RIVER AND MERCANTILE
GROUP

Annual Report and Accounts 2019

River and Mercantile is a client focused investment specialist.

We offer a broad range of services, from consulting activities including advisory to fully-delegated fiduciary and asset management, incorporating equities, derivatives and multi-asset solutions.

BOSTON: USA
Charles River

River and Mercantile is a client focused investment specialist working closely with clients in the UK, Europe, USA, Australia and New Zealand. Our clients include institutional pension schemes, wholesale financial intermediaries, insurance companies, state and local government funds, charitable institutions and family offices.

Understanding clients' current and future complex investment and financial liabilities is key to developing relevant solutions and products.

We are focused on designing, building and managing specialist investment solutions and products designed to meet specific client needs which have broad client application across our target audience groups.

We work with our clients as partners to ensure their needs, and the solutions and products, are clearly understood and implemented.

We have developed a rewarding and open environment to allow innovation and investment expertise to flourish.

Front cover image

LONDON: UK
River Thames

2019 HIGHLIGHTS

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We have delivered robust performance during challenging market conditions and have continued to invest in our core business and broaden our distribution.

Fee Earning AUM/NUM
£'bn

£39.8BN

Statutory profit after tax
£'m

£13.0M

Net Management and Advisory Fees
£'m

£65.6M

Earnings per share

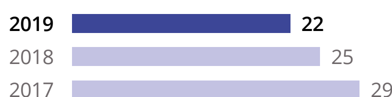
16.2P
Statutory

20.3P
Adjusted

13.9P
Adjusted underlying

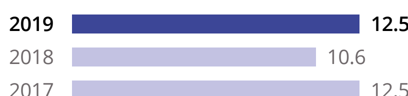
Adjusted underlying pre-tax margin[1]
%

22%



Performance fees
£'m

£12.5M



Total dividend for the year[2]

16.4P

1. Adjusted underlying pre-tax margin represents net management and advisory fees less associated remuneration, administrative expenses, amortisation of software, depreciation, and finance income and expense; divided by net management and advisory fees.
2. Including 5.0 pence proposed final dividend.

Forward looking statements
This Annual Report contains forward looking statements with respect to the financial condition, results and business of the Group. By their nature forward looking statements relate to events and circumstances that could occur in the future and therefore involve the risk and uncertainty that the Group's actual results may differ materially from the results expressed or implied in the forward looking statements. Nothing in this Annual Report should be construed as a profit forecast.

CHAIRMAN'S STATEMENT

JONATHAN DAWSON

CHAIRMAN OF THE BOARD

"The Board therefore looks forward with continued confidence."

In many respects much of the background picture that I described last year has continued without major change.

First, how the UK will withdraw from the European Union (EU) is, at the time of writing, no closer to being answered than a year ago, although we are obviously now very close to the 31 October deadline. Whether Boris Johnson can achieve a breakthrough with Parliament and/or the EU remains to be seen. I am confident, however, that River and Mercantile is as well prepared as it can be at present.

Secondly, the global trade environment continues to be under threat from the ongoing US/China trade dispute, as well as the risk of further tariff barriers involving US/EU trade. This uncertainty is a significant threat to the future prosperity of the world. In addition, there are further tensions in the Gulf involving the US, ourselves and Iran, as well as the impact of the continuing proxy war involving Saudi Arabia and Yemeni rebels and ongoing threats to safe navigation in the Gulf.

Despite the external challenges, at River and Mercantile we have remained steadfast in our focus on putting our clients' interests at the heart of everything that we do. Our investment performance has been strong over the longer term with all of our funds ahead of their respective benchmarks since inception, although long equity funds have had a more challenging period as value driven investment has been less favoured by the market. At the same time, we have been careful to communicate our economic and market thinking clearly with our clients. In our Solutions and Macro businesses, our focus on the River *FOUR*cast model of investment behaviours has given clients, particularly in our Fiduciary Management business, direct insight into our thinking and processes by which we seek to achieve their investment objectives.

River and Mercantile is at an exciting point in its growth. We think that there are significant opportunities for us in our pensions business in the UK and, increasingly, the US and Australia, in our derivatives and our long-only asset management businesses.

We believe this has played a significant part in our achieving, this year, gross new sales of £6.9bn and growth of 18% in fee earning AUM/NUM.

The majority of the AUM/NUM net growth occurred in the second half of the year and, as a result, net management and advisory revenue grew by only 2% in the year. We have also seen the full impact of MiFID II on research costs and we have continued to invest in infrastructure and new initiatives.

As a result of the combined effect of the second half phasing of AUM growth and investment initiatives made, the statutory profit before tax and adjusted underlying profits before tax both fell by 9%. We have maintained the policy of returning a high level of adjusted profits to shareholders, with total dividends this year declared and proposed of 16.4 pence or 86% of adjusted profit (2018: 18.6 pence, 85%).

As described in James Barham's Group Chief Executive report, the Group will undertake investments to grow the business organically. We will provide shareholders with specific guidance relating to the financial impact of these investments on the current period's net earnings, which will allow shareholders to evaluate anticipated dividend distributions based on the Group's current dividend policy.

CONDUCT

Last year, I emphasised the critical importance of creating and sustaining a strong culture based around exemplary standards of behaviour. We set high standards and set the tone from the top, reinforcing our strategy, our actions and our communications. It is, like the old image of painting the Forth railway bridge, a never-ending task: culture does not exist in a vacuum – it requires to be continually learned, relearned, lived and taught. No company is, of course, immune from mistakes being made, but in a conduct-led culture we expect errors to be admitted up front and problems rectified openly. We have always believed that how a business deals with these challenges speaks volumes about the strength of integrity and values. Only in that way will we meet the expectations of our clients, regulators and shareholders.

We have been making our final preparations for the implementation of the Senior Managers and Certification Regime (SMCR) on 9 December 2019. The Group's two FCA regulated entities will be in-scope of the SMCR and will be 'core' firms. Our work towards SMCR implementation has included identifying and training our senior managers and certified staff and putting in place the relevant policies, processes, systems and

BRISBANE: AUSTRALIA

Brisbane River

controls designed to facilitate ongoing compliance. As with many regulatory projects the story does not end on the implementation date, we have therefore been very focused on looking ahead to ensure the smooth transition of our business-as-usual practices into the new SMCR environment.

BOARD AND MANAGEMENT CHANGES

Over the last couple of years, Mike Faulkner has increasingly focused his efforts on driving forward our investment thinking, developing new investment approaches and the preparation of new investment funds for launch. After careful reflection over the past year, Mike concluded that he would best be able to serve the Group if he could spend the majority of his time focused on the investment parts of our business. As a result, we announced in June that James Barham would be appointed Group Chief Executive on 1 July. James had been the Deputy Group CEO since September 2018. The Board is very pleased with the start that James has made in his new role.

Since then our thinking has evolved further and we have agreed that the investment elements of River and Mercantile should be pulled together under the overall guidance of Mike and we were pleased to announce that Mike would take on the role of Group Chief Investment Officer (Group CIO). The ongoing delivery of market-leading investment returns along with the development of our Macro business is central to fulfilling the long-term potential of River and Mercantile.

To ensure that his time is unencumbered, we have agreed with Mike that he will step down as an Executive Director at the 2019 AGM. This will allow him the time to be fully focused on development of our investment thinking as Group CIO and the management and development of our Macro business. Mike's remuneration will be restructured to be consistent with his new role and will be comparable with the arrangements that other similar portfolio managers and CIOs receive.

CHAIRMAN'S STATEMENT CONTINUED

CHICAGO: USA

Lake Michigan

> "The business is well positioned to take advantage of some developing themes in our marketplace over the coming years."

In parallel, Jack Berry continues to play a key role in the management of our Solutions business and some of our most important clients. To allow him more time to work on the positioning and future development of our UK Solutions business and to focus on growing the complex client-base, especially in light of the retendering opportunities arising from the CMA review of the fiduciary management sector in June 2019, we have agreed that he will also step down from the Board at the 2019 AGM.

There have also been three changes amongst the Non-Executive members of the Board. Robin Minter-Kemp, previously Remuneration Committee Chair, stepped down on 30 June as previously announced. His replacement in that role is Miriam Greenwood, who was appointed to the Board on 28 May 2019. In addition, Jonathan Punter, one of the founder members of Punter Southall Group and its representative on the Board under the relationship agreement entered into at the time of the IPO, stepped down on 30 June.

I am personally grateful to both Robin and Jonathan for their contributions to the Board since IPO and especially since I was appointed Chairman.

With effect from 1 July, River and Mercantile became subject to the new UK Corporate Governance Code (the 2018 Code). Under the previous UK Corporate Governance Code (the 2016 Code), as a small company, River and Mercantile had been exempt from compliance with the requirement that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive Directors. As a result of Mike Faulkner, Jack Berry and Jonathan Punter stepping down from the Board we shall be fully compliant with the 2018 Code in respect of the membership of the Board following the AGM. The Board will then comprise myself as independent Chairman, three independent Non-Executive Directors and two Executive Directors (CEO and CFO). The significantly smaller size of the Board will enhance our governance focus and improve our effectiveness. The Board and the Board Committees will continue to exercise careful oversight of each of the businesses in the Group, ensuring that all senior executives in the Group get exposure to the Board and Committees in the regular reviews of the performance of their business responsibilities. In addition, the restructured Board will also meet the Hampton-Alexander target that at least 33% of the Board should be female.

As required by the 2018 Code, Miriam Greenwood has been appointed as the Board's designated Non-Executive Director responsible for engagement with our workforce. As Chair of the Remuneration Committee, Miriam has a broad remit for the oversight of employee remuneration and employee matters.

AGM

This year's AGM will be held on 9 December 2019.

In addition to the usual business, there are two important items, in particular, on which I wish to comment. First, we have put forward a resolution to give the Directors power for the Company to buyback shares. This power is widely held by public companies and it had been the intention to incorporate such a power at the time of the IPO. It can be an attractive way to return excess capital to investors. Appropriate use of the power would also be expected to enhance per share growth and improve overall returns to shareholders. We have no immediate intention to use the power but wish to have that ability should the returns from such a buyback be more attractive than other routes such as special dividends. I emphasise that the Board would only initiate buybacks

NEW YORK: USA

East River

if we considered that the Company had surplus capital, which could not be profitably invested in growing the business.

Secondly, following the general meeting earlier this year in which shareholders' approved a resolution to ratify and confirm the payment of certain dividends previously paid, we have put forward a resolution to give the Board approval to undertake a Court approved capital reduction process to reclassify the merger reserve (£44m at 30 June 2019) as a distributable reserve.

I would also like to comment on the shareholder feedback we received on the application of the current remuneration policy at our 2018 AGM. Whilst there was a majority of votes in favour of the 2018 Remuneration Report, we noted that a number of shareholders had some concerns and were unable to support the 2018 Remuneration Report. We had planned to consult with shareholders fully on a new remuneration policy, but following the change in Remuneration Committee Chair and Executive Director role changes, we decided to delay proposing a new policy until next year. We have naturally listened carefully to comments from investors and proxy agents on the application of the current policy and have accordingly increased our disclosures relating to performance targets and the scoring of individual senior executives as well as removing the inclusion of a direct share of investment performance fees in the remuneration available to senior executives.

OUTLOOK

The business is well positioned to take advantage of some developing themes in our marketplace over the coming year:

- The retendering window emanating from the CMA review.
- The growing demand for our derivatives solutions.
- The strong performance of our macro strategy and our ability to take advantage of a compressing market.
- The recognition by investors of 'Value' as an investment strategy and our long track record of delivering that strategy.

The Board therefore looks forward with continued confidence.

Finally, on behalf of the Board, I would like to thank all of our people at River and Mercantile for their continuing hard work, spirit and enthusiasm for our business. The Company is nothing without its people and the Board deeply appreciates everyone's effort to make River and Mercantile a success.

Jonathan Dawson
Chairman of the Board

GROUP CHIEF EXECUTIVE'S REVIEW

JAMES BARHAM

GROUP CHIEF EXECUTIVE

"The entrepreneurial spirit burns fiercely within the Group designed to deliver strong outcomes for clients."

It was a great honour to be asked to step up and take over the Group Chief Executive role from Mike Faulkner earlier this year. We have known each other and worked together in various guises over the last 25 years and whilst we are very similar in terms of our values, beliefs, ambitions and entrepreneurial spirit, we do think in different ways. It is this difference that has been our strength.

As General George Patton once said:

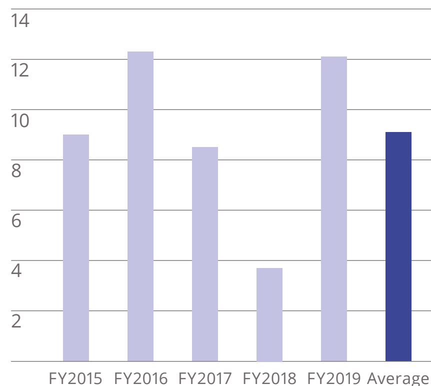
"If everyone is thinking alike, then somebody isn't thinking."

REVIEW OF THE YEAR

The last year has been a period of robust performance for the Group during challenging market and industry conditions. We have delivered excellent growth with AUM/NUM rising by 18% to £39.8bn, which is 6% ahead of analyst expectations at the beginning of the financial year. It is very encouraging to see the net sales ratio return to the level we strive to achieve. This year has seen a record level of gross sales at £6.9bn, a year-on-year increase of 21%. As we have described previously, we want to deliver asset growth in our business at a minimum of 12% per annum.

This growth is made up of a combination of net sales ratio and growth generated through investment performance.

Net sales ratio per annum %



Sales less redemptions divided by opening AUM/NUM.

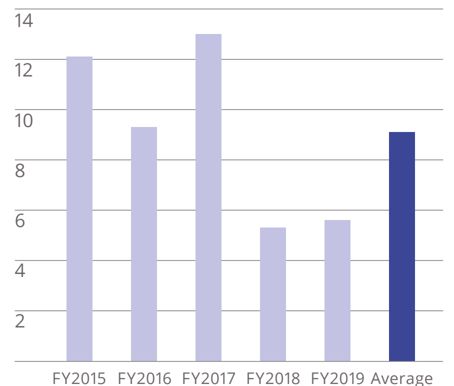
The investment environment during the period was, and continues to be, demanding and a number of our investment strategies whilst outperforming in absolute terms underperformed against their relative benchmarks as the factors they favour struggled.

Net management and advisory fees including performance fees rose by 4% to £78.1m slightly ahead of analysts' average expectations. Adjusted underlying profit before tax was £14.7m in line with the average of analysts' expectations at £14.7m and adjusted basic earnings per share was 20.3 pence a decrease of 7% against the previous year.

A key element of this growth came through from the strong performance fees earned during the year. Equity Solutions provided £2m and Solutions provided £10.6m, following positive performance. This part of our growth will vary over time and as I discuss later in this report, will be subject to our ability to generate strong investment returns for our clients. This can be expected to wax and wane over time depending on the underlying conditions.

We have seen a volatile market over the last 12 months and in particular, at certain stages during the period, falling equity markets especially in the final quarter of the last calendar year. We have always believed that our diversified business model, where nearly 50% of our revenues are independent of equity market beta, provides the business and our shareholders greater protection. It was encouraging to see this belief statement proved as equity markets fell. In spite of our lower beta, we are still able to provide strong growth and we continue to work hard with our clients to ensure that we have enduring relationships.

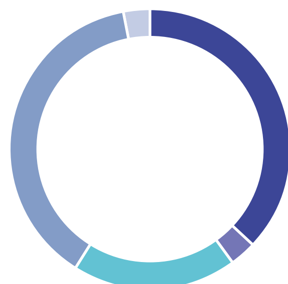
Investment return generation per annum %



Investment performance plus net rebalance divided by opening AUM/NUM.

This is shown in the Revenue Weighted Asset Allocation (RWAA) shown below.

Group RWAA June 2019



Equities – Non-discretionary	37%
Equities – Discretionary	3%
Interest rates	19%
Cash/independent	38%
Other	3%

We continue to monitor attrition rate and whilst the long-term levels remain stable at around 3% we will see this spike from time to time dependent on circumstances. Over the period this was only 1% and reflected strong underlying client relationships.

It was encouraging to see growth across our business in the last year. We have seen a return to growth in our Fiduciary Management division and strong growth in Equities – Institutional and Derivatives and I comment further on our distribution focus later in this report.

ADJUSTED UNDERLYING MARGIN OF CORE AND INVESTMENTS BUSINESS

£'000	Core business and initiatives	Investment areas	Reported figures
Underlying net management and advisory revenue	65,584	–	65,584
Remuneration	(33,687)	(1,718)	(35,405)
Administrative costs	(15,488)	(159)	(15,647)
Amortisation, depreciation and net finance income	118	–	118
Adjusted underlying profit before tax	16,527	(1,877)	14,650
Adjusted underlying profit margin before tax	25%	–	22%

We continue to invest in our business – which will be a theme over the coming years – and I have talked in detail later in this report on the nature of our current investments. We will monitor and report on these as they develop and once they have reached profitability we will roll these investments into our core business. In addition, we are continuing to invest in our Core business and we refer to these investments as Initiatives. Initiatives are designed to bolster our existing Core businesses and are captured within the Core business from a cost and remuneration perspective.

I have shown above metrics on our business split into these two areas; our Core business which includes Initiatives and those areas in which we are currently investing, which we refer to as Investment areas. I have set out in more detail later in this report the specific initiatives we are making in our Core business and the Investment areas.

REGRETTED INSTITUTIONAL ATTRITION (RIA)

£'m	Fiduciary Management	Derivative Solutions	Equity Solutions – Institutional	Total
Gross outflows	616	1,257	439	2,312
Opening AUM/NUM	10,642	18,622	2,692	31,956
Outflow %	5.8%	6.8%	16.3%	7.2%
RIA 2019	**0.6%**	**1.7%**	**0.0%**	**1.1%**
RIA 2018	0.2%	14.8%	0.3%	8.1%
RIA 2017	1.1%	3.6%	11.6%	3.0%

The Core business adjusted underlying profit is continuing to grow, which in time will feed into a steadily improving reported adjusted underlying operating margin.

We are also expanding our capabilities, with a particular focus on distribution. Since the year end, we have recruited David Hanratty to be our Global Head of Distribution. David was previously in a similar role at Pioneer, subsequently bought by Amundi in late 2017. David is highly regarded in the industry and has significant experience in our core and developing markets as well as strong technical knowledge. I am delighted he has joined the business and we will make a range of additional appointments across our distribution capabilities to ensure we are in a strong position to deliver the exciting strategies that we currently manage and are continuing to develop.

We have delivered organic growth in AUM/NUM at a compound rate of 18% per annum since our IPO five years ago and we now want to complement this growth with alternative sources of expansion that will position the business more aggressively in those areas in which we are currently competing, but also in certain areas where we see exciting opportunities.

GROUP CHIEF EXECUTIVE'S REVIEW CONTINUED

BRISBANE: AUSTRALIA

Brisbane River

OVERVIEW OF THE GROUP

River and Mercantile Group PLC was formed following the merger of River and Mercantile Asset Management LLP and P-Solve Limited in February 2014 and subsequently listed on the London Stock Exchange in June of that year. These antecedent businesses were founded by their respective CEOs, Mike and I in 2001 and 2006. We both agreed at the time of the merger that it was more appropriate that Mike lead as CEO with myself responsible initially for the Group-wide distribution function and subsequently incorporating the asset management elements of our business and then more recently as Deputy Group CEO. As every business should, we have a series of long-term succession plans and these are based on how our business evolves, and how its needs change alongside the development of our people.

It has been clear that the needs of our clients and therefore our business are undergoing some significant change and this means that the needs of our business are better served by a change in leadership that allowed Mike to focus the entirety of his time on the development and management of a range of existing and emerging macro strategies and driving forward our broader investment thinking. Subsequent to this change, Mike and I have concluded that we need to be more harmonised as a Group in the way we approach investment challenges to ensure that our investment thinking is driven forward in a coordinated and cohesive fashion. Mike will therefore become the Group CIO, to ensure that we are maximising our capabilities in this vital area of our business and that our clients' investment needs are foremost in our minds. Mike has written at some length on his new role later in this Report and in particular, the macro strategies and why these are so critical to the longer-term development of our business.

CHANGE… EVOLUTION AND REVOLUTION

Our industry is in the throes of some significant change; some driven by the evolving needs of our clients but also because of commercial imperatives. All industries have to develop; we operate in a living and breathing investment universe and to remain static will lead to a business fast becoming isolated and potentially extinct. Change therefore should be seen as prerequisite for commercial survival as opposed to a threat that must be resisted. This applies to the existing investment solutions and products that we deliver and manage for our clients, as well as how we manage and evolve our own business.

I am not espousing fundamental reinvention of investment beliefs; a fund management company that changes its investment philosophy and process is probably more vulnerable than one that is resistant to any evolution. That said, I have always admired fund managers and fund management companies that learn. The market evolves and therefore an investment process must learn from history.

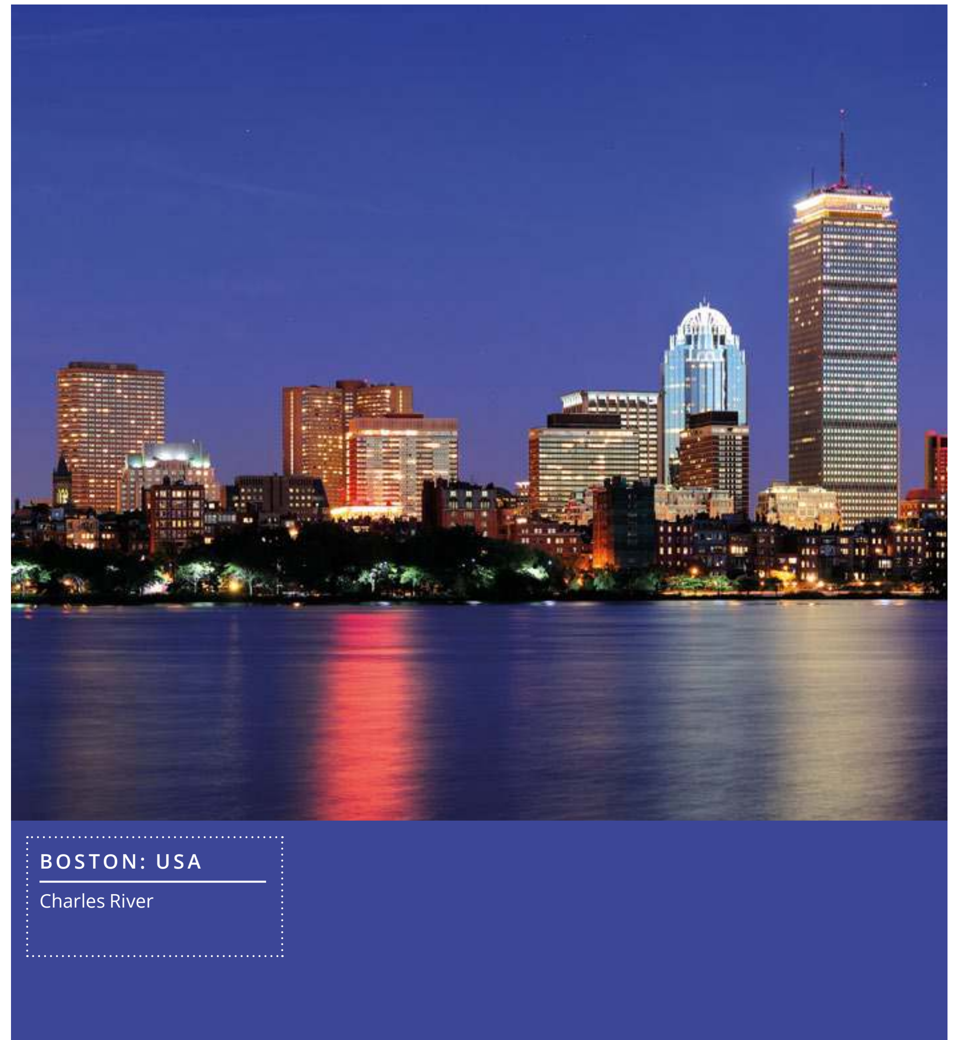
Writer and philosopher George Santayana stated:

"Those who cannot remember the past are condemned to repeat it."

This, as in many markets, has significant ramifications in our industry. Hugh Sergeant and his investment team have continuously demonstrated this learning characteristic. Although he has always had a committed value style, the application of this has evolved away from the narrow implementation of many of his peers over the years into the pragmatic investment approach that is known as PVT (Potential, Valuation and Timing) and has served him and his clients so well. That said there are always investment cycles and we have been through a period where the factors he favours have struggled; however, that does not mean that you change your investment spots and chase the latest investment fad; you remain committed to the core principles of your investment beliefs. As an aside, we do believe that we are moving into a period where the value investor is likely to be better rewarded. It is clear when looking at Hugh's performance as a committed value manager, if investors wish to take advantage of the value opportunity, when looking at the evidence of his returns against his value peer group there is no one better at delivering superior investment returns than Hugh.

We believe that the broader investment market is moving into a different phase and the returns that have been achieved in the past may be more difficult to achieve in the future. We are not suggesting that certain asset classes are doomed to uncertain times; in fact, we believe that the equity market and in particular those stocks with attractive value characteristics, could provide some very attractive returns in the medium term. However, we do believe that with the prevailing economic backdrop we are more likely to be entering a period where returns may well be lower than has been the case in recent history.

We have been through a period where institutional advisors have promulgated a need to reduce risk, this has been driven by the changing circumstances within pension funds and their sponsoring employers. The arguments for reducing risk have been clearly articulated. However, the consequence of reduced risk in many cases is reduced and in some cases no return. I am sure that we all agree that we have to take some risk in our daily lives to exist. I need to go to work to earn money to pay my mortgage etc. However, there is a risk that in leaving the house to go to work I am involved in a terrible accident that reduces or removes my ability to earn money. I clearly still need go to work and therefore I assess the associated risks and act accordingly.



BOSTON: USA

Charles River

This is the same in investment markets; if I do not take any risk, I will not be able to generate any return and therefore will be unable to meet my liabilities. Whilst this analogy does not apply to those pension funds with strong and dependable sponsors and healthy levels of investment surplus, it does apply to the majority of pension funds and other investors. Our Solutions business has always been the advisor or fiduciary manager that has solved complex client problems. The investment expertise and advice required to solve significantly underfunded positions is different to that required to manage a more solvent position. The development of our derivatives capability alongside this investment advice has placed us in a unique position to manage risk alongside return and many of our clients have benefited from this approach. The addition of complex macro solutions further enhances our ability to deliver positive outcomes for all of our clients.

The change that we have made at a leadership level at River and Mercantile is designed to give our business the freedom to meet this change and to develop and manage appropriate solutions that will help our clients manage their investment needs.

We therefore need to embrace change and all this means for our clients and our shareholders. I have always believed that our industry is dominated by two pieces of high ground: one the prevail of the large multi-national fund managers who have been able to utilise their scale and distribution capabilities to dominate markets and to withstand the twin commercial pressures of reduced fees and increased costs. The other area of high ground is dominated by the specialists that have been able to grow and manage fee pressures due to the high quality of the products and

GROUP CHIEF EXECUTIVE'S REVIEW CONTINUED

NEW YORK: USA

Hudson River

solutions that they develop which are very difficult to replicate. The remainder are trapped in the valley between these two opposing forces and as any military person will know, become vulnerable and weak.

We at River and Mercantile have always prided ourselves on our ability to change and evolve to prevailing market conditions. These included the development of the fiduciary market in the UK in 2003, which was a direct response to changing governance requirements; the use of derivatives as a means of managing risk and delivering required return in pension funds in 2005; the evolution of specific investment strategies to meet recovery investment opportunities emanating from the global financial crisis in 2008; and the recognition of changing market conditions and needs, leading to the first merger of an asset management and solutions business in 2014. These have all been examples of where our business has recognised the need and changed accordingly.

Developing solutions for a lower returning world is more than just simple investment engineering. It requires not only a fundamental understanding of the holistic needs of our clients, but also crucially an understanding of macroeconomic factors and how these can influence investments. We have been working on developing a range of investment strategies designed to deliver significant returns at a time when the need is greatest. An example of this is the Global Macro strategy that we launched in early 2018 and ran with corporate money only as we tested the operational and underlying investment model. This was designed to provide double-digit returns through the cycle and critically provide positive absolute returns during sustained periods of negative equity markets. The early returns have been very encouraging; Mike discusses this in detail in the Global Macro strategy white paper we have recently sent to potential clients, which provides academic and numeric evidence in support of his investment approach, and more broadly how this influences many of the other new developments on which we are working.

We are continuing to invest in our business and have expanded on this in detail below. We have decided it would be helpful if we described our business in terms of our Core business and the Investments and Initiatives we are making in our business to drive growth over the next three years. We articulated this approach at the time of our interims, and we have continued this approach more explicitly in this Report. It is crucial that a business continues to make sensible investments in its people and processes, and responds to the changing business landscape and environment. I do not want River and Mercantile to become a business driven by senseless metrics that do not define how we are currently performing or will fare in the years to come. We have a fantastic opportunity to invest in developing the products and solutions that we deliver to our clients and the people who make this happen. We will also continue to recruit high-quality individuals into the business at every opportunity. These investments will help our business flourish, maintain our position on the 'high ground' and avoid the dangers lurking in the 'valley'.

INITIATIVES AND INVESTMENTS

As I highlighted earlier in my report, we are making a number of Investments and Initiatives in our business and will continue to support these until the point at which they become part of our core business or that Investment or Initiative does not turn into a feasible opportunity and we decide to withdraw support. We have set clear metrics to allow ourselves and the Board to govern the relative success or otherwise.

We are investing in the following specific Initiatives within our Core business:

Macro strategies

With Mike's guidance, we have a range of innovative strategies to meet the emerging needs of our clients such as Global Macro, Emerging Market Absolute Return, and Global Quality. We have launched these strategies and are already taking these to our clients across the business.

ILC

We made an investment in the Emerging Market equity team, based in Chicago that joined us from Credit Suisse. The team has a value-based investment approach similar to that utilised by the PVT team and a long track record. We are in the process of establishing a range of suitable investment vehicles in the US to meet client requirements.

Separate to this we have made the following Investments in our business over the last eighteen months:

Australian distribution

We have been building relationships and clients in Australia for the last few years and recognised that we needed to make an investment and establish a presence in this very vibrant and sophisticated market. The first stage in this investment programme was the recruitment of Tim Horan in 2018. He has made an excellent start in ensuring that River and Mercantile is a recognised feature of the institutional and wholesale markets, and we will continue this investment with additional hires over the coming 12 to 18 months.

New York

We were fortunate to be able to recruit a team of high-level executives from Mercer last year and we subsequently opened an office in New York, which will allow the team to spearhead our continued growth into this important market. The early signs are extremely positive, we are seeing the level of engagement with larger multinational pension funds increase significantly and we will continue to support this investment over the coming years.

The entrepreneurial spirit burns fiercely within River and Mercantile and there is a range of other initiatives that are being identified and researched as possible future investments. We will continue to keep you informed of our thinking in this space and when we are at the point of investing further in our development.

These investments will generally involve hiring additional resources and incurring additional remuneration costs. In the Group's remuneration policy, approved by shareholders in 2017, provision was made for the temporary increase of the remuneration ratio above 54% of underlying revenue to permit such investments. While historically we have not had to do this, and have been below the 54% remuneration cap, the Remuneration Committee has adjusted this, on a temporary basis, to allow management to be above the 54% remuneration cap specifically to fund these investments, if necessary.

DETAILED REVIEW OF 2019

In reviewing the last 12 months, I think that it is important to put this into context of the last 24 months and since our IPO in June 2014. The headline asset numbers for 2019 look positive; the Group has moved back onto a strong growth path and I was delighted to see that our net sales ratio is again at a level that compares favourably against our peers in the industry. The investment environment was more challenging than we have seen since the Group was formed and conditions for some of our strategies have been less than supportive. However, our long-term investment returns remain strong with all of our investment strategies and products ahead of their respective benchmarks since inception.

The wholesale market in the UK has continued to be difficult and the Investment Association numbers bear this out. Retail sales of Equities over the 12 months to June 2019 were negative by over £4bn on a net basis and we were impacted by this trend. We have also seen an unusually narrow market where sales have been channelled through a small number of funds at a restricted number of investment houses and investment platforms. Investment in UK wholesale funds has fallen over the last 12 months and whilst there has been growth in certain global funds these have tended to be those strategies that have focused on the most expensive and fashionable stocks in markets. Our own wholesale business had a more muted period and saw redemptions in our UK strategies consistent with the Investment Association figures. In contrast we have seen strong growth in our global equity strategies from institutional clients in the UK, US and Australia, however this tends to be at a lower margin and this mix-shift in margin at a Group level has had an impact on our overall financials. Our long-term investment returns are very strong, 100% of our portfolios are ahead of their respective benchmarks since inception, and we expect that we will see a return to growth in our wholesale book as the investment cycle changes. We are committed to this market in the UK and the recruitment of David Hanratty with his experience and expertise and the additional recruitments that will be made to support our existing clients and widen our client base are evidence of this commitment.

OPERATING BUSINESSES

The Group has grown its assets at a compound average growth rate of 18% per annum since its IPO in 2014. The development of four intertwined divisions has continued to be a success and we have continued to see strong growth across the business.

Fiduciary management

The last few years have been dominated by the CMA review into the industry and this has clearly had a dampening impact on activity levels during the early part of the year. The final order was published on 10 June 2019 although the interim report was circulated earlier in the year. During the course of the CMA investigation, we provided the CMA with our views and we are delighted that there appear to be some sensible decisions regarding clarification and consistency of investment returns and fee structures.

We have continued to see a recovery in activity in this market and there is evidence of a strong return to growth from our business as the market normalises following the review. We expect activity levels to increase as we move into a window during which we expect a significant number of legacy mandates across the market to undertake formal tenders.

Investment returns have continued to be strong during the period and we have rolled out our River *FOUR*cast investment thinking to all of our Solutions clients to ensure a clear understanding of our approach and the investment implications of our macro views.

We were instrumental in developing the fiduciary solution for UK pension funds in 2003 and we continue to be one of the leading players in this growing market. We continue to develop a series of new investment solutions to service both our Fiduciary and Advisory clients as their needs evolve and we will continue to invest in this division over the coming years.

GROUP CHIEF EXECUTIVE'S REVIEW CONTINUED

Advisory

Our Advisory revenues remained broadly flat for the period in the UK as we continued to see a number of our clients, due to changes in their governance structure, decide to retain River and Mercantile, accessing our investment thinking and approach in a Fiduciary manner as opposed to Advisory following a competitive tender. We have always maintained and were pleased to see the CMA concur that, fiduciary and advisory are merely different sides of the same coin. The primary decision a Trustee Board needs to make is to identify the right investment partner with whom they wish to work and the secondary decision is to understand the appropriate governance structure to meet their needs.

We are continuing to see growth emanate from both the UK and US. We have made a significant investment in opening offices in New York following the arrival of two senior executives from Mercer and we are delighted with early developments. The Advisory part of our business has been core since our inception and we will continue to invest in this area both in personnel and by identifying suitable inorganic growth opportunities to complement our activities in this area.

Derivatives

We have seen very strong growth in our Derivatives business since the IPO. We have grown NUM by over 150% in that period. Growth in the FY2019 has continued. We are now working with a broad range of clients and consultants and in particular, we have seen a strong growth in mandates from Local Government Pension Schemes ('LGPS') over the last 18 months. Our skills in this area are recognised as being some of the most professional and innovative in the market and we are working hard to develop these further and identify opportunities to both develop solutions and clients that would benefit most from the implementation of this thinking alongside or instead of their existing relationships.

As highlighted above, we have continued to see a strong appetite for structured equity/protection mandates in LGPS. We are beginning to see a strong appetite for derivative structures in the US and Masroor Ahmad (Head of Derivative Solutions) and his team are working closely with the New York team and engaging with multinational corporations. We also see interesting opportunities in our other markets such as Australia, where we are beginning to see some early signs of interest in Derivative solutions.

We will continue to invest in this business line, which we believe will continue to provide strong growth opportunities as the market increasingly becomes more sophisticated and the use of complex risk management tools becomes more widespread.

Equities

As highlighted earlier in this review, our Equities businesses have a clear investment philosophy and process; and have consistently applied this in what has been a challenging environment for their favoured factors. This approach has gone through periods when their favoured factors have not supported the investment approach and the last 12 months has been one of those environments. The teams in London led by Hugh Sergeant and in Chicago led by Al Bryant have similar investment processes and the impact of this investment environment has been similar across both teams. We are not short-term investors, we are looking to generate superior returns through the cycle and whilst frustrating in the near term this does provide some fantastic valuation opportunities for the sophisticated investor who has the ability to "look across the valley".

We have continued to invest in the equities franchises and we have identified a number of opportunities to grow these further in the coming 12 months. We have been loath to buy assets for the sake of some short-term asset growth on its own, but we have identified a number of opportunities that also provide additional manufacturing opportunity and/or additional distribution resource.

We have continued to see strong growth in our institutional client base in all markets and in particular the exciting opportunities that we are beginning to see from our decision to open an office in Australia last year.

Macro

We are treating Macro as a new initiative and we believe that in time this will become a separate division in its own right. Once that is the case we will report on this accordingly. The Macro initiative has evolved over this year and as we highlighted is a result of the emerging needs we have identified in the market and it provides the business with the infrastructure to develop a range of relevant solutions. Mike will cover in his report in more detail the Macro opportunity and what we mean by Macro. I am delighted with the way the business has reacted to these changes and the large number of exciting products and solutions that are being developed are a testament to the high quality of individuals we have across the business. These strategies are in the process of being taken to our clients and the response appears to be supportive.

Distribution

We have begun a phase of investment in our Distribution platform and as highlighted earlier in my report I am delighted that David Hanratty has joined the business to develop further our distribution capabilities across the Group. I have always believed that this development should be a combination of 'build, buy and partner'. We will build internal distribution capabilities as we find the right individuals and teams and evidence of this is the investment we made last year in Australian Distribution. Tim Horan joined the business from WestPac where he had many years of success building out a new business line for the bank and he has made a great start in developing the River and Mercantile franchise in the region since he joined our business. We will continue to invest and support Tim and we hope to make further recruitments over the coming 12 months.

We will look to identify strategic opportunities that assist our development plans and provide significant distribution capabilities in markets where we are under represented or where we identify opportunities to diversify. We have also collaborated with some distribution specialists in the US market, which will provide much-needed bandwidth as we develop our own capabilities.

This was a record year of AUM growth for the Group with total sales of £6.9bn and net flow of £5.4bn. It was encouraging to see the continued penetration into the LGPS market championed by Jason Wood with our structured equity and Liability Driven Investments solutions and the broader growth in our overall Institutional business led by Arabella Townshend.

As we have previously highlighted, we have made a significant commitment and investment in Australia with the establishment of presences in Sydney and Brisbane following a number of years developing relationships. It has been very rewarding to see the continued growth in this market with a recent AU$390m global equities mandate appointment from a major Superfund.

We are committed to the wholesale market here in the UK and developing relationships over time in these markets in the US and Australia. The UK wholesale market has seen a difficult trading environment and the Investment

DENVER: USA
Ferril Lake

Association reported that the UK All Companies Sector has been the worst selling sector eight times in the last 10 years; in addition, UK domiciled funds according to figures from Morningstar Direct have suffered total outflows of £30bn since April 2018. Notwithstanding these depressing industry numbers, 100% of our investment strategies available to this market are ahead of their respective benchmarks since inception and continue to be relevant to our client needs in this space. We will continue to work hard to make sure that our strategies are available across all platforms and accessible to the end client.

SUMMARY

This has been a strong year of development for the business. We have continued to deliver growth in our underlying business and whilst there has been a mix-shift in the economics from where this growth has emanated, we believe this will settle over time.

We continue to invest across the Group and are also making specific investments and delivering initiatives in four key parts of our business and I will continue to report on these over the coming years. As we identify additional opportunities to support our future growth, we will add these to this broader list. I am excited by the opportunities that exist for our core business and I have been delighted in the growth that we have been able to deliver. The investment in our core operating platform has continued and is now in a position to be able to support not just the core business but also the investments that we are making more broadly.

As a business, we have a clear set of values; we are passionate about our clients' success, we want to be creative-involving, challenging and convincing others. We want to create an open, candid and constructive working environment, individually demanding of our best, and whilst being commercial in all that we do, remain focused on our people.

I would like to take this opportunity to thank all our employees for their continued support and hard work over the last year and our shareholders who have continued to support our plans to grow and develop the business.

James Barham
Group Chief Executive

GROUP CHIEF INVESTMENT OFFICER'S REPORT

"All our strategies are tied back to client need."

MIKE FAULKNER

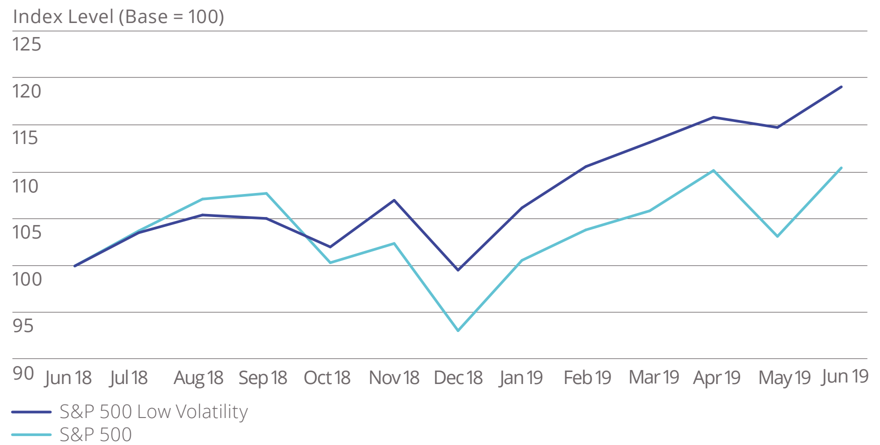
GROUP CHIEF INVESTMENT OFFICER

It will not be lost on shareholders that I am, for the first time, reporting as Group CIO and manager of our Macro strategies and not as Group CEO. The decision for me to step down and focus on the Group's investments and the management of our Macro strategies represented part of a normal succession process and thankfully, in all of the shareholder conversations we have had, has not come as a surprise to anyone. I therefore wanted to take the opportunity to set out in this statement what we mean by Macro strategies, the trends we see occurring in the industry that should create demand for them, and where we see some important areas of development in the strategies we offer going forward. It is because of my strength of belief in this opportunity that we decided it was better for the Group and shareholders for me to focus on the investment processes underlying this, and to pass on leadership of the Group to James, in whom I have the utmost confidence.

WHAT ARE MACRO STRATEGIES?

When most people think of macro, they think of macroeconomic factors such as economic growth, inflation and interest rates. These are certainly examples of macro themes, and the list of such influences is now long. We would tend to define a macro theme as something that is not specific to a single company or investment, but rather influences a range of investments at the same time in a significant way. A recent example would be the on-risk/off-risk trade, that has led companies with low volatility to perform significantly better than companies with higher volatility. The chart below illustrates the above.

Low volatility companies have outperformed



SYDNEY: AUSTRALIA

Sydney Harbour

The market has simply decided that, based on concerns about a variety of things, it would progressively favour lower risk stocks. The difference is significant, and arguably you only needed to get that one call right to add significant value for clients.

We have historically tended to reflect these views in multi-asset class strategies, and will continue to do so. But the reason we are making a distinction between macro and multi-asset (the latter is a subset of the former) is because there are strategies that are not multi-asset but are still macro.

Hence our Macro function is intended to drive the development of a series of investment strategies that have significant macro content. The key strategies we have implemented to date are shown in the table opposite.

Strategy	Description	Objective
Dynamic Asset Allocation strategy	Multi-asset, rotation – currently offered in fund form[1]	Deliver significant, equity like returns in the long run but with greater stability
Global Macro strategy	Systematic macro, currently offered in fund form[2]	Deliver double-digit returns over a cycle; produce positive returns in a sustained equity downturn; deliver high Sharpe ratio (in excess of 1) over the cycle
Global Quality Total Return strategy	Currently implemented as a total return swap, market neutral equity strategy	Deliver pure alpha of 2–3% per annum over a cycle, with a low volatility, through exposure to quality stocks (defined by our proprietary process)
Global Responsible Investment strategy	Long-only equity strategy, currently managed on a segregated basis but will also be offered in fund form	Deliver long term return in excess of equity benchmarks through investment in companies that satisfy our responsible investment criteria

1. River and Mercantile Funds ICVC – Dynamic Asset Allocation Fund.
2. River and Mercantile Investments ICAV – River and Mercantile Investments Global Macro Fund.

GROUP CHIEF INVESTMENT OFFICER'S REPORT CONTINUED

We are also in the process of developing additional investment strategies and these are described later in this statement.

THE TREND TOWARDS CONSOLIDATION IS AN OPPORTUNITY FOR OUR BUSINESS

There is a particular trend we see in the institutional marketplace that we believe will have significant ramifications for how investment services are delivered. That is the trend towards consolidation.

Consolidation is both logical and inevitable in our view. It has been seen most significantly in Australia, where the superannuation market has contracted from over 2,500 to about a tenth of that, and is expected to contract further. James talked about this at length in his Report last year.

CONSOLIDATION OF SUPERANNUATION MARKET

Sector	2004 Number of Funds	**2019 Number of Funds**
Corporate	2,464	**22**
Industry	134	**38**
Public	76	**18**
Retail	254	**116**
Total	2,928	**194**

We are seeing similar trends in the UK local government sector, and in a sense the trend towards fiduciary management is also a reflection of this (i.e. the consolidation occurs with the fiduciary management provider). We see the logic of the trend as strong and expect it to occur further.

There are a number of consequences of greater scale. One is typically the internalisation of a CIO or equivalent individual to take responsibility for the governance of the investments in the portfolio. Often it implies a broader investment team is brought in. In some cases, security selection is being internalised for particular asset classes. Some institutions have decided to use their scale to execute trades themselves, and investment managers are responsible simply for identifying what those trades should be.

The net effect of all this should be a meaningful reduction in the costs that are levied on asset portfolios. For pension assets, that has a direct effect on the return experience of the beneficiaries. This is an important benefit and a key reason why we believe consolidation has real attraction globally.

However, it also means that internal investment teams are seeking to solve particular portfolio problems and need specific tools to achieve this. Some of these tools will be traditional products and strategies. But, others will need to be designed to explicit portfolio objectives and we see real opportunity in our ability to design and deliver these types of strategies.

NEEDS WE ARE SEEING EXPRESSED BY CLIENTS' CIOS

It is critical that these strategies are designed to deliver on needs that are meaningful to investors, rather than those the investment manager wants to solve (because they know how to). We therefore start in the design process with the broad needs expressed by clients and prospects. To give some insight into this, the majority of conversations I have with CIOs are ending up with the following needs in some form or another:

- "I need more return, but alpha has been very disappointing"
- "I feel like my equity exposure – beta – needs to be more efficient and stable"
- "I'm not convinced my liquid alternatives are diversifying well enough, or performing efficiently – what can I do?"
- "We have a significant cash flow problem but I can't afford to sacrifice return"
- "I think I need more liquidity, without sacrificing return"
- "I think we need to communicate with our Board more effectively and could do with some help"
- "I don't know whether we're managing/governing our illiquids well enough".

The last two are more governance-related and as a business we are well placed to help through our Advisory and Solutions business lines. The others are purer investment needs and have some complexity if we are to solve them correctly.

Some of these needs have multiple solutions depending on the nuance. For example, our Emerging Markets Absolute Return strategy is a solution to the second need, but applied specifically to emerging markets. Structured equity is also a solution to the same need, provided that certain other criteria are met. We are building still another solution to this need when it is expressed as needing beta exposure continuously (i.e. at all times). Being able to address the same need in a number of ways helps us to address the particular nuances of a problem a client is often facing.

Our Global Quality Total Return swap has been developed as a solution to a number of these needs (not just one). It is a very efficient way of adding return at a total portfolio level. It can be used to improve the performance of a liquid alternatives portfolio. It can help in the provision of cash flow, and it's a great way of increasing liquidity because it doesn't require investors to commit capital (beyond collateral). For this reason, this type of strategy can be used to solve multiple needs and therefore we expect to widen significantly the range that we offer, but using different return strategies.

All of our strategies will be tied back to needs expressed like this, where they solve a real portfolio problem, not just an alpha source.

An influence on the importance of these needs will be market conditions, and it is to this I turn next.

> "Being able to address the same need in a number of ways helps us to address the particular nuances of a problem a client is often facing."

MARKET CONDITIONS AND THEIR INFLUENCE

In the last 12 months, we have seen significant movement in markets both ways, and a lot of political risk. Those who are clients, or who read these reports, will know that for the first half of our FY2019 we were negative on market conditions. This was primarily because we saw credit conditions worsening, economic activity worsening (but not being bad in absolute terms) and relatively high valuations. After the shake out between October and December 2018, we took the view that it was probably overdone, and reallocated back to risk assets (in our discretionary portfolios) to go back to neutral. This has proved sensible throughout the second half.

The question is where to from here? Some things appear obvious, others are more marginal.

Our *FOUR*cast model has us in Stable conditions. This is generally positive for emerging markets, and global smaller companies, relative to developed markets. I think this is logical, and we have had clients reallocating to these classes. Similarly, looking out into 2020, we feel quite strongly that equity markets will be up, possibly strongly, by the end of 2020 as the Purchasing Managers Index in the US and the ROW should be rising at that point – the latter is expected to rise sooner because the US had been tightening until towards the end of 2018. More generally, I think the next few years should be good for equities, provided that interest rates and credit spreads stay relatively low. Generally that tends to be positive for equities (rationally) and it is hard to see that going away. So all else being equal, we would probably be biased towards equities.

The current challenge is how it plays out in the immediate future. Conditions look like they will worsen at the margin in the US (certainly we expect earnings to be worse for a bit) but offsetting that is the massive change in view on interest rates in the market, that is itself a form of stimulus. These are two opposing forces and it is not clear which will win, at least not yet. Were it not for this, I think we would be more bullish on equities globally, but it is hard to see falls in US equity markets not affecting the ROW. Opinion is enormously divided in the market on these points between the bulls and the bears, more so than I can remember in recent years. The political unrest probably exacerbates this.

If I had to give a prediction, I think recession won't happen, not in the near future anyway. It seems more likely that credit conditions are supported for now, and as long as capital expenditure continues in the US, then I can't see it heading into recession. Credit prices haven't deteriorated enough for capital expenditure to dry up. The other influence that seems important is US productivity improvement, which has been rising and this doesn't seem consistent with a recession. Separately, China has been stimulating hard and it seems very likely it will continue to do so until it sees improvement.

Obviously, none of that means that equity markets won't fall in the near future – it just probably means if they do that we will see a natural reaction, which is a normal 10%–15% correction as part of a longer-term upward movement.

As a final point, it does look at the moment like Value might be getting ready to recover. My best guess is that 2020 will be a good year for Value, and it will be coming off a low base. The combination of improving economic expectations and improving credit conditions should be a positive for Value.

Overall these should be reasonable if not excellent conditions for long-term investors, albeit with some bumps.

RIVER *FOUR*CAST

In communicating to clients and investors, we generally tend to use a four-phase approach to thinking about where we are in the market cycle. These four phases are as follows:

Generalised Upward Re-Rating – most classes rise at the same time. This phase always occurs from markets being cheap.

Stable Conditions – economically everything is at least OK, credit conditions are generally supportive, and markets are neither very cheap nor very expensive.

Apprehension – markets are expensive, yet markets still keep on rising, generally supported by credit conditions.

Downturn – markets fall, or get ready to do so, and is generally coupled with worsening credit conditions and/or poor economics.

GROUP CHIEF INVESTMENT OFFICER'S REPORT CONTINUED

PERFORMANCE OF EXISTING MACRO STRATEGIES

Our Global Macro strategy is a key strategy for us and generating good interest. Its performance has proved strong in its first year or so.

We have also achieved good performance in DAA and our Global Quality strategy, albeit that in the case of the latter the performance is over a short period. The table below illustrates the DAA and GLOMA cumulative performance.

These are important strategies for us, not least because they both do a good job of generating returns in upward moving, but potentially bumpy, conditions. The market conditions I've described above are also an influence on how we are focusing the development of new strategies.

INNOVATION AND FUTURE STRATEGIES

As I have identified above, we see some real opportunities in delivering to specific needs, particularly in the following:

- **New total return swap strategies**
  We are seeking to develop strategies beyond quality into other areas, including Value. We believe our approach to thinking about these strategies is differentiated, and perhaps unique, and therefore we would like to develop a range of choice for potential investors.
- **Managed beta strategy**
  We are seeking to design a more sophisticated approach to delivering beta efficiently, and see real interest in solving this problem in a variety of client areas, but particularly family offices, endowments and defined contribution pension plans.
- **Discretionary macro strategy**
  Our Global Macro strategy is systematic. We have separately been developing a process that is more judgemental, and we believe there is an opportunity for a strategy with higher volatility levels and a consequently higher return target. We are hoping to launch this strategy during FY2020.

Our innovation focus is on these areas for now, as we believe between them there is significant revenue capacity, on top of the existing strategies. They are also consistent with prevailing market conditions and I believe we should do a good job of delivering.

Within our other business lines, we remain interested in launching the following strategies, which are consistent with the market conditions described above:

- A global/international small cap strategy.
- An international (excluding US) version of Global High Alpha, initially for the US market.
- A large cap value product to leverage the PVT skills in this segment (our initial analysis suggests that the PVT process works very well in large cap).
- A pooled version of structured equity delivered on platform for UK DB and DC.

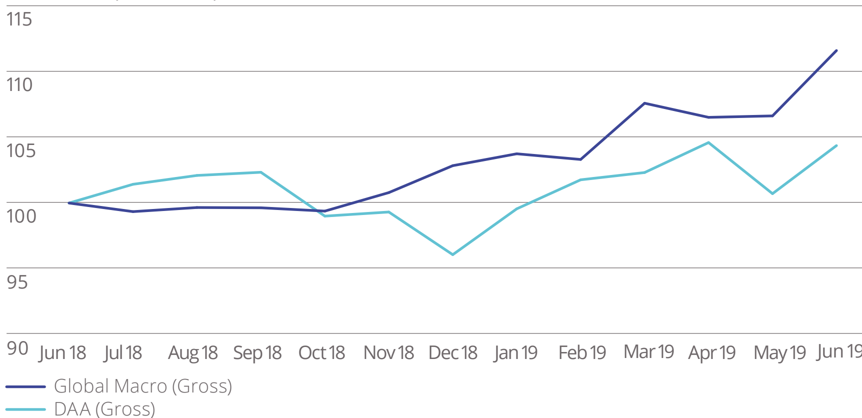
OVERALL SUMMARY

The strategy we set out at the IPO to deliver tailored strategies for client needs remains at the heart of our business. The development of our macro strategies is simply an extension of that idea, but focused rather on portfolio components. We believe this opportunity is significant, and all the more so given the trend towards consolidation in the industry. The significance of the opportunity is why James and I have concluded that our roles should change, to give me the ability to focus totally on the investment strategies and innovations we bring to clients. Our engagement with shareholders and clients to date suggests that they also view it as an obvious move.

I am genuinely excited by these developments and believe we are well placed to meet this next wave of demand.

Mike Faulkner
Group Chief Investment Officer

DAA and GLOMA Cumulative Performance



INVESTMENT PERFORMANCE

Annualised Investment Performance By Investment Strategy	AUM/NUM £bn 30 June 2019	Estimated Capacity £bn	1 Year (%) Abs.	1 Year (%) Rel.	5 Years (% p.a.) Abs.	5 Years (% p.a.) Rel.	Since Inception (% p.a.) Abs.	Since Inception (% p.a.) Rel.	Date
STABILITY/RETURN GENERATION									
TIGS	11.4		10.0%	1.9%	11.0%	1.8%	10.1%	2.5%	Jan-04
RAMIL Stable Growth Fund			4.5%	0.6%	6.2%	2.6%	8.0%	4.2%	Dec-08
Fiduciary DC – Long Term Growth	0.0	30.0	5.8%	1.4%	7.7%	1.2%	9.1%	2.3%	Oct-11
Fiduciary DC – Stable Growth	0.1		6.1%	1.2%	6.9%	1.4%	8.2%	2.4%	Oct-11
Fiduciary DC – Cautious Growth	0.1		6.3%	1.5%	8.2%	3.7%	8.5%	3.8%	Oct-11
Dynamic Asset Allocation	0.5	10.0	4.4%	(0.5%)	n/a	n/a	5.5%	0.9%	Sep-14
Global Macro	0.0	10.0	8.9%	n/a	n/a	n/a	14.4%	n/a	Mar-18
Fiduciary Insurance***	0.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Apr-16
US Solutions	0.7	n/a	4.8%	(1.4%)	4.3%	(0.8%)	6.2%	(0.8%)	Aug-13
EMAR*	0.0	11.0	1.0%	(0.5%)	6.7%	4.1%	19.5%	8.3%	Feb-03
Total Solutions AUM	12.9	61.0							
RETURN GENERATION/INCOME									
UK Equity Income	0.2	2.0	(4.7%)	(5.3%)	5.5%	(0.8%)	11.5%	0.9%	Feb-09
RETURN GENERATION – SPECIALIST									
UK Equity Smaller Companies	0.4	0.8	(9.5%)	(2.3%)	9.3%	3.6%	11.5%	5.8%	Nov-06
UK Recovery	0.3	0.2	(4.0%)	(4.5%)	7.2%	0.9%	12.7%	5.0%	Jul-08
Global Recovery	0.5	1.0	0.1%	(9.6%)	9.4%	3.3%	14.0%	2.6%	Mar-13
Global Recovery Focus	0.1	1.0	(14.7%)	(20.5%)	3.6%	(2.5%)	13.3%	4.0%	Feb-12
RETURN GENERATION – CORE									
UK Equity High Alpha	0.1	1.0	(4.0%)	(4.6%)	7.4%	1.1%	8.0%	2.1%	Nov-06
UK Core Segregated	0.2	1.0	(3.3%)	(3.9%)	6.3%	(0.0%)	8.3%	1.0%	Nov-10
UK Dynamic Equity	0.1	1.0	(5.1%)	(5.7%)	7.2%	0.9%	6.9%	1.4%	Mar-07
UK Micro Cap Investment Company	0.1	0.1	(7.4%)	(0.2%)	n/a	n/a	16.6%	9.3%	Dec-14
Global High Alpha	0.1	7.0	0.4%	(9.3%)	n/a	n/a	13.1%	1.0%	Dec-14
Segregated Mandates***	3.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ILC Emerging Markets									
Global EM	0.1	3.5	0.6%	(0.6%)	2.4%	(0.1%)	3.6%	0.4%	Jan-12
Small/Mid Cap	0.0	2.0	(1.0%)	(1.4%)	2.7%	1.5%	3.6%	2.0%	Jan-13
Total Equity Solutions AUM	5.2	21.0							
Structured Equity	5.8	>20			n/a**				Dec-05
LDI	15.9	>30							Dec-05
Total Derivatives NUM	21.7	>50							
Total AUM/NUM	39.8	>100							

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

* EM Absolute Return Strategy. Sourced: R&M Group 30th June 2019. Returns shown are based on a simulated back-test of the current framework for the investment strategy between 28th February 2003 and 30th June 2019. All returns are shown in USD with no currency hedging. PERFORMANCE REFERS TO SIMULATED PAST PERFORMANCE AND PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

** Derivatives mandates do not target investment outperformance therefore this is not measured.

*** Segregated mandates are measured against specific client benchmarks and therefore a composite performance benchmark is not meaningful.

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

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

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

BUSINESS MODEL

Diversified growth across our divisions

OVERALL APPROACH TO WHAT WE DO

The core ethos of the Group is to be aligned with our clients' desired outcomes.

Our purpose is simple – to identify our clients' actual financial problems and needs, and solve them as effectively as possible. This involves us doing two things well:

1

Understanding our clients in great depth – in order that we can define the need in the right level of detail and can solve the need fully. This involves us understanding clearly the environment within which they operate. For example, how defined benefit funding works, or the influence of Solvency II on insurance clients, is important to understand if we are to appreciate properly the investment needs.

2

Developing and maintaining very strong investment skills that can be deployed in various ways to solve these investment challenges.

HOW WE ARE STRUCTURED

The Group is structured into four divisions

All of the divisions operate as part of a single business and are complementary in nature, allowing for the distribution of multiple advisory and investment solutions to clients. Each division has different and complementary capabilities which can be applied singly or in combination to deliver a client outcome.

Solutions

FIDUCIARY MANAGEMENT

AUM

£12.9BN

ADVISORY

AUA

£25BN

Asset Management

DERIVATIVE SOLUTIONS

NUM

£21.7BN

EQUITY SOLUTIONS

AUM

£5.3BN

The Group generates revenue in four main ways:

1 MANAGEMENT FEES
In the Fiduciary Management, Derivative Solutions and Equity Solutions divisions, fees are generally charged based upon levels of AUM or NUM. These fees are expressed in basis points charged on the levels of AUM and NUM. Fees vary between products and clients, depending on factors such as client type, mandate size, and product type. This means that they can vary as the mix of products changes.

2 PERFORMANCE FEES
Some Equity and Fiduciary mandates include performance fees, which are earned for investment performance above a specific benchmark. These benchmarks are carefully tailored to client outcomes, to ensure that the Group's reward is closely linked to the interests of our clients. In other divisions, the client objectives are generally not linked to absolute investment outperformance and therefore performance fees are not used.

3 ADVISORY RETAINERS
Advisory retainers are earned when clients engage us to provide pre-agreed levels of service over time, generally a year. They are often recurring over a number of years.

4 ADVISORY PROJECTS
Where clients engage us for specific ad hoc advisory engagements, we categorise the income as project revenue. Many of our advisory project clients are also retainer or fiduciary clients, or clients of other divisions.

THE RESULTS FOR SHAREHOLDERS
- Strong underlying revenue growth per annum from organic sources over an increasing range of investment solutions
- Growth adjusted underlying profit margin over time
- Continuing growth in underlying dividends, with additional returns from performance fees.

GROWTH IN NET MANAGEMENT AND ADVISORY FEES
2%

ADJUSTED UNDERLYING MARGIN
22%

TOTAL DIVIDEND FOR THE YEAR
16.4P

THE RESULTS FOR OTHER STAKEHOLDERS
Our focus on long-term client relationships creates a stable business which allows us to reward our employees and provide strong career development. As a sustainable and profitable business we are able to contribute to the broader community.

OVERALL REMUNERATION RATIO
53%

TAX PAID
£4.7M

THE OUTCOME FOR THE BUSINESS
Our approach leads to long-term relationships with clients, who have an expectation and understanding of how we will engage with them to meet their outcomes. Our Advisory and Fiduciary relationships result in us being closely involved with the investment process of our clients, which in turn gives us a greater insight into their needs.

The outcome this delivers for our business is a stable and recurring revenue base which expands with an increasing level of services and range of activities with each client engagement.

This is reflected in our growth in AUM/NUM, low attrition rates, and high client satisfaction.

REGRETTED INSTITUTIONAL ATTRITION
1%

GROWTH IN FEE EARNING AUM/NUM
18%

KEY PERFORMANCE INDICATORS (KPIs)

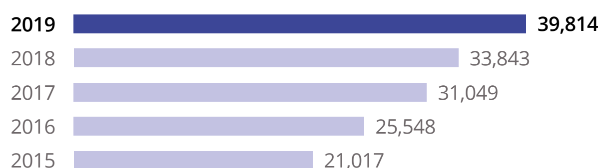
The following summarises the Group's KPIs for the year ended 30 June 2019:

"Our diversified business model provides the business and our shareholders greater protection."

1 Fee earning AUM/NUM (£'m)

Growth in fee earning AUM/NUM

18%



	2019	2018	2017	2016	2015
Growth in fee earning AUM/NUM	**18%**	9%	22%	22%	21%

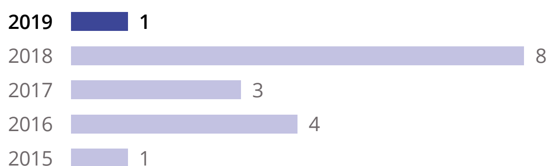
The growth in AUM/NUM is a key indicator of the client engagement process and is the driver for growth in net management fees. The growth in AUM/NUM is a function of new mandates (including acquisitions), low attrition rates, aggregate investment performance and net rebalance.

In FY2019, the growth rate in fee earning AUM/NUM has returned to historical levels due to wins of sizable mandates in Institutional Equities and Derivatives Solutions. Wholesale flows were lower due to more difficult equity markets. The business continues to have significant excess AUM/NUM capacity in existing and new strategies.

2 Regretted institutional attrition (RIA) (%)

Client attrition

1%



	2019	2018	2017	2016	2015
Client attrition	**1%**	8%	3%	4%	1%

RIA is calculated as the opening AUM/NUM of lost institutional clients, divided by total opening AUM/NUM. It excludes pension clients which have entered the Pension Protection Fund due to sponsor default or pensions who have moved to Buy-In or Buy-Out, and redemptions arising from fund benefit payments.

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

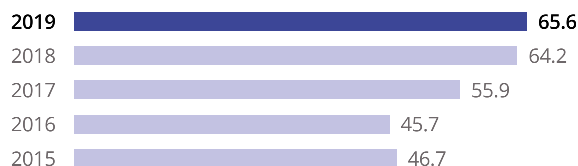
A low client attrition is a measure of our client engagement process and results in higher net growth in AUM/NUM and efficiency gains in the cost of distribution.

In 2019, RIA reflected a continued strong client engagement. In 2018 RIA was impacted by structured equity mandates which matured and were not replaced.

3 Net management and advisory fees (£'m)

Growth in net management and advisory fees

2%



	2019	2018	2017	2016	2015
Growth in net management and advisory fees	**2%**	15%	22%	(2)%	33%

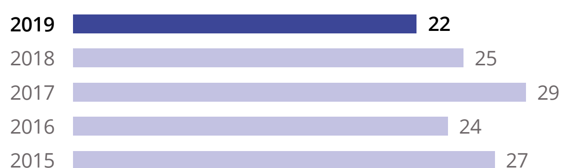
Management and advisory fees represent the underlying revenues generated by the business. This metric measures the sustainability of the business.

The lower growth in net management fees and advisory fees reflects the full-year effect of negative flows in Equity Solutions – Wholesale and the timing of AUM/NUM flows and investment performance in the current year which were stronger in the second half of the year. The average management fee margin was 16bps, compared with 17bps in 2018 which is reflected in the mix-shift in AUM/NUM.

4 Adjusted underlying pre-tax margin (%)

Adjusted underlying pre-tax margin

22%



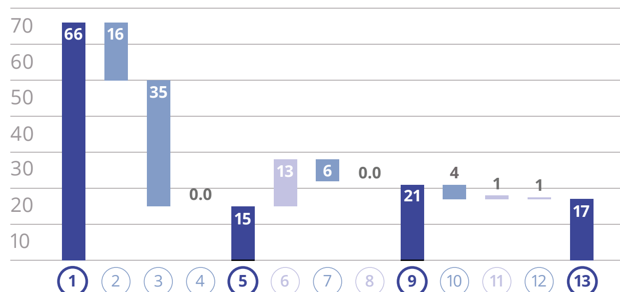
	2019	2018	2017	2016	2015
Adjusted underlying pre-tax margin	**22%**	25%	29%	24%	27%

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

Adjusted underlying pre-tax margin reflects an increase in remuneration expense as the business has continued to invest in new growth opportunities and the full-year effect of research costs in Equities following the implementation of MiFID II. Net of the effects of investment spending in new growth opportunities, the Core business adjusted underlying pre tax margin was 25%.

Adjusted underlying profit represents net management and advisory fees less associated remuneration, administrative expenses, depreciation, amortisation of software, and finance income and expense.

Adjusted profit before tax to statutory profit reconciliation (£m)



1. Net management and advisory fees
2. Administrative expenses
3. Underlying remuneration
4. Amortisation of software, depreciation and finance income
5. Adjusted underlying profit before tax
6. Performance fees
7. Less remuneration at 50%
8. Gain on disposal of AFS
9. Adjusted profit before tax
10. Amortisation of intangible assets and IMA
11. Other income
12. EPSP costs
13. Statutory profit before tax

5 Percentage of adjusted earnings per share distributed

Year	**2019**	2018	2017	2016	2015
Adjusted underlying EPS (basic)	**13.9p**	16.0p	15.9p	10.6p	12.8p
Net performance fee EPS (basic)	**6.4p**	5.9p	7.0p	1.0p	2.6p
Adjusted EPS (basic)	**20.3p**	21.9p	22.9p	11.6p	15.4p
Total dividend paid or proposed for the year:	**16.4p**	18.6p	19.7p	9.5p	13.0p
Percentage of adjusted underlying profit distributed	**80%**	80%	80%	80%	80%
Percentage of net performance fee profit distributed	**100%**	100%	100%	100%	100%
Percentage of adjusted earnings per share distributed	**81%**	85%	86%	82%	83%

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

During the years 2015 to 2019 the Group has paid 80% of adjusted underlying profits and 100% of net performance fee profit as dividends. The year on year variation on adjusted earnings being distributed is a result of the ratio of net performance to adjusted underlying profits.

In FY2019 basic earnings per share is calculated on the basis of weighted average shares outstanding during the year. On 26 June 2019, the EPSP award vested 2.9m shares. The second interim and proposed final dividend will be paid on these additional shares. FY2019 adjusted profit after tax was £16.2m. Dividends paid and proposed aggregate £13.9m representing 86% of total adjusted profit.

FINANCIAL REVIEW

"A strong year of net flows and investment performance, however the timing of AUM/NUM growth and investments made in the business have reduced the Group's overall financial results this year."

KEVIN HAYES

GROUP CHIEF FINANCIAL OFFICER

FINANCIAL HIGHLIGHTS

- Statutory net profit after tax was £13.0m, compared with £15.1m in the prior year.
- Statutory basic earnings per share were 16.22 pence per share, compared with 18.83 pence per share in the prior year.
- Adjusted underlying profit before tax was £14.7m, compared with £16.1m in the prior year.
- Adjusted underlying EPS was 13.91 pence per share, compared with 16.06 pence per share in the prior year.
- Adjusted profit after tax was £16.2m, compared with £17.6m in the prior year.
- Adjusted basic earnings per share was 20.26 pence per share, compared with 21.85 pence per share in the prior year.

ASSET GROWTH

- Fee earning AUM/NUM increased by 18% year on year, to £39.8bn.
- Gross sales for the year were £6.9bn.
- Net flows for the year were £5.4bn.
- Investment performance increased AUM by £0.6bn.

OPERATING HIGHLIGHTS

- Net management and advisory fees increased by 2% year on year to £65.6m.
- Performance fees were £12.5m, compared with £10.6m in the prior year.
- Adjusted underlying pre tax margin was 22%, compared with 25% in the prior year. The Core business, before investment in new business opportunities, generated adjusted underlying pre tax margin of 25%.

AUM/NUM AND MARGINS

We have continued to grow AUM/NUM through both positive net flows and investment performance. Net management fee margin levels have been broadly maintained across all divisions.

The following table shows the AUM/NUM for the year ended 30 June 2019:

			Equity Solutions (AUM)			
£'m	Fiduciary Management (AUM)	Derivative Solutions (NUM)	Wholesale	Institutional	Total	Total AUM/NUM
Opening fee earning AUM/NUM	10,642	18,622	1,887	2,692	4,579	33,843
Sales	1,805	3,276	245	1,568	1,813	6,894
Redemptions	(616)	(1,257)	(498)	(439)	(937)	(2,810)
	1,189	2,019	(253)	1,129	876	4,084
Net rebalance	279	1,042	–	–	–	1,321
Net flow	1,468	3,061	(253)	1,129	876	5,405
Investment performance	754	–	(152)	(36)	(188)	566
Closing fee earning AUM/NUM	**12,864**	**21,683**	**1,482**	**3,785**	**5,267**	**39,814**
Mandates in transition	–	–	–	–	–	–
Redemptions in transition	–	(664)	–	–	–	(664)
Total mandated AUM/NUM	**12,864**	**21,019**	**1,482**	**3,785**	**5,267**	**39,150**
Opening mandated AUM/NUM	10,605	18,616	1,887	2,880	4,767	33,988
Increase in fee earning assets	20.9%	16.4%	(21.5)%	40.6%	15.0%	17.6%
Increase in mandated assets	21.3%	12.9%	(21.5)%	31.4%	10.5%	15.2%
Average fee earning AUM/NUM	11,326	19,513	1,611	3,281	4,892	35,731
Average margin 2019 (bps)	**16–17**	**6–7**	**70–71**	**36–40**	**47–50**	**16**
Average margin 2018 (bps)	17–18	6–7	70–71	39–40	53–54	17
Medium term margin guidance (bps)	14–15	6–7	66–68	36–40		15–16
Net management fees 2019 £'m	18.8	13.4	11.3	12.1	23.4	55.5

"Based on the year end AUM/NUM and average margin, the in-force management fee revenue is estimated to be £61m, an increase of 10% over the actual management fee revenue recorded in the year to June 2019."

This year has seen a record level of gross sales at £6.9bn, a year on year increase of 21%. Gross sales included £4.4bn of AUM/NUM from new clients and £2.5bn from increased allocations and new mandates from existing clients. Net rebalance included £1bn relating to increased hedging levels for clients with LDI. Redemptions were £2.8bn, including £0.6bn of structured equity strategies in Derivative Solutions that reached their contractual maturity, and £483m of Fiduciary Management mandates where the schemes went to Buy-Out or Buy-In. The net outflows in Equity Solutions – Wholesale of £253m reflects general negative retail sentiment to equities during the year. For the year, investment performance added £0.6bn and while positive in Fiduciary Management, was overall negative in Equity Solutions reflecting the equity markets during the year.

£'m	H1	H2	FY2019
Opening fee-earning AUM/NUM	33,843	34,169	**33,843**
Net sales	1,280	2,804	**4,084**
Rebalance and transfers	35	1,286	**1,321**
Investment performance	(989)	1,555	**566**
Closing fee-earning AUM/NUM	34,169	39,814	**39,814**

In FY2019 H1, investment performance was negative £1.0bn, while FY2019 H2 showed a significant recovery adding £1.6bn to client portfolios. As discussed in the Group Chief Executive's Review, a period of economic downturn had been anticipated in FY2019 H1 and therefore we had positioned clients' portfolios more defensively in Fiduciary Management. In FY2019 H2, all divisions were able to take advantage of the more positive markets and recorded significant investment performance gains.

Net sales were £4bn for the year with the majority in FY2019 H2.

REGRETTED INSTITUTIONAL ATTRITION (RIA)

Our business model is focused on meeting our clients' investment needs. Our engagement approach results in an alignment between the investment strategy and the clients' desired range of investment outcomes. Our aim through this approach is to achieve higher levels of client satisfaction and therefore lower redemption rates. We measure this through RIA.

£'m	Fiduciary Management	Derivative Solutions	Equity Solutions – Institutional	Total
Gross outflows	616	1,257	439	2,312
Opening AUM/NUM	10,642	18,622	2,692	31,956
Outflow %	5.8%	6.8%	16.3%	7.2%
RIA 2019	**0.6%**	**1.7%**	**0.0%**	**1.1%**
RIA 2018	0.2%	14.8%	0.3%	8.1%
RIA 2017	1.1%	3.6%	11.6%	3.0%

In the prior year, Derivative Solutions' RIA saw the redemption of a large mandate which reached its contractual maturity date, excluding this redemption the 2018 RIA for Derivatives was 6.6% and 3.4% for the Group. In Equity Solutions – Institutional the increase in redemptions in FY2019 reflect reduced allocations to Emerging Market and UK equity strategies as sentiment has continued to be more negative in this space.

TOTAL REVENUES

£'000	2019	2018	Increase/ (decrease)
Net management fees			
– Fiduciary Management	**18,790**	18,400	2%
– Derivatives	**13,379**	11,777	14%
– Equity Solutions – Wholesale	**11,270**	14,521	(22)%
– Equity Solutions – Institutional	**12,107**	9,265	31%
Net management fees	**55,546**	53,963	3%
Advisory fees			
– Retainers	**5,295**	5,443	(3)%
– Project fees	**4,743**	4,792	(1)%
Advisory fees	**10,038**	10,235	(2%)
Total net management and advisory fees	**65,584**	64,198	2%
Performance fees			
– Fiduciary Management	**10,553**	8,167	29%
– Equity Solutions	**1,966**	2,408	(18)%
Total performance fees	**12,519**	10,575	18%
Total revenue	**78,103**	74,773	4%

Total revenues increased 4% to £78.1m, with 2% growth in net management and advisory fees and 18% increase in performance fees.

In FY2019 the timing of AUM/NUM flows had a significant impact on the level of management fees earned in the year. In FY2019 H1 net AUM/NUM flows and investment performance were £326m, compared with FY2019 H2 of £5.6bn.

Overall net management fees increased 3% to £55.5m, below our medium-term target of at least 12% growth per year, however Derivative Solutions and Equity Solutions – Institutional both grew revenues significantly ahead of this target at 14% and 31%, respectively.

The loss of high margin Equity Solutions – Wholesale AUM resulted in wholesale revenues being down 22%.

In Fiduciary Management revenues grew by 2% largely due to the timing of net flows and investment performance which were biased towards FY2019 H2 resulting in lower revenue generation in the year.

FINANCIAL REVIEW CONTINUED

Based on the year end AUM/NUM and average margin, the in-force management fee revenue is estimated to be £61m, an increase of 10% over the actual management fee revenue recorded in the year to June 2019.

Advisory revenues declined in the year by 2% which reflected a lower level of project revenues and a slowdown in new advisory mandate opportunities pending the release of the CMA's findings on fiduciary management and consulting services during the year.

Performance fees increased by 18% compared with the prior year as a result of continued strong investment performance that triggered the crystallisation of previously deferred performance fees in Fiduciary Management. It is anticipated that FY2020 will have significantly lower levels of performance fees in Fiduciary Management. Equity Solutions' performance fees (which are now primarily from the River and Mercantile Micro Cap Investment Company (RMMIC), were £2.0m. These were lower than last year largely due to lower investment performance.

MANAGEMENT FEE MARGINS

The divisional management fee margins have remained consistent with our medium-term guidance. Our overall margin decreased by 1bp reflecting the decrease in higher margin Equity Solutions – Wholesale AUM during the year and an increase in NUM from Derivative Solutions. We anticipate that as a result of the mix-shift in our AUM/NUM the overall management fee margin will reduce from 16bps to 15bps for FY2020. In Fiduciary Management, we anticipate that as a result of the retendering of mandates, post the publication of the CMA findings, the management fees in the industry will reduce and therefore we have reduced our average medium term guidance by 1bp to 14bps–15bps.

NET MANAGEMENT FEES

Fiduciary Management

Closing fee earning AUM £'m	Growth in fee earning AUM	Average AUM £'m	Average margin (bps)	Revenue £'m	Growth in revenue YoY
12,864	20.9%	11,326	16–17	18.8	2%

While Fiduciary AUM grew by 21% through net flows and investment performance overall, the majority of the AUM growth occurred in FY2019 H2 and as a result management fee revenue grew by only 2% in the year. In-force revenues at year end are therefore higher than the actual revenue in the FY2019 which means that we have embedded revenue growth in FY2020 of c.10%. New fiduciary management mandate opportunities have been more muted during the year pending the publication of the CMA findings into fiduciary management and investment consulting. However, we anticipate significant new fiduciary management mandate opportunities in FY2020 both from new clients considering fiduciary management and participation in the industry wide retendering of existing fiduciary management mandates.

Derivative Solutions

Closing fee earning NUM £'m	Growth in fee earning NUM	Average NUM £'m	Average margin (bps)	Revenue £'m	Growth in revenue YoY
21,683	16.4%	19,513	6–7	13.4	14%

Derivative Solutions comprises Liability Driven Investment (LDI including gilt collateral management) and Structured Equity products.

Derivatives by type:

£'m	Structured equity	Gilts and LDI	**Total NUM**
Opening fee earning NUM	3,776	14,846	**18,622**
Sales	2,666	610	**3,276**
Redemptions	(610)	(647)	**(1,257)**
Net rebalance	(31)	1,073	**1,042**
Net flow	2,025	1,036	**3,061**
Closing fee earning NUM	5,801	15,882	**21,683**
Mandates in transition	–	–	**–**
Redemptions in transition	(664)	–	**(664)**
Total mandated NUM	5,137	15,882	**21,019**

LDI relates to the management of interest rate and inflation risk in the underlying pension liabilities. In FY2019, we continued to see strong flows from new clients and existing clients who have increased their level of hedging to respond to market and scheme funding levels.

Derivative Solutions' structured equity capabilities provide strategies to shape the return profile of clients' equity portfolios. The continued strength of the equity markets coupled with an increase in the fear of a pullback in equities have led to a number of new mandates including a £2bn mandate from a local government pension scheme.

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

Equity Solutions – Wholesale

Closing fee earning AUM £'m	Growth in fee earning AUM	Average AUM £'m	Average margin (bps)	Revenue £'m	Growth in revenue YoY
1,482	(21.5)%	1,611	70–71	11.3	(22)%

The net outflows in Equity Solutions – Wholesale of £253m reflects general negative retail sentiment to equities during the year. Revenue growth in the year was negative due to the full-year impact of AUM reduction last year and the impact of weaker AUM growth this year.

Equity Solutions – Institutional

Closing fee earning AUM £'m	Growth in fee earning AUM	Average AUM £'m	Average margin (bps)	Revenue £'m	Growth in revenue YoY
3,785	40.6%	3,281	36–40	12.1	31%

Equity Solutions – Institutional grew strongly in the year, as demand continued for the Global High Alpha strategy in particular in the UK, US, Australia and New Zealand. We now manage £905m of AUM originating from Australia/New Zealand and by establishing our new office in Australia, we expect to expand our business in a market with significant pension assets.

ADVISORY REVENUES

Advisory revenues declined in the year by 2% which reflected a lower level of project revenues and a slowdown in new advisory mandate opportunities given the CMA review of fiduciary management and consulting services during the year.

The split between retainers and project fees was:

£'000	2019	2018
Retainers	**5,295**	5,443
Project fees	**4,743**	4,792
Total advisory fees	**10,038**	10,235

PERFORMANCE FEE REVENUE

This year has been another strong year of investment performance across all strategies. Performance fees in Fiduciary Management were £10.6m, resulting from the underlying investment performance generated by the investment teams, coupled with the more stable interest rate environment. Equity Solutions performance fees are primarily from RMMIC, fees in the year were £2.0m.

In Fiduciary Management, based on the level of previous deferred performance fees, we anticipate a significantly lower level of performance fees in FY2020.

ADMINISTRATIVE EXPENSES

£'000	2019	2018
Administrative expenses excluding governance and research costs	**13,743**	12,800
Governance costs	**570**	538
External research costs	**1,334**	736
Administrative expenses	**15,647**	14,074
Total net management and advisory fees	**65,584**	64,198
Administrative expenses as a percentage of net management and advisory fees	**24%**	22%

Administrative costs as a percentage of revenue increased by 2% to 24%, of which the most significant increase was the full-year effect of external research costs in the Equity Solutions business. In addition, we incurred fund administration costs relating to new segregated mandates, regulatory and compliance costs related to the implementation of SMCR and occupancy expense due to an office move to bring the UK facilities closer together.

We anticipate that additional expenses relating to continued investment in the business, in particular costs associated with launching new products and investments in Australia and the US will increase administration expenses in the near term by approximately £1.1m.

From 1 July 2019, the change in accounting for leases, which came in to effect 1 January 2019, will bring our lease commitments onto the Group's balance sheet and also change the classification and recognition of costs associated with the Group's leased premises.

While the accounting change will not impact the Group's cash flows, the timing of recognition of the lease costs will be different under the new standards and will increase net expenses by up to £0.1m annually in the five years following initial application, decreasing the Group's reported profits. Occupancy charges for leased premises will be recognised through depreciation and interest expense. It is anticipated this initial increase in net costs recognised will trend towards a net decrease in the longer term. Additional detail on the new leases accounting standard is provided in note 1 to the Group financial statements.

REMUNERATION

£'000	2019	2018
Fixed remuneration	**26,145**	22,940
Variable remuneration	**15,126**	15,806
Total remuneration (excluding recruitment fees)	**41,271**	38,746
Recruitment fees	**393**	404
Total remuneration expense	**41,664**	39,150
Total revenue (excluding seeding and other income)	**78,103**	74,773
Remuneration ratio (total remuneration excluding recruitment fees/total revenue)	**53%**	52%

Remuneration expense includes: fixed remuneration comprising base salaries, drawings, benefits and associated taxes; and variable remuneration comprising performance bonus, profit share paid to the partners of RAMAM, the amortisation of the fair value of performance share awards under non-dilutive share plans and associated taxes. Included in remuneration expenses is the cost of recruiting fees paid to third-party consultants.

The Remuneration Policy, approved by shareholders in 2017, limits remuneration to 54% of underlying revenue and 50% of net performance fees. Total remuneration this year reflects remuneration at 54% and 50% compared with last year at 53% and 50%. The increase in the ratio is primarily the full year effect of the investments made in Australia and New York, referred to below.

Core business and investments

As discussed in the Group Chief Executive's Review, we have continued to invest in the growth of the business through a series of organic initiatives and investments. Historically these opportunities, including the ILC team, have been funded within the existing remuneration and administration expense base of the Group. These investments represent organic growth primarily in people which will involve remuneration and additional related administration expenses. It is likely that during the initial phase of these investments the contribution to net margin may be negative and therefore will detract from the margin improvement of the overall business. Accordingly, we will disclose the business split between Core and Investments. This allows us to show the progress made in margin expansion of the Core business.

FINANCIAL REVIEW CONTINUED

We will provide specific guidance relating to the financial impact of these investments on the current period's net earnings which will allow shareholders to evaluate anticipated dividend distributions based on applying the Group's current dividend policy.

It is anticipated that the investments in New York Solutions and Australia will continue at similar levels in FY2020.

Executive Performance Share Plan (EPSP)
The EPSP was established shortly before the IPO, and Executive Directors were given awards over a maximum of 7.3m shares, which they would be entitled to receive based upon achieving a compound total shareholder return of between 12% and 30% during the period from IPO to June 2018, with a one-year holding period after that date, until June 2019. At June 2018, the end of the measurement period, the compound annual Total Shareholder Return was 19%. This resulted in 57% of the A shares being eligible for award and none of the B Shares. This equates to a total of 2.9m shares or 3% of current issued share capital.

STATUTORY AND ADJUSTED PROFITS

£'000	2019	2018
Net management and advisory fees	**65,584**	64,198
Performance fees	**12,519**	10,575
Total revenue	**78,103**	74,773
Administrative expenses	**15,647**	14,074
Remuneration expenses	**41,664**	39,150
Other	**4,004**	3,097
Profit before tax	**16,788**	18,452
Tax	**3,793**	3,310
Statutory profit after tax	**12,995**	15,142
Adjusted profit before tax	**20,929**	21,824
Adjusted pre-tax margin	**27%**	29%
Adjusted underlying profit before tax	**14,650**	16,079
Adjusted underlying pre-tax margin	**22%**	25%
Net performance fee before tax	**6,279**	5,745
Net performance pre-tax margin	**50%**	50%
Adjusted underlying profits after tax	**11,143**	12,914
Adjusted profit after tax	**16,228**	17,567
Statutory		
Basic EPS	**16.22p**	18.83p
Diluted EPS	**15.61p**	18.08p
Adjusted		
Basic EPS	**20.26p**	21.85p
Diluted EPS	**19.50p**	20.98p
Adjusted underlying		
Basic EPS	**13.91p**	16.06p
Diluted EPS	**13.39p**	15.42p

Statutory profit after tax and adjusted underlying profit after tax both decreased by £2m compared with the prior year, as a result of increased revenue offset by increased administrative expenses and remuneration. These increases were primarily the result of the full year effect of investments made in the business and research costs.

The Directors believe that adjusted profit after tax is a measure of the cash operating profits of the business and gives an indication of the profits available for distribution to shareholders. The definition of adjusted and adjusted underlying profit, alongside a reconciliation to statutory profit can be found in note 14 of the consolidated financial statements.

The Directors believe that the underlying profits, generated from net management and advisory fee income, represent the profit from the ongoing business as they exclude the effect of performance fees which can fluctuate from year to year.

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

CAPITAL, LIQUIDITY AND REGULATORY CAPITAL

The business is strongly cash generative, generating net cash from operations of £14.9m. Cash and cash equivalents at year end were £24m.

As a Group, incorporating businesses regulated by the FCA, we hold prudent levels of capital resource in order to ensure our financial stability. The Internal Capital Adequacy Assessment Process (ICAAP) is a 'living' process and is treated as a continuous exercise to ensure that we are holding sufficient levels of equity capital for the scale and nature of our operations and risk. During the year we have revised our risk and capital framework, and increased our regulatory capital resources to reflect the expansion and underlying growth in our business.

As at 30 June 2019, adjusting for the effect of the interim and proposed final dividends, the Group holds a regulatory capital surplus of around 21% in excess of our assessed requirement.

Following the adoption of IFRS 16 in respect of leases, the Group's regulatory capital surplus is expected to decrease by around £0.3m from 1 July 2019.

EMPLOYEE BENEFIT TRUST (EBT)

The Group's EBT purchases Group shares in the open market to meet the potential vesting of share awards granted under the Group's PSP and DEP share plans.

During the year, the Group's EBT purchased 0.7m shares relating to the previous year's share awards and transferred 0.2m shares as a result of vested awards. The net cost of these transactions was £1.3m and is shown in the Statement of Changes in Equity. As at 30 June 2019, the EBT held 2.4m shares. The weighted average number of shares in issue has reduced as a result of purchases of own shares by the EBT.

As at 30 June 2019, the Group had granted share awards which were either expected to vest, or could possibly vest, over 3.2m shares. During the Group's end of year remuneration process, the Group granted share awards over a further 1.3m shares, based upon an estimated grant price.

AUTHORISED CORPORATE DIRECTOR

Group entities act as the investment managers to funds and segregated managed accounts, and RAMAM has in the period acted as the Authorised Corporate Director (ACD) of River and Mercantile Funds ICVC.

The Group has now appointed an independent ACD, Equity Trustees Limited, for the River and Mercantile Funds ICVC. This appointment has been approved by the regulator and took effect in October 2019.

As a result, in future periods the requirement to settle transactions between the investors and the depository of the fund will transfer to Equity Trustees Limited as the ACD. The Group will no longer be exposed to the short-term liquidity requirements to settle with the depositary of the fund before receiving payments from the investor and these balances will no longer be held on the Group balance sheet.

DISTRIBUTABLE RESERVES AND DIVIDENDS

At the 2019 AGM, the Board is recommending to shareholders to give the Board approval to undertake a Court approved capital reduction process to reclassify the merger reserve (£44m at 30 June 2019) as a distributable reserve.

On 6 April 2019, an interim dividend of 6.3 pence per share was paid, which included a special dividend of 2.0 pence relating to net performance fees. The Directors have declared a second interim dividend of 5.1 pence per share, of which 1.6 pence is a special dividend relating to net performance fees to be paid on 22 November 2019.

In addition, the Directors are proposing to shareholders a final dividend of 5.0 pence per share, of which 2.4 pence per share is a special dividend relating to net performance fees. Total dividends per share paid, declared or proposed for the year ended 30 June 2019 are 16.4 pence per share, representing 80% of the adjusted underlying profit after tax and 100% of the net performance fee profit after tax.

As at 30 June 2019, the Company had £10.8m of distributable reserves (2018: £11.5m).

Kevin Hayes
Group Chief Financial Officer

RISK MANAGEMENT

Taking risk is an inherent part of the Group's business activities: when a Group member advises a customer on their investments, undertakes a fiduciary management mandate, or offers investment products and services the Group takes on a degree of risk. We endeavour only to take risks that we understand, have the capability to manage, and where we conclude that potential benefits justify the risks taken. We take risk carefully and within the risk appetite set by the Board and monitored by the Board's Risk Committee.

This section explains how we identify and manage the risks in our business. It outlines our key risks, how we mitigate them and our assessment of their potential impact on our business in the context of the current environment.

APPROACH TO RISK MANAGEMENT

The Group's overall risk management objective is to manage its business and associated risks in a manner that balances maintaining the safety and soundness of the Group with limiting the risk of not delivering expected outcomes to clients. The Group considers this objective to be strongly aligned to the outcomes expected by its other stakeholders: shareholders, employees, regulators, and the broader market and community.

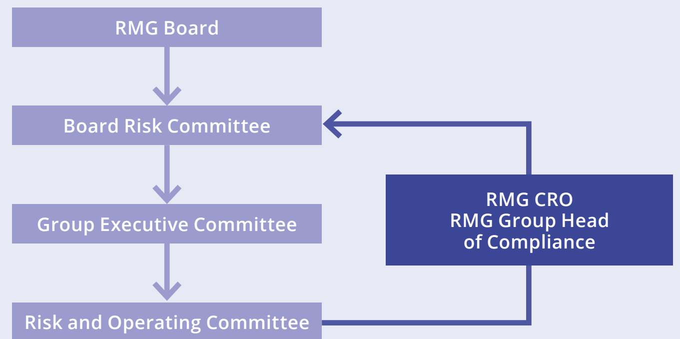
We take a cautious and proactive approach to risk management, recognising the importance of understanding risks to the business, and managing them effectively. We have a formal structure for managing risks across the Group comprising independent governance and oversight of risk, a risk appetite set and approved by the Board, risk management frameworks (including policies and supporting documentation) and a formalised process for providing risk reporting to the Board through the Risk Committee. We continue to invest in our risk management approach. This investment has included strengthening the second line of defence by creating the new post of Chief Risk Officer, and the creation of an independent risk function separate from the legal and compliance department.

The Board has overall responsibility for risk management within the Group and is accountable for oversight of the risk management processes. On an annual basis, the Board reviews the principal risks, using appropriate quantitative assessment techniques such as stress testing to understand the level of exposure.

Governance

The Group has established a structured approach to risk governance, ensuring an effective level of alignment between oversight and management responsibility for risk. This approach includes risk policies and standards, and executive-level Risk Oversight Committees. The risk governance structure includes clearly defined roles and responsibilities for Board and Executive Committees, control functions and the accountable executives. Non-Executive Director oversight of the risk management process with respect to standards of conduct, risk management and internal control is exercised through the Risk Committee, more details of which are on page 54.

Risk governance



The Group has implemented a 'three lines of defence' model to manage risk and provide assurance to management and the Board with regards to the effectiveness of the Group's control environment.

The *first line of defence* comprises business management and employees (not including those employees in the second line of defence). They are the risk owners and have primary responsibility for managing risk as part of their day-to-day business activities.

The *second line of defence* comprises the risk and compliance functions, and parts of the legal, finance and human resource functions. They provide objective oversight, monitoring and independent challenge of risk taking and risk management activities.

The *third line of defence* comprises the Group's internal assurance/audit function (currently outsourced). Internal Audit supports the Board and executive management in protecting the assets, reputation and sustainability of the organisation by providing independent, objective assurance activity.

Risk appetite

The Group's risk appetite statement sets out the aggregate level and types of risk that we are willing to accept, or wish to avoid, in pursuit of our business objectives. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures or other relevant measures as appropriate. It includes a consideration of certain risks that are more difficult to quantify, such as conduct-related risks. It underpins the implementation of our evolving risk monitoring and risk reporting processes.

Risk management framework
The Group's risk management framework sets out the approach we take to identify, measure, assess, manage, monitor and report risks. It is designed to enable the Board to receive assurance that risks are being appropriately identified and managed in line with the Group's risk appetite.

Our risk assessment processes enable us to identify and assess the most significant risks that we face. These processes are the foundation of our risk management framework. We conduct stress testing and scenario analysis, covering a broad range of scenarios including market shocks and idiosyncratic risk events, to understand the Group business model's resilience to internal and external shocks, and to model quantitatively the risk to the Group's capital requirements and profitability. We conduct these assessments across the Group and involve department heads, senior managers, executives and the Board. The assessments allow executive management to make informed risk-based decisions and to plan appropriately for the ongoing running of the Group.

As the Group includes authorised and regulated subsidiaries, the Group and relevant subsidiaries are required to hold appropriate levels of capital and liquidity to ensure their sustainability. Systems and controls and the process for assessing the adequacy of financial resources and associated risks are documented in the Group's ICAAP, which examines downside events including revenue declines and the costs of an orderly cessation of the Group; and if appropriate the Group will hold additional capital as a result of these tests.

We will continue to strengthen the risk management framework and its operation over the coming year.

Conduct
In addition to an effective risk management framework, good conduct and clarity on the expectations around it is critical to effective management of risk. We have always considered ourselves to be a business focused on client outcomes, with conduct a core value to our thinking. We place significant focus on the integrity and good conduct of employees, with our appraisal process including an assessment of displayed behaviours. Conduct as a broader theme has received a great deal of attention and active support from the Board and the Group's executive management, led from the front by our Chairman and by the Group Chief Executive.

Conduct-related risks are those that could result in negative impacts on clients and/or market stability or restrict effective competition. We do not see conduct risk as a separate risk category. Strategic, investment and operational risks may all result in conduct-related risk.

PRINCIPAL RISKS AND UNCERTAINTIES
The Directors have conducted a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. These assessments have been made in light of the current environment, taking into consideration the views of subject matter experts and risk owners within the Group, market conditions, regulatory sentiment and changes within the business.

Our principal risks and uncertainties are set out in the table on the following pages.

RISK MANAGEMENT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risk	Risk management approach
Sustained market decline *The risk of a severe economic downturn and related sustained decline in asset prices.* A severe economic downturn could lead to a reduction in AUM resulting in a decline in revenue and capital levels.	The diversification of the Group's business activities reduces the impact of procyclicality, i.e. the risk of deterioration in business or economic conditions requiring a firm to contract its business when market conditions are unfavourable. During challenging economic times, advisory retainer and project revenues in RAMIL would be expected to increase in the short term as clients seek additional guidance to manage through the challenging conditions. Likewise, in strong markets the RAMAM business would be expected to experience stronger performance and growth. Revenue within our derivatives business is largely dependent on NUM which, unlike AUM, is unaffected by market movements. Although a severe economic downturn could impact the viability of some derivatives counterparties, we have no direct exposure to derivatives counterparties as we act as agent, rather than principal, on all derivatives transactions.
Loss of critical staff *The risk of failure to retain or attract the people critical to successfully delivering investment outperformance to our clients and all other aspects of our strategy.* The unplanned departure of a senior fund manager or a member of our leadership team could lead to significant redemptions from our funds, failure to deliver our strategy or failure to run our business efficiently, resulting in a material impact on revenue and capital levels.	The loss of a portfolio manager from RAMAM is most likely to affect the Group. The Group mitigates this risk through developed succession planning and a shared philosophy and approach that combines investment manager independence with a disciplined investment process. This is supported by a systematic screening tool and shared analyst resource, so that reliance on a single individuals is reduced. Our remuneration structures provide incentives linked to their individual, divisional and Group performance. They are designed to attract and retain critical staff, and to motivate and support the development of our employees.
Sustained fund underperformance *The risk that our clients will not meet their investment objectives due to poor relative performance of one or more of the Group's funds over a prolonged period.* Sustained underperformance across a range of the Group's products and strategies could result in a corresponding reduction in management and performance fee revenue.	The Group has clearly defined investment processes designed to meet investment targets within stated risk parameters. The Group carries out review and challenge of investment risks, independent of our fund managers, across all asset classes. Issues and areas of excessive risk are escalated to members of senior management and the Group Risk Committee. The review and challenge include seeking rationale from the fund managers for performance to ensure the appropriate due diligence has been carried out and all intended risks are being taken and managed.
Liquidity risk *The risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost.*	The liquidity risk management objective of the Group is to ensure that at all times it has sufficient liquidity to ensure that it can meet its liabilities as they fall due under both 'business as usual' and stressed conditions and without incurring losses above the applicable risk tolerance. The Group holds several classes of liquid resources. Liquid assets identified by the Group include trade debtors, other debtors, investments, cash and cash equivalents. The business is cash generative before the payment of dividends and has balances that support working capital requirements. All cash balances are held in 'on call' accounts and are therefore immediately available. Liquidity stress testing is performed in order to test and examine the adequacy of the Group's overall liquidity resources, and hence allow executive management to make informed decisions and to plan appropriately for the ongoing running of the Group. The Group operates its business on the basis that its operational subsidiaries are self-sufficient and expected to meet their capital and liquidity requirements without recourse to their parent or other companies in the wider Group.
Counterparty and credit risk *The potential failure of clients or counterparties to fulfil their contractual obligations.*	The Group deposits cash at credit institutions with high long-term and short-term credit ratings reducing the risk that the institution will default on repayment of the cash deposits. The Group has established a robust debt collection process mitigating the risk of clients defaulting on payment of fees. Additionally, the Group has the contractual right and ability to take fees from assets for the vast majority of clients who incur management and advisory fees.

Principal risk	Risk management approach
Failure of a critical outsourced service provider *The risk that an outsourced partner fails to provide the service required either through their own organisational failure, or through substandard performance.* Our relationships with stakeholders may be jeopardised if our outsourced partners provide inadequate service, resulting in the loss of clients or regulatory or financial censure and negative financial consequences.	Ahead of outsourcing critical operational activities, the Group performs due diligence that reflects the potential risk to our business and clients. Where the Group outsources operational activities, it chooses parties of an appropriate nature and scale to provide robust controls. All outsource partners who provide the Group with critical services are subject to ongoing oversight, giving us assurance that they meet our required standards.
Information and communication technology infrastructure *The risk of critical systems or connectivity failures leading to an inability of the Group to operate for a period of time.* The unavailability of our key systems could mean we are unable to act on behalf of our clients and/or perform other time-critical activities to ensure the smooth running of our business. This could lead to trading losses, as well as client losses and reputational damage.	The Group's information and communication technology infrastructure is hosted in secure Tier 3 data centres with a high degree of redundant power and network connections. This infrastructure is designed to be fully resilient from a disaster recovery perspective and includes diverse communications lines, near real-time data replication between geographically separated data centres and multiple network routing paths. Disaster recovery is supported by replication technology providing a copy of the production environment that can be quickly brought back in the disaster recovery data centre. Unlike traditional point-in-time backups, this enables a recovery point objective of several seconds and a recovery time objective of near uninterrupted for critical market facing systems, and several hours for less critical systems. This disaster recovery strategy is tested at least annually to provide assurance of its effectiveness. The most recent disaster recovery test provided a high degree of confidence in the design's ability to cope with a major disruptive event to the primary data centre.
Cybercrime *The risk that a successful cyberattack could result in the loss of Group or client assets or data or cause significant disruption to key systems.* Failure to repel successfully a significant attack could undermine stakeholder confidence in our ability to safeguard assets, which could affect our ability to retain existing clients and attract new business, and hence affect capital and revenue.	The Group adopts a multi-layered approach to cybersecurity, consisting of training, policies and cyber controls. The Group maintains physical preventions (firewalls, filters, device management) and best practices such as patch management to minimise the risk of successful cyberattack. Systems are subject to periodic penetration testing; the Group attained Cyber Essentials certification in 2018. We have established a mandatory security awareness programme for all employees to extend knowledge and understanding of cyber risks within the business. Employees are regularly reminded to remain vigilant to the risk of cyberattack. Data back-ups are replicated to a secure offsite data centre and stored in an encrypted state. The data backups are not accessible through normal operating procedures and are therefore offline during storage.
Legal and regulatory risks *The risk of breaching, or non-compliance with applicable law and regulations, resulting in an increased level of regulatory intervention, regulatory censure and/or fines, and temporary restrictions on our ability to operate.* A breach of regulatory or legal requirements could result in fines and sanctions which could diminish the Group's reputation with clients and the market generally. Regulatory changes because of Brexit may lead to increased levels of regulatory capital or costs of compliance.	The Group promotes a strong compliance culture and requires all relevant employees to undertake training on regulatory matters. The legal and compliance functions support the business in implementing and maintaining appropriate regulatory controls, guided by relevant policies. Compliance with relevant regulatory requirements is monitored in accordance with a risk-based programme. The Group's legal and compliance functions continually monitor legal and regulatory developments to assess potential business implications. We maintain active dialogue both with our clients and with regulatory bodies so that we can understand and adapt business model and strategy accordingly. The compliance function operates processes and controls to ensure the timely and accurate submission of information to the Financial Conduct Authority.

RISK MANAGEMENT CONTINUED

Principal risk	Risk management approach
Failure to perform fiduciary duty *The risk that we unintentionally or negligently fail to meet a professional obligation to specific clients (including fiduciary and suitability requirements).* This could lead to direct financial loss, a loss of clients, failure to win new business and reputational issues.	The client engagement process is based on engagement with regulatory approved investment professionals and advisors who develop with the client their desired client outcomes. Suitability is assessed by experienced and approved personnel who work closely with clients to understand their needs and desired outcomes to develop tailored solutions. We have a long track record of investment performance which allows us to model for the client's historical and hypothetical performance scenarios under different market conditions which informs our clients of the range of possible outcomes that they could expect relative to their objectives. The investment management process is documented within the investment mandates, including risk limits and concentration limits. Investment guidelines and restriction metrics are monitored against mandate parameters to maintain compliance. Variance triggers and thresholds are in place, and breaches are promptly escalated. Underlying liquidity within funds is monitored and adjusted as market conditions dictate. A regular governance process with clients provides for regular interaction to identify changes in the client's desired outcomes and solicits feedback on the actual outcomes experienced by the client. The Group's compliance and risk functions, which operate alongside the business but have independent reporting lines, act as a second line of defence in respect of the investment management process.
Breakdown of processes and controls resulting in operational errors *The risk that inadequate or failed processes, people, systems and controls or from external events could result in direct financial losses, reputational damage and failure to win new business.* A significant error or breach of a client agreement may result in additional costs to redress the issue and could lead to outflows. The unavailability of our business premises could mean we are unable to act on behalf of our clients and/or perform other time-critical activities to ensure the smooth running of our business. This could lead to trading losses, as well as client losses and reputational damage.	Effective Group oversight and governance through the Board of Directors and Board Committees. Our policies, procedures and other documentation govern workflows, internal control procedures and escalation protocols. We look to continuously improve our processes and controls and their formalisation. We employ experienced and knowledgeable employees and apply appropriate segregation of roles and responsibilities. A business continuity management programme is on place for the continuity of critical business functions and services. We have implemented remote working, including core system access for all our essential staff if they cannot travel to our offices. Insurance covering errors and omission is used to mitigate significant financial loss. The Group's compliance and risk functions operate alongside the business and provide guidance and oversight of process and control procedures designed to ensure compliance with governance and regulatory requirements. Measures include a clear, consistent view on risk and risk appetite, proactive and effective monitoring to minimise unexpected incidents, and a comprehensive compliance monitoring programme.

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over the next three years and confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due.

The Directors reviewed the viability assessment period of three years and have confirmed that it remains appropriate as it most closely corresponds to the planning horizons used within the Group.

The viability process was run closely with the financial modelling for the ICAAP, involving business heads, divisional COOs, and senior representatives from finance, risk, and compliance functions.

The viability process considered the principal risks that could threaten the Group's business model, profitability, solvency and regulatory capital adequacy. As the business is cash generative, the risks which would threaten viability were those which would reduce revenues or lead to cost increases, thereby eroding regulatory capital and solvency over time. These could be the result of market events and macroeconomic shocks leading to possible investment losses and outflows, operational issues or regulatory changes leading to cost increases, or reputational damage.

Five scenarios were chosen to simulate severe yet plausible stressed outcomes:

1. A prolonged downturn, with stagnant recovery over the viability assessment period;
2. Group-wide, severe and sustained reduction in basis points charged on AUM/NUM;
3. The loss of key investment personnel within the Group, leading to outflows of assets;
4. The occurrence of both (1) and (2) simultaneously; and
5. The occurrence of both (1) and (3) simultaneously.

The scenario evaluation was based on the Group's 2019/2020 budget, three-year financial projections and the modelled impact of each of the scenarios.

The impact of market events on asset values and investment performance was modelled by investment teams within the business, and the second-order impact on AUM/NUM flows was assessed with input from business heads and distribution team members. The impact of cost increases was assessed based upon known costings at current operational levels and the levels of additional resource required. Management actions to reduce costs or otherwise protect regulatory capital, cash or profits were subject to rigorous challenge to ensure actions were feasible, both in scope and timing.

The Group's balance sheet, cash and regulatory capital positions in each scenario were modelled by Group finance by applying known historical behaviours (such as invoicing timing and frequency, average debtor payment days) and adjusting for any expected impact arising from the stress scenarios.

The lowest profit, regulatory capital and cash position prior to management actions arose in scenario four, however in each scenario, after mitigating actions, the Group remained profitable, solvent and in excess of its capital requirements, albeit at reduced levels. As a result, the business remained viable.

The resilience of the business to these different scenarios resulted from:

- The relative diversification of revenue between different asset classes, notional amounts and advisory revenues – this is illustrated further in the Group's RWAA on page 7;
- The general institutional nature of many of the Group's clients, leading to less short-term negative impact on flows following market events. This is reflected in the Group's RIA, which is measured on page 25;
- The remuneration policy of the Group and the underlying divisions generally being expressed as a percentage of revenue, meaning the impact of revenue reductions are partially cushioned by falling variable remuneration levels (up to a point); and
- The current strong profit levels, combined with a dividend policy based upon actual profits, as opposed to a progressive dividend. This approach gives the Group more flexibility to respond to severe stresses.

The nature of the viability testing is that the scenarios chosen should be severe. Where appropriate, the Group has controls and processes in place to reduce the impact of negative events occurring.

PEOPLE REPORT

> "We want to create an open, candid and constructive working environment."

IAN ICETON

MANAGING DIRECTOR – TALENT, PERFORMANCE AND REWARD

Talented employees, their development and advancement, are critical to the success of the Group. It is therefore imperative that the Group engages effectively with its employees to ensure it is able to retain them. The Group has a talent management philosophy that is linked to attracting, advancing and retaining talented employees. This talent management philosophy is based on the Group's principles that define what and who we are.

PRINCIPLES

Integrity: We understand that any sense of us operating without integrity will destroy our business; clients don't want to engage with people they can't trust.

Authenticity: One of the important things that differentiates us is our authenticity. Many of our new employees have commented on how genuine they find our people. We encourage a sense that people are straight and clear about what they believe.

Respect: We expect people to be candid with others, however this must be done with respect. Our people think about how they frame their views in a way that is respectful to other team members.

Community: Internally, our people are helpful in supporting the good of the organisation and externally, we encourage people to do things that have genuine benefit for others; we aim to make a difference through the things we do, including charitable work and contributions.

Diversity: We value a workforce that is diverse.

On a quarterly basis the Group holds Town Hall meetings to provide employees with an update on business performance and to give an opportunity to ask questions directly to senior management.

During the financial year the Group undertook its first employee opinion survey and achieved a 76% response rate and an overall rate of engagement of 59%, a good response rate for a first-time survey. The most positive employee experience scores reflect a focus on being client centric, offering opportunities for career progression, valuing innovation and creative thinking and employees enjoying working with their colleagues, teams and peers. Areas highlighted for improvement include greater collaboration and communication, these areas are being addressed by action plans implemented by employee led working groups. The relocation of one of the Group's offices from 11 Strand to 1 Aldermanbury Square, a few minutes' walk from the Group's other office at Coleman Street, has already had a positive impact on these areas for improvement.

PERFORMANCE

The Group's values describe the behaviours that the business considers to be critical to success. Behaviours not consistent with the values are not acceptable and are dealt with appropriately.

To assist in measuring performance, the Group has identified a number of behavioural competences which measure employee's performance against the Group's values and feed into the Group's annual performance appraisal programme.

REWARD AND RECOGNITION

As well as offering competitive base salaries the Group runs an employee bonus scheme which is dependent on personal and business performance. Bonuses may be paid as cash or as part of the Company's deferred equity plan under which payments may be made in units of funds or in Company shares. The Company also runs an annual Save As You Earn scheme and during this financial year 218,828 shares vested for 42 employees.

VALUES

Passionate about client success	We expect our people to be passionate about client success. We care about our clients. We gauge this by whether clients believe our commitment.
Creative – involving, challenging and convincing others	Creativity is critical to our client proposition. We aim to keep reinventing ourselves to achieve our business objectives of growth and to avoid becoming commoditised. This is best achieved by bringing together diverse people to debate issues. We therefore seek to hire and advance people who are creative, who involve others to get higher quality input and are comfortable challenging. In debate, we do not recognise hierarchy, only the quality of the argument.
Open, candid and constructive	We expect our people to be open with information and their views. We expect people to be candid, particularly in the management of others and want all interaction to be constructive.
Demanding of our best	We aim to stretch ourselves and each other to be the best we can. We are demanding of our people and we are committed to helping them achieve excellence. We expect people to express constructively their disappointment for anything that is mediocre, be it client work, performance or internal processes.
Commercial in all that we do	Commerciality means more than just profitability. We aim to engage in client relationships in a way that works for both the client and our business. Ultimately, commerciality is about how we balance risk and cost against potential reward.

"The most positive employee experience scores reflect a focus on being client centric and offering opportunities for career progression."

River and Mercantile Derivatives won the award for LDI Manager of the Year at the Pensions Age Awards 2019 and River and Mercantile Solutions was highly commended in the DCI Multi-Asset Fund Manager of the Year category at the Professional Pensions UK Awards 2019.

WORK/LIFE BALANCE AND HEALTH AND WELLBEING

The Group encourages a balanced approach to working and offers flexible working arrangements to all employees. This year the Group has enhanced its maternity pay from 12 to 26 weeks and has increased its annual leave entitlement to 28 days plus bank holidays. Employees are offered comprehensive medical insurance which incorporates many health and wellbeing features including wellbeing assessments, workshops on key topics like managing stress and lifestyle.

At the end of 2018 the Group introduced the concept of mental health first aiders and trained a number of employees who are leading a Time To Change action plan.

The Group continues to offer to all employees the opportunity to benefit from the cycle to work salary sacrifice scheme.

RECRUITMENT

The Group is committed to the fair and equitable treatment of all employees and applicants in the recruitment process. During the year a number of workshops focusing on developing recruitment skills have been rolled out to the Group's line managers.

DIVERSITY AND INCLUSION

The Group continues to drive diversity and inclusion at all levels with the aim of valuing everyone equally and respecting all aspects of diversity. The Group remains supportive of the focus on diversity in the 2018 Code and has accordingly decided again to early adopt disclosure of the gender balance of senior management and their direct reports as required by the 2018 Code which follows the recommendation of the Hampton-Alexander FTSE Women Leaders Project.

Gender balance as at 30 June 2019

Position	Female	Male
Directors[1]	2	6
Senior management	3	9
Senior management direct reports	15	35
Total employees[2]	71	194

1. Note that this will change following the AGM in 2019 to four male Directors and two female Directors.
2. Including RAMAM partners.

GENDER PAY REPORTING

Although the Company is not obliged to publish the gender pay reporting analysis as it does not have 250 or more UK based employees, it is included here for general information, and is comparable to our industry peers. It is also notable that the same proportion of men and women receive a bonus, albeit there is a wider gender gap with bonus than on pay which is reflective of the existing gender seniority pattern, as can be seen from the second table below. We will continue to take actions to move these results in a positive direction.

Gender pay gap – mean	Gender pay gap – median	Gender bonus gap – mean	Gender bonus gap – median	Proportion of men getting bonus	Proportion of women getting bonus
24.6%	24.6%	31.5%	41.2%	87.9%	87.7%

As per the requirements: the mean hourly rate is the average hourly wage across the entire organisation, so the mean gender pay gap is a measure of the difference between women's mean hourly wage and men's mean hourly wage. The median hourly rate is calculated by ranking all employees from the highest paid to the lowest paid, and taking the hourly wage of the person in the middle; so the median gender pay gap is the difference between women's median hourly wage (the middle paid woman) and men's median hourly wage (the middle paid man).

The proportion of women by quartile is as follows:

River and Mercantile Group excluding Partners	Male	Female
Upper	85%	15%
Upper middle	75%	25%
Lower middle	69%	31%
Lower	64%	36%

ADVANCEMENT

All employees have an equal opportunity for advancement, including training and development. The Group operates an internal grading system which measures development and supports a promotion panel process. During the financial year 35 employees were promoted.

TRAINING, DEVELOPMENT AND PROFESSIONAL QUALIFICATIONS

The Group has delivered a wide range of general and management training over the financial year and has offered time and financial assistance to those employees undertaking professional qualifications. The Group has recently implemented an online performance management platform and all employees have received training on how to use the system, set objectives and record personal development plans.

All employees are required to complete mandatory compliance training.

To prepare for the implementation of the SMCR the Group has invested extensively in training employees and rolling out a number of training sessions for the Company's Directors and senior managers. The Group will continue delivering its mobilisation plan in the lead up to the implementation of the regime on 9 December 2019.

The Group remains fully supportive of apprenticeships and as an apprenticeship levy paying organisation, the Group has access to levy funds which are being utilised to support management development programmes at Levels 3 and 5, business administration and finance qualifications.

PEOPLE REPORT CONTINUED

SOCIAL RESPONSIBILITY

The Group's employee led Charity Committee coordinates a variety of activities across the employee group, raising funds for a nominated charity and allowing employees to earn matched funding from the Group for registered charities they are supporting. The Group continues to work in conjunction with the Social Mobility Foundation and has again offered places on its intern programmes to young people from a variety of backgrounds.

MODERN SLAVERY

We are committed to preventing acts of modern slavery and the occurrence of human trafficking in our business and supply chain. We expect our suppliers to uphold human rights.

We have an anti-slavery policy and continue to survey our largest suppliers for compliance with the Modern Slavery Act.

ENVIRONMENTAL MATTERS: GREENHOUSE GASES

We have our primary offices in London and Boston, with further offices in Denver, Chicago, New York, Sydney and Brisbane. Our UK client base is predominantly in and around London and in the north of England. Our US client base is predominantly in Boston and New York.

Our offices have video conference facilities which are used extensively for client meetings to reduce travel for us and our clients. We use standard technology systems so that documents can be transmitted electronically.

Our travel reimbursement policy encourages staff to use public transport, where available, when attending client meetings. We are conscious of our impact on the environment and have recycling programmes for paper and plastics and encourage conservation of water and other resources.

CARBON NEUTRAL

The Group's calculated emissions figure 1,852 of tCO_2e including all travel and commuting.

The Group is committed to minimising its impact on the environment and as such fully offsets its emissions in recognised offset schemes, combining green energy funding and forestry protection and renewal.

The Directors are therefore pleased to report that the Group has once again been certified carbon neutral by Natural Capital Partners.

Ian Iceton
Managing Director – Talent, Performance and Reward

Pages 2 to 38 constitute the Strategic Report which was approved by the Board on 31 October 2019 and signed on its behalf by

James Barham
Group Chief Executive

Kevin Hayes
Group Chief Financial Officer

RESPONSIBLE INVESTMENT

CHICAGO: USA

Chicago River

INVESTING RESPONSIBLY

Considerations of stewardship; the responsible allocation, management and oversight of capital to create long-term value for clients, leading to sustainable benefits for the economy, the environment and society are consistent with our clients' evolving investment needs and therefore play an expanding role in the Group's focus on delivering investment solutions to meet those needs. As the Group combines asset management and institutional solutions, the different divisions fulfil their stewardship obligations in different ways. The Equities division has direct engagement with companies, whilst the Solutions division ensures the underlying asset managers selected are fulfilling their obligations in this area.

HIGHLIGHTS

- River and Mercantile became a signatory to the Principles for Responsible Investment, an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact.
- The Group ESG Committee was established, leveraging the Group's ESG expertise.
- In the year ending 30 June 2019, our equity fund managers voted at 1,018 company general meetings, voting against 18% of the resolutions proposed by companies, and voted on 200 shareholder resolutions with 44% of votes made against the Board recommendation.

RESPONSIBLE INVESTMENT CONTINUED

The Group's ESG Committee includes representatives from different business divisions in varying geographical areas. This ensures we are maximising our knowledge across the Group as well as developing a comprehensive approach to ESG which is consistent where possible, given the different methods of engagement across the divisions. Details on the approach by the Group, the Equities division, and the Solutions division is considered below.

GROUP ESG APPROACH

We believe in driving behavioural change, but that should not be delivered at the cost of economic returns. We seek to effect that behavioural change where we can by influencing the cost of capital for companies; rewarding the better ones with support and excluding others, though we do not exclude companies based upon their activities or industry alone. Where appropriate, we pursue direct engagement or join with others to apply peer pressure to drive change. That engagement may take the form of establishing a dialogue with management or voting against resolutions proposed by a company or its board of directors or the underlying manager.

We believe that companies staffed by a motivated and effective workforce that is both meritocratic and diverse are most likely to effect change in attitudes to environmental, social and governance issues. The ability to innovate is also key; companies that cannot do so successfully are unlikely to thrive in the long-term or retain the employee base that is such an important input to their success.

For the Equities division, this means encouraging the companies we invest in to adopt best practice Corporate Governance, which in our opinion are the cornerstone of achieving responsible and sustainable investment. For the Solutions division, this means engagement with underlying managers to understand and challenge the actions they are taking on our clients' behalf.

An integral part of our overall investment philosophy, as well as our stewardship responsibility, is understanding ESG risks and opportunities.

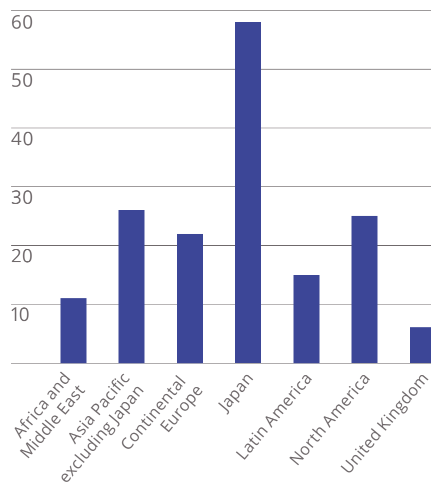
EQUITIES DIVISION ESG APPROACH

As equities managers, both our PVT (UK and Global) and ILC (Emerging Markets) teams believe best practice Corporate Governance is driving companies to adopt a responsible approach to allocating capital and delivering sustainable returns for all stakeholders.

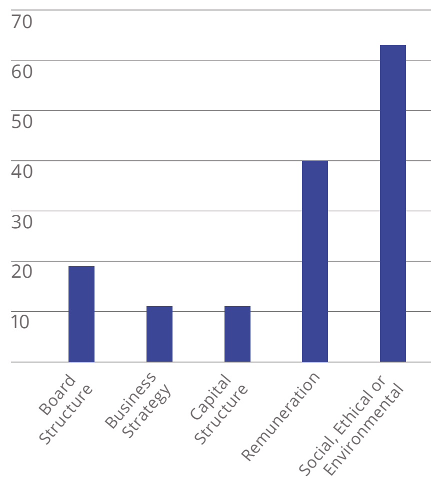
We regard voting at company general meetings as an essential component in improving the stewardship of a company in the interests of all stakeholders.

This year we voted at 1,018 company general meetings, voting against 18% of the company proposed resolutions. We voted on 200 shareholder resolutions, 44% of votes were against the recommendation proposed by the company's Board. The graphs below illustrate where votes were exercised against the Board's recommendation by region and resolution category by our fund managers in the year ended 30 June 2019.

Eligible votes exercised that were against management (by region)



Eligible votes exercised that were against management (by resolution category)



In Japan, for example, over 50% of our votes were against the recommendations of the Board due to the lack of independent boards. By category the highest percentage votes against were on shareholder proposals regarding social, ethical and environmental issues (64%) and Remuneration (40%).

Our engagement with companies focuses on developing and testing our investment case for buying or holding a stock and improving an understanding of the business and strategy. Separately, we may hold meetings or calls with a Board chair, and/or non-executive directors to discuss particular stewardship matters. Annually, we have around 300 company meetings and during the year to 30 June 2019, we engaged with 32 companies on stewardship related issues.

Our Equity division fund managers and analysts incorporate ESG research into their company analysis, helping to inform them of how these risks may or may not impact forecasts and valuations. The team continue to evaluate additional providers for global ESG data which will provide a consistent, up to date source of ESG data across their investment universe.

When we conduct our analysis on companies, apart from gaining an understanding of the business and financial management, we believe it is important to identify potential non-financial risks, such as management's behaviour with regard to factors such as corporate governance, customers, employees, suppliers and the environment. We run an ESG analysis report monthly, which provides a broad overview of our portfolios from an ESG perspective, and on a daily basis allows us to identify companies with potential related risks to take into account when analysing. In addition, we run a fortnightly report showing ESG rating moves both upwards and downwards, including reasons for the change. Where the MSCI ESG rating and/or carbon emissions score is low, or has moved materially over recent periods, this is a signal for further analysis.

Understanding the exposure of our equity portfolios to economic activities affected by the transition to a low carbon economy is important. Although the tools for monitoring this are still in their infancy, we have used the PRI's 2° Investing Initiative climate change scenario analysis tool to assess the impact of climate change on our portfolios and for evaluating risks.

Assessing climate change risks is part of our fundamental research. For example, in the Energy sector the impact of regulation, which is likely to increase, and innovation that will start to reduce the demand for fossil fuels are important areas for us to monitor. Regarding climate change 'return seeking' opportunities, within our portfolios we have exposure to wind farms, wind turbine manufacture, semiconductor capital equipment, in particular LED manufacturing and lowering power consumption, and smart meters. We are planning to incorporate the requirement for companies to disclose carbon emission information into our voting policy.

We also believe companies should be making the FSB Task Force on Climate-related Financial Disclosures (TCFD) part of their reporting process.

SOLUTIONS DIVISION ESG APPROACH

The Solutions division continues to be committed to and an active supporter of the responsible investment initiative (driven by the UK Sustainable Investment and Finance Association and the Association of Member Nominated Trustees).

As part of our commitment to this, all consultants have attended ESG engagement training, which included the Group's approach to ESG integration. Following this, ESG training is being provided for our client base at trustee meetings and we are aiming to have provided this to the vast majority of our pension scheme clients as part of trustee board sessions by the end of the year. We have also run a number of beliefs sessions with trustee boards.

In the Solutions division, we use ESG quantitative data along with manager data to understand and challenge the actions underlying managers are taking on our clients' behalf in addressing the principles of responsible, ethical or sustainable investing. This includes engaging with managers on how they are addressing TCFD with companies they are invested in and becoming UN PRI signatories.

As part of our quarterly fiduciary management reports, we include an ESG footprint of the equity and fixed income components of client portfolios which amalgamates all of the underlying managers' positions. We also provide statistics on our engagement with the underlying managers of our fiduciary portfolios in respect of corporate actions and resolutions. Over the year to 30 June 2019, we voted on 143 separate resolutions across 32 meetings on behalf of our fiduciary management clients. This ensures trustees are able to understand and challenge the ESG risks in their portfolio holdings as well as ensuring effective stewardship.

Over the year we have been developing an investment strategy with positive ESG characteristics as an alternative to the typical industry definition of quality equity for use in our fiduciary client portfolios. The strategy provides systematic exposure to quality companies across sectors based on multiple dynamic factors: primarily growth, stability and personnel factors. In doing so, we avoid using negative screens to exclude certain industries or countries, as we believe high quality, well-managed companies can be found almost universally.

We believe a selective approach to the numerous factors underlying an ESG score can amplify the quality characteristics of a company. In particular, we aim to assess organisations on their ability to have adequate people policies and HR processes, as well as a strong company culture.

We are currently considering alternative ways to directly influence portfolios to be positively ESG aware as we do believe that, over the long term, having positive ESG characteristics should benefit the risk/return profiles of our clients. We expect this to be a key area of research and development for next year.

BOARD OF DIRECTORS

JONATHAN DAWSON

CHAIRMAN

JAMES BARHAM

GROUP CHIEF EXECUTIVE

KEVIN HAYES

GROUP CFO AND GLOBAL HEAD OF SOLUTIONS

MIKE FAULKNER

GROUP CIO

BACKGROUND AND EXPERIENCE

Jonathan Dawson

Jonathan was appointed to the Board on 1 October 2017 as Chairman of the Company. Jonathan chairs the Nomination Committee.

Jonathan has extensive financial services, pensions and non-executive experience. A graduate of the universities of St Andrews and Cambridge, Jonathan started his career in the Ministry of Defence before joining Lazard, the investment bank, where he spent over 20 years. He left Lazard in 2005 and co-founded Penfida Limited, the leading independent corporate finance advisor to pension fund trustees.

Jonathan currently serves as a Non-Executive Director and Chair of the Remuneration Committee of National Grid plc and is the Chairman of Penfida Limited.

Most recently Jonathan served as Senior Independent Director and Chair of the Audit and Risk Committee of Jardine Lloyd Thompson Group plc. Jonathan previously served as Senior Independent Director and Chair of the Remuneration Committee of Next plc. Jonathan has also chaired three pension scheme boards of trustees. Other previous appointments include, Non-Executive Director of Galliford Try plc, National Australia Group Europe Limited and Standard Life Investments (Holdings) Limited.

James Barham

James is the Group Chief Executive of River and Mercantile Group PLC. He founded RAMAM in 2006 with the backing of Pacific Investments and was its Chief Executive Officer until the merger with P-Solve in 2014. Immediately following the merger James became Global Head of Distribution before becoming Head of Asset Management in 2016 whilst retaining his responsibilities for RAMAM. James has been a Group Board Director since the IPO and was appointed Deputy Group CEO with responsibility for all the Group's businesses in September 2018. James became Group Chief Executive in July 2019.

James completed his education at the Royal Military Academy Sandhurst and following service with the Royal Welch Fusiliers joined Shandwick Consultants in 1989. He subsequently joined James Capel in 1991 and in 1995 was part of the team that founded and successfully floated Liontrust Asset Management PLC, where he established and managed the institutional business. James joined Intermediate Capital Group in 2004 as Sales and Marketing Director, leaving to found the RAMAM business.

Kevin Hayes

Kevin is Group CFO and Global Head of Solutions. He is an international CFO with 25 years' experience in financial services. Kevin began his career at Ernst & Young and was a Partner in the New York office covering financial services audit and consulting clients. He moved to Lehman Brothers where he held various roles including: Global Capital Markets Controller, International CFO for Europe and Asia, and Head of Productivity and Process Improvement. In 2007 Kevin joined Man Group PLC in London as Group CFO and Executive Director on the Group Board. He was also a trustee of the Man Group PLC Pension Plan. Kevin has degrees in accountancy and law from Victoria University in New Zealand and is a Certified Public Accountant in the US.

Mike Faulkner

Mike founded P-Solve (now River and Mercantile Solutions) in 2001 and served as its Chief Executive Officer until the merger. Under his direction the business became the first institutional advisor in the UK to offer fiduciary management to pension schemes. After serving as the Group's CEO since its formation in 2014, Mike stepped down from the role in July 2019 to focus on the Group's research, development and innovation of intellectual property, with a focus on a new range of macro strategies. Mike will step down from the Board at the December 2019 AGM.

Mike has 22 years of consulting and asset management experience. He was ranked number one in the Financial News category of Europe's most influential asset managers and included in the overall top 10 in its FN 100 Most Influential annual survey in 2011. Mike is a mathematics graduate from Imperial College, London.

COMMITTEE MEMBERSHIP

Jonathan Dawson

- Nomination Committee (Chair)

JACK BERRY

GLOBAL HEAD OF COMPLEX CLIENTS

Jack was the Vice-Chief Executive Officer of P-Solve (now River and Mercantile Solutions) until the merger and is an Executive Director on the Board of River and Mercantile PLC. He has an accountancy degree from the University of South Africa with a master's in finance from the London Business School and is a qualified Chartered Accountant. Jack established P-Solve's bespoke hedging capability approach in 2004, leading work on the use of derivatives in liability-driven investments as well as the use of structured products for institutional clients. Jack works with clients across the Group and is a key point-of-call for advice and counsel for CIOs, trustees and sponsors on investment solutions. Jack will step down from the Board at the December 2019 AGM.

ANGELA CRAWFORD-INGLE

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Angela is a Chartered Accountant with extensive audit experience of multinational and listed companies. She was a Partner in PricewaterhouseCoopers specialising in financial services for 20 years during which time she led the insurance and investment management division and retired in 2008. She is currently a partner in Ambre Partners, a firm providing strategic, financial and operational advice to private equity firms and entrepreneurial companies. She was appointed as a Non-Executive Director of Openwork Holdings Limited in March 2018. In previous roles, Angela served as a Non-Executive Director of Beazley plc and Swinton Group Limited. Angela is the Chair of the Audit Committee, the Senior Independent Director and additionally sits on the Remuneration, Nomination and Risk Committees.

- Audit Committee (Chair)
- Nomination Committee
- Remuneration Committee
- Risk Committee

MIRIAM GREENWOOD

INDEPENDENT NON-EXECUTIVE DIRECTOR

Miriam was appointed to the Board on 28 May 2019 and is the Chair of the Company's Remuneration Committee and additionally sits on the Audit, Nomination and Risk Committees. With extensive financial industry experience, she was a founding partner of SPARK Advisory Partners and has held senior roles with a number of major financial institutions. Miriam currently serves as the Senior Independent Director and Chair of the Remuneration Committee of Smart Metering Systems plc, as Non-Executive Director of Eclipse Shipping Ltd and as a Partner of SPARK Advisory Partners. She is an advisor to Ofgem and the Mayor of London's Energy Efficiency Fund. In previous roles she served as a Non-Executive Director of Telit Communications plc and Mithras Investment Trust plc.

- Audit Committee
- Nomination Committee
- Remuneration Committee (Chair)
- Risk Committee

JOHN MISSELBROOK

INDEPENDENT NON-EXECUTIVE DIRECTOR

John is the Chair of the Risk Committee. Additionally John sits on the Audit, Remuneration and Nomination Committees. John has extensive financial services and non-executive experience. John currently serves as Chairman of JPMorgan Chinese Investment Trust Plc, Chairman of Northern Trust Global Services SE and as a Non-Executive Director and Chairman of the Risk and Remuneration Committees of Brown Shipley & Co. Limited. John was formerly Chairman of Aviva Investors and served as the Chief Operating Officer of Baring Asset Management Limited for 11 years.

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee (Chair)

CORPORATE GOVERNANCE REPORT

"The Board promotes a culture of integrity and openness, values diversity and is responsive to the views of shareholders and wider stakeholders."

JONATHAN DAWSON

CHAIRMAN OF THE BOARD

Board and Committee member attendance for the period ended 30 June 2019

Director	Board quarterly	Board ad hoc	Audit	Risk	Remun-eration	Nomin-ation
Jonathan Dawson	4/4	15/15	n/a	n/a	n/a	3/3
James Barham	4/4	15/15	n/a	n/a	n/a	n/a
Jack Berry	4/4	12/15	n/a	n/a	n/a	n/a
Angela Crawford-Ingle	4/4	13/15	8/8	5/5	10/10	3/3
Mike Faulkner	3/4	9/15	n/a	n/a	n/a	1/3
Kevin Hayes	4/4	14/15	n/a	n/a	n/a	n/a
Robin Minter-Kemp	4/4	12/15	8/8	5/5	10/10	3/3
Jonathan Punter	4/4	4/15	n/a	n/a	n/a	n/a
John Misselbrook	4/4	11/15	8/8	5/5	10/10	3/3
Miriam Greenwood (appointed 28 May 2019)	n/a	2/2	n/a	n/a	1/1	1/1

Where a Director has been appointed or has retired, meeting attendance is shown against the number of possible meetings they could have attended rather than the annual number of meetings.

Where ad hoc Board meetings have been held for a specific purpose to discuss matters at short notice, all Board members are sent papers and given the opportunity to comment by telephone or email if they are unable to attend at short notice.

COMPLIANCE WITH THE CODE

The Board recognises the key value of good corporate governance in ensuring the long-term sustainable success of the Company.

We recognise further that companies do not operate in isolation. In order to succeed in the long term, the Company and the Board must build and maintain successful relationships with a wide range of stakeholders. The Board promotes a culture of integrity and openness, values diversity and is responsive to the views of shareholders and wider stakeholders.

Accordingly, we are committed to the principles of corporate governance contained in the UK Corporate Governance Code (the Code), issued by the Financial Reporting Council in April 2016. This section of the Annual Report describes how the Company has applied the Main Principles set out in the Code.

The Code is available from the Financial Reporting Council's website at *www.frc.org.uk/directors/corporate-governance-and-stewardship*.

The Board has carried out a review of their compliance with the relevant Code provisions throughout the year and confirms that the Company has complied with the relevant provisions of the Code.

Looking forward to the application of the revised Code
On 24 July 2018, the FRC published the revised Code (the 2018 Code) which applied to the Company from 1 July 2019. The 2018 Code is one of the key elements of the changes to the UK corporate governance framework recommended by the government.

The 2018 Code removed the exemption for smaller companies from compliance with the requirement that at least half of the Board, excluding the Chairman, comprise of independent Non-Executive Directors. As noted in my Chairman's Statement, following the 2019 AGM the Board will be compliant with this requirement. The composition of the Board has been subject to extensive change over the past two years – a change of Chairman, the appointment of two independent NEDs, the retirement of the interim Chairman and SID, the appointment of Angela Crawford-Ingle as SID and the retirement of a NED and an independent NED. This is in addition to the change of Executive Director roles announced in October 2018 and the appointment of a new CEO announced on 24 June 2019. A further change to the composition will take place at the AGM in December when Mike Faulkner and Jack Berry will retire from the Board. Following the 2019 AGM, the Company will comply with the 2018 Code and also the Hampton-Alexander review target of 33% female representation on the Board.

Leadership
The Board has provided the Group with entrepreneurial leadership and is responsible for the long-term success of the Group for the benefit of its shareholders. The Board has regard for other stakeholders, including employees, clients, suppliers and wider society.

The roles of the Chairman and the Group Chief Executive are clearly established. The Chairman is responsible for the leadership of the Board, setting the Board's agenda and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman also maintains appropriate contact with major shareholders in order to understand their concerns, if any, relating to governance, strategy and remuneration.

The Group Chief Executive is responsible for the day-to-day management of the Company. The Group Chief Executive has established an Executive Committee to assist with the management of the business.

Board composition
As at 30 June 2019, the Board comprised 10 Directors: the Chairman, four independent NEDs, a NED and four Executive Directors. Jonathan Punter (NED) and Robin Minter-Kemp (iNED) retired from the Board with effect 30 June 2019. With effect 1 July 2019, the Board comprises three iNEDs, the Chairman and four Executive Directors. Angela Crawford-Ingle is the Senior Independent Director. Following the AGM the Board will comprise three iNEDs, the Chairman and two Executive Directors.

As the Company is a smaller company, as defined in the 2016 Code, it was in compliance with the requirement B1.2 relating to the number of independent Directors on the Board for the financial year ended 30 June 2019. As noted above, following the 2019 AGM, the Company will comply with the board composition requirements of the 2018 Code.

No individual or group of individuals dominates the Board or its decision-making.

The NEDs provide constructive challenge in respect of matters before the Board and help to develop proposals on strategy. The Board is satisfied that the NEDs provide a robust and independent element on the Board. They bring well-considered and constructive opinions, skill and knowledge to Board discussions. The Chairman holds meetings with the NEDs without the Executive Directors present on a regular basis.

All Directors are subject to annual re-election at the Company's AGM.

The Nomination Committee keeps the balance of skills, experience and diversity under review. The Board is considered to have an appropriate balance of skills and experience.

CORPORATE GOVERNANCE REPORT CONTINUED

Independence

Angela Crawford-Ingle, Miriam Greenwood and John Misselbrook have been determined by the Board to be independent (the iNEDs). Prior to his retirement from the Board, Robin Minter-Kemp was determined by the Board to be independent.

The Board has determined that each iNED is independent in both character and judgement. There are no relationships or circumstances which are likely to affect or appear to affect the iNEDs judgement or independence.

On appointment, the Chairman met the independence criteria set out in the Code.

Jonathan Punter who was not considered to be independent by virtue of his shareholding and directorship in PSG, a controlling (36.7%) shareholder of the Company as at 30 June 2019, retired from the Board on 30 June 2019.

Appointments to the Board

The Board has established a Nomination Committee to lead the process for Board appointments and to consider the balance of skills, experience and knowledge on the Board. The Nomination Committee ensures that there is a formal and rigorous process for appointments to the Board. Details of the work of the Nomination Committee are set out in the Nomination Committee Report on page 48.

New Directors are given a tailored induction arranged by the Company Secretary, which includes meetings with senior management, including the Head of Legal, Risk and Compliance and relevant business heads across the Company's operating divisions.

Commitment

The Board requires all Directors to devote sufficient time to their duties and to use their best endeavours to attend meetings.

Each NED's letter of appointment sets out the time commitment required for the role. As part of the Nomination Committee's appointment process other significant commitments of candidates are considered and any new appointments or significant interests are required to be approved by the Nomination Committee.

Roles and responsibilities

The Board has a formal schedule of matters reserved for its decision. Examples of these matters include the approval of the annual operating and capital expenditure budgets and any material changes to them, the approval of major capital projects and appointments to and removals from the Board.

OPERATION OF THE BOARD

The Board meets on a scheduled quarterly basis and held an overnight offsite strategy day in March. At the strategy day, the Board received a number of presentations on key areas of strategic importance, including the distribution of products and the Group's operations framework. In addition to the formal schedule of Board meetings, ad hoc meetings were held to consider specific items of business as the need arose. The Board attendance of the Directors is set out in the table below.

At each quarterly Board meeting, a report from the Group Chief Executive and an Operating Businesses Report are typically tabled. The Chairman of each Board Committee reports on its activities since the last Board meeting.

The Chairman, Group Chief Executive and Company Secretary liaise sufficiently in advance of each meeting to finalise the agenda. A comprehensive set of papers is circulated before Board and Committee meetings using an online board pack portal. The Company Secretary advises the Board on all governance matters. All Directors have access to the Company Secretary's services and advice.

Committees

The Board has established Nomination, Remuneration, Audit and Risk Committees. The composition of these Committees complies with the requirements of the Code. The Company Secretary advises and supports these Committees.

The Chairman is not a member of the Remuneration, Audit or Risk Committees, but attends these meetings at the invitation of the Chair of the respective Committees.

The Board has formally defined and documented, by way of terms of reference, the duties and responsibilities delegated to the Board Committees and these are available on the Group's website: *www.riverandmercantile.com*.

Performance evaluation

The Executive Directors have been evaluated individually and as a group against their individual and collective objectives. Details of their individual and collective performance are summarised in the Remuneration Committee Report.

An internal Board and Committee evaluation process was coordinated by the Company Secretary. The evaluation process involved the completion of anonymous questionnaires collated by the Company Secretary and a series of one-to-one meetings with the Chairman. The evaluation process sought individual Directors' assessments of the Board's effectiveness including strategy development, the decision-making process, Board relationships, information flows and the operation of the Board Committees.

Views of shareholders

The Board actively solicits the views of shareholders through face-to-face meetings with major shareholders, investor roadshows and ad hoc contact. The views of shareholders are reported back to the Board.

Relationship Agreement

As at 30 June 2019, PSG held 36.7% of the issued share capital of the Company. By virtue of the size of its shareholding in the Company, PSG is a controlling shareholder for the purposes of the Listing Rules and was required to enter into an agreement with the Company to ensure compliance with the independence provisions set out in the Listing Rules (Relationship Agreement).

The Relationship Agreement regulates the ongoing relationship between the Company and PSG. Subject to PSG holding in aggregate 10% or more of the Group's issued share capital, PSG is able to nominate a NED to the Board – Jonathan Punter was PSG's nominated NED. As noted above, Jonathan Punter retired from the Board on 30 June 2019. To date PSG has not indicated any intention to nominate a replacement NED.

The Relationship Agreement enables the Company to carry on its business independently of PSG and its respective Group undertakings and ensure that all agreements and transactions between the Company on the one hand, and PSG and/or any of its respective Group undertakings and/or persons acting in concert with it or its Group undertakings on the other hand, will be at arm's length and on a normal commercial basis.

The Company has complied with the independence provisions in the Relationship Agreement. So far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by PSG and its associates; and the procurement obligation included in the Relationship Agreement has been complied with by PSG. On 3 July 2019, PSG reduced its holding in the Company to 29.58% and are no longer a controlling shareholder under the Listing Rules.

Power of Directors in respect of share capital

The Directors may exercise all the powers of the Company (including, subject to obtaining the required authority from the shareholders in general meeting, the power to authorise the issue of new shares and the purchase of the Company's shares). The Company issued 3,301,365 shares (as at 10 October 2019) to satisfy awards made under the Company's Executive PSP and the exercise of options under the Company's SAYE Scheme.

Jonathan Dawson
Chairman of the Board

NOMINATION COMMITTEE REPORT

"The Committee ensures that there is a formal, rigorous and transparent process for appointments to the Board."

JONATHAN DAWSON

CHAIR, NOMINATION COMMITTEE

ROLE AND RESPONSIBILITIES

The Board has established a Nomination Committee to lead the process for Board appointments and to review the composition of the Board and Board Committees to ensure they are balanced in terms of skills, experience and diversity.

The Committee ensures that there is a formal, rigorous and transparent process for appointments to the Board. This includes identifying the skills and experience required for a particular role. The Committee oversees succession planning and the role changes of Executive Directors and senior management across the Group. A full copy of the Committee's terms of reference can be found at *www.riverandmercantile.com*.

COMMITTEE MEMBERSHIP

The Committee comprises all independent Non-Executive Directors in accordance with the Code. It is chaired by Jonathan Dawson, the Chairman of the Board. Other attendees, such as the CEO and Group HR Director attend the Committee by invitation. The Group Company Secretary advises and supports the Committee. The Committee is empowered to appoint search consultants and seek legal advice where it sees fit to assist with its work.

No individual participates in discussion or decision-making when the matter under consideration relates to him or her.

COMMITTEE FOCUS FOR FY2019

The Nomination Committee focused on two key areas in the past year – Executive Director succession planning and strategic organisational changes, culminating in the appointment of James Barham as Group Chief Executive on 1 July 2019 and the appointment of a new Chair of the Remuneration Committee, Miriam Greenwood, following Robin Minter-Kemp's decision to retire, which was announced in January 2019.

Strategic organisational developments – Executive Directors

In August and September 2018, the Committee met to consider key strategic organisational developments and proposed changes to the roles and responsibilities of senior management. The Committee considered each Executive Director's current and proposed role, reviewed the skills, experience and capabilities of each Executive Director and evaluated this against the needs of the Group and its clients.

As part of this review, the Committee considered proposed changes to senior managerial reporting lines. The Committee's key focus was ensuring that the Executive Directors and senior managers were best positioned to focus on areas of strategic importance and to respond to the Group and its clients' needs. Accordingly, the Committee recommended the following strategic changes to the Executive Directors' roles and responsibilities:

- James Barham as Deputy CEO, a role which saw James taking responsibility for all commercial business lines;
- Kevin Hayes as having responsibility for the Group's global Solutions business;
- Jack Berry as Head of Complex Clients; and
- Mike Faulkner continuing as CEO and focusing on accelerating the research and development of investment strategies.

These strategic organisational changes set in motion the Group's CEO succession plan, which culminated at year end with the appointment of James Barham as Group Chief Executive and a strategic role change for Mike Faulkner. The Committee unanimously recommended these role changes to the Board. Mike Faulkner and Jack Berry will step down from the Board at the AGM to focus on their respective roles as Group CIO and Global Head of Complex Clients.

Recruitment of a Non-Executive Director and Chair of the Remuneration Committee

In January 2019, we announced that Robin Minter-Kemp, the Chair of Remuneration Committee intended to retire from the Board on 30 June 2019. The Committee led the process for the recruitment of a Chair of the Remuneration Committee. The Committee appointed Russell Reynolds to support the search and interviewed a number of candidates that produced a shortlist of exceptional candidates. As required by the Code, Russell Reynolds does not have any connection with the Group.

These shortlisted candidates were interviewed by the Non-Executive and Executive Directors. Feedback from the interviews was provided to the Committee. This process led to a unanimous conclusion with the Committee recommending the appointment of Miriam Greenwood as a Non-Executive Director and Chair of the Remuneration Committee.

Jonathan Punter, a Non-Executive Director, retired from the Board on 30 June 2019, following five years' service as a Non-Executive Director. Jonathan's appointment was subject to a relationship agreement PSG which gives PSG the right to nominate a Non-Executive Director to the Board. To date, PSG has not indicated any intention to nominate a replacement Non-Executive Director to the Board.

COMMITMENTS

The Committee keeps under review each Director's external appointments to ensure they have sufficient time to dedicate to their duties. As part of the Committee's appointment process, other significant commitments of candidates are considered. Any new appointments or significant interests are required to be approved in advance by the Committee.

APPOINTMENTS TO THE BOARD AND DIVERSITY

Appointments to the Board are made on merit and are based on an evaluation of the skills and relevant sectoral experience of the candidates. The Committee recognises that diversity leads to better decision-making and improved overall performance. Diversity is more than gender – as such the Committee is cognisant that a combination of demographics, skills, experience, race, age, gender, educational and professional background, and other relevant personal attributes on the Board is important in providing a range of perspectives, insights and challenge needed to support good decision-making. The Board has not formally documented its policy on diversity to date, however the Committee continues to consider diversity when reviewing Board composition. Further information on the Group's approach to diversity is set out on page 37.

Jonathan Dawson
Chair, Nomination Committee

AUDIT COMMITTEE REPORT

"The Committee placed an emphasis on capital, liquidity and profitability during its review."

ANGELA CRAWFORD-INGLE

CHAIR, AUDIT COMMITTEE

MEMBERSHIP AND ATTENDANCE
Committee membership (meeting attendance is on page 44)

- Angela Crawford-Ingle (Chair)
- Robin Minter-Kemp (until 30 June 2019)
- John Misselbrook
- Miriam Greenwood (from 28 May 2019)

This is the first report of the Audit Committee, following the separation of the Audit and Risk Committee in May 2018. This was in order to allow the Risk Committee to focus on the second line of defence and the Audit Committee to focus on its third line of defence responsibilities. The three lines of defence model which the Group follows is described in more detail on page 30.

The separation has allowed the Audit Committee to dedicate more time to matters of financial reporting, Group controls, external and internal audit. The new structure has further reinforced the focus on enhancing the Group's risk-based compliance oversight. It is now better able to meet the increasing regulatory expectation for the Audit Committee to act as the 'eyes and ears' for emerging Group issues.

The Committee is responsible for assisting the Board in its oversight responsibilities for the financial reporting control environment and audit process. The primary role of the Audit Committee in relation to financial reporting is to monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, and to consider significant reporting judgements.

The recent appointment of RSM UK as the Group's internal audit function has enhanced the Group's third line of defence capabilities. Internal audit supports the Board and executive management in protecting the assets and sustainability of the Group by providing independent, objective and timely assurance over the effectiveness of governance, risk management and control. The Audit Committee is actively working alongside RSM UK in planning the internal audit programme for the upcoming year.

During the year, the Committee focussed on its responsibility for oversight of the Group's financial reporting and its control environment. As part of this work the Committee reviewed the Group's ICAAP, wind-down plan and various operational stress scenarios to support the Board's conclusions on the viability statement set out on page 35. In addition, the Committee reviewed the structure of Group finance, significant accounting changes, the Group whistleblowing policy, developed its suite of reporting metrics and further developed the Group's internal audit environment.

EVENTS AND SIGNIFICANT MATTERS

The Committee's primary areas of focus include:

Financial reporting	– Monitoring the integrity of the financial statements of the Group – Assessing changes to accounting policies and major judgemental areas – Assessing compliance with accounting, legal and regulatory requirements
Review of judgemental assertions	– Reviewing key judgemental areas of work completed by the Group, including: – Going concern – ICAAP, including operational stress scenarios – Group viability modelling and statement – Wind-down modelling and assertions – Group liquidity modelling and assertions – Significant accounting judgements
Internal audit	– Monitoring and reviewing the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system
External audit	– Overseeing the relationship with external auditors – Reviewing and approval of the annual audit plan – Reviewing the findings of the external audit – Reviewing the independence, remuneration, quality and effectiveness of the services provided by the external auditors
Whistleblowing and fraud	– Reviewing the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence – Reviewing Group procedures for detecting internal and external fraud – Reviewing the Group's systems and controls for the prevention of fraud and non-compliance and to consider appropriate action if required

Outlined below are the key areas of focus and significant matters addressed by the Committee during the year:

Financial reporting

A key objective for the Committee is ensuring that the Group's financial reporting is reliable and appropriate and that the UK Code requirements of fair, balanced and understandable (FBU) are met.

The Committee has considered reports from management and BDO LLP relating to the Annual and Interim Reports, and trading updates. Additionally, management submit reports on the financial reporting process and significant accounting matters as outlined later in this report.

Distributable reserves

In the Interim Report, the Group noted that a technical matter had arisen relating to distributable reserves impacting two dividends and requiring a general meeting to allow shareholders to ratify the dividends and rectify the position. This meeting was duly convened in May 2019 and the requisite resolutions were passed with significant majorities in favour.

The calculation of distributable reserves is a complex area and the Committee was closely involved in overseeing the resolution of the matter. This included the involvement of the Group's auditors, and the appointment of PwC to provide comfort over the revised calculations of distributable reserves. A contributory factor was the reserves arising in the Company from the merger of the Group. Consequently, the Committee recommended a capital restructure to be considered during the FY2020, further details on this can be found in the Financial Review on page 29. The Committee is satisfied that this issue has been appropriately resolved and additional controls have been implemented to help ensure this cannot recur in the future.

Review of judgemental assertions

Review of viability, ICAAP and going concern

During the year particular focus was placed on the review and challenge of Group viability, ICAAP and going concern workings produced by the Group. In reviewing the Viability statement, the Committee noted the advantage of not following a progressive dividend policy under a stressed scenario and the impacts of those stresses on liquidity and variable compensation. It reviewed the appropriateness of assumptions within the underlying models and noted that the rigour of stress testing has been significantly improved in the year.

One of the key themes during these reviews was challenge on the Group's cash position and liquidity forecasting. Improved KRIs are now received by the Committee and the impact of key payments (e.g. dividends), the impact of investments, stress scenarios and model assumptions were challenged throughout the year. The Committee notes the Group's improved reporting and monitoring capabilities with regards to liquidity and has requested further development of this in 2020.

The Committee placed an emphasis on capital, liquidity and profitability during its review. It examined the impacts of stresses on the Group's ability to hold capital in excess of its regulatory requirements and the impact that both investments and operational events would have on the Group's cash position. Although the Committee concluded that the Group remains in a strong position, it agrees with the adage that you need to 'invest to grow'. As a result, there will be additional focus on the Group's liquidity modelling going forwards, especially in light of the Group's investment and growth plans.

AUDIT COMMITTEE REPORT CONTINUED

IFRS 15 and 9 accounting changes

During the year there have been several significant accounting changes which have come into effect, the main two affecting the Group have been IFRS 15 and IFRS 9. The Committee is satisfied with the new approaches taken by the Group and outlines key changes below:

- **IFRS 15** was adopted by the Group from 1 July 2018 and sets new guidelines on how revenue should be recognised. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. The Group has adopted IFRS 15, initially applying this standard recognised at the date of initial application (1 July 2018). As a result, the comparative information has not been restated and is reported under the previous standards. Whilst IFRS 15 has introduced a different approach for determining whether, when and how revenue is recognised, the application of these tests to the Group's contracts has not resulted in a change of actual revenue recognised.
- **IFRS 9** was adopted by the Group from 1 July 2018. Financial assets are now classified into one of three categories: amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). Management have applied the 'Business Model' and 'Solely Payments of Principal and Interest' tests as prescribed by IFRS 9 to determine the correct classification. IFRS 9 represents a significant change in how financial instruments are disclosed by the Group and the Committee has worked closely with both Group finance and auditors to ensure it is satisfied with the new disclosures contained within these results.

SIGNIFICANT ACCOUNTING MATTERS

The Committee has also considered a number of significant accounting issues and judgements during the year which impact this Annual Report, including:

1. Revenue recognition

Incorrect recognition of revenue is a risk in any business. The Group's contracts are generally similar to each other in nature and do not contain complex terms or arrangements which would increase the scope for fraud and error. However, the calculation of performance fees in particular can be more bespoke and complicated, and accruals for performance fees can rely on estimates.

The current year saw the implementation of IFRS 15 'Revenue from contracts with customers', and the Committee had previously reviewed technical papers from management on its implementation and the fact that it was not expected to impact on revenue recognition.

The Committee reviews both the accounting policies surrounding revenue recognition and reports from management on the controls and processes in place to ensure accurate reporting of revenue.

2. Accounting for employee and Director share schemes, and remuneration deferrals pursuant to UCITS V

The Group has a number of share schemes, including the EPSP for Directors, and PSP and DEP for all staff. The Committee reviewed periodic reports from management on the EPSP as the vesting date approached. The Committee had previously considered papers from management on UCITS V and there were no significant changes during the year.

3. Viability statement

The viability statement relies upon an assessment of the Group's ability to continue in operation and meet its liabilities as they fall due. This assessment based on the key risks which the Group faces. As a result, the Committee has played a role in its review and challenge.

4. Impairment of investments and intangibles

The Group has goodwill and intangibles on consolidation, and the Company holds investments in subsidiaries on an unconsolidated basis. The Committee reviews periodic reports from management as to indications of impairment and the results of impairment testing, to ensure that management's assertions as to the recoverability of carrying values are supportable.

5. Completeness of cost and contingent liabilities and provisions

Cost completeness is a key risk in all businesses. The Committee has reviewed significant business matters and areas subject to estimation during the year, to ensure the inclusion of related costs in the correct accounting period as well as the need for any additional cost recognition or disclosure.

Internal audit

As part of their engagement with the Group, BDO LLP also report on internal control recommendations that they have noted during their work. The Committee reviews these items and monitors delivery of improvements against them.

Provision and development

In last year's report the Committee decided to formalise internal audit on an ongoing basis with the appointment of a permanent internal audit resource to provide improved third line assurance to the Committee and to the Board going forward.

The Committee decided upon the use of an outsource provider as opposed to internal resource as we felt that – for an organisation of our size – an outsource model provided the advantage of a deeper pool of experience and access to subject matter experts; as compared with an internal team with limited resources. We will keep this under review as the Group grows.

The appointment of an internal auditor was conducted through a rigorous tender process. Key outcomes sought included; a seamless service across the Group's global presence; best-in-class personnel and knowledge of the financial services industry; and a cost effective, risk-based approach with a strong methodology for approaching the work.

I am pleased to report that we have appointed RSM UK as the Group's internal audit function, to be provided on an outsourced basis and that their work has already begun. I look forward to reporting on their first full year of work in the 2020 Annual Report.

Internal controls – finance

A particular focus this year were the controls over the risks within the Group, including the Group finance department. We receive regular formal updates on the Group finance department matters, including key risk indicators. Group finance has been restructured to better align resources to key risk areas and has undertaken a formal review of controls during the year, which will be ongoing. The Committee regularly receives updates on the progress of this work.

External audit

Review of independence, objectivity and effectiveness

The Committee has reviewed auditor independence, objectivity and effectiveness at a number of meetings and is satisfied that the auditors remain independent and objective.

The auditors have attended all meetings and have input into discussions at those meetings. In doing so, I believe that they have helped to ensure that decisions are appropriately weighted by adding effective robust and constructive challenge.

Audit and non-audit fees

The Group audit fee payable to BDO in respect of 2019 was £255,000 (2018: £237,000). Fees for audit related services are primarily in respect of the half-year review and full-year audit for the Group and its subsidiaries. The increase in these fees compared to 2018 largely relates to further developments in accounting standards. The Committee is satisfied that the audit fee is commensurate with permitting BDO to provide a quality audit and monitors regularly the level of audit and non-audit fees.

Non-audit fees amounted to £0 (2018: £0). Further details of the fees paid to the external auditors for audit and non-audit work carried out during the year are set out in note 5 of the Group financial statements.

The Committee is satisfied that the non-audit fees do not impair BDO's independence.

External auditors appointment

The reappointment of BDO LLP was approved by shareholders at the 2018 AGM, with 100% of the votes cast being in favour of the motion. The Committee has considered the continuing appointment of BDO LLP as the Group's external auditors and is satisfied as to the scope of the audit. The Committee has also reviewed BDO's remuneration. BDO LLP has been the Group's auditors since IPO in 2014, and the Committee has recommended its reappointment for the coming year to the Board. Under the Statutory Audit and third Country Auditors Regulations part 3, the Group is required to ensure the audit is subject to a public tender not later than 2024.

Whistleblowing

I am the Group's whistleblowing champion and the Committee reviews the operation and effectiveness of the Group's 'whistleblowing' processes, systems and controls, by which staff may, in confidence, raise concerns about possible wrongdoing in the Group.

Last year saw the implementation of an updated policy and procedures (including the introduction of an external, independent whistleblowing resource and helpline). These have been well assimilated into the Group's operations. The Committee is satisfied that the revised procedures are appropriate for the Group and there is nothing to report with regards to whistleblowing this year.

REGULATORY CHANGE

While the continued uncertainty surrounding the UK's withdrawal from the EU inevitably presents challenges in managing and planning for regulatory changes, there have nevertheless continued to be areas requiring the Committee's attention. This year was the Group's first full year under both MiFID II and GDPR. In addition, it was the first year implementing several significant accounting changes (IFRS 15 and 9). The Committee has also looked at upcoming changes due to come into effect for the FY2020, such as IFRS 16 and the new IFR and EU prudential legislation which is likely to come into effect regardless of the Brexit outcome.

Real success lies, not in the implementation of these changes, but in our continued adherence and vigilance in exercising them. We will continue to demonstrate our commitment to a culture of compliance and diligence.

MEETING ATTENDANCE

The Committee met eight times during the year. Attendees usually include the Group's CFO, Deputy CFO and/or Financial Controller, the Group's General Counsel and the external auditors, BDO LLP. Other participants are invited as appropriate and include divisional and Group COOs, Head of Risk and external parties in addition to the auditors. The Committee also usually holds private sessions with the external auditors and will also include the internal auditors in 2020.

ANNUAL REPORT

The Committee has reviewed the content of the Annual Report and financial statements and advised the Board that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Angela Crawford-Ingle
Chair, Audit Committee

RISK COMMITTEE REPORT

"Risks to our clients, to our markets and to our reputation are the priority for the Committee."

JOHN MISSELBROOK
CHAIR, RISK COMMITTEE

Membership of the Committee comprised the independent Non-Executive Directors:

- John Misselbrook (Chair)
- Angela Crawford-Ingle
- Robin Minter-Kemp (until 30 June 2019)
- Miriam Greenwood (from 28 May 2019)

The Board considers all the members to have the relevant skills and experience to be members of the Committee and they have all attended the quarterly meetings, with additional ad hoc meetings held as required. The Committee met five times in the past year. The meeting invites other participants as appropriate and has standing invitations for the Chairman, Group CEO, Group CFO, Group CRO, Group General Counsel and Group COO.

The creation of a separate Risk Committee by the Board in Q2, 2018 came from the recognition that with the growing complexity of the Group and the continuing demands of regulation there needed to be a specific focus on risk and regulation at Board level.

Since becoming Chairman of the Risk Committee, we have had a full agenda consistent with the Board's objectives. We appointed a Chief Risk Officer (CRO) in August 2018 and have further strengthened the risk function during the year.

KEY RESPONSIBILITIES

- Assessing the principal risks that arise from the Group's business model that can impact future performance, and to provide the Board with advice on risk strategy.
- Oversight of the risk framework.
- Review and recommendation for annual approval by the Board of the risk appetite statement, including the key risk indicators reflecting the Board's risk tolerance.
- Reviewing and monitoring the effectiveness of our processes and controls in identifying, mitigating and managing significant strategic, credit, operational, regulatory, reputational and liquidity risks.
- Reviewing the Group's ICAAP process.

The Committee's full terms of reference can be found at *www.riverandmercantile.com*.

RISK FRAMEWORK

Work has been ongoing to enhance the risk framework and to improve the clarity of governance and oversight of risk within the three lines of defence. Policies and procedures continue to be reviewed and improved.

BREXIT

The Committee has continued to review the Group's assessment of the impact of the different Brexit scenarios on the Group's business with an increasing focus on our ability to manage and mitigate the risks arising from a no-deal Brexit. The Group currently has limited business within the EU27.

ICAAP

Development of the ICAAP is an important part of the annual risk agenda and I am pleased with the positive engagement of all lines of defence in the comprehensive review of the ICAAP in 2018 and the further development that is taking place in 2019. The ICAAP is an important regulatory document leading to the Board's assessment of our regulatory capital requirement. Its preparation enables us to focus on the risks and risk scenarios that the Group is, and can be, exposed to and the systems and controls we have in place to mitigate them.

CONDUCT

Creation of the Risk Committee has assisted the Board in emphasising the importance we give to good conduct by our staff in all that we do. After a difficult year with the outcome of the FCA competition referral and the dismissal of a portfolio manager we have taken further steps to embed good conduct. However, we are not complacent that this is a journey and, as the Chairman has emphasised in his report, will remain a focus of the Committee.

SMCR

The extension of the SMCR to the asset management industry from December 2019 underlines the importance the Board is giving to the risk framework and conduct. A significant project is under way to ensure we will meet the requirements of SMCR by the December live date.

AUTHORISED CORPORATE DIRECTOR (ACD)

The role and responsibility of the ACD in the governance and oversight of mutual funds has been very much in the public domain following the suspension of the Woodford Equity Income Fund and is rightly a matter for scrutiny by the FCA. We took the decision early in 2019 to appoint an independent ACD, Equity Trustees Limited, for the River and Mercantile ICVC. This appointment has been approved by the regulator and will take effect during Q4, 2019. We believe this will further improve the governance of our range of mutual funds.

LIQUIDITY

Liquidity within collective funds is of importance to the investment manager and the investors in those funds and following the issues with the Woodford funds this has become a focus for investment managers, investors and regulators. We have reviewed the procedures we have in place for the monitoring and oversight of fund liquidity and believe they are robust and consistent with the objectives of the fund as set out in the fund prospectus. However, we continue to look at ways in which we can improve our processes and to ensure that the liquidity risk in individual funds, based on the fund's investment objectives is properly understood by our investors.

I would like to thank my colleagues on the Committee and executive management for their contributions to the work of the Committee and insights into the risk assessment process.

John Misselbrook
Chair, Risk Committee

REMUNERATION COMMITTEE

"Achieving an appropriate balance between rewarding short-term performance and longer-term investment in profitable growth has been a key focus of the Committee."

MIRIAM GREENWOOD

CHAIR, REMUNERATION COMMITTEE

Dear Shareholders,

First, I would very much like to thank Robin Minter-Kemp, on behalf of the Committee, for his work as Chair of this Committee for the period from the Group's flotation until the end of June 2019. I became Chair on 1 July 2019 so much of this Report covers the period when Robin was in post.

I am very aware that I have taken over as Chair in the context in which the Group's Remuneration Report has, in the past two years, been supported overall, but subject to minority votes against. As the Chairman has stated, we take the views expressed by shareholders very seriously.

We said in last year's Report that we would undertake a further review of our existing Remuneration Policy during 2019 with a view to presenting a new remuneration policy for approval at the Group's 2019 AGM. However, we are taking the opportunity afforded by my appointment and the significant Executive management changes during the year, as well as the evolving legal and governance landscape regarding executive remuneration, to undertake a fundamental review of our Remuneration Policy at its expiry in 2020 with a view to bringing it before shareholders at the 2020 AGM. We intend to consult fully and extensively with shareholders on the development and structure of a new Remuneration Policy to align the policy with the interests of shareholders and stakeholders and to enable our Executive leadership team to be appropriately incentivised to deliver our strategy over the coming years.

In the interim period, we have taken full account of the concerns of shareholders expressed ahead of the 2019 AGM and within the current Remuneration Policy have made a number of changes which go a long way to meeting those concerns, in particular, on the composition of variable remuneration for the Executive Directors where we have removed the performance fee bonus from variable pay for the year ended 30 June 2019. As a consequence, variable pay, excluding the one-off vesting of the Executive Performance Share Plan ('EPSP') share awards granted at the time of the IPO, will be substantially lower than last year. This, we believe, will go some way to answering shareholder concerns surrounding the existing Remuneration Policy. The Committee carefully considered the quantum of both variable pay and the long-term incentive awards in the context of the performance of the business and these are clearly reflected in the Remuneration Report.

The Group is continuing to grow and that growth remains dependent on the recruitment and retention of high quality individuals and, in a competitive market, we need to be able to offer attractive remuneration packages. Our investments in people would, typically, not become immediately revenue generating and so, to support this growth, we have decided that the remuneration ratio cap in our existing Remuneration Policy of 54% of net management and advisory fees plus 50% of performance fees needs to reflect this business need.

As you will note from the Group Chief Executive's Review and in line with our published interims, we have divided the business into two key reporting components, the Core business and Investments. We have set out clearly the parts of our business we consider as Investment. As permitted by the Remuneration Policy approved by shareholders, the Committee has exercised its discretion temporarily to exclude from the calculation of the remuneration cap those items considered to be Investment. This will permit the investment required to drive the future growth strategy by allowing for investment in new teams to support the profitable growth of the business. This year we are very close to the cap, and whilst the Core business remains within these ratios, planned investments in key employees in critical markets around the world have been temporarily excluded from calculating the remuneration ratio cap in both FY2019 and FY2020. We will review and consult on this approach to capping Group wide remuneration in our new remuneration policy.

HOW HAVE THE EXECUTIVE DIRECTORS BEEN REWARDED?

The Remuneration Policy rewards Executive Directors for both short and long-term outcomes. We explicitly link their bonuses both to delivering earnings growth for our shareholders and to achieving investment returns for our clients. In the past, this has included awarding specific performance fee bonuses to Executive Directors over and above the short and long-term variable pay awards. We have listened to our shareholders and have decided not to award performance fees bonuses, to the Executive Directors, this year.

This report sets out our remuneration structure which is designed to align the incentives for Executive Directors to the value we deliver to our clients and shareholders. Achieving an appropriate balance between rewarding short-term performance and longer-term investment in profitable growth has been a key focus of the Committee in implementing the Remuneration Policy following its approval at the AGM in 2017. The variable pay of Executive Directors has enabled the recognition of exceptional performance whilst delivering lower compensation for lower levels of performance. This approach to rewarding performance has been implemented across the business and is firmly embedded in our policy and culture.

All employees have the opportunity to be awarded bonus payments, which they could receive in cash or longer-term share awards depending on seniority and level of performance during the year. In setting employee bonuses, we follow the same approach of ensuring alignment of objectives and remuneration to desirable outcomes, both from a commercial as well as, importantly, a conduct perspective, with a reduction in remuneration where behavioural outcomes have been below expectation.

The Executive Directors were assessed against a number of metrics as set out in last year's Annual Report. These performance metrics included Group financial metrics, distribution, investment performance and personal individual objectives. These were calculated on a weighted and individual-by-individual basis and were used to apportion variable awards. The outcomes were then reviewed by the Committee with a further assessment of individual performance to ensure that the awards reflected the Committee's view of performance, conduct, culture and leadership contribution to the Group.

Total Executive Director remuneration including long-term incentive awards (but excluding the vesting of the one-off EPSP) is 24% of the maximum under the Remuneration Policy (and significantly below the 30% last year). The FY2019 year short-term cash bonus awards are 21% of the maximum; and the cash component of variable remuneration is on average 0.65 times base salary, with part of this subject to further deferral.

Following detailed consideration of the Group forecasts and satisfaction of respective performance objectives for the financial year, the Committee has awarded a range of 200% to 400% of salary in long-term incentive awards to those to whom an award was granted. The LTIA require the achievement of an underpin of basic adjusted underlying diluted EPS growth before any award can vest, with the achievement of Business Performance targets to calculate the extent to which the LTIA will vest. Further detail of the LTIA for the financial year commencing 1 July 2019 and the performance criteria are set out below.

The LTIA for Executive Directors both reflects the new roles undertaken (with James Barham recently appointed as Group Chief Executive, Mike Faulkner stepping down as CEO and being appointed as Group CIO, Kevin Hayes taking on the Global Head of Solutions role alongside his existing CFO responsibilities and Jack Berry becoming Global Head of Complex Clients) and the weights incentives towards future profitable revenue growth. The Remuneration report below sets out further detail of the LTIA and its performance conditions. The Committee considers the performance conditions of the LTIA to be significantly stretching targets for management whilst motivating and achievable. The structure of the LTIA is designed to ensure that forward looking incentives for Executive Directors support the delivery of a profitable growth strategy aligned to the returns to shareholders.

Share awards granted under a pre-IPO share plan, the EPSP, vested on 26 June 2019. Additionally, the performance period for share awards granted in 2016 to two Executive Directors ended on 30 June 2019 with the performance criteria having been achieved for this award.

ARE ANY FUTURE CHANGES ENVISAGED?

Over the period, the Committee reviewed our Remuneration Policy approved by shareholders at the 2017 AGM. This time, last year, we noted our intention to conduct a policy review in consultation with shareholders, with the likelihood of submitting a new remuneration policy proposal at the 2019 AGM. We have, however, now revised the timescales for this review given the changes in key roles amongst the Executive Directors during the year, and more importantly from a Remuneration Policy viewpoint, the very recent change in Remuneration Chair. We have, therefore, decided to defer the full remuneration policy review until the current year. This will allow me, as your new Committee chair, to have sufficient time to consult appropriately with shareholders and take account of all recent developments in Executive Director remuneration practices before we bring a new remuneration policy for approval at the 2020 AGM.

Accordingly, on behalf of the Committee, I commend this report to you and ask for your approval at the AGM in December.

Miriam Greenwood
Chair, Remuneration Committee

REMUNERATION COMMITTEE REPORT 2018/19

The Remuneration Committee (the 'Committee') reviews and sets the remuneration of the Executive Directors within the parameters of the Directors' Remuneration Policy as approved by shareholders at the 2017 AGM (the 'Remuneration Policy' or 'Policy').

The Committee has a wide remit to consider the remuneration of senior management and employees across the Group.

The Committee is chaired by Miriam Greenwood with Angela Crawford-Ingle and John Misselbrook as members of the Committee. Robin Minter-Kemp served as the Chair of the Committee during the financial year, retiring on 30 June 2019. The Committee held ten meetings during the financial year, and Committee attendance is presented on page 44. Other attendees, including the Chairman, Group Chief Executive, Group HR Director and CFO attend by invitation.

Both the Directors' Remuneration Policy and the Committee's terms of reference can be found in the corporate governance section of the Group's website *www.riverandmercantile.com*.

During the year, the Committee has considered a number of key matters, and the most significant are set below:
- Shareholder feedback following the AGM results;
- The current Remuneration Policy, including a review of the Remuneration Policy and the timing of a new remuneration policy;
- The grant and vesting of employee share incentive awards and deferred bonus awards;
- The performance measurement and vesting of awards under the pre-IPO EPSP;
- Remuneration changes for Executive Directors following organisational changes; and
- Executive Director remuneration and the review of bonus payments to all employees.

The Committee's key responsibilities are:
- To determine and agree the Group's remuneration philosophy and the principles of its remuneration policy for Executive Directors and senior management, ensuring that these are in line with the Group's strategy, objectives, values and long-term interests and in compliance with regulatory requirements;
- To review, agree and approve an appropriate Directors' remuneration policy, having regard to the remuneration of all employees and the views of shareholders and other stakeholders;
- To oversee the setting of Executive Director objectives and assessing the extent to which each Executive Director has met their individual performance targets;
- To review and set the remuneration of Executive Directors and review the remuneration of senior management and key employees;
- To review the design of all share incentive plans and deferred bonus arrangements, including the review and approval of share plan rules;
- To review and approve the grant, performance conditions and vesting of any share incentive awards or deferred bonus awards for all employees and Executive Directors;
- To determine if any deferred bonus award or share incentive award should be reduced or cancelled, in accordance with the provisions of the relevant share plan rules;
- To review the Group total compensation ratio and the annual variable compensation pool;
- To review reports from the Chief Risk Officer and Head of Compliance with respect to any conduct and risk outcomes and any remuneration changes which should reasonably be followed;
- To determine and approve on an annual basis the individuals who may be considered to have a material impact on the risk profile of the funds managed by the relevant regulated subsidiaries (Code Staff) for the purposes of the FCA remuneration regulations; and
- To review and approve any major changes to employee benefit structures throughout the Group.

SUMMARY OF CURRENT REMUNERATION POLICY

Executive Directors' remuneration is determined in accordance with the Remuneration Policy. There have been no changes to the Remuneration Policy this year and as such we remain bound by the Policy approved by shareholders at the 2017 AGM.

Executive Director remuneration comprises base salary, pension and other benefits; and variable remuneration in the form of a cash bonus, a performance fee bonus and long-term incentive awards in either equity or fund units.

The Policy includes an overall Group remuneration ratio cap of 54% of net management and advisory fees, plus 50% of performance fees, as well as deferrals in respect of performance fee bonuses but also permits the Committee to make adjustments to the calculation of this cap on a temporary basis.

Malus applies to all awards during the performance assessment and award setting process, and is considered by the Committee when vesting an award. Clawback will apply to cash variable remuneration, LTIA and performance fee remuneration for a period of 12 months in case of material financial misstatement or serious personal misconduct.

The Policy also requires Executive Directors to acquire and retain at least 200% of base salary in the Company's shares within five years of taking office.

The following sections set out the remuneration arrangements and outcomes for the year ended 30 June 2019, and how the Committee intends the Policy to apply during the year ending 30 June 2020.

The following pages have been prepared in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended and the UKLA's Listing Rules and will be put to an advisory shareholder vote at the AGM on 9 December 2019.

REVIEW OF THE FINANCIAL AND NON-FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

The Committee reviewed the Group's Key Performance Indicators and other metrics in assessing the performance of the Executive Directors against their specific individual performance objectives for 2019.

For the financial year ending 30 June 2019, each Executive Director was assessed against a number of financial and non-financial metrics on a consistent basis in order to determine their performance against the targets in the Policy and their resulting remuneration outcomes. The same set of broad measures will also be used for the assessment of the Executive Director short term awards for the year ending 30 June 2020. The measures will all be taken against the budget set for the year, and as per this year a detailed description of the measures and outcomes will be published in next year's Annual Report.

Performance metrics

The metrics used to evaluate Executive Director performance were grouped into four areas:

(1) Group financial metrics:

The Group objectives were measured for the Group overall and the Executive Directors are accountable and evaluated as a team with regard to meeting these objectives. Given the spread of responsibilities amongst the Executive Directors each has a direct influence over these Group outcomes. The three metrics used are as follows:
- Growth in net management and advisory revenue, organically, at a target of 10% per annum (and a range between 5% and 24%; this was weighted 40% of the Group measures section);
- Growth in adjusted underlying pre-tax margins to >30% over the medium term, by growing remuneration and administration expenses at a lower rate than net management and advisory fees, with a target of 1% in year (and a measurement range of 0% to 7%); this element had a 30% weighting; and
- Growth in adjusted underlying earnings per share, with a target for the financial year ending 30 June 2019 of 10% (within a range of 5% to 24%); this element also had a weighting of 30% within the Group Financial metrics section.

(2) Distribution objectives:

This measured the specific sales performance of the relevant Executive Director within their business area. It captured both the aggregate sales and redemptions in absolute terms and also the regretted institutional attrition. Management fee revenue growth is measured both in terms of the absolute revenue earned in the year as well as on an in-force basis in order to reflect the differing product margins within the Group. Metrics included:
- Net sales versus opening AUM, with a target of 16% and a measurement range of 10% to 30% – this element was weighted 20% within the Distribution section;
- Absolute and in-force revenue growth, with a target of 18% and a measurement range of 12% to 32% – with a category weighting of 40%;
- RIA rate, with a target of 3% and a measurement range of 4% to 0% – with a category weighting of 20%;
- Diversification of distribution channels; and
- Increased penetration of existing distribution channels, including Australia and the US. These last two measures are weighted at 10% each within the Distribution section.

(3) Investment performance objectives:

This measured the specific contribution of individuals to the investment process, including as reflected in AUM/NUM growth through performance. Across the Group's range of strategies, the delivery of investment outperformance against the stated benchmark is evaluated, together with the growth and management of the available investment management capacity. The two metrics used were:
- New product launches to broaden investment solutions and increase investment capacity. This was weighted 40% within the category and scored subjectively as partially achieved; and
- Above benchmark investment performance. This is weighted at 60% of the category, and uses the investment benchmark table set out in Group CIO's report, resulting in a category score of below expectation.

(4) Individual objectives:

These measure the delivery of other objectives within the Group, including the ability to deliver talent development and succession planning effectively, and an assessment of an individual against conduct and other behavioural requirements.
They also measured the success of the individual in achieving their personal objectives set at the start of the year as measured by the Committee.
- Talent development;
- Client engagement;
- Governance, culture and conduct; and
- Other individual-specific objectives.

REMUNERATION COMMITTEE REPORT CONTINUED

Weighting of objectives

The allocation and weighting of criteria between individual Executive Directors depends on the nature of their specific role and their ability to influence the outcomes and is weighted according to the following table, subject to overall Committee evaluation of the individual's performance in the year.

	Group financial	Distribution	Investment performance	Individual objectives	Total
Mike Faulkner	60%	–	20%	20%	100%
Jack Berry	70%	_	10%	20%	100%
James Barham	50%	30%	0%	20%	100%
Kevin Hayes	55%	20%	10%	15%	100%

Performance condition	Measures	Weighting within category	Outcomes
Group measures: – Organic Growth in net management and advisory fees – Growth in Adjusted underlying pre-tax margin – Growth in adjusted underlying EPS	– Threshold at 5% up to a maximum score at above 24% – Threshold at 0% up to a maximum of 7% – Threshold at 5% up to a maximum of 24%	40% 30% 30%	– 2.1% therefore threshold not met – -28% therefore threshold not met – -11% therefore threshold not met **Overall category score of 0**
Distribution Measures: – Net sales vs opening AUM – In-force-revenue growth – Regretted institutional attrition – Diversification of distribution channels – Increased penetration of existing distribution channels, including Australia and US	– Threshold at 10% range up 30% – Threshold 12%, range up to 32% for maximum payout – Threshold at 4%, with maximum payout at 0% – Qualitative assessment – Qualitative assessment	20% 40% 20% 10% 10%	– 21% so weighted score of 2.7 – 20% so weighted score of 2.3 – 1.7% so weighted score of 2.65 – Expectation met, score 2 – Expectation met, score 2 **Weighted category score of 2.39**
Investment Performance Measures: – New product launches to drive investment growth – Above benchmark investment performance	– Qualitative assessment – AUM weighted funds above benchmark performance against comparators	40% 60%	– Between threshold and expected, score 1.5 – Composite core 1.3 **Weighted category score of 1.38**
Individual Objectives measures: – Talent development – Client engagement – Governance – Culture and conduct	– Individual Executive Directors scored against each criterion	20% 20% 20% 40%	Mike Faulkner = 2 Jack Berry = 2 James Barham = 2 Kevin Hayes = 2.6 All scored at expected level, except for Kevin Hayes who scored above expectation for client engagement and culture and conduct

This converts to individual scores as follows:

Category weightings	Mike Faulkner	Jack Berry	James Barham	Kevin Hayes
Group	60%	70%	50%	55%
Distribution	0%	0%	30%	20%
Investment performance	20%	10%	0%	10%
Individual	20%	20%	20%	15%
	100%	100%	100%	100%

Category results	Mike Faulkner	Jack Berry	James Barham	Kevin Hayes
Group	0	0	0	0
Distribution	2.39	2.39	2.39	2.39
Investment performance	1.38	1.38	1.38	1.38
Individual	2	2	2	2.6

Weighted results	Mike Faulkner	Jack Berry	James Barham	Kevin Hayes
Group	0	0	0	0
Distribution	0	0	0.72	0.48
Investment performance	0.28	0.14	0	0.14
Individual	0.40	0.40	0.40	0.39
TOTAL (Short term award) Multiplier of Annual Salary as Bonus	0.7	0.5	1.1	1.0

Evaluation of individual Executive Director performance

Individual summary – Mike Faulkner

- Effective succession planning with the handover to James Barham of the Group CEO role;
- Development of the Group strategic planning in conjunction with the Deputy CEO;
- Significant innovation in investment research and development leading to the launch of a range of new investment strategies designed to meet client needs;
- Market leading performance of the recently launched Global Macro strategy;
- Positive investment performance in all divisions since inception. Investment added £0.6bn to AUM/NUM; and
- Performance fees for the 12 months ended 30 June 2019 were £12.5m.

Individual summary – Jack Berry

- Transitioned from his Head of Solutions role into a role focused on driving forward solutions for complex clients; and
- Responsible for delivering significant revenue from our larger clients within the Solutions business and he has been tasked with playing a key role with all our Fiduciary clients that will be subject to competitive tender over the next two years.

Individual summary – James Barham

- Appointed Deputy CEO at the beginning of the period with continued responsibility for Group distribution;
- Fee earning AUM/NUM increased by 18% in the year to £39.8bn;
- Sales for the period were £6.9bn, including £3bn from Derivative Solutions and £1.5bn from Institutional Equity Solutions;
- Gross inflows for the 12 months were £6.9bn equivalent to 20% of opening AUM/NUM;
- Net inflows for the 12 months were £5.4bn, equivalent to 16% of opening AUM/NUM;
- Equity Solutions performance fees of £2m;
- Established an Australian office and assets in the region grew to AU$2bn;
- Administrative expenses were 24% of management and advisory revenues; and
- Adjusted underlying pre-tax margin was 22%.

Individual summary – Kevin Hayes

- Retained his role as CFO along with taking on responsibility for our Solutions Division;
- Delivered Gross Sales in Solutions circa.£0.8bn ahead of budget;
- Net Sales in Solutions £0.2bn ahead of budget; and
- Net Sales after rebalance in Solutions £0.5bn ahead of budget.

Fixed base remuneration and benefits

On appointment as Group Chief Executive on 1 July 2019 James Barham's base salary increased to £360,000. There were no other changes in Executive Director base pay and benefits for the financial year ending 30 June 2019 and none is proposed for the financial year commencing 1 July 2019.

Executive Director	2018/19 Current salary £	2019/20 New salary £	Increase %
Mike Faulkner	353,000	353,000	0%
Jack Berry	287,650	287,650	0%
James Barham	325,000	360,000	10.8%
Kevin Hayes	287,650	287,650	0%

REMUNERATION COMMITTEE REPORT CONTINUED

Cash variable remuneration

In accordance with the Policy, on the basis of the performance outcomes, the following cash bonuses (subject to UCITS V deferrals) have been awarded for the year ended 30 June 2019:

Executive Director	Cash bonus £
Mike Faulkner[1]	0
Jack Berry	143,825
James Barham	343,750
Kevin Hayes	287,650

Notes:
1. Mike Faulkner will be moving to a remuneration structure consistent with that of a portfolio manager and as CIO. Accordingly, Mike Faulkner was not awarded any cash variable remuneration for this year.

UCITS V deferrals

During the year ended 30 June 2019 Mike Faulkner, James Barham and Kevin Hayes were determined by the Committee to be UCITS remuneration code staff. This determination was made based on their respective roles as either portfolio manager, in the case of Mike Faulkner, or their management and oversight of the regulated subsidiaries that manage UCITS funds, in the case of James Barham and Kevin Hayes.

The UCITS V rules on variable remuneration are set out in the FCA Handbook (SYSC 19E). UCITS V remuneration rules require that a portion of code staff's variable remuneration be paid through a combination of upfront and deferred cash, and deferred and retained UCITS units. Vesting of the UCITS V deferral will not be subject to a performance condition but will be subject to malus adjustment provisions, which may be exercised at the discretion of the Committee. All UCITS instrument awards are subject to an additional six month retention period prior to being transferred to the recipient.

As Mike Faulkner has not been awarded any variable remuneration this year, his remuneration is not subject to UCITS V deferrals.

Of the figures for bonus in the single figure of remuneration table above and the LTIA set out below (total variable remuneration), 6% was deferred for three years under the UCITS V rules for James Barham and 6% was deferred for three years under the UCITS V rules for Kevin Hayes.

Performance fee bonus

The Committee took careful note of shareholder feedback and exercising its discretion made no performance fee bonus payments to Executive Directors in the financial year ended 30 June 2019.

Pension contributions

Jack Berry and Kevin Hayes receive a cash allowance equivalent to 10% of base salary per annum.

James Barham participates in the River and Mercantile Group pension scheme. James Barham contributes 3% of base salary, and since 1 July 2017 the Group contributes a sum to his pension that was equivalent to 10% of base pay in previous years. On promotion to Group Chief Executive this amount was fixed in absolute terms, and therefore now represents 9% of his current base pay.

Mike Faulkner does not receive either a cash allowance or pension contribution.

The River and Mercantile Group pension scheme, administered by Standard Life, is a Defined Contribution Money Purchase scheme available to all staff on joining. Other than a small number of employees who retain non-contributory arrangements from previous situations the vast majority of employees (196) contribute 5% of salary, matched by 5% of Company contributions. All employees have the option to have their contributions made via a salary sacrifice arrangement.

Single figure remuneration

The following table gives the single figure remuneration for Executive Directors who served during the financial years ended 30 June 2019 and 30 June 2018. It includes the cash bonus for the financial year ending 30 June 2019.

£	Year ended 30 June	Base salary	Taxable benefits[1]	Annual bonus[2]	EPSP shares[3]	PSP shares vested[4]	SAYE Options[5]	Pension[6]	Total
Mike Faulkner	2019	353,000	2,470	–	–	435,505	6,122	–	797,097
	2018	337,480	2,681	940,000	1,263,427			–	2,543,588
Jack Berry	2019	287,650	2,470	143,825	–	226,238	6,566	28,765	695,514
	2018	280,800	2,681	–	2,147,824			28,080	2,459,385
James Barham	2019	312,500	2,470	343,750	–		6,604	31,250	696,574
	2018	275,000	2,681	866,000	1,895,138			27,500	3,066,319
Kevin Hayes	2019	287,650	2,470	287,650	–		6,566	28,765	613,101
	2018	275,000	2,681	550,000	2,147,824			27,500	3,003,005

Notes:
1. Taxable benefits consist of life assurance, critical illness cover and private medical insurance.
2. Annual bonus is gross cash paid or payable in respect of the financial year. Details of the framework for assessing annual bonus are set out in the section "Evaluation of 2019 Executive Director performance" on page 61. Annual bonus includes deferred awards pursuant to UCITS V remuneration rules, under the Deferred Equity Plan ('DEP'). There are no performance conditions in respect of UCITS deferrals. UCITS deferrals are subject to performance adjustment in accordance with the DEP Rules and the Committee's discretion
3. EPSP – This is a pre-IPO LTIA. The 2018 figures have been restated to include the value of the EPSP shares at the end of the performance period (26 June 2018). The holding period does not contain further performance measures and as such the relevant legislation requires this to be disclosed in 2018. The EPSP shares vested on 26 June 2019. Further detail of the awards vested, the performance measures used, and the performance achieved is set out below in the section titled "Vested LTIA – EPSP".
4. PSP shares – this is the gross value of the PSP awards which vested on 16 October 2019. The PSP is an LTIA. These awards were made to Mike Faulkner and Jack Berry in 2016. James Barham and Kevin Hayes did not receive a PSP award in 2016. Further detail of the awards vested, the performance measures used, and the performance achieved is set out below in the section titled "Vested LTIA – PSP".
5. SAYE Scheme – Executive Directors are eligible to participate in the SAYE scheme. The SAYE scheme is available to all UK employees and Executive Directors of the Group. The SAYE scheme runs for a three year period and allows for a maximum saving of £500 per month in accordance with HMRC requirements. The 2016 SAYE Scheme ended in May 2019 allowing the Executive Directors to exercise their options for shares as reflected in the table above. The 2016 SAYE Scheme options were granted with an exercise price of 186.53p per share in 2016.
6. Pension contribution at a rate of 10% per annum includes cash allowances and contributions made to self-invested personal pensions.

Vested LTIAs

During the financial year, the award shares granted under the EPSP vested for all of the Executive Directors. Award shares granted to Mike Faulkner and Jack Berry under the Performance Share Plan in 2016 vested following the announcement of the Group's preliminary year-end financial results, with the performance period for these award shares having ended on 30 June 2019.

EPSP

The EPSP was adopted on 2 June 2014 prior to the Company's IPO. Under the terms of the EPSP, the Executive Directors were entitled to receive dilutive shares following the completion of a four year performance period, ending on 26 June 2018, plus a further one year holding period, ending on 26 June 2019. During the holding period, the Committee determined that dividend equivalents would accrue and be reflected in the total number of vested shares.

The performance condition for vesting was determined by reference to the compound annual total shareholder return over the performance period, with shares awarded in two tranches (A and B) requiring between a TSR of 12% – 24% and 25% – 30% per annum respectively. Further details of the performance condition calculation were set out in the remuneration report in the 2018 Annual Report. The table below sets out the number of shares awarded to each Executive Director and the number of shares vested for each Executive Director.

Executive Director	Original A shares awarded	Original B shares awarded	Total shares awarded	Shares vested	% of total EPSP award vested[1]
Mike Faulkner	821,000	1,231,000	2,052,000	501,074	23%
Jack Berry	1,396,000	–	1,396,000	851,826	57%
James Barham	1,231,000	1,231,000	2,462,000	751,610	29%
Kevin Hayes	1,396,000	–	1,396,000	851, 826	57%
Total	**4,844,000**	**2,462,000**	**7,306,000**	**2,956,336**	**38%**

Notes:
1. Excluding dividend equivalent payments earned during the holding period.

REMUNERATION COMMITTEE REPORT CONTINUED

PSP Award Shares

On 25 October 2016, Mike Faulkner and Jack Berry were awarded conditional awards of shares under the Group's Performance Share Plan. James Barham and Kevin Hayes were not granted share awards in 2016 but received cash bonuses at the time, these awards having been granted prior to the approval of the Policy in 2017.

The performance condition for the share awards was a compound TSR of 12% per annum by 30 June 2019 when compared with the closing share price as at 30 June 2016. The performance condition was met during the performance period (actual TSR for the period was 20.6%) and the Committee has approved the vesting of the shares following the announcement of the Group's results on 15 October 2019. The Committee has not exercised any discretion in determining the vesting of the performance condition.

The table below sets out the number of shares awarded and number of shares vested to each Executive Director.

Director/PDMR	Number of shares awarded	Number of shares vested
Mike Faulkner	174,202	174,202
Jack Berry	90,495	90,495

Outstanding LTIA

In 2017 James Barham, Kevin Hayes and Mike Faulkner were awarded conditional share awards under the Group's Performance Share Plan ('2017 LTIA'). The performance condition for the 2017 LTIA is a compound annual TSR of at least 12% per annum over a three year performance period. The 2017 LTIA will not vest if the TSR for the period is less than 8% with pro-rata vesting if the TSR is between 8–12%. The 2017 LTIA is not likely currently to vest at the end of the performance period.

In 2018 the Executive Directors were awarded conditional share awards under the Group's Deferred Equity Plan ('2018 LTIA'). Under the 2018 LTIA, the Executive Directors' awards will only vest in full if growth in the Group's adjusted underlying diluted earnings per share ('aEPS') of 20% per annum is achieved between 30 June 2018 and 30 June 2021. The 2018 LTIA will not vest if the annualised aEPS for that period is less than 10% per annum and the awards will vest proportionally on a straight-line basis. Based on current calculations as at 23 October 2019 between 0–10% of the 2018 LTIA is likely to vest at the end of the performance period.

LONG TERM INCENTIVE AWARDS FOR THE FINANCIAL YEAR COMMENCING 1 JULY 2019 ('LTIA 2019/20')

Award Level for the LTIA 2019/20

The Remuneration Policy provides that the Executive Directors are also eligible for an LTIA of up to 400% of base salary each year. For the period commencing 1 July 2019 the Remuneration Committee decided to make the following awards:

- An award of 200% of base salary to Jack Berry; and
- An award of 400% of base salary to both James Barham and Kevin Hayes.

For awards above 200%, the Policy requires the satisfaction of pre-grant performance conditions. The pre-grant performance condition for James Barham and Kevin Hayes was the satisfaction of their respective performance objectives for the financial year ended 30 June 2019 (see page 59) considered by the Committee as part of the end appraisal process carried out following the end of the financial year.

This level of award is in line with Policy and provides forward-looking incentives for the Executive Directors to continue to drive profitable growth for the benefit of shareholders and other stakeholders. The Remuneration Committee are satisfied that the performance criteria set to achieve vesting of these awards will result in significant shareholder returns, and as such are appropriate incentives for the Executive Directors.

	Nominal value of LTIA 2019/20 £	Award multiple of base salary
Mike Faulkner	0	0
Jack Berry	575,300	200%
James Barham	1,440,000	400%
Kevin Hayes	1,150,600	400%

Notes:
Following the recent announcement relating to the change in role for Mike Faulkner, who is now appointed CIO and will be dedicated to running specific investment funds within our Macro business. Mike Faulkner will transition to a remuneration structure consistent with other portfolio managers and reflect the nature of the assets managed. He has, therefore, not been awarded an LTIA for the period commencing 1 July 2019.

The LTIA 2019/20 is made under the Group's Deferred Equity Plan ('DEP') which was approved by shareholders in 2017 and provides for the grant of non-dilutive share awards to staff and Executive Directors. The DEP sets out the rules under which awards are made and provides for performance adjustment and clawback at the discretion of the Committee.

LTIA 2019/20 performance conditions

The LTIA 2019/20 is structured as an award with an underpin based upon a metric of growth in basic underlying adjusted earnings per share ('BUAEPS') and if this is achieved, in aggregate, over a 3 year period, then separate and additional business performance criteria are measured. Each business performance criterion is assessed on a standalone basis and a portion of the overall award may vest for each where the required standard is met; all of the additional business performance criteria must be met for the LTIA 2019/2020 to vest in full. If the business performance criterion for a particular measure is not met, no vesting will occur for that proportion of the LTIA 2019/20 even if the BUAEPS underpin is achieved.

In setting the business performance criteria, the Committee has considered the following strategic priorities of the Group which in combination deliver strong outcomes for shareholders:
- Growth in AUM/NUM as a reflection of the Group's ability to deliver consistent client outcomes;
- Growth in underlying revenues comprising asset management and advisory revenues to reflect the sustained pricing of our solutions; and
- Maintenance of long term investment performance of the Group's investment strategies.

The performance period for the LTIA 2019/20 is for the three financial years measured from 1 July 2019, with a further two year holding period ending on 30 June 2024.

The LTIA 2019/20 awards will be subject to the requirement of continued employment throughout the 3 year performance period (as provided in the rules of the DEP). During the holding period, the Executive Directors will be entitled to dividends on any vested shares reinvested in shares at the ex dividend date.

LTIA 2019/20, including during the holding period, will be subject to reduction at the discretion of the Remuneration Committee for conduct, risk, reputational or other appropriate and related matters.

Basic underlying adjusted earnings per share
The measure of BUAEPS is defined as: basic underlying adjusted earnings per share, excluding the accounting charge for the LTIA 2019/20. This is measured as the aggregate BUAEPS earned by shareholders over the performance period aligning the vesting of shares to shareholder returns over the performance period. The underpin is determined as growth in BUAEPS measured over the three year performance period. If the BUAEPS growth underpin is not achieved the LTIA 2019/20 will not vest, irrespective of performance under the other criteria.

Additional business performance criteria (the 'Business Performance' criteria)
Once the BUAEPS threshold is achieved, standalone Business Performance criteria are then applied to calibrate vesting of the LTIA 2019/2020. The weightings of the Business Performance criteria are set out below. Each Business Performance criterion is a standalone criterion, therefore the failure to achieve threshold performance in one Business Performance criterion will not impact the ability to vest under the other criteria.

James Barham and Kevin Hayes Business Performance criteria
James Barham has been recently appointed as Group Chief Executive responsible for the management of all our operating businesses. Based on his performance during the last financial year and strong sales and revenue growth, he was granted the maximum award.

Kevin Hayes continues as Group CFO although during the last financial year he also undertook the role of Global Head of Solutions. The Solutions division generated 49% of the Group's total revenue during the year, and the combination of strong investment performance and recent recruitments along with the completion of the CMA review, provides an improved environment to accelerate client wins. It also includes the US business which, again, has been an area of recent investment for growth in the form of the New York office. The importance of future acquisitions has been highlighted to complement continued organic growth and has been highlighted by the CEO. Kevin will play a critical role in this. He has been granted the maximum award.

The Business Performance criteria are based on:
1. Net Flows in AUM/NUM;
2. Underlying Revenue; and
3. Investment Performance.

The Business Performance criteria will each have a performance threshold requiring growth in excess of the outcome achieved in FY2019. The specific growth targets for net flows and underlying revenues are commercially sensitive and will be disclosed at the end of the performance period.

Net Flows is a current indicator of the success of our client engagement, the generation of AUM/NUM through sales to existing clients or new clients and also retention of AUM/NUM from existing clients. Net flows, as disclosed in the Annual Report, will be aggregated over the performance period. Vesting will start at a threshold of achieving 75% of the AUM/NUM growth target at which point 20% of this part of the award will vest. At 100% or more of the AUM/NUM growth target, 100% of the that part of the award will vest, with pro rata vesting on a straight line basis between 75% and 100% of the AUM/NUM growth target. No vesting for this part of the award will occur if growth is below 75% of the growth target.

Underlying Revenue measures the Group's ability to maintain and expand our margins. Underlying Revenue, as disclosed in the Annual Report, will be aggregated over the performance period. Vesting will start at a threshold of achieving 85% of the Underlying Revenue growth target at which point 20% of that part of the award will vest. At 100% or more of the Underlying Revenue growth target, 100% of the that part of the award will vest, with pro rata vesting on a straight line basis between 85% and 100% of the Underlying Revenue growth target. No vesting for this part of the award will occur if growth is below 85% of the growth target.

Investment Outperformance is an indication of our ability to deliver against our clients' expectations as measured by our relative outperformance against the stated benchmarks. As this is a relative performance benchmark, investment performance ahead of the benchmark indicates positive client outcomes. Investment performance is disclosed in the Annual Report. The investment performance criteria will be based on the inception to date out-performance as this indicates the longer-term sustainability of the investment process. The Investment Performance metric will be measured at the end of the 3 year performance period. No vesting under this part of the award will occur if less than 60% of AUM/NUM has investment performance that is below the inception to date benchmarks. Vesting at 20% of this part of the award vests will start at a threshold of 60% of AUM/NUM having investment out performance that is above the inception to date benchmark. 100% of this part of the award will vest at 90% of AUM/NUM having investment outperformance that is above the inception to date benchmark.

REMUNERATION COMMITTEE REPORT CONTINUED

For James Barham and Kevin Hayes, the Net Flows and Underlying Revenue will be calculated at the Group level. Net Flows and Underlying Revenues will each represent 40% of the total award and in aggregate account for the majority of the award. Investment Performance is weighted at 20% of the award and measures the longer-term sustainability of the investment franchise. Whilst important it contains an element of subjectivity and is therefore allocated a lower percentage of the award.

In summary, the Business Performance criteria and the weightings of the Business Performance criteria proposed for James Barham and Kevin Hayes are:
- Net flows (weighted 40%)
- Underlying Revenues (weighted 40%)
- Investment Performance (weighted 20%)

Jack Berry Business Performance criteria
Jack Berry has been responsible for significant growth in Solutions business and is responsible for a number of key fiduciary management and advisory client relationships. Following the CMA review of fiduciary management and investment consulting, a number of our clients may be required to undertake competitive tenders. Jack's performance criteria are aligned to successful outcomes across our solutions business during this period. Accordingly, he has been awarded an LTIA at 200% of base salary.

The LTIA 2019/2020 for Jack Berry will be measured against two Business Performance criteria each weighted at 50% of the award:
- Net AUM/NUM retention over the performance period; and
- In-force management fee development over the performance period.

Net AUM/NUM retention will be defined as the total AUM/NUM as at 30 June 2019 of existing UK Solutions clients. Vesting will start at a threshold of achieving 60% retention at which point 20% of this part of the award will vest. At 75% or higher retention being achieved, 100% of this part of the award will vest, with pro rata vesting on a straight line basis between the two points. No vesting for this part of this award will occur if retention is below the threshold.

In-force management fee revenue will be defined as the total management fee revenue as at 30 June 2019 of the existing UK Solutions clients. Vesting will start at a threshold of achieving 60% retention at which point 20% of this part of the award will vest. At 75% or higher retention being achieved, 100% of this part of the award will vest, with pro rata vesting on a straight line basis between the two points. No vesting for this part of the award will occur if retention is below the threshold.

MINIMUM SHAREHOLDING
The Policy requires that an Executive Director maintains the minimum shareholding in the Group. Executive Directors are required to acquire and retain the Company's shares equivalent to at least 200% of base salary. The Executive Directors shall have five years from taking office to acquire the shares. Shares which have vested under remuneration plans but which are subject to holding periods shall count for the purpose of determining this. All current Executive Directors comply with this requirement.

PAYMENTS TO PAST DIRECTORS OR FOR LOSS OF OFFICE
There were no payments to past Directors or for the loss of office during the year.

CHIEF EXECUTIVE OFFICER'S REMUNERATION
Mike Faulkner's cash bonus has decreased from £1,150,000 in the prior year to zero for the current year. His single figure remuneration set out below includes base salary, cash bonus (nil) and vested LTIA. It excludes the gain on SAYE options exercised. The total variable remuneration of the Group has decreased by 4.3% from £16.2m to £15.5m over the same period.

Year	Chief Executive Officer's single figure remuneration £	Annual bonus payout against maximum	Long-term incentive vesting rate against maximum opportunity
2019	**797,097**	**0%**	**100% PSP**
2018	2,543,588[4]	37%	23% EPSP
2017	923,221	83%[2]	n/a[1]
2016	309,476	21%[2]	n/a[1]
2015	309,079	0%	n/a[1]
2014 (six months)	7,801,260[3]	100%	100%

Notes:
1. No shares vested during 2015, 2016, 2017 or 2018.
2. Includes share awards not included in single figure remuneration as unvested at year-end.
3. 2014 remuneration includes £7.5m of previously issued shares in the pre IPO Group which converted into shares at the IPO.
4. Restated 2018 figures as EPSP now included in 2018 figure.

CEO Pay Ratio

Although the requirement to disclose the CEO pay ratio does not apply to the Group, as it does not have 250 UK based employees, it has decided to disclose this on a voluntary basis.

Year	Method	25th Percentile pay ratio	Median Pay ratio	75th Percentile pay ratio
2019	A	15.6:1	9.2:1	5.1:1

We have adopted method A of calculation. As this is the first year of reporting there is no change in methodology. We believe the median is representative of our overall reward policies on pay, reward and progression, in that it demonstrates the possibility of variable cash pay and equity, which are both potentially awarded as staff progress with the business.

Percentage change in CEO remuneration

The table below shows the percentage change in salary, taxable benefits and annual incentive for the CEO, and the average for all employees within the Group.

CEO annual £	**Year ended 30 June 2019**	Year ended 30 June 2018	Increase/ (decrease)	Average increase across all employees
Salary	**353,000**	337,480	4.6%	5.4%
Taxable benefits	**2,470**	2,681	(7.9)%	(14.3)%
Annual incentive	**–**	940,000	(100)%	

RELATIVE IMPORTANCE OF SPEND ON PAY

£'m	**Year ended 30 June 2019**	Year ended 30 June 2018
Total remuneration and benefits including EPSP	**42.3**	39.0
Distributions to shareholders with respect to period (pence per share)	**16.4**	18.6

The Group is continuing to grow and that growth remains dependent on the recruitment and retention of high quality individuals and, in a competitive market, we need to be able to offer attractive remuneration packages. Our investments in people would, typically, not become immediately revenue generating, however we believe these investments in key people will enhance our ability to generate increased return for shareholders in the future. As noted in the Group Chief Executive's Report, the Group has undertaken investment required to drive the future growth strategy by investing in new teams to support the profitable growth of the business. This investment is reflected in the increased spend on remuneration for the year ended 30 June 2019.

NON-EXECUTIVE DIRECTOR REMUNERATION

The table below shows the total remuneration of the Non-Executive Directors paid during the years ended 30 June 2019 and 30 June 2018. Jonathan Punter's fees were paid direct to PSG.

NED	Year	Fee £	Additional fees for chairing Committees[1]
Jonathan Dawson[2]	2018	112,500	–
	2019	150,000	–
Angel Crawford-Ingle	2018	57,166	8,000
	2019	60,500	8,000
John Misselbrook[3]	2018	18,727	–
	2019	42,500	8,000
Jonathan Punter	2018	42,500	–
	2019	42,500	–
Miriam Greenwood[4]	2018		
	2019	4,940	–
Robin Minter-Kemp	2018	42,500	8,000
	2019	42,500	8,000

Notes:
1. Non-Executive additional fees are fees for chairing Board Committees.
2. Jonathan Dawson was appointed as Chairman on 1 October 2017. As a consequence of this, his fee was pro-rata for the year ended 30 June 2018.
3. John Misselbrook was appointed as a Non-Executive Director on 16 February 2018, so the fee for 2018 was pro-rated.
4. Miriam Greenwood was appointed as a Non-Executive Director on 28 May 2019, so the fee for 2019 is pro-rated.

REMUNERATION COMMITTEE REPORT CONTINUED

NON-EXECUTIVE DIRECTOR FEE REVIEW

The Non-Executive Directors' fees were reviewed in 2016, and were increased based upon fees for comparable listed companies and following consultation with major shareholders. No fee review has been conducted in the current year. The Chairman's fee is fixed for three years following his appointment. Non-Executive Directors are reimbursed for reasonable business expenses.

DIRECTORS' SHAREHOLDINGS

Director	Number of ordinary shares held at 21 October 2019	Unvested performance share awards, subject to a performance condition, at 30 June 2019
James Barham	1,567,373	364,825
Jack Berry	1,357,246	87,267
Mike Faulkner	4,072,720	606,433
Kevin Hayes	788,705	363,973
Jonathan Dawson	70,000	–
Angela Crawford-Ingle	19,924	–
Miriam Greenwood	7,144	–
Robin Minter-Kemp	30,000	–
John Misselbrook	–	–
Jonathan Punter[1]	–	–

Notes:
1. Jonathan Punter holds an interest in PSG. PSG is a significant shareholder in the Company (as at 30 June 2019 PSG held 36.7% interest in the Company. Following the year-end, PSG sold shares and holds 29.58% of the Company's shares as at 3 July 2019.

The Directors' shareholding table sets out the shareholding for each person who has served as a director of the Company during the financial year.

ADVISORS

The Committee received independent advice on material matters, including:
- Compensation design advice from Willis Towers Watson;
- General advice from the Company Secretary and HR; and
- Legal advice on remuneration-related matters from Herbert Smith Freehills LLP.

The Committee appointed Willis Towers Watson ('WTW') to provide advice to it on remuneration matters in 2017. The Committee intends to review its advisors in the next financial year and plans to run a competitive selection process. The Committee is satisfied that the advice received from its advisors is independent and objective. The total cost of the advice received from WTW is £68,983 which was charged on a time spent basis.

POST-EMPLOYMENT SHAREHOLDING REQUIREMENTS

The Committee notes the requirements of the Corporate Governance Code 2018 (the '2018 Code') relating to post-employment shareholding requirements for Executive Directors. The 2018 Code applies to the Company in the year commencing 1 July 2019. The DEP, being the share plan rules under which awards are made for all employees and directors, contains leaver provisions which are applied by the Committee to all employees in respect of unvested awards. Vested awards are, subject to Committee discretion, normally released at the end of the holding period with no acceleration.

The Committee intends to review this approach when the next remuneration policy is put forward for a formal shareholder vote, in the light of market developments at that time.

STATEMENT OF VOTING AT 2018 AGM

Resolution	Votes cast excluding withheld	Votes for	Votes against	Votes withheld
To approve the Directors' report on remuneration for the year ended 30 June 2018	74.89%	70.83%	29.17%	–
To approve the Directors' Remuneration Policy in 2017	83.15%	74.70%	25.30%	15,000

Prior to the 2018 AGM, significant shareholders were consulted regarding the planned resolutions. After the vote further discussions were held, especially with the largest shareholder who voted against the proposals. The Remuneration Committee has taken careful note of the views expressed and has, within current Policy, made significant changes to reflect these concerns and will further be addressing these concerns in the new remuneration policy to be introduced in 2020.

COMPLIANCE AND RISK MANAGEMENT IN REMUNERATION

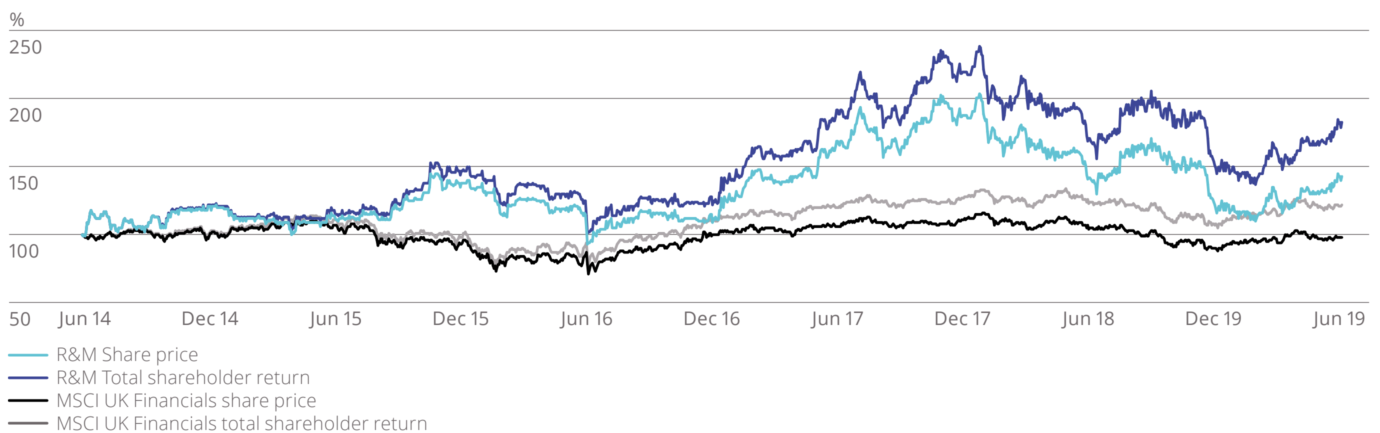
The Chair of the Committee also serves on the Nomination, Audit and Risk Committees and the Chairs of the Audit and Risk Committees also sit on the Committee.

In determining remuneration, the Committee take account of reports from the Group's Risk, Legal and Compliance teams, and the Audit and Risk Committees as to conduct and risk outcomes, and any remuneration changes which should be reasonably followed.

The Group's remuneration policies and practices take account of applicable law and regulations, corporate governance standards, best practice and guidance issued by regulators and by representative shareholder bodies.

Accordingly, the Group's DEP provides that, at the discretion of the Committee, deferred awards may be reduced or cancelled in the event of certain malus scenarios including a material misstatement of the Group's financial results or misconduct by an individual. The DEP rules have been amended during the period to provide for the ability of the Committee to clawback awards that have vested (note this only applies to awards made after 30 June 2018).

GROUP SHARE PRICE AND TSR PERFORMANCE



The chart above shows the Company's share price performance (based on total shareholder return, with dividends reinvested net of tax) in the period since IPO on 26 June 2014, compared with the movement of the MSCI UK Financials Index. The MSCI UK Financial Index contains UK listed Financial stocks, including asset managers.

OUTLOOK FOR 2019/20

We will be conducting a fundamental review of remuneration to ensure that it fully meets the requirements of a growing business and applies the most appropriate remuneration policies and follows best practice. We intend to consult extensively with our shareholders in the design of the new remuneration policy. We are fortunate to have amongst our stakeholders a highly engaged group and I and my Committee look forward to working with them over the course of the year.

Approved and signed on behalf of the Board.

Miriam Greenwood
Chair, Remuneration Committee

DIRECTORS' REPORT

The Directors present their report and the Group's audited financial statements for the year ended 30 June 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity is to act as a holding company for a group of investment advisory and management companies. The Company is a public limited company incorporated in England and Wales under registered number 04035248. The Group operates principally in the United Kingdom and has a trading subsidiary in the United States of America. One of the Group's trading subsidiaries is registered as a foreign registered entity in Australia. A review of the business is set out in the Strategic Report on pages 1 to 42, which is incorporated by reference into this report.

BOARD OF DIRECTORS

The Directors of the Company at 30 June 2019 are set out below. Their biographies are set out in the Governance section on pages 42 to 43.

Director	Date of appointment
James Barham	27 March 2014
Jack Berry	30 June 2009
Angela Crawford-Ingle	29 May 2014
Jonathan Dawson	1 October 2017
Mike Faulkner	30 June 2009
Kevin Hayes	15 April 2014
Robin Minter-Kemp[1]	12 May 2014
John Misselbrook	16 February 2018
Jonathan Punter[1]	30 June 2009
Miriam Greenwood	28 May 2019

1. Robin Minter-Kemp and Jonathan Punter retired from the Board, effective 30 June 2019.

In accordance with the Company's Articles of Association and best practice set out in the UK Code (both 2016 and 2018), all continuing Directors will offer themselves for re-election at the AGM, with the exception of Miriam Greenwood, who will be standing for election, as this is the first AGM since her appointment and Mike Faulkner and Jack Berry who will not be standing for re-election.

DIRECTORS' INTERESTS

Directors' interests in the shares of the Company are disclosed in the Directors' Remuneration Report on page 56. No Director had a material interest in any significant contract (other than a service contract) with the Company at any time during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

This statement, which is included later in this section, is deemed to form part of this Directors' Report.

CONFLICTS OF INTEREST

A Director has a statutory duty to avoid a situation in which they have or could have a conflict of interest or possible conflict with the interests of the Company.

The Company has adopted a policy relating to the handling by the Company of matters that represent conflicts of interest or possible conflicts of interest involving the Directors. Where a conflict of interest or potential conflict of interest is identified, only Directors that are not involved in the conflict or potential conflict may participate in any discussions or authorisation process.

DIRECTORS' INDEMNITIES AND INSURANCE

The Company maintains appropriate insurance cover in respect of litigation against Directors and officers.

The Company's Articles of Association permit the provision of indemnities to the Directors. In accordance with the Articles of Association, qualifying third-party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during the year to 30 June 2019 and up to the signing of the Annual Report.

DIRECTORS' SERVICE AGREEMENTS

Each Executive Director has a written service agreement, which may be terminated by either party on not less than 12 months' notice in writing.

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

Each Non-Executive Director has a written letter of appointment for a term of three years. Three months' notice in writing is required to be served by either party to terminate the appointment of a Non-Executive Director.

The role and responsibilities of each Non-Executive Director are clearly set out and include the duties of a Director as set out in the Companies Act. These duties do not include any management function, but set out that the Non-Executive Director is expected to support and challenge management. The Non-Executive Director letters of appointment are available for inspection at the Company's registered office during business hours and at the AGM.

COMPENSATION FOR LOSS OF OFFICE

There are no agreements in place between the Company and any Director or employee for loss of office in the event of a takeover.

CHANGE OF CONTROL

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change in a control following a takeover bid, except that provisions of the Company's share schemes may cause awards granted under such schemes to vest in those circumstances.

MANAGEMENT REPORT

For the purposes of Disclosure and Transparency Rule 4.1.8, this Directors' Report combined with the Strategic Report comprises the Management Report.

DIVIDENDS

The Directors have proposed a final dividend of 5.0 pence per ordinary share (2018: 5.5 pence) of which 2.4 pence is a special dividend relating to net performance fees. Payment of this dividend is subject to approval by shareholders at the Company's 2019 AGM and, if approved, will be paid on 27 December 2019 to shareholders on the register at the close of business on 29 November 2019.

CAPITAL STRUCTURE AND VOTING RIGHTS

As at 30 June 2019, there were 85,296,176 ordinary shares of 0.003 pence each. Each share in issue is listed on the Official List maintained by the FCA in its capacity as the UK Listing Authority. The Company issued 3,200,830 ordinary shares to satisfy awards granted under the EPSP and to satisfy options under the Group's SAYE scheme.

The Company has one class of ordinary shares, which carry the right to attend, speak and vote at general meetings of the Company. Further detail regarding the exercise of voting rights at the AGM are set out in the Notice of AGM.

Each ordinary share in the capital of the Company ranks equally in all respects. No shareholder holds shares carrying special rights relating to the control of the Company. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

The Company has not been granted the authority to buy back its own shares. Accordingly, no shares have been bought back by the Company during the period. The Company does not hold any shares in treasury.

CONTROLLING SHAREHOLDER

As at 30 June 2019, PSG held 36.7% of the Company's ordinary shares. As such, PSG were deemed to be a controlling shareholder under the Listing Rules for the period ending 30 June 2019. Accordingly, the Company has entered into a relationship agreement with PSG as required by the Listing Rules. This agreement is further detailed in the Corporate Governance Report in the Relationship Agreement section on page 71.

Subsequent to the period, PSG sold 6,059,618 ordinary shares and hold 29.58% of the Company's ordinary shares and are no longer considered to be a controlling shareholder of the Company.

SHARES HELD IN AN EBT

Shares are held on trust for the benefit of Group's staff in the Company's EBT in order to satisfy awards under the Company's share award plans, further details of which are set out in the Remuneration Committee Report.

During the period, the Company changed its EBT trustee provider and as such, the EBT is now operated by Apex Financial Services (Trust Company) Limited. During the reporting period, the trustee of the EBT purchased 820,615 shares. As at 6 September 2019, the EBT held 2.8% of the total issued share capital of the Company.

The EBT has agreed to waive current and future dividends on the shares it holds pursuant to non-dilutive share awards made to employees of the Group.

AUDITORS

BDO LLP, the external auditors of the Company, have advised of their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming AGM. The Audit Committee report considers the independence of the auditors on pages 50 to 53.

AUDIT INFORMATION

As far as each Director is aware, there is no relevant information that has not been disclosed to the Company's auditors. Furthermore, each of the Directors believes that all reasonable steps have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

SUBSTANTIAL SHAREHOLDINGS

As at 6 September 2019, the Company had received the notifications of control of 3% or more over the Company's total voting rights and capital in issue in accordance with DTR 5 as set out below:

	Number of ordinary shares	% of total issued share capital
PSG	25,242,703	29.58
Aberdeen Standard Investments	6,494,849	7.61
Miton Asset Management	5,669,357	6.64
Unicorn Asset Management	5,100,000	5.97
Legal & General Investment Management	4,675,663	5.48
Aviva Investors	4,760,982	5.13
Sir John Beckwith	4,252,163	4.98
Mike Faulkner	3,980,393	4.66

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4R

The sections which apply to the Group are:

4 – Details of long-term incentive schemes, which can be found in the' Remuneration Committee Report on page 56.

10,11,14 – Details of a contract of significance with a controlling shareholder and compliance with the independence provisions under LR 9.2.2AR. Information on the relationship agreement with PSG can be found in the Corporate Governance Report on page 47. Note that following the year end, PSG decreased their holding and as such are not a controlling shareholder, however a Relationship Agreement remains in place.

12 – Arrangements under which a shareholder has agreed to waive dividends. See section above 'Shares held in an EBT. The other sections are not applicable to the Group.

GOING CONCERN

The Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and have accordingly prepared the Group and parent financial statements on a going concern basis. Please refer to the viability statement on page 35 for further details.

POLITICAL DONATIONS

The Group made no political donations or contributions during the year (2018: £nil).

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any events after the reporting period which are not reflected in these financial statements but which would have a material impact upon them.

FINANCIAL INSTRUMENTS

Details of the financial instruments used by the Group and the risks associated with them (including the financial risk management objectives and policies, and exposure to price, credit and liquidity risk) are set out on pages 102 to 106 and this information accordingly is incorporated into this report by reference.

FUTURE DEVELOPMENTS

Details on the likely future developments for the Group can be found in the Group Chief Executive's Review on page 6.

IMPORTANT EVENTS AFFECTING THE COMPANY SINCE THE END OF THE YEAR

On 1 July 2019, James Barham's appointment as Group Chief Executive and Mike Faulkner's appointment as Chief Investment Officer became effective. On 3 July 2019, the Company was advised that PSG had sold 6,059,618 ordinary shares, as a result of which PSG are no longer a controlling shareholder of the Company under the Listing Rules. Jack Berry and Mike Faulkner will retire from the Board following the AGM on 9 December 2019.

GREENHOUSE GAS EMISSIONS

Details on the greenhouse gas emissions of the Group can be found on page 38.

DIRECTORS' REPORT CONTINUED

CORPORATE GOVERNANCE STATEMENT

DTR 7.2.1 requires that the Group's disclosures on corporate governance be included in the Directors' Report. This information is presented on page 44 in the Corporate Governance Report and is incorporated by reference into this Directors' Report and is deemed to form part of this report.

EMPLOYEE ENGAGEMENT

The Group holds regular all-employee town hall meetings, which are recorded and made available to employees who are unable to attend or are based outside of the UK. These town hall meetings provide employees with information about the performance of the Group and other matters of concern to employees. Employees are able to ask members of senior management and Executive Directors questions at town hall meetings. During the period, the Group undertook an employee engagement survey. The results of which were reviewed by senior management and the Board in an aggregated and anonymised form. The Group encourages employee participation in its SAYE scheme, which it has run on annual basis for the past three years. Further details of the Group's approach to its employees are set out on pages 36 to 38 in the People section. This disclosure is made on a voluntary basis as this requirement does not yet apply to the Group.

INTERNAL CONTROL AND RISK MANAGEMENT

Details of how the Board monitor the Group's internal control and risk management approach can be found in the Risk Management section of the Strategic Report on page 30.

ANNUAL GENERAL MEETING

The AGM will be held at Macquarie Capital Limited, 28 Ropemaker Street, 11th Floor, EC2Y 9HD on 9 December 2019, starting at 9am. The Notice of Meeting convening the AGM will be circulated to all shareholders at least 20 working days before the AGM and will set out the details of the resolutions to be proposed at the AGM. The Notice of Meeting will be available on the Company's website at *www.riverandmercantile.com*.

APPROVAL OF ANNUAL REPORT

The Corporate Governance Report, the Strategic Report and the Directors' Report were approved by the Board on 31 October 2019.

By order of the Board.

Sally Buckmaster
Group Company Secretary

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual 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 are required to prepare the Group financial statements and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping adequate accounting records that 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 enable them to ensure that the financial statements comply with the Companies Act 2006 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board is satisfied that the assets of the Company are safeguarded and protected from fraud and other irregularities.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and Group;
- The Strategic Report contained in this Annual Report includes a fair review of the development and performance of the business and the financial position of the Company and the Group, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

This Responsibility Statement was approved by the Board on 31 October 2019.

By order of the Board.

Sally Buckmaster
Group Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER AND MERCANTILE GROUP PLC

OPINION

We have audited the financial statements of River and Mercantile Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in shareholders' equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:
– the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2019 and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
– the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:
– the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
– the directors' confirmation n the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
– the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
– whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
– the directors' explanation in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the matter in our audit
Revenue recognition (note 3 to the Annual Report) The Group's revenue is made up of distinct revenue streams, primarily management fees, performance fees and advisory fees. Revenue recognition is considered to be a significant audit risk as it is a key driver of return to investors and there is a judgement over the accrual or deferral of revenue, the treatment of performance measures and the point at which it is probable that the revenue will be realised.	We responded to this risk by performing the following procedures: – We recalculated a sample of management fees recognised in the year based on assets under management (AUM)/ notional under management (NUM) information prepared by management and rates prevalent in the respective investment management agreements (IMAs). We traced the sample through to invoice and subsequent cash receipt or to debtors and accrued income where relevant. – We agreed a sample of AUM and NUM to custodian statements and independent 3rd party sources, for example Bloomberg. – We recalculated performance fees due in respect of a sample of contracts and tested the appropriateness of the deferral of performance fees in accordance with the terms of the contract, the accounting policy and accounting standards. – We considered whether the investment management agreement mandates have been complied with by selecting a sample of days at random and reviewing for breaches on those days. – We developed expectations of contracts that would give rise to a performance fee by considering underlying performance against the terms of the contract and compared our expectations against the performance fee income recognised in the accounts. – We vouched a sample of advisory fees to invoice and bank receipt, including a sample of accrued advisory fees to subsequent invoice and receipt. – We considered the completeness of advisory fees through consideration of a sample of on-going advisory projects and the recognition of retained fees. – We compared a sample of invoices raised after the year-end to the accrued income balance to check where appropriate they were recognised in the income statement for the year. *Key observations:* As a result of performing the above procedures, we did not find any material misstatements in relation to revenue recognition.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER AND MERCANTILE GROUP PLC CONTINUED

Key Audit Matter	How we addressed the matter in our audit
Impairment of goodwill and intangibles and related disclosures (note 9 to the Annual Report) The impairment review of goodwill and other intangible assets is considered to be a significant audit risk due to the judgements made in determining whether there is an indication of impairment in respect of the intangible assets and also in the calculations of recoverable amounts. These judgements are made in respect of the underlying assumptions used to calculate the recoverable amounts considered in the impairment review of goodwill, and include revenue growth rates, revenue multiples, ongoing expenses such as the remuneration ratio and the discount factor applied to present value of the balances.	We responded to this risk by performing the following procedures: – We reviewed management's assessment of whether any indications of impairment existed in respect of the definite-life intangible assets and challenged this assessment in light of our knowledge of the Group and consideration of forecasts prepared by management. – We reviewed the value-in-use model prepared by management in order to calculate the recoverable amount of the IMA Intangibles and the RAMAM LLP cash-generating unit (CGU) in respect of goodwill. We re-performed the calculation of the recoverable amount. We challenged the key assumptions applied by management, including revenue growth forecasts, ongoing expenses and the discount factor applied. This involved understanding the basis for management's assumptions and vouching these to available evidence. We consulted with BDO valuations specialists to determine whether the discount factor represented an appropriate weighted average cost of capital for the Group. – We reviewed the fair value less costs of disposal model prepared by management in order to calculate the recoverable amount of the Cassidy CGU. We re-performed the calculation of the recoverable amount. We challenged the key assumptions applied by management, including the revenue multiple used and the estimated costs to sell. We consulted with BDO valuations specialists to determine whether the revenue multiples used represented an appropriate benchmark. – We looked at the accuracy of previous forecasts compared with actual performance and calculated the impact of sensitising key assumptions including the discount rate applied on the recoverable amount of the CGU. – We confirmed the adequacy of disclosures in the financial statements regarding the impairment assessment performed by management against the requirements of the accounting standards. *Key observations:* As a result of performing the above procedures, we did not find any material misstatements in relation to possible impairment of goodwill and intangibles and the related goodwill and intangibles disclosures.

OUR APPLICATION OF MATERIALITY
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omission, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality (5% profit before tax)	Assessing whether the financial statements as a whole present a true and fair view	A principal consideration for members of the Parent company in assessing the financial performance of the Group	£830,000 (30 June 2018: £866,000)
Performance materiality (75% of financial statement materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions	– Financial statement materiality – Risk and control environment – History of prior errors	£623,000 (30 June 2018: £650,000)
Parent company financial statement materiality (a proportion of Group materiality)	Assessing whether the financial statements as a whole present a true and fair view	A principal consideration for members of the Parent company in assessing the financial performance of the Group	£420,000 (30 June 2018: £650,000)
Significant component materiality (a proportion of Group materiality)	Assessing whether the financial statements as a whole present a true and fair view	A principal consideration for members of the significant components in assessing the financial performance of the Group	£420,000 (30 June 2018: £650,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £17,000 (2018: £17,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT
Our audit approach was developed by obtaining an understanding of the Group's activities and the overall control environment. Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement. In order to gain appropriate audit coverage of the risks described above and of each individually significant reporting component, full scope audits of the five significant components were performed by the Group audit team, being BDO LLP. In respect of two other components, based in the US, which contribute 2% of Group net assets (30 June 2018: 2%), the Group audit team performed a review over the financial information relevant to the consolidated financial statements. These procedures were performed to an appropriate level of materiality having regard to the level of Group materiality described above as well as aggregation risk. All significant components of the Group have conterminous year ends, with the exception of River and Mercantile Asset Management LLP, which has a year end of 31 March. A full scope audit of River and Mercantile Asset Management LLP was performed by the Group audit team for the year ended 31 March 2019 and additional audit procedures were performed to cover the three month period to 30 June 2019, as well as the correct allocation of financial information to the Group's reporting period.

Capability of the audit to detect irregularities, including fraud
We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, IFRSs as adopted by the European Union, the Financial Conduct Authority's regulations and the Listing Rules.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of correspondence with the regulator;
- review of minutes of Board meetings throughout the period; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER AND MERCANTILE GROUP PLC CONTINUED

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable –** the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting –** the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the period ended 30 June 2014 and subsequent financial years. The period of total uninterrupted engagement is six years, covering the period ending 30 June 2014 and subsequent years ending to 30 June 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Treacy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

31 October 2019

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

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 30 June 2019 £'000**	Year ended 30 June 2018 £'000
Revenue	3		
Net management fees		**55,546**	53,963
Advisory fees		**10,038**	10,235
Performance fees		**12,519**	10,575
Total revenue		**78,103**	74,773
Administrative expenses	5	**15,647**	14,074
Depreciation	8,21	**199**	156
Amortisation	8,9	**4,369**	4,595
Total operating expenses		**20,215**	18,825
Remuneration and benefits			
Fixed remuneration and benefits		**26,145**	22,940
Variable remuneration		**15,519**	16,210
Total remuneration and benefits	6	**41,664**	39,150
EPSP costs/(credit)	6,7	**635**	(123)
Total remuneration and benefits including EPSP		**42,299**	39,027
Total expenses		**62,514**	57,852
Gain on disposal of fair value investments		**20**	458
Other gains and losses	10	**841**	1,063
Profit before interest and tax		**16,450**	18,442
Finance income	12	**339**	50
Finance expense		**(1)**	(40)
Profit before tax		**16,788**	18,452
Tax charge/(credit)	13		
Current tax		**4,403**	3,896
Deferred tax		**(610)**	(586)
Profit for the year attributable to owners of the parent		**12,995**	15,142
Earnings per share:	14		
Statutory basic (pence)		**16.22**	18.83
Statutory diluted (pence)		**15.61**	18.08

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit for the year	**12,995**	15,142
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustments	**(21)**	21
Change in value of available-for-sale investments	**–**	472
Tax on change in value of available-for-sale investments	**–**	(95)
Gain on disposal of available-for-sale investments	**–**	(458)
Tax on gain on disposal of available-for-sale investments	**–**	92
Total comprehensive income for the year attributable to owners of the parent	**12,974**	15,174

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2019 £'000**	30 June 2018 £'000
Assets			
Cash and cash equivalents	16	**24,046**	24,029
Investment management balances	17	**22,277**	13,116
Investments held at fair value through profit or loss	18	**5,387**	–
Available-for-sale investments		**–**	5,165
Fee receivables	19	**4,412**	7,856
Other receivables	20	**25,505**	19,696
Deferred tax asset	13	**1,034**	2,443
Property, plant and equipment	21	**606**	601
Intangible assets	9	**30,753**	35,025
Total assets		**114,020**	107,931
Liabilities			
Investment management balances	17	**22,278**	13,147
Current tax liabilities		**621**	2,054
Trade and other payables	22	**23,775**	22,373
Provisions	23	**–**	1,209
Deferred tax liability	13	**2,483**	3,153
Total liabilities		**49,157**	41,936
Net assets		**64,863**	65,995
Equity			
Share capital	24	**256**	246
Share premium		**15,136**	14,688
Other reserves	25	**45,472**	49,372
Own shares held by EBT	24	**(6,251)**	(4,981)
Retained earnings		**10,250**	6,670
Equity attributable to owners of the parent		**64,863**	65,995

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

The financial statements were approved by the Board on 31 October 2019.

James Barham
Group Chief Executive

Kevin Hayes
Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Year ended 30 June 2019 £'000**	Year ended 30 June 2018 £'000
Cash flow from operating activities			
Profit before interest and tax		**16,450**	18,442
Adjustments for:			
Amortisation of intangible assets	9	**4,369**	4,595
Depreciation of property, plant and equipment	21	**199**	156
Share-based payment expense		**1,545**	2,364
Other gain and losses	10	**(841)**	(1,063)
Gain on disposal of available-for-sale investments		**–**	(458)
Disposal of investments held at fair value		**(394)**	–
Operating cash flow before movement in working capital		**21,328**	24,036
(Increase)/decrease in operating assets		**(11,478)**	41,988
Increase/(decrease) in operating liabilities		**9,724**	(43,234)
Cash generated from operations		**19,574**	22,790
Tax paid		**(4,685)**	(4,953)
Net cash generated from operating activities		**14,889**	17,837
Cash flow from investing activities			
Purchase of intangible assets	9	**–**	(328)
Purchase of property, plant and equipment	21	**(196)**	(504)
Interest received		**50**	23
Investment in available-for-sale investments		**–**	(10,043)
Proceeds from disposal of available-for-sale investments		**–**	5,362
Proceeds from disposal of investments held at fair value		**414**	–
Purchase of investments held at fair value		**(10)**	–
Proceeds of disposal in investments		**15**	–
Net cash generated from/(used in) investing activities		**273**	(5,490)
Cash flow from financing activities			
Interest paid		**(1)**	(1)
Dividends paid	15	**(13,869)**	(17,456)
Purchase of own shares	24	**(1,694)**	(1,665)
Share issue		**408**	–
Net cash used in financing activities		**(15,156)**	(19,122)
Net increase/(decrease) in cash and cash equivalents		**6**	(6,775)
Cash and cash equivalents at beginning of year		**24,029**	30,759
Effects of exchange rate changes on cash and cash equivalents		**11**	45
Cash and cash equivalents at end of year	16	**24,046**	24,029

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £'000	Share premium £'000	Other reserves £'000	Own shares held by EBT £'000	Retained earnings £'000	Total £'000
Balance as at 30 June 2017	246	14,688	49,340	(4,766)	8,859	68,367
Comprehensive income for the year:						
Profit for the year	–	–	–	–	15,142	15,142
Other comprehensive income	–	–	35	–	–	35
Deferred tax credit on available-for-sale investments	–	–	(3)	–	–	(3)
Total comprehensive income for the year	–	–	32	–	15,142	15,174
Transactions with owners:						
Dividends	–	–	–	–	(17,456)	(17,456)
Share-based payment expense	–	–	–	–	2,364	2,364
Deferred tax on share-based payment expense	–	–	–	–	(789)	(789)
Disposal of shares in respect of award vesting	–	–	–	1,450	(1,450)	–
Purchase of own shares by EBT	–	–	–	(1,665)	–	(1,665)
Total transactions with owners:	–	–	–	(215)	(17,331)	(17,546)
Balance as at 30 June 2018	246	14,688	49,372	(4,981)	6,670	65,995
Comprehensive income for the year:						
Profit for the year	–	–	–	–	12,995	12,995
Other comprehensive income	–	–	(21)	–	–	(21)
Total comprehensive income for the year	**–**	**–**	**(21)**	**–**	**12,995**	**12,974**
Transactions with owners:						
Dividends	–	–	–	–	(13,869)	(13,869)
Share-based payment expense	–	–	–	–	1,545	1,545
Deferred tax on share-based payment expense	–	–	–	–	(1,350)	(1,350)
Realised tax in respect of award vesting	–	–	–	–	1,165	1,165
Share payment in respect of award vesting	–	–	–	–	(369)	(369)
Disposal of shares in respect of award vesting	–	–	–	424	(424)	–
Purchase of own shares by EBT	–	–	–	(1,694)	–	(1,694)
Reserves transfer upon transition to IFRS 9	–	–	(12)	–	12	–
Transfer to retained earnings	–	–	(3,867)	–	3,867	–
Shares issued in respect of award vesting	10	448	–	–	–	458
Foreign exchange adjustments	–	–	–	–	8	8
Total transactions with owners:	**10**	**448**	**(3,879)**	**(1,270)**	**(9,415)**	**(14,106)**
Balance as at 30 June 2019	**256**	**15,136**	**45,472**	**(6,251)**	**10,250**	**64,863**

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

Transfer to retained earnings is in respect of a reclassification of capital contribution reserve which arose from forgiveness of a dividend by the Group's then parent, PSG (£3,867,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards, International Financial Reporting Interpretation Committee interpretations, and with those parts of the Companies Act 2006 applicable to groups reporting under IFRS as issued by the International Accounting Standards Board and adopted by the European Union (IFRS) that are relevant to the Group's operations and effective for accounting periods beginning on 1 July 2018.

GOING CONCERN

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

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the Company and the entities it controls (its subsidiaries). Subsidiaries are considered to be controlled where the Group has exposure to variable returns from the subsidiary, the power to affect those variable returns and power over the subsidiary itself. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date that the Group gains control, and de-consolidated from the date that control is lost.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the subsidiaries' identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard Group accounting policies.

All transactions and balances between entities within the Group have been eliminated in the preparation of the consolidated financial statements.

The Employee Benefit Trust is included in the consolidated financial statements of the Group. The trust purchases shares pursuant to the non-dilutive equity awards granted to employees. These purchases and the operating costs of the trust are funded by the Company. The trust is controlled by independent trustees and its assets are held separately from those of the Group.

The consolidated statement of financial position has been presented on the basis of the liquidity of assets and liabilities.

THE GROUP'S RELATIONSHIP WITH FUND ENTITIES

The Group entities act as the investment managers to funds and segregated managed accounts, and River and Mercantile Asset Management LLP (RAMAM) is the Authorised Corporate Director (ACD) of River and Mercantile Funds ICVC (collectively 'Investment Management Entities' (IMEs)).

Considering all significant aspects of the Group's relationship with the IMEs, the Directors are of the opinion that although the Group manages the investment resources of the IMEs, the existence of: termination provisions in the Investment Management Agreements (IMAs) which allow for the removal of the Group as the investment manager; the influence exercised by investors in the control of their IME and the arm's length nature of the Group's contracts with the IMEs; and independent Boards of Directors of the IME, the Group does not control the IME and therefore the assets, liabilities and net profit are not consolidated into the Group's financial statements.

FOREIGN CURRENCIES

The majority of revenues, assets, liabilities and funding are denominated in UK Pounds sterling (GBP/£), and therefore the presentation currency of the Group is GBP. All entities within the Group have a functional currency of GBP, except for River and Mercantile LLC which is based in the US.

Monetary items which are denominated in foreign currencies are translated at the rates prevailing at the reporting date. All resulting exchange differences are recognised in the income statement. Non-monetary items are measured at the rates prevailing on the date of the transaction and are not subsequently retranslated.

The functional currency of River and Mercantile LLC is US Dollars and is translated into the presentational currency as follows:
- assets and liabilities are translated at the closing rate at the date of the respective statement of financial position;
- income and expenses are translated at the daily exchange rate for the date on which they are incurred; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

ADOPTION OF NEW STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR THE FINANCIAL POSITION

This is the first set of the Group's financial statements where IFRS 9 and IFRS 15 have been applied. These new standards were adopted from 1 July 2018 and have not had a significant impact on the amounts reported in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

1. BASIS OF PREPARATION continued

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 has impacted the presentation of the financial statements as described in note 28.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. The Group has adopted IFRS 15, initially applying this standard recognised at the date of initial application (1 July 2018). As a result, the comparative information has not been restated and is reported under the previous standards. Whilst IFRS 15 has introduced a different approach for determining whether, when and how much revenue is recognised, the application of these tests to the Group's contracts has not resulted in a change to the revenue amounts recognised.

The Group recognises revenue under three categories (net management fees, advisory fees and performance fees) which have different features regarding how economic factors affect their amount, timing and uncertainty. These categories are unchanged on adoption of IFRS 15.

Effective for annual periods beginning on or after 1 January 2018, IFRS 15 establishes a single, principles-based revenue recognition model to be applied to all contracts with customers. Revenue recognition is now to be based on the principle of when control of a good or service transfers to a customer. Specifically, IFRS 15 introduces a five-step approach to revenue recognition: (1) identify the contract(s) with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognise revenue when (or as) the entity satisfies a performance obligation.

The Group has considered the terms of its existing IMAs and assessed the timing of management and performance fee recognition. IFRS 15 includes specific requirements in respect of variable fee income such that it is only recognised where the amount of revenue would not be subject to significant future reversals. Management and performance fees are both considered variable revenue, because they are charged against Assets under Management (AUM), which is subject to change. As such, whilst performance obligations are satisfied over time, due to their variable nature, fees are recognised at the end of any given measurement period, subject to the contractual arrangements of existing IMAs, when there is no longer uncertainty with regards to the fees earned.

The Group has not identified any material changes to existing revenue recognition principles, and therefore no adjustments have been made on transition. No judgements or changes to judgements were made as a result of application of this standard. The adoption of IFRS 15 does not have a material impact on the Group's financial statements.

Advisory revenues are recognised upon the satisfaction of performance conditions for any given engagement. This means Advisory revenues are recognised over time. Advisory work conducted is specific to the client and does not have alternative use to the Group. In addition, the Group has an enforceable right to payment for work performed to date on any given project. The Group uses an 'input' method for recognising revenues. There are three types of advisory work conducted by the Group; consultancy, projects and advisory retainers. All three types of revenue qualify for this treatment.

Consultancy work is accrued based upon the percentage completion of the work as measured by their input into it. For project fees, they are recognised by assessing the amount of work undertaken in the period, in order arrive at the revenue accrual. Advisory retainers which provide an ongoing level of service throughout the year also pass another test for recognition over time, being that the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. These are also measured using the input method, with the passage of time being the best measure of performance as permitted by IFRS 15 B19.

This is in line with how revenue has historically been recognised by the Group and there has been no change to the way advisory fees are recognised as a result of IFRS 15 adoption.

FUTURE ACCOUNTING DEVELOPMENTS

IFRS 16 Leases (IFRS 16) and IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23) have been issued but were not required to be adopted by the Group in these financial statements. The expected impact of these standards when they become effective is described below:

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and becomes effective for reporting periods beginning on or after 1 January 2019. It provides a single accounting method for lessees, requiring the recognition of an asset and a lease liability representing the right of use of the underlying asset over the term of a lease.

The Group has opted to apply the modified retrospective approach, where the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. This approach accounts for leases as if the new standard had always been applied by the Group. Comparative information will not be restated.

The Group has reviewed its current lease arrangements and assessed the impact on transitioning to IFRS 16 to its financial statements. The recognition of a right of use asset and lease liability will increase total asset and total liabilities by £3,297,000 and £3,682,000 respectively.

1. BASIS OF PREPARATION continued

The adjustment to opening reserves will be £232,000. The lease liability is measured using an appropriate discount rate for the Group from the date of the initial application of the standard. The rental expenses relating to the Group's property portfolio recognised as office facility costs will now be split as the straight-line depreciation cost of the capitalised asset and the unwinding of the lease liability charged to office facility costs (note 5) and finance costs respectively. Management estimates the future annual cost of the IFRS 16 depreciation of the ROU and unwind of the lease liability as £1,012,000 for 2020, in contrast to the cost under the previous IAS 17 regime of £1,022,000.

IFRIC 23 uncertainty over income tax treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income taxes where there is uncertainty over income tax treatments. The Group does not have any instances where income tax treatment is considered uncertain and so does not expect the application of IFRIC 23 to have a material impact on the Group.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

As detailed in note 1, these financial statements are prepared in accordance with IFRS. The significant accounting policies of the Group which impact these financial statements are:

- Impairment of intangible assets, goodwill and investments recorded in previous acquisitions. This involves judgements including business growth and estimates including discount rates, which are described in note 9.
- Recognition of management and performance fee revenues. This involves estimates of AUM or Notional under Management (NUM) positions for the purposes of accruing revenue, which are described in note 3.
- Provisions, which are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Determining whether provisions are required and at what level, requires both judgement and estimates. See note 23.
- The accounting for share-based remuneration. This involves judgements relating to forfeiture rates and business outcomes and estimates of future share prices for National Insurance cost, which are described in note 7.
- The accounting for the contingent consideration in respect of the acquisition of the Emerging Markets Industrial Life Cycle (ILC) team (note 11). This involvements judgements relating to the likely useful life of intangibles and estimates as to revenue and cost growth over time.
- The accounting for UCITS V deferred remuneration, which involves estimates of forfeiture rates.

3. REVENUE

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Net management fees		
– Fiduciary Management	**18,790**	18,400
– Derivatives	**13,379**	11,777
– Equity Solutions – Wholesale	**11,270**	14,521
– Equity Solutions – Institutional	**12,107**	9,265
Net management fees	**55,546**	53,963
Advisory fees		
– Retainers	**5,295**	5,443
– Project fees	**4,743**	4,792
Advisory fees	**10,038**	10,235
Total net management and advisory fees	**65,584**	64,198
Performance fees		
– Fiduciary Management	**10,553**	8,167
– Equity Solutions	**1,966**	2,408
Total performance fees	**12,519**	10,575
Total revenue	**78,103**	74,773

NET MANAGEMENT FEES

Net management fees represent the fees charged pursuant to an IMA. Net management fees are reported net of rebates to clients are charged as a percentage of the client's AUM or NUM. The fees are generally accrued based on a contractual daily fee calculation and billed to the client either monthly or quarterly. During the year ended 30 June 2019, rebates totalling £2,835,000 (2018: £3,176,000) were paid in respect of Equity Solutions and DAA Fund management fees.

ADVISORY FEES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. REVENUE continued

PERFORMANCE FEES

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

CONTRACT BALANCES

The timing of client revenue recognition, billings and cash collections results in either trade receivables or accrued income on the Statement of Financial Position. For both management fees, advisory fees and performance fees, amounts are billed pursuant to an IMA/IAA with clients, in arrears.

There were £38,000 (2018: £36,000) contract liabilities as at the year ended 30 June 2019.

4. DIVISIONAL AND GEOGRAPHICAL REPORTING

The business operates through four divisions, however, these are not considered to be segments for the purposes of IFRS 8 on the basis that decisions made by the Board are made at an overall Group level. The information received by the Board supports this decision-making, with income statements, balance sheets, forecasts and budgets presented at a Group level. Despite this, the Directors feel that it is useful to the understanding of the results of operations to include certain information.

The net revenue for the year ended 30 June 2019 and 30 June 2018 together with the year-end AUM and NUM, reflect the activities of the respective divisions.

	Year ended 30 June 2019		Year ended 30 June 2018	
	Net revenue £'000	**Fee earning AUM/NUM £'m**	Net revenue £'000	Fee earning AUM/NUM £'m
Net management and advisory fees				
Fiduciary Management division	**18,790**	**12,864**	18,400	10,642
Derivative Solutions division	**13,379**	**21,683**	11,777	18,622
Equity Solutions division	**23,377**	**5,267**	23,786	4,579
Advisory division	**10,038**	**n/a**	10,235	n/a
Total	**65,584**	**39,814**	64,198	33,843

In addition, performance fees of £10.5m (2018: £8.2 m) were earned by the Fiduciary Management division and £2m (2018: £2.4m) earned by the Equity Solutions division.

No single client accounts for more than 10% of the revenue of the Group (2018: none).

On a geographic basis the majority of the revenues are earned in the UK. The Group has an advisory, derivatives, fiduciary management and equity solutions business in the US and net revenue earned in the US for the year ended 30 June 2019 was £6.1m (2018: £5.7m). The AUM/NUM of the US business was £918m (2018: £903m).

Non-current assets held by the US business include £1.5m (2018: £1.5m) of goodwill.

5. ADMINISTRATIVE EXPENSES

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Marketing	**883**	892
Travel and entertainment	**825**	662
Office facilities	**2,751**	2,502
Technology and communications	**5,012**	4,862
Professional fees	**1,576**	1,400
Research	**1,334**	736
Governance expenses	**570**	538
Fund administration	**1,290**	902
Other staff costs	**543**	295
Insurance	**555**	335
Irrecoverable VAT	**93**	300
Other costs	**215**	650
Total administrative expenses	**15,647**	14,074

5. ADMINISTRATIVE EXPENSES continued

Administrative expenses include the remuneration of the external auditors for the following services:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Audit of the Company's annual accounts	**104**	99
Audit of the Company's subsidiaries	**99**	89
Audit related assurance services	**52**	49
	255	237

6. REMUNERATION AND BENEFITS

Fixed remuneration represents contractual base salaries, RAMAM member drawings and employee benefits. The Group operates a defined contribution plan under which the Group pays contributions to a third party.

Variable remuneration relates to discretionary bonuses, variable profit share paid to the members of RAMAM and associated payroll taxes.

Variable remuneration also includes a charge of £964,000 (2018: £2,320,000) relating to the amortisation of the Group's non-dilutive share awards and credit of £132,000 (2018: charge of £465,000) of associated social security costs.

	Year ended 30 June 2019	Year ended 30 June 2018
The average number of employees (including Directors) employed was:		
Advisory division	**69**	71
Fiduciary Management division	**58**	56
Derivative Solutions division	**28**	24
Equity Solutions division	**31**	23
Distribution	**14**	12
Corporate	**55**	31
Total average headcount	**255**	217

	Note	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
The aggregate remuneration of employees (including Directors) comprised:			
Wages and salaries		**36,208**	32,601
Social security costs		**3,420**	3,811
Pension costs (defined contribution)		**937**	826
Share-based payment expense		**1,099**	1,912
Total remuneration and benefits (excluding EPSP)		**41,664**	39,150
Fixed remuneration		**26,145**	22,940
Variable remuneration		**15,519**	16,210
		41,664	39,150
EPSP costs:			
Share-based payment expense	7	**452**	452
Social security costs	7	**183**	(575)
Total EPSP costs		**635**	(123)

DIRECTORS' REMUNERATION

The aggregate remuneration and fees payable to Executive and Non-Executive Directors for the year ended 30 June 2019 was £3,082,000 (2018: £4,294,000). Fees payable for the year ended 30 June 2019 to Directors of PSG totalled £26,000 (2018: £43,000).

Information regarding the aggregate single figure remuneration of the Executive Directors (which includes the highest paid Director of £2,801,000 (2018: £11,072,000)) is included in the Remuneration Committee Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. REMUNERATION AND BENEFITS continued

KEY MANAGEMENT REMUNERATION

Key management includes the Executive and Non-Executive Directors, and Executive Committee members. The remuneration paid or payable to key management for employee services is shown below:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Short-term employee benefits	**8,316**	8,601
Long-term employee benefits	**280**	771
Post-employment benefits	**101**	111
Share-based payment expense	**302**	2,112
	8,999	11,595

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

7. SHARE-BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each year-end date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the change in the fair value of the options, measured immediately before and after the modifications, is recognised in the consolidated income statement over the remaining vesting period.

EXECUTIVE PERFORMANCE SHARE PLAN

As reported in the prior year's Annual Report, after completion of the Executive Performance plan share award performance period 57% of the Performance Condition A awards and none of the Performance Condition B awards were eligible for vesting following a one-year holding period. The eligible awards received dividends on a reinvestment basis during the holding period. As a result of the completion of the holding period during the year ended 30 June 2019 the award shares vested on 26 June 2019.

The fair value of the Performance Condition A awards was 38 pence per share. The total fair value of Performance Condition A was £1,840,000. The fair value is amortised into EPSP costs over the vesting period and a charge of £452,000 was recognised for the year ended 30 June 2019 (2018: £452,000), which is treated as a non-cash adjusting item.

The Directors expect that vesting shares will be subject to applicable employer's National Insurance at the date of vesting. An accrual for this cost has been calculated based on the current rate of National Insurance, the number of the vesting shares and the share price at the reporting date. The movement in the accrual in the year ended 30 June 2019 was a charge of £183,000 (2018: credit of £575,000) and is included in EPSP costs.

PERFORMANCE SHARE PLAN

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

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

The grant date has not been confirmed for the 2019 awards. For the purposes of these financial statements the awards made in respect of 2019 have been assessed using the share price as at 30 June 2019, being £2.72.

7. SHARE-BASED PAYMENTS continued

The key features of the awards are:

Financial year of award	2015	2016	2017	2018	2019
Grant date award value £'000					
Scheme 1 – Employees	701	1,971	713	94	131
Scheme 2 – Employees	144	100	–	–	–
Scheme 3 – Employees	–	407	466	1,622	274
Scheme 4 – Employees	225	–	–	612	612
Scheme 5 – Employees	–	–	–	155	–
Scheme 6 – Executive Directors	–	585	950	3,586	3,166
Number of shares granted '000					
Scheme 1 – Employees	303	892	229	29	41
Scheme 2 – Employees	64	45	–	–	–
Scheme 3 – Employees	–	184	150	514	101
Scheme 4 – Employees	97	–	–	196	190
Scheme 5 – Employees	–	–	–	48	–
Scheme 6 – Executive Directors	–	265	304	1,114	1,164
Maximum term at grant date					
Scheme 1 – Employees	4 years	5 years	4 years	4 years	3 years
Scheme 2 – Employees	4 years	4 years	n/a	n/a	n/a
Scheme 3 – Employees	n/a	4 years	4 years	4 years	3 years
Scheme 4 – Employees	4 years	n/a	n/a	3 years	3 years
Scheme 5 – Employees	n/a	n/a	n/a	4 years	n/a
Scheme 6 – Executive Directors	n/a	5 years	4 years	4 years	5 years
Vesting conditions (see key below)					
Scheme 1 – Employees	1, 2 and 3	1, 2 and 3	1, 2 and 3	1, 2 and 3	1 and 4
Scheme 2 – Employees	1 and 2	1 and 2	n/a	n/a	n/a
Scheme 3 – Employees	n/a	1	1	1	1
Scheme 4 – Employees	1 and 4	n/a	n/a	1 and 4	1 and 4
Scheme 5 – Employees	n/a	n/a	n/a	none	n/a
Scheme 6 – Executive Directors	n/a	1 and 2	1 and 2	1 and 5	1 and 6

1. Remain employed throughout vesting period, subject to malus and good leaver provisions.
2. Achievement of specified total shareholder return target within a range.
3. Straight-line between minimum and maximum divisional AUM/NUM and revenue targets.
4. Achievement of specified revenue targets within a range.
5. Achievement of specified adjusted underlying EPS targets and personal objectives.
6. Achievement of specified adjusted underlying EPS targets and business performance criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. SHARE-BASED PAYMENTS continued

The following table sets out the movement in awards recognised in the income statement during the year and the key inputs into the fair values of awards:

	Financial year of award							
'000s	2015	2016	2017	2018	2018	2018	2019	2019
Grant date award value £'000	1,070	3,063	2,130	668	1,133	4,268	743	3,440
Grant date share price £	2.31	2.21	3.12	3.14	3.12	3.22	3.22	2.72 est
Number of shares outstanding at 30 June 2017	464	1,386	683	–	–	–	–	–
Number of shares granted during the year	–	–	–	213	363	1,325	–	–
Number of shares forfeited during the year	(222)	(48)	–	–	–	–	–	–
Exercised during the year	(82)	(500)	–	–	–	–	–	–
Number of shares outstanding at 30 June 2018	160	838	683	213	363	1,325	–	–
Number of shares granted during the year	–	–	–	–	–	–	231	1,265
Number of shares forfeited during the year	–	–	(72)	–	(7)	(13)	(9)	–
Exercised during the year	(160)	(70)	(29)	(102)	(42)	–	–	–
Vesting profile adjustments	–	–	(16)	(6)	–	(43)	–	–
Number of shares outstanding at 30 June 2019	**–**	**768**	**566**	**105**	**314**	**1,269**	**222**	**1,265**
Fair value assumptions:								
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Risk free rate	0.94%	0.94% or 1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Share price volatility	26.08%	27.40%	27.90%	28.20%	28.20%	28.80%	28.80%	30.83%
Dividend yield	5%	5%	5%	5%	5%	5%	5%	5%
Number of shares expected to vest '000	–	387	413	99	301	701	147	696

The volatility for awards granted in the year has been calculated based upon the annualised daily return on the Group's share price from IPO to year end. All awards exercise at the end of the vesting period subject to the approval of the Remuneration Committee. As at the reporting date 504,000 of the awards were exercisable (2018: 311,000).

8. DEPRECIATION AND AMORTISATION

Depreciation charges primarily relate to IT and communications equipment, and leasehold improvements. The property, plant and equipment, and the depreciation accounting policies are described in note 21.

The amortisation charge primarily relates to the IMA intangibles and recognised as part of the acquisition of RAMAM and the ILC team as described in notes 9 and 11. The RAMAM and ILC team IMA intangibles are amortised over their expected useful life of between five and ten years based on an analysis of the respective client channels. The amortisation is not deductible for tax purposes. At the date of the RAMAM acquisition a deferred tax liability was recognised and is being charged to the income statement tax expense in line with the amortisation of the related IMAs. At the date of the acquisition no deferred tax liability was recognised in respect of the ILC team IMAs as the US business has brought forward tax losses.

9. INTANGIBLE ASSETS

BUSINESS COMBINATIONS AND GOODWILL

All business combinations are accounted for using the acquisition method. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The fair value of a business combination is calculated at the acquisition date by recognising the acquired entity's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquired entity. The cost of a business combination in excess of fair value of net identifiable assets or liabilities acquired, including intangible assets identified, is recognised as goodwill. Any costs incurred in relation to a business combination are expensed as incurred.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not amortised but is reviewed for impairment annually, or more frequently when there is an indication of impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. Each CGU to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised is not reversed in a subsequent period.

IDENTIFIABLE INTANGIBLE ASSETS

Investment management agreements and customer relationships

IMAs and customer relationships acquired in a business combination are recognised separately from goodwill at their fair value at the acquisition date. Customer relationships have an estimated useful life of 20 years and IMAs have estimated useful lives of five to ten years. The identified intangible assets are carried at cost less accumulated amortisation calculated on a straight-line basis.

9. INTANGIBLE ASSETS continued

IMPAIRMENT OF INTANGIBLE ASSETS, EXCLUDING GOODWILL

At each statement of financial position date or whenever there is an indication that the asset may be impaired, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is the higher of the fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, an impairment loss is recognised as an expense immediately. For assets other than goodwill, where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation or amortisation that would have been charged since the impairment.

	Goodwill £'000	Customer lists and IMAs £'000	Software £'000	Total £'000
Cost:				
At 30 June 2017	15,331	36,510	79	51,920
Additions	328	1,969	–	2,297
Exchange difference	(64)	12	5	(47)
At 30 June 2018	15,595	38,491	84	54,170
Exchange difference	47	65	–	112
At 30 June 2019	**15,642**	**38,556**	**84**	**54,282**
Accumulated amortisation and impairment:				
At 30 June 2017	395	14,172	–	14,567
Amortisation charge	38	4,520	37	4,595
Exchange difference	(15)	(2)	–	(17)
At 30 June 2018	418	18,690	37	19,145
Amortisation charge	–	4,348	21	4,369
Exchange difference	–	15	–	15
At 30 June 2019	**418**	**23,053**	**58**	**23,529**
Net book value:				
At 30 June 2018	15,177	19,801	47	35,025
At 30 June 2019	**15,224**	**15,503**	**26**	**30,753**

IMPAIRMENT REVIEW

Goodwill includes £13.2m (2018: £13.2m) in respect of RAMAM and £1.5m (2018: £1.5m) in respect of Cassidy Retirement Group Inc. (Cassidy).

The Directors estimated the recoverable amount of the RAMAM goodwill based upon the value in use of the business. The value in use was measured using internal budgets and forecasts to generate a five-year view. The key assumptions used were: revenue based on internally approved budget in year one, an 8% revenue growth rate for the next four years; no growth after this point; and a pre-tax discount rate of 12%. Estimates were made concerning remuneration and administrative costs, based upon current levels and expected changes.

Sensitivity analysis was performed on the key inputs of the valuation, being the growth and discount rates and future cash flows. A fall of greater than 10% in projected revenue or a change in the discount rate higher than 39% is required to indicate impairment.

The Directors estimated the recoverable amount of the Cassidy goodwill using a net realisable value. This value was measured using the revenues of the CGU and third-party data concerning comparable revenue multiples paid for recent acquisitions of similar businesses.

The key assumptions included in the estimate were: the costs of disposal; and the assumption that the multiples observed in other businesses would be comparable. Sensitivity analysis was performed on the valuation. A reduction in the revenue multiple of greater than 50% would be required to indicate impairment.

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10. OTHER GAINS AND LOSSES

	Note	**Year ended 30 June 2019 £'000**	Year ended 30 June 2018 £'000
Gain on bargain purchase		**–**	1,043
Loss on disposal of fixed assets		**(12)**	(8)
Gain on disposal of subsidiary		**15**	28
Gain on purchase of UCITS		**21**	–
Investments held at FVTPL	18	**441**	–
Fair value of contingent consideration		**376**	–
Total other gains and losses		**841**	1,063

11. GAIN ON BARGAIN PURCHASE

As reported in the prior year's Annual Report the Group became the investment manager of the ILC funds. The contractual agreements entered into between the parties constituted a business combination under IFRS 3.

The business combination resulted in a bargain purchase transaction due to the fair value of assets acquired and liabilities assumed exceeding the fair value of consideration payable. The Group recognised a gain in 'other gains and losses' in the consolidated income statement for the year ended 30 June 2018.

	Year ended 30 June 2018 £'000
Fair value of contingent consideration on acquisition	819
Upfront consideration payable	107
Total consideration	**926**
Fair value of assets acquired and liabilities assumed:	
Intangible assets – investment management agreements	1,969
Total assets and liabilities	**1,969**
Negative goodwill from bargain purchase	**(1,043)**

The contingent consideration is calculated based on a percentage of revenue generated by an IMA and measured at fair value at each reporting date. The contingent consideration balance is recognised within 'trade and other payables' in the consolidated statement of financial position and changes in fair value are recognised in the income statement.

	Total £'000
Contingent consideration:	
Balance as at 1 July 2018	819
Paid during the year	(50)
Fair value adjustment	(376)
Balance as at 30 June 2019	**393**

12. FINANCE INCOME

Finance income is recognised in the period to which it relates on an accruals basis.

Finance income comprises £50,000 of bank interest (2018: £23,000), £80,000 of interest earned from a loan to Palisades (2018: £23,000) and £209,000 of foreign exchange gain (2018: £4,000).

13. CURRENT AND DEFERRED TAX

The tax charge consists of current tax and deferred tax. Current tax represents the estimated tax payable on the taxable profits for the period. Taxable profit differs from profit before tax reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements, and is measured using the substantively enacted rates expected to apply when the asset or liability will be realised or settled.

Deferred tax assets and liabilities are not offset unless the Group has legal right to offset which it intends to apply. Deferred tax assets are recognised only to the extent that the Directors consider it probable that they will be recovered.

Deferred tax is recognised in the income statement, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity.

13. CURRENT AND DEFERRED TAX continued

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

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Current tax:		
Current tax on profits for the year	**4,365**	4,377
Adjustments in respect of prior years	**38**	(481)
Total current tax	**4,403**	3,896
Deferred tax – origination and reversal of timing differences	**(610)**	(586)
Total tax charge	**3,793**	3,310

The total tax charge assessed for the year is higher (2018: lower) than the average standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit before tax	**16,788**	18,452
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2018: 19%)	**3,190**	3,506
Effects of:		
Expenses not deductible for tax purposes	**875**	537
Deferred tax on amortisation of RAMAM IMAs	**(753)**	(851)
Income not subject to tax	**(135)**	(191)
Adjustment in respect of prior years	**(3)**	(285)
Other timing differences	**619**	594
Total tax charge	**3,793**	3,310

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

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Deferred tax assets		
At beginning of year	**2,443**	3,421
Charge to the income statement:		
– share-based payment expense	**(59)**	(189)
Debit to equity:		
– share-based payment expense	**(291)**	(789)
– recycling of deferred tax on shares vested	**(1,059)**	–
At end of year	**1,034**	2,443
Deferred tax liabilities		
At beginning of year	**3,153**	3,969
(Charge)/credit to the income statement:		
– amortisation of intangibles	**(752)**	(851)
– movement on investments held at fair value	**82**	–
Credit to equity:		
– movement on fair value of available-for-sale investments	**–**	35
At end of year	**2,483**	3,153

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14. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company in issue during the year.

Vesting EPSP awards (note 7) have a dilutive effect on the equity holders of the Company. Following the end of the holding period 57% of EPSP Performance Condition A shares vested on 26 June 2019 and are recognised as shares in issue – basic. In 2018 2,644,000 shares were considered dilutive as 57% of EPSP Performance Condition A shares were expected to vest.

The dilution effect of the EPSP awards is considered in the calculation of diluted earnings per share.

Additionally, the Group operates a save-as-you-earn (SAYE) scheme for employees. The SAYE Scheme allows employees to contribute towards a share option scheme over a three year period. At the end of the scheme the employees have the option to either receive shares in River and Mercantile Group PLC or cash. The potential dilutive effect of this scheme is also considered in the calculation of diluted earnings per share.

	Year ended 30 June 2019	Year ended 30 June 2018
Profit attributable to owners of the parent (£'000)	**12,995**	15,142
Weighted average number of shares in issue ('000)	**80,121**	80,410
Weighted average number of diluted shares ('000)	**83,244**	83,740
Earnings per share:		
Earnings per share		
Basic (pence)	**16.22**	18.83
Diluted (pence)	**15.61**	18.08

Reconciliation between weighted average number of shares in issue

	Year ended 30 June 2019 '000	Year ended 30 June 2018 '000
Weighted average number of shares in issue – basic	**80,121**	80,410
Dilutive effect of shares granted under SAYE	**335**	686
Dilutive effect of shares granted under EPSP	**2,788**	2,644
Weighted average number of shares in issue – diluted	**83,244**	83,740

The weighted average number of shares in issue has reduced as a result of purchases of own shares by the EBT (note 24). At 30 June 2019, the EBT held 2,354,000 shares (2018: 1,806,000). The weighted average number held by the EBT during the year was 1,761,000 (2018: 1,685,000).

ADJUSTED PROFIT

Adjusted profit comprises adjusted underlying profit and performance fee profit.

Adjusted underlying profit represents net management and advisory fees less associated remuneration, administrative expenses, depreciation, amortisation of software and finance income and expense.

14. EARNINGS PER SHARE continued

Performance fee profit represents performance fees, less the associated remuneration costs plus the gain on disposal of investments held at fair value.

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Adjusted underlying profit		
Net management and advisory fees	**65,584**	64,198
Administrative expenses	**(15,647)**	(14,074)
Underlying remuneration at 54% (2018: 53%)	**(35,405)**	(33,862)
Amortisation of software	**(21)**	(37)
Depreciation	**(199)**	(156)
Net finance income	**338**	10
Adjusted underlying profit before tax	**14,650**	16,079
Taxes	**(3,507)**	(3,165)
Adjusted underlying profit after tax	**11,143**	12,914
Adjusted underlying pre-tax margin	**22%**	25%
Performance fee profit		
Performance fees	**12,519**	10,575
Less remuneration at 50% (2018: 50%)	**(6,260)**	(5,288)
Gain on disposal of investments held at fair value	**20**	–
Gain on disposal of available-for-sale assets	**–**	458
Performance fee profit before tax	**6,279**	5,745
Taxes	**(1,194)**	(1,092)
Performance fee profit after tax	**5,085**	4,653
Adjusted profit before tax	**20,929**	21,824
Adjusted profit after tax	**16,228**	17,567

RECONCILIATION TO STATUTORY PROFIT

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit before tax	**16,788**	18,452
Adjustments:		
Amortisation of acquired intangible assets and IMAs	**4,347**	4,558
Other gains and losses	**(841)**	(1,063)
EPSP costs/(credits)	**635**	(123)
Adjusted profit before tax	**20,929**	21,824

ADJUSTED EARNINGS PER SHARE

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Adjusted profit after tax	**16,228**	17,567
Weighted average shares ('000)	**80,121**	80,410
Weighted average diluted shares ('000)	**83,244**	83,740
Adjusted EPS:		
Basic (pence)	**20.26**	21.85
Diluted (pence)	**19.50**	20.98
Adjusted underlying EPS:		
Basic (pence)	**13.91**	16.06
Diluted (pence)	**13.39**	15.42

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15. DIVIDENDS

The Group recognises dividends when an irrevocable commitment to pay them is incurred. In the case of interim dividends, this is generally the payment date. In the case of final dividends, this is the date upon which the dividend is approved by shareholders.

During the year, the following dividends were paid:

	Ordinary (pence)	Special (pence)	Total (pence)	**Year ended 30 June 2019 £'000**	Year ended 30 June 2018 £'000
2017 second interim	5.3	2.8	8.1	**–**	6,526
2017 final	3.2	2.8	6.0	**–**	4,835
2018 first interim	5.4	2.2	7.6	**–**	6,095
2018 second interim	4.2	1.3	5.5	**4,422**	–
2018 final	3.2	2.3	5.5	**4,424**	–
2019 first interim	4.3	2.0	6.3	**5,023**	–
				13,869	17,456

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits. At year end, all cash balances were held by banks with credit ratings as detailed below.

Bank	**30 June 2019 £'000**	30 June 2018 £'000	Credit rating	Rating body
Barclays Bank	**18,728**	16,119	A2/Positive	Moody's
Lloyds Bank	**5,043**	7,583	Aa3	Moody's
First Republic Bank	**275**	327	A1	Moody's
Total cash and cash equivalents	**24,046**	24,029		

17. INVESTMENT MANAGEMENT BALANCES

	30 June 2019 £'000	30 June 2018 £'000
Investment management receivables	**22,277**	13,116
Investment management payables	**22,278**	13,147

As ACD of River and Mercantile Funds ICVC (the Fund) the Group is required to settle transactions between investors and the depositary of the Fund. The Group is exposed to the short-term liquidity requirements to settle with the depositary of the Fund before receiving payments from the investor. The credit risk associated with the investment management balances is discussed in note 28.

The investment management balances are initially recognised at fair value, based upon the values given by the administrator of the ICVC of the contractually agreed subscription or redemption values, and are subsequently recognised at amortised cost using the effective interest method. Due to their short-term nature (typically less than a week), amortised cost closely approximates fair value. The Group applies the IFRS 9 three staged model to measuring expected credit losses (ECLs) for investment management balances at an amount equal to 12 months ECLs. The ECLs on investment management balances are calculated based on actual historic credit loss experienced over the preceding three to five years on the total balance of non-credit impaired investment management balances, and also the future likelihood of default. Taking into consideration the Group's historical experience, and their current credit exposures in light of future probabilities of default, the Group does not expect to incur any credit losses and has recognised any impairment losses in the current year under IFRS 9 (2018: nil).

18. INVESTMENTS HELD AT FAIR VALUE

The Group uses capital to invest in its own fund products as seed investments. The investments are recognised as a financial asset in the balance sheet and changes to the fair value are recognised in the income statement. Investments held at fair value relate to seeding in the Global Macro Fund. The fair value of the Group's investment in the Global Macro Fund was derived from the fair value of the underlying investments, some of which are not traded in an active market and therefore the investment is classified as Level 2 under IFRS 13 Fair Value Measurement. The Global Macro Fund is an unlisted equity vehicle based in Ireland.

The introduction of IFRS 9 has resulted in a change in accounting treatment in respect of investments. Investments held at fair value were all previously held as available-for sale assets. All available-for-sale assets had gains or losses recognised through other comprehensive income until realised. In accordance with IFRS 9, all such assets have been reclassified as FVTPL. See note 28 for further disclosures on the reclassification.

18. INVESTMENTS HELD AT FAIR VALUE continued

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

	Available-for-sale investments £'000	Investments held at FVTPL £'000
At 30 June 2017	12	–
Additions	10,043	–
Movement in fair value	472	–
Disposals	(5,362)	–
At 30 June 2018	5,165	–
Reclassified on initial application of IFRS 9	(5,165)	5,165
Additions	–	10
Movement in fair FVTPL	–	441
Foreign exchange movement		165
Disposals	–	(394)
At 30 June 2019	**–**	**5,387**

19. FEE RECEIVABLES

Fee receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. The Group applies the IFRS 9 simplified approach to measuring ECLs for fee receivables at an amount equal to lifetime ECLs. The ECLs on fee receivables are calculated based on actual historic credit loss experienced over the preceding three to five years on the total balance of non-credit impaired fee receivables and also the future likelihood of default.

The Group considers a fee receivable to be credit impaired when one or more detrimental events have occurred, such as significant financial difficulty of the client or it becoming probable that the client will enter bankruptcy or other financial reorganisation. As the majority of fee receivables are fees deducted from the net asset value by fund administrators from the respective funds off which they are calculated the credit risk is considered very low. Taking into consideration the Group's historic experience, and their current credit exposures in light of future probabilities of default, the Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2018: nil). The Directors are satisfied with the credit quality of counterparties.

	30 June 2019 £'000	30 June 2018 £'000
Fees receivable	**4,412**	7,856
	4,412	7,856

As at 30 June 2019, the lifetime expected loss provision for fee receivables is as follows:

£'000	Current	30–60 days past due	61–90 days past due	91–365 days past due	More than 365 days past due	Total
Expected loss rate	0%	0%	0%	0%	50%	
Fee receivables balance	3,544	786	43	39	–	4,412
Loss provision	–	–	–	–	–	–

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

	30 June 2019 £'000	30 June 2018 £'000
Opening provision for impairment	**38**	55
Increase during the year	**7**	30
Receivable written off during the year	**(45)**	(47)
Closing provision for impairment	**–**	38

The average credit period on fee receivables is 32 days (2018: 37 days).

20. OTHER RECEIVABLES

	30 June 2019 £'000	30 June 2018 £'000
Accrued income	**18,186**	13,620
Prepayments	**1,494**	1,292
Other debtors	**5,825**	4,784
	25,505	19,696

Other debtors include a receivable in respect of the settlement of shares sold to cover Executive Directors' employment taxes following the vesting of the EPSP awards of £3,693,000 (2018: £nil) and a further £0.1m relates to relocation expenses. In addition, included within other receivables is an ACD debtor of £1,083,000 (2018: £1,378,000).

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20. OTHER RECEIVABLES continued

The Group applies the IFRS 9 simplified approach to measuring ECLs to other debtors. The Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2018: nil).

The Group's policy on financial instruments can be found in note 28.

21. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at historical cost less accumulated depreciation. Depreciation charges the cost of the assets to the consolidated income statement over their expected useful lives. Office equipment includes computer equipment which is depreciated over three years, and fixtures, fittings and equipment which is depreciated over seven years. Leasehold improvements are amortised over the remaining term of the leases. The depreciation period and method is reviewed annually.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 30 June 2017	690	367	1,057
Additions	197	307	504
Disposals	(330)	(243)	(573)
Reclassification	16	(16)	–
At 30 June 2018	573	415	988
Additions	64	132	196
Disposals	(85)	–	(85)
Exchange difference	5	3	8
At 30 June 2019	**557**	**550**	**1,107**
Accumulated depreciation:			
At 30 June 2017	649	145	794
Disposals	(330)	(233)	(563)
Reclassification	9	(9)	–
Depreciation charge	37	119	156
At 30 June 2018	365	22	387
Disposals	(85)	–	(85)
Depreciation charge	71	128	199
At 30 June 2019	**351**	**150**	**501**
Net book value:			
At 30 June 2018	208	393	601
At 30 June 2019	**206**	**400**	**606**

22. TRADE AND OTHER PAYABLES

	30 June 2019 £'000	30 June 2018 £'000
Trade payables	**771**	978
VAT payable	**1,029**	861
Remuneration accruals	**17,459**	13,353
Other accruals and payables	**4,478**	7,145
Contract liabilities	**38**	36
	23,775	22,373

The Group's policy on financial instruments can be found in note 28.

23. PROVISIONS

As reported in the prior year's Annual Report, the Group recognised a liability in respect of a FCA competition matter and operational error, which were both settled during the year.

	Total £'000
Balance as at 1 July 2018	1,209
Paid during the year	(1,209)
Balance as at 30 June 2019	**–**

24. SHARE CAPITAL

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

Allotted, called up and fully paid: Ordinary shares of £0.003 each	Number	£
Opening balance at 1 July 2018	82,095,346	246,286
Shares issued in respect of EPSP award vesting	2,956,336	8,869
Shares issued in respect of SAYE award vesting	244,494	733
Balance as at 30 June 2019	**85,296,176**	**255,888**

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

The share premium account arises from the excess paid over the nominal value of the shares issued.

During the year, the Group's EBT purchased Group shares in relation to non-dilutive share awards (note 7). The shares held are measured at cost.

	£'000
Opening balance at 1 July 2018	4,981
Acquisition of shares by the EBT	1,694
Disposal of shares in respect of award vesting	(424)
Balance as at 30 June 2019	**6,251**

25. OTHER RESERVES

	30 June 2019 £'000	30 June 2018 £'000
Available-for-sale reserve (including deferred tax)	**–**	13
Foreign exchange reserve	**379**	400
Capital redemption reserve	**84**	84
Merger reserve	**44,433**	44,433
Capital contribution reserve	**576**	4,442
	45,472	49,372

The foreign exchange reserve represents the cumulative foreign exchange differences arising on US Dollar denominated businesses in the Group as well as currency differences on goodwill and fair value adjustments on the acquisition of foreign subsidiaries. On disposal of the US Dollar denominated business, the associated cumulative foreign exchange differences are recycled through the consolidated income statement.

The capital contribution reserve arose from a historical acquisition whereby the Group's then parent, PSG, settled part of the consideration in its own shares £576,000. There was a reclassification to retained earnings for a capital contribution reserve item that arose from forgiveness of a dividend by the Group's then parent, PSG (£3,867,000).

The merger reserve arose on the acquisition of RAMAM in March 2014.

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26. OPERATING LEASES

Office facilities are leased under operating leases. The rental cost is charged to the consolidated income statement on a straight-line basis over the lease term. Rent rebates are accounted for over the period of the lease term.

The future aggregate minimum lease payments under all non-cancellable operating leases, net of rent rebates are as follows:

	30 June 2019 £'000	30 June 2018 £'000
No later than one year	**1,386**	1,268
Later than one year and no later than five years	**2,590**	3,099
Later than five years	**122**	352
	4,098	4,719

27. RELATED PARTY TRANSACTIONS

Related parties to the Group are:

- Key management personnel.
- PSG who held 36.7% of the issued share capital of the Group. On 3 July 2019, PSG reduced their holding in the Group to 29.5%.

SIGNIFICANT TRANSACTIONS WITH PSG

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Administrative charges from PSG:		
Office facilities	**435**	1,010
Total administrative charges	**435**	1,010

During the period, the Company replaced a share certificate relating to PSG's ownership of 31,302,321 shares in the Company. PSG provided the Company with an indemnity in respect of the replacement.

Effective on 28 February 2019, the lease agreement relating to 11 Strand with PSG was surrendered. The Group paid PSG £75,000 in respect of dilapidations.

28. FINANCIAL INSTRUMENTS

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

The basis of classification for financial assets under IFRS 9 is different from that under IAS 39. Financial assets are classified into one of three categories: amortised cost, FVTPL or FVOCI. Management have applied the 'Business Model' and 'Solely Payments of Principal and Interest' tests as prescribed by IFRS 9 to determine the correct classification.

The table below explains the previous measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 30 June 2019.

FINANCIAL ASSETS HELD AT FAIR VALUE AS AT 30 JUNE 2019

Financial assets	Classification under IAS 39	£'000	Classification under IFRS 9	£'000
Cash and cash equivalents	Loans and receivables	24,046	Amortised cost	24,046
Investment management balances	Loans and receivables	22,277	Amortised cost	22,277
Fee receivables	Loans and receivables	4,412	Amortised cost	4,412
Other receivables	Loans and receivables	24,011	Amortised cost	24,011
Total		74,746		74,746
Fair value assets	Available-for-sale	5,387	FVTPL	5,387
Total		5,387		5,387
Total financial assets		**80,133**		**80,133**

As permitted under IFRS 9, the Group has chosen not to restate comparatives on adoption and, therefore, the above changes have been applied at the date of initial application.

The basis of classification for financial liabilities under IFRS 9 remains unchanged from under IAS 39.

28. FINANCIAL INSTRUMENTS continued

FINANCIAL ASSETS AT FVTPL

Financial assets are classified as FVTPL on application of the 'Business Model' and 'Solely Payments of Principal and Interest' test as disclosed on previous page.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the income statement.

TRADE AND OTHER RECEIVABLES

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

The impairment provision on financial assets measured at amortised cost (such as trade and other receivables) has been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39.

CASH AND CASH EQUIVALENT BALANCES

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

TRADE AND OTHER PAYABLES

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

CATEGORIES OF FINANCIAL INSTRUMENTS

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

	30 June 2019 £'000	30 June 2018 £'000
Financial assets		
Cash and cash equivalents	**24,046**	24,029
Investment management balances	**22,277**	13,116
Fee receivables	**4,412**	7,856
Other receivables	**24,011**	18,404
Total financial assets held at amortised cost	**74,746**	63,405
Investments held at FVTPL	**5,387**	5,165
Total Investments held at FVTPL	**5,387**	5,165
Total financial assets	**80,133**	68,570

Other receivables exclude prepayments.

	30 June 2019 £'000	30 June 2018 £'000
Financial liabilities		
Investment management balances	**22,278**	13,147
Trade and other payables	**23,737**	22,336
Total other liabilities at amortised cost	**46,015**	35,483
Total financial liabilities	**46,015**	35,483

Trade and other payables exclude deferred income.

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

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, and held as FVTPL and revalued on a recurring basis, grouped into levels 1 to 3:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The Group does not hold financial instruments in this category.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group's seeding of funds is held within this category.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's contingent consideration of the ILC team is held within this category. This contingent consideration is measured at fair value at the reporting date. Based on a discount rate of 12% and an assumed AUM growth of 10% per annum, the fair value of the contingent consideration payable is £393,000 (2018: £798,000).

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28. FINANCIAL INSTRUMENTS continued

As at 1 July 2018, the available-for-sale investments previous held at fair value through other comprehensive have been reclassified as equity investments classified as FVTPL, following the IFRS 9 transition.

FINANCIAL RISK MANAGEMENT

The risks of the business are measured and monitored in accordance with the Board's risk appetite, and policies and procedures covering specific risk areas, such as: credit, market and liquidity risk.

The Group is exposed to credit risk, market risk (including interest rate and foreign currency risks) and liquidity risks from the financial instruments identified above. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty defaults on their contractual obligations resulting in financial loss to the Group. The carrying amount of financial assets at amortised cost recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group holds no collateral as security against any financial asset. Credit risk arises principally from the Group's fee receivables, investment management balances, other receivables and cash balances. The Group manages its credit risk through monitoring the aging of receivables and the credit quality of the counterparties with which it does business.

The aging of outstanding fee receivables at the reporting date is given in note 19. The Group had no single fee receivable balance at year-end that is material to the Group (2018: none).

The banks with whom the Group deposits cash and cash equivalent balances are monitored, including their credit ratings (note 16).

The Group bears risk in relation to the investment management balances held in respect of the River and Mercantile Funds ICVC. If any debtor failed to pay, the Group would redeem the underlying fund units in respect of that debtor, however, it would be subject to risk that the value of the underlying fund units had fallen. The maximum theoretical risk exposure is the full £22.3m (2018: £13.1m) value of the receivables multiplied by the percentage decrease in the underlying ICVC position during the period between default and redemption. In order to mitigate the risk of losses arising from late receipt, the Group will seek specific indemnity from counterparties in certain cases. Management monitor the performance and aging of the investment management positions and take recovery action as appropriate.

MARKET RISK – FOREIGN CURRENCY RISK MANAGEMENT

The Group's foreign currency risk arises where adverse movements in foreign exchange rates impact the value of the assets and liabilities held in currencies other than the local entities functional currency. The carrying amount of the Group's foreign currency exposures are shown below in GBP:

	30 June 2019 £'000	30 June 2018 £'000
Fee receivables	**25**	479
Cash and cash equivalents	**249**	820
Payables	**(1,026)**	(2,973)
Other assets	**1,653**	1,564
Investments held at fair value	**5,261**	–
Available-for-sale assets	**–**	5,046
Total	**6,162**	4,936

A 10% fluctuation in the exchange rate between foreign currencies and UK Pounds sterling on the outstanding foreign currency denominated monetary items at year-end balances would result in a gain or loss of £616,000 (2018: £494,000).

Foreign exchange risk arising from transactions denominated in foreign currencies are monitored and where appropriate the currency required to settle the transaction may be purchased ahead of the settlement date.

MARKET RISK – INTEREST RATE RISK MANAGEMENT

The Group has minimal exposure to interest rate risk. The Group has no external borrowings, cash deposits with banks earn a floating rate of interest and the interest income is not significant in either year.

28. FINANCIAL INSTRUMENTS continued

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves to meet the Group's working capital requirements. Management monitors forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

The Group is cash generative before the payment of dividends and has cash and cash equivalent balances that support the Group's working capital requirements. The fee receivable invoicing cycle is generally quarterly; as a result working capital balances are maintained to meet the ongoing expenses of the business during the quarterly cycles. The Group's capital expenditure requirements have not been significant and have been limited to office and IT equipment.

Prior to significant cash outflows (or entering into commitments which would result in significant cash outflows), including dividends, the Group undertakes liquidity and capital analysis.

The Group has entered into operating leases over its premises. Note 26 discloses the future aggregate minimum lease payments at the Balance Sheet date, net of rebates over the life of the contracts.

At 30 June 2019, the Group had cash and cash equivalents of £24.0m (2018: £24.0m).

As ACD of River and Mercantile Funds ICVC (the Fund), some of the operating cash balance of RAMAM is held in an ACD operating account into which the management fees from the ICVC are paid on a monthly basis. Of the ACD operating account balance at each year end, the proportion not attributable to client fund transactions can be utilised by RAMAM within a 24-hour notice period and thus the account is considered liquid. At 30 June 2019, £1.5m (2018: £2.8m) of the cash and cash equivalents balance related to the ACD account.

LIQUIDITY GAP ANALYSIS

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

The net liquidity positions in the table below relate to cash flows on contractual obligations existing at the reporting date and does not take account of any cash flows generated from profits on normal trading activities.

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2019				
Assets				
Cash and cash equivalents	24,046	–	–	–
Investment management balances	–	22,277	–	–
Fee income receivables	–	4,412	–	–
Other receivables	–	19,100	4,855	56
Total financial assets	**24,046**	**45,789**	**4,855**	**56**
Liabilities				
Investment management balances	–	22,278	–	–
Trade and other payables	–	21,218	2,075	444
Total financial liabilities	**–**	**43,496**	**2,075**	**444**
Net liquidity surplus/(deficit)	**24,046**	**2,293**	**2,780**	**(388)**

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2018				
Assets				
Cash and cash equivalents	24,030	–	–	–
Investment management balances	–	13,116	–	–
Fee income receivables	–	7,856	–	–
Other receivables	–	18,374	30	–
Total financial assets	24,030	39,346	30	–
Liabilities				
Investment management balances	–	13,147	–	–
Trade and other payables	–	19,266	80	2,990
Total financial liabilities	–	32,413	80	2,990
Net liquidity surplus	24,030	6,933	(50)	(2,990)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

28. FINANCIAL INSTRUMENTS continued

CAPITAL MANAGEMENT

The Group operates its subsidiaries as self-sufficient entities, which are expected to be able to meet their funding requirements without recourse to the parent.

The Group's capital structure consists of equity (share capital and share premium), other reserves and its retained earnings; capital is managed on a consolidated and individual entity basis to ensure that each entity is able to continue as a going concern. Three of the Group's subsidiaries are regulated entities (one in the UK, one in the US and one in both the UK and the US). The Group scrutinises its capital adequacy using the Pillar 2 and ICAAP frameworks which are regulated by the FCA to maintain adequate capital requirements. The Group has complied with its regulatory capital required throughout the period covered by these financial statements.

29. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY UNDERTAKINGS

The Group became publicly listed on 26 June 2014 and remains publicly listed.

SUBSIDIARY UNDERTAKINGS

The following subsidiaries have been included in the consolidated financial information of the Group:

Name	Country of incorporation of registration	Proportion of voting rights/ ordinary share capital held %	Registered office address	Nature of business
River and Mercantile Investments Limited[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment management
River and Mercantile US Holdings Limited[1]	UK	100	30 Coleman St, London, EC2R 5AL	Holding company for the US business
River and Mercantile LLC[1, 2]	US	100	130 Turner St, Waltham, MA 02453	Actuarial and consulting
River and Mercantile Holdings Limited	UK	100	30 Coleman St, London, EC2R 5AL	Holding company
River and Mercantile Asset Management LLP[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment management
River and Mercantile Group Services Limited[1,2]	UK	100	30 Coleman St, London, EC2R 5AL	Dormant service company
River and Mercantile Group Trustees Limited[1,2]	UK	100	30 Coleman St, London, EC2R 5AL	Dormant service company
River and Mercantile Group Employee Benefit Trust	UK	0	12 Castle Street, St Helier, Jersey, JE2 3RT	Employee Benefit Trust

1. Indirect holding.
2. Exempt from audit requirements.

RAMAM has a non-coterminous year end, reporting at 31 March on a standalone basis. This was the existing year-end date as at acquisition and no change is expected.

30. EVENTS AFTER THE REPORTING DATE

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

The Board of Directors have declared a second interim dividend of 5.1 pence per share, of which 1.6 pence is a special dividend and relates to net performance fees. The second interim dividend will be paid on 22 November 2019 to shareholders on the register as at 25 October 2019. The ex-dividend date is 24 October 2019.

The Board of Directors have also proposed a final dividend for the year ended 30 June 2019, subject to approval by shareholders at the Group's AGM on 9 December 2019, of 5.0 pence per share, of which 2.4 pence is a special dividend and relates to net performance fees.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2019 £'000**	30 June 2018 £'000
Assets			
Cash and cash equivalents	2	**11,104**	7,815
Other receivables	3	**12,947**	11,053
Deferred tax asset	4	**736**	2,074
Property, plant and equipment	5	**314**	246
Intangible assets	6	**26**	47
Investments	7	**58,762**	57,645
Total assets		**83,889**	78,880
Liabilities			
Payables	8	**9,254**	7,902
Total liabilities		**9,254**	7,902
Net assets		**74,635**	70,978
Equity			
Share capital	9	**256**	246
Share premium	10	**15,136**	14,688
Other reserves	11	**44,517**	48,384
Retained earnings		**14,726**	7,660
Equity attributable to owners		**74,635**	70,978

The Company's profit for the year was £15,810,000 (2018: £11,990,000).

COMPANY STATEMENT OF CASH FLOWS

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Cash flow from operating activities		
Loss before interest, tax and dividends from subsidiaries	**(7,409)**	(9,061)
Adjustments for:		
Depreciation of property, plant and equipment	**122**	80
Amortisation of intangible assets	**21**	37
EBT funding	**2,079**	1,773
Share-based payment expense	**429**	1,657
Other gains and losses	**21**	–
Operating cash flow before movement in working capital	**(4,737)**	(5,514)
Increase in operating assets	**(5,230)**	(5,435)
Increase in operating liabilities	**649**	1,539
Cash used in operations	**(9,318)**	(9,410)
Taxation received/(paid)	**1,206**	(92)
Net cash used in operations	**(8,112)**	(9,502)
Cash flow from investing activities		
Purchases of property, plant and equipment	**(190)**	(307)
Interest received	**36**	31
Dividends received from subsidiaries	**23,200**	21,500
Net cash generated from investing activities	**23,046**	21,224
Cash flow from financing activities		
EBT funding settled	**(2,200)**	(1,728)
EBT disposal of shares	**–**	95
Dividends paid	**(13,869)**	(17,456)
Repayment of intercompany loan receivables	**4,016**	–
Share issue	**408**	–
Net cash used in financing activities	**(11,645)**	(19,089)
Net increase/(decrease) in cash and cash equivalents	**3,289**	(7,367)
Cash and cash equivalents at beginning of year	**7,815**	15,182
Cash and cash equivalents at end of year	**11,104**	7,815

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance as at 30 June 2017	246	14,688	48,384	11,215	74,533
Comprehensive income for the year:					
Profit for the year	–	–	–	11,990	11,990
Total comprehensive income for the year	–	–	–	11,990	11,990
Transactions with owners:					
Dividends	–	–	–	(17,456)	(17,456)
Share-based payment expense	–	–	–	2,360	2,360
Disposal of EBT shares	–	–	–	95	95
Deferred tax on share-based payment expense	–	–	–	(544)	(544)
Total transactions with owners:	–	–	–	(15,545)	(15,545)
Balance as at 30 June 2018	246	14,688	48,384	7,660	70,978
Comprehensive income for the year:					
Profit for the year	–	–	–	15,810	15,810
Total comprehensive income for the year	**–**	**–**	**–**	**15,810**	**15,810**
Transactions with owners:					
Dividends	–	–	–	(13,869)	(13,869)
Share-based payment expense	–	–	–	1,450	1,450
Deferred tax on share-based payment expense	–	–	–	(1,272)	(1,272)
Realised tax in respect of award vesting	–	–	–	1,080	1,080
Transfer to retained earnings	–	–	(3,867)	3,867	–
Share issue in respect of award vesting	10	448	–	–	458
Total transactions with owners:	**10**	**448**	**(3,867)**	**(8,744)**	**(12,153)**
Balance as at 30 June 2019	**256**	**15,136**	**44,517**	**14,726**	**74,635**

Transfer to retained earnings is in respect of a reclassification of capital contribution reserve which arose from forgiveness of a dividend by the Group's then parent, PSG (£3,867,000).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations, International Financial Reporting Interpretation Committee interpretations, and with those parts of the 2006 Act applicable to companies reporting under IFRS as issued by the International Accounting Standards Board as adopted by the European Union (IFRS) that are relevant to its operations and effective for accounting periods beginning on 1 July 2018.

PRINCIPAL PLACE OF BUSINESS

The Company's principal place of business is the same as its registered office.

RESULT FOR THE YEAR

The profit after tax for the year ended 30 June 2019 was £15,810,000 (2018: £11,990,000). This includes a charge of £2,079,000 relating to funding provided to the Group's EBT (2018: £1,773,000).

In accordance with s408 of the Companies Act 2006 a separate income statement has not been presented for the Company. There are no items of comprehensive income other than the result for the year and therefore no statement of comprehensive income has been prepared for the Company.

FOREIGN CURRENCIES

To the extent that the Company undertakes transactions in currencies other than GBP, the transactions are translated into GBP using the exchange rate prevailing at the date of the transaction. Balances denominated in foreign currencies are translated into GBP using the exchange rate prevailing at the balance sheet date. All foreign exchange differences arising from the settlement of transactions or the translation of balances are recognised in operating expenses in the income statement.

EMPLOYEES

The Company had an average of 49 employees during the year (2018: 34). Total remuneration costs were £8,384,000 (2018: £10,100,000).

DIVIDENDS

See note 15 of the consolidated financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank, cash at agents, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Below is a table detailing the credit rating of the banks with which the Company holds its cash, and the balance held at year-end.

Bank	**30 June 2019 £'000**	30 June 2018 £'000	Credit rating	Rating body
Barclays Bank	**11,104**	7,815	A2/Positive	Moody's

3. OTHER RECEIVABLES

	30 June 2019 £'000	30 June 2018 £'000
Taxes and social security	**202**	226
Prepayments and accrued income	**779**	552
Amounts owed from Group undertakings	**8,116**	10,223
Other debtors	**3,850**	52
	12,947	11,053

Other debtors include a receivable in respect of the settlement of shares sold to cover Executive Directors' employment taxes following the vesting of the EPSP awards of £3,693,000 (2018: £nil) and a further £0.1m relates to relocation expenses.

Amounts owed from Group undertakings represent balances incurred in the course of trade and are payable on demand.

The Company applies the IFRS 9 simplified approach to measuring ECLs to accrued income and three staged model to measuring ECLS to the remaining other receivables. The Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2018: nil).

4. TAX

The Company's accounting policy in respect of tax is the same as that of the Group as detailed in note 13 of the consolidated financial statements.

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Current tax on profits for the year	**–**	28
Adjustments in respect of prior years	**(28)**	444
Total current tax	**(28)**	472
Deferred tax on origination and reversal of timing differences	**65**	13
Total tax charge/(credit)	**37**	485

The tax assessed for the year is lower (2018: lower) than the average standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Profit before tax	**15,848**	12,013
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2018: 19%)	**3,011**	2,282
Effects of:		
Income not assessable to tax	**(4,408)**	(4,085)
Group relief	**1,331**	1,802
Other timing differences	**75**	42
Adjustment in respect of prior years	**28**	444
Total tax credit	**37**	485

	30 June 2019 £'000	30 June 2018 £'000
Deferred tax assets:		
At beginning of year	**2,074**	2,629
(Charge)/credit to the income statement – share-based payment expense	**(66)**	(11)
(Charge)/credit to equity – share-based payment expense	**(1,272)**	(544)
At year end	**736**	2,074

5. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is carried at historical cost less accumulated depreciation. Depreciation charges the cost of the assets to the consolidated income statement over their expected useful lives.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 30 June 2018	73	243	316
Additions	63	127	190
At 30 June 2019	**136**	**370**	**506**
Accumulated depreciation:			
At 30 June 2018	10	60	70
Depreciation charge	19	103	122
At 30 June 2019	**29**	**163**	**192**
Net book value:			
At 1 July 2018	63	183	246
At 30 June 2019	**107**	**207**	**314**

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

6. INTANGIBLE ASSETS

Intangible assets are carried at historical cost less accumulated amortisation and impairment. Amortisation charges the cost of the assets to the consolidated income statement over their expected useful lives.

	Software £'000	Total £'000
Cost:		
At 30 June 2018	84	84
At 30 June 2019	**84**	**84**
Accumulated amortisation and impairment:		
At 30 June 2018	37	37
Amortisation charge	21	21
At 30 June 2019	**58**	**58**
Net book value:		
At 1 July 2018	47	47
At 30 June 2019	**26**	**26**

7. INVESTMENTS IN SUBSIDIARIES

	30 June 2019 £'000	30 June 2018 £'000
At start of year	**57,645**	56,941
Additions – share-based payments in subsidiaries	**1,117**	704
At end of year	**58,762**	57,645

The Company's investments in subsidiaries are stated at cost less provision for any impairment incurred. The Company has a 100% holding in River and Mercantile Holdings Limited.

8. PAYABLES

	30 June 2019 £'000	30 June 2018 £'000
Taxes and social security	**–**	329
Amounts owed to Group undertakings	**–**	715
Trade payables	**563**	555
Accruals and deferred income	**8,691**	6,303
	9,254	7,902

Amounts owed to Group undertakings represent balances incurred in the course of trade and are payable on demand.

9. SHARE CAPITAL

Full details of the Company's share capital can be found in note 24 of the consolidated financial statements.

10. SHARE PREMIUM

Full details of any movements in share premium can be found in the Company statement of changes in equity.

11. OTHER RESERVES

A reconciliation of the movements in reserves can be found in the Company statement of changes in equity. Details on the nature of the other reserves in the Company can be found in note 25 of the consolidated financial statements.

A breakdown of other reserves is detailed below.

	30 June 2019 £'000	30 June 2018 £'000
Merger reserve	**44,433**	44,433
Capital contribution reserve	**–**	3,867
Capital redemption reserve	**84**	84
	44,517	48,384

As at 30 June 2019, the Company had £10,800,000 of distributable reserves (2018: £11,527,000).

There was a reclassification to retained earnings for a capital contribution reserve item that arose from forgiveness of a dividend by the Group's then parent, PSG (£3,867,000).

12. FINANCIAL INSTRUMENTS

A discussion of the financial risks and associated financial risk management, which applies to all of the companies in the Group, can be found in note 28 of the consolidated financial statements, along with the Group's accounting policy in respect of financial instruments.

The table below explains the previous measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 30 June 2019.

FINANCIAL ASSETS HELD AT FAIR VALUE AS AT 30 JUNE 2019

Financial assets	Classification under IAS 39	£'000	Classification under IFRS 9	£'000
Cash and cash equivalents	Loans and receivables	11,104	Amortised cost	11,104
Other receivables	Loans and receivables	12,168	Amortised cost	12,168
Total		23,272		23,272
Total financial assets		**23,272**		**23,272**

As permitted under IFRS 9, the Group has chosen not to restate comparatives on adoption and, therefore, the above changes have been applied at the date of initial application.

The basis of classification for financial liabilities under IFRS 9 remains unchanged from under IAS 39.

The financial assets and liabilities of the Company are categorised under IFRS 9 as follows:

	30 June 2019 £'000	30 June 2018 £'000
Financial assets held at amortised cost		
Cash and cash equivalents	**11,104**	7,815
Other receivables	**12,168**	10,501
Total financial assets held at amortised cost	**23,272**	18,316

Other receivables exclude prepayments.

	30 June 2019 £'000	30 June 2018 £'000
Financial liabilities held at amortised cost		
Payables	**9,254**	7,902
Total financial liabilities	**9,254**	7,902

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that the counterparty defaults on their contractual obligations resulting in financial loss to the Company. The carrying amount of financial assets at amortised cost recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company held no collateral as security against any financial asset. Credit risk arises principally from the Company's intercompany and cash balances. The Company manages its credit risk through monitoring the credit quality of the counterparties with which cash is held and the Company's subsidiaries resources.

The banks with whom the Company deposits cash and cash equivalent balances are monitored, including their credit ratings (note 2).

MARKET RISK – INTEREST RATE RISK MANAGEMENT

The Company has minimal exposure to interest rate risk. The Company has no external borrowings and cash deposits with banks earn a floating rate of interest. Interest income is not significant in either year.

LIQUIDITY GAP ANALYSIS

The table opposite presents the cash flows receivable and payable by the Company under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

The net liquidity positions in the table opposite relate to cash flows on contractual obligations existing at the balance sheet date and does not take account of any cash flows generated from profits on normal trading activities.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

12. FINANCIAL INSTRUMENTS continued

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2019				
Assets				
Cash and cash equivalents	11,104	–	–	–
Other receivables	–	6,864	5	5,299
Total financial assets	**11,104**	**6,864**	**5**	**5,299**
Liabilities				
Payables	–	8,823	374	57
Total financial liabilities	**–**	**8,823**	**374**	**57**
Net liquidity surplus	**11,104**	**(1,959)**	**(369)**	**5,242**

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2018				
Assets				
Cash and cash equivalents	7,815	–	–	–
Other receivables	–	10,501	–	–
Total financial assets	7,815	10,501	–	–
Liabilities				
Payables	–	7,521	381	–
Total financial liabilities	–	7,521	381	–
Net liquidity surplus	7,815	2,980	(381)	–

13. DIRECTORS' REMUNERATION

Details of the individual Directors' remuneration are shown in the Remuneration Committee Report.

14. RELATED PARTIES

The Company entered into the following transactions with related parties:

		Transaction recharge value		Balance owed/(owing)	
Related party	Type of transaction	**30 June 2019 £'000**	30 June 2018 £'000	**30 June 2019 £'000**	30 June 2018 £'000
River and Mercantile Investments Limited (subsidiary undertaking)	Management recharges	**8,063**	7,394	**–**	–
	Intercompany balances	**–**	–	**2,498**	794
River and Mercantile LLC (subsidiary undertaking)	Management recharges	**31**	175	**–**	–
	Intercompany balances	**–**	–	**449**	354
River and Mercantile Holdings Limited (immediate subsidiary undertaking)	Intercompany balances	**–**	–	**4,729**	8,035
River and Mercantile Asset Management LLP (subsidiary undertaking)	Management recharges	**1,195**	861	**–**	–
	Intercompany balances	**–**	–	**440**	323

River and Mercantile Group PLC is the ultimate parent undertaking, River and Mercantile LLC and River and Mercantile Asset Management LLP are fellow subsidiaries and River and Mercantile Holdings Limited is the immediate parent undertaking.

Details of related party transactions with PSG can be found in note 27 of the consolidated financial statements.

15. OTHER INFORMATION

The Company has taken the exemption under s408(2) of the Companies Act 2006 to not present their remuneration separately in these financial statements.

A second interim dividend in respect of the year of 5.1 pence per share has been declared, of which 1.6 pence is a special dividend relating to net performance fees. The Directors have proposed a final dividend in respect of the year of 5.0 pence per share, of which 2.4 pence is a special dividend relating to net performance fees.

The Company has not entered into any significant commitments or contingent liabilities after the balance sheet date.

GLOSSARY

ACD – Authorised corporate director

AGM – Annual general meeting

AUM – Assets under management

Buy-in – Process by which trustees of a pension scheme buy an insurance policy to cover a group of their members. The trustees hold the policy as an asset and remain responsible for paying the pensions.

Buy-out – A type of financial transfer whereby a pension fund sponsor pays a fixed amount in order to free itself of any liabilities (and assets) relating to that fund.

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CGU – Cash generating unit

CIO – Chief Investment Officer

CMA – Competition and Markets Authority

DAA – Dynamic Asset Allocation

DB – Defined benefit

DC – Defined contribution

DEP – Deferred Equity Plan

EBT – Employee Benefit Trust

ED – Executive Director

EMAR – Emerging Market Absolute Return

EPS – Earnings per share

EPSP – Executive performance share plan. A dilutive share plan awarded to Executives during the Group's IPO

ESG – Environmental, social, governance

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

FVOCI – Fair value through other comprehensive income

FVTPL – Fair value through profit or loss

GDPR – General Data Protection Regulation

GLOMA Fund – A sub-fund of River and Mercantile Investments ICAV

GLOMA Strategy – Strategy that underlies the GLOMA Fund

IAA – Investment advisory agreement

ICAAP – Individual Capital Adequacy Assessment Process

ICVC – Investment company of variable capital

IFRS – International Financial Reporting Standards

ILC – Industrial life cycle

IMA – Investment management agreement

IME – Investment Management Entities

IPO – Initial public offering

ISA – International Standards on Auditing (UK)

KPI – Key performance indicator

LDI – Liability-driven investment, an investment strategy based on the cash flows needed to fund future liabilities

LGPS – Local government pension scheme

LTIA – Long-term incentive awards

LTIP – Long-term incentive plan

Mandated AUM/NUM – Represent the Group's closing AUM/NUM, adjusted for any mandates or redemptions in transition.

Mandates in Transition – Represent the AUM/NUM of mandates which have been awarded by clients at the period-end date and will transition into fee earning assets. The timing and ultimate amount transitioned is determined by the client. We report an estimated AUM/NUM for those mandates where there is a high likelihood of the amount being transitioned within the next three months.

MiFID – Markets in Financial Instruments Directive

MiFIR – Markets in Financial Investments Regulation

NAV – Net asset value

NED – Non-Executive Director

NUM – Notional under management

PMI – Purchasing Managers' Index

PPF – Pension Protection Fund, a statutory fund established under the provisions of the Pensions Act 2004

PSG – Punter Southall Group Limited

PSP – Performance share plan

PVT – Potential, value and timing. The investment strategy employed by the Group's Equity Solutions division eligible defined benefit fund members in case of employer insolvency

RAMAM – River and Mercantile Asset Management LLP

RAMIL – River and Mercantile Investments Limited

Redemptions in transition – Redemptions which have been notified by the client at the period-end date, but where the AUM/NUM is included in fee earning assets at period end. The redemptions will be included in a future period.

RIA – regretted institutional attrition

RMMIC – River and Mercantile Micro Cap Investment Company

ROW – Rest of the world

RWAA – Revenue weighted asset allocation

SAYE Scheme – Save As You Earn Scheme

SID – Senior Independent Director

SMCR – Senior Managers and Certification Regime

TCFD – Task Force on Climate-related Financial Disclosures

TRS – Total Return Swap

TSR – Total shareholder return

UCITS – Undertakings for the collective investment of transferable securities

YoY – Year-on-year

SHAREHOLDER INFORMATION AND ADVISORS

COMPANY NUMBER
04035248

REGISTERED OFFICE
30 Coleman Street
London
EC2R 5AL

Tel: 020 3327 5100

GROUP COMPANY SECRETARY
Sally Buckmaster

WEBSITE
www.riverandmercantile.com

ANNUAL GENERAL MEETING
9 December 2019 at 9.00 am
Macquarie Capital (Europe) Limited
Ropemaker Place
28 Ropemaker Street
11th Floor
London
EC2Y 9HD

DIVIDENDS
Where possible, it is recommended that dividend payments are made directly into a bank account to provide improved security and faster access to funds. You may give instruction via the Registrar's website www.shareview.co.uk or in writing.

Final dividend for the financial year ended 30 June 2019.

Amount
5.0 pence per ordinary share.

EX-DIVIDEND DATE
28 November 2019

RECORD DATE
29 November 2019

PAYMENT DATE
20 December 2019

REGISTRARS
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

SHAREHOLDER HELPLINE
0371 384 2030
(+44 121 415 7047)
www.shareview.co.uk

AUDITORS
BDO LLP
55 Baker Street
London
W1U 7EU

CORPORATE BROKER AND ADVISOR
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4 M7LT

Macquarie Capital (Europe) Limited
Ropemaker Place
28 Ropemaker Street
London
EC2Y 9HD

SHARE LISTING
River and Mercantile Group PLC's ordinary shares of £0.003 are admitted to trading on the Main Market of the London Stock Exchange under ticker RIV.

Information on the share price and the Company can be accessed via the Company's website or at www.londonstockexchange.com.

BLOOMBERG
0994474D:LN

ISIN
GB00BLZH7X42

SEDOL CODE
BLZH7X4

TICKER
RIV

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RIVER AND MERCANTILE
GROUP

30 Coleman Street
London
EC2R 5AL

www.riverandmercantile.com