370.0	395.7	-6%
Statutory profit before tax (£m)	151.0	179.2	-16%
Basic earnings per share	27.5	31.8	-14%
Underlying profit before tax[1] (£m)	162.7	183.0	-11%
Underlying earnings per share[1] (p)	28.8	32.4[2]	-11%
Total dividends per share (p)	17.1	28.5	-40%

[1] *The Group's use of alternative performance measures is explained on page 8.*
[2] *Restated for the year ended 31 December 2018, see page 6.*

Andrew Formica, Chief Executive, commented:

"Jupiter delivered a resilient performance in 2019 despite a challenging backdrop. It was another year of strong investment performance, with 72% of mutual fund assets under management outperforming over three years. It was pleasing to see a strong return to net inflows for our Fixed Income strategy, with the overall net outflows in 2019 being almost entirely the result of the planned departure of a key manager in our European Growth strategy. Our assets under management and net management fee margin remained stable year on year, although a lower average assets under management resulted in a drop in net management fees and also our profitability.

"We announced earlier this month that we are proposing to acquire Merian Global Investors. We believe this acquisition will both strengthen our existing business and support our future growth, which in turn will improve client outcomes and ultimately deliver stronger returns to shareholders.

"In light of the proposed acquisition of Merian, and in line with our policy of balancing investment for long-term growth with distribution to shareholders, we have decided not to pay a special dividend in 2019. We remain committed to returning surplus capital in excess of needs to shareholders, aligned to our capital allocation framework. I would like to thank shareholders for their continued support, and look forward to engaging with them in 2020 as the business moves into the next phase of its development."

Board changes

Bridget Macaskill, a Non-Executive Director and Chairman of the Remuneration Committee, has decided to step down from the Board and will not stand for re-election at the 2020 AGM. Bridget will retire from the Board with effect from the conclusion of the AGM on 21 May 2020. Roger Yates, a Non-Executive Director and member of the Remuneration Committee, will be appointed Chairman of the Remuneration Committee with effect from the same date.

Liz Airey, Chairman of Jupiter, said:
"Bridget has made a huge contribution to the Board and Jupiter's development over the last five years and we would like to extend our sincere thanks for the wisdom and guidance she has given us as well as her dedication to Jupiter's business."

Analyst presentation

There will be an analyst presentation at 9.00am on 28 February 2020.

The presentation will be held at The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ and is also accessible via a live audiocast for those unable to attend in person. To attend the presentation, please contact Justin Griffiths at Powerscourt on +44 (0)20 7250 1446 or at justin.griffiths@powerscourt-group.com. Alternatively, sign up online to access the live audiocast using the following link: https://secure.emincote.com/client/jupiter/jfm014

The Results Announcement and the presentation will be available at http://www.jupiteram.com/corporate/Investor-Relations/Reports-and-results and copies may also be obtained from the registered office of the Company at The Zig Zag Building, 70 Victoria Street, London, SW1E 6SQ. The Annual Report will be published in March 2020 and will be available at http://www.jupiteram.com/corporate/Investor-Relations/Reports-and-results.

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Forward-looking statements

This announcement contains forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances 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 forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this announcement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.

Chief Executive's review

I'm pleased to be reporting to you as your CEO. Having admired Jupiter as a competitor for many years, I was excited to be given the opportunity to help the business realise its full potential. My strategy is to build on the successful legacy of those who went before me to secure Jupiter's long-term future and profitability. The announcement of our proposed acquisition of Merian Global Investors is an important step in this direction.

It is often only by looking to the future that you better understand the past. On becoming Jupiter's CEO, I knew I had inherited a good business that simply needed new energy to take it to the next phase of its development. I refreshed the senior leadership team, addressed legacy issues and placed a renewed focus on our strategic priorities. I emphasised the importance of organic growth, but I also said I would consider team buy-outs or strategic bolt-on acquisitions to help us achieve our goals more quickly.

When the opportunity arose to acquire Merian Global Investors, the strategic benefits of doing so were clear; Merian's product range could help plug investment capability gaps and contribute to building scale in existing strategies; the acquisition would also take us into new areas such as global systematic equities, broaden our institutional client base and consolidate our presence in key international markets.

Finally, it would support and accelerate other growth initiatives we had identified in the course of 2019, including supporting new investment team hires and freeing up investment in technology-driven support for our fund managers. Our due diligence also showed Merian shared a very similar culture and investment philosophy to our own, the cornerstone to any successful integration of two firms. The deal, once completed, would create an enlarged group with a combined AUM of more than £65bn and cement Jupiter's leading position in UK retail and consolidate our presence in overseas markets.

Jupiter is only able to embark on this next phase in its journey because the business continued in 2019 to maintain a track record of strong investment outperformance despite volatile markets, difficult industry conditions and internal challenges caused by the succession of a leading fund manager. Last year 72% of our mutual fund assets under management performed above the median over three years. It was pleasing to see Jupiter Dynamic Bond, our largest fund, see a return to positive flows in all regions. As a result, we achieved robust gross flows of £13.4bn; however net outflows totalled £4.5bn, of which £4.3bn was from our European Growth strategy after the manager announced he would be stepping down in April. We were however able to transition the fund to two talented and experienced managers who have already been making a positive impact on performance.

It has been a year of significant change. Five of the nine Executive Committee members are new to Jupiter, and they have already made a positive impact on the business. We also announced the appointment of Nichola Pease as our new Chairman from March 2020. With over 30 years' experience in asset management and the wider financial services sector, Nichola's knowledge and expertise will prove invaluable to Jupiter.

In 2019, we identified the need to reinvest in our core UK retail franchise, to cement our strong position. Our proposed acquisition of Merian will strengthen us in this area, but we have used the last year to devote more of our resources on marketing and promoting our range of funds via client events. We have also been working on building our investment trust business.

As we re-invested in the UK, we altered our approach to international expansion, choosing to build scale in those markets where our products have appeal, and exiting those where our success has been more limited. We successfully launched into the French retail market in 2019, and we outlined plans to boost our distribution efforts in Latin America, Hong Kong and the Nordics, and develop our presence in attractive markets like Japan.

In addition, the strategic partnership with NZS Capital, which we announced in December, gives us a new capability in global growth unconstrained styled investment portfolios. It also opens the door for us to the US, where we will initially target institutional investors.

With offices in both Singapore and Hong Kong, we have been closely monitoring the outbreak of the coronavirus in the region. The safety and health of our employees is paramount, and we have taken precautionary measures to minimise their exposure to the infection.

Elsewhere in the business, we have refocused our product development efforts to better serve our clients. We launched two new products in 2019 and closed five funds that had struggled to make inroads, reflecting our disciplined approach to managing our product range.

Achieving the best client outcomes drives our technology investment. We implemented a new client relationship management system and are looking at using technology in other ways to support our client service. Meanwhile, our investment in data and data science helps to give our fund managers an edge in their investment decisions, for the benefit of our clients – an area we have earmarked for further investment once the deal with Merian completes.

Having invested considerably in our operating platform over recent years, our focus now will be on migrating Merian's business onto our systems and platforms. Our operating platform has the scale and capacity to handle significantly greater assets under management, and we have a clear and well-developed plan to ensure a smooth integration of the two businesses.

Clients are increasingly demanding that fund managers invest their money responsibly. We believe being able to truly engage with companies on environmental, social and goverance issues is an important advantage for active asset managers. Jupiter managers continued to a strong level of engagement in 2019. With relatively concentrated portfolios, they are able to undertake long-term engagements with the companies they invest in.

The past year has offered an opportunity to sharpen our client focus, broaden our investment capabilities, re-focus on our key UK market and lay out the strategic priorities I strongly believe will deliver the returns you expect of us for clients and shareholders. The coming year should see an acceleration in our strategic plans as we complete our proposed acquisition of Merian to create a stronger, more diversified business able to deliver sustainable long-term returns to our shareholders. I look forward to reporting on further strategic progress in 2020.

Andrew Formica
Chief Executive Officer

27 February 2020

Operational review

Net outflows by product	2019 £bn	2018 £bn
Mutual funds	(3.0)	(4.4)
Investment trusts	(1.0)	-
Segregated mandates	(0.5)	(0.2)
Total	**(4.5)**	**(4.6)**

Gross mutual fund sales in 2019 were strong, with inflows of £11.4bn. While we continued to see net outflows overall, these were notably slower than in 2018. We benefited from a return to net inflows of £1.6bn for the Dynamic Bond fund, against net outflows of £4.1bn in 2018. However, we saw outflows totalling £4.3bn from our European Growth strategy where there was a fund manager succession. This also led to the majority of outflows from investment trusts. Segregated mandates benefited from a client transferring £0.5bn from mutual funds into a segregated mandate with us. Significant net outflows were also seen in Merlin Income (£0.4bn), European Special Situations (£0.3bn) and Absolute Return (£0.3bn).

Assets under management by product	31 December 2019 £bn	31 December 2018 £bn
Mutual funds	37.6	36.9
Investment trusts	0.4	1.2
Segregated mandates	4.8	4.6
Total	**42.8**	**42.7**

Market and exchange rate movements and our investment outperformance increased our AUM by £4.6bn during the year. At 31 December 2019, our total AUM was £42.8bn, a £0.1bn increase over the year. Of this, our SICAV AUM was £10.6bn at 31 December 2019 (2018: £10.0bn).

Investment performance

At 31 December 2019, 72% (2018: 77%) of our mutual fund AUM delivered above median performance over three years, with 38% achieving first quartile performance, 34% achieving second quartile performance and 17% and 11% in the third and fourth quartiles respectively. Over one year, 55% of our mutual fund AUM delivered above median performance, down from 83% in 2018. These measures are based on weighted averages, so they are significantly affected by the performance of our larger funds.

Segregated mandates and investment trusts make up 12% of our AUM. At the year end, 14% of AUM in segregated mandates and investment trusts were above their benchmarks over three years, impacted by the concentration of the former in value strategies, which have faced challenges in recent years, and by the transition away from the Group in 2019 of a high-performing investment trust. We compare performance to benchmark for these funds as there is no industry-wide data to allow comparison against peers.

Financial review

In a challenging year for the industry and Jupiter, we delivered profit before tax and exceptional items of £162.7m, 11% below 2018. Statutory profit before tax was £151.0m (2018: £179.2m). The decline in profits was largely due to lower management fees as a result of lower average assets under management and lower performance fees, partially offset by a reduction in administrative expenses before exceptional items. Our average AUM was 7% down on 2018, with the impact of lower market levels in the last quarter of 2018 providing a headwind into 2019. Market appreciation in AUM was largely offset by outflows in equity products in the second half of the year, mainly due to a fund manager change in our European Growth strategy.

As set out in the Chief Executive's review, there have been a number of senior management changes during 2019 and our new Chief Risk Officer joined us on 3 February 2020. This new team is focused on delivering the strategic priorities of the Group and achieving our strategic goals. We have taken action within 2019 to leverage opportunities for operational efficiency, enabling us to reinvest in areas of growth. That has resulted in some restructuring costs which are explained below. We remain committed to a disciplined approach to cost management, whilst ensuring we invest wisely for the future.

For 2019 we have separately presented certain items as exceptional. These principally comprise certain restructuring costs (within operating expenses) relating to changes we have made to redirect resources, leveraging the operational efficiency we achieved, and accounting charges relating to the timing of expense recognition for certain deferred awards, mainly as a result of senior management changes.

RESULTS FOR THE YEAR

Net revenue (see page 8) for the year was £379.1m (2018: £412.7m). Over the year, average AUM was 7% lower than in the prior year, leading to a corresponding decrease in management fees. Net initial charges of £1.2m (2018: £2.1m, including £0.7m relating to box profits) decreased marginally. Performance fees of £7.9m (2018: £14.9m) were principally earned in a single fund in both 2018 and 2019 and are not expected to recur at these levels.

Net revenue

	2019 £m	2018 £m
Net management fees	370.0	395.7
Net initial charges	1.2	2.1[1]
Performance fees	7.9	14.9
Net revenue	**379.1**	**412.7**

[1] Includes box profits of £0.7m which were discontinued in early 2018.

The Group's revenue is substantially earned in the form of recurring management fees. Volatility in markets throughout the year presented opportunities for active fund management to add value for investors but, against a backdrop of continuing political and economic uncertainty, especially in the UK and continental Europe, clients were cautious in their approach to investing. Jupiter also faced its own challenges, as referred to in the Chief Executive's review, with the transition of a fund manager resulting in outflows that made up the majority of our reported net outflows for the year. Our positive net flows were into the Fixed Income strategy. In total, market appreciation and investment outperformance were offset by net outflows in 2019.

	2019	**2018**
Net management fees (£m)	370.0	395.7
Average AUM (£bn)	44.3	47.5
Net management fee margin (bps)	84	83

The Group's net management fee margin for the period was 84 basis points, slightly ahead of 2018. Despite this, there continues to be pricing pressure in the active asset management industry and we are focused on growing our institutional business, which is typically lower margin business. The proposed acquisition of Merian Global Investors brings lower average margin business, due to product mix. As a result of these factors, the management fee margin is expected to be significantly lower in 2020 than in 2019, but on higher average AUM.

Administrative expenses

	2019 £m	**2018 (restated) [2] £m**
Fixed staff costs before exceptional items	59.4	61.5
Other expenses	86.7	91.0
Operating expenses (before exceptional items)	**146.1**	**152.5**
Variable staff costs[1]	70.7	68.8
Administrative expenses[1]	**216.8**	**221.3**
Exceptional items	11.7	3.8
Administrative expenses	**228.5**	**225.1**
Variable compensation ratio[1]	**30%**	**26%**
Total compensation ratio[1]	**34%**	**32%**
Operating margin (before exceptional items)	**43%**	**44%**

[1] Stated before exceptional items (see APMs on page 8).
[2] Restated for exceptional items.

Operating expenses (before exceptional items) of £146.1m (2018: £152.5m) were 4% lower than in 2018, with reductions in both fixed staff costs and other expenses. The reduction in fixed staff costs reflected the decrease in average headcount from 533 to 529 as we restructured the business in certain areas whilst also adding to our talent in the fund management and distribution teams. Other operating expenses of £86.7m (2018: £91.0m) decreased 5% as a result of cost saving initiatives implemented in 2018 and continued cost discipline in 2019.

The Group's operating margin (before exceptional items) decreased to 43% (2018: 44%), but remained in line with our long-term expectation.

Variable staff costs

	2019 £m	**2018 (restated)[2] £m**
Cash bonus[1]	24.3	27.1
Other variable compensation[1]	49.4	41.7
Net gains on instruments held to hedge fund awards	(3.0)	-
Variable staff costs before exceptional items	**70.7**	**68.8**
Variable exceptional staff costs	9.3	3.8
Variable staff costs	**80.0**	**72.6**

[1] Stated before exceptional items (see APMs on page 8).
[2] Restated for exceptional items.

Variable staff costs before exceptional items increased by 3% to £70.7m (2018: £68.8m). The variable compensation ratio increased by 4% from 26% to 30%.

Cash bonus costs decreased in line with lower profitability to £24.3m (2018: £27.1m). This reflected lower underlying bonus levels per employee, but was offset by buy-out costs arising from a number of senior hires as we made changes to the senior team to address the Group's priorities.

Other variable compensation principally comprises deferred bonuses in the form of share-based and fund-linked awards. The equity-settled nature of previously awarded deferred bonus (as well as LTIP) schemes means that their costs are fixed at the time of grant and subsequently do not change if future earnings rise or fall, although social security costs vary with the Company's share price. Charges relating to deferred bonuses before exceptional items rose by 18%.

The main driver of this movement was the volatility of the Group's share price in 2018 and 2019, which led to an adverse swing of £7.8m in the 2019 compensation charge: in 2018, the share price decreased by more than 50%, effectively lowering the national insurance charge in that year on deferred awards by £5.4m; in 2019, the share price rebounded, adding 39% to its value resulting in the charge increasing by £2.4m. Other factors affecting the charge largely offset each other: a £4.1m reduction in deferred bonus awards in 2019, in line with the decrease in profitability, was matched by a number of smaller charges, notably in respect of higher levels of performance fees shared with fund managers and buy-out costs linked with new hires.

Deferred bonuses in the form of fund-linked awards are now a significant part of our variable compensation model. By linking fund manager remuneration with the returns on the funds they manage, these awards create further alignment between the interests of investors and the individuals with direct responsibility for managing their assets. The awards are revalued to the value of the underlying fund at the balance sheet date. At 31 December 2019, we held £27.1m of investments in our own funds to hedge this obligation.

In previous years, gains and losses from investments held to hedge fund-based awards were reported within 'Other gains/(losses)'. From 2019, we are including such amounts within 'Administrative expenses' (see Note 1.3) as this presentation better reflects the substance of these transactions and provides more relevant information by matching the gains and losses of the hedging instruments with those of the hedged items.

Exceptional items

Exceptional items are items of income or expenditure that are significant in size and which are not expected to repeat over the short to medium term. Such items have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Where appropriate, such items may be recognised over multiple accounting periods. Exceptional items of £11.7m relate principally to accelerated accounting charges for deferred employee awards (£9.3m; 2018: £3.8m) and redundancy costs (£2.4m; 2018: £nil). Exceptional redundancy items relate to specific restructuring activities in the second half of the year. The acceleration impact was not separately disclosed in 2018 as a result of its size, however comparative data, including relevant APMs have been restated to enable a like-for-like comparison. The effect of the acceleration, which principally relates to the curtailment of the time period over which certain employee services will be provided, is to bring compensation charges that would otherwise have been recognised in future years into the current year.

Other income statement movements

Other gains of £4.1m (2018: losses of £6.5m) principally comprised gains from seed investments, net of hedges, of £3.1m (2018: losses of £5.3m). Seed investments are hedged for beta risk, usually by taking a short position on a fund's benchmark, where it is possible to do so. Gains and losses therefore generally arise from outperformance against a fund's benchmark. In 2019, we recognised gains across a range of seeded funds, particularly in respect of our Global Sustainable Equities and Global Emerging Market Short Duration Bond funds. As explained above, gains and losses relating to the hedging of fund-based awards are now reported as staff costs.

Profit before tax (PBT)

Statutory PBT for the year decreased by 16% to £151.0m (2018: £179.2m). Underlying PBT decreased by 11% to £162.7m (2018: £183.0m) mainly as a result of lower levels of fee income with reductions in costs achieved through restructuring and cost-saving initiatives.

Tax expense

The effective tax rate for 2019 was 18.7% (2018: 20.2%), marginally below the headline UK corporation tax rate of 19.0% (2018: 19.0%). The difference is due to reductions in current tax arising from timing differences on tax relief, research and development tax credits in relation to prior periods, and tax deductions arising from the exercise of share options.

Our published tax strategy is available from our website at: www.jupiteram.com.

Earnings per share (EPS)

The Group's basic and diluted EPS measures were 27.5p and 26.8p respectively in 2019, compared with 31.8p and 31.1p in 2018.

Underlying EPS

Underlying EPS, defined as underlying profit after tax divided by the number of shares in issue (see page 8), was down 11% at 28.8p (2018: 32.4p[1]).

	2019 £m	2018 (restated)[1] £m
Statutory profit before tax	151.0	179.2
Exceptional items	11.7	3.8
Underlying profit before tax	**162.7**	**183.0**
Tax at average statutory rate of 19%	(30.9)	(34.8)
Underlying profit after tax	**131.8**	**148.2**
Issued share capital	457.7	457.7
Underlying EPS	**28.8p**	**32.4p**

[1] Restated for exceptional items.

Cash flow

The Group generated positive operating cash flows after tax in 2019 of £149.8m (2018: £170.5m), representing 122% (2018: 119%) of statutory profit after tax. Outflows from financing activities included dividend payments of £127.2m to shareholders; in addition, £32.4m of shares were purchased by the Employee Benefit Trust (EBT) to hedge deferred compensation awards to employees in the form of Jupiter shares. The net decrease in cash in the period was £22.3m (2018: £32.5m).

Assets and liabilities

The Group's cash position at the year-end date was £179.4m (31 December 2018: £201.7m), as trading profits were offset by dividend payments to shareholders and payments to the EBT. The adoption of IFRS 16 Leases in 2019 resulted in the initial recognition of assets of £47.3m and liabilities of £60.1m. These were previously not required to be recorded in the balance sheet. It also included a small adjustment to the retained earnings reserve. Further detail can be found in Note 5.1 to the Accounts. The Group has no debt (31 December 2018: £nil). The revolving credit facility (RCF) of £50m, renewed for a further three-year period in July 2019, was not drawn in the year.

Seed investments

We deploy seed into funds to ensure an effective launch and/or to accelerate the timescale over which the funds can pass through critical size thresholds. In 2017, we expanded our seed investment programme. Although some legacy positions remain, the majority of the portfolio is invested in new products that have been launched in the past two years which we expect to produce AUM growth in the future. As at 31 December 2019, we had a total investment of £128.7m carried at fair value in Jupiter funds (31 December 2018: £138.4m).

Capital management

Although the Group has continued to be profitable, distributions made to shareholders per our dividend policy and funding of the EBT in the year have resulted in a £12.7m decrease in total shareholders' equity to £611.7m. This is mainly due to the IFRS requirement to only record the year-end ordinary and special dividend in the year in which they are paid.

Capital and regulatory position

The Group assesses its capital position and requirements on a regular basis throughout the year. The capital requirement is formally set annually through the ICAAP and adjusted intra-year if risk exposures change significantly. The Internal Capital Adequacy Assessment Process (ICAAP) document, which is approved by the Board, makes estimations and judgements to establish whether the Group holds an appropriate level of regulatory capital to mitigate the impact of its key risks in the event of these crystallising.

The Group's indicative surplus over regulatory requirements was £189.1m at 31 December 2019 (2018: £213.0m) excluding provision for ordinary dividend. Qualifying capital was £222.8m against a requirement of £75.8m, giving an indicative surplus of £147.0m (2018: £117.7m), after allowing for declared dividends.

We are focused on ensuring that we have an appropriate surplus over the regulatory capital requirement. This is monitored regularly by the Board.

Dividends

Jupiter has a progressive ordinary dividend policy and our intention is for the ordinary dividend pay-out ratio to be 50% of underlying EPS across the cycle. In the event that current year profits are lower than in previous years, the Group maintains the ordinary dividend at the previous high water mark pence per share level. The Board normally makes additional returns of capital to shareholders after retaining sufficient earnings for capital and growth. These additional returns of capital have previously been made through a special dividend.

The Board considers the dividend on a total basis, taking into account our resilient balance sheet and long-term approach to running the business. The Board's intention is to use profits and cash flow to pay ordinary dividends, to retain sufficient capital to maintain a strong balance sheet and meet regulatory requirements, and to return excess cash to shareholders according to market conditions at the time.

The Board has declared an unchanged full-year ordinary dividend for the year of 9.2p per share. This results in a total ordinary dividend for the year of 17.1p, the same as 2018, representing an ordinary dividend pay-out ratio of 59% of underlying earnings. Following the announcement of the proposed acquisition of Merian Global Investors, no special dividend has been declared for the year ended 2019 as Jupiter balances investment for long-term growth with distribution to Jupiter shareholders. The Jupiter Board's priority continues to be to maintain its capital strength, including a robust surplus over regulatory capital requirements and it remains committed to returning surplus regulatory capital in excess of needs to shareholders, aligned to the Group's capital allocation framework.

The full-year dividend payment will be paid on 9 April 2020 to shareholders on the register on 13 March 2020. The Board does not seek approval for dividend payments at the AGM.

As a result of the absence of a special dividend, the total dividend of 17.1p is down from 28.5p per share in 2018.

Liquidity

The Group's liquidity comprises cash available for use in the business, supported by an undrawn RCF of up to £50.0m. The Group maintains a consistent liquidity management model, with liquidity requirements monitored carefully against the existing and longer-term obligations of the Group.

THE USE OF ALTERNATIVE PERFORMANCE MEASURES (“APMs”)

The Group uses the following APMs:

APM	Definition	Reconciliation/data sources	Reason for use
Exceptional items	Items of income or expenditure that are significant in size and which are not expected to repeat over the short to medium term	Page 6	B
Fixed staff costs before exceptional items	Staff costs (excluding variable items such as bonus awards, LTIP, SAYE and SIP) before redundancy costs	Page 5	B
Net management fee margin	‘Net management fees’ divided by average AUM	Page 5	A
Net management fees	Management fees less fee expenses	Page 5	A
Net revenue	Revenue less fee and commission expenses	Page 4	A
Operating expenses (before exceptional items)	Administrative expenses (before ‘Exceptional items’) less ‘Variable staff costs before exceptional items’	Page 5	B
Operating margin (before exceptional items)	‘Operating profit (before exceptional items)’ divided by ‘Net revenue’	Page 5	B, C
Operating profit (before exceptional items)	‘Underlying profit before tax’ before Finance income and Finance costs	Page 5	B
Ordinary dividends per share	Interim and full-year dividends (does not include any special dividends)	Page 7	B
Total compensation ratio	‘Fixed staff costs before exceptional items’ plus ‘Variable staff costs before exceptional items’ as a proportion of ‘Net revenue’	Page 5	C
Underlying EPS	‘Underlying profit after tax’ divided by issued share capital	Page 6	B, D
Underlying profit after tax	‘Underlying profit before tax’ less tax at the weighted average UK corporation tax rate	Page 6	B
Underlying profit before tax	Profit before tax less ‘Exceptional items’	Page 6	B
Variable compensation ratio	‘Variable staff costs before exceptional items’ as a proportion of ‘Net revenue’ less ‘Operating expenses before exceptional items’	Page 5	B, C
Variable staff costs before exceptional items	Variable staff costs, excluding ‘Exceptional items’	Page 5	B

A. To draw out meaningful subtotals of revenues and earnings, together with ratios derived from such measures, commonly used by asset managers after taking into account items such as fee expenses, including commissions payable, without which a proportion of the revenues would not have been earned, and administrative expenses which often have a direct link to revenues through the use of compensation ratios to set remuneration.

B. To present users of the accounts with a clear view of what the Group considers to be the results of/distributions from its underlying operations, enabling consistent period-on-period comparisons and making it easier for users of the accounts to identify trends.

C. To provide additional information not required for disclosure under accounting standards. The information is given to assist users of the accounts in gauging the level of operational gearing and efficiency in the Group.

D. Used by the Board to determine the Group’s ordinary dividend and as a consistent measure of profitability. Also used in the measurement of one of the criteria for share-based awards to senior staff with performance conditions.

All APMs relate to past performance.

Changes in the use of APMs

1. The presence of non-recurring items in the year has caused the Group to add and amend several existing performance measures to incorporate such items. These measures exclude items arising in the year that are not expected to repeat over the short to medium term and enable users of the accounts to better compare results across years. As a consequence, there are new APMs in respect of ‘Exceptional items’, ‘Operating Expenses before exceptional items’, ‘Fixed staff costs before exceptional items’ and ‘Variable staff costs before exceptional items’. In addition, the definitions of ‘Variable compensation ratio’ and ‘Underlying EPS’ have been amended and comparatives restated in line with the new definitions. We have included new definitions of ‘Underlying profit before tax’ and ‘Underlying profit after tax’ to assist in the definition of ‘Underlying EPS’.
2. In prior periods, the Group has used ‘Adjusted cost/income ratio’ as a measure of operational efficiency. Senior management considered the alignment of primary performance measures with the Group’s strategic approach and has concluded that it would be more appropriate to use ‘Operating margin (before exceptional items)’ for this purpose. The principal difference between these two measures is the inclusion of the return from seed investments within ‘Operating margin (before exceptional items)’. Seed investment is a key part of the Group’s strategy to launch products and increase AUM. Net returns from such investments constitute part of the cost/benefit of undertaking such activities to promote interest in the Group’s new funds.
3. Further to 2 above, ‘Operating profit (before exceptional items)’ has been introduced to aid the definition of ‘Operating margin (before exceptional items)’.

Section 1: Results for the year

Consolidated income statement

For the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Revenue	1.1, 1.2	419.3	460.5
Fee and commission expenses	1.1	(40.2)	(47.8)
Net revenue	1.1	**379.1**	**412.7**
Administrative expenses	1.3	(228.5)	(225.1)
Other gains/(losses)	1.4	4.1	(6.5)
Amortisation of intangible assets	3.2	(1.8)	(1.8)
Operating profit		**152.9**	**179.3**
Finance income		0.1	0.1
Finance costs		(2.0)	(0.2)
Profit before taxation		**151.0**	**179.2**
Income tax expense	1.5	(28.2)	(36.2)
Profit for the year		**122.8**	**143.0**
Earnings per share			
Basic	1.6	27.5p	31.8p
Diluted	1.6	26.8p	31.1p

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Profit for the year		122.8	143.0
Items that may be reclassified subsequently to profit or loss			
Exchange movements on translation of subsidiary undertakings	4.2	(0.8)	0.3
Other comprehensive (loss)/income for the year net of tax		**(0.8)**	**0.3**
Total comprehensive income for the year net of tax		**122.0**	**143.3**

Notes to the financial statements – Income statement

1.1 NET REVENUE

The Group's primary source of revenue is management fees. Management fees are for investment management or administrative services and are based on an agreed percentage of the assets under management (AUM). Initial charges and commissions are for additional administrative services at the beginning of a client relationship, as well as ongoing administrative costs, and until January 2018, included profits earned on dealing within the unit trust manager's box, known as box profits. Performance fees are earned from some funds when agreed performance conditions are met. Net revenue is stated after fee and commission expenses to intermediaries for ongoing services under distribution agreements.

	2019 £m	2018 £m
Management fees	410.0	442.8
Initial charges and commissions	1.4	2.1
Performance fees	7.9	14.9
Revenue before box profits	**419.3**	**459.8**
Fee and commission expenses relating to management fees	(40.0)	(47.1)
Fee and commission expenses relating to initial charges and commissions	(0.2)	(0.7)
Net revenue before box profits	**379.1**	**412.0**
Box profits	-	0.7
Net revenue	**379.1**	**412.7**

Disaggregation of revenue

The Group disaggregates revenue from contracts with customers on the basis of product type and geographical region, as this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors.

The Group's product types can be broadly categorised into pooled funds and segregated mandates. Pooled funds, which include both mutual funds and investment trusts, are established by the Group, with the risks, exposures and investment approach defined via a prospectus which is provided to potential investors. In contrast, segregated mandates are generally established in accordance with the requirements of a specific institutional investor.

	2019 £m	2018 £m
Revenue by product type		
Pooled funds	399.0	440.8
Segregated mandates	20.3	19.7
Revenue	**419.3**	**460.5**

1.2 SEGMENTAL REPORTING

The Group offers a range of products and services through different distribution channels. All financial, business and strategic decisions are made centrally by the Board of Directors (the Board), which determines the key performance indicators of the Group. Information is reported to the chief operating decision maker, the Board, on a single segment basis. While the Group has the ability to analyse its underlying information in different ways, for example by product type, this information is only used to allocate resources and assess performance for the Group as a whole. On this basis, the Group considers itself to be a single-segment investment management business.

Management monitors operating profit for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

	2019 £m	2018 £m
Revenue by location of clients		
UK	322.5	357.6
Continental Europe	65.2	77.2
Asia	19.4	16.8
Rest of the world	12.2	8.9
Revenue by location	**419.3**	**460.5**

The location of clients is based on management information received from distribution partners. Where management information is not available, the location of the distribution partner is used as a proxy for the location of the client.

1.2 SEGMENTAL REPORTING (continued)

Non-current assets for the Group (excluding financial instruments and deferred tax assets) are domiciled in the UK, Continental Europe and Asia, as set out below:

	2019 £m	2018 £m
Non-current assets for the Group		
UK	395.4	354.0
Continental Europe	2.1	0.5
Asia	1.4	-
Non-current assets by location	**398.9**	**354.5**

1.3 ADMINISTRATIVE EXPENSES

Administrative expenses of £228.5m (2018: £225.1m) include staff costs of £141.8m (2018: £134.1m). Staff costs consist of:

	2019 £m	2018 £m
Wages and salaries	95.3	89.2
Share-based payments	24.5	26.6
Social security costs	17.6	11.0
Pension costs	5.0	5.1
Redundancy costs	2.4	2.2
Staff costs before gains arising from the economic hedging of fund units	**144.8**	**134.1**
Net gains on instruments held to provide an economic hedge for fund awards	(3.0)	-
Staff costs	**141.8**	**134.1**

1.4 OTHER GAINS/(LOSSES)

Other gains/(losses) in 2019 relate principally to gains made, net of hedging, on the Group's seed investment portfolio. These investments, along with any related hedging instruments, are held at fair value through profit or loss (see Note 3.4). Gain and losses on these investments comprise both realised and unrealised amounts. Gains and losses on instruments held to hedge fund awards are presented separately and are included within staff costs (see Note 1.3). This presentation better reflects the substance of these transactions and provides more relevant information about the Group's other gains/(losses) and administrative expenses.

	2019 £m	2018 £m
Dividend income	1.0	0.5
Gains/(losses) on financial instruments designated at fair value through profit or loss upon initial recognition	8.2	(7.8)
(Losses)/gains on financial instruments at fair value through profit or loss	(5.1)	0.8
Other gains/(losses)	**4.1**	**(6.5)**
Add: Net gains on instruments held to provide an economic hedge for fund awards (reported within Note 1.3)	3.0	-
	7.1	**(6.5)**

1.5 INCOME TAX EXPENSE

Analysis of charge in the year:

	2019 £m	2018 £m
Current tax		
Tax on profits for the year	31.9	39.1
Adjustments in respect of prior years	(0.6)	0.4
	31.3	39.5
Deferred tax		
Origination and reversal of temporary differences	(2.9)	(3.1)
Adjustments in respect of prior years	(0.2)	(0.2)
	(3.1)	(3.3)
Income tax expense	**28.2**	**36.2**

The corporation tax rate for 2019 was 19% (2018: 19%). The tax charge in the year is lower (2018: higher) than the standard rate of corporation tax in the UK and the differences are explained below:

Factors affecting tax expense for the year	2019 £m	2018 £m
Profit before taxation	151.0	179.2
Taxation at the standard corporation tax rate (19%)	28.7	34.1
Non-taxable expenditure	0.2	0.7
Other permanent differences	(0.6)	1.0
Adjustments in respect of prior years	(0.8)	0.2
Effect of differences in overseas tax rates	0.7	0.2
Total tax expense	**28.2**	**36.2**

1.6 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year less the weighted average number of own shares held. Own shares are shares held in an Employee Benefit Trust (EBT) for the benefit of employees under the vesting, lock-in and other incentive arrangements in place.

Diluted EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year for the purpose of basic EPS plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

For the purposes of calculating EPS, the share capital of the parent is calculated as the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares used in the calculation of EPS is as follows:

Weighted average number of shares	2019 Number m	2018 Number m
Issued share capital	457.7	457.7
Less time apportioned own shares held	(11.1)	(8.7)
Weighted average number of ordinary shares for the purpose of basic EPS	446.6	449.0
Add back weighted average number of dilutive potential shares	10.9	10.2
Weighted average number of ordinary shares for the purpose of diluted EPS	457.5	459.2

Earnings per share	2019 p	2018 p
Basic	27.5	31.8
Diluted	26.8	31.1

Section 2: Consolidated statement of cash flows

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations	2.1	184.0	213.3
Income tax paid		(34.2)	(42.8)
Net cash inflows from operating activities		**149.8**	**170.5**
Cash flows from investing activities			
Purchase of property, plant and equipment	3.3	(1.9)	(1.7)
Purchase of intangible assets	3.2	(1.7)	(1.7)
Purchase of financial assets at fair value through profit or loss (FVTPL)		(454.4)	(326.5)
Proceeds from disposals of financial assets at FVTPL		418.0	270.5
Cash movement from funds no longer consolidated		(3.0)	-
Dividend income received		1.0	1.5
Finance income received		0.1	0.1
Net cash outflows from investing activities		**(41.9)**	**(57.8)**
Cash flow from financing activities			
Dividends paid	4.3	(127.2)	(151.2)
Purchase of shares by EBT		(32.4)	(28.7)
Finance costs paid		(0.2)	(0.2)
Cash paid in respect of lease arrangements		(5.1)	-
Third-party subscriptions into consolidated funds		54.2	63.7
Third-party redemptions from consolidated funds		(16.7)	(26.8)
Distributions paid by consolidated funds		(2.8)	(2.0)
Net cash outflows from financing activities		**(130.2)**	**(145.2)**
Net decrease in cash and cash equivalents		**(22.3)**	**(32.5)**
Cash and cash equivalents at beginning of year		201.7	234.2
Cash and cash equivalents at end of year	3.5	**179.4**	**201.7**

Notes to the financial statements - Consolidated statement of cash flows

2.1 CASH FLOWS FROM OPERATING ACTIVITIES

	2019 £m	2018 £m
Operating profit	152.9	179.3
Adjustments for:		
Amortisation of intangible assets	1.8	1.8
Depreciation of property, plant and equipment	5.8	2.2
Other (gains)/losses	(4.9)	10.8
Fund unit hedges	(3.0)	-
Share-based payments	24.5	26.6
Cash inflows on exercise of share options	0.6	0.5
(Increase)/decrease in trade and other receivables	(12.1)	19.9
Increase/(decrease) in trade and other payables	18.4	(27.8)
Cash generated from operations	**184.0**	**213.3**

2.2 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2019 £m	2018 £m
Brought forward at 1 January	74.0	36.4
Changes from financing cash flows	37.5	36.9
Changes arising from obtaining or losing control of consolidated funds	(41.5)	0.2
Changes in fair values	4.9	0.5
Carried forward at 31 December	**74.9**	**74.0**

Section 3: Assets and liabilities

Consolidated balance sheet

As at 31 December 2019

	Notes	2019 £m	2018 £m
NON-CURRENT ASSETS			
Goodwill	3.1	341.2	341.2
Intangible assets	3.2	5.8	5.9
Property, plant and equipment	3.3	51.7	7.1
Deferred tax assets		16.7	12.7
Trade and other receivables	3.4	0.5	0.6
		415.9	**367.5**
CURRENT ASSETS			
Financial assets at fair value through profit or loss		224.3	212.0
Trade and other receivables	3.4	109.1	98.4
Cash and cash equivalents	3.5	179.4	201.7
		512.8	**512.1**
TOTAL ASSETS		**928.7**	**879.6**
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	4.1	9.2	9.2
Own share reserve	4.2	(0.3)	(0.2)
Other reserve	4.2	8.0	8.0
Foreign currency translation reserve	4.2	2.1	2.9
Retained earnings	4.2	592.7	604.5
TOTAL EQUITY		**611.7**	**624.4**
NON-CURRENT LIABILITIES			
Trade and other payables	3.4	77.2	15.2
Deferred tax liabilities		-	0.4
		77.2	**15.6**
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss		74.9	74.0
Trade and other payables	3.4	158.4	156.1
Current income tax liability		6.5	9.5
		239.8	**239.6**
TOTAL LIABILITIES		**317.0**	**255.2**
TOTAL EQUITY AND LIABILITIES		**928.7**	**879.6**

Notes to the financial statements – Assets and liabilities

3.1 GOODWILL

Goodwill relates to the 2007 acquisition of Knightsbridge Asset Management Limited.

	2019 £m	2018 £m
Goodwill	341.2	341.2
	341.2	**341.2**

No additional goodwill was recognised in the year (2018: £nil).

The Group has determined that it has a single cash generating unit (CGU) for the purpose of assessing the carrying value of goodwill. In performing the impairment test, management prepares a calculation of the recoverable amount of the goodwill, using the value in use approach, and compares this to the carrying value.

The recoverable amount for the acquired share capital was based on the net present value of the Group's future earnings. The net present value was calculated using a discounted cash flow model, with reference to the Group's projected cash flows over a period of 5 years, long-term growth rates of 6% (2018: 8%) based on dividend history and forecasts, and a cost of capital of 12% (2018: 12%), which is based on the Group's cost of equity as the Group has been debt free since 2014. A significant headroom was noted, and therefore no impairment was implied. Applying stressed scenarios, such as increasing the cost of capital to 20% and/or reducing growth projections to nil would not result in the recognition of impairment losses.

No impairment losses have been recognised in the current or preceding years.

3.2 INTANGIBLE ASSETS

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. In relation to the investment management contracts and the trade name, the useful lives were assessed as being finite and have been amortised over their useful economic lives. The useful economic lives of the trade name and individual management contracts acquired were assessed as a maximum of ten years and seven years, respectively. Both are now fully amortised. The amortisation expense on intangible assets with finite lives has been recognised in the consolidated income statement on a straight line basis.

The other intangible assets recognised are computer software.

The Directors have reviewed the intangible assets as at 31 December 2019 and have concluded there are no indicators of impairment (2018: same).

	2019 £m	2018 £m
Intangible assets	5.8	5.9
	5.8	**5.9**

The amortisation charge for the year was £1.8m (2018: £1.8m). During the year, the Group acquired software with a value of £1.7m (2018: £1.7m).

3.3 PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment at 31 December 2019 was £51.7m (2018: £7.1m). During the period, the Group adopted IFRS 16 Leases (see Note 5.1) thereby increasing the net book value of items recorded as property, plant and equipment by £47.3m. Excluding this balance recognised on adoption of the new standard, the Group acquired other items of property, plant and equipment during the period with a value of £3.3m (2018: £1.7m), of which £1.4m related to right-of-use leased assts.

3.4 FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying value of the financial instruments of the Group at 31 December is shown below.

As at 31 December 2019	Financial assets at FVTPL £m	Financial assets at amortised cost £m	Financial liabilities at FVTPL £m	Other financial liabilities £m	Total financial instruments £m	Non-financial instruments £m	Total £m
Goodwill	-	-	-	-	-	341.2	341.2
Intangible assets	-	-	-	-	-	5.8	5.8
Property, plant and equipment	-	-	-	-	-	51.7	51.7
Deferred tax assets	-	-	-	-	-	16.7	16.7
Non-current trade and other receivables	-	0.3	-	-	0.3	0.2	0.5
Financial assets at FVTPL	224.3	-	-	-	224.3	-	224.3
Current trade and other receivables[1]	-	101.2	-	-	101.2	7.9	109.1
Cash and cash equivalents	-	179.4	-	-	179.4	-	179.4
Non-current trade and other payables[1]	-	-	-	(70.0)	(70.0)	(7.2)	(77.2)
Current trade and other payables	-	-	-	(145.8)	(145.8)	(12.6)	(158.4)
Current income tax liability	-	-	-	-	-	(6.5)	(6.5)
Financial liabilities at FVTPL	-	-	(74.9)	-	(74.9)	-	(74.9)
Total	**224.3**	**280.9**	**(74.9)**	**(215.8)**	**214.5**	**397.2**	**611.7**

As at 31 December 2018	Financial assets at FVTPL £m	Financial assets at amortised cost £m	Financial liabilities at FVTPL £m	Other financial liabilities £m	Total financial instruments £m	Non-financial instruments £m	Total £m
Goodwill	-	-	-	-	-	341.2	341.2
Intangible assets	-	-	-	-	-	5.9	5.9
Property, plant and equipment	-	-	-	-	-	7.1	7.1
Deferred tax assets	-	-	-	-	-	12.7	12.7
Non-current trade and other receivables	-	0.3	-	-	0.3	0.3	0.6
Financial assets at FVTPL	212.0	-	-	-	212.0	-	212.0
Current trade and other receivables[1]	-	91.1	-	-	91.1	7.3	98.4
Cash and cash equivalents	-	201.7	-	-	201.7	-	201.7
Non-current trade and other payables[1]	-	-	-	(9.9)	(9.9)	(5.3)	(15.2)
Deferred tax liabilities	-	-	-	-	-	(0.4)	(0.4)
Current trade and other payables	-	-	-	(142.1)	(142.1)	(14.0)	(156.1)
Current income tax liability	-	-	-	-	-	(9.5)	(9.5)
Financial liabilities at FVTPL	-	-	(74.0)	-	(74.0)	-	(74.0)
Total	**212.0**	**293.1**	**(74.0)**	**(152.0)**	**279.1**	**345.3**	**624.4**

[1] Prepayments, contract liabilities, deferred acquisition and commission costs and social security and other taxes do not meet the definition of financial instruments.

3.5 CASH AND CASH EQUIVALENTS

	2019 £m	2018 £m
Cash at bank and in hand	166.7	177.9
Cash held by EBT and seed investment subsidiaries	12.7	23.8
Total cash and cash equivalents	**179.4**	**201.7**

Cash and cash equivalents have an original maturity of three months or less.

Cash at bank earns interest at the current prevailing daily bank rates. Short-term deposits are made for varying periods of between one and 33 days, depending on the forecast cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash held by EBT and seed investment subsidiaries is not available for use by the Group.

Section 4: Equity

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital £m	Own share reserve £m	Other reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 January 2018	**9.2**	**(0.2)**	**8.0**	**2.6**	**620.7**	**640.3**
Profit for the year	-	-	-	-	143.0	143.0
Exchange movements on translation of subsidiary undertakings	-	-	-	0.3	-	0.3
Other comprehensive income	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Total comprehensive income	**-**	**-**	**-**	**0.3**	**143.0**	**143.3**
Vesting of ordinary shares and options	-	0.1	-	-	0.4	0.5
Dividends paid	-	-	-	-	(151.2)	(151.2)
Purchase of shares by EBT	-	(0.1)	-	-	(28.6)	(28.7)
Share-based payments	-	-	-	-	26.4	26.4
Current tax	-	-	-	-	1.1	1.1
Deferred tax	-	-	-	-	(7.3)	(7.3)
Total transactions with owners	**-**	**-**	**-**	**-**	**(159.2)**	**(159.2)**
At 31 December 2018	**9.2**	**(0.2)**	**8.0**	**2.9**	**604.5**	**624.4**
IFRS 16 reserves adjustment	-	-	-	-	(1.2)	(1.2)
Deferred tax on IFRS 16 adjustments	-	-	-	-	0.2	0.2
At 1 January 2019 (restated)	**9.2**	**(0.2)**	**8.0**	**2.9**	**603.5**	**623.4**
Profit for the year	-	-	-	-	122.8	122.8
Exchange movements on translation of subsidiary undertakings	-	-	-	(0.8)	-	(0.8)
Other comprehensive loss	**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Total comprehensive income	**-**	**-**	**-**	**(0.8)**	**122.8**	**122.0**
Vesting of ordinary shares and options	-	0.1	-	-	0.5	0.6
Dividends paid	-	-	-	-	(127.2)	(127.2)
Purchase of shares by EBT	-	(0.2)	-	-	(32.2)	(32.4)
Share-based payments	-	-	-	-	24.0	24.0
Current tax	-	-	-	-	0.2	0.2
Deferred tax	-	-	-	-	1.1	1.1
Total transactions with owners	**-**	**(0.1)**	**-**	**-**	**(133.6)**	**(133.7)**
At 31 December 2019	**9.2**	**(0.3)**	**8.0**	**2.1**	**592.7**	**611.7**
Notes	4.1	4.2	4.2	4.2	4.2	

Notes to the financial statements – Equity

4.1 SHARE CAPITAL

	2019 £m	2018 £m
457.7m ordinary shares of 2p each	9.2	9.2
	9.2	**9.2**

4.2 RESERVES

(i) Own share reserve

The Group operates an EBT for the purpose of satisfying certain retention awards to employees. The holdings of this trust, which is funded by the Group, include shares that have not vested unconditionally to employees of the Group. These shares are recorded at cost and are classified as own shares. The shares are used to settle obligations that arise from the granting of share-based awards.

At 31 December 2019, 13.3m ordinary shares (2018: 11.0m), with a par value of £0.3m (2018: £0.2m), were held as own shares within the Group's EBT for the purpose of satisfying share option obligations to employees.

(ii) Other reserve

The other reserve of £8.0m (2018: £8.0m) relates to the conversion of Tier 2 preference shares in 2010.

(iii) Foreign currency translation reserve

The foreign currency translation reserve of £2.1m (2018: £2.9m) is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(iv) Retained earnings

Retained earnings of £592.7m (2018: £604.5m) are the amount of earnings that are retained within the Group after dividend payments and other transactions with owners.

4.3 DIVIDENDS

	2019 £m	2018 £m
Full-year dividend (9.2p per ordinary share) (2018: 10.3p per ordinary share)	41.0	46.1
Interim dividend (7.9p per ordinary share) (2018: 7.9p per ordinary share)	35.4	35.6
Special dividend (11.4p per ordinary share) (2018: 15.5p per ordinary share)	50.8	69.5
	127.2	**151.2**

Full-year and special dividends are paid out of profits recognised in the year prior to the year in which the dividends are declared and reported.

The EBT has waived its right to receive future dividends on shares held in the trust. Dividends waived on shares held in the EBT in 2019 were £3.3m (2018: £3.1m).

A full-year dividend for 2019 of 9.2p per share (2018: 9.2p) have been declared by the Directors. As a result of the proposed acquisition of Merian Global Investors announced on 17th February 2020, no special dividend (2018: 11.4p per share) has been declared in line with the Group's capital allocation framework. These dividends amount to £42.1m (before adjusting for any dividends waived on shares in the EBT) and will be accounted for in 2020. Including the interim dividend for 2019 of 7.9p per share (2018: 7.9p), this gives a total dividend per share of 17.1p (2018: 28.5p).

Section 5: Other Notes

Notes to the financial statements - Other

5.1 BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

The financial information set out does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018, but is derived from those accounts. The Auditors have reported on the 2019 accounts; their report was unqualified, unmodified and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered in due course.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and IFRS Interpretations Committee (IC) (IFRS as adopted by the EU) and with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis using the historical cost convention modified by the revaluation of certain financial assets and financial liabilities (including derivatives) that have been measured at fair value. After reviewing the Group's current plans and forecasts and financing arrangements, as well as the current trading activities of the Group, the Directors consider that the Group has adequate resources to continue operating for a period of at least 12 months from the date of signing.

Changes in the composition of the Group

The Group is required to consolidate seed capital investments if it is deemed to control them. The following changes have been made to the consolidation of the Group since 31 December 2018:

Included in consolidation
Jupiter Global Fund SICAV: Flexible Macro
Jupiter Global Fund SICAV: Global High Yield Short Duration Bond

Excluded from consolidation
Jupiter Global Fund SICAV: UK Dynamic Growth
Jupiter Global Fund SICAV: US Equity Long Short
Jupiter Global Fund SICAV: Strategic Total Return
Jupiter Global Fund SICAV: Global Emerging Markets Short Duration Bond

Changes in accounting policies

IFRS 16 *Leases* became applicable from 1 January 2019.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.25%.

A reconciliation of the financial commitments disclosed within Note 5.2 of the Group's 2018 Annual Report and Accounts to the lease liability recognised at 1 January 2019 is as follows:

	2019 **£m**
Operating lease commitments disclosed as at 31 December 2018	76.6
Add: adjustments as a result of the different treatment of extension and termination options	1.1
Less: discount using the lessee's incremental borrowing rate of 3.25% at the date of initial application	(16.0)
Less: adjustments relating to timing differences	(1.6)
Lease liability recognised as at 1 January 2019	**60.1**
Of which:	
Current lease liabilities	3.7
Non-current lease liabilities	56.4
	60.1

5.1 BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES (continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 £m	1 January 2019 £m
Property	44.1	46.7
Equipment	0.3	0.3
Motor vehicles	0.3	0.3
	44.7	**47.3**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets increased by £47.3m;
- Deferred tax assets increased by £0.2m;
- Prepayments decreased by £0.7m;
- Accruals for lease incentives decreased by £12.3m; and
- Lease liabilities increased by £60.1m

The net impact on retained earnings on 1 January 2019 was a decrease of £1.0m.

(i) Impact on earnings per share

Earnings per share decreased by 0.2p per share in the year as a result of the adoption of IFRS 16.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, equipment and cars. Rental contracts are typically made for fixed periods of between 2 and 20 years but may have extension options, as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate initially measured using the index or rate as at the commencement date;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

5.1 BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES (continued)

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

5.2 FINANCIAL INSTRUMENTS

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices on the balance sheet date. Derivatives held at fair value are carried at a value which represents the price to exit the instruments at the balance sheet date.

The Group used the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: other techniques, for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

As at 31 December 2019 and 31 December 2018, all financial instruments held by the Group were classified as Level 1 or Level 2.

5.3 RELATED PARTIES

The Group manages a number of investment trusts, unit trusts and overseas funds and receives management and, in some instances, performance fees for providing this service. The precise fee arrangements are disclosed within the financial statements of each investment management subsidiary of the Group or within other publicly available information. By virtue of the investment management agreements in place between the Group and the collective investment vehicles it manages, such funds may be considered to be related parties. Investment management and performance fees are disclosed in Note 1.1.

The Group acts as manager for 39 (2018: 40) authorised unit trusts. Each unit trust is jointly administered with the trustees, Northern Trust Global Services SE (the trustees changed from National Westminster Bank plc in June 2019). The aggregate total value of transactions for the year was £2,132m (2018: £3,091m) for unit trust creations and £5,355m (2018: £4,127m) for unit trust redemptions. The actual aggregate amount due from the trustees at the end of the accounting year in respect of transactions awaiting settlement was £19.5m (2018: £3.9m). The Group also acts as the management company for the Jupiter Global Fund and Jupiter Merlin Fund SICAVs, made up of 23 sub funds (2018: 25) and four sub funds (2018: four) respectively.

The amounts received in respect of gross management, registration and performance fee charges were £317.1m (2018: £346.4m) for unit trusts, £109.8m (2018: £126.1m) for SICAVs, £17.3m (2018: £22.6m) for investment trusts and £20.3m (2018: £19.7m) for segregated mandates. At the end of the year, there was £20.6m (2018: £19.1m) accrued for annual management fees, £3.3m (2018: £3.3m) in respect of registration fees and £nil (2018: £0.8m) in respect of performance fees.

Included within the financial instruments note are seed investments and hedges of awards in fund units in mutual funds managed by the Group. At 31 December 2019, the Group had a total net investment in such funds of £147.9m (2018: £137.3m) and received distributions of £1.0m (2018: £0.5m). During 2018, it invested £70.6m (2018: £110.8m) in these funds and made disposals of £57.4m (2018: £52.3m).

Key management compensation

Transactions with key management personnel also constitute related party transactions. Key management personnel are defined as the Directors, together with other members of the Executive Committee. The aggregate compensation paid or payable to key management for employee services is shown below:

	2019 £m	2018 £m
Short-term employee benefits	4.1	4.4
Share-based payments	4.0	5.0
Post-employment benefits	0.3	0.3
	8.4	**9.7**

5.4 EVENTS AFTER THE REPORTING PERIOD

On 17 February 2020, the Group announced the proposed acquisition of 100% of the issued share capital of Merian Global Investors Limited, an independent active asset management firm, for initial consideration of £370 million, payable through the issue of 95,360,825 new Jupiter shares. An additional contingent deferred earn-out of up to £20 million is subject to retaining and growing revenues. Completion is subject to the satisfaction (or, where permitted, waiver) of certain conditions, including relevant regulatory approvals and the approval of the acquisition by Jupiter shareholders at the General Meeting.

Section 6: Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"), and related IFRS IC interpretations and with the provisions of the Companies Act 2006 (the "Act") applicable to companies reporting under IFRS.

The Directors undertook a detailed review of the Financial Statements in January and February 2020. Following this examination, the Board was satisfied that the Financial Statements for 2019 give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. Before approving the Financial Statements, the Board satisfied itself that in preparing the statements:

- suitable accounting policies had been selected and consistently applied;
- the judgements and accounting estimates that have been made were reasonable, necessary and prudent; and
- where applicable IFRSs, as adopted by the EU, have been adopted they have been followed and that there were no material departures.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Financial Statements have been prepared on the going concern basis, the Directors having determined that the Company is likely to continue in business for at least 12 months from the date of this report.

Supported by the Audit and Risk Committee, the Directors have completed a robust review and assessment of the principal risks in the business making use of the Enterprise Risk Framework which is now functioning in all areas of the Company. The framework ensures that the relevant risks are identified and managed and that information is shared at an appropriate level. Full details of these risks are provided in the 'Risks to our Strategy' pages of the Strategic report. The Board subjected the Enterprise Risk Framework to a detailed review in December. The Directors found it was an effective mechanism through which the principal risks and the Company's risk appetite and tolerances could be tested and challenged.

The Directors have examined the accounting records kept in the business and have determined that they are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the requirements of the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have examined the steps in place for ensuring the prevention and detection of fraud and other irregularities. The procedure is examined and tested on a regular basis. The Board is satisfied it is understood and is operated well, and accordingly that the assets of the Company are safeguarded and protected from fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors (whose names and functions are listed in the Directors' profiles set out in the Governance section) confirms that, to the best of his or her knowledge:

- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position and profit of the Company; and
- the Directors' Report contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In accordance with Section 418 of the Act, the Directors' report includes a statement, in the case of each Director in office at the date the Directors' report is approved, that:

a) so far as the Director is aware, there is no relevant audit information (as defined in section 418(3) of the Act) of which the Company's auditors are unaware; and

b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Wayne Mepham
Chief Financial Officer

27 February 2020

Section 7: Principal risks and mitigations

The Board is responsible for the Group's risk strategy and for determining an appropriate risk appetite, as well as the tolerance levels within which the Group must operate. By defining these, the Board demonstrates that it is aware of and, where appropriate, has taken steps to mitigate the risks that may have a material impact on the Group.

Approach to risk management
To help the Board discharge its responsibilities, the Group has a comprehensive approach to identifying, monitoring, managing and mitigating risk.

Our risk management framework clearly defines the roles and responsibilities for risk management. It details essential information about the Group's risks and provides a process for escalation through our governance structure, which enables continuous and robust oversight by the Risk & Finance Committee, Audit & Risk Committee and the Board.

The Group is exposed to various risk types in pursuing its business objectives. These can be driven by internal and external factors. Understanding and managing these risks is both a business imperative and a regulatory requirement. The type and severity of these risks can change quickly in a complex and competitive environment. The framework is dynamic and forward-looking to ensure it considers both current and emerging risks which could potentially impact the Group.

Risk responsibilities
The Group operates a three-tier risk governance framework, generally known as the Three Lines of Defence model, which distinguishes between risk management, risk oversight and risk assurance.

Risk appetite
As a business, we have a relatively low appetite for risk, particularly for those that could lead to negative conduct or reputational outcomes. An important part of the Board's remit is to determine our risk appetite and the tolerances within which we must operate. This is defined as the amount and type of risk we are willing to accept in order to achieve our strategic and business objectives. This takes into account the interests of our clients and shareholders, as well as the Group's financial strategy and other regulatory requirements. The Board formally considers and sets our risk appetite, taking into account our strategic plans, the business environment and the current and likely future condition of our business and operations.

Risk management framework
Our risk management processes enable us to identify the most significant risks that we face. The risk assessment process is the foundation of our risk framework and is conducted across the Group by department heads, senior managers, Executives and the Board.

Top-down risk assessment
All significant risks have a named owner, which is either a member of the Executive Committee (ExCo) or, for a small number of risks, the ExCo as a whole. We define the potential impact of each key risk and monitor it using key risk indicators (KRIs). We set thresholds for each KRI and use them to keep the Board informed about the Group's position in relation to its risk appetite. This enables us to identify trends and take action if it seems likely we will exceed this appetite.

Bottom-up risk assessment
Each functional business area is responsible for completing a risk and control assessment. The assessment identifies and rates key risks and associated key controls by considering the operating environment, processes and controls, roles and responsibilities as well as risk incidents that have occurred. Where processes or controls are seen to be insufficiently robust, line management is required to define improvements to the operating environment to ensure they pose a minimal (or acceptable) level of risk to the Group.

Risk and control assessments are reviewed by relevant senior managers and executives. The Group's risk management assurance programme is closely linked with its compliance monitoring programme. Any breaches found by the Compliance department are recorded in the in-house error database and are considered as part of the risk and control assessment process.

Risk profile
Jupiter is exposed to a range of risks in the execution of its business strategy. Some risks are deliberately assumed to support the business plan, such as market risk relating to seed investment in funds. Other risks are inherent in routine business activities, such as the risk of fraud, and these exposures are minimised through the Group's control framework as far as is feasible and cost effective.

This reflects our current risk profile which will be reviewed as part of the proposed acquisition of Merian Global Investors, however, we don't anticipate our risk profile will change materially. As an asset management firm, Jupiter's key risk exposures are in the strategic, investment, operational and regulatory risk categories. However capital adequacy, liquidity, market and credit risks are also monitored to ensure they remain within regulatory requirements and Group risk tolerances.

Key operational risks include those arising from outsourcing critical business functions and the risk of cyber-attack. The Group has dedicated teams and specific policies and procedure to assess, monitor and manage these particular risks.

Risk taxonomy

- Strategic risk
- Investment risk
- Operational risk
- Capital adequacy risk
- Liquidity risk
- Counterparty/credit risk
- Market risk

Conduct risk
The Group defines conduct risks as risks which result in customer detriment, negative impact to market stability or restrict effective competition. Conduct risk is not considered to be a separate risk category. Risks in the strategic, investment and operational risk categories may result in conduct risk impacts.

Reputational risk
The risk of loss or other adverse impact arising from the unfavourable perception of the Group on the part of clients, counterparties, employees, regulators, shareholders, other stakeholders, the media or the general public. The Group treats reputational risk as a potential impact that may arise from operational risks and operational risk incidents.

Emerging risk
The Group defines emerging risk as a condition, situation or trend that could significantly affect the Group's financial strength, competitive position or reputation within the next five years. These are raised by the business and challenged by executive risk owners to consider estimates of likelihood, impact, timing and any action required.

Risk reporting
Identified risks that have a sufficiently high likelihood of potential impact on the Group are reflected in the Enterprise Risk Management Dashboard, to ensure they receive an appropriately high level of senior management and Board attention. The Board takes action where these risks are deemed to be outside the Group's risk tolerance.

The following section shows our assessment of the top 10 risks that we face, along with the Board's rating of each risk and how the significance of the risk has changed during the year. These risks are not static; new and emerging risks are considered and assessed by the Board throughout the year for inclusion.

STRATEGIC RISKS

The risk that Jupiter fails to achieve one or more strategic objectives could lead to reduced or negative net flows impacting AUM and revenue. This could result in a reduced pool of available profit for distribution to shareholders and would limit growth and potentially long-term viability.

Failure to deliver strategy

Board risk rating at year end
2018: Medium
2019: Medium

Risk
The risk of failure to achieve our strategic objectives, through internal or external factors, which could impair our ability to deliver value to our stakeholders.

Mitigation
The Board sets the strategy and is responsible for ensuring the Group has the right structure, leadership and culture to execute it.

The Board and the ExCo regularly review the strategic options, opportunities and threats. Plans, budgets and targets are set to be aligned with delivery of the strategic goals. Progress is monitored and where necessary corrective action is taken.

2019 update
Following Andrew Formica's arrival, a formal strategy review process began where the Board, the new CEO and his new senior management team identified Jupiter's key strengths, reviewed the Company's strategy, challenged existing assumptions, analysed the operating environment and considered opportunities for future growth.

Through a series of offsite meetings and an extensive consultation process, the Company's strategy was agreed and communicated to key stakeholders.

Ability to attract and retain critical staff

Board risk rating at year end
2018: Low
2019: Low

Risk
The risk of failure to attract or retain the people critical to successfully delivering investment outperformance to our clients and all other aspects of our strategy.

Mitigation
Our culture is a key differentiator for us, enabling us to attract, motivate and retain talented individuals, which in turn drives outperformance. We give autonomy coupled with personal accountability, and encourage independence of thought and challenge.

Our investment function is arranged around 12 strategies, providing a framework for repeatable performance, but the teams themselves are small and nimble. This culture and structure gives us clarity of purpose and helps us to attract and retain the best active fund managers. We actively manage succession and transition.

2019 update
Following the appointment of Andrew Formica, changes were made at senior levels, reinforcing the Group's ability to meet the challenges facing the industry.

We successfully completed the transition and recruited new talent with an excellent track record to take our European Growth strategy forwards.

Through the course of the year we continued to invest in our people through targeted training, development plans and coaching to support a high-performance culture.

Ineffective product, client and geographic diversification

Board risk rating at year end
2018: Medium
2019: Medium

Risk
The risk that our product range, distribution partnerships, client type or geographic diversification are ineffective at growing AUM particularly in light of continued change and disruption in the competitive landscape.

Mitigation
We continually analyse our markets to ensure we maintain a diverse product suite that appeals to existing and potential clients. We focus on investment outperformance after fees. In response to the rising demand and supply of passive investment products, we focus on the clear differentiation of our active strategies and routes to markets where active solutions are in strong demand.

Our well-defined product development process enables us to deliver new products or enhancements, so we can target client groups in a timely and efficient way.

2019 update
In 2019 we continued to diversify by client type, strategy and geography. We launched new products based on new and existing capabilities and further developed our institutional offering. We continually assess whether our product suite is fit for purpose both now and in the future, taking account of the major trends in our market.

We continued to expand our mutual fund client base in the UK, continental Europe and Asia, and maintain the momentum in Latin America and US offshore.

Sustained market decline

Board risk rating at year end
2018: Medium
2019: Medium

Risk
The risk of a severe market and economic downturn which affects all fund managers and all asset types across all geographic markets.

Mitigation
Our investment philosophy allows our fund managers to pursue their own investment styles and the flexibility to adjust strategies as far as possible to retain value during unfavourable market conditions. We have a broad range of investment strategies which enables us to offer products suitable for different market conditions.

We regularly review our discretionary expenditure and cost base to ensure sustainability. Our strong capital position and relatively low cost base means we are well placed to cope with this risk.

2019 update

Our assessment of capital adequacy included regular modelling of seven stress tests which determined that the Group remained sufficiently capitalised under severe but plausible conditions.

Volatility in the markets continued in 2019, driven by political and economic uncertainty. The risk of this continuing, for the short-term at least, remains and therefore we maintain a risk rating of medium.

INVESTMENT RISK

Weak financial markets specific to our funds or poor performance by our fund managers may lead to our products being uncompetitive or otherwise unattractive to new or existing clients.

Sustained fund underperformance

Board risk rating at year end
2018: Medium
2019: Medium

Risk
There is a risk that our clients will not meet their investment objectives, due to poor relative performance by one or more of our funds over a prolonged period.

Mitigation
Jupiter maintains a diversified range of flexible investment products, and aims to deliver long-term value to our clients across different market conditions. Our investment process seeks to meet investment objectives within clearly stated risk parameters.

Our Investment Risk team works closely with fund managers to challenge fund risk profiles, assess the risks across the portfolios and to further develop our capabilities. This challenge process is formally reported to, and overseen by, our Risk and Finance Committee, which meets quarterly (and more frequently when required).

2019 update
Volatility and uncertainty provided a challenging environment to operate in during 2019, however investment outperformance over three years remained strong at 72%. Over one year, 55% of our mutual fund AUM delivered above-median performance.

OPERATIONAL RISKS

Jupiter is necessarily exposed to operational risk in the execution of its business and we seek to manage this within risk appetite. A significant operational risk event could impact our ability to perform business activities and processes which may impact the service we provide our clients. This could result in financial losses or fines.

Challenges presented by Brexit

Board risk rating at year end
2018: Medium
2019: Medium

Risk
Uncertainty regarding the UK's future relationship with the EU following the UK's withdrawal from the EU, as well as resulting legal and regulatory changes following the end of the transition period, could have an adverse effect on the business.

Mitigation
We have established a management company in Luxembourg, Jupiter Asset Management International S.A, for our SICAV product range.

Throughout the current period of uncertainty, we have been closely monitoring communications from and developments with respect to the UK and EU governments and regulators to ensure we remain aware of and responsive to the latest industry guidance with the support of specialist experts.

2019 update
The new Luxembourg-based management company for our offshore SICAV range was successfully appointed on 1 March 2019 and now manages the activities of Jupiter's continental European offices. This allows us to continue to look after our continental European clients without any disruption post-Brexit.

Operational control environment

Board risk rating at year end
2018: Medium
2019: Medium

Risk
We could suffer a material error executing a key business process, or from our systems or business premises being unavailable.

Mitigation
We have efficient and well-controlled processes and maintain a comprehensive risk management framework which enables the business to focus its efforts on key activities.

We have continuity and business resumption planning in place to support our critical activities. We have implemented remote working, including core system access for all our essential staff if they cannot travel to our offices. If our normal business systems or premises become unavailable, we have alternative premises including a dedicated office suite equipped with all of our critical business systems.

2019 update
Our governance, risk and control (GRC) framework is critical to our success. It ensures we protect the interests of our clients, people and shareholders, and that we meet their expectations of us. It also ensures that we are proactive in meeting all new regulatory requirements.

We have invested significantly in our GRC environment in recent years, so it remains fit for purpose as the business grows and new regulations are introduced. We continue to enhance our governance, process and controls, and to evolve the management information and reporting that supports our decision-making.

Failure of a critical outsource partner

Board risk rating at year end
2018: Medium
2019: Medium

Risk
The failure or non-performance of a third party provider whom we rely on for business processing may lead to us failing to deliver the required service to our clients and/or regulatory non-compliance.

Mitigation
We subject all third parties who provide us with critical services to a high level of ongoing oversight through our established Supplier Management framework, giving us assurance that they meet our required standards. Jupiter has formal guidelines for managing and overseeing all third-party relationships, ensuring they receive a level of scrutiny that reflects their potential risk to our business.

2019 update
In 2019, our assessment of suppliers reported one critical supplier that had an overall risk rating as medium. We have continued to work extensively with this supplier to oversee an agreed programme of work to deliver the management actions required to address our concerns. Significant progress has been made as a result and we expect the rating to reduce further as this work concludes.

Cyber crime

Board risk rating at year end
2018: Medium
2019: Medium

Risk
The risk that a successful cyber-attack or fraud attempt could result in the loss of clients' assets or data or cause significant disruption to key systems.

Mitigation
We commit considerable human and technological resources to preventing a cyber security incident. Our server environments are housed in two data centres provided by a specialist third party and offer fully resilient and secure facilities. We have established a security awareness programme to extend knowledge and understanding within the business. Jupiter applies best practices from the ISO 27001 controls framework with additional reference to SANS Critical Security Controls in order to prioritise our technology defences. We have produced an extensive Cyber Security Incident Response plan to ensure departmental heads can adequately respond to the growing threat of cyber crime.

2019 update
To ensure we remain well placed to identify and implement preventative measures against current and emerging cyber threats facing the industry, we are a member of the Fund Management Cyber Co-ordination Group co-ordinated by the FCA and the Investment Association Cyber Security Committee briefings. We actively participated in the National Cyber Security Centre (NCSC) intelligence sharing platform to help identify new threats.

We successfully retained our cyber essentials plus certification for 2019 and continued to promote cyber training and awareness initiatives across the Group.

Regulatory & legal change

Board risk rating at year end
2018: Medium
2019: Medium

Risk
The risk that changes in regulation or legislation restrict or impact our ability to do business or that we fail to implement changes required to meet new regulatory requirements.

Mitigation
We continually monitor regulatory developments to assess potential business implications. We invest in the expertise, systems and process change necessary to enable compliance with regulatory requirements by the required dates. We maintain a robust compliance culture and require all relevant employees to undertake training on regulatory matters.

Our Compliance department supports the business in implementing and maintaining appropriate regulatory controls.

2019 update
Substantial resources were committed through 2019 on regulatory change programmes to ensure that we remain fully compliant in all jurisdictions in which we operate.

We successfully completed our Brexit developments to ensure that the possibility of a hard Brexit will not detrimentally impact the Group's operations and our ability to continue providing investment services to clients and investors in our funds.

We also implemented our Senior Managers and Certification Regime framework.