ANNUAL REPORT AND ACCOUNTS 2020

INVESTING FOR PROFITABLE GROWTH

RIVER AND MERCANTILE

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

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

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

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

RIVER AND MERCANTILE

River and Mercantile is a client focussed asset management and investment advisory specialist working closely with clients in the UK, Europe, USA, Australia and New Zealand.

Clients

Our clients include institutional pension schemes, wholesale financial intermediaries, insurance companies, state and local government funds, charitable institutions and family offices. Understanding clients' complex investment requirements and, where relevant, their financial liabilities profile is the key to our success.

Investment

We design, build, manage and distribute specialist investment 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 resultant solutions and products, are clearly understood and implemented.

Innovation

We have developed a rewarding, diverse and open environment to allow innovation and investment expertise to flourish where environmental, social and governance (ESG) considerations are at the forefront of our thinking.

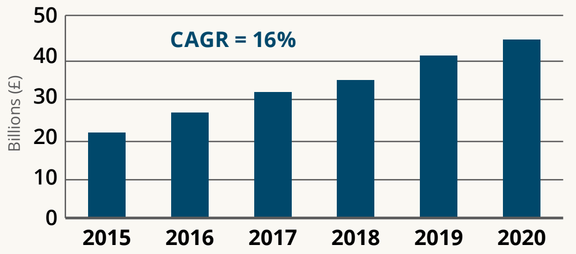
2020

HIGHLIGHTS

Assets Under Management (AUM)

£44.2bn

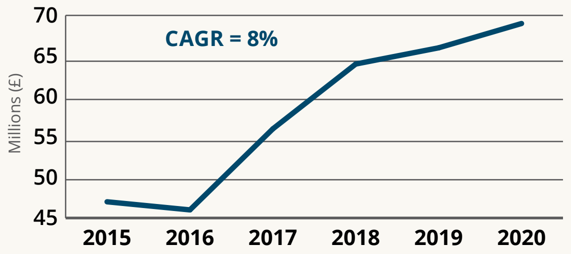
2020



Net management and advisory fees

£69.4m

2020



	2020	2019	Change
AUM	**£44.2bn**	£39.8bn	+11.1%
Net management and advisory fees	**£69.4m**	£65.6m	+5.8%
Performance fees	**£1.2m**	£12.5m	(90.7%)
Adjusted underlying profit before tax[1]	**£12.6m**	£14.7m	(14.2%)
Statutory profit before tax	**£8.3m**	£16.8m	(50.6%)
Basic adjusted underlying earnings per share	**11.18p**	13.91p	(19.6%)
Statutory earnings per share	**6.39p**	16.22p	(60.6%)
Total dividend for the year[2]	**9.54p**	16.40p	(41.8%)

1. Adjusted underlying profit before tax comprises statutory profit before tax adjusted for amortisation and impairment of intangible assets, dilutive share awards, other gains and losses and performance fees net of associated remuneration. See page 14 and note 13 of the consolidated financial statements for a reconciliation to statutory profit.
2. Including 2.81 pence second interim dividend and 2.34 pence proposed final dividend.

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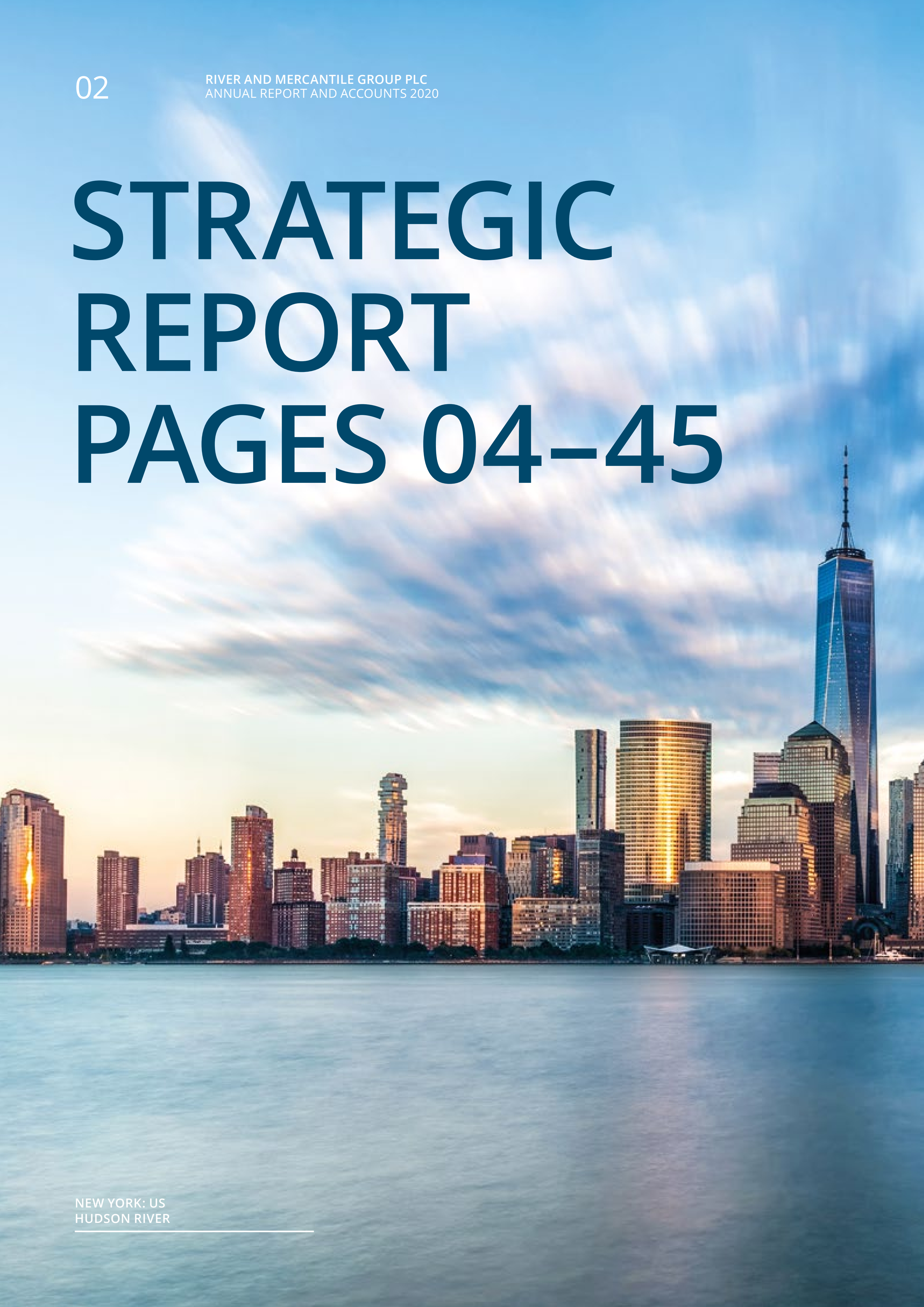


NEW YORK: US
HUDSON RIVER

STRATEGIC REPORT
CHAIRMAN'S STATEMENT

JONATHAN DAWSON
CHAIRMAN OF THE BOARD

"We continue to invest in our people and systems for profitable growth."

Introduction
The Coronavirus pandemic has been little short of a disaster for the world. Economies have been shattered, stock markets have been very volatile, companies have folded, unemployment is rising inexorably and family finances have been hard hit. It is likely to take many years for the economic losses to be restored and public borrowings to be paid down. In the meantime, we have begun to live our lives in new and different ways and the UK's economy, along with those of other countries, will have to reform itself to reflect the new paradigm. This will have far reaching implications for many sectors of the economy – banking, financial services, retail, property, transport, leisure to mention a few.

However, we must not allow ourselves to be drawn into a whirlpool of apocalyptic worry. The hard reality is that people will still need banking and financial services; people will still need to buy food and will still want to buy clothes, cars and other discretionary items; there will still be a need for commercial property, but perhaps not as we have known it; people will still want to buy houses; and people will still want to travel or take time off on holiday. We will all just have to learn how to do things differently – that is one of the great characteristics of human inventiveness and should provide hope for the future.

Despite the external pressures, we have not placed any member of staff on furlough and our capital position has not required us to seek any government funding assistance. I am delighted with the manner in which the business has conducted itself through this period and how well the business operated remotely, whilst still retaining our high standards of professional conduct and efficiency in keeping with the culture to which we aspire. I would therefore like to take this opportunity on behalf of my fellow Directors to thank everyone for their hard work and diligence through this challenging period.

Results and dividend
River and Mercantile has delivered an encouraging outcome for the year against this background with underlying revenue growing by 6 per cent. to £69.4 million. Adjusted underlying profit before tax was

lower by some 14 per cent. held back by the significant investment, discussed below, that we are making in distribution and investment manufacturing. In line with our stated policy the Directors have declared a second interim dividend of 2.81 pence per share and are recommending a final dividend of 2.34 pence per share, making a total of 9.54 pence for the year. The absence of significant performance fees in this period has contributed to these lower dividend levels and James Barham, our Group Chief Executive has commented on this in more detail in his report.

As highlighted, our earnings for the year were also held back by investment in significant new hires, particularly in distribution and fund management. Expanding and upgrading our team is part of the Board's strategy to grow the Group organically with stronger and more effective wholesale distribution and fund management. The theme of this strategy is amplified in James' report, but is summed up in the phrase 'Investing for profitable growth'. We think that there are exciting opportunities available to us, both for individual new hires as well as teams to broaden our manufacturing capabilities and providing greater scale in our existing business.

People

We continue to invest in our people and systems and in this financial year, as already announced, we have made a number of changes within the senior management team. James Barham was appointed Group Chief Executive on 1 July 2019, succeeding Mike Faulkner who became the Group's Chief Investment Officer. During his first year James has refreshed the senior management team and in May 2020 Simon Wilson joined as our new Chief Financial Officer succeeding Kevin Hayes. There have been a number of other senior positions that have also been announced over the last 18 months with David Hanratty joining as Global Head of Distribution, Fran Fahey being appointed as Group Chief Operating Officer and David Peach appointed as our new HR Director. In addition, James Sym, a senior fund manager with a strong track record, joined us in the last quarter from Schroders and we have recently launched our European Fund managed by him. These developments are part of a clear strategy that James has highlighted in his report. We are investing in a number of areas over the next few years to deliver on our shared ambitions and the delivery of strong performance for shareholders. These ambitions will be linked into our remuneration strategy through the proposals being put forward for shareholder approval at this year's AGM.

Summary and outlook

The year has brought huge challenges for our industry. I am proud of the way, however, that the Group moved with great speed and efficiency to remote working. Our IT systems were further strengthened and new collaborative tools were introduced to facilitate working from home. Client feedback has been very positive. I am deeply grateful to everyone at River and Mercantile for their hard work to ensure that our high standard of client service performance was sustained, and for ensuring that we were able at all times to keep our promise of 'client first'. As a Board we focussed on ensuring that the Group's financial controls and risk processes were maintained, as well as supporting the executive team in protecting our culture. This is no easy task when everyone is working from home. I particularly wish to recognise the leadership and communication efforts made by James in keeping all our people fully up to date with our progress and our responses to the challenges. It is also noteworthy that James donated part of his salary to charity and waived his bonus entitlement for the year.

The year ahead is going to have more challenges – obviously. There may be more lockdowns in the face of additional outbreaks of the virus which may frustrate economic recovery. In August, we began a gradual opening up of our two offices in the City, with the emphasis on maintaining distancing, sanitisation and deep cleaning, and ensuring as best we can, the protection of all of our people. Like many other companies we have reverted to a remote working environment for the most part following the Government's guidance in September. We will however incorporate additional agility to our working practices reflecting some of the positives that we have learnt over the last few months. The challenges of the past year have underscored our strengths – our client focus, our core values, our team spirit and our resilient culture – and we therefore look forward with confidence that we will deliver good performance for our clients and for our shareholders.

JONATHAN DAWSON
CHAIRMAN

STRATEGIC REPORT

GROUP CHIEF EXECUTIVE'S STATEMENT

JAMES BARHAM
GROUP CHIEF EXECUTIVE

"I see the linking of our ability to identify client need with investment R&D through to product design, creation and distribution as our core competence."

Introduction

I set out in some detail in last year's annual report my views on the business and our industry, focussing on some of the changes that were evolving and how I saw our Group response to these developments. I also wrote at length in the Interim Report about some of the changes and investments that we are making and I would like to take the opportunity later in this report to set out my clear strategy and vision for our business over the next five years. Like all plans they are there to give a sense of shape and concept, however it is important to recognise that the role of leadership is to adapt those plans to the emerging challenges and therefore there must be a degree of flexibility embedded within this vision.

River and Mercantile is an investment led asset management business, built around strong product manufacturing and a growing distribution capability. Our understanding of client need provides us with an invaluable perspective and the ability to design and deliver products and services informed by this appreciation.

Our objective over the next five years is for River and Mercantile to significantly increase our growth rate and profitability, having at least doubled AUM from current levels. We will have best of class operational and infrastructure systems designed to deliver profitable and scalable growth and delivering on the needs of our clients.

We expect to see that growth delivered across our existing business, however there will be development and enhancement within our underlying business lines, such as equities, where we will look to continue to add regional equity strategies alongside an alternate Global ESG Growth/ Quality Equity franchise. In addition, as I have highlighted previously, we would like to add an alternative credit team. Distribution is key to this development plan and over the last year alone we have begun a significant transformation of our distribution capabilities. We want our business to have a technically strong and properly resourced distribution function based around our core markets supported by a scalable and efficient operating platform.

2020 review

It has been an extraordinary year not just for River and Mercantile but for society as a whole. It was unimaginable this time last year to most that we would suffer a global pandemic that has impacted our way of life in such a dramatic fashion. As I write, there is still a high degree of uncertainty around when and how we want to return to the office and what changes we will make to our longer-term working practices. The business moved quickly once the Government advice developed and we closed all our offices in late March 2020 and moved seamlessly to a remote working environment. I was very impressed with how well the business coped with this new operating environment and we have continued to look after all of our clients' interests in the same way had we physically been in the office.

The COVID-19 pandemic has fundamentally changed the way people interact, and the restrictions on travelling and physical meetings mean, that companies more generally need to adapt their working practices and implement alternative methods of communication with clients, potential investors and shareholders. However, the development of technology over the last decade has allowed us to embrace this remote working protocol quickly and effectively. This has meant that the way we engage has adapted and that online communication, whether voice, video or email, has been able to ensure that our clients and shareholders have been kept up to date with developments in our business and their portfolios.

Against this backdrop, the Group has performed well over the period and total AUM has grown by 11 per cent. to £44.2 billion. The net flow ratio was +9 per cent. and investment performance was positive, contributing an additional 2 per cent. The growth was slightly below the 12 per cent. minimum growth per annum that we have set as a target, however given the conditions over the second half of our fiscal year I believe that this is a more than creditable performance and is a testament to the hard work of all the teams across the Group.

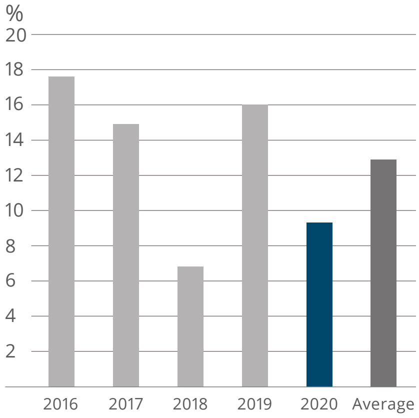
Underlying revenue rose by 6 per cent. to £69.4 million and adjusted profit before tax was £13.2 million, a decrease of 37 per cent. against the previous year's result of £20.9 million. Statutory profit before tax was £8.3 million (2019: £16.8 million). A significant factor behind these numbers has been the lower performance fees earned by the Group over the period. In 2019 the Group earned over £12 million in performance fees split across our Equities and Fiduciary businesses, however in 2020 this was not the case. There are some specific reasons behind this.

The majority of Fiduciary performance fees are calculated against clients' liability-related objectives. Over the last year, falling gilt yields have increased these liabilities significantly, in some cases in excess of 10 per cent. The hurdle that needs to be achieved before performance fees begin to accrue has been more difficult to meet despite most clients, following our advice, having high levels of interest rate and inflation hedging in place to mitigate this risk.

Outperformance relative to the liability benchmarks is primarily driven by allocating to risk assets such as equities, credit, property and alternatives. Over that same period, performance for these asset classes has been at times challenging, creating headwinds for generating high levels of outperformance. Our Fiduciary portfolio managers took swift action in Q1 2020 to reduce risk when it became clear how economically far-reaching the COVID-19 crisis would become. Protecting capital, however, is unlikely to generate high performance fees in the period protection is needed, but we hope will be beneficial in later years as assets are put to work in stronger market conditions.

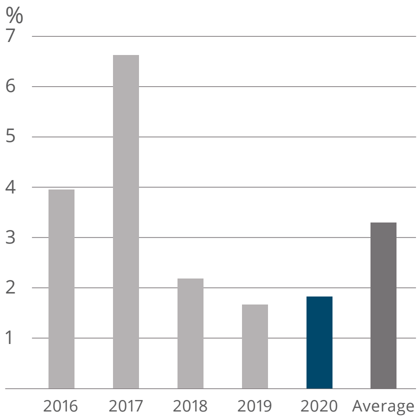
Our Equities performance fees in prior years have mainly been driven from our Micro Cap strategy, where

Net flow ratio



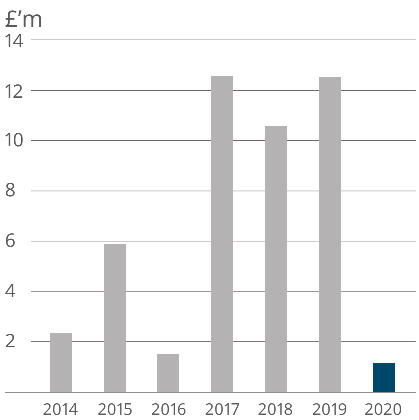
Net flows divided by opening AUM

Investment return ratio



Investment performance divided by opening AUM

Performance fees since IPO



STRATEGIC REPORT

GROUP CHIEF EXECUTIVE'S STATEMENT

CONTINUED

RAIL
WE ARE PROUD TO LOOK AFTER THE PENSION SCHEMES OF THOSE WHO KEEP US MOVING.

we receive a performance fee linked to the performance of the net asset value of the UK Micro Cap Investment Company, however this is only crystallised when it undertakes a capital repayment event ensuring that our interest is aligned with the Micro Cap shareholders. These capital repayment events are only triggered once the NAV of the company exceeds £110 million. Over the last year under the stewardship of George Ensor, the strategy has performed very well and the NAV has recovered and is now approaching £100 million and therefore within striking distance of a capital repayment event and the release of embedded performance fees.

We have seen volatile market conditions over the last twelve months and in particular in this calendar year. Our diversified business model where circa 60 per cent. of our revenues are largely independent of equity market beta has provided the business and our shareholders with greater protection. This is shown in the revenue weighted asset attribution (RWAA) detailed in Simon's Financial Review.

Our Fiduciary and Advisory businesses have performed well during this period, a period where we saw a return to more normalised operating conditions following the completion of the Competition and Markets Authority (CMA) market review. The Fiduciary business had gross sales in excess of £1.5 billion and combined with strong investment performance assets grew to over £14.6 billion. We have seen a great level of activity from the business as a result of the re-tender process and it is encouraging that to date we have received a very positive response from our existing clients and those where we are asked to pitch as other schemes undertake similar processes. We have strong relationships with the intermediaries in this space and we are working hard to ensure that our differentiated approach, strong investment returns and excellent client service are more broadly understood across the market.

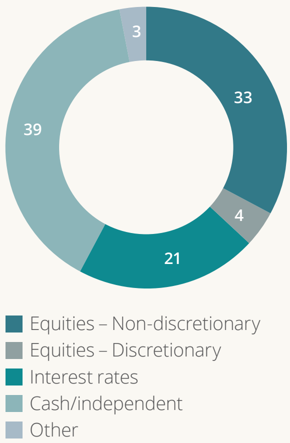
Our Equities business has continued to perform in line with our expectations and those portfolios with a strong value and recovery bias struggled against the anti-value headwinds, whilst our more quality orientated portfolios have performed very strongly through the period. This has been borne out in the value assessment undertaken by the independent Authorised Corporate Director of our investment funds where none of our strategies were red flagged.

Assets were down over the year across both our institutional and wholesale client base, however with the investment we are making in distribution along with the broadening of our product offering, we believe we will see a return to growth from this important part of our business. We have continued to build our investment team with the recruitment into the PVT team of James Sym from Schroders and we have recently launched our European fund managed by him. Will Lough and George Ensor in the PVT team, who have been managing portfolios for the last few years, have demonstrated some excellent and consistent returns across their portfolios and, along with the recruitment of James, ensures that we have a broad and growing range of relevant products in this area.

Derivatives has been through a very strong period of growth which is unsurprising given the market conditions during the year. Assets have grown strongly with sales of over £5.8 billion with a strong focus on structured equity solutions. We continue to develop our relationships with the intermediaries and we have strong support from the majority of the key consultants in the UK institutional market. Our relationships with the local government pension schemes are very strong and this has been a key part in our growth over the last few years.

The development of our Liquid Alternatives capabilities continues, consistent with our long history of bespoke investment development to meet investment demand from our Fiduciary and Advisory clients. It is this creative and innovative research and development that has ensured that River and Mercantile has been one of the leading businesses in our chosen field. I see the linking of our ability to identify client need with investment R&D through to product design, creation and distribution as our core

Group RWAA[1]
June 2020 (%)



1 (page 18 for further detail)

competence. The development of our Global Macro Hedge Fund and our Global Responsible Equity Fund (GREF) are the most recent examples of this.

The development of ESG globally has been a powerful phenomenon over the last few years and this will be fully integrated across all aspects of investment markets over the next decade. We have made advances as a business on our commitments around diversity and sustainability and the positive impact we are able to have across all our stakeholders. More importantly this is being integrated into our investment products and vertically into our own business model. Whilst there has been a great deal of rhetoric around this issue, the majority of the action has taken place around Governance with little or at best limited action on Environmental and Social Issues. We are in the process of launching our first dedicated ESG strategy, the River and Mercantile GREF and we have been developing this in conjunction with a range of our clients to ensure that this meets their needs as investors.

We are continuing to develop our projects to support local charities and, crucially, where we believe we can make a difference. We encourage all our staff to take an active role in local charities and support groups where relevant, however as a business this year we felt it was important to support those in our community that are there to support us when we are unable to support ourselves. As a business and personally, we supported the "Critical NHS" charity that was established to provide support to the critical care workers operating across many of our London hospitals and we also supported a range of charities in the US and Australia.

There has been a reasonable amount of change across the senior management team at River and Mercantile. I have refreshed the team to help implement the strategic plans that I have set out for the business over the next few years. The arrival of Simon Wilson as Chief Financial Officer, David Hanratty as Global Head of Distribution, Fran Fahey as Group Chief Operating Officer and David Peach as HR Director are four of the key appointments that we have made over the last eighteen months and I am delighted to be working with them as we deliver on these exciting developments.

Outlook

River and Mercantile is well positioned in this exciting and evolving industry in which we operate. Our focus on developing highly relevant investment solutions for our broadening client base, founded on our deep understanding of client needs, combined with strong and broadening distribution, and a robust and scalable operational infrastructure is key to our future development. We have an incredibly talented employee base, rich in diversity and we have committed to continue to invest in our people to make sure that we provide the positive outcomes of which our clients have become accustomed.

I have set out in the next few pages the ambitions for our business, the investments we are making that will deliver the growth that we expect over the next few years and I am confident that we have the team to deliver on this expectation. I would like to take the opportunity to thank all of our staff and clients for their support during an extraordinary year.

JAMES BARHAM
GROUP CHIEF EXECUTIVE

RESEARCH AND DEVELOPMENT
OUR CLIENTS ARE INVOLVED IN CUTTING EDGE HEALTH SCIENCES RESEARCH TO IMPROVE OUR HEALTH AND THAT OF FUTURE GENERATIONS. WE ARE PROUD TO MANAGE AND GROW THEIR ASSETS USING OUR INNOVATIVE AND CAREFULLY RESEARCHED INVESTMENT IDEAS.

STRATEGIC REPORT

OUR STRATEGY AND BUSINESS MODEL

Investing for profitable growth

Our strategy as we develop the Group is for it to have the following key characteristics:

A diversified and responsible investment capability

- A broad range of highly relevant products and solutions designed to meet clients' needs where responsible investing and ESG are central to our beliefs.

Distribution driving profitable growth

- Growth delivered through strength in distribution across our core markets (UK, US, Australia) and distribution partnerships in target geographies (US wholesale, Japan, Asia/China). Supporting this growth with a targeted business and investment team acquisition policy.

A robust and scalable operational platform

- Investing to enhance our operational infrastructure to support this growth and deliver increasing efficiencies.

An embedded client service culture

- Providing our clients with exceptional service supported by high quality reporting. We will invest in broadening our online and digital presence.

A strong understanding of our human capital and a clear Employee Value Proposition

- Our people are our greatest strength and we will continue to invest in training and development. The provision of a strong Employee Value Proposition will ensure that River and Mercantile is regarded as a forward thinking, diverse and technically strong workforce.

Background

We are an asset management business, managing and advising a broad range of strategies and clients on their assets. We will become more recognisable as a pure asset management company, and our route to market for our investment thinking and advice outside of Fiduciary and Advisory will increasingly be through products as opposed to services.

Historically there was a view across investment markets that was based on a belief that "solutions" was the nirvana state; it was the elusive elixir of the investment world and countless investment businesses chased the establishment of solutions businesses, in many cases hiring at great expense from the consultant community. The irony of this is that "solutions" is not tangible, it is not a product that could be created by smashing together a couple of high profile individual consultants with a multi-asset capability, it is a mindset based on a deep and holistic understanding of client need. Shifting from a simple consultant to a fiduciary requires more than a shift in execution, it requires a much deeper understanding of real client need that embraces both the financial and emotional sides.

I strongly believe that River and Mercantile is firmly positioned as "the" pure play business in the solutions market, however we will continue to develop this thinking in product form that can be utilised across a broader market spectrum.

We are still delivering market leading investment returns tailored to individual client needs, combined with bespoke internal liability hedging strategies and this will continue to be the core of our business. Mike Faulkner has again developed some innovative thinking in terms of how we deal with complex investment problems within the market that is, in its own right, as revolutionary as the original concept of Fiduciary Management we brought to the market in 2003.

Where we have begun to make a real difference is the translation of the "solutions" mindset into tangible product. The first example of this was the Dynamic Asset Allocation Fund, where we were able properly to take a concept of client need and map this into a strategy that satisfies this need and where that need is broadly universal.

River and Mercantile in 2025

It is this change that will ensure that by 2025 we are an investment led asset manager with products at its heart, where in many cases the product has been designed based on a holistic solutions mindset. This commercial direction of travel will accelerate as we continue to take investment intellectual property and apply it to our strategies. As already highlighted, we see this as our core competence – the ability to link client need to investment R&D to product design and distribution.

This aligns with my view of the industry through the valley analogy that I espoused in my report last year. We want our business to reflect all that is positive about managers with demonstrable skill with the following core characteristics:

- We aspire to a high percentage of our products and solutions being ahead of their respective benchmarks since inception whilst offering value for money;
- Products and solutions must all meet identifiable client needs and be structured in a format that is appropriate to the underlying liquidity available;
- We distribute these investment products in scale to a broad range of clients where demand characteristics are common. This is as much an investment challenge as a distribution one and the two key parts of our business have to be able to work in tandem to achieve this objective; and
- We will have a modern and scalable operational platform to support this growth.

We have already set out the additional investment capabilities that we would like to develop over the next few years, not simply to meet our base aspirations but also to provide alternative sources of revenue in the event of underperformance in one or more of our underlying strategies. We do not want the success or otherwise of this Group strategy to be dependent on one strategy. The concept of picking "two funds" and committing the resources of the business to these strategies alone is naïve. We expose our business to too much execution and demand risk. Equally we are not suggesting we should launch a fund a month and move down the product proliferation route in a similar way to some of our peers over the last decade.

We will deliver this based on the following strategic business model set out on the next few pages.

SHOEMAKERS
OUR CLIENTS' EMPLOYEES DESIGN AND CRAFT THE SHOES WE WEAR. OUR INVESTMENT STRATEGIES ARE DESIGNED TO DELIVER SUSTAINABLE RETURNS.

STRATEGIC REPORT

OUR STRATEGY AND BUSINESS MODEL

CONTINUED

Our business model to deliver on this strategy is set around the three key pillars of any successful asset management business and we have set out the developments we are making in these areas as we target our objectives over the next five years.

Investment manufacturing

We have a high quality and relevant investment capability providing products and services meeting client need across a range of audience groups. This is currently set out across our Fiduciary and Advisory investment team, our equities teams managing UK and Global equities, our derivatives team managing Liability Driven Investment (LDI) including gilt collateral management and structured equity solutions and our liquid alternatives team managing a growing range of specialist return orientated products.

We will continue to invest in these teams and add new teams where appropriate. We have already highlighted that we are seeking additional capabilities and in particular, Alternative Credit and further equity capabilities, specifically a Global ESG Quality/Growth team to complement the existing equities teams. We have also continued to invest in our existing investment teams for example James Sym, a highly rated European value manager joined the PVT team from Schroders and we have recently added additional analyst resource. We will continue to make these additions to the investment teams across the business to make sure that we continue to deliver for our investors and develop innovative products to meet their needs.

Distribution

We are investing heavily in our distribution capabilities however the sheer cost of exploring all the markets and geographies available will, almost certainly, take too long and cost too much. The combination of internally sourced distribution around core markets and external partnerships for those markets where entry costs are too high or cultural challenges make having localised distribution imperative, is a key part of our strategy.

The investment we are making will create a large, high quality distribution network in the major global markets for asset management. Our focus will still be on selling our products and services to or through professional investors and intermediaries. We will not be involved in retail asset gathering, rather we will sell to the aggregators of retail assets in an increasingly vertically integrated value chain.

In the main we will own our distribution network as at scale this model generates the highest margin and return on investment due to the overall institutional flavour of the assets which we seek to raise in large one to one relationships. Our own network will be concentrated in our home markets of the UK and Europe, North America and Australia. These are large institutional and sophisticated wholesale markets where our existing and planned product line-up is well aligned with the deepest asset pools. Without the addition of other channels, the right sales strategy with a quality distribution team and continued product strength, these markets are capable of delivering significant assets in our higher margin products, whether performance or market trend driven. Lower margin derivative solutions will add to these sales figures.

We will also selectively seek distribution partnerships in markets and channels where the complexity and cost of having our presence is beyond what we are prepared to accept. This will be mainly accessing retail markets where our product set has a good fit, but we do not want the cost burdens that retail selling registrations bring with local regulators, nor the huge and constant volume of product and client service activities that require large internal and external teams. In effect we continue to follow our mantra of one to one high value relationships.

Operational

This is the glue that binds our investment manufacturing and client facing functions and ensures that we can deliver high quality and seamless support to our clients. We have begun a programme of investment in our operational infrastructure to ensure that we can provide the support to the business as we scale up over the coming years. This support will be increasingly centralised and this ensures that as we bring on more investors to this platform we are able to extract greater operational leverage.

We are progressing with our objective of delivering a consistent and scalable operating platform across the Group. This will provide a simplified and standardised platform that has the functionality to service all parts of the business, whilst at the same time delivers a flexible approach and level of technology in line with the rest of the market and the ability to plug straight into custodians and third-party platforms.

We will marry in-house expertise with common industry platforms in our new operating model, enhancing the ability to change as the business evolves. This will allow the consolidation and streamlining of resources, across the Group, to drive out operational efficiencies, benefit from economies of scale and further enhance our control environment. Critically the business will have the ability and flexibility to meet client needs with a broad range of instruments on standard process flows that do not create work arounds or ad-hoc processes.

Capital Allocation

This "profitable growth" programme will require continued investment as we attract more investment teams to our platform and the ongoing investment in our distribution and operational platform.

However, we are a cash generative business with a formulaic dividend policy. Therefore, against this backdrop and looking forward over the next five years we intend to apply the following capital allocation approach:

- We will consider any capital requirement for internal and external investment opportunities and the seeding of new funds we launch, at all times maintaining a robust balance sheet and a prudent approach to our regulatory capital surplus;
- We will maintain our minimum distribution of 60 per cent. of adjusted underlying profit as dividend, recognising that this is valued by the market and our shareholders; and
- We will consider share buybacks and special dividends where and when appropriate to return surplus capital including performance fee profit.

Summary

Our strategic objectives are ambitious over the coming years and we expect to see a transformation in the business as we continue this programme of investment in key parts of the Group. The delivery of high quality investment products and solutions to our clients and investors is paramount and the changes we are making we believe will deliver equally strong and growing returns for our shareholders. This process has already begun and we have made significant changes to the senior management team to deliver on these plans and we have also commenced the restructuring of our distribution teams and the investment in our operational infrastructure.

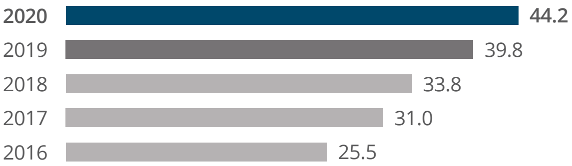
CONSTRUCTION
OUR CLIENTS' EMPLOYEES BUILD THE ROADS WE DRIVE ON, THE CITIES WE WORK IN AND THE HOMES WE LIVE IN. WE INVEST AND GROW THE PENSION SCHEME ASSETS FOR OUR CLIENTS.

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (KPIs)

Fee earning AUM (£ billion)

£44.2bn



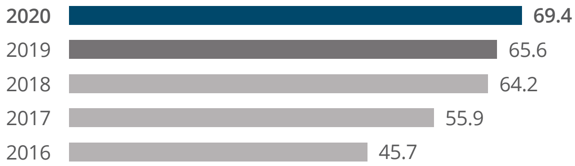
	2020	2019	2018	2017	2016
Change in fee earning AUM	**11%**	18%	9%	22%	22%

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

In 2020 overall AUM growth was strong despite difficult market conditions. While the change in working practices made institutional and wholesale mandates more difficult, sales of structured equity products in the Derivatives business were strong.

Net management and advisory fees (£ million)

£69.4m



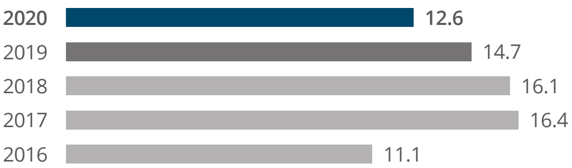
	2020	2019	2018	2017	2016
Change in net management and advisory fees	**6%**	2%	15%	22%	(2%)

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

The growth in 2020 represented the fourth consecutive year in which underlying revenues grew.

Adjusted underlying profit before tax (£ million)

£12.6m

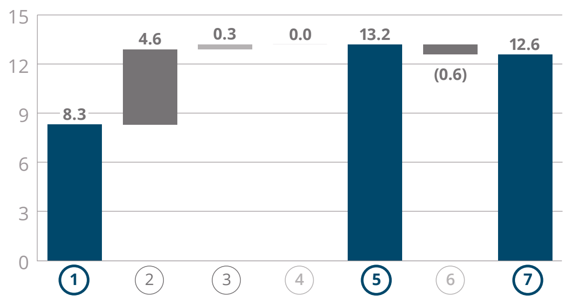


	2020	2019	2018	2017	2016
Adjusted underling pre-tax margin	**18%**	22%	25%	29%	24%

Adjusted underlying profit before tax represents the core profitability of the Group. It has reduced in 2020 as a result of the increase in remuneration and administration costs as the business continues to invest for profitable growth.

Adjusted underlying pre-tax margin is adjusted underlying profit before tax divided by total revenue excluding performance fees. It is an indication of the ability to achieve scale through increased AUM and revenues, at a lower marginal increase in related expenses.

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

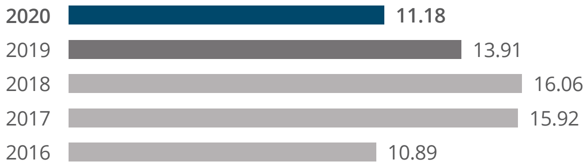


1. Statutory profit before tax
2. Amortisation and impairments of intangible assets
3. Other gains and losses
4. Dilutive share awards
5. Adjusted profit before tax
6. Performance fees profit before tax
7. Adjusted underlying profit before tax

See note 13 of the Consolidated Financial Statements.

Basic adjusted underlying earnings per share (pence)

11.18p

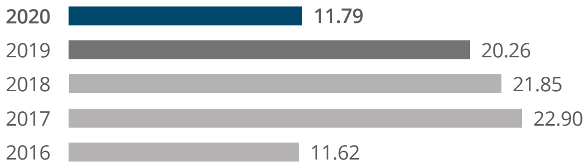


	2020	2019	2018	2017	2016
Change in BUAEPS	**(20%)**	(13%)	1%	46%	(17%)

BUAEPS reflects the core adjusted earnings per share. The calculation of this metrics is shown in note 13 of the Consolidated Financial Statements.

Basic adjusted earnings per share (pence)

11.79p



	2020	2019	2018	2017	2016
Change in BAEPS	**(42%)**	(7%)	(5%)	97%	24%

BAEPS reflects the total adjusted earnings per share. The calculation of this metric is shown in note 13 of the Consolidated Financial Statements.

For the year ended 30 June 2020 the Board has decided to make changes to the Group's key performance indicators (KPIs).

Regretted Institutional Attrition ("RIA") has been historically reported as a measure of the Group's success in retaining institutional clients. The measure adjusted certain redemptions to reflect the fact that a client's decision to redeem is often unrelated to the performance of the Group e.g. a defined benefit scheme buy-out. As our business and the market has developed, for example a greater prevalence in structured equity derivatives which by their nature tend to have a different profile than other areas of the business, the Board believes that RIA has become increasingly less relevant for large parts of the Group and necessarily more subjective given the nuanced reasons why a client might redeem. It believes a better indication of performance is not the reason why a client has redeemed, i.e. whether it was related to the Group's performance, but its ability to replace and grow assets and revenue such that the profits of the Group grow accordingly. Readers of the Annual Report and Accounts are able to make this assessment through the Group's KPIs of AUM and underlying revenue growth. Furthermore, the investment performance report included in the CIO review provides readers with detailed information on the performance of its strategies which, over the long term, is an important factor in the success of the Group. Accordingly, the Group will no longer report RIA.

The percentage of adjusted earnings per share distributed as a dividend is a measure which the Group will continue to report in its financial review, however the Board has decided to remove this as a Group KPI and replace it with basic earnings per share (adjusted underlying and adjusted). The percentage of earnings distributed is more a function of the Board's capital allocation policy rather than a measure of the Group performance. Earnings per share is a well understood KPI and a principal measure of profitability for shareholders given it reflects any share issuance made by the Company. In view of the Company's dividend policy, BUAEPS and BAEPS also drive the quantum of minimum dividend paid and the potential to pay further dividends having considered the Group's capital allocation requirements.

STRATEGIC REPORT

FINANCIAL REVIEW

SIMON WILSON
CHIEF FINANCIAL OFFICER

Overview

For the sixth consecutive year the Group has grown its AUM which is noteworthy given the difficult market conditions faced during the period. We have changed our description of AUM, although the basis of measurement is unchanged, as explained further in this review. Furthermore, underlying revenue has grown for the fourth consecutive year albeit this was countered by a significant reduction in performance fees for the period. The following key factors during the year have impacted the financial performance of the business:

- Significant market volatility during the second half of the year which impacted fees earned and, together with the wider disruption in working practices across industry, reduced the scope for winning new institutional and wholesale assets;
- The exception to this was within our Derivatives business where activity levels in structured equity products was high during the period as clients repositioned or established new or increased levels of hedging strategies;
- Fiduciary Management, Derivatives, Advisory and Institutional Equity have all shown solid revenue growth however Wholesale Equities has had another challenging year and declining revenue which is addressed in the Group Chief Executive's statement; and
- The Group has continued to invest in a number of areas which resulted in increased remuneration and administrative costs, primarily relating to our distribution capabilities, new fund structures to facilitate global distribution and new product launches. This has reduced our margins and absolute levels of profitability in the short term given the time-lag between incurring cost and winning new assets, particularly in the institutional space where we currently generate most of our revenues.

Outlook

Asset raising activity levels and the pipeline of new opportunities has improved in recent months since lockdown was imposed in March. However, given the normal interval between interaction with clients and allocation, it is more likely that gross sales will be higher in the second half of the current financial year ending 30 June 2021.

As explained in the Group Chief Executive's Statement we will continue to invest for profitable growth during the current year which will further increase remuneration and administrative costs as explained later in this review. Our programme of organic investment seeks to enhance the foundations of the business to achieve our ultimate objective of a step change in earnings per share and the value of the Group. The areas of investment are:

- **Investment manufacturing –** new products to meet our growing clients' needs by investing in the hire of additional investment teams and the development and launch of new strategies;
- **Distribution –** to build on our global institutional and wholesale capabilities through hiring in several key areas; and
- **Operational infrastructure –** to achieve a step change in earnings per share, we need to improve our profit margins. The programme of operational and IT infrastructure investment will enable us to benefit from operational leverage through greater efficiency in the medium and long term and to ensure that we have the operational bandwidth to accommodate the growth in product and strategies.

AUM

£ million	Fiduciary Management	Liquid Alternatives	Derivative Solutions S. Equity	Derivative Solutions LDI	Derivative Solutions Total	Equity Solutions Wholesale	Equity Solutions Institutional	Equity Solutions Total	Total AUM
Opening AUM	12,335	529	5,801	15,882	21,683	1,482	3,785	5,267	39,814
Sales	1,581	36	4,580	1,266	5,846	211	545	756	8,219
Redemptions	(746)	(426)	(3,461)	(517)	(3,978)	(574)	(864)	(1,438)	(6,588)
	835	(390)	1,119	749	1,868	(363)	(319)	(682)	1,631
Net rebalance and transfers	391	–	475	1,186	1,661	–	–	–	2,052
Net flow	1,226	(390)	1,594	1,935	3,529	(363)	(319)	(682)	3,683
Investment performance	1,058	15	–	–	–	(95)	(255)	(350)	723
Closing AUM	**14,619**	**154**	**7,395**	**17,817**	**25,212**	**1,024**	**3,211**	**4,235**	**44,220**
Change in AUM	18.5%	(70.9%)	27.5%	12.2%	16.3%	(30.9%)	(15.2%)	(19.6%)	11.1%

The Board has decided to simplify the description of the reported level of fee earning mandates across asset classes managed by the Group, by consolidating the description AUM/NUM to AUM. AUM represents amounts on which management fees and performance fees are charged across all asset classes managed by the Group. In relation to derivatives, AUM represents the aggregate billing notional of the derivative contracts on which management fees are charged. There has been no change to the basis of measurement of AUM and the reported data is comparable on a like for like basis with that reported in prior periods.

AUM grew by £4.4 billion (11%) during the year comprising £3.7 billion of net flows and £0.7 billion of positive investment performance. Fiduciary Management and Derivatives performed strongly with positive net sales and flows across all activities. Our Equities business had a more difficult year in respect of both sales and performance which is addressed in the Group Chief Executive's Statement. Redemptions in Liquid Alternatives principally represents a single client redemption from the DAA Fund.

Financial highlights

£'000s (unless stated)	Year Ended 30 June 2020	2019	Movement	Movement %
Net management fees	**58,449**	55,546	2,903	+5%
Advisory fees	**10,932**	10,038	894	+9%
Total underlying revenue	**69,381**	65,584	3,797	+6%
Performance fees	**1,161**	12,519	(11,358)	(91%)
Total revenue	**70,542**	78,103	(7,561)	(10%)
Total remuneration and benefits	**41,158**	41,664	(506)	(1%)
Administration expenses	**15,926**	15,647	279	+2%
Adjusted underlying profit before tax	**12,564**	14,650	(2,086)	(14%)
Adjusted underlying profit after tax	**9,352**	11,143	(1,791)	(16%)
Performance fee profit before tax	**622**	6,279	(5,657)	(90%)
Performance fee profit after tax	**504**	5,085	(4,581)	(90%)
Adjusted profit before tax	**13,186**	20,929	(7,743)	(37%)
Adjusted profit after tax	**9,856**	16,228	(6,372)	(39%)
Statutory profit before tax	**8,299**	16,788	(8,489)	(51%)
Statutory profit after tax	**5,343**	12,995	(7,652)	(59%)
Adjusted underlying earnings per share basic (pence)	**11.18**	13.91	(2.73)	(20%)
Adjusted earnings per share basic (pence)	**11.79**	20.26	(8.47)	(42%)
Earnings per share basic (pence)	**6.39**	16.22	(9.83)	(61%)
Dividend per share (pence)	**9.54**	16.40	(6.86)	(42%)
Cash (£ million)	**24.3**	24.0	0.3	+1%
Surplus regulatory capital (£ million)	**16.1**	12.3	3.8	+31%

Note adjusted and adjusted underlying results are alternative performance measures which are reconciled to statutory profit in note 13 of the consolidated financial statements.

STRATEGIC REPORT

FINANCIAL REVIEW

CONTINUED

Management fee margins

	Fiduciary Management	Derivative Solutions	Equity Solutions	
			Wholesale	Institutional
Average fee earning AUM (£ million)	13,467	23,746	1,299	3,571
Net management fees (£ million)	21.1	15.4	8.9	13.1
Average margin 2020 (bps)	15.7	6.5	68	37
In-force margin at 30 June 2020 (bps)	14.8	6.5	66	35
Medium term guidance (bps)	13–14	6–7	60–65	33–36

Fee margins during the year were broadly in line with our previous medium-term guidance. We have reviewed and revised our medium-term guidance to reflect both the trends in industry but more specifically our strategic focus to target larger mandates across the business. The CMA market review and the subsequent re-tender process has and will continue to have an impact on margins and fee structures across the fiduciary market. In addition, as we target larger mandates, we expect the margin earned on these assets to be lower than our current average albeit with a higher level of absolute revenue earned per client. As the wholesale equity market continues to evolve, becoming more institutional in nature with larger asset awards from the aggregators, margins have reduced although the impact going forward will be dependent on our business mix. Within Institutional Equities our fee margin guidance has been reduced to reflect the loss of a small number of old higher margin mandates and our strategy of targeting larger mandates, particularly in growth markets such as Australia.

Revenue Weighted Asset Attribution

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

RWAA classifies our underlying revenues by the underlying asset class on which the management fees are charged. Net management fees from Equity Solutions are related to the variability of the underlying equity markets. In Fiduciary Management the management fees are based on the client's portfolio which will include equities, bonds and government securities. The management fee revenue is attributed in proportion to the composition of the underlying portfolio between credit instruments, equities and government securities. The Equities – Non-discretionary category represents the minimum level of equity exposure we are required to hold in client portfolios, where this is specified. In Derivative Solutions the underlying revenue is linked to the contractual notional amount of the derivative instrument used to hedge interest rates, inflation and equities. As a result, these revenues are also considered "independent" or cash-like in their characteristics. The Other category includes property and alternatives.

Advisory revenues are based on retainers or specific projects and are not directly linked to asset classes and are therefore classified as being "independent".

Performance fees

Performance fees for the period were principally earned during the first half of the year. As explained in the Group Chief Executive's Statement the equity market downturn during the second half of the year impacted our ability to generate outperformance within Fiduciary and, while the Group has the potential to earn performance fees in the current financial year, both within Fiduciary and Equity Solutions, this will be at significantly lower levels than we have historically generated. The business will have the ability to generate performance fees through some of the new strategies being developed and we will keep the market updated as this develops.

RWAA

	Equities – Non-Discretionary	Equities – Discretionary	Interest Rates	Cash / Independent	Other
30 June 2020	33%	4%	21%	39%	3%
31 December 2019	36%	4%	20%	37%	3%
30 June 2019	37%	3%	19%	38%	3%
31 December 2018	38%	2%	22%	35%	3%
30 June 2018	38%	2%	19%	38%	3%

Administrative expenses

Administrative expenses increased by £0.3 million (2%) year on year primarily as a result of an increase in technology costs and professional fees in relation to our operational infrastructure. Remote working led to an increase in market data costs which were partly offset by a reduction in travel and entertainment costs.

Administrative expenses are anticipated to increase by approximately £1.5 million for the year ending 30 June 2021 as a result of the costs of launching new investment strategies and products in the form of professional fees and fund administration costs, further technology costs in relation to our operational infrastructure project and increased market data costs.

Remuneration

Fixed remuneration costs increased by £2.8 million (11%) to £28.9 million reflecting, in the main, additional hires across the Group and investment in Australia and the US. Variable remuneration reduced by £3.3 million (21%) predominantly due to significantly lower performance fees earned. Total remuneration costs (excluding recruitment costs) as a percentage of total revenue increased from prior year from 53 per cent. to 58 per cent. (54 per cent. when investment in Australia and the US is excluded, in line with our current Group remuneration policy). As we continue to invest in the business, we expect remuneration to range between 58 per cent. and 60 per cent. of underlying revenue for the current financial year before any impact of any performance fees earned.

Operational infrastructure

One of the means to achieve a step change in the earnings of the Group is to unlock operational leverage in everything we do, particularly by improving efficiency in distribution, client servicing, operations and IT. Our target operating model is one of the cornerstones of the Group achieving greater operational leverage and we have commenced a multi-year programme of investment which will start in earnest in 2021.

For the year ended 30 June 2020, costs incurred in relation to this investment were £0.8 million of which £0.4 million were capitalised. Further detail regarding the costs of the programme and timing once the full scope has been determined will be presented in our Interim Report next year.

Liquidity and regulatory capital

Cash and cash equivalents increased marginally to £24.3 million as at 30 June 2020. The Group prudently manages its regulatory capital position and maintains a significant surplus of regulatory capital resources over its capital requirement. At the year-end that surplus was £16.1 million and our regulatory capital resources represented just under 200 per cent. of the Group's current regulatory capital requirement.

Authorised Corporate Director (ACD)

Historically a Group entity acted as the ACD of River and Mercantile Funds ICVC. However, in line with best practice an independent firm, Equity Trustees Fund Services Limited, was appointed as independent ACD in October 2019. As a result of this appointment, the Group ceased to hold investment management balances (assets and liabilities) hence these were nil at the year-end (2019: assets £22.3 million; liabilities £22.3 million). There was no impact on the net assets of the Group.

Intangible assets

The investment management agreements (IMA) in relation to the ILC business was acquired in 2017 for £0.1 million and a revenue trail for a period post acquisition. The acquisition resulted in the recognition of the IMA as an intangible asset, the value of which was fully impaired at the year-end due to reduced AUM, resulting in a full year charge of £1.1 million.

Taxation

The effective tax rate on adjusted underlying profit was 26 per cent. for the year ended 30 June 2020 (2019: 24 per cent.) reflecting unrelieved tax losses in the US. The statutory profit effective tax rate was 36 per cent. for the year ended 30 June 2020 (2019: 23 per cent.) reflecting the impairment of the ILC IMAs without an associated deferred tax asset, the US loss position together with a reduced proportion of profit generated in the UK primarily due to lower performance fees for the period.

Distributable reserves

Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the Court, the Company capitalised its merger reserve of £44.4 million by paying up and issuing deferred shares in the Company (the "Deferred Shares"). The Company received Court approval in January 2020 to affect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company.

As at 30 June 2020, the Company had £55.0 million of distributable reserves (2019: £10.8 million).

Dividends

On 16 April 2020 an interim dividend of 4.39 pence was paid of which 0.5 pence was a special dividend in relation to net performance fee profit. The Directors have declared a second interim dividend of 2.81 pence per share to be paid on 20 November 2020 to shareholders on the register as at 23 October 2020. The ex-dividend date will be 22 October 2020. The Directors are proposing to shareholders a final dividend of 2.34 pence per share which will take total dividends per share paid, declared and proposed for the year ended 30 June 2020 to 9.54 pence per share representing 80 per cent. of adjusted underlying profit after tax and 100 per cent. of performance fee profit after tax. The final dividend will be paid on 18 December 2020 to shareholders on the register as at 27 November 2020. The ex-dividend date will be 26 November 2020.

SIMON WILSON
CHIEF FINANCIAL OFFICER

STRATEGIC REPORT

CHIEF INVESTMENT OFFICER'S REVIEW

MIKE FAULKNER
GROUP CHIEF INVESTMENT OFFICER

"Through our ESG process we are seeking to significantly reduce the cost of capital for great companies, and to significantly increase it for weak ones."

In my statement this year I would like to address the following key areas:

- Market environment and outlook;
- New strategies we are seeking to offer;
- Our approach to ESG in portfolio management; and
- Overview of performance.

Market environment and outlook

While much attention – rightly – has been placed on the market's reaction to COVID-19, from an investment perspective the market has been complicated. As we came out of 2019 into 2020, our view was that the effect of global stimulus through lower bond yields would be stronger Emerging Market performance, and a return to strength of value as bond yields rose. For much of the first quarter of 2020, the concerns about COVID-19 were focussed on supply chain disruption rather than a pandemic. Therefore, when markets started falling significantly in February there was an initial question about whether this was simply a normal correction or something more.

What transpired was that, as a result of higher volatility in markets caused by equity market hedging, some large funds were forced to de-leverage significantly. This put significant selling pressure on markets, which was amplified by the consequences of those offering protection to others needing to hedge themselves. It created a pro-cyclical environment, in which moves in a given direction require others to trade in the same direction. This effect on volatility was significant and led to the volatility index reaching 80 in March.

This sell down was exacerbated by the oil price war that emerged during this period between Russia and Saudi Arabia, and also when it was becoming clear that COVID-19 was indeed a pandemic (although the "how bad?" was still yet to emerge).

Part of the problem with this period is how seriously the credit markets were affected, on the way to what became a significant economic problem.

Credit prices were already depressed, when it became clear that the economic environment was very difficult indeed. In our view, the Federal Reserve made some very good decisions for the health of the financial system, because it not only provided liquidity but also a basis upon which the credit markets could function and re-open. This has been a critical factor in the recovery of financial markets, in our view.

The result has been that financial markets have recovered strongly from the March lows, to the point where it appears that equity and credit prices have disconnected from what would be normal economic reality. This is perhaps not surprising given the amount of stimulus we have seen and was more than likely unavoidable. I would also argue that the Federal Reserve has correctly determined that, in an environment where unemployment is likely to persist, it needs two things beyond government spending to mitigate the effect on gross domestic product:

- Business expenditure, that at the margin will be higher the lower credit spreads are. It has successfully delivered this.
- Higher consumer spending, which is influenced by the wealth effect (i.e. higher asset prices). It has successfully delivered this.

We therefore consider that the Federal Reserve has done an excellent job in this period in the face of an environment we have arguably never seen before.

Our key macro themes, that we developed early on in this period and that will likely persist for some time are as follows:

- **The coming years will be a good environment for equities.** When interest rates are low, and access to credit is easy at a cheap price, ownership of equities will tend to make sense.
- **Within equities, there will be big winners versus losers.** Stock picking will matter. Whether or not it is fair, companies that came into this period with strong balance sheets will be less distracted than those that did not. It will give them options, and as a result they are more likely to win.
- **This will be a good environment for growth.** We remain as ever strong believers in value. But in an environment of low interest rates, the value of strong growth is all the greater, because bigger future cashflows are discounted at a lower rate. We believe it may take the market some time to catch up with the valuation implications of this.
- **Underweight Illiquids, real estate will be difficult.** At some point, Illiquids may get cheap enough that they are too compelling not to hold. But outside of credit, we believe the opportunities in listed markets are strong enough that illiquidity needs to become much cheaper to be compelling. In addition, other than in specific segments, we believe we are only in the early stages of how real estate use will change. Clearly the retail trend was already occurring, but remote working now means the desire for companies to cut office space footprints – especially in cities – is a trend that will take some time to play out. At the margins that may also influence residential property values in cities. Either way there is a lot of uncertainty in a segment that has capital intensity (not a great combination).
- **Precious metals/real assets likely to continue to rally.** We do not see interest rates rising for some time yet. This means we should expect lower real interest rates, which tends to be supportive of precious metals and other similar real assets.
- **Bond yields to rise in the medium term.** We believe this should occur as markets anticipate Central Bank balance sheets contracting, albeit we do not expect returning to historical norms. But rises of 0.5–1 per cent. are not unrealistic in a two to three year timeframe.

Notwithstanding these points, we do expect markets and economic reality to re-connect at some point.

There are two different ways I could see this happening:

- It becomes clear that the Federal Reserve will not backstop credit in all circumstances. Buying bonds does not make them creditworthy – the question is whether they will continue to buy or even offer debt to companies that are in significant economic trouble. Without this, our view would be that default rates would be expected to rise and credit spreads should be higher. This would re-connect markets to economic reality.
- We see economic recovery of some form and as a result stimulus is removed. Stimulus is currently acting much like pain relief and when it stops being administered we would expect to see markets re-connect (much as they did in 2010).

For this reason, we are not advocating to clients to be “all in” on equities, but rather to remain more balanced for now, retaining some dry powder.

New strategies

In the past, I have talked about our desire to add credit and illiquid capabilities if an appropriate opportunity arises. Given the comments above, we do not currently feel the same way about Illiquids. We do see significant opportunities in credit, specifically through strong covenant analysis for apparently weaker credits, and would very much like to add such a capability.

Our equity offerings are primarily value-based, and we remain strong believers in value as an approach. However, based on our view of growth in the coming years (unlike some we do not see value and growth as opposite) we would like to offer strategies in the “quality growth” space and therefore are looking at this very closely.

We welcomed James Sym to the business during the year from Schroders, who is very well regarded as a European equity value manager. We have just launched the European Fund targeted particularly toward the wholesale market to support growth of his AUM.

STRATEGIC REPORT

CHIEF INVESTMENT OFFICER'S REVIEW

CONTINUED

ESG is embedded across all of our investment strategies. In addition, we have been developing our own dedicated ESG solution to meet needs across the market. I discuss in the next section more fully how we approach this, but we believe we have a very strong offering and that this is here to stay. We expect to launch during calendar year 2020 and have very substantial capacity and it brings together ESG and macro thinking into one strategy (which we believe is unique) and offers this in a relatively low tracking error form. It should therefore be attractive to a wide range of investors, and in particular defined contribution pensions where members will seek to express their support for responsible investment in an active fashion.

ESG

In this section I want to provide an overview of how we think about ESG in the Global Responsible Equity Fund we are seeking to launch in the near term. We have for a long time taken account of ESG related themes in our equity strategies, but the approach we are taking in the ESG specific fund is different.

The history of what we now call ESG investing is a long one. Back in the 1990s there was something called the Institute for Tomorrow's Company that we would argue was reaching for the same thing. Ethical investment became vogue soon after, although the Friends Provident Stewardship Fund had been around for some time before that. Subsequently we have had ESG, sustainability and responsible investment.

We know that many people would argue there are significant differences between these and in one sense they are right – they are implemented in quite different ways. But we would argue that the issue – or the underlying question they are seeking to address – is essentially the same. That question is "does behaviour matter in the production of economic returns?"

Most people would probably find it hard to answer this question "no". But obviously there are degrees. Some people think that if companies are behaving legally that's fine. Most people wouldn't think it's acceptable to treat your employees terribly, or to support slavery, or engage with child labour etc. Other people are more extreme, and do not want to support any activity that is considered "bad", such as manufacturing arms, tobacco and pornography.

But we are in a world that increasingly considers behaviour to be very important, and much more so than it used to. Politically it is important, and social media certainly has a hand in raising issues quickly and broadly in a way that can threaten companies who are behaving below what may be considered an appropriate standard.

At a very personal level we like the trend towards ESG, responsible investment, ethics, whatever we choose to call it. If we had to call it something, we'd call it conduct investment. What we're really saying is that conduct towards a variety of stakeholders matters. It should. We see this as a backlash against a trend for the last twenty to thirty years towards companies' focus on shareholder value, through a variety of approaches. Examples include Economic Value Added (in the classic Stern Stewart book from the 1990s), to measures intended to improve governance of corporates in shareholder interests. These were aimed at reducing the effects of a range of undesirable behaviours on the part of company management, where misalignment between their and shareholder objectives led to inappropriate decisions, the most obvious of which is value destructive acquisitions.

One could argue that the increased focus on shareholder value may have been a factor in underweighting the emphasis towards other stakeholders, such as employees, communities, perhaps customers. The world is too complex ever to be able to prove this, but we can see how it might have had an influence.

The very low increase in pay for the lowest paid in the US over the last thirty years has shown that the historical distribution of corporate gains, that was in the past shared between shareholders and employees, is now not particularly shared by the latter.

Now, we are not arguing against economic returns, but rather that it is perhaps not surprising in an environment of worsening inequality, that corporate behaviour is under the spotlight. Especially given there is no shortage of very public examples of what on the face of it appears to be poor corporate behaviour. Is it reasonable for people to expect better? Almost certainly, but even if it isn't, they do.

The complexity of the issue is such that it is important for any investment organisation to set out the principles on which it applies thinking on ESG into a policy. This obviously recognises that people will disagree as individuals.

We do believe as a house that good behaviour is important. We hope that we represent it ourselves and we expect it in others. But in investing, good behaviour cannot come at the price of returns that are not economic – we are seeking good economic investments in the first instance, that are achieved through a process that encourages good and improving behaviour or conduct.

Subject to producing strong economic returns, the overarching outcome that we are trying to effect through our ESG process is as follows:

> We are seeking to significantly reduce the cost of capital for great companies, and to significantly increase it for weak ones. In doing so we believe that will either create an incentive for weak companies to improve, or for them to be acquired by great ones cheaply and for the improvement to be imposed. Both are accretive to shareholders and beneficial to society in improved behaviour.

Because our approach is on directly influencing the cost of capital, it is focussed in the first instance on exclusion rather than engagement. We are, however, prepared in certain circumstances to consider companies that are not yet great but demonstrating a willingness to improve and are already making progress. This should be matched by an expectation of higher economic returns than we could achieve on already great companies.

Principles we adopt in pursuit of desired outcomes

Firstly, what we are not trying to do is take a view about which industry is good or bad. Certainly, we would not necessarily defend the impact of the energy industry on carbon emissions, but, without energy as it currently stands the world will grind to a halt. We should not behave in a way that, if successful, would be fundamentally detrimental to the functioning of the world's economies and people's health.

Similarly, it is not for us to determine how humans spend their time, provided it is judged by governments to be legal. We are reminded of a question asked to Warren Buffett at the Berkshire Hathaway Annual General Meeting a couple or so years ago. At the time, the backlash against sugary drinks was in full flow, with some good reason. Warren and his partner Charlie Munger were asked about their view of Coca Cola (a significant Berkshire holding) considering this. Warren's point was that he doesn't see why his freedom to choose to consume 25% of his daily calories in Coke should be curtailed because of the decisions of others. It is a question of freedom expressed in a responsible way. Charlie Munger went much further and referred to the idea of this type of control as a "juvenile" argument.

We're not sure we'd use the same language, but the fact is the bedrock of most developed societies is freedom in a variety of forms, be it speech, movement, religion, etc. We may not always like the result, but we don't yet have anything better. Hence the old saying "I do not agree with what you have to say, but I'll defend to the death your right to say it."

We therefore do not exclude industries or activities for what they do provided they are legal.

However, we do believe strongly that behaviour within these activities must continually improve. Within this, we believe that the most important means of change is a motivated, effective employee base that is meritocratic and diverse. Our view is that, where this exists, change in other areas such as attitude to environment, social engagement, governance and a range of stakeholders will happen. Without it, there is no policy applied by a board that will make this happen. This therefore forms the centrepiece of our approach to investment.

We cannot say this strongly enough. If this isn't present, the ability to effect or sustain any other change will be limited. Without employee support, companies have no sustainability strategy and therefore no ability to effect behavioural change.

We believe that innovation is the next most important factor. If a company is not able to innovate, then however good it once was it is unlikely to survive effectively in the long run. It will not hang on to good people and therefore it will be unable to effect change.

Finally, we look for outcomes in the traditional ESG dimensions. These are, in a sense, outcomes of the other areas. We would certainly like to see success in aggregate across these factors. But they are arguably measurements of underlying fundamentals, rather than fundamentals in themselves.

While relatively simple, these represent the outcomes and principles we employ in our ESG approach. In summary, these are:

1. We seek to achieve change in the cost of capital for good and weak companies, in order to effect behavioural change. As a result, we focus primarily on exclusion.

2. We focus in the first instance on companies with a motivated, effective employee base that is meritocratic and diverse. We believe this is the engine of all change.

3. We are then interested in companies that reflect innovation as a means of achieving sustainability and retaining its great people.

4. We seek to measure the effectiveness of this through change in the traditional ESG factors.

5. We do not seek to exclude based on industry. Rather we seek to reward change from within by supporting the better, more transformational companies within each industry.

6. We employ these principles in a pragmatic way, considering each company in the context of their peer group. We consider industry, as well as geography, market cap and style.

7. These principles are integrated into our wider investment process in a way which reflects our desire for behavioural change, but not at the cost of economic returns.

We have brought all of these principles together in our GREF and have already begun the process of discussing this with clients.

Performance

The table on page 25 summarises the performance achieved over our range of strategies. As well as the long-term track records being relatively strong, what this does illustrate is the range of outcomes in the short run, as our strategies aim to achieve different things. We will seek to extend this diversity of strategy in the future.

This information 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 potential scale of the opportunities in each of the strategies to determine the potential for future growth in AUM and revenues.

STRATEGIC REPORT

CHIEF INVESTMENT OFFICER'S REVIEW

CONTINUED

INFRASTRUCTURE
OUR CLIENTS' EMPLOYEES BUILD THE INFRASTRUCTURE THAT IS THE BACKBONE OF OUR COUNTRY – WHILE WE FOCUS ON GROWING AND PROTECTING THEIR ASSETS.

Except as indicated to the contrary in the table to the right, 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.

All of our strategies have produced outcomes that are consistent with the approach they take to generate returns. I continue to consider that our investment team has strong talent and capability and is well placed to continue to produce great results through time.

Overall summary

Our strategies have performed as we would expect in the environment we have faced. We believe the market environment we expect to face should support our various strategies, but also would be strengthened by adding quality growth and credit capabilities. We expect to launch funds in ESG and European Value, and there are additional strategies such as Market Neutral Equity and Discretionary Macro that, dependent on bandwidth, we will also look to develop, which will additionally strengthen our market positioning and serve to diversify the business further.

As a result, I believe we remain well placed to deliver on our client objectives, as well as offer attractive new strategies to support growth.

MIKE FAULKNER
GROUP CHIEF INVESTMENT OFFICER

Annualised Investment Performance By Investment Strategy	AUM £bn 30 June 2020	Estimated Capacity[4] £bn	1 Year (%) Absolute	1 Year (%) Relative	5 Years (% p.a.) Absolute	5 Years (% p.a.) Relative	Since Inception (% p.a.) Absolute	Since Inception (% p.a.) Relative	Since Inception (% p.a.) Date
STABILITY/RETURN GENERATION									
Fiduciary DB[1]	12.3		10.4%	(1.4%)	9.6%	1.1%	9.5%	1.7%	Jan 04
RAMIL Stable Growth Fund	1.0		(1.0%)	(4.7%)	4.8%	1.2%	7.2%	3.4%	Dec 08
Fiduciary DC – Long-Term Growth	0.1	50.0	0.3%	(6.3%)	6.1%	(2.2%)	7.8%	(2.0%)	Oct 11
Fiduciary DC – Stable Growth	0.1		0.8%	(5.7%)	5.7%	(2.1%)	7.0%	(1.4%)	Oct 11
Fiduciary DC – Cautious Growth	0.1		2.7%	(6.1%)	6.4%	(2.0%)	7.6%	(0.0%)	Oct 11
Dynamic Asset Allocation	0.2	10.0	(0.5%)	(5.4%)	4.5%	(0.2%)	4.4%	(0.3%)	Sep 14
Global Macro	0.2	10.0	(8.8%)	n/a	n/a	n/a	4.2%	n/a	Mar 18
US Solutions	0.8	1.6	1.2%	(2.2%)	4.7%	(1.0%)	5.6%	(0.5%)	Aug 13
Total Solutions AUM	14.8	71.6							
RETURN GENERATION – INCOME									
UK Equity Income	0.1	1.5	(3.8%)	10.9%	2.9%	0.5%	9.9%	1.8%	Feb 09
RETURN GENERATION – SPECIALIST									
UK Equity Smaller Companies	0.3	0.8	5.9%	16.6%	7.6%	5.5%	11.3%	7.4%	Nov 06
UK Recovery	0.2	0.5	(14.9%)	(0.2%)	3.5%	1.1%	10.0%	4.3%	Jul 08
Global Recovery	0.3	1.6	(8.6%)	(13.8%)	7.0%	(4.7%)	10.6%	0.1%	Mar 13
Global Recovery Focus Segregated	0.1	0.5	(8.3%)	(10.5%)	1.8%	(4.7%)	10.5%	2.1%	Feb 12
Global Recovery Concentrated Segregated	0.5	1.5	(11.7%)	(14.5%)	n/a	n/a	5.8%	(3.1%)	Apr 16
RETURN GENERATION – CORE									
UK Equity High Alpha	0.1	0.8	(16.0%)	(1.3%)	2.2%	(0.2%)	6.0%	1.9%	Nov 06
UK Core Segregated	0.2	0.5	(6.6%)	8.1%	3.8%	1.4%	6.6%	2.0%	Nov 10
UK Dynamic Equity	0.1	2.0	(6.6%)	8.0%	4.1%	1.7%	5.8%	2.0%	Mar 07
UK Micro Cap Investment Company	0.1	0.1	(5.8%)	4.9%	11.6%	9.4%	12.3%	8.3%	Dec 14
Global High Alpha	0.2	6.0	(6.6%)	(11.7%)	8.9%	(2.8%)	9.2%	(1.6%)	Dec 14
International High Alpha	0.0	3.8	n/a	n/a	n/a	n/a	8.5%	(0.2%)	May 20
Segregated Mandates[2]	1.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
ILC EMERGING MARKETS									
Global EM	0.1	3.5	(2.3%)	1.1%	2.5%	(0.4%)	2.8%	0.5%	Jan 12
Small/Mid Cap	0.0	2.0	(8.1%)	0.7%	(0.5%)	0.9%	1.9%	2.3%	Jan 13
Total Equity Solutions AUM	4.2	25.1							
Structured Equity	7.4	>20	n/a[3]						Dec 05
LDI	17.8	>30							Dec 05
Total Derivatives AUM	25.2	>50							
Total AUM	44.2	>100							

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

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

STRATEGIC REPORT

SALES AND MARKETING REVIEW

DAVID HANRATTY
GLOBAL HEAD OF DISTRIBUTION

Introduction

As highlighted in the Group Chief Executive's Statement, we commenced a significant development programme in our Distribution operation this year, one that will continue into the next financial year as we develop a technically focussed and results orientated distribution business.

Our distribution strategy remains focussed on developing high value, one to one relationships, whether with wholesale investors, intermediaries or institutional investors. We will also adapt this strategy to introduce appropriate distribution partnerships to complement our internal capabilities, allowing us access to new markets. This partnership approach facilitates the use of established networks by providing the manufacturing expertise to complement the brand and service platform of local and regional players.

We have four discrete sales teams within our Distribution business, each extremely well placed to deliver meaningful growth. That potential is enhanced by the product and infrastructure developments described in the Group Chief Executive's Statement and Chief Investment Officer's review. Market demand, quality relevant product and modern distribution architecture are the essential components for success and taking each business channel in turn it will be evident that we have all the ingredients to make significant progress.

UK Institutional

At the core of the UK Institutional investment segment is the occupational pension system. More than anywhere else the rapid evolution of the market has dramatically changed the demand profile. River and Mercantile is better placed than most to access old and new world opportunities. We have had support from the intermediaries for our investment components used in advisory arrangements for many years and this continued to be a focus.

We also have the longest history of any provider in delegated fiduciary management and alongside that we possess a market leading derivative capability. Our skillset plays to the key trends for further delegation, ESG friendly strategies, more outcome targeted strategies both synthetic and real, driven by the mature challenges facing DB schemes and the rapid growth of Defined Contribution (DC).

We have doubled the size of the sales team under the leadership of Arabella Townshend; we have dedicated specialist groups focusing on the three main sub-channels of investor, intermediary and independent trustee but with complete coordination and understanding of the nuances across these markets. Our pipeline has grown significantly in recent months and is reassuringly diverse. We have material live opportunities mapped out for the next year in Fiduciary Management (both CMA driven and new delegations), ESG global equity and structured equity and LDI. The new products coming through will only reinforce our ability to build scale and compete in the modern business lines in the UK institutional market.

UK Wholesale

Though there is much to report in our UK Wholesale business one of the most significant factors in our favour is the continued vertical integration in the financial advice market and the push towards discretionary management relationships with clients. This is a subject in itself, but the effect is that a retail brand will become unnecessary (apart from DIY investors), and as more assets are controlled by professional manager research teams then it is investment quality and service that will determine success. This opens up pools of assets to River and Mercantile that once would have been closed to us.

We have made some fundamental changes to our Wholesale business and in recent months we have doubled the size of the UK Wholesale team which includes the appointment of Simon Smith from Merian to head that business. Historically our product offering has been quite narrow with the majority of the assets being raised in UK equity strategies. We have implemented a new distribution strategy, strongly focussed on the largest tier one accounts. The expanded team has allowed us to move to a more efficient territorial coverage model and, in keeping with our institutional heritage, we are now competing in the growing wholesale mandate market which is growing on the back of the trend for vertical integration mentioned earlier.

In the second half of the year we received confirmation that we had won our first segregated mandate originating from the wholesale market which funded in Q1 of the current financial year. We are confident our UK Wholesale business can deliver growth in the next few years and it remains our highest margin business. That belief is borne out by not only the renewed strength of the team but the addition of new strategies to diversify our offering, starting with the launch of the European Fund, managed by James Sym who joined in the summer. The product set will be further widened with the acquisition of new capabilities as set out in the Group Chief Executive’s Statement. In a short time, we will have transformed our UK Wholesale proposition from a small team promoting UK equities to a larger team with a much broader array of competitive products, in a market that is coming to us in the way asset management products are accessed.

Australia

The appointment of Tim Horan to head our Australian business two years ago and the opening of offices were signs of our commitment to grow. Australian distribution is now profitable and we are transferring one of our senior investment people, Barbara Wilson, to join Tim as and when travel restrictions introduced in the COVID-19 pandemic are relaxed. Our focus remains the Superannuation Funds market which continues to consolidate as many have predicted.

As in our other distribution activities, this is a ‘business to professional’ segment where investment quality and service are critical. You will recognise a familiar thread once more regarding product diversification. Our business was established by securing assets into Global Equity strategies managed by Hugh Sergeant and we are now extending our offerings. The addition of our Global ESG, Global Macro and Emerging Market Equity Strategies allows us access to a wider range of searches in areas where we have credibility and track record. We have established relationships with the large Superannuation Funds that we have targeted and the addition of local specialist investment resource and the wider product opportunity set means we are well placed to continue to deliver strong growth in Australia.

US

The development of our US distribution business is an area of focus for the coming year. So far we have concentrated on addressing the manufacturing angle in energising our distribution in the US. In May 2020 we launched pooled vehicles for exempt and taxable institutional investors. We made them available in existing strategies where there was evidenced market demand, Global Equity, Global Macro and Emerging Market Equities, and in an important step we launched an International High Alpha (INHA) strategy managed by Will Lough. Other than US Equities, International Equity is the largest equity allocation made by US investors. As well as demonstrating commitment to the market, we have created the opportunity to tap into a significant pool and flow of assets as a successful track record is built. Our concentration this coming year will be on bolstering the distribution presence and developing well-resourced sales and marketing plans to take advantage of the stronger manufacturing platform.

DAVID HANRATTY
GLOBAL HEAD OF DISTRIBUTION

STRATEGIC REPORT

OPERATIONS REVIEW

FRAN FAHEY
GROUP CHIEF OPERATING OFFICER

Introduction

We are pleased to report that our move to working remotely in late March 2020 was seamless, without business disruption or operational issues. We adapted to the new working environment quickly, addressing the new working practice challenges and risks they presented. We continue to look to develop and improve our working practices as the situation evolves.

Industry backdrop

In addition to addressing the necessary changes in working practices as a result of the COVID-19 pandemic, the asset management industry continues to go through significant structural operational change. There are a number of themes driving this transformation from operational resilience requirements, ongoing regulatory change and the need to address operational agility, to increasing data, analytics and reporting demands and margin pressures.

Investment in our infrastructure

With this backdrop in mind and to support the growth strategy set out in the Group Chief Executive's Statement we will continue to invest in our infrastructure to ensure we have a resilient and scalable operating platform, to drive efficiencies and minimise operational risk. This investment programme will allow the Group to drive down the marginal cost of adding new business and give the Group greater opportunities to partner with specialist third party providers. As part of this programme, we have reviewed our infrastructure and designed a consistent Group wide target operating model that will meet our future needs. The planned investment will be phased over the next few years and can be grouped into three main areas:

- Distribution infrastructure;
- Operational infrastructure; and
- IT infrastructure and data architecture.

Distribution infrastructure

To support the investment in our distribution capabilities and the growth of a large high quality distribution network, as discussed in the Sales and marketing review, we need to have a best in class distribution operating platform with the full suite of client service applications integrated into high quality client data. This is essential in helping develop sales strategy, directing and managing sales activity, and generating powerful management information that informs analysis all the way along the value chain.

We have put in place a clear client data governance and business ownership framework, and have completed the first phase of the implementation and roll out of a market leading Client Relationship Manager (CRM) platform across the Group globally, which is now the golden source of all our client data. The CRM system is the platform around which the whole client service model revolves. It has enhanced opportunity tracking capabilities, curated client data and automated marketing functionality and enables the distribution team to have visibility of all relevant client activity globally with the ability to manage it in an efficient, structured data driven environment.

The next phase will focus on building out the functionality of the CRM system and expanding its integrated applications. Then as we progress our operational, IT and data architecture projects we will be able integrate the CRM system with the relevant systems to incorporate investment and accounting data (AUM, flows and portfolio data), leading to improved client reporting processes.

In parallel with the first phase of the CRM project, we have simplified and standardised our processes and implemented a single Request For Particulars (RFP) tool across the Group, which we are in the process of rolling out. In a similar vein, we are currently reviewing and refining our on-boarding processes with the intention of implementing one tool across the Group, centralising the process to enhance efficiency.

Operational infrastructure

We are committed to building an efficient, scalable operating platform which can meet the business growth demands. We aim to increase operating efficiency, improve operational resilience and address the changing needs around client product demand.

We are investing in a common Order Management and Portfolio Management Solution (OMS/PMS) to provide a standard Investment Book of Record across all divisions. This will allow for standardisation of core common processes, leveraging new cloud-based technologies to maximise efficiency, increase flexibility and scalability and improve marginal costs in delivering the Group strategy. After completing a detailed research and design phase, we have commenced the vendor selection process, and are finalising the technical implementation plan. This is a significant change project which is being carefully phased to ensure seamless business continuity.

Alongside the OMS/PMS project we are also reviewing our investment performance measurement, attribution and risk systems to ensure that they meet our future requirements.

IT infrastructure and data architecture

We have undertaken an IT strategy review and are accelerating the move to the "cloud" by ensuring all new applications are SaaS (software as a service) compatible. Operating a "Cloud First" strategy will reduce the need for traditional IT infrastructure spend in the future.

With the move to SaaS based technology, we are taking the opportunity to update and modernise our data architecture. This will allow for the ability to quickly meet client and regulatory demands around custom data sets like ESG and regulatory reporting alongside the more traditional data sets. The data infrastructure project will introduce improved data governance and allow for greater transparency and reduce the risks of maintaining operational resilience.

This modernised approach will enable us to focus spend on core differentiating areas of development rather than maintaining non-core areas. This strategy will also facilitate the integration of 3rd party best of breed applications, allowing for operational agility while optimising the infrastructure wallet.

The investment in our IT infrastructure and data architecture will position the Group strongly to support future organic and inorganic growth.

FRAN FAHEY
GROUP CHIEF OPERATING OFFICER

STRATEGIC REPORT

PEOPLE, SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

In the last financial year we embedded our approach to corporate and social responsibility through Community, Environment and Stewardship. As explained, we are enhancing this approach by incorporating two additional pillars; namely People and Innovation, in 2020. By doing this, we believe we will promote a sustainable future that benefits all.

Our core Corporate Social Responsibility principles are set out below:

1. Responsible stewardship

A commitment that our corporate culture, strategy and investment beliefs lead to responsible stewardship. This includes integrating responsible investment issues into our decision-making for the benefit of our clients together with the aim of sustainable benefits for the economy, the environment and society.

2. People

We aim to create value for all stakeholders through having high levels of trust and cooperation between employees, customers and the stakeholders we serve. This includes best practice governance, adhering to regulation, treating people equally, respecting human rights and promoting diversity.

3. Community

As a responsible corporation we aim to foster a sense of social responsibility within our organisation and, in turn, make a positive impact within the communities we operate. This includes supporting our corporate and employee initiatives in endeavours to give back.

4. Environment

We aim to create value for all stakeholders without causing undue harm to the environment, nor compromising the ability of future generations to do so. This includes acting in an environmentally responsible manner, to deliver an effective strategy with proper consideration for our natural surroundings.

5. Innovation

As a sustainable business, we require constant innovation to respond to changes in market fundamentals, the environment and society. This is imperative for long-term value, for the benefit of all stakeholders. We take a broad view of innovation, which we believe encapsulates changes in strategy, process and the products we develop. Innovation is also fostered through diverse perspectives.

Our people

People are one of the key pillars of our 2025 strategy as they are critical to the success of the Group. We are committed to upscaling and upskilling our human capital through recruiting, retaining and developing our employees. To do this more effectively the Group is currently developing an "Employee Value Proposition" (EVP) that incorporates purpose, employee voice, effective leadership and appropriate incentives. This proposition is under-pinned by the Group's principles and values.

On a quarterly basis the Group holds Townhall meetings to provide employees with an update on business performance and to give an opportunity to ask questions directly to senior management. We have continued to do this remotely during the COVID-19 pandemic. This engagement has been enhanced over the last six months and the Group Chief Executive has undertaken regular live broadcasts to the whole Group and writes a weekly email to all staff covering all aspects of our business.

The Group has committed to undertaking an employee engagement survey every two years and is due to run the second survey in autumn 2020.

As reported last year, there was a 76% response rate and an overall rate of engagement of 59%. The 2018 survey showed several areas for improvement including the need for greater collaboration and communication, and improvement in our technology infrastructure. Many of these areas are being addressed continuously. There have been significant improvements in the technology infrastructure over the past two years. Through the regular Group Chief Executive updates, briefings and Townhalls which, as already highlighted, have continued throughout the pandemic, communication has also improved. In 2018 we brought our business together into two offices in the City and we are already looking into options for having a single office space to support better collaboration and communication.

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 direct 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 believe that a diversity of perspectives and thought, when part of an inclusive culture, results in better judgments and decision making.

STRATEGIC REPORT

PEOPLE, SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

CONTINUED

Our people continued

Values

The Group has an established set of values against which we expect all of our employees to operate. We will be enhancing and updating these as part of the development of the EVP.

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.

Performance

The Group's values describe the behaviours that the business considers to be critical to success. Behaviours not consistent with the values are identified and dealt with through reduced variable pay, through development or by performance management.

To assist in this process, the Group has identified a number of behavioural competences which measure our employees' 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 a discretionary 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 157,457 shares were exercised by 31 employees.

River and Mercantile Derivatives won the award for LDI Manager of the Year at the Pensions Age Awards 2020 for the 3rd year running and River and Mercantile Solutions won Fiduciary Manager of the Year at the Professional Pensions UK Awards 2020.

Work life balance, and health and wellbeing

The Group understands the need to take a balanced approach between work and home life. In 2018–2019 the Group enhanced its maternity and holiday entitlements and continues to offer flexible working arrangements to all employees where it is possible. The need to work remotely during the COVID-19 pandemic has allowed us to understand much more clearly where and how remote working and flexible working can be accommodated in the businesses.

As a result, there are plans underway to review and develop a more effective use of technology and physical office space in the future.

We will be developing the Group's approach to agile working and embedding this into the formal and informal arrangements we have with our employees. Agile working brings many advantages and efficiencies; however, we must be cognisant of the challenges this also provides for some of the workforce. We are a people and ideas rich organisation and it is difficult to place a value on the spontaneous conversations between colleagues. Over the last six to nine months we have missed the chance conversations, unplanned questions, the ability to learn from colleagues, along with the training and camaraderie that the office provides. At its best, an office can be a cauldron for new ideas and enhanced collaboration and we recognise the danger if this is lost.

Employees are offered comprehensive medical insurance which incorporates many health and wellbeing features including an employee assistance helpline, wellbeing assessments and workshops on key topics like managing stress and lifestyle. We have continued to provide this support during the pandemic by issuing guidance, providing resources and maintaining communication.

We have undertaken a full risk assessment of both of our City offices and those overseas and in line with government guidance allow employees to attend the office where they are unable to work effectively from home. Our UK offices are COVID-19 secure. We provided COVID-19 guidelines to those who attended the office and Health and Safety measures were put in place in line with government guidance.

Our mental health first aiders continue to provide support to our employees and have managed 10 enquiries in the past year.

The Group continues to offer to all employees the opportunity to benefit from the cycle to work salary sacrifice scheme and this has been extended during the last six months due to the exceptional circumstances.

Recruitment

The Group is committed to the fair and equitable treatment of all employees and applicants in the recruitment process.

During the year several workshops focusing on developing recruitment skills have been rolled out to the Group's line managers. In addition, recruitment technology was implemented this year that will allow us to monitor recruitment from several perspectives including effectiveness, equality and cost.

Diversity and inclusion

The Group will continue to focus on diversity and inclusion at all levels as it is one of our key principles and forms part of the work we intend to undertake developing our EVP. The Company will launch a Diversity Action Plan in 2020–21 with a series of key deliverables including data collection, training for key managers and technology for monitoring recruitment KPIs including diversity related indicators. This first step will allow us to understand the specific challenges we face and put in place more targeted actions. We are also a member of the Diversity Project and our Group Chief Executive is a member of the project's Advisory Board and our Group Head of Investments is a member of its Steering Group.

The Group continues to disclose the gender balance of senior management and their direct reports as required by the 2018 UK Corporate Governance Code which follows the recommendation of the UK's Hampton-Alexander Review.

27.8% of our Board and Senior Management are female and 23.2% of the upper quartile of the Group in terms of seniority are female. River and Mercantile Group was a sponsor of the "Count me in" initiative run by the Institute and Faculty of Actuaries. Last year as part of this initiative our employees spoke to children about diversity and the careers available in our industry.

Gender balance as at 30 June 2020

Position	Female	Male
Directors	2	4
Senior management	3	9
Senior management direct reports	14	50
Total employees	70	206

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 are developing an action plan to drive change over time. Ultimately in the short to medium term any significant changes will require the hiring of more senior women in a very competitive market.

FOOD FOR THOUGHT
OUR CLIENTS' EMPLOYEES HELP TO FEED US ALL.

2020

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
20.4%	**17.9%**	**39.6%**	**41.4%**	**86.8%**	**94.6%**

2019

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%

STRATEGIC REPORT

PEOPLE, SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

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Our people continued

The mean gender pay gap is a measure of the difference between women's average hourly wage and men's average hourly wage. The median hourly rate is calculated by ranking employees from the highest paid to the lowest paid and taking the middle hourly wage in the sample. The median gender pay gap is the difference between women's median hourly wage and the men's median hourly wage.

We compare the same mean and median figures with bonus amounts. As can be seen we have improved our median and mean gender pay gap from 2019 to 2020 by addressing some obvious areas in salary and roles for female members of staff. We have also increased the number of women receiving a bonus from 87.7% to 94.6%. However, this has had an impact on the mean and median bonus pay gap with more junior roles held by women receiving bonus. It is clear that the solutions to improving the pay gap will take some time and effort to address and we will continue to look at ways we can improve the numbers of women in senior roles.

Advancement

All employees have an equal opportunity for advancement, including training and development. The Group operates an internal grading system which provides career pathing and supports a promotion process that is calibrated by the Group Chief Executive, HR and representatives of the Group Executive Committee. During the financial year 31 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. In the year ending June 2020 the Group spent £200,500 centrally on development for our people, including qualifications, professional memberships and training. That is a spend of over £800 per employee per year on development. Our businesses also funds continuing professional development such as conferences, events and local technical development separately. COVID-19 has impacted this spend in 2020 as the spend was 19% less than in 2019.

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. This platform was used to drive the employee certification process in 2020. We will look to enhance and improve these systems over the coming years to ensure that they remain relevant to the changing needs of our business.

All employees are required to complete mandatory compliance training. Since the implementation of senior managers and certification regime the Group has invested extensively in training employees and has rolled out a number of training sessions for the Group's directors and senior managers. In 2020–2021 the Group will roll out conduct rules training to all employees. The Group sees training around all elements of the SMCR as an ongoing commitment.

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.

Sustainability and stewardship

River and Mercantile takes our role as custodians of our clients assets very seriously and we have been working to develop and enhance our approach to environmental, social and governance (ESG) matters and initiatives. Considerations of our role as stewards and an evolving understanding of stewardship being "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" as defined in the 2020 UK Stewardship Code, are consistent with our clients' evolving investment needs and expectations. Therefore, stewardship plays 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 subtly different ways but based around some core principles.

River and Mercantile is a sustainable business that aims to compound value for all stakeholders over the long term. It is a responsible steward of capital with a culture of longevity. It will strive for sustainability through the pillars of Responsible Stewardship, People, Community, Environment and Innovation, leading to positive long-term outcomes for all.

ESG Committee

In 2018 we established our ESG Committee, which is comprised of representatives from across the Group's global business divisions.

Primary responsibilities include:

- Assisting the Group in providing direction on the development and implementation of ESG policy initiatives;
- Managing relationships and reporting requirements with external ESG regulatory and collaborative bodies and initiatives to which we are signatories; and

- Overseeing the consistency of ESG messaging and approach across various business areas through effective communication, engagement with our stakeholders and with employees on Group initiatives.

Over the year the ESG Committee has spearheaded the Group's involvement in a wide range of initiatives including:

- The ESG Committee improved Group-wide ESG communications, raising the profile and importance of ESG internally, while contributing to various external collaborations including the Ceres Brazilian rainforest deforestation statement;
- All parts of our business are signatories to the UK Stewardship Code 2012 (the Code). The Committee has been preparing for the new 2020 Stewardship Code that sets higher expectations of those investing money on behalf of UK savers and pensioners and the reporting of stewardship activities;
- The Group is in the process of becoming signatories to the United Nations Global Compact. This is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.
- The Group was awarded an "A+" Strategy & Governance rating from the Principles for Responsible Investment (PRI) Assessment Report for the 2019 reporting year. The report is designed to provide feedback to signatories to support ongoing learning and development. MSCI ESG Research, an ESG rating agency gave the Group an A rating, an improvement from the previous rating of BBB; and
- CFA ESG qualification added to our Group-wide study policy. The qualification sets out the fundamentals for ESG investing and will equip employees with the skills and knowledge to integrate ESG issues into their day-to-day work.

Stewardship

As we have already highlighted, we have a common set of principles that governs how we coordinate our approach to ESG. The Group's proprietary investment processes and teams integrate the broader principles around stewardships and sustainability in their investment selection. This involves how we exercise our voting responsibilities in conjunction with our clients' needs and our direct engagement with companies and investors where appropriate.

We focus on collaborations with external bodies such as the UN Principles for Responsible Investment (UN PRI), implementing the expectations of the UK Stewardship Code and working with third party funds and companies to encourage adoption and disclosure of ESG practices.

UN PRI signatory

Since 2019, the Group has been a signatory to the PRI, the largest global reporting project on responsible investment. As a signatory, the Group commits to uphold the six key principles. Reporting is one of the explicit commitments when signing the PRI, and we submitted our second report this year. This will help us evaluate our responsible investment progress against an industry-standard framework, strengthen our internal processes and enhance our ESG credentials for the future.

The 2012 UK Stewardship Code and the new 2020 Code

The Group is committed to, and is an active supporter of, the background and principles set out in the 2012 Code established by the Financial Reporting Council. Our responsibilities as an asset manager extend to having a clear commitment to engagement. This ensures we are fulfilling our stewardship obligations by reporting on these activities to our clients. The new 2020 UK Stewardship Code, which took effect on 1st January 2020, is a substantial and ambitious revision to the UK Stewardship Code and sets high expectations for those investing money on behalf of UK savers and pensioners.

The Shareholder Rights Directive II (SRD II)

The Shareholder Rights Directive II (SRD II) is a European Union (EU) directive, which aims to encourage long term shareholder engagement with companies to ensure that decisions are made for the long-term stability of a company. SRD II requires greater transparency on engagement and voting as well as the publication of a shareholder engagement policy. During the year we updated and enhanced our voting and engagement policies throughout the Group to comply with these disclosure requirements.

Engagement initiative with social media companies

Following the tragic shootings in Christchurch New Zealand in March 2019, the Group supported a collaborative engagement initiative with social media companies led by the New Zealand Super Fund. The initiative aims to make social media platforms a safe place for all by taking action to prevent the live streaming and distribution of objectionable content.

We have also been involved in a range of other initiatives and policies that have been implemented across the Group.

Cluster munitions

The Group is committed to avoiding direct investment in companies that design, produce, sell, or maintain cluster munitions and/or land mines. We currently exclude such companies from the Group's investment processes and exclude asset managers that engage in or with companies involved with cluster munitions.

STRATEGIC REPORT

PEOPLE, SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

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Environment and Community

WE AIM TO CREATE VALUE FOR ALL STAKEHOLDERS WITHOUT CAUSING UNDUE HARM TO THE ENVIRONMENT, NOR COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO DO SO.

Environment

The Group has implemented alternative facilities management approaches in order to reduce the carbon footprint within its offices and is considering the impact of climate related risks, aiding global projects.

Community

Support of COVID-19 relief response, Group and personal donations to charities in the UK, US and Australia to support local communities. The Group and its employees were collectively involved in various community projects in the countries in which it operates.

Below we provide examples of work we have undertaken in each of these core areas over the last financial year.

Environment

The Group believes that businesses are responsible for achieving good environmental practice and operating in a sustainable manner. We are therefore committed to minimising our environmental impact. With the evident impact of climate change on our daily lives, the Group acknowledges its role in helping to combat the growth of greenhouse gas (GHG) emissions and as a result implemented green-friendly alternatives to reduce the carbon footprint within our offices:

- Our offices are equipped with recycling facilities for paper and plastics and encourage conservation of water and other resources. We have water dispensers, reusable dinnerware, and dairy free alternatives to milk. We have also made efforts to reduce our printing requirements.
- Various initiatives are available to help reduce our carbon footprint. We offer the UK Government's Cycle to Work scheme, and bike storage and electric vehicle charging stations are available at some office buildings.
- Our travel reimbursement policy encourages staff to use public transport, where available, when attending client meetings.
- Our offices all have video conferencing facilities so we can reduce travel requirements for ourselves and our clients. We use standard technology systems so that documents can be transmitted electronically.
- Greenhouse gas (GHG) emissions. The Group is committed to minimizing its impact on the environment and as such fully offsets its GHG emissions in recognised offset schemes, combining green energy funding and forestry protection and renewal.
- The Group's calculated GHG emissions figure is 1,375 tCO_2e including all travel and commuting, including Scope 1–3. This number is not representative due to the impact of COVID-19, therefore cannot be compared to previous years.
- The Group's calculated energy consumption from operational activities consumed was 196,766.0 kWh, energy consumed in the UK was 180,766.0 kWh and overseas was 16,000.0 kWh.
- The Directors are pleased to report that the Group has once again been certified carbon neutral by Natural Capital Partners, a recognition that as a company, our business has achieved carbon neutrality in accordance with The CarbonNeutral Protocol. To receive CarbonNeutral® certification, we are committed to reducing GHG emissions to zero for the certification period. The calculations for GHG emissions and Electricity usage are made by an independent assessment through Natural Capital Partners, taking into account Scope 1,2 and 3 emission sources from data collected by the Group. Achieving CarbonNeutral® certification includes internal and external reductions.

The Group has supported several projects globally since 2014 to help reduce GHG emissions, through carbon offset purchase and certification payments such as the Household Agricultural Biogas in Vietnam. This award-winning project has installed over 170,000 small scale biogas plants in households and small livestock operations across 55 provinces in Vietnam. Small fixed-dome biogas plants, also known as anaerobic digesters, provide a clean, affordable, and convenient form of energy to some two million rural families, who have pig farms that create huge odour and waste problems.

In 2019, the Group, as a responsible investor, proudly joined 244 institutional investors representing $16.2 trillion in AUM in a joint statement urging companies to take action against the escalating crisis of deforestation in Brazil and Bolivia. The Group believes it is our fiduciary duty as investors to act in the best long-term interest of the beneficiaries of the assets we manage. We recognise the important role rainforests play in combating climate change and protecting biodiversity. The joint statement asked companies to commit to eliminating deforestation within their operations and supply chains.

In 2019, the UK Government's Green Finance Strategy recommended that all listed companies should make disclosures in line with the Taskforce for Climate-related Financial Disclosures (TCFD) by 2022. The Group fully supports the Financial Services Board TCFD recommendations for voluntary, consistent climate-related financial risk disclosures by companies in providing information to investors. We are aiming to report by 2022 the four widely adopted recommendations tied to: governance, strategy, risk management, and metrics and targets.

GUIDING US
WE LOOK AFTER THE ASSETS OF SEVERAL CHARITIES AND ARE PROUD TO WORK WITH THEM TO PROTECT THE FUTURE OF THOSE WHO LOOK AFTER US.

STRATEGIC REPORT

PEOPLE, SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

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CARING FOR THOSE WHO CARE FOR US

WE WERE THE LEAD SPONSOR FOR CRITICAL NHS AND ARE PROUD TO HELP TO CARE FOR THOSE WHO CARE FOR US ALL.

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 a Modern Slavery Statement, which is available on our website, and continue to survey our largest suppliers for compliance with the Modern Slavery Act.

Anti-bribery, corruption and anti-facilitation of tax evasion

The Group is committed to good conduct and to carrying out all business in an honest and ethical manner. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery, corruption and tax evasion facilitation. As part of this all new joiners are required to complete countering bribery and corruption training in their induction training and ongoing annual training.

Data protection/cyber security

All employees are required to take part in a monthly online training module on cyber awareness. Employees are also subjected to random phishing simulations to test reaction to suspicious emails and web links. The Group currently holds a 94% module completion rate of compulsory basic training completion with industry leading correct response rates. The Group is certified with Cyber Essentials, a Government-backed scheme designed to guard against the most common internet based cyber security threats.

Community

With community as one of the Group's core principles, we aim to make an impact within the communities we operate, whilst fostering a sense of community amongst employees through collaborative volunteer events as well as raising funds for charity.

In the US, the Group donated a combined $25,000 to local charities close to our US offices and US employees organised the R&M Miles for Medicine Challenge, a socially distanced walking and running challenge to raise funds for frontline healthcare workers.

Given the importance of giving back to our local communities, we also support our employees in their endeavours through a number of initiatives:

- Give as You Earn (GAYE) payroll giving scheme.
- Two annual paid volunteer days.
- Donation matching up to £1,500 annually.
- Fundraising events run by the Group's employee-led Charity Committee.

Examples of fundraising events supported by our employees include:

- **COASTSWEEP river clean-up**
  Employees helped collect and categorise marine debris at the local Charles River to aid Massachusetts' ocean conservatory efforts.
- **West End House Boys & Girls Club**
  Employees spent the day helping at this after-school club, which serves 250 children from urban communities daily, with a focus on high impact programmes to ensure success within academics, arts, and a healthy lifestyle. This has now become a quarterly event.
- **MacMillian coffee mornings**
  Employees hosted a coffee morning with coffee and baked goods which were sold to raise funds for MacMillan Cancer Support.
- **R&M Charity Quiz Night**
  The Group hosted various quiz nights amongst employees with all proceeds supporting the Evelina Children's Hospital.

SMALL CHANGES CAN ALL ADD UP TO BRING ABOUT A SIGNIFICANT CHANGE FOR THE BETTER.

COVID-19 relief response

This has been an extraordinary year for society as a whole and it has been very rewarding to see how everyone from all walks of life have pulled together to help during this period of national crisis.

Critical NHS

Critical NHS was founded as a community based non-profit organisation, established in March 2020, to support NHS staff at the Critical Care Unit at St George's Hospital, responding to the outbreak of coronavirus, and sustain local businesses and restaurants as suppliers. This innovative and community based solution led to a roster of deliveries, coordinated across 50 volunteers, to deliver regular lunch and evening meals supplemented by donations of protective clothing, electronic items, care packages, baked treats and desserts to critical care unit staff and other key and frontline healthcare workers during the height of the pandemic.

The team have also facilitated accommodation and car parking for staff members to continue to work under the lockdown. They have expanded the supply chain, working with multiple partners, to provide meals to NHS frontline staff at 15 hospitals across London, Surrey & Cornwall. They now also cover a number of care and community centres to cater for more vulnerable individuals affected by the COVID-19 pandemic. The funds raised by individual donations and lead sponsors have subsidised over 99,000 meals and provided a lifeline to many local businesses.

River and Mercantile was the lead sponsor of this charity which allowed the team to deliver much needed support to those in our society who support us in our hour of need. Our Group Chief Executive and a number of our staff have also donated personally to this charity to supplement the donations made by the Group.

STRATEGIC REPORT

RISK MANAGEMENT

Taking risk is an inherent part of the Group's business activities: when a Group member advises a client 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 while 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 statement 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 and resources.

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 Group 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 68.

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 which has been outsourced to our selected service partner, RSM UK. Internal audit supports the Board and executive management in protecting the assets, reputation and sustainability of the organisation by providing independent and objective assurance.

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, 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 Internal Capital Adequacy

Assessment Process, which examines downside events including revenue declines and the costs of an orderly cessation of the Group; 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 focussed 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's Chief Executive.

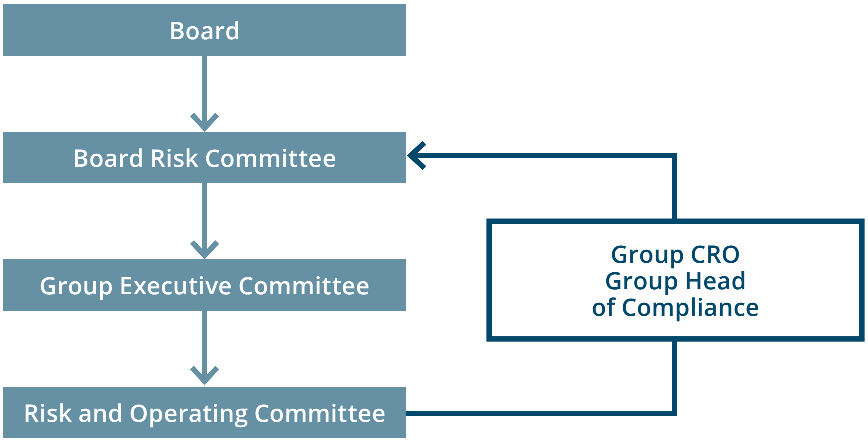
Conduct-related risks are those that could result in negative impacts on clients and/or market stability or restrict effective competition. We do not see conduct risk as a separate risk category.

Principal risks and uncertainties

The Directors have conducted a robust assessment of the principal risks, including current and emerging 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 governance



Risk management framework

STRATEGIC REPORT

RISK MANAGEMENT

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Principal risks and uncertainties

Principal risks	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 River and Mercantile Investments Limited (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 River and Mercantile Asset Management LLP (RAMAM) business would be expected to experience stronger performance and growth. Revenue within our Derivatives business is largely dependent on notional under management 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.
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 and associated investment performance, 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 Investment Committee as are investment performance issues. 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.
People risk (loss of critical staff) *The risk of failure to retain or attract the people critical to successfully delivering investment outperformance to our clients and all other aspects of our strategy.* The unplanned departure of a senior fund manager or a member of our leadership team could lead to significant redemptions from our funds, failure to deliver our strategy or failure to run our business efficiently, resulting in a material impact on revenue and capital levels.	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 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.
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 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 with tier 1 ranking UK banks 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.
Counterparty and credit risk *The risk that clients or counterparties fail to fulfil their contractual obligations to make a payment.*	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 many clients who incur management and advisory fees.
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 who 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.

Principal risks	Risk management approach
Information and communication technology *The risk of critical systems or connectivity failures leading to an inability of the Group to operate for a period of time.* The unavailability of our key systems could mean we are unable to act on behalf of our clients and/ or perform other time-critical activities to ensure the smooth running of our business. This could lead to trading losses, as well as client losses and reputational damage.	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 uninterruption' 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.
Cyber crime *The risk that a successful cyberattack could result in the loss of Group or client assets or data or cause significant disruption to key systems.* Failure to repel successfully a significant attack could undermine stakeholder confidence in our ability to safeguard assets, which could affect our ability to retain existing clients and attract new business, and hence affect capital and revenue.	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, network threat detection) 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 December 2019. 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 and periodic attack simulations are deployed across the organisation via email to further test reaction and awareness. 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.	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 adapt our 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.
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 risk appetite and 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. Our 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 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 in place for the continuity of critical business functions and services. We have implemented remote working, including core system access for all our 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.

STRATEGIC REPORT

VIABILITY STATEMENT

BUILDING TO LAST
WE RECOGNISE THE VALUE OF ENSURING THE LONG-TERM SUSTAINABLE SUCCESS OF A COMPANY.

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 using the same methodology as the financial modelling for the ICAAP, involving business heads, divisional Chief Operating Officers, and senior representatives from corporate functions.

The viability process considered the principal risks that could threaten the Group's business model, profitability, solvency and regulatory capital adequacy. As the Group 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.
3. The loss of key investment personnel within the Group, leading to outflows of assets.
4. The occurrence of both (1) & (2) simultaneously.
5. The occurrence of both (1) & (3) simultaneously.

The scenario evaluation was based on the Group's 2020/2021 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 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 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 capital requirements, albeit at reduced levels. As a result, the Group remained viable.

The resilience of the Group 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 18;
- A reduction in discretionary variable remuneration as a result of impaired financial performance which results in a partial offset in each scenario; and
- The current profitability levels, combined with a dividend policy based upon a distribution ratio of 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.

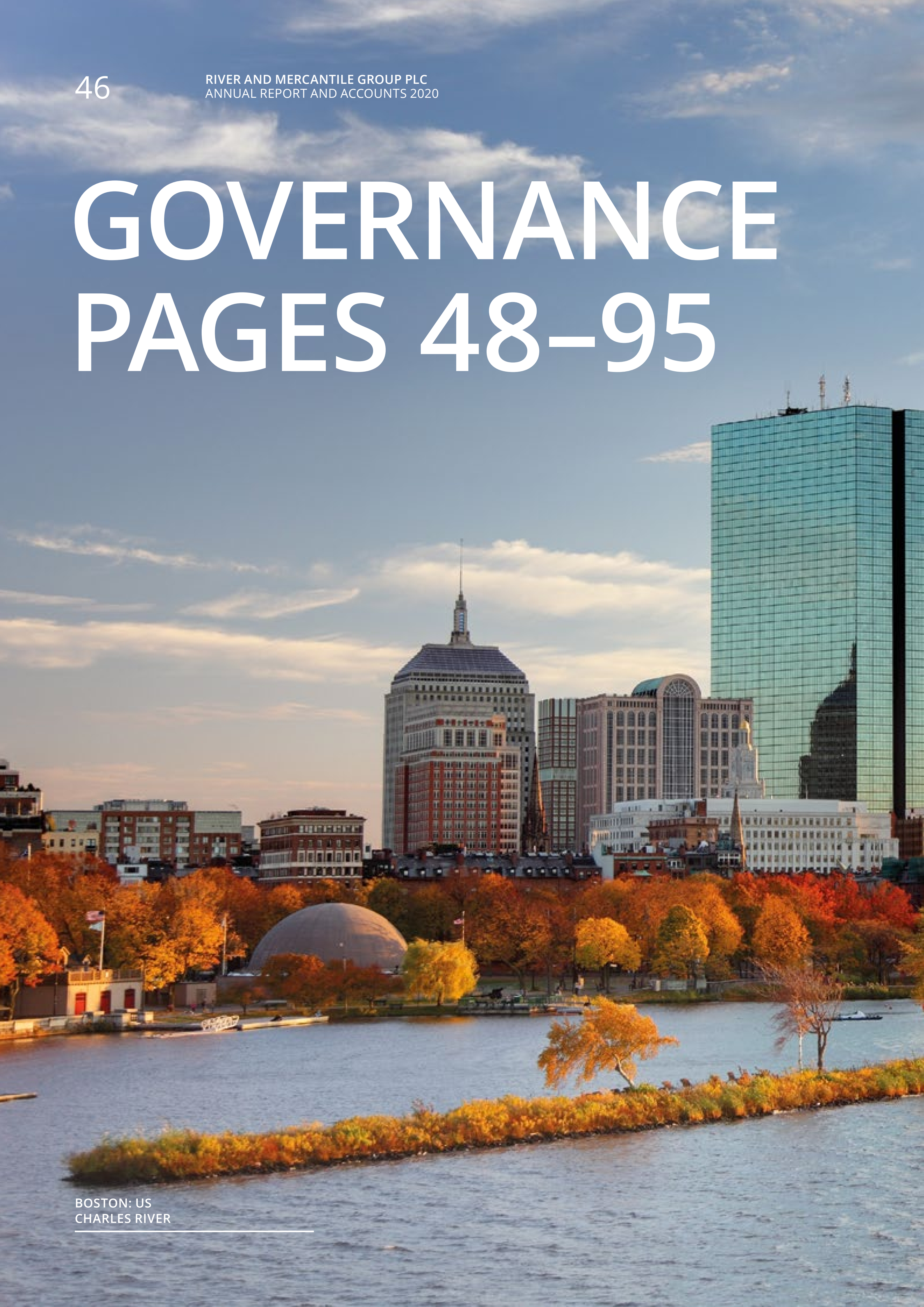
The Section 172 statement set out on page 55 is incorporated by reference into the Strategic Report and forms part of the Strategic Report. Pages 4 to 45 constitute the Strategic Report which was approved by the Board on 30 October 2020 and signed on its behalf by:

JAMES BARHAM
GROUP CHIEF EXECUTIVE

SIMON WILSON
CHIEF FINANCIAL OFFICER

LONDON, UK
OUR OFFICES IN THE CITY OF LONDON ARE THE HUB OF OUR BUSINESS AND BRING TOGETHER OUR UK BASED BRIGHTEST MINDS IN AN IDEAS RICH BUSINESS.

GOVERNANCE
PAGES 48–95



BOSTON: US
CHARLES RIVER

GOVERNANCE

BOARD OF DIRECTORS

JONATHAN DAWSON
CHAIRMAN

Appointment: Jonathan was appointed to the Board on 1 October 2017 as Chairman of the Company and is the Chair of the Nomination Committee.
Tenure: Three years

Career and 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 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. Most recently Jonathan served as Senior Independent Director and Chair of the Audit and Risk Committee of Jardine Lloyd Thompson Group plc.

Current external appointments:
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.

Skills and competencies:
Jonathan has extensive financial services, pensions and non-executive experience. Jonathan is an experienced leader, having held senior board level positions in several high profile organisations. He previously held the position of Senior Independent Director of Next plc and Jardine Lloyd Thompson group plc. Jonathan brings an innovative perspective and independent oversight to the Board. Jonathan's breadth of experience, understanding of diverse issues and strong corporate governance expertise allow him to lead an effective Board and are vital to the Company's long-term sustainable success.

JAMES BARHAM
GROUP CHIEF EXECUTIVE

Appointment: James was appointed Group Chief Executive of River and Mercantile Group PLC in July 2019. He has been a Group Board Director since the IPO in 2014.
Tenure: Six years as an Executive Director of which one year as Group Chief Executive.

Career and experience:
James founded River and Mercantile Asset Management LLP in 2006 with the backing of Pacific Investments and was its Chief Executive Officer until the merger with P-Solve in 2014. Thereafter James became Global Head of Distribution before becoming Head of Asset Management in 2016 and subsequently Deputy Group Chief Executive Officer in 2018. Through this period, he retained his responsibilities for Group wide distribution.

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. In 1995 James 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 establish the RAMAM business with the financial backing of Pacific Investments.

Current external appointments:
James has committed not to holding any external non-executive positions during his time as Group Chief Executive. He is however a Trustee of The Royal Welsh Regimental Welfare and Benevolence Foundation and sits on its Investment Sub-Committee. He also is a committee member of the City of London Club and sits on the Advisory Council of the Diversity Project.

Skills and competencies:
Having founded RAMAM 14 years ago, James has served on the Board since the IPO of the Company and brings not only extensive experience and knowledge of the Group combined but significant asset management industry expertise and commerciality to his leadership of the Group. James has set out a clear vision and strategy for the Group over the next five years and has undertaken a substantive refresh of his senior management team which is critical to the Company's long-term sustainable success.

SIMON WILSON
CHIEF FINANCIAL OFFICER

Appointment: Simon was appointed to the Board as an Executive Director and Chief Financial Officer on 19 May 2020.
Tenure: Less than one year

Career and experience:
Simon is a Chartered Accountant and has over 20 years' experience in asset management and the financial services sector gained in senior financial roles. Prior to joining, Simon spent five years as Group Finance Director for the Topland Group, one of the UK's largest privately owned investment groups which focuses on real estate, hotels, healthcare and the provision of equity and debt finance. He qualified as a Chartered Accountant at Deloitte in its financial services assurance department in London and moved to Hawkpoint, the M&A advisory business, where he advised on public and private transactions, capital raises and IPOs in the financial services and mid-market sectors. From Hawkpoint he joined the financial services investment group, Pacific Investments, where he spent twelve years, latterly as Managing Director of Corporate Finance and Chief Operating Officer of fund management. While at Pacific Investments, Simon represented Pacific's interests in RAMAM from its formation in 2006 until its merger in 2014 prior to the IPO of the Company.

Current external appointments:
Simon has no external appointments.

Skills and competencies:
Simon has significant financial experience, having held a number of senior financial roles. This, combined with his asset management experience and previous knowledge of the Group's asset management business, allows him to bring in-depth expertise on a broad range of relevant areas to the Board. His appointment completes the Group's refreshed senior management team which is integral to the delivery of the Group Chief Executive's strategy. Simon's contribution to the Board and senior management team is key to the long-term sustainable success of the Company.

ANGELA CRAWFORD-INGLE
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: Angela was appointed to the Board on 29 May 2014. Angela is Chair of the Company's Audit Committee, the Senior Independent Director and additionally sits on the Remuneration, Nomination, Group Board Investment and Risk Committees.
Tenure: Six years

Career and experience:
Angela is a chartered accountant with extensive audit experience of multinational and listed companies. Angela was a Partner in PricewaterhouseCoopers specialising in financial services for 30 years during which time she led the insurance and investment management division and retired in 2008. In previous roles, Angela served as a Non-Executive Director of Beazley plc and Swinton Group Limited.

Current external appointments:
Angela is a Non-Executive Director and audit chair of Lloyds of London, TP ICAP plc and Openwork Holdings Limited.

Skills and competencies:
As a qualified Chartered Accountant, Angela brings substantial industry, and technical financial experience to the Board. Angela contributes scrutiny and oversight to the Board, drawing on her experience of audit and advisory work to multinational and listed companies. Her previous roles as Non-Executive Director of Beazley plc and Swinton Group Limited cement her extensive financial services sector experience. As reflected in her current appointments, Angela has significant experience as a Non-Executive Director and audit committee chair of major financial services institutions. Angela's audit and industry experience allow her to bring a financial and strategic outlook on diverse subjects in support of the Board and its Committees. Her considerable knowledge and experience continue to be an important contribution to the long-term sustainable success of the Company.

JOHN MISSELBROOK
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: John was appointed to the Board on 16 February 2018. John is the Chair of the Risk Committee and the Group Board Investment Committee. Additionally, he sits on the Audit, Remuneration and Nomination Committees.
Tenure: Two years

Career and experience:
John has extensive financial services and non-executive experience. John has over 40 years' experience in financial services and was the Chief Operating Officer of Baring Asset Management Limited for 11 years. John was formerly the Chairman of Aviva Investors. John holds a number of non-executive roles with major financial services institutions.

Current external appointments:
John currently serves as the Chair of Hargreaves Lansdown Fund Managers Limited, Chair of JPMorgan China Growth and Income plc, and as a Non-Executive Director and Chair of the Risk and Remuneration Committees of Brown Shipley & Co. Limited.

Skills and competencies:
John brings significant financial services experience to the Board. He has in-depth expertise in organisational compliance, operations and risk. John's valuable non-executive experience combined with his deep understanding of risk and insight into regulatory matters is crucial to his role as Chair of the Risk Committee. As the Group operates within a highly regulated environment, regulatory experience and understanding of risk management is vital to the sustainability of the long-term success of the Company.

MIRIAM GREENWOOD
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: Miriam was appointed to the Board on 28 May 2019. Miriam is Chair of the Company's Remuneration Committee and additionally sits on the Audit, Group Board Investment, Nomination and Risk Committees.
Tenure: One year

Career and experience:
With qualifications as a barrister and in corporate finance, Miriam has spent more than 30 years working for a number of leading investment banks and other financial institutions. A Deputy Lieutenant of the City of Edinburgh, Miriam was awarded an OBE for services to corporate finance in 2000. In previous roles Miriam served as a Non-Executive Director of the UK energy regulator OFGEM, Henderson Global Trust plc, Mithras Investment Trust plc and Telit Communications plc. Miriam was also a founding partner in SPARK Advisory Partners, an independent corporate advisory business.

Current external appointments:
Miriam currently serves as the Chair of the Board of Smart Metering Systems plc, as Non-Executive Director of Eclipse Shipping Limited and of Gulf International Bank (UK) Limited. She is an advisor to Ofgem and the Mayor of London's Energy Efficiency Fund.

Skills and competencies:
Miriam, through her broad range of expertise and experience within the financial services sector, brings significant in-depth understanding of remuneration and financial matters to her role as Chair of the Remuneration Committee. Miriam has relevant and recent experience as a remuneration committee chair, having chaired the Remuneration Committee of Smart Metering Systems plc, where she also served as Senior Independent Director prior to her appointment as Chair of their Board. Miriam has garnered further remuneration committee experience serving on the remuneration Committees of Telit Communications plc and Henderson Global Trust plc. As a Non-Executive Director, Miriam brings scrutiny, constructive challenge and independent oversight to the Board.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

> "The Board recognises the key value of good corporate governance in ensuring the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society."

Compliance with the UK Corporate Governance Code

The Board recognises the key value of good corporate governance in ensuring the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. Good corporate governance is critical to the successful management of a sustainable business. 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 July 2018, which can be found on the FRC website at www.frc.org.uk/directors/corporate-governance-and-stewardship.

This is the first year that the revised Code has applied to the Company. The Board has carried out a review of its compliance with the Code and confirms that the Company has applied the principles and complied with the relevant provisions of the Code, with the exceptions detailed below.

Further information on how the Company has applied the principles of the Code is set out in this Governance section and details of the cross-referenced sections are set out below.

Board leadership and Company purpose Provides shareholders with information on the Board, an overview of the work undertaken to promote the long-term success of the Company and how the Board has considered stakeholders' interests.	See pages: 51 to 53, 55 and 56
Division of responsibilities Provides shareholders with information on the division of responsibilities between the leadership of the Board and the executive leadership of the business, and the effective operation of the Board.	See page 52
Composition, succession and evaluation Provides an overview of the Board evaluation process and includes the report from the Nomination Committee on its work during the year on Board composition and succession planning.	See page 52 and Nomination Committee Report on page 62
Audit, risk and internal control Provides a report from the Group's Audit and Risk Committees on their work during the year to oversee the Company's external and internal audit, the integrity of the financial statements, risk management, oversight of the internal controls framework and determining the nature and extent of principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	Audit Committee Report page 64 Risk Committee Report page 68 Principal risks pages 40 to 43
Remuneration Provides a report from the Remuneration Committee on the work of the Remuneration Committee to oversee the Group's remuneration practices ensuring that they are linked to the successful and sustainable delivery of the Company's long-term strategy.	See page 88

Board and Committee member attendance for the period ended 30 June 2020

Director	Board quarterly	Board ad hoc	Audit	Risk	Remun-eration	Nomin-ation	Investment
Jonathan Dawson	4/4	10/10	n/a	n/a	n/a	1/1	n/a
James Barham	4/4	10/10	n/a	n/a	n/a	n/a	n/a
Angela Crawford-Ingle	4/4	9/10	10/10	5/5	14/14	1/1	3/3
Miriam Greenwood	4/4	8/10	10/10	5/5	14/14	1/1	2/3
John Misselbrook	4/4	10/10	10/10	5/5	14/14	1/1	3/3
Simon Wilson (appointed 19 May 2020)	1/1	n/a	n/a	n/a	n/a	n/a	n/a
The Executive Directors listed below did not seek re-election at the AGM on 9 December 2019 and resigned from the Board as at that date:							
Jack Berry	1/1	2/5	n/a	n/a	n/a	n/a	n/a
Mike Faulkner	1/1	0/5	n/a	n/a	n/a	n/a	n/a
Kevin Hayes	1/1	5/5	n/a	n/a	n/a	n/a	n/a

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.

Leadership

The Board has provided the Group with entrepreneurial leadership and is responsible for the long-term sustainable success of the Group for the benefit of its shareholders. The Board has regard for other stakeholders, including employees, clients, suppliers and wider society. Further details of the Board's consideration of its stakeholders are set out in our Section 172 Statement on page 55.

Strategy

The Board planned to hold an overnight offsite strategy day in March, however due to COVID-19, the Board strategy day was broken-up into a series of virtual strategy presentations. Virtual presentations were given by various members of senior management on key areas of strategic importance, including the Group Chief Executive's strategy for the business, the distribution of the Group's products, ESG and the development of a new ESG fund and the Group's operating platform, detailing the proposed investment in the operating platform. Sufficient time was allocated in each virtual presentation for questions and discussion by the Board.

In addition, the Board reviewed, challenged and approved the Group's annual budget. The Board further considered the resources required for the Company's strategic growth plans.

The Board received regular reports on product development and received detailed presentations when considering requests for seed funding for new products.

The Board undertook a deep dive review of the Group's distribution capabilities presented by David Hanratty and a further review of the current operating platform presented by Fran Fahey.

Risk

The Risk Committee considered the following key risk areas, which were then either reported to the Board or recommended to the Board for approval:

- the Risk Appetite Statement;
- the ICAAP;
- the principal risks, emerging risks and uncertainties facing the Company;
- Fund liquidity and liquidity stress testing; and
- an enhanced suite of risk and compliance policies.

The Audit Committee received and considered the reports of the internal auditor, RSM UK.

Reward

The Remuneration Committee considered the following key remuneration matters during the year, which were then reported to the Board or recommended to the Board for approval:

- the selection and appointment of a new remuneration consultant, PwC;
- the review and design of the new Directors' Remuneration Policy; and
- the remuneration arrangements for the workforce, including variable remuneration pools and arrangements, base salary increase and the vesting of share awards.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

CONTINUED

Governance

During the year, the Board and its committees considered items related to the following key governance matters:

- the wider executive level committee structure;
- the product governance framework and supporting policies;
- the implementation of SMCR; and
- whistleblowing arrangements supporting policies.

Culture

The Board is responsible for setting the purpose, values and strategy of the Group and for ensuring that these are aligned with the Group's culture. Integrity is fundamental to our conduct-led culture and the Directors lead by example, setting high standards to promote the desired culture across the Group. The Board assesses and monitors culture regularly through the reports received from the Executive Directors and senior management. The Risk Committee receives a regular report from the Head of Compliance on conduct matters and the HR Director on matters relating to the employees. The Board has received regular updates on the work undertaken to ensure compliance with the SMCR. This work has included the establishment of a Group Fitness and Propriety Committee chaired by the Chief Risk Officer. The Board seeks assurance from the Executive Directors and senior management that conduct matters are appropriately dealt with and escalated if necessary.

Division of responsibilities

The roles of the Chairman, Senior Independent Director and the Group Chief Executive are clearly established. The Board has reviewed and approved the delegated authorities to the Chairman, Group Chief Executive and Senior Independent Director.

The Chairman is responsible for the leadership of the Board, setting the Board's agenda and ensuring constructive relations between Executive Directors and Non-Executive Directors (NEDS). The Chairman also maintains appropriate contact with major shareholders in order to understand their concerns, if any, relating to governance, strategy and remuneration. The Chairman holds meetings with the NEDs without the Executive Directors present on a regular basis.

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. The Executive Committee has been strengthened by a number of key appointments.

Angela Crawford-Ingle has been appointed as Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other directors and shareholders. The NEDs meet without the Chairman present at least annually to appraise the Chairman's performance.

The NEDs:

- Provide constructive challenge in respect of matters before the Board and help to develop proposals on strategy;
- Provide well-considered and constructive opinions, skill and knowledge to Board discussions;
- Offer strategic guidance and specialist advice based on their significant industry experience;
- Satisfy themselves that financial information is accurate and that financial controls and risk management systems are robust and defensible; and
- Scrutinise and hold to account the performance of senior management and the Executive Directors.

The Board is satisfied that the NEDs provide a robust and independent element on the Board.

The Board has a formal schedule of matters reserved for its decision which it has reviewed and approved in the past year. 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.

Board composition

As at 30 June 2020, the Board comprised six Directors: the Chairman, three independent NEDs and two Executive Directors. At least half of the Board, excluding the Chairman, comprises of independent NEDs. The Group continues to drive diversity and inclusion at all levels. The Company complies with the Hampton-Alexander Review target of 33 per cent. female representation on the Board.

On 19 May 2020, Simon Wilson joined the Group as Chief Financial Officer and was appointed as an Executive Director of the Company. Jack Berry, Mike Faulkner and Kevin Hayes retired from the Board with effect 9 December 2019. Jack Berry and Mike Faulkner remain employees of the Group as the Global Head of Complex Clients and Chief Investment Officer respectively. Kevin Hayes retired from the Group in May 2020.

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

All Directors are subject to annual re-election at the Company's AGM. Details of the reasons why each Director's contribution is and continues to be important to the Company's long-term sustainable success is set out on pages 48 and 49 alongside the Directors' biographies.

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.

Independence

Angela Crawford-Ingle, Miriam Greenwood and John Misselbrook have been determined by the Board to be independent (the iNEDs). 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.

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 62.

Consideration is given to the length of service of the Board as a whole and membership is regularly refreshed. The Chairman was appointed to the Board on 1 October 2017. Angela Crawford-Ingle is the longest serving iNED on the Board, having been appointed to the Board at the IPO of the Company in 2014.

New Directors are given a tailored induction arranged by the Company Secretary, which includes meetings with senior management, including the Head of Legal and Compliance, the Chief Risk Officer, Group Chief Operating Officer and relevant business heads across the Company's operating divisions. The induction programme is designed to provide a thorough understanding of the strategy, business, key stakeholders, governance structure and the regulatory environment. In addition, each Director is provided with access to previous Board and Committee papers and minutes.

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. The Nomination Committee report on page 62 describes the work undertaken by the Committee to provide oversight of these matters.

None of the Executive Directors is on the board of a FTSE 100 company.

Operation of the Board

The Board meets on a scheduled quarterly basis and on an ad-hoc basis to consider specific items of business as the need arises.

The Board attendance of the Directors is set out in the table on page 51.

At each quarterly Board meeting, a report from the Group Chief Executive and Chief Financial Officer 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. The appointment and removal of the Company Secretary is a matter reserved for the full Board.

Committees

The Board has established Nomination, Remuneration, Investment, Audit, and Risk Committees. The composition of these Committees complies with the requirements of the Code. The Company Secretary advises and supports these Committees. Committees may take additional independent professional advice at the Company's expense in the furtherance of their duties.

The Chairman is not a member of the Investment, 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.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

CONTINUED

Performance evaluation

An annual evaluation of the performance of the Board, its Committees, the Chairman and Directors has been undertaken. The 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, culture, the decision-making process, Board relationships, information flows and the operation of the Board Committees.

The evaluation process is constructively used to improve Board effectiveness, maximise strengths and address any weaknesses. The Chairman considers the results of the evaluation process and addresses any issues identified by the process.

The Chairman did not consider an externally facilitated board evaluation to be appropriate for the financial year ending 30 June 2020 due to the recent extensive change to the Board and the current remote working environment. This will be reviewed in the next financial year and an externally facilitated board evaluation will be undertaken by 30 June 2022 at the latest.

Views of shareholders

The Board actively solicits the views of shareholders on governance, remuneration and performance against strategy through meetings with major shareholders, investor roadshows and ad hoc contact. The Chairman and the Chair of Remuneration Committee meet with major shareholders without the Executive Directors present to obtain their view on significant matters. The views of shareholders are reported back to the Board.

2019 AGM vote

All of the resolutions put to shareholders to vote upon at the December 2019 AGM passed by more than 80 per cent. (lowest vote in favour of a resolution being 96.58 per cent.).

Explanation of non-compliance with the Code

Provision 36 of the Code states that the Remuneration Committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. The Remuneration Committee has proposed a post-retirement shareholding requirement of 200 per cent. of base salary for 3 years following retirement in the new Directors' Remuneration Policy that is subject to shareholder approval at the December 2020 AGM.

Provision 38 of the Code states that pension contribution rates for Executive Directors should be aligned with those available to the workforce. While Simon Wilson's rate of pension is aligned with the workforce, James Barham's pension contribution was not aligned with the workforce in the past financial year. However, James Barham has agreed to align his pension contribution rate with that of the workforce with effect from the first month following the approval of the new Directors' Remuneration Policy at the AGM in December 2020.

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 157,457 shares during the year to satisfy the exercise of options under the Company's Save-As-You-Earn (SAYE) Scheme and 1 share as part of the reduction of capital process.

JONATHAN DAWSON
CHAIRMAN OF THE BOARD

Our stakeholders: Section 172 Statement

Duty to promote the success of the Company

Section 172(1) of the Companies Act 2006 requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

This Section 172 Statement sets out how the Directors have discharged this duty.

In order for the Company to succeed in the long-term, the Board must build and maintain successful relationships with a wide range of stakeholders. The Board recognises that the long-term success of the Company is dependent on how it works with a number of important stakeholders.

The Board's decision-making process considers both risk and reward in the pursuit of delivering the long-term success of the Company. As part of the Board's decision-making process, the Board considers the interests of a broad range of the Company's stakeholders – including the impact of its decisions on regulators, employees, clients, suppliers and the local community as well as shareholders.

The Board fulfils its duties in collaboration with the senior management team, to which day-to-day management has been delegated. The Board seeks to understand stakeholder groups' priorities and interests. The Board listens to stakeholders through a combination of information provided by management and also by direct engagement where appropriate. The following overview provides further insight into how the Board has had regard to the interests of our stakeholders, while complying with its duty to promote the success of the Company in accordance with Section 172 of the Companies Act 2006.

Our key stakeholders	How we engage with them
 **Clients** Our clients are the people and firms that entrust us with the investment of their assets. We focus on understanding our clients' needs and developing relevant solutions and products to meet those needs.	Our client services, distribution, investment consulting and investment management teams all maintain contact with our clients through regular meetings, reporting and written communication. We continue to evolve the manner in which we engage with clients with a greater emphasis on virtual communication to address client's evolving investment and governance needs. Client engagement activities are reported to the Board regularly by the Group Chief Executive. The Group Chief Executive and members of the senior management team meet directly with key clients. To support engagement with our clients, we are investing in a new client relationship management platform.
 **Shareholders** The ongoing support of our shareholders is vital in helping us deliver our long-term strategic objectives and the profitable growth of the business.	The Board engages with the Company's shareholders in a number of ways. Our AGM is held in December annually and allows shareholders the opportunity to engage directly with the Board. All Directors attend the AGM and are available to answer shareholder queries. The Company Secretary collates shareholder and proxy voting agency feedback provided in advance of the AGM and circulates this to the Board for consideration. The Group Chief Executive and Chief Financial Officer regularly meet (in person and virtually) the Company's major shareholders to discuss the financial performance of the Company. The Chairman is available to meet major shareholders without the Executive Directors present to permit direct feedback. The Chairman and Chair of the Remuneration Committee have held several meetings with the Company's major shareholders to consider the design of the new Directors' Remuneration Policy.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

CONTINUED

Our key stakeholders	How we engage with them
People Our people are critical to the success of the Group. It is imperative that the Board engages effectively with employees. It is of the utmost importance to the Board that we have a culture that attracts and retains talented employees. We value our diverse workforce and seek inclusion at all levels.	We engage with our employees regularly through senior management communications and quarterly Townhall presentations. Our NEDs regularly attend our town hall meetings to allow for interaction and engagement with our employees. With the initiation of Group-wide remote working in March 2020, we introduced a number of measures to try to ensure the physical and mental wellbeing of our employees. Our Group Chief Executive writes to all employees on a weekly basis and additional virtual town halls have been held to allow employees to raise concerns directly using an online platform. At each biweekly senior management meeting, the Head of HR provides an update on HR matters, including matters relating to staff wellbeing and health. The Group Chief Executive then reports on any people related matters during his informal regular Board calls. Miriam Greenwood, the Chair of the Remuneration Committee, is the Director responsible for employee engagement. Miriam attends Group induction days for new employees and the rest of the Board attends by invitation. Miriam has also been involved in the working group formed to discuss the Group's return to the office planning and longer-term working practices plans. An HR led all employee survey was conducted to understand the views of employees on returning to the office environment and the results discussed by the Board. Our Remuneration Committee reviews and considers the overall Group wide employee pay trends, has oversight of the various bonus pools and approves the remuneration of the Group's senior management and Executive Directors. The Risk Committee receives a quarterly report from the Group HR Director on the working environment which includes data on new joiners, leavers and employee wellbeing.
Suppliers and service providers Our suppliers and service providers include outsourced third-party service providers such as our IT service provider, payroll administrator and middle and back office support function, and other key third-party service providers. Their services and support are vital in helping us deliver our services to our clients, pay and support our employees and to grow our business, including being key to us being able to meet our regulatory obligations.	The Group is committed to the highest standards of business conduct. Each business area is responsible for the day to day contact with our third-party service providers. We ensure that there is an appropriate framework of oversight of our key third-party suppliers. Regular meetings are held with key third-party service providers and issues escalated to Fran Fahey, Group Chief Operating Officer, where required. The oversight of outsourced service providers was an area of focus of the Risk Committee during the past year. The Risk Committee receives quarterly papers on the Group's outsourcing and third-party supplier risks prepared by the Chief Risk Officer.

Our key stakeholders	How we engage with them
Community and environment We aim to make a difference through the things that we do, including charitable work, carbon offsetting and the stewardship of our clients' assets.	The Board considers the impact of our operations on the community and environment. The Group has established a Group ESG Committee to co-ordinate the Group's ESG and corporate responsibility activities. Further details of our approach to sustainability and corporate responsibility can be found on pages 34 to 39. Highlights include the Group's stewardship activities, charitable donations and activities, and increased consideration of the positive steps to improve the environment. One of the Board's virtual strategy day presentations focussed on our macro investment team's approach to ESG investing. This allowed the Board the opportunity to have an in-depth explanation from subject matter experts on their approach to ESG investing and consider the launch of a new ESG focussed fund.
Regulators The Group operates in the UK, US and Australia and is therefore subject to the oversight of various regulators. We have a conduct-led culture that encourages our people to act with integrity at all times.	We engage with our regulators primarily thorough our Group compliance function by way of regular mandatory reporting as well as any ad hoc interactions required by our regulators. We are open and co-operative with our regulators and take our regulatory responsibilities seriously. The Group's Head of Compliance and the Chief Risk Officer attend the Risk Committee meetings and report on the Group's regulatory and compliance matters, interaction with regulators and the risk management framework. The Risk Committee receives a regular report on conduct and culture and a quarterly compliance report covering compliance matters for both UK regulated subsidiaries and the US regulated subsidiary. In the UK, the relevant Financial Conduct Authority (FCA) "Dear CEO" letters are circulated to the Board for review. The implementation of SMCR has been an area of focus for the Risk Committee and Board during the current year. The Risk Committee has received regular implementation project status reports during this period.

GOVERNANCE

DIRECTORS' REPORT

The Directors present their report and the Group's audited financial statements for the year ended 30 June 2020.

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 UK and has a trading subsidiary in the US. 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 6 to 9, which is incorporated by reference into this report.

Board of Directors

The Directors of the Company at 30 June 2020 are set out below. Their biographies are set out in the Governance section on pages 48 to 49.

Director	Date of appointment
James Barham	27 March 2014
Angela Crawford-Ingle	29 May 2014
Jonathan Dawson	1 October 2017
Miriam Greenwood	28 May 2019
John Misselbrook	16 February 2018
Simon Wilson	19 May 2020

In accordance with the Company's Articles of Association and best practice set out in the Code, all continuing Directors will offer themselves for re-election at the AGM, with the exception of Simon Wilson, who will be standing for election, as this is the first AGM since his appointment.

Directors' interests

Directors' interests in the shares of the Company are disclosed in the Directors' Remuneration Report on page 94. No Director had a material interest in any significant contract (other than a service contract) with the Company or any subsidiary 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 2020 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 2.34 pence per ordinary share (2019: 5.0 pence) of which 0.10 pence is a special dividend relating to net performance fees. Payment of this dividend is subject to approval by shareholders at the Company's 2020 AGM and, if approved, will be paid on 18 December 2020 to shareholders on the register at the close of business on 27 November 2020.

Capital structure and voting rights

As at 30 June 2020, there were 85,453,634 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 157,457 ordinary shares during the year 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. There are no restrictions on voting rights or the transfer of shares in 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.

At the 2019 AGM, the Company was granted the authority to buy back its own shares up to a maximum of 8,540,346 shares. There have been no share buy-backs during the period. The Company does not hold any shares in treasury.

Shares held in an employee benefit trust (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.

The Company's EBT is operated by Apex Financial Services (Trust Company) Limited. During the reporting period, the trustee of the EBT did not purchase any shares. As at 30 September 2020, the EBT held 1.79 per cent. 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 66 to 67.

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 30 September 2020, the Company had received the notifications of control of 3 per cent. 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	22,242,703	26.03
Aberdeen Standard Investments	6,494,849	7.60
Unicorn Asset Management	6,185,000	7.24
Premier Miton Asset Management	5,871,395	6.87
Legal & General Investment Management	4,599,194	5.38
Aviva Investors	4,302,829	5.04
Sir John Beckwith	4,252,163	4.98
Mike Faulkner	4,063,071	4.75
Jupiter Asset Management	2,963,909	3.47
Chelverton Asset Management	2,775,000	3.25

Disclosure of information under listing rule 9.8.4R

The following table is disclosed pursuant to Listing Rule 9.8.4R. The information required to be disclosed, where applicable to the Company can be located in the Annual Report and Accounts at the references set out below:

Information	Location
Interest capitalised	Not applicable
Shareholder waiver of dividends	See section above of Directors' Report – Shares held in an EBT
Shareholder future waiver of dividends	See section above of Directors' Report – Shares held in an EBT
Agreements with controlling shareholders	Not applicable
Provision of services by controlling shareholder	Not applicable
Details of long-term incentive schemes	Remuneration Report page 88
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Significant contracts with directors or controlling shareholders	Not applicable
Non pre emptive issues of equity for cash	Not applicable
Non pre emptive issues of equity for cash in relation to major subsidiary	Not applicable
Participation by parent of a placing by a listed subsidiary	Not applicable
Publication of unaudited financial information	Not applicable

GOVERNANCE

DIRECTORS' REPORT

CONTINUED

Going concern

The Strategic Report discusses the Group's business activities, together with the factors likely to affect its future development, performance and position. The Group has access to the financial resources required to run the business efficiently and has a strong cash position. The Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements, and have accordingly prepared the Group and parent financial statements on a going concern basis. Please refer to the Viability Statement on page pages 44 and 45 for further details.

Statement of viability

In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over a longer period than the twelve months as required by the Going Concern provision. Details of the assessment can be found on pages 44 and 45.

Political donations

The Group made no political donations or contributions during the year (2019: £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 40 to 43 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 Statement on pages 10 and 11.

GHG emissions

Details on the GHG emissions of the Group can be found on page 36.

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 50 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 Townhall meetings, which are recorded and made available to employees who are unable to attend or are based outside of the UK. These Townhall 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 Townhall meetings. The Group encourages employee participation in its SAYE Scheme, which it has run on annual basis for the past four years. Further details of the Group's approach to its employees are set out in the People section and the Company's Section 172 Statement.

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 pages 40 to 43.

AGM

The AGM will be held on 14 December 2020, 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 30 October 2020.

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 (IFRS) as adopted by the EU. 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 IFRS as adopted by the EU, 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

Each Director confirms that, to the best of his or her knowledge:

- The financial statements have been prepared in accordance with IFRS as adopted by the EU 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 and Directors' 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 position, performance, business model and strategy.

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

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

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

This Responsibility Statement was approved by the Board on 30 October 2020.

By order of the Board

SALLY BUCKMASTER
GROUP COMPANY SECRETARY

GOVERNANCE

NOMINATION COMMITTEE REPORT

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 51):

- Jonathan Dawson (Chair)
- John Misselbrook
- Miriam Greenwood
- Angela Crawford-Ingle

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 Group Chief Executive 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 FY2020

The Nomination Committee focussed on the recruitment and appointment of Simon Wilson as the Group's Chief Financial Officer. Simon Wilson was identified as the preferred candidate and joined the Board on 19 May 2020.
This follows the announcement of Kevin Hayes' intention to retire from the Board in November 2019.

Further strategic organisational developments

Last year the Committee had oversight of a number of significant organisational changes at Board level – including the appointment of James Barham as Group Chief Executive from 1 July 2019 and the appointment of a new Chair of the Remuneration Committee, Miriam Greenwood. As described in last year's Annual Report, Jonathan Punter and Robin Minter-Kemp retired from the Board as at 30 June 2019 and Mike Faulkner and Jack Berry stood down from the Board at the 2019 AGM to focus on their respective roles as Group Chief Investment Officer and Global Head of Complex Clients.

This year the Committee has overseen the recruitment and appointment of a new Chief Financial Officer, Simon Wilson. Simon's appointed as Chief Financial Officer completes James Barham's strengthened senior management team – which has included the appointment of David Hanratty as Global Head of Distribution, David Peach as Group HR Director and Fran Fahey as Group Chief Operating Officer. Further details of Simon's appointment are set out on the next page.

Recruitment and appointment of Simon Wilson

In mid-2019, the Committee commenced a search for a new Chief Financial Officer. The Committee considered candidates recommended by a recruitment firm, an internal candidate and Simon Wilson, who was known to the business and Group Chief Executive, having worked for one of the Group's founder shareholders, representing its interest in River and Mercantile Asset Management LLP before the IPO in 2014.

The Committee's 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 Simon Wilson as an Executive Director and Chief Financial Officer based on his expertise and significant knowledge of the Group's business.

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. When considering the approval of any new appointment or interest, detail of the estimated time commitments of the proposed new role are provided to the Committee for consideration. The Committee is satisfied that all Directors have sufficient time to meet their Board responsibilities.

Board skills and experience

The Committee keeps the skills and experience of the Board and its Committees under review. The Board and its Committees are able to draw on the expertise of different teams across the Group, including the Group's General Counsel, Chief Technology Officer, Chief Risk Officer and the Chief Financial Officer. Regular scheduled updates are provided to the Board and its Committees on legal and regulatory matters, changes to accounting standards and cyber risk and security. This is supplemented by presentations by external advisers where required – the Board received externally facilitated training on SMCR and will receive training on the FCA's proposed new prudential regime.

Board evaluation

In line with the provisions of the Code the Board undertakes a formal evaluation annually. The process followed for the Board's evaluation is:

- Tailored questionnaires are developed for the Board and its Committees by the Group Company Secretary and agreed with the Chairman of the Nomination Committee;
- Questionnaires are completed and the results compiled. The results are then provided to the Chairman;
- The Chairman then reports on the results of the evaluation and holds meetings with individual Directors where required to discuss the conclusion of the evaluation process; and
- Outcomes and actions are then agreed.

There were no significant matters highlighted in the Board evaluation process in the previous year. The Board considered that it had operated effectively and had the right mix of skills and experience appropriate to the Group. The Chairman of the Board is reviewing the results of the most recent Board evaluation and will address any actions with the Board. The Chairman did not consider this year to be appropriate to undertake an externally facilitated Board evaluation due to the recent Board composition changes and the challenges of a remote working environment in the last quarter of the Group's financial year.

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. The gender balance of those in senior management and their direct reports and further information on the Group's approach to diversity is set out on page 33 of the People Report.

JONATHAN DAWSON
CHAIR OF NOMINATION COMMITTEE

GOVERNANCE

AUDIT COMMITTEE REPORT

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 51):

- Angela Crawford-Ingle (Chair)
- John Misselbrook
- Miriam Greenwood

The Board considers all the members to have the relevant skills and experience to be members of the Committee. The Board has determined through previous experience gained in other organisations, that members collectively have the competence relevant to the sector in which the Group operates. The Board has also confirmed that Angela Crawford-Ingle holds recent and relevant financial experience. The Committee members are also members of the Remuneration Committee and Risk Committee, ensuring the identification of issues relevant to those Committees.

Responsibilities of the Audit Committee

The principal role of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to financial reporting, financial controls and audit, and internal controls. The Committee plays a primary role in overseeing the integrity of the Group's financial statements, assessing the independence and objectivity of the external auditors and monitoring the effectiveness of internal audit.

The Committee recognises its role in promoting the integrity of the Group's financial results and high-quality reporting.

During 2020, the Committee continued to focus on its responsibility for the monitoring and oversight of the Group's control environment and system of internal controls. As part of this work, the Committee considered the Group's ICAAP wind down plan, risk appetite, risk control assessments and various operational stress scenarios to support the Board's conclusions on the Viability Statement set out on page pages 44 and 45.

Key activities and areas of review during the year

- Considered whether the Group's 2020 interim and annual financial reports were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- The Group's viability statement and papers in support of the Board's assessment of the Company and Group as a going concern.
- The appropriateness of accounting estimates and judgements.
- Review of reports from PwC on the Company's distributable reserves.
- Oversight of the Group's capital reduction process, including the review of the relevant court documents and supporting statements.
- Engaged with the Nomination Committee and Board on the recruitment and appointment of Simon Wilson as Chief Financial Officer, including participation in the interview and selection process.
- Reviewed the performance and independence of the external auditors and monitored the provision of non-audit services.
- Reviewed the Group's updated whistleblowing arrangements.
- Liquidity management and forecasting of the Group's working capital and regulatory capital surplus.
- Reviewed the internal audit annual programme, the findings and monitored management's responses to address audit actions.
- Reviewed the effectiveness of the internal audit function.

The Committee's key responsibilities 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, viability and ICAAP. • 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 the external auditors which supports the Committee's responsibilities with respect to the content and integrity of the Group's financial reporting. • Reviewing and approval of the annual audit plan. • Reviewing the findings of the external audit. • Overseeing the effectiveness of the external audit taking into consideration relevant UK professional and regulatory requirements, the independence of the external auditors and recommending to the Board the appointment and remuneration of the external auditors. • Developing and implementing policy on the engagement of the external auditors to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required.
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.

A full copy of the Committee's terms of reference can be found in the corporate governance section of the Group's website www.riverandmercantile.com.

Meetings

Committee members have all attended the quarterly meetings, with ad hoc meetings held as required. The Committee met ten times in the past year; these were held at key times in the audit and financial reporting schedule.

The Committee invites other participants as appropriate and has standing invitations for the Chairman, Group Chief Executive and Chief Financial Officer. Other regular attendees who advised the Committee were the Group Financial Controller, the Chief Risk Officer and the Group Head of Compliance and General Counsel. Other members of senior management were also invited to attend as appropriate.

The Chairman regularly meets on a one-on-one basis with members of senior management to fully understand any matters of concern and to facilitate effective debate at Committee meetings.

Representatives from BDO, including the lead audit partner for the 2020 financial year, attended all of the Committee's scheduled meetings. During 2020, private meetings were held with the external auditors without management present. Representatives from RSM UK, the Group's internal audit function attend all of the Committee's scheduled meetings. Private meetings were also held with representatives from RSM UK. These meetings provided an opportunity for any matters to be raised confidentially.

Annual report and accounts

The Committee has assessed the financial statements of the Group as to whether they are fair, balanced and understandable and that they accurately represent the financial position and performance of the Group, business model and strategy.

GOVERNANCE

AUDIT COMMITTEE REPORT

CONTINUED

The key areas of estimation and judgement considered by the Committee are detailed below:

Key areas of estimation and judgment

Share-based payments The most significant share-based payment accounting costs for the Group relate to Long-Term Incentive Awards ("LTIA") and Deferred Equity Plans ("DEP"). The key area of estimation is on the anticipated levels of vesting. The Committee reviewed the performance conditions for vesting over the life of the awards. The impact of this assumption to the Income Statement was reviewed and the Committee agreed that these assumptions were appropriate.

Goodwill and intangible assets An impairment test using a discounted cash flow model was conducted during the year. The test demonstrated an impairment in relation to the IMAs acquired as part of the acquisition of the ILC team in 2017. The carrying value of intangible assets in relation to the ILC team was reduced to nil. There is significant headroom available between the fair value of the goodwill asset and the carrying value for the remaining intangibles.

Lease assets and liabilities IFRS 16 became effective for periods beginning on or after 1 January 2019. The new standard removes the distinction between operating and finance leases and requires the recognition of a right of use asset and corresponding liability for future lease payments. The Committee received updates throughout the year on the impact of IFRS 16 and key judgements, including the determination of the lease term and identification of an appropriate discount rate to use in the calculation of the lease liability. The Group opted to apply IFRS 16 using a modified retrospective approach and adjusted its opening reserves at 1 July 2019. The Committee agreed with the discount rate recommended by management and the estimation and judgement required to determine the incremental borrowing rate.

Seed investments The Group holds seeding investments in funds which it manages. Judgement is required to be exercised in terms of assessing whether these funds are to be consolidated in accordance with IFRS 10. The Group's policy is to hold seed investments as assets for sale applying a simplified consolidation in accordance with IFRS 5 unless factors dictate that the investments should be consolidated in full under IFRS 10. At the reporting date there were no funds which require full consolidation under IFRS 10. A number of factors are applied to identify the funds that require full consolidation. The Committee discussed the approach taken by management and agreed that the methodology applied was appropriate.

Going concern

The Committee is responsible for reviewing whether it is appropriate for the Group and the Company to adopt the going concern basis of accounting in preparing the half-year and annual financial statements for the year ended 30 June 2020.

The Committee reviewed a number of factors such as liquidity management and cash generation from operations, its regulatory capital requirement, contingent liabilities, unfavourable market scenarios versus the Group's forecasts and other risks to the Group's operations or balance sheet position.

The Committee resolved that it was appropriate for the Group and the Company to adopt the going concern basis of accounting in preparing the half-year and annual financial statements for the year ended 30 June 2020 and that the Group would be able to continue to operate over a period of at least twelve months from the date of approving the financial statements.

Statement of viability

Under the 2018 Corporate Governance Code the Group is required to provide a statement of viability which can be found on pages 44 and 45. The Committee reviewed the Group's viability for a period of three years and discussed the Group's current financial position, the Group's liquidity and any risk to its future liquidity and its regulatory capital requirement and its forecast surplus capital. The Committee recommended to the Board that the viability statement be approved.

Capital reduction

At the 2019 AGM, the Company sought and gained shareholder approval for the reduction of the Company's share capital to facilitate the reclassification of the merger reserve as a distributable reserve. The purpose of this reduction of capital was to create distributable reserves to support the Company's ability to pay future dividends in accordance with its dividend policy.

The capital reduction process is complex and requires High Court approval. The Committee reviewed the application, supporting witness statement and documents and recommended their approval to the Board.

On 21 January 2020, the High Court granted the final order and the appropriate filings were made with Companies House resulting in an increase of £44.4 million in the retained earnings of the Company.

External audit

BDO served as the Group's external auditors during the year.

Tenure

BDO was reappointed as the Group's external auditors following appointment in 2014. The Group is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Corporate Governance Code. This is the last year for the Lead Audit Partner Leigh Treacy before she rotates off after five years tenure and a new Lead Audit Partner will be approved by the Audit Committee for the financial year ending 30 June 2021.

Effectiveness

An evaluation of the independence and effectiveness of BDO as the Group's external auditors was made, taking into consideration relevant UK professional and regulatory requirements.

In its evaluation the Committee considered explanations from the auditors of the risks to audit quality that they identified and how these have been addressed. The Committee reviewed whether the external auditors have met the agreed audit plan, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks. In addition, the Committee obtained feedback about the conduct of the audit from key people involved including the Chief Financial Officer. Finally, the Committee reviewed and monitored the content of the external auditors' management letter, and other communications with the Audit Committee, in order to assess whether it is based on a good understanding of the Group's business and establish whether recommendations have been acted upon.

Overall, BDO was found to have performed effectively during the audit and to have upheld the same standards of professional service as prior years.

Fees

During the year BDO informed the Committee of its expectation that fees charged in respect of the audit would increase going forwards, driven principally by changes to the audit market and an increased focus on audit quality. The Committee challenged the level and rationale for the increases.

The fees incurred with BDO during the year are disclosed below.

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Audit of the Company's annual accounts	130	104
Audit of the Company's subsidiaries	114	99
Audit related assurance services	75	52
	319	255

Services classified as audit related assurance services include the review of the interim results, and CASS audit. The Committee is of the view that the provision of these services by BDO continues to be the most efficient and cost-effective means for this work to be completed.

Internal audit

The Group's internal audit function is outsourced to RSM UK. The lead Internal Audit Partner reports directly to the Chair of the Committee.

The Committee worked with internal audit to ensure that the audit plan for the year addressed the most material risks to the Group and the key themes affecting the industry and considered the actions management has taken to implement the recommendations of RSM. This included a focus on financial promotions, SMCR implementation, key financial controls and the detection and prevention of financial crime. A total of six internal audits have been completed with further internal audits planned for the remainder of the 2020 calendar year.

Effectiveness of internal audit

In reviewing the effectiveness and independence of the internal audit function, The Committee is satisfied with the quality, experience and expertise of RSM UK as an outsourced internal audit function.

In its assessment, the Committee met with the lead partner of Internal Audit to discuss the effectiveness of the function, reviewed and assessed the annual internal audit work plan; received reports on the results of the internal auditors' work and monitored and assessed the role and effectiveness of the internal audit function in the overall context of the company's risk management systems.

ANGELA CRAWFORD-INGLE
CHAIR OF AUDIT COMMITTEE

GOVERNANCE

RISK COMMITTEE REPORT

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 51):

- John Misselbrook (Chair)
- Angela Crawford-Ingle
- Miriam Greenwood

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 ad hoc meetings held as required. The Committee met five times in the past year. The Committee invites other participants as appropriate and has standing invitations for the Chairman, Group Chief Executive and Head of Compliance, Chief Financial Officer, Group Chief Risk Officer, Group General Counsel and Head of Compliance and Group Chief Operating Officer.

The Committee has had a full agenda consistent with the Board's objectives. During the year the Risk function was further strengthened with the appointment of an investment risk specialist.

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, conduct and liquidity risks.
- Reviewing the Group's ICAAP.

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

COVID-19

The primary risks to the Group from the COVID-19 pandemic have been 1) the potential for significant fall in equity markets and other asset prices, due to a significant economic downturn, severely impacting on revenues, and 2) the potential operational failures brought about by the move to remote working.

As part of the Group's ICAAP, the Group examined several stress scenarios that could significantly impact Group revenue and profitability. One such is a severe economic downturn and associated fall in equity markets and other asset prices. Under this scenario the Group is forecast to generate cash and profits even in the face of the severe economic downturn modelled.

In late Q1 2020 / early Q2 2020 we conducted a review of actual market falls compared with the assumptions made in our severe economic downturn stress scenario. The maximum falls experienced to date during the COVID-19 period lie well within the stressed assumptions made in our scenario.

Additionally, the Group conducted a specific COVID-19-related operational risk assessment to understand how the Group's business operations could be impacted. This assessment examined two points in time:

- **Point 1** – Remote Working Adopted – the point when the decision was taken for the whole Group to switch to remote working.
- **Point 2** – Remote Working Established, approximately one month after 'Point 1' when remote working both internally and externally had become more established.

The assessment demonstrated that although inherent risks have increased with the move to remote working, these increases have been mitigated by one-off initiatives and the existing control framework with minimal enhancement needed.

The measures the Group has taken to continue business operations in response to COVID-19 have demonstrated the flexibility of staff to adapt quickly to new working environments, as well as the resilience of the Group's infrastructure and operational processes to adapt to function remotely.

Risk framework

Further work has been carried out through the year to refine and improve the risk framework. To review and revise policies, duties and responsibilities. The third line of defence was strengthened with the appointment of an outsourced internal audit function.

SMCR

The project that was underway at the time of my last report was completed on time and enabled the business to meet the senior manager regime requirements in December 2019. Work has continued in 2020 to develop the fit and proper certification regime and to provide the training required to senior managers and certified staff.

ICAAP

During 2020 we have enhanced the capital allocation methodology with the use of a statistical model.

Conduct

Embedding the cultural values that puts the client first and delivers good client outcomes has continued to be a focus for the Executive Directors and the Board and particularly through the significant change to operational practices as the business moved from an office environment to working from home.

Mutual funds

We successfully transferred the ACD for the UK domiciled funds to Equity Trustees Fund Services Limited in Q4 last year, and we have continued to improve our oversight of fund liquidity. Through the sharp market correction and increased volatility in the first quarter our funds retained sound levels of liquidity. We have continued to enhance oversight of funds through development of the second line of defence investment risk function.

I would like to commend the focus executive management have given to strengthening the risk culture in a particularly challenging business environment and to my colleagues on the Committee for their challenge and oversight.

JOHN MISSELBROOK
CHAIR OF RISK COMMITTEE

GOVERNANCE

INVESTMENT COMMITTEE REPORT

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 51):

- John Misselbrook (Chair)
- Angela Crawford-Ingle
- Miriam Greenwood

The Investment Committee was re-engineered and re-constituted as a committee of the Board in early 2020 to provide the Board with greater oversight of the Group's investment functions as they grow, develop and become more diverse. As an investment focussed business that will only grow significantly through strong investment processes and performance, this will help to achieve the Group's growth objectives. The Committee as well as providing the Board with deeper oversight of investment, investment process and investment performance, will also enhance and strengthen communications between the Board and the investment teams.

The Board considers all the members to have the relevant skills and experience to be members of the Committee. The Committee met three times in the past year. There are standing invitations to attend meetings extended to the Chairman, Group Chief Executive, Group Chief Risk Officer, Head of Distribution and Senior Managers responsible for Investment for the RAMAM and RAMIL businesses.

Key responsibilities

- Reviewing the investment performance of the Group's investment products and solutions.
- Oversight of changes to investment policies and processes.
- Where relevant, in-depth reviews of investment products including policy and process.
- Oversight of the Group's approach to ESG within our investment solutions.
- Oversight of our investment competencies and capacity in product development.

Focus to date

During this financial year the Committee Chair in conjunction with the other members and standing attendees identified the following areas of focus:

- **ESG and sustainability:** Oversight of how the investment teams integrate ESG and sustainability into their investment processes.
- **Liquidity assessment:** A review of liquidity across Group products was carried out to understand if there were any that could be considered outside of investor expectation. While liquidity differs across portfolios, none were considered to be out of line with expectations.
- **Process and models**: The Committee has been working with the executive to document how changes to models underlying investment processes should be governed including the sign off process and which will be notified to the Committee.
- **Benchmarking and peer groups:** A review of the benchmarks and peer groups used across the Group's products to understand and assess their suitability, with the aim of ensuring that success could be appropriately assessed.
- **Value assessment:** Oversight of the first value for money assessment for the Group's UK fund products.

Focus for the next year

Similar to last year the Committee with the standing attendees have highlighted a number of areas for focus over the coming 12 months:

- **ESG and sustainability:** This will continue to be an important area for the Group both in launching new products with a specific ESG focus and also integrating into existing processes to provide more sustainable portfolios.
- **Second line risk reporting:** With new hires in the risk team we will be formalising the second line of defence risk reporting up to the Board.
- **Liquidity stress testing:** Reviewing the outcomes of this testing and considering if any additional analysis is relevant for the Groups' products to ensure that investors' expectations align with actual portfolio liquidity.

JOHN MISSELBROOK
CHAIR OF INVESTMENT COMMITTEE

GOVERNANCE

REMUNERATION

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 51):

- Miriam Greenwood (Chair)
- Angela Crawford-Ingle
- John Misselbrook

Dear shareholders,

2020 has shaped up to be a year like no other. When I last wrote to you, who could have imagined what the coming year would bring? We are acutely aware of the difficulties and uncertainty faced by many this year. As a company we do not operate in isolation, and our clients and people too have been affected by the events of this year.

James Barham, our Group Chief Executive, waived his entitlement to receive variable remuneration this year in advance of the Remuneration Committee's determination of year-end remuneration outcomes. This waiver of entitlement includes both cash variable remuneration and the award of an LTIA. James took this leadership decision in light of the economic uncertainty and challenges presented by the COVID-19 crisis and to protect the Group's employees' variable remuneration from further reduction because of the reduction in performance fees earned in the period. We have included in the Directors' Remuneration Report, details of James' annual bonus appraisal.

Simon Wilson, having recently joined us, was not entitled to any award of variable remuneration for the period. However, in order to secure a candidate of Simon's calibre, we granted Simon a buy-out award of shares to compensate him for the forfeiture of cash incentive compensation from his previous employer.

The careful stewardship of the Company during this period, has ensured that we have continued to pay dividends to our shareholders in line with our dividend policy. We have not required the assistance of any government sponsored relief, such as the UK's furlough scheme.

Remuneration review and new policy

You will recall that we said in last year's annual report that we were planning on undertaking a fundamental review of our Remuneration Policy and consultation with our shareholders on the design of a new policy. As you would expect, the design and structure of a new Remuneration Policy has been a key focus of the Remuneration Committee over the past year. We have appointed new remuneration advisers, PwC, to provide us with advice on the design and structure of a new Remuneration Policy. Following careful consideration of the Committee of the most appropriate policy for the Group, we determined that our aim of a simplified policy aligning shareholder and stakeholder interests with the incentivisation of our Executive Directors to deliver the Group's strategy of profitable growth was best served by a simplified remuneration structure focussed on long-term incentives and the appropriate sharing in value creation between shareholders and executives.

Our existing remuneration arrangements for Executive Directors were put in place in 2017. Certain elements of our existing Remuneration Policy have been problematic both in concept and application for both shareholders and the Company. The existing policy includes Executive Director participation in the performance fee remuneration pool. In 2019 following shareholder concerns, we removed performance fee remuneration as a specific element of variable pay for Executive Directors and rather treat performance fees earned as being part of the total revenue for the Group. This element of variable remuneration has now been removed permanently in our new policy.

The inclusion of a group wide remuneration cap of 54 per cent. of net management and advisory fees plus 50 per cent. of performance fees constrains the Group's ability to invest and retain high calibre individuals to develop and execute on our strategic objective to deliver value to investors through profitable growth. While the remuneration ratio cap in the existing policy allows for the Remuneration Committee to exercise discretion to exclude certain items from the remuneration ratio cap on a temporary basis, the result is unnecessary complexity and analysis as to whether an item can be treated as outside of the remuneration ratio cap. We are therefore seeking to remove the Group wide remuneration ratio cap from our existing policy as part of the simplification. The formal removal of this cap from the policy does not pave the way for unconstrained remuneration growth across the Group. Individual caps on variable remuneration will continue to be operated. The Committee will continue to monitor both the Group's remuneration ratio to avoid unwarranted increases to our spend on remuneration and the return on our investment in people to ensure that our growth strategy is delivered on.

The past year has seen changes to our executive leadership team, with James Barham leading the Group as Group Chief Executive and the appointment of Simon Wilson as Chief Financial Officer. Our proposed new policy is designed to incentivise and retain our refocussed executive team and align their pay with shareholder and stakeholder outcomes to ensure that they are fairly rewarded for strong performance over the longer-term. The key features of our proposed new policy to support these aims are:

- A reduction in maximum cash bonus opportunity from 300% of base salary to 250% of base salary of which half are in shares, subject to a holding period of three years and a further restriction on sale (other than for tax) unless the minimum shareholding requirement has been met.
- The grant of a one-off five-year value transformation plan sharing in the growth in value created above a 12% per annum compound Total Shareholder Return ('TSR') hurdle rate, where the sharing percentage is up to 6%.
- A significant increase in the Executive Directors' minimum shareholding requirements to 500% of base salary for the Group Chief Executive and 300% of base salary for the Chief Financial Officer.
- The extension of malus and clawback to all variable remuneration awards or payments to Executive Directors.
- The introduction of a post retirement shareholding requirement of 200% of base salary for two years.
- A reduction and alignment of pension contributions with the wider workforce, currently 5% of base salary.
- The ability for the Committee to exercise its discretion to override formulaic remuneration outcomes where the circumstances warrant this, taking into account the overall performance and position of the Company and the performance of the Executive Directors.
- A senior management share plan for key senior employees with performance conditions closely aligned with the Executive Directors' value transformation plan.

Our proposed new policy simplifies performance metrics and provides for clear and transparent performance metrics that our shareholders can monitor performance of our Executive Directors against. The policy is aligned with current governance guidelines and best practices for executive pay in listed companies. It aims to drive behaviours across our senior management team that are consistent with our conduct led culture and strategy.

The link between strategy and remuneration

The proposed new policy will support the delivery of our strategy of investing for profitable growth to deliver value to our shareholders. This is achieved by ensuring that a greater proportion of overall incentives are delivered in the longer term in the form of real equity.

The value transformation plan provides for the appropriate sharing in value creation between executives and shareholders where material value is created for shareholders. It requires significant value, 12 per cent. per annum TSR growth, to be achieved before the Executive Directors are rewarded. The Executive Directors' share in the value created is capped at 6 per cent., split between the Group Chief Executive and Chief Financial Officer as 3.75 per cent. and 2.25 per cent. respectively.

James Barham has detailed his strategy for the Group in his statement which provides further detail on the investments that will be made in infrastructure, product and distribution to achieve profitable growth. The value transformation plan is by design supportive of his strategy and vision for the Group, as it measures growth over a five year period allowing only for the executives to share in this growth where it is in excess of the challenging 12 per cent. per annum TSR hurdle set by the Committee. Value created below the TSR hurdle will result in no payments under the plan.

Risk and reward

Conduct and compliance continue to serve an important role in remuneration for all employees to ensure that we have a conduct led culture. All share awards are subject to adjustment at the discretion of the Committee, with the ability to override formulaic outcomes where deemed appropriate to do so. Prior to the vesting of awards, evaluation against a set of conduct, risk and compliance checkpoints is undertaken and confirmation provided to the Chairman of the Committee. Post-vesting, awards may be subject to clawback provisions as determined by the Committee.

GOVERNANCE
REMUNERATION
CONTINUED

Employee share ownership
We continue to encourage a culture of employee share ownership. We continue to see wide support for our HMRC approved Save-As-You-Earn share scheme in the UK, with recent uptake of 46 per cent. in our 2020 scheme.

Attracting, incentivising and retaining talented high calibre individuals is key to delivering our growth strategy. As mentioned above, we plan to introduce a senior management share plan for key senior employees closely aligned with the performance conditions of the Executive Directors' value transformation plan to promote vertical alignment through the business.

Directors' remuneration report
I am pleased to present our Directors' Remuneration Report for the year ended 30 June 2020. The 2020 report is split into two parts:
- The Directors' Remuneration Policy. This is subject to binding vote and sets out our future policy for approval by shareholders.
- The Annual Report on Remuneration. This outlines how we implemented our current policy in 2019/2020 and how we intend to apply the new Directors' Remuneration Policy in the current financial year (FY20/21).

To reflect changes resulting from our proposed new Directors' Remuneration Policy, we are also putting forward new rules for our value transformation plan and an amendment to our DEP to allow for awards to be satisfied from newly issued shares in accordance with ABI guidelines which may be used for our senior management share plan detailed above.

Shareholder engagement
I am grateful for the constructive engagement and valuable feedback provided by our major shareholders which helped to develop the new policy. We have sought to incorporate shareholder feedback where possible.

We are keen to encourage an ongoing dialogue with our shareholders on our remuneration framework and look forward to receiving your support at the AGM in December.

MIRIAM GREENWOOD
CHAIR OF REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION POLICY

Remuneration Policy for Executive Directors

River and Mercantile is seeking shareholder approval for a new Directors' Remuneration Policy (the 'Policy') at our 2020 AGM. If approved, this new Policy is intended to apply for a period of three years from the AGM.

The last Directors' Remuneration Policy was approved by shareholders at the 2017 AGM, and provides for a cash based annual bonus plan and a share based long term incentive plan. We are seeking to implement a new simplified policy, under which a significant proportion of the annual bonus is delivered in shares and a new five year long term incentive plan ("Value Transformation Plan" or "VTP") designed to remunerate Executive Directors only where material value is created for shareholders with phased vesting in years 3, 4 and 5 of the plan.

We are also presenting for shareholder approval:

- Plan rules for the Value Transformation Plan; and
- An amendment to the existing Deferred Equity Plan ("DEP") to provide for vested awards to be settled through the issuance of new shares and /or market purchase shares and the alignment of the malus and clawback provisions between the DEP and VTP.

Executive director remuneration at a glance

This table summarises the proposed changes to the 2017 Directors' Remuneration Policy, subject to shareholder approval.

Element	Current Policy	Proposed Policy
Salary	Group Chief Executive salary: £360,000 CFO salary: £250,000	**No change** Group Chief Executive salary: £360,000 CFO salary: £250,000
Pension	Executive Directors may receive up to 10 per cent. Group contribution to pension scheme. Group Chief Executive: An amount equivalent to 9 per cent. of base salary CFO: An amount equivalent to 5 per cent. of base salary	**Reduction** in pension contribution or cash in lieu of pension for Group Chief Executive. Pension contributions aligned with the general workforce, currently 5 per cent. of base salary.
Benefits	Executive Directors have access to the same benefits as the general workforce, including the save as you earn scheme, health and other insurances.	**No change**
Short term incentive ("STI")	Maximum opportunity of 300 per cent. of base salary payable in cash, subject to a 1:1 ratio with Long Term Incentive Award.	**Reduction** in opportunity to 250 per cent. of base salary subject to the achievement of annual performance targets with half paid in shares and half paid in cash. STI shares are subject to a minimum three-year holding period. No STI shares may be sold, except to meet tax liability until the minimum shareholding requirement is achieved.
Performance fee remuneration	A share of performance fees earned up to a maximum of £1 million per annum.	**Removed** from the proposed Policy.
Long term incentive	Maximum award of 400 per cent. of base salary per annum. Three-year performance period with a two-year holding period. Vesting based on the achievement of performance conditions, including the maintenance of a minimum level of growth as measured by adjusted underlying EPS growth.	**Replace** the annual grant over the next 3 years, with a single five year value transformation plan sharing in the growth in value created above a demanding 12 per cent. per annum compound Total Shareholder Return ('TSR') hurdle rate with phased vesting over years 3, 4 and 5 of the plan. Participants will share in 6 per cent. (Group Chief Executive – 3.75 per cent., CFO – 2.25 per cent.) of the total value created for shareholders above this hurdle rate. There will be no payout for performance below the hurdle rate.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY

CONTINUED

Element	Current Policy	Proposed Policy
Remuneration Cap	Group wide remuneration capped at 54 per cent. of net management and advisory fees, plus 50 per cent. of performance fees.	Group wide remuneration cap **removed**. Individual bonus capped as a percentage of salary and VTP opportunities capped in both absolute terms and shareholder dilution. In addition, overall compensation spend will be monitored annually relative to affordability and the overall performance of the Group.
Shareholding requirement	200 per cent. of base salary.	**Increased** to 500 per cent. of base salary for Group Chief Executive and 300 per cent. of base salary for CFO.
Post-cessation shareholding requirement	No post-cessation shareholding requirement.	Post-cessation shareholding requirement of 200 per cent. of salary for a period of 2 years.
Malus and clawback	Malus adjustment applicable to all awards. Clawback applicable to cash variable remuneration and performance fee remuneration for a 12 month period.	Malus and clawback applicable to all variable remuneration, with triggers aligned with market best practice.

POLICY DESIGN AND SHAREHOLDER ENGAGEMENT

The Remuneration Committee (the 'Committee') has considered and reflected upon the feedback received from shareholders both in previous years on matters related to remuneration and governance, and has also undertaken extensive shareholder consultation in advance of putting this Policy to shareholders for approval.

In developing this new Policy, with feedback received from our shareholders, it has been central to the Committee's thinking to ensure that there is a strong alignment between shareholder and stakeholder interests by incentivising our Executive Directors to deliver the Group's strategy of profitable growth. We believe this is best served by a simplified Policy focussed on long-term incentives and the appropriate sharing in value creation between shareholders and Executive Directors.

Key features of the new Policy include:

- A long-term (five year) element of the incentive package to align and drive the longer term strategic objectives;
- Appropriate sharing in value creation between Executives and shareholders but only if material value, over a demanding 12% per annum compound Total Shareholder Return ('TSR') hurdle rate which includes dividends paid, is created for shareholders through income and capital growth;
- A greater proportion of overall incentives will be delivered over the longer term in the form of shares, with a reduction in the short-term cash incentive opportunity;
- Alignment with the pension contributions of the general workforce; and an
- Increased alignment of executive interests to those of shareholders through a substantial increase in Executive Directors' shareholding requirement and the introduction of a post-cessation shareholding requirement.

The Committee has been mindful of the weighting of fixed and variable pay and the balance of short and long-term awards, and has sought to position a larger proportion of the remuneration package as equity-based and performance-related pay to support the delivery of the Group's strategic objectives of profitable growth and the creation of shareholder value. This alignment of these objectives is further reinforced by the phased vesting, deferral of payments and holding periods and the substantial increase in shareholding requirements to drive strong and sustainable growth with a longer term focus for the business from the Executive Directors.

The Policy provides for simpler and more transparent performance metrics against which our shareholders can monitor the performance of our Executive Directors. The Policy is aligned with current governance guidelines and best practice for executive pay in listed companies. It aims to drive behaviours across our senior management team that are consistent with our conduct-led culture and strategy.

Attracting, incentivising and retaining talented high calibre individuals is key to delivering our growth strategy. Accordingly, a senior management share plan will be introduced for key senior employees aligned with the performance conditions of the value transformation plan to promote vertical alignment through the business.

When determining the Policy, the Committee has considered the requirements under the UK Corporate Governance Code 2018 (the 'Code'). In order to avoid conflicts of interest arising, the Executive Directors are not members of the Committee. Attendance at Committee meetings for non-members is by invitation only at the request of the Chair. The Committee believes that it has taken sufficient steps to avoid and manage the conflicts of interest that may arise when determining the Policy. The table below details how the Committee addressed the principles set out in the Code:

Clarity	• Remuneration arrangements under the Policy are transparent and promote effective engagement with shareholders and our workforce. • As part of the Policy review and design shareholders were consulted to understand their views on the proposed changes.
Simplicity	• One of the key objectives of the Committee's review and design of the new Policy was to ensure that the remuneration structures in the Policy avoid complexity and are easy to understand. • The VTP uses a single metric – a 12% per annum compound TSR hurdle rate – avoiding the use of multiple complex performance metrics.
Risk	• In line with regulatory requirements, our approach aims to promote sound and effective risk management whilst supporting the Company's long-term success. The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. • Holding periods and our shareholding requirement (including the post cessation shareholding requirement) provide a clear link to the ongoing and sustainable performance of the business and the experience of our shareholders. • The VTP has a phased vesting over years 3, 4 and 5 to avoid the risk of single cliff edge vesting driving excessive risk taking. • Malus and clawback provisions apply to STI and the VTP.
Predictability	• Our policy contains details of the threshold, target and maximum opportunities showing the range of possible values of rewards to individual directors.
Proportionality	• Our Policy links individual awards with the delivery of strategy and the long-term performance of the Company. • Half of STI is paid in shares subject to a three year holding period. • Under the VTP, Executive Directors are only rewarded where material value is created for shareholders with phased vesting in years 3, 4 and 5 of the plan. • The Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Group.
Alignment to culture	• Reward is not determined solely on financial performance but also by metrics consistent with our conduct-led culture and strategy.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY

CONTINUED

The following table sets out the key elements of the Policy for the Executive Directors

Element and strategic link	Operation	Maximum opportunity	Performance targets and recovery provisions
Salary			
To provide competitive fixed remuneration that will attract and retain appropriate talent.	Base salaries are appropriately positioned to attract and retain Executive Directors with the required skills and experience to deliver our strategic objectives. Base salaries are paid in monthly cash instalments and are normally reviewed annually with any increases effective from 1 July each year. In reviewing base salaries, the Committee takes into account a number of factors, including: • Group and individual performance; • Responsibilities, experience and size/scope of role; • Wage increases amongst the general workforce; and • Market data for comparable roles in the sector determined by reference to factors that include size, business operations, complexity, and geographical locations.	There are no prescribed maximum salary levels set under this Policy. Salaries for Executive Directors will not be increased by more than the average increase in employee salaries over the period since the last change in Executive Director salary, except to reflect changes in role. In exceptional circumstances the Committee will retain the discretion to award increases at a level greater than that applied to the general workforce. For example, if a role has increased significantly in scope or complexity or if an Executive Director has been recruited on a below market salary.	No performance targets. No recovery provisions apply.
Changes from previous policy None.			
Benefits			
To provide competitive benefits	Benefits are provided to ensure our remuneration packages are appropriate to attract and retain executives with the required skills and experience to deliver our strategic objectives. Benefits are provided to Executive Directors at a market competitive level, taking into account benefits offered to the general workforce.	Benefit values may fluctuate from year to year depending on premia and the maximum potential value is the cost of the provision of these benefits.	No performance targets. No recovery provisions apply.
Changes from previous policy None.			

Element and strategic link	Operation	Maximum opportunity	Performance targets and recovery provisions
Pension			
Enables and encourages provision for retirement and reflects local market practice.	Pension contributions as a percentage of salary are aligned with the general workforce. Executive Directors are eligible for employer contributions in respect of the Group's defined contribution pension scheme, which may be received in part or in full in cash.	The maximum contribution to the pension scheme (or cash in lieu of pension) is the greater of up to 5% of salary or the average pension contribution for the general workforce.	No performance targets. No recovery provisions apply.

Changes from previous policy
Reduction in maximum pension contribution from 9% of salary for the Group Chief Executive to a maximum of 5% of salary, to bring this fully in line with the level currently offered to employees of the Group. The CFO was recruited on a pension contribution of 5% salary and therefore aligned with the workforce from the outset.

Element and strategic link	Operation	Maximum opportunity	Performance targets and recovery provisions
Annual bonus			
To provide clear alignment of objectives and performance with the delivery of our annual financial and non-financial strategic objectives. The element of the annual bonus awarded in shares is subject to a holding period to provide longer-term alignment with the interests of the Group and shareholders.	Eligibility to participate in an annual bonus plan at the discretion of the Committee. Half of the bonus awarded will be delivered in shares (net of payment for tax and NIC) and subject to a three-year holding period. Dividends may be received on shares during the holding period. If regulations (Financial Conduct Authority or another regulatory body relevant to the Group's activities) require deferral levels that are greater than those set out under the Policy, the Committee will approve the required level of deferrals of annual bonus awards required to comply fully with the regulations.	Annual bonus maximum award of 250% of salary.	The Committee will determine performance measures and weightings annually that are aligned with the business plan and strategy. These will comprise a combination of financial and non-financial measures, with financial measures making up at least 50% of the scorecard. A threshold, target and maximum performance level is set for each measure, with an outcome of 0% for threshold performance or below and 50% of maximum for on-target performance. The Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Group. Further, performance outcomes are subject to a discretionary downward risk adjustment, in consultation with the Board Risk Committee. The specific metrics, targets and performance against targets will be disclosed retrospectively in the Annual Report on Remuneration for the year in which the bonus is earned. Clawback will apply to the annual bonus as detailed below.

Changes from previous policy
An overall reduction in the quantum of annual bonus opportunity from 300% to 250% of salary. In addition, the introduction of half of the annual bonus being delivered in shares and subject to a three year holding period, which seeks to reinforce the alignment of interests of the Executive Directors with shareholders.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY

CONTINUED

Element and strategic link	Operation	Maximum opportunity	Performance targets and recovery provisions
Value Transformation Plan ("VTP")			
To provide long-term alignment of executive remuneration to sustained business performance relative to long-term strategic objectives and shareholder value creation.	A one-off award that grants Executive Directors the opportunity to earn share awards over a five-year performance period. A minimum Total Shareholder Return ("TSR") of 12% compounded annually above which value starts to accrue to participants, with nothing earned below this hurdle growth rate. Participants will share in 6% (Group Chief Executive – 3.75%, CFO – 2.25%) of the total value created for shareholders above this hurdle rate. The TSR hurdle will be measured on each of the third, fourth and fifth anniversaries of the performance period ("Measurement Date"). On each of these Measurement Dates, the participants will 'bank' their share in the value created in excess of the hurdle over the prior period, in the form of nil-cost options. This will be calculated based on the 30 day volume weighted average share price following the publication of the preliminary results in the relevant year. The TSR calculation includes dividend payments. If the Company has undertaken a share buy-back between Measurement dates, The Committee may make appropriate adjustments to exclude the impact of these from the calculation of the TSR. Banked nil-cost options will vest as follows: • 25% of the bank at the 1st Measurement Date in year 3 of the performance period; • 25% of the bank at the 2nd Measurement Date (less any prior withdrawals) in year 4 of the performance period; and • the balance of the bank at the 3rd and final Measurement Date in year 5 of the performance period. Vested awards are subject to a holding period such that they become unrestricted no earlier than 5 years from award.	In aggregate, individual amounts that may be received by Executive Directors will be capped as follows: Group Chief Executive – Lower of £20 million or 2.5% of issued share capital. CFO – Lower of £12 million or 1.5% of issued share capital.	The initial share price used for measuring TSR will be the higher of £1.70 and the 30 day volume weighted average share price from the date of the publication of the preliminary results for the financial year ended 30 June 2020. The TSR used at each Measurement Date will be based on a 30 day volume weighted average share price following the publication of the preliminary results for the relevant year. Malus and clawback will apply to the VTP as detailed below. The Remuneration Committee may vary the level of vesting, if it determines that the formulaic vesting level would not reflect business or personal performance or such other factors as it may consider appropriate.

Changes from previous policy

Conversion of the current annually granted three year Long-Term Incentive Plan to a single five year Value Transformation Plan. The VTP simplifies performance matrices with a single performance metric, thereby providing a greater degree of transparency and direct alignment with longer-term sustained business performance and shareholder value creation. It also allows Executive Directors to build up material shareholdings in the Group, creating further alignment with the interests of the shareholders.

Element and strategic link	Operation	Maximum opportunity	Performance targets and recovery provisions
All employee share plans			
Executive Directors are eligible to participate in HMRC-approved share plans which promote share ownership by giving employees an opportunity to invest in Group shares.	Executive Directors may participate in these plans in line with HMRC guidelines on the same basis as other eligible employees.	Participation levels may be operated up to HMRC limits as amended from time to time. The monthly savings limit for Save As You Earn (SAYE) is currently £500.	No performance targets. No recovery provisions apply.
Changes from previous policy None.			
Shareholding requirements			
To ensure that Executive Directors' interests are aligned with those of shareholders.	Executive Directors are required to build up their shareholding over a five-year period. The shareholding requirement for Group Chief Executive is 500% of Salary and CFO is 300% of Salary. In addition to personally owned shares, shares not subject to performance conditions will count towards the requirement on a net-of-tax value basis. Executive Directors must hold vested shares until the requirement is met except in exceptional circumstances with the approval of the Chair of the Committee. Executive Directors may sell shares to pay taxes that arise on vesting. Shareholding levels will be assessed annually following completion of the annual grant and vesting of awards, which will be disclosed in the Annual Report on Remuneration. Upon leaving the Group, Executive Directors will be required to retain shares equivalent to 200% of salary or the number of shares held by an Executive Director if this is lower, for a period of 2 years.		n/a.

Changes from previous policy

Minimum shareholding requirements increased substantially for all existing Executive Directors from 200% of salary, with the introduction of a post-cessation shareholding requirement. The increased shareholding requirement for Executive Directors further supports shareholder alignment, encouraging sustainable share price growth. Introducing a post-cessation shareholding requirement for Executive Directors will ensure Executive Directors consider effective succession planning and provides an ongoing exposure to the impact of decisions made during their employment through the share price of the Group post-cessation.

Malus and clawback

Malus and clawback provisions are applicable to STI and the VTP for the following periods:

STI – Cash STI – Shares	Clawback is applicable for at least 2 years from the payment date.
VTP	Malus adjustment applies to unvested nil cost options up to 5 years from the award date. Clawback applies to vested nil cost options for two years following vesting of the nil cost options.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY

CONTINUED

The circumstances in which the Committee may consider the application of malus and/or clawback are summarised as follows, but not limited to:

- A material misstatement of the Group's audited financial statements;
- Material failure of risk management;
- Fraud or other material financial irregularity;
- The participant has contributed to a material downturn in the financial performance of the Group (including a significant increase in the regulatory capital);
- The participant has contributed to circumstances which give rise to a sufficiently negative impact on the reputation of the Group or would have if the circumstances had been made public;
- An error in the information or assumptions on which the award was granted, vests or is released as a result of erroneous or misleading data or otherwise;
- Serious misconduct by a participant or otherwise; and where the Committee, in its reasonable opinion, determines that any act or omission by the participant warrants the exercise of malus; or
- Corporate failure.

Performance measures

Performance measures for the annual bonus are determined based on a mixture of financial, operational and strategic metrics and personal objectives. The types of measures chosen will seek to ensure alignment with the Group's strategy each year. The precise metrics chosen, along with the weightings of each, may vary from year to year. The Committee will review the performance measures and targets each year and vary them as appropriate to reflect the priorities for the business in the year ahead.

Performance under the VTP is solely based on Total Shareholder Return over a five-year period. The target reflects the ambitious growth plans for the Group and this measure ensures that the Executive Directors' interests are fully aligned with shareholders.

Overall compensation spend will be monitored by the Committee annually relative to affordability and the overall performance of the Group. Further, in order to ensure sound and effective risk management, performance outcomes are subject to a discretionary downward risk adjustment by the Committee with appropriate input from the risk, compliance and HR functions.

Legacy arrangements

Executive Directors may be eligible to receive any payments from any remuneration arrangements in effect prior to the approval of this Policy (including vesting of share awards granted under prior Remuneration Policies or to the appointment to the Board). Details of any such payments will be set out in the applicable Annual Report on Remuneration as they arise. Outstanding awards include the 2018 LTIA and 2019 LTIA awards which are due to vest in June 2021 and June 2022 respectively. The 2019 LTIA award is also subject to an additional 2 year holding period.

Recruitment policy

Remuneration packages for new Executive Directors (including those promoted internally) will be in line with the requirements of this Policy including maximum incentive levels.

If required, awards may be granted to replace awards or amounts granted to a new Executive Director by a previous employer that are forfeited (buy-out awards). Any buyout awards would be limited to what is considered to be a fair estimate of the value of remuneration forfeited and with equivalent terms (including vesting dates and performance conditions). The grant value of buyout awards is not subject to the maximum limits described in this Policy.

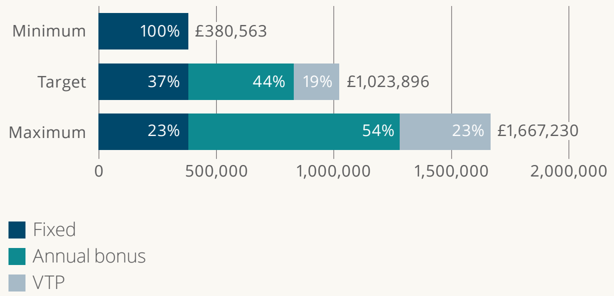
The Group may cover a new Executive Director's reasonable legal costs and certain relocation expenses.

New Executive Directors may be eligible to participate in the VTP at the discretion of the Committee. Their share may be reduced to reflect the time elapsed from the grant of the initial awards, and the date of joining. The hurdle will remain unchanged and the starting price will be set at a minimum at the starting price for other Executive Directors. All awards limits and caps, as set out in this Policy, will apply to any new Executive Directors. The overall share of value to Executive Directors over the life of the VTP will not increase as a result of any new Executive Directors participating in the VTP.

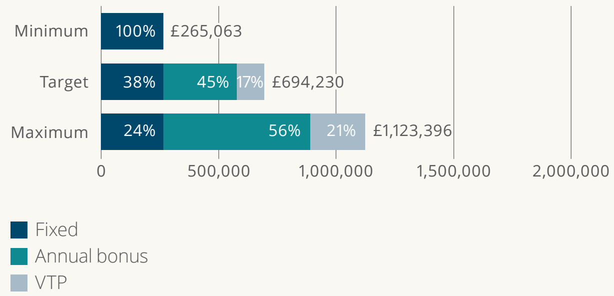
Performance scenarios

The charts provide an estimate of the remuneration that could be received by Executives Directors under the Policy set out in this report. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the VTP. The charts illustrate that a significant proportion of both target and maximum pay is performance-related.

Group Chief Executive
£



Chief Financial Officer
£



The table below sets out the assumptions used to calculate the elements of remuneration for each of the scenarios.

Scenario	Annual bonus[1]	Value Transformation Plan[2]	Salary, Pensions and Benefits
Minimum	Performance below threshold on every metric thus no bonus awarded	TSR growth less than 12% and thus no award under the VTP	Fixed – included
Target	Performance in line with expectations and thus 50% of maximum bonus awarded	Performance is in line with the Group's expectations – 50% of the average annual initial estimate of the accounting cost of award	Fixed – included
Maximum	Performance exceeds Group expectations and thus 100% of maximum bonus awarded	Maximum performance is achieved – 100% of the average annual initial estimate of the accounting cost of award	Fixed – included

1. The maximum Annual bonus is 250% for both Executive Directors.
2. The VTP is a one-off award with a performance period of five years and a minimum holding period of five years from award. In line with the guidance issued by the GC100, the maximum value has been taken as the IFRS2 accounting cost, divided by 3 years commensurate with the life of this Policy, which is intended to provide an estimate of the value of the award on grant for this purpose. The target value represents 50% of the maximum.

The Group is aware of the revised regulations requiring the maximum scenario in the above charts to reflect Group share price appreciation of 50 per cent. during the relevant performance period for performance targets or measures relating to more than one financial year (i.e. the proposed VTP). For the proposed VTP a share price appreciation of 50 per cent. over five years would result in a nil payout i.e. that shown under the minimum scenario. As such, the 50 per cent. share price growth scenario has not been included. In addition, dividend equivalents have not been added to the Annual Bonus or VTP share awards.

As an alternative to the accounting value used for the VTP in the scenario charts above, the table below sets out the potential payout to the Executive Directors under the VTP based on a linear 20 per cent. p.a. growth in TSR over the five year performance period.

TSR Growth		20% p.a.
Share price: start – end (including dividends)		£1.70 to £4.23
Share of additional value created (%)	Shareholders	£206m (95.1%)
	Group Chief Executive	£6.7m (3.1%)
	CFO	£4.01m (1.8%)

Executive Directors' service agreements

All Executive Directors have service agreements of an indefinite duration that can be terminated by either party by serving 12 months' notice. Under the Policy this is the maximum notice period that may be applied to Executive Directors. The terms of the service agreements are considered to be in line with current best practice for Executive Directors. The service agreements are available for inspection on request at the Company's registered office and at the AGM.

Unless approved by the Company, the Executive Directors may not accept external directorships. Any external appointments of Executive Directors will be disclosed in the annual report.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY

CONTINUED

Loss of office

In the event of the termination of an Executive Director, the terms of the termination will be determined by reference to the service agreement, the Policy and the rules of the relevant incentive plan, as detailed below:

Element	Policy
Notice period	Twelve months for either party. The Company may require that all or an element of the notice period be taken as gardening leave. If an Executive Director is dismissed for cause, there will be no notice period or payment made for loss of office.
Termination payments	Consistent with other employees, the Group may, depending on the circumstances of the termination, determine that it will not pay the Executive Director in lieu of notice and may instead terminate an Executive Director's contract in breach and make a damages payment, taking into account as appropriate the Director's ability to mitigate his or her loss, subject to entering into a satisfactory settlement agreement. Payments may include insurance cover for a specified period following the termination date, outplacement services, legal fees or repatriation assistance. The Company may elect to pay in lieu of notice for all or a portion of the contractual notice period. In this instance, payment would be restricted to salary only and may be delivered monthly to mitigate loss. Any holiday entitlement will be pro-rated to reflect the proportion of the year employed. The Executive Director shall be entitled to payment in lieu of accrued holiday. The Company may require that any outstanding holiday entitlement be used during the notice period. In the event of redundancy, a payment may be made in accordance with the Groups' redundancy policy in effect at that time.
STI	Good Leavers* may receive an annual bonus that the Committee determines would otherwise have been made, prorated for the period worked during the performance period, with any such award being subject to the original terms of the annual bonus (with the exception of death where the payment will be made as soon as reasonably practicable). Any leaver not determined to be a Good Leaver* would not be eligible for any annual bonus in the year of termination. For annual bonuses already paid under this Policy, the original holding period and clawback over this period will continue to apply on the share element (with the exception of death where the holding period will be released as soon as reasonably practical.
VTP	Any leaver not determined to be a Good Leaver* will not be eligible to be granted any options and any banked nil cost options that have not vested will be forfeited. Options that have vested and which have not been exercised will lapse i) immediately if the date of cessation of employment falls within five years of the award being made; or ii) thereafter 6 months from the date of cessation of employment or such other period as determined by the Committee. Holding periods will continue to apply to vested nil cost options (other than in the event of death). For Good leavers* banked nil-cost options will vest at the normal vesting and will remain subject to the holding period (other than in the event of death). The Committee may determine that a Good Leaver*, leaving before the first Measurement Date, may continue to participate in the VTP on a pro-rata basis. A Good Leaver* leaving after the first Measurement Date may, at the discretion of the Committee, be able to participate in the VTP until the next Measurement Date following the cessation of employment on a pro-rata basis. After the vesting period, vested options that are exercisable shall lapse after 6 months from the date of cessation of employment or such other period as determined by the Committee. Holding periods will also continue to apply to vested nil cost options (other than in the event of death).

* An Executive Director will be considered to be a good leaver where he or she leaves for reasons including death, ill health, injury or disability, retirement, redundancy, the transfer of the individual's employment as part of a disposal of a business or the Company where the individual is employed or holds office ceasing to be a Group Company. The Committee has the discretion to determine that leaving for any other reason be treated as a good leaver.

Executive Director

Director Name	Appointment date	Effective Date of Current Service Agreement	Notice period
James Barham	27th March 2014	6th April 2014	12 months
Simon Wilson	19th May 2020	19th May 2020	12 months

Non-Executive Director

Director Name	Appointment date	Effective date of current service agreement	Notice period
Miriam Greenwood	28 May 2019	28 May 2019	3 months
Angela Crawford-Ingle	29 May 2014	5 June 2017	3 months
John Misselbrook	16 February 2018	16 February 2018	3 months
Jonathan Dawson	1 October 2017	1 October 2017	3 months

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. All service contracts are available for viewing at the Group's registered office and at the AGM.

Change of control policy

A relevant corporate action will be defined as:

- A change of control of the Company as a result of a general offer to acquire shares;
- A compulsory acquisition of shares under Section 979 to 982 of the Companies Act 2006 takes place;
- A Court sanctioned scheme of compromise or arrangement which would result in a change of control takes place;
- A competent authority approving a cross border merger pursuant to which the Company ceases to exist; or
- Notice is given for a voluntary winding up of the Company.

Remuneration element	Recruitment Policy
Annual bonus – Cash	Pro-rated for time and performance to the date of the change of control. The Remuneration Committee has discretion to determine otherwise.
Annual bonus – Shares subject to holding period	Awards subject to a holding period will be released. The Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company, subject to the agreement of the participants.
Value Transformation Plan	The date of change of control will replace the end of the next VTP measurement date and the normal calculations will be undertaken with nil-cost options being awarded and vesting immediately at that time. The measurement price on a change of control to determine the final VTP payment (calculated from the previous measurement date) will be equal to the offer price. Awards will not be prorated on change of control, but remain subject to the hurdle assessment as described above. The Committee has discretion to not release the award early and instead roll the award into an equivalent award in the acquiring company, subject to the agreement of the participants.

GOVERNANCE

DIRECTORS' REMUNERATION POLICY

CONTINUED

Remuneration policy for non-executive Directors

The following table sets out the key elements of remuneration for Non-Executive Directors.

Component	Operation	Further information
Fees To attract and retain an individual with the appropriate degree of expertise and experience.	Fees are paid in cash. Fees for the Chairman are determined by the Committee, and fees for other non-executive Directors are determined by the Executive Directors in consultation with the Chairman. This includes the use of benchmarking data to determine appropriate fee levels. Non-Executive Directors are paid a base fee and additional fees for acting as senior independent director or the chair of a committee. The Committee will make changes to remuneration as appropriate, subject to the aggregate limit on non-executive directors' base fees set out in the Company's Articles of Association. Fees are set at a level which reflect the duties, time commitment and contribution expected from the Chairman and non-executive directors.	The Non-Executive Directors will be entitled to additional fees in exceptional circumstances if determined appropriate by the Chairman in consultation with the Group Chief Executive.
Benefits To enable the non-executive Directors to undertake their roles.	Non-executive Directors' benefits are principally expenses incurred in connection with the Group's business and reflect business needs.	
Notice period	Three months by either party without liability for compensation for early termination.	
Key terms of appointment	The Chair and the Non-Executive Directors are subject to annual re-election at the AGM.	

Statement of consideration of employment conditions elsewhere in the Group

The Committee has taken careful consideration of remuneration arrangements for employees across the Group in determining the Policy and its implementation. Although we have not formally consulted our employees on the design and implementation of the Policy, the Committee considers employee feedback on remuneration and incentive arrangements. The Chair of the Committee is the director responsible for employee engagement. Employee feedback on the desire for wider equity incentive schemes has been considered and addressed through the implementation of the senior management share scheme. The Group's HR Director is present at all Committee meetings and provides the Committee with reporting on proposed salary levels and variable remuneration awards during the annual remuneration process, and periodically on request. The Committee approves the overall variable remuneration spend each year and performs a detailed review of the remuneration of senior employees in addition to its review of remuneration of the Executive Directors. This information helps the Committee reach a conclusion on the remuneration policy which they believe is appropriate in light of employee remuneration and represents a consistent approach throughout the Group.

A remuneration policy is in place for establishing standards for the design and operation of remuneration across the Group, which has consistent principles with this Policy. Pension and benefit programmes are in place for all employees. Pension entitlement for Executive Directors is aligned with the general workforce. The majority of benefits are also aligned. All employees are eligible for an annual bonus, determined through robust performance assessment. There are plans to introduce a below Board senior management share plan, promoting vertical alignment through the business. Employees are eligible to participate in all-employee share schemes on the same terms as the Executive Directors.

The Committee will receive information on remuneration across the Group, including average salary increases, variable remuneration allocations between business areas, the design and outcomes of incentive plans and the CEO pay ratio, when determining the implementation of the Remuneration Policy for Executive Directors.

Compliance with regulation and legislation

The regulatory and legislative environment is changing rapidly, with implications for remuneration approaches. Whilst all steps are taken at the time of drafting a policy to ensure it is compliant with both the letter and spirit of current requirements, this can change over a three-year cycle. As such, the Committee may be required to amend the Policy outside of this cycle and in doing so will seek appropriate approval from shareholders in order to ensure regulatory and legislative compliance at all times.

Statement of shareholder views

When setting the Remuneration Policy and determining remuneration, best practice guidelines issued by institutional shareholder bodies are taken into account.

The Committee has an open relationship with shareholders and welcomes dialogue. As part of the development of this new Policy, the Committee has engaged with the largest shareholders and institutional shareholder bodies to understand their views on this Policy. Initial shareholder feedback in the design phase of the Policy resulted in certain changes to the approach to STI and the approach to the initial share price used for measuring TSR in the VTP. The formal consultation process captured views from over 50 per cent. of the shareholder base. Shareholders particularly wanted to understand:

- the phased vesting under the VTP;
- the holding periods for vested options under the VTP;
- the Board's approach to monitoring spend on remuneration; and
- the post-cessation shareholding requirement for the Group Chief Executive.

We have endeavoured to respond to this feedback and provide clear rationale for the proposals.

The Committee will continue to monitor trends and changes in the corporate governance landscape to ensure remuneration at River and Mercantile remains appropriate and continue to engage with shareholders on the effectiveness of the Remuneration Policy.

GOVERNANCE

REMUNERATION COMMITTEE REPORT

The Remuneration 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. The Committee held fourteen meetings during the financial year, and Committee attendance is presented on page 51. Other attendees, including the Chairman, Group Chief Executive, Group HR Director and Chief Financial Officer 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:

- The design of the new Directors' Remuneration Policy, including the proposed Executive Directors' Value Transformation Plan and the performance measures used in awards under the Value Transformation Plan;
- Major shareholder feedback on the proposed new Directors' Remuneration Policy;
- The timing of seeking shareholder approval on the proposed new Directors' Remuneration Policy;
- The design and performance measures for the new senior management share plan;
- Following the decision to appoint Simon Wilson as Chief Financial Officer, the remuneration proposal for Simon Wilson including his buy-out award;
- The vesting of employee share incentive awards and deferred bonus awards;
- The selection of new remuneration advisors to the Committee;
- The approval of the base salary increases and variable remuneration for the Group's senior management;
- The oversight and review of the Group's approach to variable remuneration for all employees, including the bonus pools for all employees; and
- Oversight of the application of regulatory rules on the deferral of variable compensation of the Executive Directors and other Material Risk Takers variable compensation.

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 the Executive Directors' performance objectives and assessing the extent to which each Executive Director has met their individual performance targets;
- To review and set the remuneration of the Chairman, Executive Directors, senior management and oversee the remuneration of key employees, including Material Risk Takers;
- 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 including 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 identified as being material risk takers for the relevant regulated subsidiaries as defined and required by the applicable FCA 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. As noted above, we are seeking shareholder approval at our December 2020 AGM. If approved, this new Policy is intended to apply for a period of three years from the 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 LTIAs in either equity or fund units.

The current Policy includes an overall Group remuneration ratio cap of 54 per cent. of net management and advisory fees, plus 50 per cent. 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 period 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 after the date of payment in case of material financial misstatement or serious personal misconduct.

The Policy also requires Executive Directors to acquire and retain at least 200 per cent. 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 2020 and how the Committee intends the to apply the new Directors' Remuneration Policy during the year ending 30 June 2021, subject to shareholder approval.

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, the UK Corporate Governance Code 2018 and the FCA's Listing Rules and will be put to an advisory shareholder vote at the AGM on 14 December 2020.

Review of performance for the year ended 30 June 2020

The Committee is expected to review the Group's Key Performance Indicators and other metrics in assessing the performance of the Executive Directors against their specific individual performance objectives for 2020.

The year ended 30 June 2020 was an unusual year for two reasons:

- Because of the COVID-19 crisis, James Barham elected to take no variable remuneration of any kind.
- No variable pay was payable to Simon Wilson as he joined at the end of the financial year and no specific objectives were set for 2019/20.

Because of these unusual circumstances the Committee used its discretion to override the requirement for a formal assessment of performance for the purpose of determining variable pay awards for the Executive Directors for the year ended 30 June 2020.

In line with our robust governance around remuneration and normal processes, the Committee discussed the Executive Directors' achievement against the relevant strategic goals of the Company. Performance against these goals would have been achieved in full or in part and a bonus payment would be ordinarily due to the Group Chief Executive, James Barham. As noted below, James Barham waived any entitlement to receive variable remuneration.

For the financial year ending 30 June 2021, each Executive Director will be assessed against a number of financial and non-financial metrics on a consistent basis in order to determine their performance and their resulting remuneration outcomes. The measures will be set by reference to the budget agreed for the year and a detailed description of the measures and outcomes will be published in next year's Annual Report.

Leadership changes

The past year has been a year of significant change for the Group. It was the first year of James Barham's tenure as Group Chief Executive and we welcomed a new Chief Financial Officer, Simon Wilson. Simon's appointment completes our refreshed executive leadership team. Following his handover to Simon, Kevin Hayes retired from the Group in May 2020. Kevin did not stand for re-election at the 2019 AGM and resigned as a Director with effect from 9 December 2019.

Mike Faulkner and Jack Berry did not seek re-election as Directors at the 2019 AGM and stood down from the Board with effect from 9 December 2019. Both Mike Faulkner and Jack Berry remain employed by the Group in senior management positions. Mike Faulkner is the Group's Chief Investment Officer and Jack Berry is the Global Head of Complex Clients.

Full details of the remuneration arrangements in relation to Simon Wilson's appointment and the remuneration paid to Jack Berry, Mike Faulkner and Kevin Hayes while they were Directors are set out in the single figure remuneration table below.

Fixed base remuneration and benefits

On appointment as Group Chief Executive on 1 July 2019 James Barham's base salary increased to £360,000. Simon Wilson joined the Group on 19 May 2020 with a base salary of £250,000. There were no other changes in Executive Director base pay and benefits for the financial year ending 30 June 2020 and none is proposed for the financial year commencing 1 July 2020.

	2019/20	2020/21	
Executive Director	Current salary £	New salary £	Increase %
James Barham	360,000	**360,000**	0%
Simon Wilson	250,000	**250,000**	0%

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REMUNERATION COMMITTEE REPORT

CONTINUED

Cash variable remuneration (audited)

James Barham, Group Chief Executive, waived his entitlement to receive variable remuneration for the financial year ended 30 June 2020 in advance of the Remuneration Committee's determination of year-end remuneration outcomes. This waiver of entitlement includes both cash variable remuneration and the award of an LTIA. James Barham took this decision in light of the overall economic uncertainty and challenges presented by the COVID-19 crisis and to protect the Group's employees' variable remuneration from further reduction as a result of lower performance fees earned in the period. Accordingly, no cash variable remuneration has been awarded to James Barham for the financial year ending 30 June 2020.

Simon Wilson joined the Group on 19 May 2020 and has not been awarded any variable remuneration for the year ended 30 June 2020. Further details of Simon Wilson's buy-out award are detailed below.

None of the former Executive Directors received any variable remuneration in relation to their time spent as Executive Directors during the financial year ended 30 June 2020.

Executive Director	Cash bonus £
James Barham	0
Simon Wilson	0

Performance fee bonus (audited)

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 2020.

Pension contributions (audited)

James Barham receives a fixed cash allowance of 9 per cent. of salary (i.e. £2,708.34 per month) in lieu of pension contributions due to his pension funding status. As noted in the previous section detailing the proposed new Policy, James Barham's pension benefits, in the form of a cash allowance, will be decreased to 5 per cent. of salary to ensure alignment with the pension contributions for employees.

Simon Wilson receives a cash allowance equivalent to 5 per cent. of base salary per annum.

None of the Directors has a prospective right to a defined benefit pension by reason of qualifying services to the Group.

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 earlier employment with the Group, the vast majority of employees (195) contribute 5 per cent. of salary, matched by 5 per cent. in Company contributions. All employees have the option to have their contributions made via a salary sacrifice arrangement.

Buy-out award (audited)

On joining the Group, Simon Wilson was granted a one-off conditional award of 177,061 shares under the terms of a buy-out award deed approved by the Committee. The buy-out award was to compensate Simon for the forfeiture of cash incentive compensation from his previous employer. The buy-out award is consistent with our Policy and was necessary to secure an individual of Simon's calibre.

The deferred cash bonuses that were forfeited by Simon were not subject to any performance conditions and were payable annually over the deferral period. The Policy requires that buy-out awards are granted on a like-for-like basis and take into account the nature, time horizons and performance requirements of the forfeited remuneration. The Committee determined that the buy-out award granted to Simon was more onerous than the forfeited remuneration, as the award is in shares rather than cash with vesting at the end of the three year period.

In accordance with the Listing Rules, the buy-out award was granted under a one-off award agreement and will be limited to settlement with market purchased shares. The buy-out award was granted on 19 May 2020. The buy-out award has no performance conditions and will ordinarily vest on 30 June 2023 subject to continued service with the Company.

Other significant terms of the award are as follows:

- The award is personal to Simon and may not be transferred.
- Dividends will not accrue in respect of the shares to which the buy-out award relates.
- Malus and clawback – the Committee may at any time prior to the fifth anniversary of the award date reduce, impose further conditions or cancel the award where there has been a material misstatement of the Company's audited financial statements as a result of Simon's actions or omissions, or a breach of the Company's stated risk appetite or breach of policy or regulation as a result of the Executive's actions or omissions, or where the Committee reasonably determines that Simon's actions or omissions have caused injury to the business.
- If Simon resigns or is summarily terminated before the vesting date, the buy-out award will lapse. The award will vest on the vesting date if Simon leaves for any other reason.
- The award is non-pensionable.
- The number of shares subject to the award may be adjusted in the event of a variation of share capital.
- In the event of a certain qualifying corporate events such as the Company entering into a scheme of arrangement or a change of control prior to the vesting date, the award will vest in full. Early vesting may also exceptionally arise at the discretion of the Committee in response to a merger, delisting, special dividend or other event which in the opinion of the Committee may affect the current or future value of the award.

No further award will be made to Simon Wilson under this arrangement.

Single figure remuneration (audited)

The following table gives the single figure remuneration for Executive Directors who served during the financial years ended 30 June 2020 and 30 June 2019.

£	Year ended 30 June	Base salary	Taxable benefits[1]	Pension[5]	Total of fixed remuneration	Annual bonus[2]	PSP shares vested[3]	SAYE Options[4]	Total of variable remuneration	Total
James Barham	**2020**	**360,000**	**2,563**	**32,500**	**395,063**	**–**	**–**	**–**	**0**	**395,063**
	2019	312,500	2,470	31,250	346,220	343,750	–	6,604	350,354	696,574
Simon Wilson	**2020**	**29,762**	**90**	**1,488**	**31,340**	**–**	**–**	**–**	**0**	**31,340**
	2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jack Berry	**2020**	**126,392**	**1,069**	**12,639**	**140,100**	**–**	**–**	**–**	**0**	**140,100**
	2019	287,650	2,470	28,765	318,885	143,825	226,238	6,566	376,629	695,514
Mike Faulkner	**2020**	**155,106**	**1,069**	**–**	**156,175**	**–**	**–**	**–**	**0**	**156,175**
	2019	353,000	2,470	–	355,470	–	435,505	6,122	441,627	797,097
Kevin Hayes	**2020**	**152,542**	**1,069**	**15,254**	**168,865**	**–**	**–**	**–**	**0**	**168,865**
	2019	287,650	2,470	28,765	318,885	287,650	–	6,566	294,216	613,101

1. Taxable benefits consist of private medical insurance.
2. Annual bonus is gross cash paid or payable in respect of the financial year.
3. PSP shares – this is the gross value of the PSP awards which vested on 16 October 2019. The Performance Share Plan (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. No PSP wards vested in the financial year ending 30 June 2020.
4. 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. The Executive Directors did not exercise any options for shares under a SAYE Scheme in year ended 30 June 2020.
5. Pension contribution includes cash allowances and contributions made to self-invested personal pensions.

Vested LTIAs

No LTIA awarded to any Executive Director vested during the financial year ending 30 June 2020. This includes LTIA awarded to those Executive Directors who did not seek re-election at the 2019 AGM.

Outstanding LTIA (audited)

In 2017 certain then Executive Directors, including James Barham, were awarded conditional share awards under the Group's PSP (2017 LTIA). The performance condition for the 2017 LTIA for full vesting is a compound annual TSR of at least 12 per cent. per annum over a three year performance period. The 2017 LTIA will not vest if the TSR for the period is less than 8 per cent. with pro-rata vesting if the TSR is between 8–12 per cent. The 2017 LTIA did not meet its performance criteria and accordingly did not vest at the end of the performance period on 30 June 2020. The 2017 LTIA have now lapsed.

In 2018 the then Executive Directors were awarded conditional share awards under the Group's DEP (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 cent. 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 cent. per annum and the awards will vest proportionally on a straight-line basis. In accordance with the Policy, the 2018 LTIA awarded to Kevin Hayes has lapsed following his retirement from the Company. The Policy requires continued employment by the Group during the performance period of any LTIA. Based on calculations as at 30 June 2020 between 0–10 per cent. of the 2018 LTIA is likely to vest at the end of the performance period.

In 2019 James Barham and Jack Berry were awarded conditional share awards under the Group's DEP (2019 LTIA). As further set out in the Annual Report and Account 2019, it was intended that Kevin Hayes would be granted an award under the 2019 LTIA. However, Kevin Hayes notified the Board of his intention to retire prior to the grant of his award and as such no 2019 LTIA was granted to Kevin Hayes.

The 2019 LTIA 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 three 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 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 even if the BUAEPS underpin is achieved.

The performance period for the LTIA 2019 is the three financial years measured from 1 July 2019, with a further two year holding period ending on 30 June 2024. The LTIA 2019 are subject to the requirement of continued employment throughout the three year performance period.

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REMUNERATION COMMITTEE REPORT

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Based on calculations as at 30 June 2020 approximately 63 per cent. of James Barham's and 100 per cent. of Jack Berry's 2019 LTIA is likely to vest at the end of the performance period in June 2022.

Minimum shareholding (audited)

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 per cent. 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. James Barham complies with this requirement. Following his appointment to the Board in May 2020, Simon Wilson is expected to build up his shareholding within the five years following his appointment. The Committee is confident that future awards will allow Simon to build up the required shareholding within the relevant period, and will monitor his progress against the target.

As noted in the previous section detailing the new Directors' Remuneration Policy, the minimum shareholding requirement will, subject to shareholder approval, increase to 500 per cent. of base salary for the Group Chief Executive and 300 per cent. of base salary for the CFO.

Payments to past directors or for loss of office (audited)

There were no payments to past Directors or for the loss of office during the year.

Group Chief Executive's remuneration

James Barham's cash bonus has decreased from £343,750 in the prior year to zero for the current year. His single figure remuneration set out below includes base salary, value of taxable benefits, pension contributions and cash bonus (£nil). The total variable remuneration of the Group has decreased by 21 per cent. from £15.5 million to £12.2 million over the same period.

The table below of historical levels of Group Chief Executive pay reflect the pay received by Mike Faulkner from June 2014 when he took on the role of Group Chief Executive until 1 July 2019 when James Barham was appointed as the Group Chief Executive.

Year	Group Chief Executive's single figure remuneration £	Annual bonus payout against maximum	Long-term incentive vesting rate against maximum opportunity
2020	**395,063**	**0%**	**n/a[1]**
2019	797,097[5]	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%

1. No shares vested during the financial years ended 30 June 2015, 2016, 2017 or 2020.
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 Executive Performance Share Plan (EPSP) now included in the 2018 figure.
5. Mike Faulkner was the Group Chief Executive until 30 June 2019. His remuneration is accordingly reflected in the above table.
6. James Barham was appointed as Group Chief Executive and his remuneration is reflected in the 2020 row of the above table.

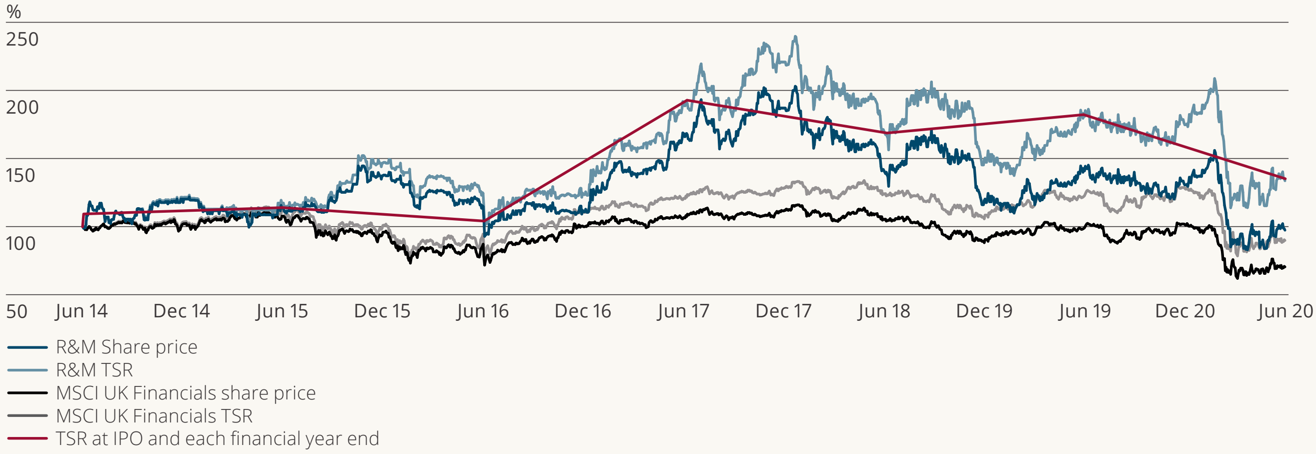
CEO pay ratio

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
2020	**A**	**7.2:1**	**4.6:1**	**2.7:1**

We have adopted method A of calculation. 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.

Company 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.

Annual percentage change in remuneration of Directors compared to employees

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

Year on Year Increase (decrease)	James Barham	Simon Wilson	Jonathan Dawson	Angela Crawford-Ingle	Miriam Greenwood	John Misselbrook	Average Increase across all employees (excl. directors)
Salary	15.2%	n/a	0%	1.8%	2.5%	2.5%	5.9%
Taxable benefits	3.8%	n/a	0%	0%	0%	0%	2.1%
Annual incentive	(100%)	n/a	0%	0%	0%	0%	(8.8%)

Relative importance of spend on pay

£ million	Year ended 30 June 2020	Increase/ (decrease)	Year ended 30 June 2019
Total remuneration and benefits	**41.1**	(2.8%)	42.3
Distributions to shareholders including proposed dividend (pence per share)	**9.54**	(41.8%)	16.4

Non-Executive Director remuneration (audited)

The table below shows the total remuneration of the Non-Executive Directors paid during the years ended 30 June 2020 and 30 June 2019.

NED	Year	Fee £	Additional fees for chairing Committees[1]	Total
Jonathan Dawson	**2020**	**150,000**	**–**	**150,000**
	2019	150,000	–	150,000
Angela Crawford-Ingle	**2020**	**61,750**	**8,000**	**69,750**
	2019	60,500	8,000	68,500
John Misselbrook	**2020**	**43,750**	**8,000**	**51,750**
	2019	42,500	8,000	50,500
Miriam Greenwood[1]	**2020**	**43,750**	**8,000**	**51,750**
	2019	4,940	–	4,940

1. Miriam Greenwood was appointed as a Non-Executive Director on 28 May 2019, so the fee for 2019 is pro-rated.

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REMUNERATION COMMITTEE REPORT

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Non-executive Director fee review

Non-Executive Director fees were reviewed and increased effective 1 April 2020. The Chairman waived any entitlement to the review of his fees. Non-Executive Directors are reimbursed for reasonable business expenses.

Directors' shareholdings

Director	Number of ordinary shares held at 30th June 2020	Unvested share awards, at 30 June 2020
James Barham	**1,598,573**	928,840
Jack Berry	**1,357,246**	314,658
Mike Faulkner	**4,072,720**	419,254
Kevin Hayes	**446,405**	–
Jonathan Dawson	**90,800**	–
Angela Crawford-Ingle	**24,924**	–
Miriam Greenwood	**7,144**	–
John Misselbrook	**3,000**	–
Simon Wilson	**–**	177,061

The Directors' shareholding table sets out the shareholding for each person who has served as a director of the Company during the financial year. James Barham purchased 12,900 shares in October 2020 increasing his shareholding to 1,611,473. Simon Wilson purchased 6,314 shares in October 2020. There have been no further changes in Directors' share interests post year end.

Advisors

The Committee received independent advice on material matters, including:

- Compensation design advice from PricewaterhouseCoopers LLP (PwC);
- General advice from the Company Secretary and HR; and
- Legal advice on remuneration-related matters from Herbert Smith Freehills LLP.

In 2019, the Committee undertook a review of its remuneration advisors and ran a competitive selection tender process. Following the tender process, the Committee appointed PricewaterhouseCoopers LLP ('PwC LLP') to provide advice to it on remuneration matters. The Committee is satisfied that the advice received from its advisors is independent and objective. The total cost of the advice received by the Committee from PwC in relation to directors' remuneration is £91,250 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 has proposed a post-cessation shareholding requirement of 200 per cent. of base salary for a period of two years under the new Directors' Remuneration Policy which is subject to shareholder approval at the 2020 AGM.

Statement of voting at 2019 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 2019	80.25%	99.90%	0.10%	6,252
To approve the Directors' Remuneration Policy in 2017	83.15%	74.70%	25.30%	15,000

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).

Statement of implementation for 2020/21

Base salary

James Barham and Simon Wilson's base salary will remain unchanged in the financial year 2020/21 and are as follows:

James Barham	£360,000
Simon Wilson	£250,000

Short term incentive

In accordance with the proposed Policy, the maximum short-term incentive opportunity for our Executive Directors is 250 per cent. of base salary, with half paid in shares and half paid in cash.

The Committee determines performance measures and weightings aligned with the business plan and strategy. These will compromise of a combination of financial and non-financial measures, with financial measures making up at least 50 per cent. of the scorecard. A threshold, target and maximum performance level is set for each measure, with an outcome of 0 per cent. for threshold performance or below and 50 per cent. of maximum for on-target performance. Specific metrics, targets and performance against targets will be disclosed retrospectively with performance outcomes in the 2021 Annual Report due to the commercial sensitivity of the targets as they indicate the Company's strategy for the next year.

Short term incentive shares are subject to a three-year holding period and may not be sold, except to meet tax liability until the minimum shareholding requirement is achieved.

Value Transformation Plan ('VTP')

Subject to shareholder approval of the proposed Policy, the Executive Directors will be granted a one-off five year award under the VTP with phased vesting over years 3, 4 and 5 of the plan, subject to the achievement of a minimum TSR of 12 per cent. compounded annually during the performance period (years 3, 4 and 5). The initial share price used for measuring the TSR will be the higher of £1.70 and the 30 day volume weighted average share price from the date of publication of the Company's preliminary results for the year ended 30 June 2020 on 8 October 2020.

Approved and signed on behalf of the Board.

MIRIAM GREENWOOD
CHAIR OF REMUNERATION COMMITTEE

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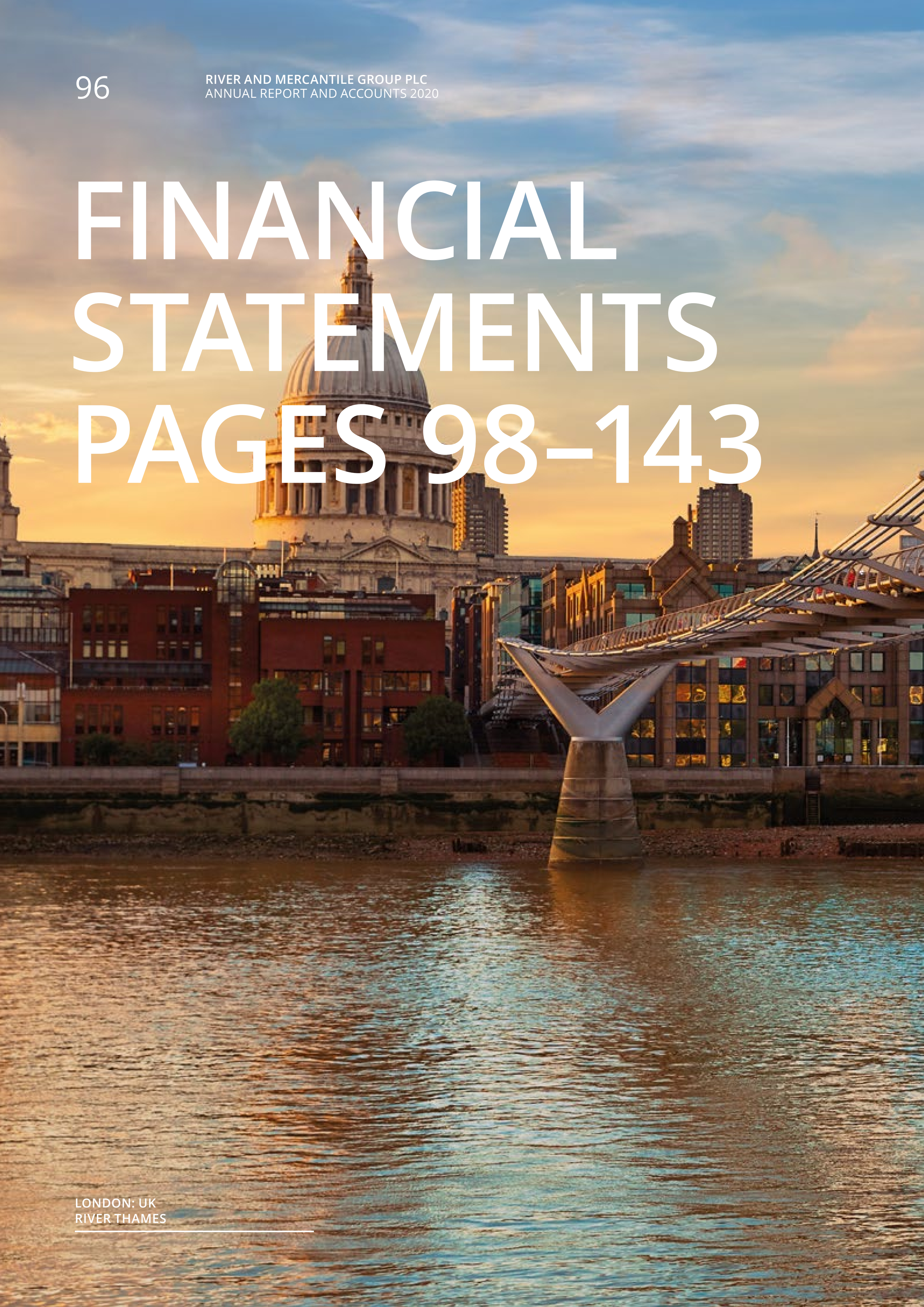

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ADDITIONAL INFORMATION

FINANCIAL STATEMENTS

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 2020 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 statement 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 2020 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 Directors' confirmation set out on page 41 in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 60 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 set out on page 60 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 judgement, 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 the scope of our audit addressed the key audit matter
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 requires judgement in determining the accrual or deferral of revenue, the treatment of performance measures and the point at which it is highly unlikely that there will not be a significant reversal in future periods.	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 applicable accounting standards and whether it is highly unlikely that there will not be a significant reversal in future periods. • 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 cash receipt, including a sample of accrued advisory fees to subsequent invoice and cash receipt. • We considered the completeness of advisory fees recognised through reviewing a sample of on-going advisory projects and the related recognition of retained fees in the current period. • 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 current year. **Key observations:** Based on the work performed we consider that revenue has been recognised appropriately and is in accordance with the group's revenue recognition accounting policy.

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

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Key Audit Matter	How the scope of our audit addressed the key audit matter
Impairment of goodwill and other intangibles assets (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. The assumptions used to calculate the recoverable amounts considered in the impairment review of goodwill 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 Investment Management Agreement Intangibles and the River and Mercantile Asset Management 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 independent evidence where possible. Together with our BDO valuations team, we determined 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. Together with our BDO valuations team, we determined 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 various CGUs. • We confirmed the adequacy of disclosures in the financial statements regarding the impairment assessment performed by management against the requirements of applicable accounting standards. **Key observations:** • As a result of performing the above procedures we consider the assumptions made to be appropriate.

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take 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 (2019:5%))	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	£410,000 (30 June 2019: £830,000)
Performance materiality (75% of financial statement materiality (2019:75%))	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	£310,000 (30 June 2019: £623,000)
Parent company financial statement materiality (a proportion of Group materiality 33% (2019: 50%))	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 Parent company	£134,000 (30 June 2019: £420,000)
Significant component materiality (a proportion of Group materiality)	To reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the group financial statements exceeds materiality for the group financial statements as a whole	A principal consideration for members of the significant components in assessing the financial performance of the Group	£130,000–£378,000 (30 June 2019: £420,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £8,000 (2019: £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 over the risks described in the key audit matters section above and of each individually significant reporting component, full scope audits of the four significant components were performed by the Group audit team, being BDO LLP. In respect of three other non-significant components, which contribute 5% of Group net assets (30 June 2019: 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 in the materiality section 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 2020 and additional audit procedures were performed to cover the three month period to 30 June 2020, 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 focussed 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.

FINANCIAL STATEMENTS

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

CONTINUED

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members 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. 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.

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 set out on page 61 –** 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 position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 64 –** 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 set out on page 50 –** 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 set out on page 61, 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 reappointed at the AGM on 9 December 2019 to audit the financial statements for the year ended 30 June 2020 and subsequent financial years. The period of total uninterrupted engagement is seven years, covering the six month period ending 30 June 2014 to 30 June 2020.

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 Parent 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, United Kingdom

30 October 2020

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

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Revenue	3		
Net management fees		**58,449**	55,546
Advisory fees		**10,932**	10,038
Performance fees		**1,161**	12,519
Total revenue		**70,542**	78,103
Administrative expenses	5	**15,926**	15,647
Depreciation of owned assets	8,21	**217**	199
Amortisation	8,9	**3,257**	4,369
Impairment of intangible assets	8,9	**1,377**	–
Total operating expenses		**20,777**	20,215
Remuneration and benefits			
Fixed remuneration and benefits		**28,922**	26,145
Variable remuneration		**12,236**	15,519
Total remuneration and benefits	6	**41,158**	41,664
EPSP (credit)/cost	6,7	**(17)**	635
Total remuneration and benefits including EPSP		**41,141**	42,299
Total expenses		**61,918**	62,514
Gain on disposal of fair value investments		**42**	20
Other (losses) and gains	10	**(301)**	841
Profit before interest and tax		**8,365**	16,450
Finance income	11	**112**	339
Finance expense	11	**(178)**	(1)
Profit before tax		**8,299**	16,788
Tax charge/(credit)	12		
Current tax		**2,799**	4,403
Deferred tax		**157**	(610)
Profit for the year attributable to owners of the parent		**5,343**	12,995
Earnings per share:	13		
Statutory basic (pence)		**6.39**	16.22
Statutory diluted (pence)		**6.37**	15.61

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Profit for the year	**5,343**	12,995
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustments	**(29)**	(21)
Total comprehensive income for the year attributable to owners of the parent	**5,314**	12,974

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020 £'000	30 June 2019 £'000
Assets			
Cash and cash equivalents	15	**24,251**	24,046
Investment management balances	16	**–**	22,277
Fee receivables	19	**10,233**	4,412
Other receivables	20	**15,458**	25,505
Assets held for sale	18	**810**	–
Investments held at fair value through profit or loss	17	**290**	5,387
Deferred tax asset	12	**276**	1,034
Right of use assets	22	**2,586**	–
Property, plant and equipment	21	**438**	606
Intangible assets	9	**26,560**	30,753
Total assets		**80,902**	114,020
Liabilities			
Investment management balances	16	**–**	22,278
Current tax liabilities		**383**	621
Trade and other payables	23	**17,493**	23,775
Lease liability	22	**2,691**	–
Deferred tax liability	12	**2,078**	2,483
Total liabilities		**22,645**	49,157
Net assets		**58,257**	64,863
Equity			
Share capital	24	**256**	256
Share premium		**15,429**	15,136
Other reserves	25	**1,010**	45,472
Own shares held by EBT	26	**(4,255)**	(6,251)
Retained earnings		**45,817**	10,250
Equity attributable to owners of the parent		**58,257**	64,863

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

JAMES BARHAM
GROUP CHIEF EXECUTIVE

30 October 2020

SIMON WILSON
CHIEF FINANCIAL OFFICER

30 October 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Cash flow from operating activities			
Profit before interest and tax		**8,365**	16,450
Adjustments for:			
Amortisation of intangible assets	9	**3,257**	4,369
Impairment of intangible assets	9	**1,377**	–
Depreciation of property, plant and equipment	21	**217**	199
Depreciation of right of use asset	22	**1,278**	–
Share-based payment expense		**409**	1,545
Other gain and losses	10	**301**	(841)
Disposal of investments held at fair value		**(42)**	(394)
Operating cash flow before movement in working capital		**15,162**	21,328
Decrease/(increase) in operating assets		**26,502**	(11,478)
(Decrease)/increase in operating liabilities		**(28,555)**	9,724
Cash generated from operations		**13,109**	19,574
Tax paid		**(3,129)**	(4,685)
Net cash generated from operating activities		**9,980**	14,889
Cash flow from investing activities			
Purchase of intangible assets	9	**(385)**	–
Purchase of property, plant and equipment	21	**(45)**	(196)
Interest received		**54**	50
Proceeds from disposal of investments held at fair value		**6,342**	414
Purchase of investments held at fair value	17	**(1,523)**	(10)
Purchase of investments held for sale	18	**(810)**	–
Proceeds of disposal in investments		**–**	15
Net cash generated from investing activities		**3,633**	273
Cash flow from financing activities			
Interest paid		**(8)**	(1)
Dividends paid	14	**(12,135)**	(13,869)
Purchase of own shares		**–**	(1,694)
Lease payments	22	**(1,503)**	–
Share issue		**294**	408
Net cash (used in) financing activities		**(13,352)**	(15,156)
Net increase in cash and cash equivalents		**261**	6
Cash and cash equivalents at beginning of year		**24,046**	24,029
Effects of exchange rate changes on cash and cash equivalents		**(56)**	11
Cash and cash equivalents at end of year	15	**24,251**	24,046

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

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 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: foreign currency translation	–	–	(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
Adjustment to retained earnings on transition to IFRS 16	–	–	–	–	(189)	(189)
Adjusted as at 1 July 2019	256	15,136	45,472	(6,251)	10,061	64,674
Comprehensive income for the year:						
Profit for the year	–	–	–	–	5,343	5,343
Other comprehensive income: foreign currency translation	–	–	(29)	–	–	(29)
Total comprehensive income for the year	**–**	**–**	**(29)**	**–**	**5,343**	**5,314**
Transactions with owners:						
Dividends	–	–	–	–	(12,135)	(12,135)
Share-based payment expense	–	–	–	–	409	409
Deferred tax on share-based payment expense	–	–	–	–	(202)	(202)
Realised tax in respect of award vesting	–	–	–	–	(96)	(96)
Disposal of shares in respect of award vesting	–	–	–	1,996	(1,996)	–
Shares issued in respect of award vesting	–	293	–	–	–	293
Capitalisation of merger reserve and capital reduction	–	–	(44,433)	–	44,433	–
Total transactions with owners:	**–**	**293**	**(44,433)**	**1,996**	**30,413**	**(11,731)**
Balance as at 30 June 2020	**256**	**15,429**	**1,010**	**(4,255)**	**45,817**	**58,257**

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

Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the High Court, the Company capitalised its merger reserve of £44.4m by cancelling the deferred shares in the Company (the "Deferred Shares") creating distributable reserves equal to the merger reserve. The Company received High Court approval in January 2020 to effect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company, accordingly supporting the Company's ability to pay future dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs, 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 that are relevant to the Group's operations and effective for accounting periods beginning on 1 July 2019.

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.

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The Directors have noted that financial markets have incurred increased volatility and uncertainty since the onset of the pandemic. This has had an adverse impact on many industries; however, the asset management sector has been reasonably protected. The rapid development and fluidity of this situation precludes any prediction as to the ultimate longer-term adverse impact of the virus on the UK and Global economies and the ability to recover from the shorter-term negative influence on certain financial markets. Whilst the significant fall in UK and global stock markets has had an effect on underlying revenues, the Directors have reasonable belief that, having considered the Group and Company's forecasted continued profitability, positive cash flow and capital base, the Group and Company has adequate resources to continue as a going concern for the foreseeable future. The Directors continue to monitor this situation and evaluate the potential risks to the Group and Company.

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.

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.

If the Group controls a fund the fund is consolidated within the Group financial statements. In the case that the Group does not control a fund for the complete reporting period, then the fund is consolidated only for the part of the reporting period for which the Group has control over the entity.

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 EBT is included in the consolidated financial statements of the Group. The EBT purchases shares pursuant to the non-dilutive equity awards granted to employees. These purchases and the operating costs of the EBT are funded by the Company. The EBT 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

Effective 17 October 2019, RAMAM ceased to be the ACD of the ICVC Funds and we initiated the transfer of the ACD responsibility to an independent third-party management company.

Prior to 17 October 2019, the Group entities acted as the investment managers to funds and segregated managed accounts, and RAMAM was the ACD of River and Mercantile Funds ICVC (collectively 'Investment Management Entities' (IMEs)).

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Basis of preparation continued

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 IMAs which allow for the removal of Group entities as the investment manager; the influence exercised by investors in the control of their IME; the arm's length nature of the Group's contracts with the IMEs; and independent Boards of Directors of the IMEs, the Group does not control the IMEs and therefore their assets, liabilities and net profit are not consolidated into the Group's financial statements. The exception to this is where the Group has seeded a fund and determines that it subsequently has control over the fund, it will be consolidated accordingly.

Foreign currencies

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

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

The functional currency of River and Mercantile LLC is US Dollars and is translated into the presentational currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the respective Statement of Financial Position;
- Income and expenses are translated at the daily exchange rate for the date on which they are incurred; and
- All resulting exchange differences are recognised in other comprehensive income.

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

Assets held for sale

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

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

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

Adoption of new standards and interpretations affecting the reported results or the financial position

This is the first set of the Group's financial statements where IFRS 16 has been applied. This new standard was adopted from 1 July 2019 and has had a significant impact on the amounts reported in these financial statements.

Transition to IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and became 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 has been recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. Comparative information will not be restated.

As at 1 July 2019 the recognition of a right of use asset and lease liability increased total asset and total liabilities by £3,823,000 and £4,024,000 respectively.

The right of use asset has been calculated as the present value of all future lease payments, including those relating to dilapidations and costs incurred in obtaining the leases. The lease liability is measured using an appropriate discount rate for the Group from the date of the initial application of the standard equal to the incremental borrowing rate of the Group on the leases of 5.0%.

The adjustment to opening reserves at 1 July 2019 was £189,000 being the difference between the right of use asset and the lease liability at the date of transition less any balances recognised under IAS 17. The lease payment expenses relating to the Group's property portfolio will now be split as the straight-line depreciation cost of the capitalised asset included as office facilities costs within administrative expenses and the unwinding of the lease liability charged to finance expenses. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5.0%.

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 include estimates are detailed below:

- Recognition of management and performance fee revenues. This involves estimates of AUM positions for the purposes of accruing revenue, which are described in note 3.
- The accounting for UCITS V deferred remuneration involves estimates of forfeiture rates.
- Calculation of lease assets and lease liabilities.

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

- Impairment of intangible assets, goodwill and investments recorded in previous acquisitions. This involves judgements including business growth and estimates including discount rates, which are described in note 9.
- Provisions, which are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Determining whether provisions are required and at what level, requires both judgement and estimates.
- The accounting for share-based remuneration. This involves judgements relating to forfeiture rates and business outcomes and estimates of future share prices for National Insurance cost, which are described in note 7.
- The accounting for the contingent consideration in respect of the acquisition of the Emerging Markets ILC team. This involves judgements relating to the likely useful life of intangibles and estimates as to revenue and cost growth over time.
- Whether an asset should be classified as held for sale.

3. Revenue

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Net management fees		
– Fiduciary Management	**21,118**	18,790
– Derivatives	**15,389**	13,379
– Equity Solutions – Wholesale	**8,851**	11,270
– Equity Solutions – Institutional	**13,091**	12,107
Net management fees	**58,449**	55,546
Advisory fees		
– Retainers	**5,054**	5,295
– Project fees	**5,878**	4,743
Advisory fees	**10,932**	10,038
Total underlying revenue	**69,381**	65,584
Performance fees		
– Fiduciary Management	**1,161**	10,553
– Equity Solutions	**–**	1,966
Total performance fees	**1,161**	12,519
Total revenue	**70,542**	78,103

Net management fees

Net management fees represent the fees charged pursuant to an IMA. Net management fees are reported net of rebates to clients and are typically charged as a percentage of the client's AUM. The fees are generally accrued based on a contractual daily fee calculation and billed to the client either monthly or quarterly. During the year ended 30 June 2020, rebates totalling £2,739,000 (2019: £2,835,000) were paid in respect of Equity Solutions and DAA Fund management fees.

Advisory fees

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

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Revenue continued

Performance fees

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

There were £30,000 (2019: £38,000) contract liabilities as at the year ended 30 June 2020.

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 Statement, balance sheets, forecasts and budgets presented at a Group level.

No single client accounts for more than 10% of the revenue of the Group (2019: 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 2020 was £6.3 million (2019: £6.1 million). The AUM of the US business was £1,449 million (2019: £918 million).

Non-current assets held by the US business include £1.5 million (2019: £1.5 million) of goodwill.

5. Administrative expenses

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Marketing	**799**	883
Travel and entertainment	**427**	825
Office facilities	**2,517**	2,751
Technology, market data and communications	**5,593**	5,012
Professional fees	**2,064**	1,576
Research	**1,331**	1,334
Governance expenses	**801**	570
Fund administration	**1,162**	1,290
Other staff costs	**251**	543
Insurance	**613**	555
Irrecoverable VAT	**215**	93
Other costs	**153**	215
Total administrative expenses	**15,926**	15,647

Included within office facilities expenses in the current year is the depreciation charge on the right of use asset of £1.3 million following the implementation of IFRS 16 (note 22). As the Group adopted IFRS 16 under the modified retrospective approach (note 1), the prior year has not been restated. The expenses relating to the Group's leased properties are charged as the straight-line depreciation cost of the capitalised asset.

5. Administrative expenses continued

Included within governance expenses is the remuneration of the external auditors for the following services:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Audit of the Company's annual accounts	**130**	104
Audit of the Company's subsidiaries	**114**	99
Audit related assurance services	**75**	52
	319	255

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 it pays contributions to a third party.

Variable remuneration relates to discretionary bonuses, variable profit share paid to the members of RAMAM, IFRS 2 charges in respect of share awards and associated payroll taxes and recruitment costs. Recruitments costs of £487,000 were incurred in the year (2019: £393,000).

Variable remuneration also includes a charge of £406,000 (2019: £964,000) relating to the amortisation of the Group's non-dilutive share awards and a credit of £40,000 (2019: credit of £132,000) of associated social security costs.

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
The average number of employees (including Directors) employed was:		
Advisory division	**68**	69
Fiduciary Management division	**74**	58
Derivative Solutions division	**28**	28
Equity Solutions division	**31**	31
Distribution	**15**	14
Corporate	**52**	55
Total average headcount	**268**	255

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
The aggregate remuneration of employees (including Directors) comprised:			
Wages and salaries		**36,192**	36,208
Social security costs		**3,575**	3,420
Pension costs (defined contribution)		**976**	937
Share-based payment expense		**415**	1,099
Total remuneration and benefits (excluding EPSP)		**41,158**	41,664
Fixed remuneration		**28,922**	26,145
Variable remuneration		**12,236**	15,519
		41,158	41,664
EPSP costs:			
Share-based payment expense	7	**–**	452
Social security costs	7	**(17)**	183
Total EPSP (credit)/costs		**(17)**	635

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. Remuneration and benefits continued

Directors' remuneration

The aggregate remuneration and fees payable to Executive and Non-Executive Directors for the year ended 30 June 2020 was £1,042,000 (2019: £3,082,000).

Information regarding the aggregate single figure remuneration of the Executive Directors (which includes the highest paid Director of £395,000 (2019: £2,801,000)) included in the Remuneration Committee Report.

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 2020 £'000	Year ended 30 June 2019 £'000
Short-term employee benefits	**5,932**	8,316
Long-term employee benefits	**7**	280
Post-employment benefits	**113**	101
Share-based payment expense	**141**	302
	6,193	8,999

7. Share-based payments

Where share-based awards are granted to employees, the fair value of the award at the date of grant is charged to the Consolidated Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each year-end date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of shares that eventually vest. Market vesting conditions are factored into the fair value of the awards granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of awards are modified before they vest, the change in the fair value of the award, measured immediately before and after the modifications, is recognised in the Consolidated Income Statement over the remaining vesting period.

Executive Performance Share Plan

As reported in the prior year's Annual Report, after completion of the Executive Performance Share Plan award holding period, during the year ended 30 June 2019 the award shares vested on 26 June 2019.

Performance Share Plan

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

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

7. Share-based payments continued

The key features of the awards are:

Financial year of award	2016	2017	2018	2019	2020
Grant date award value £'000					
Scheme 1 – Employees	1,971	713	94	131	**–**
Scheme 2 – Employees	100	–	–	–	**–**
Scheme 3 – Employees	407	466	1,622	274	**–**
Scheme 4 – Employees	–	–	612	612	**–**
Scheme 5 – Employees	–	–	155	–	**–**
Scheme 6 – Executive Directors	585	950	3,586	2,015	**293**
Number of shares granted '000					
Scheme 1 – Employees	892	229	29	41	**–**
Scheme 2 – Employees	45	–	–	–	**–**
Scheme 3 – Employees	184	150	514	108	**–**
Scheme 4 – Employees	–	–	196	190	**–**
Scheme 5 – Employees	–	–	48	–	**–**
Scheme 6 – Executive Directors	265	304	1,114	797	**177**
Maximum term at grant date					
Scheme 1 – Employees	5 years	4 years	4 years	3 years	**n/a**
Scheme 2 – Employees	4 years	n/a	n/a	n/a	**n/a**
Scheme 3 – Employees	4 years	4 years	4 years	3 years	**n/a**
Scheme 4 – Employees	n/a	n/a	3 years	3 years	**n/a**
Scheme 5 – Employees	n/a	n/a	4 years	n/a	**n/a**
Scheme 6 – Executive Directors	5 years	4 years	4 years	5 years	**3 years**
Vesting conditions (see key below)					
Scheme 1 – Employees	1, 2 and 3	1, 2 and 3	1, 2 and 3	1 and 4	**n/a**
Scheme 2 – Employees	1 and 2	n/a	n/a	n/a	**n/a**
Scheme 3 – Employees	1	1	1	1	**n/a**
Scheme 4 – Employees	n/a	n/a	1 and 4	1 and 4	**n/a**
Scheme 5 – Employees	n/a	n/a	none	n/a	**n/a**
Scheme 6 – Executive Directors	1 and 2	1 and 2	1 and 5	1 and 6	**1**

1. Remain employed throughout vesting period, subject to malus and good leaver provisions.
2. Achievement of specified TSR target within a range.
3. Straight-line between minimum and maximum divisional AUM and revenue targets.
4. Achievement of specified revenue targets within a range.
5. Achievement of specified adjusted underlying earnings per share targets and personal objectives.
6. Achievement of specified adjusted underlying earnings per share targets and business performance criteria.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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	2016	2017	2018	2018	2018	2019	2019	2020
Grant date award value £'000	3,063	2,130	668	1,133	4,268	743	2,290	293
Grant date share price £	2.21	3.12	3.14	3.12	3.22	3.22	2.53	1.65
Number of shares outstanding at 30 June 2018	838	683	213	363	1,325	–	–	–
Number of shares granted during the year	–	–	–	–	–	231	905	–
Number of shares forfeited during the year	–	(72)	–	(7)	(13)	(9)	–	–
Exercised during the year	(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	905	–
Number of shares granted during the year	–	–	–	–	–	–	–	177
Number of shares forfeited during the year	(11)	(457)	–	(189)	(328)	(36)	(13)	–
Exercised during the year	(379)	(87)	(65)	(58)	(51)	–	–	–
Vesting profile adjustments	–	–	–	–	31	–	–	–
Number of shares outstanding at 30 June 2020	**378**	**22**	**40**	**67**	**921**	**186**	**892**	**177**
Fair value assumptions:								
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Risk free rate	0.94% or 1.00	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	(1.04%)
Share price volatility	27.40%	27.90%	28.20%	28.20%	28.80%	28.80%	30.83%	33.66%
Dividend yield	5%	5%	5%	5%	5%	5%	5%	5%
Number of shares expected to vest '000	–	22	40	67	284	172	687	177

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 crystallise at the end of the vesting period subject to the approval of the Remuneration Committee. As at the reporting date 172,000 of the shares awarded were exercisable (2019: 504,000).

The 2019 Annual Report included an estimate for 2019 awards, a certain number of which were ultimately not granted. This has been retrospectively adjusted in the above table to show the awards granted that were outstanding at 30 June 2019.

8. Depreciation and amortisation

Depreciation on owned assets 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. Depreciation on right of use leasehold assets is included within administration expenses and detailed in note 5.

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 note 9. 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 twenty 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, the remaining amortisation period at 30 June 2020 is 3 years and 9 months.

Internally generated software

The Group capitalises the development of internally developed software from which it expects to get future economic benefit. Internally generated software will be recorded at cost less accumulated amortisation.

Costs incurred during the development stage are capitalised until such time that the software is substantially complete and ready for its intended use. Amortisation is charged on a straight-line basis over the expected useful life of the software which is currently between four and five years, but is assessed separately for each identifiable software development. Internal and external costs incurred in connection with researching, training or maintenance of any internally generated software are expensed as incurred.

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.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Intangible assets continued

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 2018	15,595	38,491	84	54,170
Exchange difference	47	65	–	112
At 30 June 2019	15,642	38,556	84	54,282
Additions	–	–	385	385
Exchange difference	47	65	–	112
At 30 June 2020	**15,689**	**38,621**	**469**	**54,779**
Accumulated amortisation and impairment:				
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
Amortisation charge	–	3,226	31	3,257
Impairment	21	1,356	–	1,377
Exchange difference	–	56	–	56
At 30 June 2020	**439**	**27,691**	**89**	**28,219**
Net book value:				
At 30 June 2019	15,224	15,503	26	30,753
At 30 June 2020	**15,250**	**10,930**	**380**	**26,560**

Impairment review

Goodwill includes £13.2 million (2019: £13.2 million) in respect of RAMAM and £1.5 million (2019: £1.5 million) 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 10% (2019: 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 to a rate in excess of 38% is required to indicate impairment.

The Directors estimated the recoverable amount of the Cassidy goodwill using a fair value less costs of disposal. 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 level 3 valuation under the fair value hierarchy. A reduction in the revenue multiple of greater than 50% would be required to indicate impairment.

Included in customers lists and IMAs as at 30 June 2019 was a net book value of £1,426,000 relating to the investment management balances of the ILC funds. The recoverable amount of the asset is assessed using its value in using a pre-tax discount rate of 10% (2019: 12%). Due to a reduction in the AUM in these funds an impairment charge of £1,143,000 has been recorded in the period ended 30 June 2020. Following this impairment and any accumulated amortisation charged, the net book value of the ILC IMAs as at 30 June 2020 was £nil. Where conditions which give rise to an impairment subsequently reverse the effect of the impairment charge is reversed as a credit to the income statement.

10. Other gains and losses

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Loss on disposal of fixed assets		**–**	(12)
Gain on disposal of subsidiary		**–**	15
Gain on purchase of UCITS		**27**	21
Investments held at fair value through profit or loss (FVTPL)	17	**(435)**	441
Fair value of contingent consideration		**107**	376
Total other gains and losses		**(301)**	841

11. Finance income and expenses

Finance income and expense are recognised in the period to which it relates on an accruals basis.

Finance income comprises £54,000 of bank interest (2019: £50,000), £58,000 of foreign exchange gain (2019: £209,000) and £nil of interest earned from a loan to Palisades (2019: £80,000).

Finance expense comprises of lease liability finance interest unwind £170,000 (2019: £nil) and bank charges of £8,000 (2019: £1,000).

12. 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.

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.

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Current tax:		
Current tax on profits for the year	**2,799**	4,365
Adjustments in respect of prior years	**–**	38
Total current tax	**2,799**	4,403
Deferred tax – origination and reversal of timing differences	**157**	(610)
Total tax charge	**2,956**	3,793

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

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Current and deferred tax continued

The differences are explained below:

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Profit before tax	**8,299**	16,788
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2019: 19%)	**1,577**	3,190
Effects of:		
Expenses not deductible for tax purposes	**145**	10
Losses not deductible for tax purposes	**972**	865
Income not subject to tax	**–**	(135)
Adjustment in respect of prior years	**–**	(3)
Other reconciling differences	**262**	(134)
Total tax charge	**2,956**	3,793

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

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Deferred tax assets		
At beginning of year	**1,034**	2,443
(Charge)/credit to the income statement:		
– share-based payment expense	**(562)**	(59)
– movement in foreign exchange	**6**	–
Debit to equity:		
– share-based payment expense	**(202)**	(291)
– recycling of deferred tax on shares vested	**–**	(1,059)
At end of year	**276**	1,034
Deferred tax liabilities		
At beginning of year	**2,483**	3,153
Charge/(credit) to the income statement:		
– amortisation of intangibles	**(554)**	(752)
– re-measurement of deferred tax on intangibles for changes in expected tax rate	**233**	–
– movement on investments held at fair value	**(84)**	82
At end of year	**2,078**	2,483

13. 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.

The Group operates a SAYE Scheme for employees. The SAYE Scheme allows employees to contribute towards a share option scheme over a three year period. At the end of the scheme the employees have the option to either receive shares in River and Mercantile Group PLC or cash. The potential dilutive effect of this scheme is also considered in the calculation of diluted earnings per share.

Additionally, in 2019 the vesting EPSP awards had 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 were recognised as shares in issue.

The dilutive effect of the EPSP awards was considered in the calculation of diluted earnings per share for the year ended 30 June 2019.

	Year ended 30 June 2020	Year ended 30 June 2019
Profit attributable to owners of the parent (£'000)	**5,343**	12,995
Weighted average number of shares in issue ('000)	**83,624**	80,121
Weighted average number of diluted shares ('000)	**83,856**	83,244
Earnings per share:		
Earnings per share		
Basic (pence)	**6.39**	16.22
Diluted (pence)	**6.37**	15.61

Reconciliation between weighted average number of shares in issue

	Year ended 30 June 2020 '000	Year ended 30 June 2019 '000
Weighted average number of shares in issue – basic	**83,624**	80,121
Dilutive effect of shares granted under SAYE	**232**	335
Dilutive effect of shares granted under EPSP	**–**	2,788
Weighted average number of shares in issue – diluted	**83,856**	83,244

Adjusted profit

The Group uses adjusted profit (pre and post-tax), adjusted underlying profit (pre and post-tax), adjusted earnings per share and adjusted underlying earnings per share as alternative performance measures.

The alternative performance measures are used to present shareholders and analysts with a clear view of what the Board considers to be a fair reflection of the Group's results by excluding certain non-cash items detailed below. In the case of underlying measures, these also exclude the impact of performance fees which are more volatile and less consistent in nature than the Group's other revenue sources. This enables consistent period-on-period comparison and makes it easier for users of the accounts to identify trends.

Adjusted profit comprises adjusted underlying profit and performance fee profit.

Adjusted profit before tax is determined by adjusting statutory profit before tax for the impact of amortisation and impairment of intangible assets (excluding software), other gains and losses, and dilutive share awards.

Adjusted underlying profit before tax is calculated by subsequently deducting any performance fee profit before tax from adjusted profit before tax.

Performance fee profit represents performance fees, less the associated remuneration costs plus the gain or loss on disposal of seed investments held.

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13. 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 2020 £'000	Year ended 30 June 2019 £'000
Adjusted profit calculation:		
Statutory profit before tax	**8,299**	16,788
Adjustments:		
Amortisation and impairments of intangible assets	**4,603**	4,347
Other gains and losses	**301**	(841)
Dilutive share awards (credits)/costs	**(17)**	635
Adjusted profit before tax	**13,186**	20,929
Taxes	**(3,330)**	(4,701)
Adjusted profit after tax	**9,856**	16,228
Performance fee profit calculation:		
Performance fees	**1,161**	12,519
Less remuneration at 50% (2019: 50%)	**(581)**	(6,260)
Gains and (losses) on disposal of investments	**42**	20
Performance fee profit before tax	**622**	6,279
Taxes	**(118)**	(1,194)
Performance fee profit after tax	**504**	5,085
Adjusted underlying profit calculation:		
Adjusted profit before tax	**13,186**	20,929
Less: Performance fee profit before tax	**(622)**	(6,279)
Adjusted underlying profit before tax	**12,564**	14,650
Taxes on adjusted profit	**(3,330)**	(4,701)
Add back: Taxes on performance fee profit	**118**	1,194
Adjusted underlying profit after tax	**9,352**	11,143
Adjusted underlying pre-tax margin (calculated on total revenue excluding performance fees)	**18%**	22%

Adjusted earnings per share

	Year ended 30 June 2020	Year ended 30 June 2019
Adjusted profit after tax (£'000)	**9,856**	16,228
Adjusted underlying profit after tax (£'000)	**9,352**	11,143
Weighted average shares ('000)	**83,624**	80,121
Weighted average diluted shares ('000)	**83,856**	83,244
Adjusted earnings per share:		
Basic (pence)	**11.79**	20.26
Diluted (pence)	**11.75**	19.50
Adjusted underlying earnings per share:		
Basic (pence)	**11.18**	13.91
Diluted (pence)	**11.15**	13.39

14. 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 2020 £'000	Year ended 30 June 2019 £'000
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
2019 second interim	3.5	1.6	5.1	**4,269**	–
2019 final	2.6	2.4	5.0	**4,188**	–
2020 first interim	3.9	0.5	4.4	**3,678**	–
				12,135	13,869

15. 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 2020 £'000	30 June 2019 £'000	Credit rating	Rating body
Barclays Bank	**19,305**	18,728	A1/Negative	Moody's
Lloyds Bank	**4,384**	5,043	Aa3	Moody's
First Republic Bank	**562**	275	A1	Moody's
Total cash and cash equivalents	**24,251**	24,046		

16. Investment management balances

	30 June 2020 £'000	30 June 2019 £'000
Investment management receivables	–	22,277
Investment management payables	–	22,278

Effective 17 October 2019, RAMAM ceased to be the ACD of the ICVC Funds and we initiated the transfer of the ACD responsibility to an independent third party management company. The reduction of other receivables was a result of this change.

As ACD of River and Mercantile Funds ICVC (the Fund), the Group was required to settle transactions between investors and the depositary of the Fund. The Group was 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 held in the prior year is discussed in note 28.

The investment management balances were 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 were 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 stage 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 not recognised any impairment losses in the current year under IFRS 9 (2019: £nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Investments held at FVTPL

The Group uses capital to invest in its own fund products as seed investments. The investments are recognised as a financial asset in the Statement of Financial Position and changes to the fair value are recognised in the income statement. The fair value of the Group's investment in its funds is 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 movement in the carrying value of the investments is analysed below:

	Investments held at FVTPL £'000
At 30 June 2018	5,165
Additions	10
Movement in FVTPL	441
Foreign exchange movement	165
Disposals	(394)
At 30 June 2019	5,387
Additions	1,523
Movement in FVTPL	(435)
Foreign exchange movement	(58)
Disposals	(6,127)
At 30 June 2020	**290**

18. Assets held for sale

Where the Group seeds a fund, which meets the definition of an asset held for sale it is accounted for accordingly. These will be held at the lower of cost or net realisable value.

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

	Investments held for sale £'000
At 30 June 2019	–
Additions	810
At 30 June 2020	**810**

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 (which is adjusted for forward-looking estimates) 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 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 not recognised any impairment losses in the current year under IFRS 9 (2019: £nil). The Directors are satisfied with the credit quality of counterparties.

	30 June 2020 £'000	30 June 2019 £'000
Fees receivable	**10,233**	4,412
	10,233	4,412

19. Fee receivables continued

As at 30 June 2020, 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 366 days past due	Total
Expected loss rate	0%	0%	0%	0%	50%	
Fee receivables balance	9,376	733	77	47	–	10,233
Loss provision	–	–	–	–	–	–

Movements in the impairment allowance for fee receivables are as follows:

	30 June 2020 £'000	30 June 2019 £'000
Opening provision for impairment	**–**	38
Increase during the year	**–**	7
Receivable written off during the year	**–**	(45)
Closing provision for impairment	**–**	–

The average credit period on fee receivables is 13 days (2019: 32 days).

20. Other receivables

	30 June 2020 £'000	30 June 2019 £'000
Accrued income	**13,723**	18,186
Prepayments	**1,691**	1,494
Other debtors	**44**	5,825
	15,458	25,505

In 2019, other debtors included 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 and an ACD debtor of £1,083,000.

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 (2019: £nil).

The Group's policy on financial instruments can be found in note 28.

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 are reviewed annually. Depreciation on right of use leasehold assets is included in administration expenses.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
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
Additions	45	–	45
Exchange difference	5	2	7
At 30 June 2020	**607**	**552**	**1,159**
Accumulated depreciation:			
At 30 June 2018	365	22	387
Disposals	(85)	–	(85)
Depreciation charge on owned assets	71	128	199
At 30 June 2019	351	150	501
Depreciation charge on owned assets	72	145	217
Exchange difference	2	1	3
At 30 June 2020	**425**	**296**	**721**
Net book value:			
At 30 June 2019	206	400	606
At 30 June 2020	**182**	**256**	**438**

22. Right of use assets and lease liability

Right of Use Asset on Leasehold Property	£'000
Cost:	
At 30 June 2019	–
Recognition of asset on transition to IFRS 16	5,591
Additions	41
At 30 June 2020	**5,632**
Accumulated depreciation:	
At 30 June 2019	–
Recognition of depreciation charge on transition to IFRS 16	1,768
Depreciation charge	1,278
At 30 June 2020	**3,046**
Net book value:	
At 30 June 2019	–
At 30 June 2020	**2,586**

22. Right of use assets and lease liability continued

Lease Liability	£'000
Liability:	
At 30 June 2019	–
Recognition of liability on transition to IFRS 16	4,024
Payments made	(1,503)
Interest charge	170
At 30 June 2020	**2,691**
Of which:	
Current lease liabilities	1,456
Non-current lease liabilities	1,235
At 30 June 2020	**2,691**

From 1 July 2019, the Group's leases relating to office accommodation with terms of more than one year are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5%. Leases with terms less than one year will continue to be recognised as an operating lease.

The table below shows a reconciliation from the operating lease commitments disclosed at 30 June 2019 to the lease liability recognised on implementation of IFRS 16:

	Lease Liability
Operating lease commitments at 30 June 2019	4,098
(Less): adjustments relating to leases of low value assets	(121)
Add: Adjustments as a result of different treatment of extension and termination options	332
(Less): discount using the lessee's incremental borrowing rate	(285)
Lease Liability recognised at 1 July 2020	**4,024**

23. Trade and other payables

	30 June 2020 £'000	30 June 2019 £'000
Trade payables	**195**	771
VAT payable	**1,110**	1,029
Remuneration accruals	**11,570**	17,459
Other accruals and payables	**4,588**	4,478
Contract liabilities	**30**	38
	17,493	23,775

The Group's policy on financial instruments can be found in note 28.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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	734
Balance at 30 June 2019	85,296,176	255,889
Shares issued in respect of SAYE award vesting	157,458	472
Balance as at 30 June 2020	**85,453,634**	**256,361**

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

The share premium account arises from the excess paid over the nominal value of the shares issued.

25. Other reserves

	30 June 2020 £'000	30 June 2019 £'000
Foreign exchange reserve	**350**	379
Capital redemption reserve	**84**	84
Merger reserve	**–**	44,433
Capital contribution reserve	**576**	576
	1,010	45,472

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. Upon any disposal of the US Dollar denominated business, the associated cumulative foreign exchange differences would be recycled through the Consolidated Income Statement.

The capital contribution reserve arose from a historical acquisition whereby the Group's then parent settled part of the consideration in its own shares valued at £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).

Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the High Court, the Company capitalised its merger reserve of £44.4m by cancelling the deferred shares in the Company (the "Deferred Shares") creating distributable reserves equal to the merger reserve. The Company received High Court approval in January 2020 to effect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company accordingly, supporting the Company's ability to pay future dividends.

26. Own shares held by EBT

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 own shares by EBT	1,694
Disposal of shares in respect of award vesting	(424)
Balance at 30 June 2019	6,251
Disposal of shares in respect of award vesting	(1,996)
Balance as at 30 June 2020	**4,255**

27. Related party transactions

Related parties to the Group are its key management personnel (note 6).

In the prior year the Punter Southall Group (PSG) were a related party of the Group but ceased to be so in the year ended 30 June 2020 by virtue of PSG's representative director resigning on 30 June 2019.

Significant transactions with PSG

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Administrative charges from PSG:		
Office facilities	**N/A**	435
Total administrative charges	**N/A**	435

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.

Financial assets at FVTPL

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 losses. 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.

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 2020 £'000	30 June 2019 £'000
Financial assets		
Cash and cash equivalents	**24,251**	24,046
Investment management balances	**–**	22,277
Fee receivables	**10,233**	4,412
Other receivables	**13,767**	24,011
Total financial assets held at amortised cost	**48,251**	74,746
Investments held at FVTPL	**290**	5,387
Total Investments held at FVTPL	**290**	5,387
Total financial assets	**48,541**	80,133

Other receivables exclude prepayments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Financial instruments continued

	30 June 2020 £'000	30 June 2019 £'000
Financial liabilities		
Investment management balances	–	22,278
Trade and other payables	**17,493**	23,344
Total financial liabilities at amortised cost	**17,493**	45,622
Contingent consideration	**228**	393
Total financial liabilities held at fair value	**228**	393
Total financial liabilities	**17,721**	46,015

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.

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 contingent consideration is calculated based on the 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. During the year the contingent consideration has moved by £165,000 predominantly due to £112,000 of fair value adjustments.

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 10% and an assumed AUM growth of 10% per annum, the fair value of the contingent consideration payable is £228,000 (2019: £393,000).

	30 June 2020 £'000	30 June 2019 £'000
Financial assets		
Financial assets held at fair value – level 2	**290**	5,387
	290	5,387

	30 June 2020 £'000	30 June 2019 £'000
Financial liabilities		
Financial liabilities held at fair value – level 3	**228**	393
	228	393

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

28. Financial instruments continued

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, 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. Where it is deemed that a receivable is no longer recoverable it will be written off but will still be subject to enforcement activity.

The aging of outstanding fee receivables at the reporting date is given in note 19. There was no single fee receivable balance at year-end that is material to the Group (2019: none).

The banks with whom the Group deposits cash and cash equivalent balances are monitored, including their credit ratings (note 15). The Board consider both short term and long term credit ratings of its bank counterparties.

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 2020 £'000	30 June 2019 £'000
Fee receivables	**675**	25
Cash and cash equivalents	**1,158**	249
Payables	**(3,823)**	(1,026)
Other assets	**2,785**	1,653
Assets held for sale	**810**	–
Investments held at fair value	**240**	5,261
Total	**1,845**	6,162

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 £185,000 (2019: £616,000).

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.

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 cash 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Financial instruments continued

The Group has entered into leases over its premises. The Group's lease liability of £2,691,000 is presented on the Statement of Financial Position.

At 30 June 2020, the Group had cash and cash equivalents of £24.3 million (2019: £24.0 million).

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 2020				
Assets				
Cash and cash equivalents	24,251	–	–	–
Fee income receivables	–	10,233	–	–
Other receivables	–	9,173	4,536	58
Total financial assets	**24,251**	**19,406**	**4,536**	**58**
Liabilities				
Trade and other payables	–	15,373	1,146	946
Total financial liabilities	**–**	**15,373**	**1,146**	**946**
Net liquidity surplus/(deficit)	**24,251**	**4,033**	**3,390**	**(888)**

	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)

Capital management

The Group operates its subsidiaries as self-sufficient entities which, save for activities in the US, 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 Company became publicly listed on 26 June 2014 and remains publicly listed. The Directors consider that there is no ultimate controlling party of the Group.

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 Services LLC[2]	US	100	1209 Orange St, Wilmington, Delaware 19801	Dormant service company
River and Mercantile Group Employee Benefit Trust	UK	0	12 Castle Street, St Helier, Jersey, JE2 3RT	EBT
River & Mercantile International High Alpha Fund[3]	US	100	C/O Global Trust Company 12 Gill Street, Suite 2600 Woburn US-MA US 01801	Delaware series LLC

1. Indirect holding.
2. Exempt from audit requirements.
3. Fund consolidated as held for sale.

River and Mercantile Asset Management LLP 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.

During the year River and Mercantile Services LLC was liquidated and ceased to form part of the Group.

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 2.81 pence per share. The second interim dividend will be paid on 20 November 2020 to shareholders on the register as at 23 October 2020. The ex-dividend date is 22 October 2020.

The Board of Directors have also proposed a final dividend for the year ended 30 June 2020, subject to approval by shareholders at the Group's AGM on 14 December 2020, of 2.34 pence per share.

FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	30 June 2020 £'000	30 June 2019 £'000
Assets			
Cash and cash equivalents	2	**13,898**	11,104
Other receivables	3	**3,396**	12,947
Deferred tax asset	4	**126**	736
Right of use assets	6	**1,620**	–
Property, plant and equipment	5	**188**	314
Intangible assets	7	**380**	26
Investments	8	**58,901**	58,762
Total assets		**78,509**	83,889
Liabilities			
Payables	9	**2,697**	9,254
Lease liability	6	**1,578**	–
Total liabilities		**4,275**	9,254
Net assets		**74,234**	74,635
Equity			
Share capital	10	**256**	256
Share premium	11	**15,428**	15,136
Other reserves	12	**84**	44,517
Retained earnings		**58,466**	14,726
Equity attributable to owners		**74,234**	74,635

The notes to the financial statements of River and Mercantile Group PLC (registered number 04035248) form part of and should be read in conjunction with the financial statements.

The Company's profit after tax for the year was £11,335,000 (2019: £15,810,000).

JAMES BARHAM
GROUP CHIEF EXECUTIVE

30 October 2020

SIMON WILSON
CHIEF FINANCIAL OFFICER

30 October 2020

COMPANY STATEMENT OF CASH FLOWS

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Cash flow from operating activities		
Profit before interest and tax	**11,809**	15,791
Adjustments for:		
Depreciation of property, plant and equipment	**150**	122
Depreciation of right of use asset	**1,050**	–
Amortisation of intangible assets	**32**	21
EBT funding	**–**	2,079
Share-based payment expense	**265**	429
Dividends from subsidiaries	**(16,000)**	(23,200)
Other gains and losses	**(27)**	21
Operating cash flow before movement in working capital	**(2,721)**	(4,737)
Decrease/(increase) in operating assets	**4,306**	(5,230)
(Decrease)/increase in operating liabilities	**(6,691)**	649
Cash (used in) operations	**(5,106)**	(9,318)
Taxation received	**511**	1,206
Net cash (used in) operations	**(4,595)**	(8,112)
Cash flow from investing activities		
Purchases of property, plant and equipment	**(24)**	(190)
Purchase of intangible assets	**(386)**	–
Repayment of intercompany loan receivables	**4,877**	4,016
Interest received	**37**	36
Dividends received from subsidiaries	**16,000**	23,200
Net cash generated from investing activities	**20,504**	27,062
Cash flow from financing activities		
EBT funding settled	**–**	(2,200)
Dividends paid	**(12,135)**	(13,869)
Share issue	**294**	408
Lease liability payments	**(1,274)**	–
Net cash (used in) financing activities	**(13,115)**	(15,661)
Net increase in cash and cash equivalents	**2,794**	3,289
Cash and cash equivalents at beginning of year	**11,104**	7,815
Cash and cash equivalents at end of year	**13,898**	11,104

Repayment of intercompany loan receivables were classified as financing cash flows in the prior year. These cash flows relate to the payment of amounts loaned to group companies so should have been classified as investing cash flows. The prior year cash flow statement has been restated so as to reclassify the cash flows as relating to an investing activity.

FINANCIAL STATEMENTS

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 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
Adjustment to retained earnings on transition to IFRS 16	–	–	–	(123)	(123)
Adjusted Balance as at 30 June 2019	256	15,136	44,517	14,603	74,512
Comprehensive income for the year:					
Profit for the year	–	–	–	11,335	11,335
Total comprehensive income for the year	**–**	**–**	**–**	**11,335**	**11,335**
Transactions with owners:					
Dividends	–	–	–	(12,135)	(12,135)
Share-based payment expense	–	–	–	409	409
Deferred tax on share-based payment expense	–	–	–	(158)	(158)
Realised tax in respect of award vesting	–	–	–	(21)	(21)
Transfer to retained earnings	–	–	(44,433)	44,433	–
Share issue in respect of award vesting	–	292	–	–	292
Total transactions with owners:	**–**	**292**	**(44,433)**	**32,528**	**(11,613)**
Balance as at 30 June 2020	**256**	**15,428**	**84**	**58,466**	**74,234**

The merger reserve arose on the acquisition of RAMAM in March 2014. Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the High Court, the Company capitalised its merger reserve of £44.4 million by paying up and issuing deferred shares in the Company (the "Deferred Shares") to a nominee who held such shares in trust for the shareholders. The Company received High Court approval in January 2020 to affect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Basis of preparation

The Company's financial statements have been prepared in accordance with IFRSs, 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 that are relevant to its operations and effective for accounting periods beginning on 1 July 2019.

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 2020 was £11,335,000 (2019: £15,810,000).

In accordance with Section 408 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.

Dividends

See note 14 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 2020 £'000**	30 June 2019 £'000	Credit rating	Rating body
Barclays Bank	**13,898**	11,104	A1/negative	Moody's

3. OTHER RECEIVABLES

	30 June 2020 £'000	30 June 2019 £'000
Taxes and social security	**327**	202
Prepayments and accrued income	**601**	779
Amounts owed from Group undertakings	**2,467**	8,116
Other debtors	**1**	3,850
	3,396	12,947

Other debtors in the prior year 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 £nil (2019: £3,693,000).

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 (2019: £nil).

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

4. Tax

The Company's accounting policy in respect of tax is the same as that of the Group as detailed in note 12 of the consolidated financial statements.

	30 June 2020 £'000	30 June 2019 £'000
Deferred tax assets:		
At beginning of year	**736**	2,074
(Charge) to the income statement – share-based payment expense	**(451)**	(66)
(Charge) to equity – share-based payment expense	**(159)**	(1,272)
At year end	**126**	736

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 Income Statement over their expected useful lives.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 30 June 2019	136	370	506
Additions	24	–	24
At 30 June 2020	**160**	**370**	**530**
Accumulated depreciation:			
At 30 June 2019	29	163	192
Depreciation charge	32	118	150
At 30 June 2020	**61**	**281**	**342**
Net book value:			
At 1 July 2019	107	207	314
At 30 June 2020	**99**	**89**	**188**

6. Right of use assets and lease liability

Right of Use Asset on Leasehold Property	£'000
Cost:	
At 30 June 2019	–
Recognition of asset on transition to IFRS 16	4,066
Additions	–
At 30 June 2020	**4,066**
Accumulated depreciation:	
At 30 June 2019	–
Recognition of depreciation charge on transition to IFRS 16	1,396
Depreciation charge	1,050
At 30 June 2020	**2,446**
Net book value:	
At 30 June 2019	–
At 30 June 2020	**1,620**

Lease Liability	£'000
Liability:	
At 30 June 2019	–
Recognition of liability on transition to IFRS 16	2,739
Payments made	(1,274)
Interest charge	113
At 30 June 2020	**1,578**
Of which:	
Current lease liabilities	355
Non-current lease liabilities	1,223
At 30 June 2020	**1,578**

From 1 July 2019, the Company's leases relating to office accommodation with terms more than one year are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5%.

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

7. Intangible assets

Intangible assets are carried at historical cost less accumulated amortisation and impairment. Amortisation charges the cost of the assets to the income statement over their expected useful lives.

	Software £'000	Total £'000
Cost:		
At 30 June 2019	84	84
Additions	386	386
At 30 June 2020	**470**	**470**
Accumulated amortisation and impairment:		
At 30 June 2019	58	58
Amortisation charge	32	32
At 30 June 2020	**90**	**90**
Net book value:		
At 1 July 2019	26	26
At 30 June 2020	**380**	**380**

8. Investments in subsidiaries

	30 June 2020 £'000	30 June 2019 £'000
At start of year	**58,762**	57,645
Additions – share-based payments in subsidiaries	**139**	1,117
At end of year	**58,901**	58,762

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.

9. Payables

	30 June 2020 £'000	30 June 2019 £'000
Trade payables	**60**	563
Amounts owed to Group undertakings	**19**	–
Accruals and deferred income	**2,618**	8,691
	2,697	9,254

The Company also had payables of £1,578,000 in relation to its lease liabilities.

10. Share capital

Full details of the Company's share capital can be found in note 24 of the consolidated financial statements.

11. Share premium

Full details of any movements in share premium can be found in the Company statement of changes in equity.

12. 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 2020 £'000	30 June 2019 £'000
Merger reserve	**–**	44,433
Capital redemption reserve	**84**	84
	84	44,517

As at 30 June 2020, the Company had £55,038,000 of distributable reserves (2019: £10,800,000).

13. 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 financial assets and liabilities of the Company are categorised under IFRS 9 as follows:

	30 June 2020 £'000	30 June 2019 £'000
Financial assets held at amortised cost		
Cash and cash equivalents	**13,898**	11,104
Other receivables	**2,795**	12,168
Total financial assets held at amortised cost	**16,693**	23,272

Other receivables exclude prepayments.

	30 June 2020 £'000	30 June 2019 £'000
Financial liabilities held at amortised cost		
Payables	**2,697**	9,254
Total financial liabilities held at amortised cost	**2,697**	9,254

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 bank with whom the Company deposits cash and cash equivalent balances are monitored, including its 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.

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

13. Financial instruments

Liquidity gap analysis

The table below 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 below 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.

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2020				
Assets				
Cash and cash equivalents	13,898	–	–	–
Other receivables	–	1,977	818	–
Total financial assets	**13,898**	**1,977**	**818**	**–**
Liabilities				
Payables	–	2,183	92	422
Total financial liabilities	**–**	**2,183**	**92**	**422**
Net liquidity surplus/(deficit)	**13,898**	**(206)**	**726**	**(422)**

	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/(deficit)	11,104	(1,959)	(369)	5,242

14. Remuneration and benefits

Details on each category of remuneration are explained in note 6 of the consolidated accounts.

The Company had an average of 45 employees during the year (2019: 49).

	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
The aggregate remuneration of employees (including Directors) comprised:		
Wages and salaries	**5,891**	6,921
Social security costs	**820**	727
Pension costs (defined contribution)	**163**	148
Share-based payment expense	**276**	(49)
Total remuneration and benefits (excluding EPSP)	**7,150**	7,747

Details of the individual Directors' remuneration are shown in the Remuneration Committee Report.

15. 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 2020 £'000	30 June 2019 £'000	30 June 2020 £'000	30 June 2019 £'000
River and Mercantile Investments Limited (subsidiary undertaking)	Management recharges	**9,216**	8,063	**–**	–
	Intercompany balances	**–**	–	**1,099**	2,498
River and Mercantile LLC (subsidiary undertaking)	Management recharges	**38**	31	**–**	–
	Intercompany balances	**–**	–	**589**	449
River and Mercantile Holdings Limited (immediate subsidiary undertaking)	Intercompany loan interest income	**52**	–	**–**	–
	Intercompany balances	**–**	–	**818**	4,729
River and Mercantile Asset Management LLP (subsidiary undertaking)	Management recharges	**458**	1,195	**–**	–
	Intercompany balances	**–**	–	**343**	440

River and Mercantile Group PLC is the ultimate parent undertaking, River and Mercantile LLC, River and Mercantile Asset Management LLP and River and Mercantile Investments Limited are fellow subsidiaries and River and Mercantile Holdings Limited is the immediate parent undertaking.

16. Other information

The Company has taken the exemption under Section 408(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 2.81 pence per share has been declared. The Directors have proposed a final dividend in respect of the year of 2.34 pence per share, of which 0.10 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.

ADDITIONAL INFORMATION

GLOSSARY

ACD – Authorised Corporate Director

AGM – Annual general meeting

AUM – Amounts on which management fees and performance fees are charged across all asset classes managed by the Group. In relation to derivatives, AUM represents the aggregate billing notional of the derivative contracts on which management fees are charged

BAEPS – Basic Adjusted earnings per share

BAUEPS – Basic Adjusted Underlying earnings per share

Board – the board of directors of the Company

bps – basis points, where one basis point represents 0.01%

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

CASS – Client Assets sourcebook

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CGU – Cash generating unit

CIO – Chief Investment Officer

CMA – Competition and Markets Authority

Company – River and Mercantile Group PLC

COO – Chief Operating Officer

COVID-19 or Coronavirus – the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)

CRM – Client Relationship Management

DAA – Dynamic Asset Allocation

DB – Defined benefit

DC – Defined contribution

DEP – Deferred Equity Plan

Director – a director of the Company

EBT – Employee Benefit Trust

ED – Executive Director

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

EVP – Employee Value Proposition

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

FVOCI – Fair value through other comprehensive income

FVTPL – Fair value through profit or loss

GREF – Global Responsible Equity Fund

Group – River and Mercantile Group PLC and its subsidiaries

IAS – International Accounting Standards

ICAAP – Individual Capital Adequacy Assessment Process

ICVC – Investment company of variable capital

IFRS – International Financial Reporting Standards

ILC – Industrial life cycle

iNed – Independent Non Executive Director

IT – Information Technology

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

LTIA – Long-term incentive awards

LTIP – Long-term incentive plan

NAV – Net asset value

NED – Non-Executive Director

OMS/PMS – Order Management Solution/Portfolio Management Solution

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

RFP – Request For Particulars

RIA – regretted institutional attrition

RWAA – Revenue weighted asset attribution

SaaS – Software as a service

SAYE Scheme – Save-As-You-Earn Scheme

SID – Senior Independent Director

SMCR – Senior Managers and Certification Regime

SRD II – The Shareholder Rights Directive II

TCFD – Task Force on Climate-related Financial Disclosures

TSR – Total shareholder return

UCITS – Undertakings for the collective investment of transferable securities.

UN PRI – United Nations Principles of Responsible Investing

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
14 December 2020 at 9.00 am

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 2020:

Amount
2.34 pence per ordinary share.

Ex-dividend date
26 November 2020

Record date
27 November 2020

Payment date
18 December 2020

Registrars
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London
EC4 M7LT

Jefferies International Limited
100 Bishopsgate
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EC2N 4JL

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

Designed and produced by emperor
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Climate neutral
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ClimatePartner.com/13766-2010-1004

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RIVER AND MERCANTILE