

RIVER AND MERCANTILE
GROUP

Improving Outcomes

Annual report
and accounts
2014





River and Mercantile is an advisory and investment solutions business with a broad range of services, from consulting and advisory to fully-delegated fiduciary and fund management.

River and Mercantile's business model is a Client focused, outcome orientated advisory and asset management business.

River and Mercantile serves a Client base, predominantly in the UK, which comprises institutional pension schemes, retail financial intermediaries, insurance companies, state funds and charitable institutions.

River and Mercantile is focused on creating investment solutions for its Clients across its core markets:

- UK DB pension schemes;
- UK DC pension schemes;
- Insurance;
- Retail financial intermediaries;
- US pensions (DB and DC); and
- Strategic relationships.

Forward looking statements

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

Highlights

Six months ended 30 June 2014

Mandated AUM/NUM 30 June 2014

£18.09bn

(31 December 2013: £14.08bn)

Total Revenue

£20.2m

(CY 2013: £30.6m)¹

Adjusted net profit after tax²

£4.3m

(CY 2013: £6.0m)

Management and advisory fees

£17.5m

(CY 2013: £26.8m)

Adjusted Earnings Per Share

7.39 pence

(CY 2013: 17.05 pence per share)

Performance fees

£2.4m

(CY 2013: £3.8m)

Proposed dividend³

2.3 pence
per share

(Including 1.0 pence special dividend)

Adjusted pre-tax margin⁴

28%

(CY 2013: 26%)

01	Highlights
02	Chairman's statement
03	Strategy and objectives
04	Group at a glance
06	Chief Executive's statement
10	Our business model
11	Key Performance Indicators
12	Financial review
19	Corporate governance report
24	Board of Directors
26	Audit and Risk Committee report
28	Risk management
32	Remuneration Committee report
36	Directors' remuneration policy
40	Annual report on remuneration
46	People
47	Directors' report
49	Directors' responsibilities
50	Independent Auditor's report
52	Introduction to the consolidated financial statements
53	Consolidated income statement
54	Consolidated statement of comprehensive income
55	Consolidated statement of financial position
56	Consolidated statement of cash flows
57	Consolidated statement of changes in shareholders' equity
58	Notes to the consolidated financial statements
81	Parent company financial statements
89	Shareholder information and advisors

- ▶ Aggregate Fee earning AUM/NUM was £17.35 billion at 30 June 2014, (including AUM of £2.4 billion from RAMAM) an increase of 23% over 31 December 2013.
- ▶ Statutory net loss after tax before discontinued operations was £1.2 million (CY 2013: £6.0 million profit), after charging £4.6 million of expenses arising from the IPO and £1.1 million amortisation of intangible assets.
- ▶ Statutory earnings per share, before discontinued operations was a loss of 2.22 pence per share for the six months ended 30 June 2014 (CY 2013: profit of 17.01 pence).

1. CY 2013: year ended 31 December 2013.

2. Adjusted net profit after tax represents net profit after tax, adjusted to add back the amortisation of intangible assets and expenses arising from the IPO and the reorganisation, together 'IPO costs'.

3. The dividend for the period ended 30 June 2014 represents 60% of Adjusted Profits after tax calculated as the net profit after tax for the three months ended 30 June 2014, adjusted to add back the amortisation of intangible assets and the IPO costs.

4. Adjusted pre-tax margin is based on adjusted net profit before tax and represents net profit before tax, adjusted to add back the amortisation of intangible assets and IPO costs, net of taxes.

Chairman's statement



Paul Bradshaw
Non-Executive Chairman

It is a very real pleasure to welcome all our new shareholders and to introduce the maiden set of results for the merged businesses of River and Mercantile Group PLC, our first as a public company.

We were admitted to the London Stock Exchange on 26 June 2014 and, with these results following the listing prospectus so closely, there are no surprises from the position described there.

In line with our commitments we are proposing to shareholders a final dividend of 2.3 pence per share, of which 1.0 pence is a special dividend and relates to net performance fees.

I would also like to highlight that, whilst undergoing the challenges and distractions of a merger and listing, we were still able to report total mandates in transition as at 30 June of £854 million. I believe that speaks volumes for the application and commitment of our whole team as well as, of course, the fundamental attraction of our proposition to our Clients.

Personally, I am particularly delighted by the strength of both our Executive and Non-Executive Board. Very importantly, my independent colleagues bring a wealth of experience and wisdom from diverse backgrounds.

Peter Warry, our Senior Independent Director with such a breadth of public and private experience, has already charmed and challenged all of us with both his incisive analysis and ready humour. His engineering

pedigree is particularly appropriate for our outcomes focused business. His willingness to join the Board is due in no small measure to his personal experience and satisfaction as a former company chairman and pension fund trustee of one of our Clients.

Angela Crawford-Ingle has over 20 years' investment management experience, including leadership of PwC's Insurance and Investment Management Division. Angela's experience allows her to bring real challenge as chair of our Audit and Risk Committee on both technical and commercial issues.

Robin Minter-Kemp, the chair of the Remuneration Committee, has over 25 years' experience in the fund management industry, no doubt seeing challenging times as well as the tremendous success he latterly enjoyed at Cazenove Capital Management as they multiplied their funds by a factor of 20.

All of the independent Directors have, in a short time, come to appreciate the depth of wisdom and maturity that emanates from our shareholder Directors who have experienced the lifetime of both our core businesses from their inception. Jonathan Punter, Angus Samuels and Mark Johnson each also bring considerable experience in disciplines ranging from actuarial science to investment management.

We operate in a huge, competitive but strongly growing industry. A recent report from PwC (Asset Management 2020) sees global assets under management rising from \$63.9 trillion today to \$101.7 trillion by 2020, a CAGR of 6%.

We are a sophisticated business with a total Client focus. It is my personal conviction that the future winners in this huge market will be those with an unwavering commitment to generating the outcomes desired by Clients. The capability of delivering this commitment sits at the heart of the original merger of P-Solve Ltd and River and Mercantile Asset Management LLP, which we believe created a business well positioned to take advantage of these shifting industry dynamics.

I believe that we have the team throughout the business to meet the needs of all our current stakeholders and very significantly grow our business. The challenge over the next few years will be to deliver results for all our Clients and owners that fully utilise and leverage the people and skills we have today. We all anticipate the journey with relish.

Finally, I would like to thank all of my colleagues. We have undergone significant change over the last year and the professionalism and dedication of all have been exemplary. It will be a privilege to work with you over the coming months and years.

Strategy and objectives

The focus on Client engagement along with the ability to combine advisory and investment management skills differentiates the business from other investment firms.

Our markets

We operate across six core markets all of which have significant growth potential:

UK defined contribution pension schemes

UK defined benefit pension schemes

Insurance

US pensions (DB and DC)

UK retail

Strategic relationships

There are a number of trends in the investment industry that affect the Group's core markets to varying degrees. The key trends are:

Increasing focus on outcomes

Higher standards of governance

Greater focus on risk control

Focus on meaningful levels of alpha

Key areas of growth and focus

Strong organic growth in Fiduciary and Advisory

We expect continued growth in our Advisory and Fiduciary Management businesses, particularly in the UK defined benefit market. Currently, demand is higher for Fiduciary Management, but changes in market conditions may alter the balance of demand for the two services. Strong near-term growth in Fiduciary Management may dampen growth in Advisory, if current Advisory Clients seek to change the basis of their engagement. We would expect the aggregate of Advisory and Fiduciary Management to grow strongly.

Equity mandates to grow – wholesale and institutional

We expect our Equity business to continue strong growth, through demand from:

- **The UK wholesale market for specialist products.** Our Small Cap and Recovery strategies have performed particularly strongly and experienced significant Client growth. However, we also have strength in UK income and broader equity strategies, which offer opportunities for further growth within this market.
- **Institutions for outcome-led equity strategies.** We are working with a number of larger institutions (primarily pension funds) who are interested in outcome-led strategies in general, and composite active equity and derivatives mandates in particular.

Derivatives growth further fuelled through consultant relationships

Our Derivatives business should experience strong indirect growth sourced from our Advisory, Fiduciary Management and Equity lines, where derivatives are a component of the service. In addition, we are expecting accelerated growth if we are successful in developing relationships with consultancies to distribute these services more widely.

New product launch to accelerate growth

We have recently launched a Dynamic Asset Allocation Fund and are aiming to distribute this service through a variety of channels.

Group at a glance

Strongly positioned for growth

All of the divisions operate within a strong governance framework and are complementary in nature, allowing for the distribution of multiple advisory and investment solutions to Clients.

River and Mercantile leverages the skills of its four divisions, combining Client understanding and relationship management with outcome orientated investment management.

The interconnected nature of the four divisions means that the Group can seamlessly offer Clients a range of consulting services in combination with investment management on an advisory or fully discretionary Fiduciary Management basis.

Many Clients use multiple services and can transition between Advisory services, Fiduciary Management, Derivatives or Equity Solutions based on their changing investment and risk requirements.

The ability to offer this range of services and solutions has enabled the Group to establish long-term relationships with its Client base. As a result, growth has occurred not only through attracting new Clients but also through expanding the number of services and solutions offered to each Client.

Total Mandated AUM/NUM at 30 June 2014

£18.09bn

Advisory Division

The Advisory Division provides advisory services to UK DB pension schemes, UK DC pension schemes, US pension schemes and insurance firms. This includes investment, actuarial and transaction advice.

Fiduciary Management Division

Fiduciary Management involves the delegation by Clients of a range of asset allocation, hedging, manager selection and transition management services to the Group. Total Investment Governance Solution (TIGS), the primary Fiduciary Management product currently has £6.58 billion of AUM and has consistently outperformed its Client outcome orientated benchmark over the last 11 years.

Derivative Solutions Division

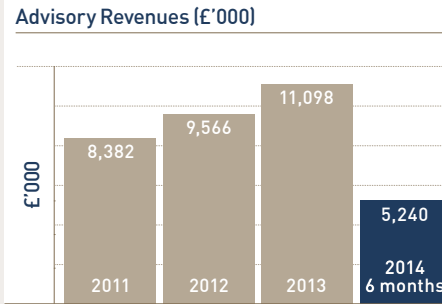
Derivative Solutions comprises liability-driven investment and structured equity, which are offered to institutional investors. The Notional Under Management (NUM) of £8.97 billion comprises interest rate swaps, inflation swaps, and structured Equity Solutions, supported by collateral management.

Equity Solutions Division

Equity Solutions is an active equity management capability covering a range of UK and global equity strategies. These services are offered on both a segregated and pooled basis to both institutional and retail intermediaries.

Key clients:

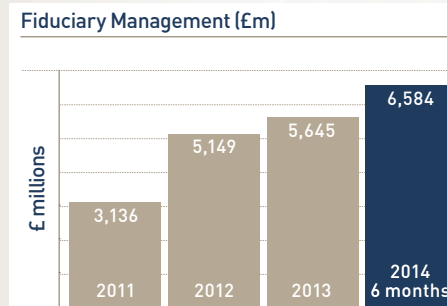
Trustees of the Cemex UK Defined Benefit Scheme and Defined Contribution Scheme, the trustees of Invensys Pension Scheme, Time Warner UK Pension Plan and Time Warner Money Purchase Pension Plan.



Net Advisory Revenue
[six months ended 30 June 2014]

£5.24m

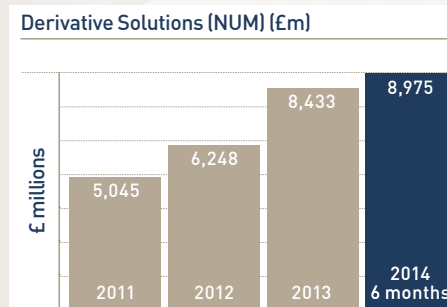
Trustees of the Nuffield Health Pension & Life Assurance Scheme, Finmeccanica Future Planner and Meggitt Pension Plan Trustees Limited.



Fiduciary Management (AUM)¹

£6.58bn

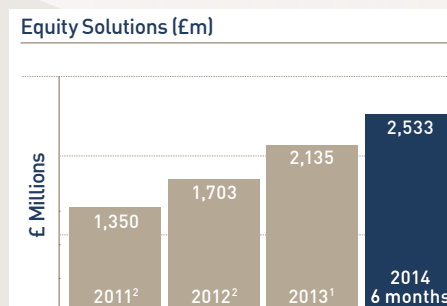
Comet Trustee Limited (as the trustee of Comet Pension Scheme), Oxford Instruments plc Pension Fund and The Trustees of the Oxford University Press Group Pension Scheme.



Derivative Solutions (NUM)¹

£8.98bn

EDS Trustee Limited as trustee of EDS Retirement Plan, the Mayor and Burgesses of the London Borough of Wandsworth and Unilever UK Pension Fund Trustees Limited as trustees of the Unilever UK Pension Fund.



Equity Solutions (AUM)¹

£2.53bn

1. Mandated AUM/NUM at 30 June 2014.
2. At 31 March.

Chief Executive's statement

Improving your outcome



Mike Faulkner
Chief Executive Officer

We are focused on delivering our Clients' desired outcomes.

Our business model brings together advisory, investment management and financial engineering skills to deliver strong outcomes for Clients.

The IPO followed the merger earlier in the year of P-Solve Ltd and River and Mercantile Asset Management LLP (RAMAM), creating River and Mercantile Group (R&M). As the IPO is relatively recent and we do not have a full year's financial results, it makes sense that I focus my report this year on the future.

The Group comprises four business lines – Advisory, Fiduciary Management, Derivatives and Equities – through which we report our revenue. During the IPO process, a number of questions emerged about why we merged P-Solve and RAMAM, bringing these business lines together. I therefore want to address in this report what we are trying to do with the Company and why we are so excited about its potential. This starts with the idea of delivering our Clients' desired outcomes.

We are focused on delivering our Clients' desired outcomes

The investment industry is undergoing significant change. Many of these changes are occurring as a result of Clients and their advisors defining much more explicitly what they are trying to achieve. Three trends in particular are influencing the way Clients want to engage with investment houses such as R&M.

Historically, the industry has typically defined the products it wants to offer. These are not necessarily what the Client or customer actually needs. Outperforming a global equity market index by 5% may not be helpful if that market has fallen 20%. Clients have now realised that their outcomes may not be met by these products. They are now spending more time understanding and defining the financial outcomes they require, and then requiring investment houses to deliver on them.

This move towards outcome orientated management is the first key trend.

This is the reason why we are seeing strong growth in Fiduciary Management and the use of derivatives (to hedge both liability-related risks and equity exposure). Separately, the industry has often found it difficult to explain to Clients whether or not the work they are doing for them is going well. Many successful investment strategies work very well over a full market cycle, but Clients are not able to ignore the quality of the journey on the way to long-term success. They are therefore evaluating more frequently and in more detail whether the investment strategies they are using are effective, or if there is cause for concern. They are also considering more carefully what role they want in the investment decision-making process.

This intensifying of standards by which investment buyers are governing their assets is the second key trend.

The trend for Clients to define their requirements more exactly is leading to the asset management service being broadened. Whilst at the core of the service the need to receive and invest money remains, Clients are increasingly requiring other services too. The precise nature of these services depends on the Client, but they often include a variety of advisory services, analytical support, risk evaluation services, or investment views that do not relate specifically to the mandate in question. **The third key trend is therefore the move by Clients to require the provision of other services alongside pure asset management.**

These trends are at different stages of development. They by no means yet dominate the industry, but they are likely to continue because they are logical and in the interests of Clients. It is rational for a Client to want an investment manager to deliver on the Client's desired outcome. It's rational for a Client to define a basis for governing assets that does not lead them to stay with an underperforming manager for years, and it's rational for a Client to secure a broader range of services within the same fee – this shifting and evolving behaviour is the normal course of events in other industries. The ability to adapt to these trends successfully will prove to be a competitive requirement.

Meeting these trends means a new business model, with more skills

These trends imply that the successful investment house will need five disciplines to deliver on Client mandates, summarised below:

Alpha sources	Investment decision-making and execution skills to add value
Defining Client outcomes	Working with a Client to define their financial objectives in sufficient detail to understand how to engineer a portfolio effectively
Portfolio engineering	Engineering together a variety of investment decision-making skills to meet the financial objectives
Governance knowledge	Engaging with the Client in the context of their own governance arrangements, to deliver the investment proposition
Additional services	Providing additional services where required alongside the mandate

This is why R&M's business model brings together a range of advisory and asset management services. Generally, detailed understanding of Client outcomes and governance knowledge are more the domain of advisory businesses, and we are no different. Our advisors deliver the second and fourth disciplines above, and also the fifth where necessary.

Portfolio engineering often requires derivatives to hedge certain risks that may come with a more traditional asset management product. Asset allocation skills are often useful in adjusting the weighting to various alpha sources, depending on the prevailing risks they bring. Hence the asset allocation skills within the Fiduciary Management business together with derivative skills are required to execute effectively on portfolio engineering.

Our Equity Solutions products are clearly a strong alpha source, but we are also delivering alpha from the Fiduciary Management and Derivatives businesses. Further, we can make use of alpha sources from other organisations where it is appropriate to do so.

Our business model brings together the advisory skills required for three of the above skill areas, with the investment management and engineering skills required for the other two. Our primary objective is to use them to deliver strong outcomes for Clients.

Chief Executive's statement continued

Our business model gives us a powerful growth story

Our growth story is simple and consistent with the evolving industry trends. It has three elements:

- **Continued strong growth through positioning**

In Client outcome-led markets and services, we are experiencing strong demand from DB, DC and insurance for our Advisory and Fiduciary Management Services. We have also experienced strong growth from our UK retail activities within Equity Solutions.

- **Growth synergies**

This relates mainly to our derivatives and equities businesses, where the benefits of the merger should be felt most strongly.

- **New product launches**

We are launching new products in the outcome-led space, with the first being a Dynamic Asset Allocation strategy where there is strong demand in a number of markets. The business has longstanding strength in this area, having developed some of the earliest DAA mandates and managed multi-asset class mandates since 2003.

It is worth spending some time on where we see the growth synergies. From a revenue perspective, we see two immediate synergies:

- **Development of derivatives**

To date, our Derivatives business has been built through direct relationships, into one of the largest players in the UK by number of Clients, for both LDI and equity hedging activities. The growth in the derivatives market within the industry is strong, so working directly with consultancies advising on these strategies is critical. The ability to leverage the skills within the legacy RAMAM business in engaging with consultancies will allow us to demonstrate the strength of the Derivatives business and the value it can add. This should allow us to accelerate the growth of this business line.

- **Outcome-led equity mandates**

Our strong active equity management skills have historically been delivered through index-relative mandates. No doubt these mandates will continue to be in demand, but we also see strong initial demand from larger Clients to consider more outcome-led mandates within equities, often with a significantly lower risk profile. Delivery to these mandates will often require us to combine some of the component parts of our business; active equity management skills with derivatives and/or asset allocation skills. We see this type of mandate as an important opportunity for growth.

While we are seeking growth in a range of markets, the UK defined benefit industry is currently a significant part of our business. Further, the strong success we are experiencing in the market means it will likely remain significant for some time. A number of commentators are expressing the view that the UK defined benefit market is contracting, which might lead some to question why we continue to focus on growth within this market.

There are two elements to the answer – the first, more simplistic, is that even if the market is contracting, we expect that the demand will increase for risk management services and therefore we are well positioned to grow our share (currently very small) in a very large market. The second element, which is more complex, is that we challenge the basic premise that the market is contracting currently. We think it is likely to grow for some years yet.

Why UK DB is still a growth market for now

Given that DB schemes have progressively been closing to new entrants, the number of members has been contracting and therefore the expectation is that this is leading to a contraction in the assets within the DB market. While in the long term this is likely to be the case, we believe the market will still grow in the coming years.

The reason for this is that the number of members is not the only factor driving the size of the liability attached to each member. What we are concerned about in a DB scheme is meeting the overall liability, not a fixed amount per member. The average liability per member has grown significantly for four key reasons:

- Some members have continued to accrue additional benefits as they continue in active service (an extra year's service might give them, for example, 1/60th of their salary at retirement in pension);
- The life expectancy of members has increased, which in turn increases the length of time a pension is expected to be paid, and therefore the liability grows;
- The fall in bond yields, as liability valuations are referenced to these, has led to a significant rise in liabilities; and
- As the liability gets closer (which it will do for a closed scheme) the liability grows by the discount rate.

These factors have led the average liability per member to grow significantly, more than offsetting the effect of reducing membership. The overall value of DB liabilities has therefore risen, which ultimately need to be backed by assets.

Currently, assets do not meet liabilities (when liabilities are valued on a true economic basis). This deficit will need to be removed for each scheme over their recovery period. The result will be net positive contributions into the UK DB pension industry for some time yet, primarily driven by deficit recovery contributions.

Our message – the DB industry is here to stay for some time yet and is growing.

Overall summary

We set out below our key areas of growth and focus:

Strong organic growth in Fiduciary and Advisory	We expect continued growth in our Advisory and Fiduciary Management businesses, particularly in the UK defined benefit market. Currently, demand is higher for Fiduciary Management, but changes in market conditions may alter the balance of demand for the two services. Strong near-term growth in Fiduciary Management may dampen growth in Advisory, if current Advisory Clients seek to change the basis of their engagement. We would expect the aggregate of Advisory and Fiduciary Management to grow strongly.
Equity mandates to grow – wholesale and institutional	<p>We expect our Equity business to continue strong growth, through demand from:</p> <ul style="list-style-type: none"> • The UK wholesale market for specialist products. Our Small Cap and Recovery strategies have performed particularly strongly and experienced significant Client growth. However, we also have strength in UK income and broader equity strategies, which offer opportunities for further growth within this market. • Institutions for outcome-led equity strategies. We are working with a number of larger institutions (primarily pension funds) who are interested in outcome-led strategies in general, and composite active equity and derivatives mandates in particular.
Derivatives growth further fuelled through consultant relationships	Our Derivatives business should experience strong indirect growth sourced from our Advisory, Fiduciary Management and Equity lines, where derivatives are a component of the service. In addition, we are expecting accelerated growth if we are successful in developing relationships with consultancies to distribute these services more widely.
New product launch to accelerate growth	We have recently launched a Dynamic Asset Allocation Fund and are aiming to distribute this service through a variety of channels.

These are our primary areas of focus, and define where we see the strongest opportunities to grow the business.

Institutional mandates tend to be relatively significant in size, so the profile of growth is influenced by the timing of these mandates transitioning. For example, we indicated in our interim management statement that we had won net AUM of around £500 million in Fiduciary Management, transitioning during the third quarter. This is significantly more than the previous quarter, and mainly a function of a number of mandates closing at the same time.

Overall, we are expecting growth in the business and our pipeline of opportunities is very healthy.

On behalf of all the Directors and employees of R&M, I would like to take this opportunity to thank all our Clients for their support during the last year, and our partners and employees for their continued loyalty and hard work. This has been a significant period for our business and we are indebted to everyone who has supported us. We aim to reward your support through positive investment and shareholder returns.

Mike Faulkner

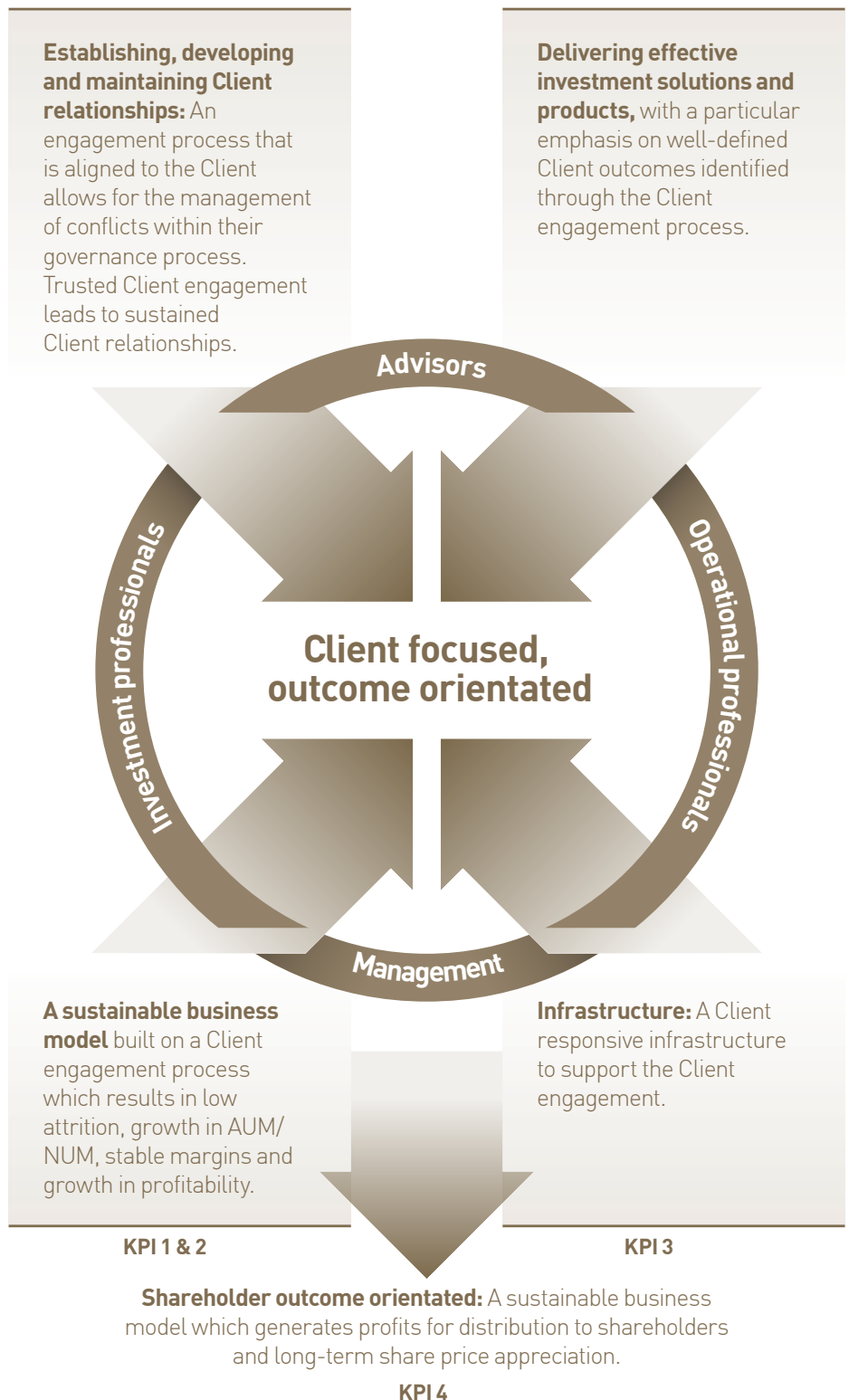
Chief Executive Officer

Our business model

Client focused, outcome orientated

The Group’s business model is a Client focused, outcome orientated advisory and investment management business.

The Group’s strategic goal is to deliver high, resilient revenue growth and attractive returns to investors. It aims to achieve this by applying the business model described above in its core and new markets, where it has real insight into the underlying needs of those Clients, and where its skills are fundamental in defining outcome orientated solutions to meet these needs.



Key Performance Indicators

1. Growth in AUM/NUM

The growth in AUM/NUM is a key indicator of the Client engagement process. The growth in AUM/NUM is a function of new mandates, low attrition rates, and aggregate investment performance. New mandates include flows from existing Clients where we have increased the breadth of our relationship or flows from new Clients. Low attrition rates result from being able to retain previous Client flows as a result of meeting their outcome expectations.

Aggregate investment performance arises from both asset and liability investing. Negative investment performance can occur provided it is within the outcome expectation of the Client. The expectation is that in aggregate the investment performance has to be positive to sustain the business.

Growth in AUM/NUM

29%

(CY 2013: £14.07 billion)

Mandated AUM/NUM at 30 June 2014 £18.09 billion, including £2.5 billion from RAMAM.

2. Growth in Net Management and Advisory fees

Management and Advisory fees net of rebates and third party revenue shares, represent the underlying revenues generated by the business. The growth of AUM/NUM at stable management fee margins and the absolute growth in advisory Clients and revenue per Client results in growth in management and advisory fees. This metric measures the sustainability of the business.

Growth in Net Management and Advisory fees (annualised):

30%

Net Management and Advisory fees for the six months ended 30 June 2014 were £17.5 million, including RAMAM annualised as £35 million. Net management and Advisory fees for the year ended 31 December 2013 were £26.8 million.

4. Percentage of Adjusted Earnings Per Share Distributed

Distributions to shareholders include cash dividends and the cash value of shares repurchases for cancellation.

Adjusted earnings per share represent the net profit after tax adjusted to add back the amortisation of intangible assets and expenses arising from the IPO, net of taxes.

The Group's dividend policy is to pay at least 60% of the Group's Adjusted Underlying Profits available for distribution by way of ordinary dividends. In addition, the Group expects to generate surplus capital over time, primarily from net performance fee earnings. The Group intends to distribute such available surpluses, after taking into account regulatory capital requirements at the time and potential strategic opportunities, to shareholders primarily by way of special dividends. Whilst the Board considers dividends as the primary method of returning capital to shareholders, it may execute share repurchases, when advantageous to shareholders and where permissible.

The Distributions as a percentage of Adjusted EPS reflects the amount of the earnings per share actually distributed to shareholders.

Percentage of Adjusted Earnings Per Share Distributed:

60%

Adjusted Basic Earnings Per share was 7.74 pence per share for the six months ended 30 June 2014. For a three month period ended 30 June 2014 the Adjusted EPS was approximately 3.8 pence per share. In accordance with the guidance in the Listing Prospectus with regards to this interim period, the final dividend proposed for the three month period ended 30 June 2014 is 2.3 pence per share.

3. Adjusted Underlying Pre-tax Margin

Adjusted underlying pre-tax margin represents net management and advisory revenue less the related expense base, adjusted for the amortisation of intangible assets and the cost arising from the IPO. Pre-tax margin is an indication of the ability to achieve scale though increased AUM/NUM and revenues, at a lower marginal increase in related expenses. The progression over time is an indication of the scale achieved. The target in the medium term is to increase the Adjusted Underlying Pre-tax Margin to 30%.

Adjusted Underlying Pre-tax Margin

23%

(CY 2013: 21%)

Adjusted net profit before tax for the six months ended 30 June 2014 is £5.56 million. Performance fees and other revenue, net of associated remuneration expense is £1.53 million. Adjusted Underlying Pre-tax Profit is £4.0 million. Total net management and advisory revenue is £17.5 million.

Adjusted net profit before tax for the year ended 31 December 2013 is £7.8 million. Performance fees and other revenue, net of associated remuneration expense is £2.2 million. Adjusted Underlying Pre-tax Profit is £5.6 million. Total net management and advisory revenue is £26.8 million.

Financial review

Reporting our outcome



Kevin Hayes
Chief Financial Officer

We are well positioned for growth and to deliver strong outcomes for shareholders.

Description of River and Mercantile Group PLC

Prior to the listing as a public company, P-Solve Limited was a wholly owned subsidiary of Punter Southall Group Limited (PSG). On 27 March 2014 (Acquisition Date) P-Solve Limited acquired River and Mercantile Asset Management LLP (RAMAM) in a share for Partner interest exchange from the Partners of RAMAM LLP, including Pacific Investments. The RAMAM business has been consolidated as a wholly owned subsidiary from 27 March 2014 and is reported as the Equity Solutions Division. The legacy P-Solve business is reported under the Advisory, Fiduciary Management and Derivative Solutions Divisions. P-Solve changed its name to River and Mercantile Group Limited on 9 April 2014 and registered as a PLC on 2 June 2014. The P-Solve name has been retained as a brand for the Advisory and Fiduciary Management divisions.

Reporting periods

The accounting reference date of P-Solve Limited and RAMAM had historically been 31 December and 31 March, respectively. The Board of Directors decided that the reporting periods should be aligned for both entities to 30 June.

Comparability of reported results

The statutory financial statements presented comprise the six months ended 30 June, 2014 of the Group, with the comparative period being the year ended 31 December, 2013. The statutory financial statements include the results of RAMAM for the three months period from the date of the acquisition to 30 June 2014.

Financial highlights

The following highlights are based on the audited consolidated financial statements on pages 52 to 80. Decreases in the results as compared against the comparative period are generally the result of the shortened financial period and partially offset by the inclusion of RAMAM from the date of acquisition.

- Aggregated mandated AUM/NUM was £18.1 billion, including AUM of £2.5 billion from the acquisition of RAMAM, an increase of 29% over 31 December 2013.
- Fee-earning AUM/NUM was £17.4 billion, including £2.4 billion of AUM from the acquisition of RAMAM, an increase of 23% over 31 December 2013.
- Net management fees were £12.3 million and net advisory fees were £5.2 million for the six months ended 30 June 2014 (including £3.3 million from RAMAM from Acquisition Date), compared to £15.8 million and £11.1 million respectively for year ended 31 December 2013.
- AUM/NUM net management fee margins have remained stable over the periods presented.
- Performance fees were £2.4 million for the six months ended 30 June 2014 (no performance fees were recorded from RAMAM for the period from the Acquisition Date), compared to £3.8 million for year ended 31 December 2013.

Statutory and adjusted: pre-tax loss; net loss and earnings per share

- Statutory pre-tax loss was £73,000 for the six months ended 30 June 2014 (including £1.1 million profit from RAMAM for the period from the Acquisition Date) primarily as a result of reporting £4.6 million of expenses arising from the IPO and related reorganisation, and £1.09 million of intangible amortisation relating to the acquisition of RAMAM. Pre-tax profit was £7.8 million for year ended 31 December 2013.
- Statutory net profit after tax was a loss of £1.2 million for the six months ended 30 June 2014 (including £0.9 million profit from RAMAM for the period from the Acquisition Date), compared to £6.0 million profit for the year ended 31 December 2013 (before discontinued operations).
- Adjusted net profit after tax was £4.3 million for the six months ended 30 June 2014, compared to £6.0 million for year ended 31 December 2013. Adjusted pre-tax margin was 28% (2013: 26%).
- Statutory Earnings Per Share, before discontinued operations was a loss of 2.22 pence per share for the six months ended 30 June 2014 compared to a profit of 17.01 pence per share for the year ended 31 December 2013.
- Adjusted diluted EPS was 7.39 pence per share for the six months end 30 June 2014, compared with 17.05 pence for the year ended 31 December 2013.

Capital and liquidity

- At 30 June 2014 the Group had net assets of £64 million. The acquisition of RAMAM resulted in an increase in assets of £44 million net of deferred taxes supported by a merger reserve in shareholders' equity of £44 million. Tangible net assets were £21 million.
- The new capital raised in the IPO has increased shareholders' funds by £14.6 million and liquidity by £10 million.
- The Group operates through three regulated entities, each of which maintains excess capital over the regulatory requirement. There are no significant regulatory changes anticipated affecting the Group's regulatory capital requirements.

Dividends

- As outlined in the Chairman's Report, the Board of Directors has proposed a final dividend of 2.3 pence per share of which 1.0 pence is a special dividend and relates to net performance fees, representing 60% of the Adjusted Profits for three months ended 30 June 2014. Adjusted Profits was calculated as the net profit

after tax for the three months ended 30 June 2014, adjusted for the amortisation of intangibles and the expenses arising from the IPO.

Commentary on the consolidated financial statements of the Group

The following is a review of the consolidated financial statements for the six months ended 30 June 2014 as compared against the year ended 31 December 2013 on pages 52 to 80. The results for the six months ended 30 June 2014 include the results of RAMAM from the Acquisition Date.

Revenues

For the six months ended 30 June 2014, net total revenues were £20.2 million, compared to £30.6 million for the year ended 31 December 2013. Performance fees for the six months ended 30 June 2014 were £2.4 million (£3.8 million in CY 2013), reflecting the continued strong performance from TIGS. Other income includes the gain on the sale of the equity interest in Manolete.

For the six months ended 30 June 2014 total revenues from the P-Solve business comprising the Fiduciary Management, Derivative Solutions and the Advisory business were £16.6 million compared to £30.6 million for year ended 31 December 2013, reflecting both the growth in AUM/NUM and increased performance fees. The RAMAM business (described as the Equity Solutions Division above) recorded net revenues of £3.3 million from the Acquisition Date.

Total expenses

Total expenses were £9.4 million for the six months ended 30 June 2014 including £4.6 million of expenses arising from the IPO and £1.1 million of amortisation. Total expenses for the year ended 31 December 2013 were £5.5 million. Adjusting for the three months of RAMAM expenses, the expense base has increased by approximately £0.3 million on an annualised basis from 31 December 2013 as a result of increased IT and professional fees and governance costs.

Approximately 65% of Administrative expenses (excluding amortisation) are generally fixed in nature and include office facilities, IT and communications, support services and professional fees. Marketing, travel and entertainment, and fund related legal fees and administration expenses are generally variable with the volume of Client activity. We anticipate that our operating expenses will remain stable in the near term as we have scalability in our infrastructure and operating leverage as we grow AUM/NUM and revenue.

Support services relate to functions performed by PSG and charged as intercompany allocations. These services are now provided under a Transition Services Agreement (TSA) with PSG and will be transitioned to the Group or alternative supplier arrangements within the next 18 months. As these services are transitioned into the Group, additional headcount resources may be required. It is anticipated that in aggregate the cost after the transition will be in line with the expense currently incurred from PSG.

Office facilities include rental and other related charges, primarily from PSG relating to the London headquarters and other facilities occupied by the business in London.

Fund Administration includes custodial and fund accounting costs that cannot be recovered from Equity Solutions Clients. The Fund administration expense can increase due to additional costs to close funds or to subsidise new fund launches until the AUM is at a target level to support the total expense charges.

The IPO expenses of £4.05 million were incurred to undertake the premium listing of the Group on the London Stock Exchange. These costs include the book runners, lawyers, reporting accountants, consultants and advisors and irrecoverable VAT. The IPO costs are not deductible for corporate tax purposes. The direct placement commissions of £0.4 million associated with the £15 million of new capital raised in the IPO is charged directly to Shareholders' equity. In addition we incurred £0.5 million of expenses relating to activities to reorganise the Group resulting from the IPO and to integrate the business after the merger of RAMAM, including rebranding. Both the expenses relating to the IPO and the expenses relating to the reorganisation and integration are treated as Adjusting items.

Identifiable intangible assets of £36.1 million, representing the fair value of the Investment Management Agreements were recorded in the RAMAM acquisition (RAMAM IMAs). The value of these contracts is being amortised into income over a period of between five to ten years. The annual amortisation expense is approximately £4.3 million. In the Consolidated Financial Statements, Note 42 describes the allocation of the purchase price to identifiable and intangible assets, and goodwill. The amortisation is a non-cash expense and is not deductible for corporate tax purposes. A deferred tax liability was recognised at the date of the acquisition and is being charged to taxes in line with the amortisation of the RAMAM IMAs. The amortisation of the RAMAM IMAs is treated as an Adjusting Item.

Financial review continued

Remuneration

Remuneration expense includes base salaries, benefits and variable bonus compensation, including drawings and performance profit share paid to the Partners of RAMAM LLP. Total variable remuneration includes contractual arrangements linked to the performance of the divisions or specific portfolios. For the six months ended 30 June 2014 approximately 50% of variable remuneration was discretionary.

Remuneration expense was £10.8 million for the six months ended 30 June 2014 compared to £17.3 million for the year ended 31 December 2013. The percentage of remuneration to total revenue for the six months ended 30 June 2014 was 55% and for the year ended 31 December 2013 was 55%. The business has operating scale and through increased total revenue, the level of remuneration to total revenues is targeted at between 45–50%, to be achieved in the next three years.

The P-Solve business has historically paid employees in a combination of cash and deferred payments in the form of performance shares. The intention in the future is to pay a portion of employees' remuneration in the form of performance shares with vesting based on achieving specific performance targets. Vested performance shares issued under the Performance Share Plan will be exchanged for shares in the Group through the Employee Benefit Trust. It is not intended that performance shares issued under the PSP will be dilutive.

Governance costs

The ongoing costs of the Non-Executive Directors, advisors and the legal fees relating to the governance framework of the Group as a public listed company have been classified in the Income Statement as Governance Costs. For the six months ended 30 June 2014, these costs totalled £70,000 and for the year ending 30 June 2015 the governance costs are expected to be approximately £500,000.

Pre-tax and net loss

Pre-tax loss was £73,000 for the six months ended June 2014 (CY 13: £7.8 million profit) and included pre-tax profit of £1.1 million from RAMAM. The reduction in pre-tax profit was caused by the expenses for the IPO and reorganisation and the amortisation of the RAMAM IMAs.

Net loss after taxes for the six months ended 30 June 2014 was £1.2 million and included net profit of £0.9 million from RAMAM. For the year ended 31 December 2013 net profit before discontinued operations was £6.0 million. The tax charge for the six months ended 30 June 2014 includes the deferred taxes relating to the non-tax deductible amortisation of RAMAM IMAs.

Adjusted pre-tax and adjusted underlying pre-tax net profit

Adjusted pre-tax profit was £5.6 million for the six months ended 30 June 2014 and included pre-tax profits of £1.1 million from RAMAM. The Adjusted pre-tax margin for the six months ended 30 June 2014 was 28%. For the year ended 31 December 2013 there were no adjusting items and pre-tax net profit was £7.8 million. The pre-tax margin the year ended 31 December 2013 was 26%. The relative increase in the adjusted pre-tax profit was the result of increased AUM/NUM and the associated revenue and the inclusion of the results of RAMAM from Acquisition Date.

Adjusted underlying pre-tax margin represents net management and advisory fees less the related expense base, adjusted for the amortisation of intangible assets and costs arising from the IPO. The adjusted underlying pre-tax margin for the six months ended 30 June 2014 was 23% (CY 21%). The increase is the result of increased net management fees and a lower marginal increase in expenses, primarily remuneration. The target in the medium term is to increase the Adjusted Underlying Pre Tax Margin to 30%, primarily through increased revenue and a scalable expense base.

Adjusted net profit after tax, for the six months ended 30 June 2014 was £4.3 million and included net profit of £0.9 million from RAMAM. For the year ended 31 December 2013 there were no adjusting items and net profit after taxes was £6.0 million. The relative increase in the underlying net profit after taxes is the result of increased AUM/NUM and associated revenue, and the inclusion of the results of RAMAM from Acquisition Date.

Assets and Notional amounts Under Management

Assets Under Management (AUM) and Notional amounts Under Management (NUM) are the basis on which management fees are charged and in aggregate are reported as fee earning AUM/NUM.

AUM and NUM represent the assets or derivatives contracts over which the Group acts either as a discretionary investment manager on a partial or fully delegated basis in accordance with an IMA.

In addition, we report Mandates in transition and Redemptions in transition which represent the AUM/NUM of mandates which have been awarded by Clients or for which we have been notified are to redeem and will transition into or from fee earning AUM/NUM.

The growth in mandated AUM/NUM is the driver for the growth of net management fee revenue. Positive net flows are an indication of both our ability to retain previously mandated assets, and our ability to win new mandates and increase allocation from existing Client mandates.

The following table shows the AUM/NUM for the six month period ending 30 June 2014 with the AUM of RAMAM shown as the Equity Solutions Division, from 1 January 2014.

£'m	Assets Under Management and Notional Under Management					
	Fiduciary Management (AUM)	Derivative Solutions (NUM)	Equity Solutions (AUM)			TOTAL AUM/NUM
			Retail	Institutional	Total	
Opening fee earning AUM/NUM	5,645	8,433	484	1,651	2,135	16,213
Sales	292	306	547	102	649	1,247
Redemptions	(91)	(74)	(157)	(203)	(360)	(525)
Net flow	201	232	390	(101)	289	722
Investment performance	234	–	(28)	13	(15)	219
Net rebalance	–	198	–	–	–	198
Closing fee earning AUM/NUM	6,080	8,863	846	1,563	2,409	17,352
Mandates in transition	617	112	–	125	125	854
Redemptions in transition	(113)	–	–	–	–	(113)
Total mandated AUM/NUM	6,584	8,975	846	1,688	2,534	18,093

At June 2014 fee-earning AUM/NUM was £17.4 billion, an increase of 7% from 31 December 2013. Aggregate mandated AUM/NUM was £18.1 billion, an increase of 12% from 31 December 2013.

For the six months ended 30 June 2014 all divisions had positive net flows. Mandated Sales to opening AUM/NUM were 13% for the six months ended 30 June 2014 compared to 18% for the year ended 31 December 2013. Attrition to opening AUM/NUM was 4% for the six months ended 30 June 2014 compared to 9% for the year ended 31 December 2013.

Investment performance added £219 million, primarily from strong performance from the TIGS strategy for Fiduciary Management Clients. Net rebalancing in Derivative Solutions added £198 million during the period due to Clients increasing their interest rate and inflation hedges.

Financial review continued

Combined historical financial information

The following analysis shows the combined business at the divisional level as if the acquisition of RAMAM had occurred on 1 January 2013. This information is based on the historical information of the separate businesses, does not assume any revenue or cost synergies and excludes IPO and reorganisation costs. Other income and amortisation have been excluded. Management fees and advisory revenue are shown net of rebates and revenue share arrangements.

	6 months 30 June 2014	6 months 31 December 2013	6 months 30 June 2013	12 months 31 December 2013
Combined historical income statement (£'000)				
Net management fees	15,380	13,326	12,398	25,724
Net advisory revenue	5,240	5,738	5,360	11,098
	20,620	19,064	17,758	36,822
Performance fees	2,848	12,162	313	12,475
Total revenues	23,468	31,226	18,071	49,297
Administrative expenses	4,290	3,851	3,715	7,566
Remuneration	12,920	16,626	10,586	27,212
	17,210	20,477	14,301	34,778
Pre-tax profit	6,258	10,749	3,770	14,519
Remuneration/revenue	55%	53%	59%	55%
Pre-tax margin	27%	34%	21%	29%

Combined historical total revenues

Total combined historical management fee and advisory revenue was £20.62 million for the six months ended 30 June 2014, an increase of 8% and 16% compared to the six months ended December 2013 and 30 June 2013 respectively.

Performance fees for the six months ended 31 December 2013 include £8.4 million of Equity Solutions Division performance fees realised at the end of the calendar year performance period.

Combined historical pre-tax profit

Pre-tax profit was £6.3 million for the six months ended 30 June 2014, compared with £10.7 million for the six months ended 31 December 2013. The decrease was the result of lower performance fee revenue net of remuneration. Pre-tax profit for the six months ended 30 June 2014 increased by £2.5 million from £3.8 million for the six months ended 30 June 2013 primarily due to increased management and performance fees, net of remuneration.

Combined historical net management fee revenue and margins

Fiduciary Management, Derivatives Solutions and Equity Solutions earn net management fee revenue based on the underlying AUM/NUM. As management fee margins have remained stable the growth in revenues has been in line with the growth in average AUM/NUM.

	6 months 30 June 2014	6 months 31 December 2013	6 months 30 June 2013	12 months 31 December 2013
Net management fee revenue (£'000)				
Fiduciary Management	5,560	4,889	5,042	9,931
Derivative Solutions	3,400	3,177	2,643	5,820
Equity Solutions – Retail	2,772	1,459	752	2,211
Equity Solutions – Institutional	3,648	3,801	3,961	7,762
Total Equity Solutions	6,420	5,260	4,713	9,973
Total management fee revenue	15,380	13,326	12,398	25,724
Closing AUM/NUM	17,352	16,213	14,104	16,213
Average AUM/NUM	16,800	15,150	13,660	14,400

Net management fee revenues for the six months ended June 2014 were £15.4 million, an increase of 15% and 24% over the preceding comparable periods. At June 2014 AUM/NUM (excluding mandates in transition) was above the average AUM/NUM by approximately 3.5%, indicating continued revenue growth from the in-force AUM/NUM.

Fiduciary Management revenues were £5.6 million for the six months ended June 2014, an increase of 14% and 10% over the preceding comparable periods. Management fee margins have remained stable at between 18bps to 20bps. Management fee margins are negotiated with Clients and largely depend on the size of the mandates, with larger mandates at the lower end of the stated range.

Derivative Solutions revenues were £3.4 million for the six months ended June 2014, an increase of 7% and 29% over the preceding comparable periods. Average management fee margins have remained stable at between 7bps and 8bps. Management fee margins are negotiated with Clients based on the types of hedging instruments utilised. Generally structured equity mandates have a higher margin than interest rate and inflation hedging.

Equity Solutions total net management fee revenues were £6.4 million for the six months ended June 2014 an increase of 22% and 36% over the preceding comparable periods.

Equity Solutions – Retail net management fee revenues were £2.8 million for the six months ended June 2014, an increase of 90% and 269% over the preceding comparable periods. The increase in revenue reflects the growth in Retail AUM through the increased use of intermediaries to access the retail channel. Average net management fee margins for the six months ended 30 June 2014 were 83bps, compared to 76bps and 68bps for the preceding comparable period. The current retail products offered to Clients are the UK Recovery Fund and the Small Companies Fund. The UK Recovery Fund has had very strong performance and is near to optimal capacity. The Smaller Companies Fund has had strong performance and has significant capacity. Continued success in raising AUM into to this strategy may decrease overall average retail margins in the future.

Equity Solutions – Institutional net management fee revenues were £3.6 million for the six months ended June 2014, a decrease of 4% and 8% over the comparable periods. This reduction reflects the reduction in AUM as institutional investors reduced their allocations generally to long only equity strategies. Average net management fee margins for Equity Solutions for the six months ended 30 June 2014 were 45bps, compared to 45bps and 47bps for the preceding comparable period. Clients can choose between management fees only or management fees with performance fees.

Net management fee margins

In the near term management fee margins are expected to be stable, however as noted above, changes in the mix of products and changes in the Client fee arrangements could cause a change in the average management fee margins.

Advisory Division

The Advisory Division earns revenue from Clients who engage us on a retained fee basis or from fees based on undertaking specific projects. Net advisory fee revenues were £5.2 million for the six months ended 30 June 2014, and have generally been at a consistent level over the comparable periods.

	6 months 30 June 2014	6 months 31 December 2013	6 months 30 June 2013	Year ended 31 December 2013
Advisory revenues (£'000)				
Retainers	2,363	2,476	2,585	5,061
Project based revenues	3,035	3,491	2,828	6,319
Total net revenue before revenue share	5,398	5,967	5,413	11,380
Third party revenue share arrangements	(158)	(229)	(53)	(282)
Total net advisory revenues	5,240	5,738	5,360	11,098

Project based revenues vary by the size and number of projects undertaken and include implementation fees for derivative hedging strategies which have increased with the increase in NUM mandates.

Financial review continued

Clients on retainer fees have generally been at a stable level over the last 18 months. Changes from period to period in retainer fees are generally the result of Clients who transition from advisory relationships to fully delegated Fiduciary Management, this generally results in an increase in overall revenues to the Group.

Performance fee revenue

Performance fees are earned in Fiduciary Management and the Equity Solutions Divisions. TIGS is the investment strategy within Fiduciary Management and performance fees are recorded on the anniversary date of each mandate. In Equity Solutions – Institutional the majority of performance fees are realised based on a calendar year performance period.

	6 months 30 June 2014	6 months 31 December 2013	6 months 30 June 2013
Performance fees revenue (£'000)			
Fiduciary Management	2,350	3,761	–
Equity Solutions	498	8,401	314
Total performance fees	2,848	12,162	314

Fiduciary Management

The majority of the performance fees in TIGS are subject to a deferral mechanism whereby performance fees are reported to the Client at each anniversary date and are deferred and can only be realised if performance continues above benchmark in aggregate across the subsequent three years. If the Client were to redeem their mandate any deferred performance fees are immediately crystallised. In the year ended 31 December 2013 £3.8 million of performance fees were earned, £2.7 million from previously deferred performance fees and £1.1 million from AUM with high water marks.

At June 2014 the amount of performance fees that could be earned in the six months ended 31 December 2014 were £2.8 million, assuming continued performance above benchmark.

Equity Solutions – Institutional

In Equity Solutions – Institutional, performance fees are earned on outperformance relative to a stated benchmark. Performance fees were £0.5 million for the six months ended 30 June 2014. In the year ended 31 December 2013 £8.4 million of performance fees were earned as a result of strong investment out-performance in the calendar year.

From 1 January 2014 a number of Clients changed their performance fee structure to a 'cap and roll' structure whereby performance in the calendar year over a cap is carried forward and is added to the investment performance in the following year. Performance fees can be earned if the performance, including the deferred performance from a previous period, is above the benchmark in the subsequent year.

At 30 June 2014 total performance fee-eligible assets were £521 million. Of these assets £146 million were below their performance benchmark by less than 1% and £276 million were above their performance benchmark (of which £41 million were in excess of 5% above the benchmark). The weighted average rate of performance fees on the eligible AUM is 20%.

Combined historical Administrative expenses

Administrative expenses include the business expenses of the divisions, including depreciation. The cost of the IPO and reorganisation costs have been excluded. The aggregate amount of expenses for the six months ended June 2014 was £4.1 million compared to £3.9 million and £3.7 million for the six months ended 31 December 2013 and 30 June 2013, respectively. The increase in expenses results from increased marketing, travel and legal expenses resulting from increased business activity.

Combined historical Remuneration expense

Remuneration expense includes base salaries, benefits and variable bonus compensation, including drawings and performance profit share paid to the Partners of RAMAM LLP. Remuneration expense for the six months ended 31 December 2013 include performance profit share on the performance fees earned in RAMAM.

The total remuneration to total revenue percentage is 55% in the six months ended June 2014 and 55% in year ended 31 December 2013. The average remuneration accrual rate on performance fees is approximately 42%. As a result of the operating leverage of the combined business it is anticipated that the remuneration to total revenue ratio will trend to a range of 45–50% of revenues over the next three years.

Corporate governance report

Compliance with the Code

The Board is committed to the principles of corporate governance contained in the UK Corporate Governance Code (the Code), issued by the Financial Reporting Council in September 2012. This section of the annual financial report describes how the Company has applied the Main Principles set out in the Code. By virtue of its admission to the premium listing segment of the Official List on 26 June 2014, the Company has been subject to (and has complied with) the Code for four days during the period to 30 June 2014.

The UK Corporate Governance Code is available from the Financial Reporting Council's website at <https://www.frc.org.uk/corporate/ukcgcode.cfm>.

The Board of Directors of the Company (the Board or the Directors) considers that the Company has complied with the Code, save that the Code recommends that at least half the Board (excluding the Chairman) should comprise Non-Executive Directors determined by the Board to be independent [B.1.2 of the Code]. The Board consists of 11 members: four Executive Directors, and seven Non-Executive Directors, three of whom (excluding the Chairman) are regarded as independent.

The Board considers that it is not currently practical for it to comply with B.1.2 of the Code given the provisions of the Relationship Agreement between the Company and Punter Southall Group Limited (PSG) (further details of which are set out on page 23). However, it is satisfied that the presence on the Board of the Non-Executive Directors who do not meet the parameters of independence is merited by their considerable experience and corporate history and thus consistent with the principles of good corporate governance.

In relation to compliance with C.2.1 of the Code, the Board has not undertaken a formal internal control and risk management review, however the Company was subject to a series of thorough reviews and audits as part of the IPO process as described in the Audit and Risk Committee Report on page 26. These processes combined with an assessment of discussions with various stakeholders regarding the internal control systems, satisfied the Board that such systems are effective in providing reasonable assurance against material fraud or loss.

Capital Structure

Details of the Company's capital structure can be found in the Directors Report on page 47.

The Board

Composition

As at the date of this Report, the Board comprises of:

Name	Position(s)
Paul Bradshaw	Independent Non-Executive Director Chairman of the Board Chair of Nominations Committee Member of Remuneration Committee
Mike Faulkner	Executive Director
Kevin Hayes	Executive Director
James Barham	Executive Director
Jack Berry	Executive Director
Angela Crawford-Ingle	Independent Non-Executive Director Chair of Audit and Risk Committee Member of Nominations Committee
Mark Johnson	Non-Executive Director
Robin Minter-Kemp	Independent Non-Executive Director Chair of Remuneration Committee Member of Nominations Committee Member of Audit and Risk Committee
Jonathan Punter	Non-Executive Director
Angus Samuels	Non-Executive Director
Peter Warry	Independent Non-Executive Director Member of Nominations Committee Member of Remuneration Committee Member of Audit and Risk Committee

The Board does not consider Jonathan Punter or Angus Samuels to be independent under B.1.1 of the Code by virtue of their shareholdings and directorships in PSG, a controlling shareholder of the Company. Mark Johnson is not considered to be independent for the purposes of the Code as a result of being co-founder and director of certain companies within Pacific Investments (as defined below), a significant shareholder of the Company.

The Code recommends that a Chairman should meet the independence criteria set out in the Code on appointment. The Board concluded that Paul Bradshaw is an independent Chairman for Code purposes and that his appointment as an independent Chairman is in the best interests of shareholders. Although Mr Bradshaw serves as a Non-Executive Director on the boards of Nucleus Financial Group Limited and a number of Sanlam Limited's UK subsidiaries together with Angus Samuels, the other Directors have concluded that his judgement, experience and challenging approach should ensure that he makes a significant contribution to the work of the Board and its committees. Therefore, the Board determined that Mr Bradshaw is of independent character and judgement and may still be regarded as an independent Chairman for the purposes of the Code.

Corporate governance report continued

Roles and responsibilities

The Board is responsible for leading and controlling the Company and has overall authority for the management and conduct of the Company's business and the Company's strategy and development. The Board is also responsible for ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls, and for reviewing the overall effectiveness of systems in place), and for the approval of any changes to the capital, corporate and/or management structure of the Company.

Certain matters are specifically reserved for the Board including, for example: approval of the annual operating and capital expenditure budgets and any material changes to them, approval of major capital projects and appointments to and removals from the Board, following recommendations by the Nomination Committee. To achieve its objectives, the Board may delegate certain of its duties and functions to various Board committees or sub-committees, the Chief Executive Officer and executive management, without abdicating its own responsibilities.

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 Company's website (http://www.riverandmercantile.com/about_the_group/board_committee_terms_of_reference). In fulfilling its responsibilities, the Board is supported by management in implementing the plans and strategies approved by the Board.

The Board meets formally at least four times a year.

The Chairman holds meetings with the Non-Executive Directors without the Executive Directors being present.

Conflicts of Interests

The Companies Act 2006 (the Act) imposes a duty on Directors 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. The Board will review regularly all such matters and the Company's handling of such matters, save that only Directors not involved in the conflict or potential conflict may participate in any discussions or authorisation process.

Directors are reminded at each Board meeting of their obligations to notify any changes in their statement of conflicts and also to declare any benefits from third parties in their capacity as a Director of the Company which might give rise to a conflict or potential conflict with the Company's interests.

The interests of the Directors in shares of the Company are set out in the Remuneration Report (which can be found on pages 40 to 45 of this Report).

Performance Evaluation

In line with the Code, a formal evaluation of the Board and its Committees will be carried out on an annual basis. The process will involve individual Directors meeting with the Chairman to discuss an agreed list of topics designed to cover all key areas of Board effectiveness. An internal performance evaluation process was not undertaken for the period ending 30 June 2014.

The Company did not undertake an externally facilitated Board and Committee evaluation process during the period ending 30 June 2014.

Copies of the Executive Directors' service contracts and letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office 11 Strand, London, WC2N 5HR during normal business hours (Saturdays, Sundays and public holidays excepted).

Board Committees

As envisaged by the Code, the Board has established Nomination, Remuneration and Audit and Risk Committees, with formally delegated duties and responsibilities, and written terms of reference which are available on the Company's website. From time to time, separate committees may be established by the Board to consider specific issues when the need arises.

All the Committees are able to call on independent professional advisors, at the expense of the Company, if they consider it necessary.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new Directors, appointment of Committee members and succession planning for senior management. The Nomination Committee is responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee will prepare a description of the role and capabilities required for a particular appointment.

The Nomination Committee will meet formally at least twice a year and otherwise as required.

The Nomination Committee will give careful consideration to diversity and the balance of the Board in making its recommendations to the Board.

The Nomination Committee will consider candidates from a wide range of backgrounds, on merit, against objective criteria and with due regard for the benefits of diversity, (including gender diversity), on the Board. Each member of the Board must have the skills, experience and character that will enable him or her to contribute both individually, and collectively, to the effectiveness of the Board and the success of the Company.

The Code requires that the Company provides an explanation where neither open advertising nor an external search consultancy was used in the appointment of the Chairman or any Non-Executive Director.

The Chairman and Independent Non-Executive Directors have considerable professional experience relevant to the business of the Company. They are demonstrably strong characters who have a challenging approach in Board meetings and exhibit good judgement when required. The Company followed a rigorous selection process in their appointment.

Selection process

The Chairman – Paul Bradshaw

Mr Bradshaw was proposed by Mr Faulkner (CEO and Executive Director of the Company), on behalf of the management shareholders of the newly merged entity, as a Non-Executive Independent Director of the Company and Chairman of the Company. The proposal, after due consideration, was seconded by PSG, subject to the considerations and approval of Pacific Investments. The Chairman was interviewed by Pacific Investments, who were unknown to him, to assess his suitability. In addition, he was interviewed by Canaccord Genuity Limited and Numis Securities Limited as Joint Sponsors and Joint Bookrunners to the IPO. All interested parties confirmed Mr Bradshaw's appropriateness and independence for the role of Chairman.

Corporate governance report continued

Independent Non-Executive Directors

Peter Warry

Mr Warry was proposed as an Independent Director by Mr Faulkner (CEO and Executive Director of the Company). He was then interviewed by the Chairman, who was unknown to him. The Company engaged independent executive search consultants, the Zygos Partnership, to assist with the selection and appointment of independent Directors. The Zygos Partnership provided the Company with a number of candidates for consideration for the position of Senior Independent Director and at the conclusion of the interview process, Mr Warry was agreed to be the most suitable candidate.

Robin Minter-Kemp

Mr Minter-Kemp was proposed by Mr Barham (Executive Director of the Company) on behalf of the management shareholders of the newly merged entity as an Independent Non-Executive Director of the Company. The proposal, after due consideration, was seconded by Pacific Investments and PSG, subject to consideration and approval by the Chairman. Mr Minter-Kemp was interviewed and his suitability assessed by the Chairman and Canaccord Genuity Limited and Numis Securities Limited as Joint Sponsors and Joint Bookrunners to the IPO. All interested parties confirmed Mr Minter-Kemp's appropriateness and independence for the role of independent Non-Executive Director.

Non-Executive Directors

Mr Punter, Mr Samuels and Mr Johnson's appointments as Non-Executive Directors are subject to the relationship agreements detailed below.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration and has responsibility for setting the remuneration policy for each of the Executive Directors and the Chairman, including pension rights and remuneration package, and recommending and monitoring the level of remuneration for senior management below Board level.

The Remuneration Committee meets formally at least twice each year and otherwise as required. It considers all material elements of remuneration policy, remuneration and incentives of Executive Directors and senior management with reference to independent remuneration research and professional advice, where necessary, in accordance with the Code and associated guidance. The Remuneration Committee is also responsible for approving the design of, and determining targets for, any performance related pay schemes including under the Company's bonus and incentive arrangements. In accordance with the Remuneration Committee's terms of reference, no Director may participate in discussions relating to his or her own terms and conditions of remuneration. Non-Executive Directors' fees will be determined by the full Board, or where required by the articles of association of the Company, the shareholders.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including monitoring the integrity of the Company's financial statements, monitoring and reviewing the extent of the non-audit work undertaken by external auditors, advising on the appointment, reappointment, removal, remuneration and terms of engagement of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The Audit and Risk Committee is also responsible for providing oversight and advice to the Board in relation to current and potential risk exposures of the Group and future risk strategy, reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group. The Company's external auditors are invited to attend meetings on a regular basis and other non-members of the Audit and Risk Committee may be invited to attend as and when appropriate and necessary.

The Audit and Risk Committee routinely reports to the Board on the discharge of its responsibilities. The Audit and Risk Committee will formally meet at least four times per year and otherwise as required. It considers and makes recommendations to the Board regarding the appointment, reappointment and removal of the external auditors and must satisfy itself that there are no relationships between the Company and the external auditor which could adversely affect the auditor's independence and objectivity. At least once every 10 years, the Audit and Risk Committee shall ensure the audit services contract is put out to tender.

Board and Committee member attendance for the period ended 30 June 2014

Director	Board	Audit	Remuneration	Nominations
Paul Bradshaw	4/5		2/2	
Mike Faulkner	5/5			
Kevin Hayes	5/5			
James Barham	5/5			
Jack Berry	4/5			
Jonathan Punter	3/5			
Angus Samuels	5/5			
Mark Johnson	5/5			
Peter Warry	5/5	2/2	2/2	
Robin Minter-Kemp	4/5	1/2	2/2	
Angela Crawford-Ingle	4/5	2/2		

Shareholder relations

The Company places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders.

The Company maintains dialogue with institutional shareholders through regular meetings with such shareholders to discuss strategy, performance and governance matters and to obtain investor feedback.

The Company's annual general meeting (AGM) provides a forum for investors to meet the Directors, both formally and informally.

The Group's website (www.riverandmercantile.com) contains regularly updated information regarding the Group, and is where all announcements and shareholder reports are published.

Relationship Agreement

PSG currently holds 38.1% of the issued share capital of the Company. By virtue of the size of its shareholding in the Company, PSG is a controlling shareholder for the purposes of the Listing Rules and was required to enter into an agreement with the Company to ensure compliance with the independence provisions set out in the Listing Rules (Relationship Agreement).

The Relationship Agreement regulates the ongoing relationship between the Company and PSG. The Company and PSG have agreed, inter alia, that PSG will be able to nominate two Non-Executive Directors of the Company: (i) the first for a fixed term of 12 months from admission of the Company's shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities (Admission), to terminate automatically after the expiry of such 12 month period unless the Directors determine otherwise; and (ii) the second for an initial term of three years from Admission subject to PSG (together with its subsidiary undertakings) holding at least 10% of the ordinary shares in the Company (Ordinary Shares) following Admission.

The Company also agreed with Pacific Investments Management Limited, its subsidiary undertakings and controlling shareholder, Sir John Beckwith (together Pacific Investments) that Pacific Investments may appoint one Non-Executive Director to the Board for a fixed term of 12 months from Admission. Such appointment will automatically terminate after the expiry of the 12 month period unless the Directors determine otherwise. Pacific Investments has exercised its right to appoint one Non-Executive Director, and will therefore have no further appointment rights in the future.

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

On 27 March 2014, the Company entered into a transitional services agreement (TSA) with PSG pursuant to which PSG agreed, for a transitional period, to provide certain IT, finance, human resources, facilities management and legal and compliance services to the Company and its subsidiaries. The services are provided to enable the Company and its subsidiaries to continue to undertake their day-to-day activities. The Company will pay PSG for the transitional services on a monthly basis on arm's length terms.

The Company has also adopted a conflicts policy that provides for both the management of conflicts of interest, which includes the representatives of PSG on the Board, as well as the flow of information concerning the Group to such persons.

The Company has complied with the independence provisions in the Relationship Agreement. So far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied by PSG and its associates, and Pacific, and the procurement obligation included in the Relationship Agreement has been complied by PSG.

Dealing Code

The Company has established a Securities Dealing Code which sets out the requirements to be followed by all restricted persons who wish to deal in the Company's securities. The Securities Dealing Code also establishes a clear procedure to enable compliance with its obligations as a company listed on the Official List of the Financial Conduct Authority, including requirements to disclose certain dealings in Company securities. The Securities Dealing Code is applicable to all staff for the period of 12 months from 26 June 2014.

By order of the Board

Board of Directors



Paul Bradshaw
Non-Executive Chairman

Background and experience

Mr Bradshaw has a Mathematics degree from Nottingham University and is a Fellow of the Institute of Actuaries. He was a founder of Skandia and was Chairman and Managing Director of that business before moving on to various roles with J Rothschild International Assurance Ltd (now St James's Place Wealth Management). His executive career was completed as CEO of Abbey (now Santander) Insurance and Asset Management Division. He has had extensive Non-Executive experience over many years, including Marks and Spencer Money, Perpetual (now Invesco Perpetual) Pensions and GE Life. His current Non-Executive roles include Santam Limited and its UK controlled subsidiaries, and Non-Executive Chairman of Nucleus Financial Group.

Committee membership

Board
Remuneration Committee
Nominations Committee



Mike Faulkner
Chief Executive Officer

Background and experience

Mike founded P-Solve in 2001 to offer pro-active and strategic advice to pension scheme trustees and corporate Clients. The Company became one of the first investment consultants in the UK to offer Fiduciary Management to schemes. He has 22 years of consulting and asset management experience, including senior roles with what is now Towers Watson Ltd and Gensec International. Ranked top of Financial News's annual survey of Europe's most influential asset managers in 2011, he has a mathematics degree from Imperial College, London.

Committee membership

Board



James Barham
Global Head of Distribution

Background and experience

James founded River and Mercantile Asset Management (RAMAM) in 2006 with the backing of Pacific Investments Management Ltd and was its Chief Executive Officer. He was previously part of the team which floated Liontrust Asset Management plc, where he founded the institutional business. This followed senior roles with Shandwick Consultants and James Capel Investment Management and was Marketing Director for Intermediate Capital Group. James served in the Royal Welch Fusiliers after Sandhurst.

Committee membership

Board



Kevin Hayes
Chief Financial Officer

Background and experience

Kevin is a proven FTSE 100 CFO with over 20 years' experience leading global financial institutions. Previously at Man Group plc, he was Finance Director and Company Secretary. This followed senior roles with Lehman Brothers Holdings, including International CFO, Head of Productivity and Process and Capital markets CFO. He started his career with Ernst and Young LLP and was a financial services partner in New York. He has degrees in commerce and administration, and law – from Victoria University, Wellington, New Zealand and is a certified public accountant.

Committee membership

Board



Jack Berry
Global Head of Solutions

Background and experience

Jack established the use of derivatives in liability-driven investments to enable pension schemes to hedge their principal risks. With 25 years' experience, he is a key point-of-call for trustees and sponsors. Jack began his career at Ernst & Young LLP and then Standard Chartered Bank plc, before running his own corporate finance business in Zimbabwe. He has an accountancy degree from the University of South Africa with a London Business School masters in finance and is a qualified chartered accountant.

Committee membership

Board



Peter Warry
Senior Independent
Non-Executive Director

Background and experience

Chairman of The Royal Mint and Chairman of Keepmoat Group, Peter has also served as Chairman of BSS Group, Victrex and Kier Group and has held many board-level roles. A former special advisor to the Prime Minister's policy unit, he is an industrial professor at the University of Warwick. An engineering and economics graduate and honorary fellow of Merton College, Oxford, Peter is also a fellow of the Royal Academy of Engineering.

Committee membership

Board
Audit Committee
Remuneration
Committee
Nominations Committee



Jonathan Punter
Non-Executive Director

Background and experience

Jonathan founded Punter Southall Group Ltd with Stuart Southall in 1988 and is the Group's Chief Executive. He has more than 30 years in the actuarial profession, with particular expertise in UK pensions and investment strategy. He is a specialist on the issues surrounding pensions in mergers, buy-outs and due diligence deals. A qualified actuary with a mathematics degree from Bristol University, he began his career with Duncan C Fraser, where he was a partner.

Committee membership

Board



Angus Samuels
Non-Executive Director

Background and experience

Chairman of Punter Southall Group, Angus has held roles in the UK and South Africa, including chief executive of Sanwa Asset Management, Credit Suisse Asset Management and Sanlam Investment Management. His Non-Executive Directorships include Sanlam UK, Sanlam Private Wealth Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments UK Ltd and Nucleus Financial Group. From Zimbabwe, Angus's career began at stockbrokers' Fergusson Bros and Hall Stewart and Co in South Africa.

Committee membership

Board



Mark Johnson
Non-Executive Director

Background and experience

Mark co-founded Pacific Investments with its Chairman, Sir John Beckwith, and is the Chief Executive. He also worked with Sir John as Chief Executive of the Riverside Group. He is a partner of RiverCrest Capital LLP and Chairman of Argentex Capital. He was a partner of RAMAM. He was a shareholder Director of Liontrust Asset Management and Thames River Capital. A graduate of University College London, Mark is also a qualified lawyer.

Committee membership

Board



Robin Minter-Kemp
Independent
Non-Executive Director

Background and experience

Robin has more than 25 years' experience in the fund management industry, holding senior positions with Henderson Investors and HSBC Asset Management before joining Cazenove Fund Management in 2001. Over the next 13 years, he was instrumental in developing Cazenove's specialised investment business, building external funds under management from £300 million to £6.5 billion ahead of the business's acquisition by Schroders plc in July 2013. Robin served in the Royal Welch Fusiliers after Sandhurst.

Committee membership

Board
Audit Committee
Remuneration
Committee
Nominations Committee



Angela Crawford-Ingle
Independent
Non-Executive Director

Background and experience

Angela is a chartered accountant with extensive audit experience of multinational and listed companies. As a partner at PricewaterhouseCoopers, she specialised in financial services for 20 years – leading the Insurance and Investment Management Division. Retiring in 2008, she is a partner in Ambre Partners, advising private equity firms and entrepreneurial companies. Angela is a Non-Executive Director of Beazley plc and Swinton Group Ltd. She chairs the Audit and Risk Committee.

Committee membership

Board
Audit Committee
Nominations Committee

Audit and Risk Committee report (including Risk management)



Angela Crawford-Ingle
Chairman, Audit and Risk Committee

I am pleased to present the first report of the Audit and Risk Committee and thank all the members of the Board and management for their cooperation and assistance to the Committee during the important transition of the business to a publicly listed Group.

The outcomes expected of the Committee

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, monitoring the integrity of the Company's financial statements, and reviewing the effectiveness of the Company's internal controls and risk management systems. The Audit and Risk Committee is also responsible for providing oversight and advice to the Board in relation to current and potential risk exposures of the Group and future risk strategy, reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group. The Committee's main focus during the reporting period with regards to these responsibilities has been the completion of the Financial Positions and Prospects Procedures as part of the Admission process.

The Committee and our engagement process

In nominating Directors to the Committee, the Board has followed the recommendations of the UK Corporate Governance Code and the Committee comprises the three Independent Non-Executive Directors. The Board appointed me as Chairman of the Committee based on my relevant background and experience in financial matters. The Group's Chief Financial Officer attends the Committee meetings and the Independent Auditor is invited to attend meetings on a regular basis, including separate meetings without the Executive Directors present.

The Committee meetings are open to all members of the Board to attend and all papers are available to the full Board. This broadens the engagement of the Board in risk and accounting matters, which are critical areas of focus of the Board. While Jonathan, Angus and Mark, as Non-Independent, Non-Executive Directors, are not members of the Committee, we have benefited from their knowledge and experience of the risk management and governance frameworks that existed in the P-Solve and RAMAM businesses, and in supporting the Committee through the IPO process and the transition to becoming a public reporting group.

Prior to the establishment of the Committee, both P-Solve and RAMAM had risk, compliance and governance frameworks in place which have existed for the full reporting period. These processes formed the basis on which the Group's consolidated reporting framework has been continued.

The Committee was formally established on 3 June 2014, and has held seven meetings through to 23 September 2014. The majority of these meetings have been focused on matters relating to the public listing, establishing the additional controls process to facilitate the public reporting of the Group and the review of the period end financial results.

Areas of focus

The following are the key areas of focus of the Committee:

- The Financial Position and Prospects Procedures;
- Establishing an integrated controls framework for the consolidated Group, leveraging the individual risk and control frameworks of P-Solve and RAMAM;
- The significant areas of accounting judgement identified in the business; and
- Independence of the external auditors, BDO LLP.

Independence of the auditors:

The Board is responsible for maintaining the integrity of the external audit process. The independence and objectivity of our auditors is an essential component.

BDO has been the independent auditors for PSG and P-Solve entities and RAMAM. The audit partner has been the engagement partner involved with the audit of PSG, P-Solve and RAMAM. In addition, BDO was appointed as the Reporting Accountant for the IPO and has provided a variety of advisory and tax services to both entities and PSG. In aggregate, a total of £884,000 of fees have been paid to BDO for various audit and non-attest services relating to the Group entities over the previous 12 months ended 30 June 2014. Monitoring the various activities of BDO has been a significant focus of the Committee in determining the independence of the Group's auditors. The Committee has concluded that BDO, as the Group's auditor, has maintained its independence and objectivity throughout the IPO process and the audit of the Group's consolidated financial statements. This conclusion is based on BDO's adherence to the Financial Reporting Council's (FRC) Audit and Ethical Standards. Professional Auditing Standards on Independence, the involvement of an independent review partner in addition to the engagement partners on the IPO engagement and the segregation of the teams undertaking the responsibilities of Reporting Accountant and Independent Auditor. The quantum of the Reporting Accountant work was viewed as one-off in nature and is not ongoing in the future.

There are no contractual obligations that acted to restrict the Committee's choice of external auditor.

Financial position and prospects procedures

As part of the Admission process the Committee was responsible for establishing procedures that provide a reasonable basis for making proper judgements on an ongoing basis as to the financial position and prospects of the Group.

In carrying out our responsibilities, we have conducted a risk assessment of the nature and circumstances of the business and:

- the information needed to monitor the business and manage risk so as to make proper judgements on the Group's financial position and prospects (FPP);
- the factors likely to impact on the Group's FPP and the preparation and communication of related information; and
- evaluated the Group's FPP procedures having regard to ICAEW Technical Release (TECH 01/13CFF).

The Committee concluded that there are procedures in place which provide a reasonable basis for us to make proper judgements on an ongoing basis as to the financial position and prospects of the Group and advised the Board accordingly.

Prior to the IPO, RAMAM and P-Solve (both of whom are regulated investment managers) maintained financial reporting and control procedures to support their respective businesses. These procedures included the maintenance of the control environment over financial matters and the preparation of financial information. The financial information was subject to review by the respective Executive and Management Boards; in the case of RAMAM, the Executive Committee of the LLP and in respect of P-Solve, the Board of PSG.

The Board has reviewed these procedures at the individual reporting entities, which have continued throughout the period, in addition to the procedures to support the financial reporting and control procedures on a consolidated basis for the overall Group. This has allowed the Board to make proper judgements on an ongoing basis as to financial position and prospects of the Group and to fulfil its responsibility to ensure that a sound system of internal controls and risk management is in place during the period.

The significant areas of accounting judgement

The significant areas of accounting judgement identified in the business are detailed in the following places in the consolidated financial statements:

- The determination of the fair value of consideration exchanged in the acquisition of RAMAM (Note 42).
- Fair value of the Investment Management Agreements (IMAs) identifiable intangible in the acquisition accounting for RAMAM, including the discount rate used and the period over which the IMA intangible will be amortised (Note 42).
- Consideration of whether previously recorded goodwill is impaired, including the goodwill arising from the acquisition of RAMAM (Note 42).
- The revenue recognition of management and performance fees (Notes 8-10).

Each of these areas requires the exercise of professional judgement and the Committee has reviewed the accounting judgements involved with each of the areas. The Committee has worked in conjunction with the Remuneration Committee with regards to the accounting for the Performance Share Plans. These matters have then been reported by the Committee to the Board for further discussion and approval in the context of the published financial information.

Annual Report

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

Forward calendar

The forward calendar of the Audit and Risk Committee includes the following matters:

- Overseeing the migration of control functions currently supported by PSG under the Transition Services Agreement;
- Overseeing the implementation and maintenance of an aggregated systems of internal controls based on the three lines of defence regime;
- Reviewing the Group's risk assessment processes, including risk appetite statements, and capability to identify and manage new risks; and
- In the context of the risk assessment processes, reviewing the individual capital adequacy assessment processes, for the regulated entities and the Group as a whole.

Risk management

It's all about the outcome...

Our business model brings together advice, with investment management and portfolio engineering skills. In doing so, our primary objective is to deliver strong outcomes for Clients.

The principal focus of risk management is related to limiting the risk of not delivering the expected outcome to Clients. We consider this objective to be strongly aligned to the outcomes expected by our other constituents: our shareholders; employees; regulators and the broader community.

This outcome orientated approach to risk management is applied throughout the Group, from the corporate governance structure instilled by the Board through to our employees.

Board of Directors

The Board is committed to the highest standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business and its strategy and development.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including monitoring the integrity of the Company's financial statements. The Audit and Risk Committee is also responsible for providing oversight and advice to the Board in relation to current and potential risk exposures of the Group and future risk strategy, reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group.

The Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration and has responsibility for setting the remuneration policy and recommending and monitoring the level of remuneration for Executive Directors and senior management. These policies include consideration of risk awareness, management and accountability for risk. The key objective is that employee incentives are aligned to the delivery of strong Client outcomes.

The Executive Committee and Senior Management

The Executive Committee is responsible for setting and monitoring the Group's risk profile and is responsible for the operation of the business in accordance with the Board Risk Appetite statements. The divisions and each business unit are the first line of defence against unexpected outcomes and are responsible for establishing sound operational processes and control procedures.

Business support functions

The strategy of the support functions is to provide high quality operational support, assurance and risk management to the Group's business units through centralised infrastructure and oversight. The Group has developed infrastructure that enables current operations to be supported in the most efficient manner and this provides a robust platform from which the Group can bring new ideas to market, while delivering a high level of service to its Clients.

Operations

The Group's operational strategy is to provide services in the most efficient manner for each business line, either in-house or on an outsourced basis. The Group keeps under review the mix of in-house and outsourced work and, where a business line can be more effectively supported by outsourcing, it will look to do so. The Group's approach is to build outsourcing relationships with strategic partners who can provide quality service utilising specialist resources at lower medium and longer term running costs than if such services were provided within the Group. Operations works with the business to develop processes and controls that mitigate the risk of operational incidents.

Finance

The finance department is responsible for managing and reporting the financial results and financial position of the Group in accordance with statutory and regulatory requirements. Finance is responsible for maintaining the internal control environment to support the production of financial and management information. It is also responsible for tax reporting and compliance, cash management, forecasting and budgeting. Through robust processes and effective control procedures the finance department mitigates the risk of misstatements and financial loss to the Group.

The Group ensures that there is adequate internal control and risk management of the financial reporting process through: hiring and retention of appropriately skilled staff; segregation of duties; budgeting and forecasting; review of management information by the business and the Board; review of key control process including reconciliations; and review of financial information and controls by the Audit and Risk Committee.

Technology

The IT department is responsible for providing and managing the Group's IT requirements in line with the Group's operations strategy. The Group's IT infrastructure combines both in-house and outsourced arrangements. IT services include the development and maintenance of proprietary trading tools, hardware maintenance, desktop support, data integrity and security, including resilience, back-up and recovery arrangements. Technology enables automated processes that create a repeatable, controlled and scalable infrastructure which promotes predictability and stability, and thereby enhances the ability to identify and mitigate operational risks.

Compliance and Risk Management

The Compliance and Risk Management functions are responsible for identifying, assessing, evaluating, monitoring and reporting on compliance and risk related issues faced by the Group. For the most part this involves strong regulatory intelligence and forward-looking risk management. Processes include assessing the impact to the Group of specific issues, determining their expected likelihood and consequences, and developing and implementing prioritisation and management strategies. In a coordinated and collaborative approach, the Compliance and Risk Management functions also monitor and provide assurance as to the adequacy and effectiveness of the Group's internal controls. The Group continues to operate three separate regulated entities, P-Solve Investments Limited, P-Solve LLC and River and Mercantile Asset Management LLP, each of which has its own compliance officer who reports to the Group's Head of Compliance, who attends the Audit and Risk Committee meetings as required.

The Group has compliance policies and procedures in place and all employees receive ongoing training to instill a risk and compliance awareness and Client orientated culture.

Legal and Company Secretarial

The Legal and Company Secretarial department is responsible for managing and mitigating the Group's legal risk, ensuring compliance with relevant legislation and contractual obligations, and oversight of the Group's regulatory compliance. It is also responsible for the corporate governance matters of the Group. As well as providing legal support to the advisory, investment and distribution teams in relation to the Group's products, the Legal and Company Secretarial department also provides legal support in relation to other matters, such as employment, trading, information technology, intellectual property and finance.

Human Resources

The Human Resources department is responsible for implementing the Group's human resource policies and practices with the aim of achieving a working environment which fosters a culture of cooperation, respect and performance.

Key risks

The following table summarises the key risks considered most relevant to our business. See Note 47 to the consolidated financial statements for further information on financial risks.

Risk management continued

ACTIVITY	RISK	OUTCOME	MITIGATION
Client engagement	We do not fully identify or understand the Client's desired investment outcomes.	The Client's investment strategy does not meet the Client's desired outcomes. This could lead to a loss of Clients, failure to win new business and reputational issues.	<p>The Client engagement process is based on engagement with regulatory approved investment professionals and advisors who develop with the Client their desired Client outcomes.</p> <p>Through our existing Client base we have experience from other similar Clients that informs us about the general trend in particular segments of our Client base.</p> <p>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.</p> <p>A regular governance process provides for regular interaction to identify changes in the Client's desired outcomes and solicits feedback on the actual outcomes experienced by the Client.</p>
Client outcome	The design of the investment strategy does not deliver investment performance consistent with the range of articulated outcomes.	The investment performance is not in line with Client expectations or investment advice is poor. This could lead to a loss of Clients, failure to win new business and reputational issues.	<p>The Group's Chief Investment Officer oversees the Group's investment views and there is a committee structure in place to support the provision of consistent investment views across the Group.</p> <p>Investment opinions are subject to considerable evaluation and discussion prior to implementation or presentation to Clients as appropriate to their form of engagement with the Group.</p> <p>Investment strategies are designed and back tested against different historical market events to identify to the Client a range of possible outcomes. Investment performance is understood to vary within a range of outcomes and this helps Clients understand the characteristics of different strategy options.</p> <p>The governance process with the Client provides a regular interaction to report to the Client their investment performance against the specified outcomes. This allows the business to check the appropriateness of the strategy design with Clients.</p> <p>The Group fosters a culture that supports a business model, behaviours and practices that have the fair treatment of Clients at its core. This requires an open and honest dialogue regarding investment performance relative to the stated outcomes.</p>
Execution of the Client's investment strategy	The execution of the investment strategy is not in accordance with the agreed investment strategy.	Failure to execute the investment strategy in accordance with the stated investment mandate, errors and misconduct, as well as failure to manage conflicts of interest. This could lead to direct financial loss, a loss of Clients, failure to win new business and reputational issues.	<p>The investment management process is documented within the investment mandates, including risk limits and concentration limits. Investment guideline and restriction metrics are monitored against mandate parameters to maintain compliance. Variance triggers and thresholds are in place, and breaches are promptly escalated.</p> <p>Compliance and Risk Management, which operate alongside the business but have independent reporting lines, act as a second line of defence over the investment management process.</p> <p>A culture of Client engagement, based on conduct and fairness, fosters an open and honest dialogue regarding investment performance relative to the stated outcomes.</p>
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	Financial loss, forgone revenue, fines and reputation damage.	<p>Experienced and knowledgeable employees with appropriate segregation of roles and responsibilities.</p> <p>Workflows, internal control processes and escalation protocols designed to achieve predictable outcomes.</p> <p>Insurance covering errors and omission mitigating significant financial loss.</p>

ACTIVITY	RISK	OUTCOME	MITIGATION
Market environment	The Group and the investment advisory and investment management industries as a whole are sensitive to adverse economic, political and market factors and volatility in financial markets. A significant deterioration or sustained decline in economic conditions or financial markets could impact investor sentiment and adversely affect the Group's performance.	Significant withdrawals of AUM and/or NUM at short notice and loss of advisory mandates could have an impact on management fees and advisory fees.	The Client engagement process gives the Group an opportunity to maintain a relationship across market cycles both in advisory and investment management. The engagement process allows us to understand the risk appetite of the Client and operate pro-actively to respond to a Client's changing outcomes.
		Sustained underperformance across a range of the Group's products and strategies could result in reduced management fee and performance fee income.	A sustained reduction in AUM and/or NUM as a result of adverse market movements could result in a corresponding reduction in management and performance fee revenue. This may be partly offset by an increase in our advisory revenues as Clients re-evaluate their investment and hedging strategies. In the short to medium terms we can adjust our cost base, particularly remuneration which is variable with our overall economics.
Regulatory environment	The Group operates in an evolving regulatory environment and is subject to wide-ranging legal and regulatory (including capital) requirements and supervision; changes to which may result in additional compliance costs or adverse changes in the Group's business. Failure to comply with such requirements may result in investigations, disciplinary action, fines, reputational damage and the revocation of the Group's licences, permissions, waivers or authorisations.	A breach of regulatory requirements could result in fines and sanctions which could diminish the Group's reputation with Clients and the market generally.	The Client engagement process necessitates understanding the expected outcomes for the Client. This, along with related processes and policies, is directed at the best possible Client outcomes.
		The Group operates through a number of regulated entities, and therefore sanctions could limit our ability to offer investment strategies to existing and prospective Clients.	The Client engagement process necessitates identifying actual or potential conflicts of interest between the Group and the Client. These conflicts can be understood and discussed with the Client and mitigating measures introduced where appropriate. The group pays due regard to the interest of its Clients and puts treating them fairly central and foremost.
		Breach of regulatory requirements could result in an increase in the regulatory capital required to be held by the regulated entities.	The Group's Compliance and Risk Management 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.
		Changes in the regulatory framework could make it more costly or capital intensive to operate in the market, reducing profitability of the Group.	Regulatory changes are monitored by the Group's Compliance and Risk Management functions and we maintain an active dialogue both with our Clients and with regulatory bodies so that we can understand and adapt business model and strategy accordingly.
Key personnel	The Group is dependent on the continued services of its senior management and key personnel. The loss of key individuals or a failure to have effective succession plans could reduce our ability to service our Clients.	The loss of, or inability to train or recruit, key personnel could have a material adverse effect on the Group's business.	We have formal processes of training and accreditation to advance and motivate our employees in order to support the continuity of our Client engagement business model.
			Our focus on Client outcomes aligns us with our Clients and results in a business with low attrition rates. This creates a sustainable business which is therefore less subject to cyclical effects. This allows us to grow, attract and retain our Client and investment talent.
			Our remuneration structures are designed to motivate and support the development of our employees and provide incentives linked to their individual, divisional and Group performance.
Reputation	Damage to the Group's reputation could affect the perception that Clients and potential Clients have of our abilities as an investment partner.	Reputation damage could lead to a loss of Clients, reduction in AUM and/or NUM and a reduction in the profitability of the Group.	Our ethos is centred on delivering against the outcomes of our constituents. This fosters a culture of integrity and conduct that is based on engagement with our Clients, shareholders, regulators, employees and the broader community. Our reputation is based on the quality of this engagement process.

Remuneration Committee report



Robin Minter-Kemp,
Chairman, Remuneration Committee

In my first report it is important to clarify the role of the Remuneration Committee in the context of the previous governance regime over remuneration and the regime to be applied going forward.

In my first report it is important to clarify the role of the Remuneration Committee in the context of the previous governance regime over remuneration and the framework to be applied going forward.

The Committee's responsibilities are:

- reviewing the Group's remuneration strategy and recommending to the Board the Directors' remuneration policy;
- determining the remuneration of the Executive Directors within the terms of the Directors' remuneration policy;
- reviewing the remuneration of the heads of Compliance, Legal and Risk Management, monitoring the level and structure of remuneration for other senior employees and overseeing employee compensation more broadly across the Group;
- reviewing the design and operation of performance based share remuneration;
- reviewing our compliance with the required remuneration disclosures; and
- receiving and considering feedback from shareholders and representatives of shareholder bodies regarding their expected outcomes.

Membership of the Committee and engagement

In appointing Directors to the Committee, the Board has followed the recommendations of the UK Corporate Governance Code and the Committee therefore comprises the three Independent Non-Executive Directors. In addition, Mark Johnson and Angus Samuels attend the Committee meetings based on their knowledge and experience of the remuneration policies that existed in the two predecessor entities: P-Solve and RAMAM. Having a clear understanding of how the organisation has been incentivised through remuneration in the past and how this might be applied, in the context of a public company, has been critical. Mark and Angus' experience has been extremely valuable in supporting the Committee through the IPO process and the transition to a public company.

The Committee was formally established on 19 May 2014 and has held six meetings through 19 September 2014. The majority of these meetings have been focused on matters relating to the public listing and establishing the remuneration policies and new Performance Share Plans for the Group.

Prior to the establishment of the Committee, both P-Solve and RAMAM had remuneration, compliance and governance frameworks in place which have existed for the full reporting period. These governance processes formed the basis on which the Group's remuneration policies have continued.

Change by its nature causes uncertainty. Making sure that our employees understand that their remuneration arrangements will be consistently applied post the acquisition of RAMAM and the IPO has been a focus of Executive Management and the Committee.

Areas of focus

In the short time the Committee has been operating the following have been the key areas of focus of the Committee:

- Share trading restrictions;
- Equity Ownership by Employees;
- Executive Remuneration Arrangements;
- The Executive Performance Share Plan (EPSP);
- Performance Share Plan (PSP); and
- Guidance regarding the Remuneration to Revenue ratio.

Use of independent experts

The Committee does not have a permanent external consultant but has sought independent advice on remuneration matters and appointed Ernst & Young LLP and Fox Williams to review the compliance, market, and tax treatment of the EPSP and the PSP which were adopted at the date of the IPO. Ernst & Young have been engaged by the Committee to perform a valuation of the performance shares granted under the EPSP.

Remuneration philosophy

The Group's remuneration philosophy is based on rewarding people for their individual performance, their division's performance and the overall performance of the Group. As a business that is outcome orientated our remuneration philosophy reflects rewarding our employees for achieving expected outcomes. We recognise that as a people orientated business, remuneration is one of the outcomes expected by our employees. Other outcomes such as professional advancement opportunities and intellectual fulfilment are also important, so while the focus of this report is remuneration we consider that it is only one component in a range of expected outcomes for our employees. As a business we are subject to competitive pressures and this includes the competition for talent. In order to remain competitive we have a talent management philosophy that is linked to attracting, advancing and retaining talented people.

Our remuneration structure

The Group is the combination of the two businesses which have had different approaches to the structure of their remuneration. These differences are based on the different market dynamics and the different business models of the underlying businesses. As these differences reflect the differences in the underlying businesses we do not anticipate significant changes to the basis of remuneration. The commonality of both regimes has been that they have provided clear incentives that underpinned the success of both businesses.

In RAMAM, partners have taken drawings and been paid a performance based profit share, generally contractually based, rather than discretionary. This gives a direct linkage between performance and remuneration and is a transparent process. The performance is not only measured by the investment performance earned by way of performance fees but by the sustainability of the AUM on which management fees are earned. All amounts were paid in cash. In addition partners shared in the residual profits of the LLP. After the merger these arrangements continued generally unchanged. The capital interests in the LLP were exchanged for shares in P-Solve and ultimately the Group, on which the partners will now earn dividends as shareholders of the Group.

In P-Solve, the remuneration philosophy is based on arrangements where base salary is a higher component of total remuneration. This matches the dynamic of the Client engagement business model of P-Solve.

In general, base salaries and benefits are targeted at the high to medium quartile as compared to similar positions in the financial services industry. This comparative analysis has been based on information obtained from external consultants. Generally, base salaries increase based on the advancement of the individual and inflation.

The variable bonus remuneration has been paid in cash and deferred performance share-based payments. Cash bonuses are focused on rewarding the individual for their current contribution in excess of the expected outcomes. The deferred arrangements reward the individual for the collective performance of their business in the context of the Division and the Group as a whole. The criteria for vesting are defined outcomes that are measurable in terms of the Group's performance. As these arrangements are forward looking they align the individual to the Group's strategic direction.

In both these cases the remuneration arrangements match the business models and these remuneration approaches will remain generally unchanged.

Ratio of remuneration to revenue

The remuneration outcome expected by our employees is balanced with the returns expected by our shareholders and this is a key component of how we think about our remuneration philosophy.

The Directors have made the following statement regarding our remuneration to revenue ratio in the future:

"... as a result of the operating leverage of the combined business and the implementation of the PSPs, remuneration to total revenue will trend to a range of 45–50% over the next three years, the higher end of this range reflecting a higher proportion of performance fee revenue to total revenue."

As discussed in the CEO Report the growth in the pre-tax margin is a key performance indicator for the business as it is the key outcome for shareholders in determining the amount available for distribution under the Group's dividend policy. The remuneration to revenue ratio is a component of that metric as it defines the relationship between the remuneration paid to employees and the amount ultimately available to shareholders as dividends.

For the six months ended 30 June 2014 the total remuneration paid to Executive Directors and employees was £10.84 million, representing 54% of total revenues. The adjusted profits after tax were £4.30 million. A dividend of 2.3 pence per share (£1.88 million) has been proposed by the Directors, (including 1.0 pence paid as a special distribution relating to performance fees), representing 60% of the Adjusted Profits for the three months ended 30 June 2014. This was consistent with the statements made by the Board in the Listing Prospectus. These statements regarding remuneration to revenue ratio, pre tax margin and the dividend policy are the key metrics in setting expected outcomes for shareholders and employees.

Equity ownership by employees

The Group has a long history and culture of management and employees having significant equity ownership in the business. In RAMAM this was directly through the partnership structure which continues post the IPO through the partners having both invested capital in the LLP at risk and profit sharing interests.

For P-Solve, the equity ownership was through performance shares, the vesting of which were linked to the excess return the business generated for the previous owner, PSG. These shares vested into shares of PSG which is a private company and could be realised through an annual exchange process.

Remuneration Committee report continued

The Group's remuneration philosophy will continue to be based on granting performance shares which only vest if transparent and measurable performance outcomes are achieved. A significant difference compared to the previous arrangements is that as a public company the potential shares that can vest have a transparent price making the value of achieving the outcome more clearly measurable for the employee.

Performance Share Plans

As noted earlier, ownership of the underlying outcomes of the business through equity ownership has formed an important part of the remuneration structures of both businesses and will continue in the future. The Committee considered a number of alternative share-based and Performance Share Plans and recommended to the Board the establishment of two plans. At the date of the IPO the EPSP and the PSP were established. The EPSP is specifically for the Executive Directors and Senior Management which was granted at the Admission date and a general Performance Share Plan under which a number of different awards could be constructed. The plans are described below.

The Executive Performance Share Plan

The EPSP has been established to grant the Executive Directors and certain members of senior management performance shares at the date of Admission. Two classes of performance shares were awarded: Performance Condition A Awards and Performance Condition B Awards. The aggregate number of shares which may be issued under the EPSP is limited to 10% of the issued ordinary share capital of the Company on Admission. The aggregate number of shares that could be issued under Performance Condition A Awards is 5,746,675 and 2,462,860 shares under Performance Condition B Awards.

The vesting of Performance Condition A Awards is conditional on achieving a Compound Annual Total Shareholder Return of at least 12% measured over the four-year performance period. Vesting will start at 12% Compound Annual Total Shareholder Return and 100% of the Performance Condition A Awards will vest at 24%. Vesting will be pro rated on a straight-line basis between 12% and 24% Compound Annual Total Shareholder Return.

Performance Condition B Awards are conditional on achieving a total shareholder return of at least 25% Compound Annual Total Shareholder Return measured over the four-year performance period. Vesting will start at 25% Compound Annual Total Shareholder Return and 100% of the Performance Condition B Awards will vest at 30%. Vesting will be pro rated on a straight-line basis between 25% and 30% Compound Annual Total Shareholder Return.

Any shares which vest are subject to a holding period of 12 months following the vesting date. Shares which do not vest will be forfeited. The vesting is also subject to the participant's continued employment by the Group during the vesting and hold period.

The Committee, in reviewing the terms of the EPSP engaged Ernst & Young LLP to advise them on the valuation and comparability to other similar plans. The Committee concluded that the performance conditions, based on the absolute return experienced by the shareholders, was an appropriate measure given the dilutive nature of the EPSP. The vesting period of four years was viewed by the Committee as a significant period over which to generate sustained

returns for shareholders. Vesting of Performance Condition A Awards only occurs after the shareholders have earned at least 12% Compound Annual Total Shareholder Return measured over the four-year performance period and at 25% Compound Annual Total Shareholder Return for the Performance Condition B Awards. Both of these hurdles are set above the historical medium return for FTSE companies. In addition, the requirement to hold the vested shares for a further one year period creates further incentive to generate sustained returns for shareholders. We believe that the EPSP complies with the guidelines of the ABI specifically with regards to having challenging performance conditions and an alignment to shareholders whereby the shareholder receives their return in absolute terms before the Executives receive their remuneration.

The Committee therefore recommended the EPSP to the Board and the Board confirmed that the EPSP performance conditions represent a significant challenge for the executive management to attain, and that these conditions can only be achieved through the successful, long-term execution of the Board's growth strategy. The successful implementation of this growth strategy is measured on an absolute basis by the returns experienced by shareholders. The Board considers that the performance criteria therefore directly align the reward for performance of the executive management with the investment performance directly experienced by shareholders. The key terms of the EPSP are described on page 62.

Performance Share Plan

The PSP has been established to grant employees including Executive Directors three different types of awards over ordinary shares. Awards under the PSP may comprise (i) nil-cost option awards (Nil-Cost Option Awards) over ordinary shares, (ii) contingent share awards (Contingent Share Awards) over ordinary shares and (iii) forfeitable share awards (Forfeitable Share Awards) over ordinary shares. Awards under the PSP are not intended to cause further dilution on shareholders and will therefore be satisfied through share purchases by the Employee Benefit Trust (EBT). As at 30 June 2014 no awards had been made under the PSP and no shares are held by the EBT.

Share trading restrictions

As a result of the acquisition of RAMAM a trigger event occurred and the unvested performance shares for certain P-Solve employees vested and were converted into P-Solve shares. These shares ultimately converted into shares in R&M and under the underwriting agreement, up to 35% could be sold in the IPO. A focus of the Committee, and the Board, was on the trading restrictions that would apply to the unsold shares held by both the RAMAM LLP partners whose capital interests were exchanged into R&M shares and the P-Solve employees whose performance shares had been accelerated by the trigger event. Under the Underwriting Agreement employees and Executive Management are restricted from selling their unsold shares for a period of at least two years. This provides a strong alignment of interests between the existing shareholder employees and our new shareholders. The lock up restrictions also applied equally to new shares purchased by employees in the IPO. The significant shareholding by employees, held on a long-term basis, means that our employees continue to act and think as shareholders and is therefore closely aligned to the outcomes expected by all shareholders.

The following table summarises the EPSP and the PSP.

	Operation	Limits	Eligibility and Timing	Form of Award	Performance metrics and period
Executive Performance Share Plan (EPSP)	<p>Awards issued at Admission.</p> <p>Vesting conditional on achievement of stated levels of Compound Annual Total Shareholder Return (Compound Annual TSR) over subsequent four-year period.</p> <p>Any shares which vest are subject to a further one-year holding period following vesting.</p> <p>Shares which do not vest are forfeited.</p> <p>Until an award vests, participants have waived rights to dividends.</p> <p>Remuneration Committee may vary terms of EPSP (prior shareholder approval required if proposed changes are to the advantage of participants).</p> <p>Plan may be varied or adjusted by RemCo as appropriate, upon corporate reconstruction/ amalgamation etc.</p> <p>Subject to good leaver/ bad leaver provisions.</p>	<p>Up to 10% of the issued ordinary share capital of the Company at Admission to be issued to certain Executives.</p>	<p>Awards granted to named Executives on Admission.</p> <p>Remaining Performance Condition A shares may be granted at the Committee's discretion.</p>	<p>Performance Condition A and/or Performance Condition B.</p>	<p>Performance period: four years from date of Admission.</p> <p>Performance metrics:</p> <p>Performance Condition A Vesting at threshold (at least 12% Compound Annual TSR over performance period).</p> <p>100% of Performance Condition A Award will vest at 24% Compound Annual TSR over performance period.</p> <p>Vesting will be pro rated on a straight-line basis between 12% and 24% Compound Annual TSR.</p> <p>Performance Condition B Vesting at threshold (at least 25% Compound Annual TSR over performance period).</p> <p>100% of Performance Condition A Award will vest at 30% Compound Annual TSR over performance period.</p> <p>Vesting will be pro rated on a straight-line basis between 25% and 30% Compound Annual TSR.</p>
Performance Share Plan (PSP)	<p>Grants of nil-cost, contingent share or forfeitable share awards can be made at the discretion of the Committee.</p> <p>Participants may be entitled to dividend equivalent payment and dividend reinvestment in RemCo's discretion.</p> <p>Subject to good leaver/ bad leaver provisions.</p> <p>May vest early on occurrence of corporate events.</p>	<p>No Awards may be granted under the PSP on any date if, as a result, either of the following limits would be exceeded:</p> <p>(i) the aggregate number of ordinary shares issued or remaining issuable pursuant to awards made under the PSP and pursuant to grants or appropriations made during the previous ten years under any other employees' share incentive plan, including grants made under the EPSP, would exceed 10% of the issued ordinary share capital of the Company on that date; or</p> <p>(ii) the aggregate number of ordinary shares issued or remaining issuable pursuant to awards under the PSP and pursuant to grants or appropriations made during the previous ten years under any other discretionary executive share incentive plan, but excluding grants made under the EPSP, would exceed 5% of the issued ordinary share capital of the Company on that date.</p>	<p>Awards may be granted:</p> <p>(i) during the period of 42 days beginning with the fourth dealing day following the date on which the Company announces its results for any period; or</p> <p>(ii) at any other time when the Remuneration Committee considers that the circumstances are sufficient to justify a grant, provided that an award may not be granted after 30 June 2024.</p>	<p>Nil-Cost Option Awards over ordinary shares;</p> <p>Contingent Share Awards over ordinary shares; and</p> <p>Forfeitable Share Awards over ordinary shares.</p>	<p>Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an award. It is currently intended that, provided participants are still employed by the Group, awards will vest on the third anniversary of the date of grant to the extent that testing performance criteria, determined by the Remuneration Committee at the date of grant, have been satisfied. In determining performance conditions, the Remuneration Committee will take into account the prevailing views of institutional investors and current market practice.</p>

Directors' remuneration policy

Director's remuneration policy

The Director's remuneration policy is set out as follows. Shareholders will be asked to approve the policy at the 2014 Annual General Meeting (resolution 3 contained in the Notice of Meeting). This policy will take effect from the date it is approved and is expected to apply for three years.

Engagement with shareholders

Understanding the expected outcomes of our constituents is central to our business model. We have engaged with shareholders, (both existing and prospective) to understand their expected outcomes with regards to our Remuneration Policy. Our two major shareholders PSG and Pacific Investments are represented on the Board and were directly involved in developing the remuneration policy for the Executive Directors and the combined Group. Our engagement with prospective shareholders occurred as part of the listing process. In the Listing Prospectus we made clear statements regarding Executive Remuneration, the expected outcomes and in particular the structure of the EPSP which was established and granted at the admission date. The Remuneration Policy was discussed with prospective shareholders in terms of the alignment of their actual outcomes to the relevant components of remuneration, including base salaries, cash discretionary bonuses and grants under the EPSP and PSP. The EPSP was discussed with prospective shareholders in terms of:

- the expected outcomes which would give rise to a dilution in their shareholding;
- the alignment of interests between the Executive Directors and shareholders in terms of absolute returns to shareholders; and
- the nature of the incentive it provides in the operation of the sustainability of the business through outcome orientated Client engagement.

A key consideration of our shareholders was that the return outcome to the shareholders has to be achieved before any shares are vested under the EPSP for the Executive Directors. The consultation with shareholders included the level at which these vesting levels were set.

Remuneration policy for Executive Directors

Summary

The remuneration arrangements for Executive Directors are similar to those applying to all employees. Executive Directors earn base salaries and are entitled to benefits and pension contributions which are set relative to market benchmark levels.

On an annual basis the Board will set performance objectives for the Executive Directors for the forthcoming year. These outcomes are based on performance objectives of the Executive Directors as a leadership group, their individual performance objectives and the Group's overall growth and financial objectives. At the end of the year the Committee will evaluate the Executive Directors against their individual and collective objectives and determine whether satisfactory progress has been achieved against the desired outcomes. The Group's business model is based on Client engagement and the evaluation process by the Committee will include direct feedback from Clients, employees, shareholders and our other constituents.

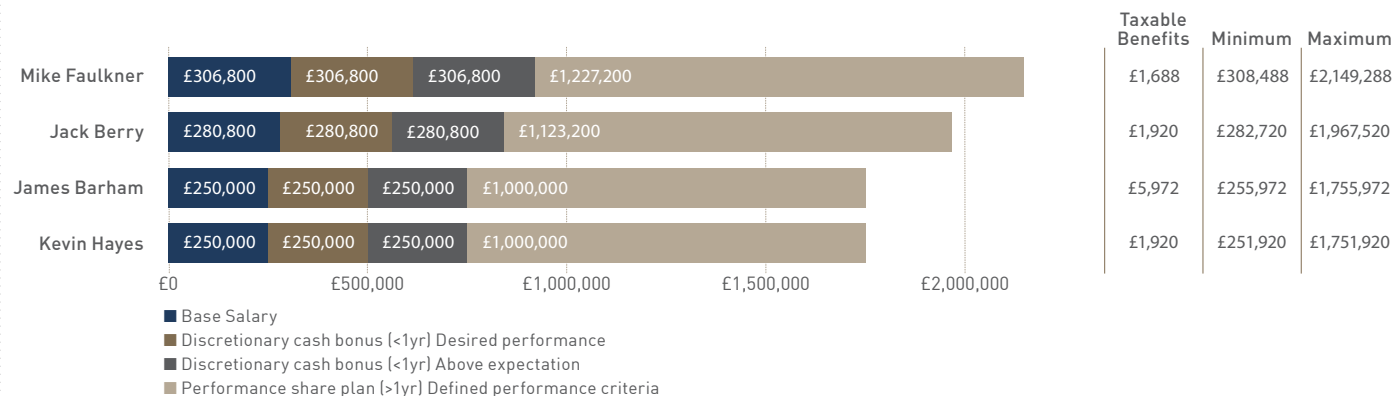
Executive Directors are eligible to receive up to 200% of their base salary as a discretionary cash bonus based on the progress achieved against these desired outcomes.

The Board and the Executive Management team have the responsibility to set and communicate the cultural tone of the organisation. Our culture is based on an engagement process to understand and deliver against the outcomes expected by our constituents. The engagement process is critical to the sustainability of the business. While not set as a specific percentage a significant part of the annual cash bonus is linked to the Board evaluation of how the Executive team has delivered the outcome orientated culture of the Group.

The Board may also grant awards to Executive Directors under the PSP. These awards are linked to specific strategic objectives, generally outside the ordinary operation of the business. The performance targets are set in relation to attaining certain desired outcomes linked directly to creating or maintaining a sustainable business. Generally, the amount of potential remuneration is linked directly to the incremental value generated for shareholders and can be up to four times salary for any individual for any year. PSP awards generally have a two-year performance period and a further one-year holding period. Vesting of the PSP awards is determined by the Committee and vested awards may be subject to further hold periods or malice provisions. All performance shares issued under the PSP are not intended to be dilutive on shareholders.

Remuneration policy illustration

The chart below shows the relative split of fixed elements of remuneration, annual cash bonus award and PSP in line with the current policy. The chart was calculated based upon the contractual agreements with Directors.



Directors' remuneration policy continued

Remuneration policy for Executive Directors

The table below sets out the key elements of the remuneration policy for Executive Directors.

Component	
<p>Taxable benefits: To enable the Executive Directors to undertake their role by ensuring their wellbeing and security.</p>	<p>Executive Directors receive benefits on the same basis as other employees. Benefits available include private healthcare; life assurance; accidental death and income protection insurances. Additional benefits may be provided if required, for example to support international relocation.</p>
<p>Base salary: To reflect the Executive Directors' responsibilities and level of expertise and experience.</p>	<p>Base salary is paid monthly in cash via payroll. Base salaries are targeted at the medium level compared to other asset management businesses and other listed financial services firms in the FTSE 250. There is no prescribed maximum base salary. Executive Directors' base salaries are reviewed annually but adjusted infrequently. Base salaries were last reviewed on 1 July 2014.</p>
<p>Annual cash bonus awards: To reward the achievement of business priorities and desired outcomes for the financial year.</p>	<p>Executive Directors are eligible to receive an annual cash bonus award up to 200% of base salary. Awards in respect of each financial year are discretionary and non-pensionable.</p>
<p>Performance Share Plan: To incentivise medium-term performance and focus on strategic priorities that deliver against measurable outcomes.</p>	<p>Executive Directors can be awarded grants under the PSP (described on page 63) which vest on achieving measurable outcomes associated with specific strategic objectives.</p> <p>Vesting of the PSP awards is determined by the Committee and vested awards may be subject to further hold periods or malice provisions. Grants under the PSP are in addition to the outstanding grant under the EPSP. PSP awards can be up to four times salary for any year and generally will have a two-year performance period and a further one-year hold period. Performance shares issued under the PSP are not intended to be dilutive to shareholders. Awards made under the PSP may be reduced or lapsed in the event of individual misconduct.</p>
<p>Pension: To enable provision for personal and dependant retirement benefits.</p>	<p>Executive Directors may participate in the UK defined contribution pension arrangements on the same basis as other employees. The Group's contributions are currently 10%.</p> <p>The normal retirement dates of the Directors are as follows: Mike Faulkner: 2035; Jack Berry: 2034; James Barham: 2028; and Kevin Hayes: 2025. There are no additional benefits on early retirement.</p>

Directors' remuneration policy continued

The Committee aims to pay Executive Directors' remuneration that is appropriate in level and structure to attract, motivate, retain and reward Directors of the quality required to run the Group successfully. On recruitment, the level of fixed remuneration is likely to be set at the same level as applies to other Directors, based on capability, skills and experience, and taking into account remuneration in their most recent role, internal relativities and external market rates for roles with similar responsibilities. Benefits and pension entitlements will be provided on a similar basis as those available to other employees.

New Executive Directors would be eligible to be considered for annual bonus and PSP awards in the same way as existing Directors. The Group would not normally award guaranteed annual bonuses. If, by exception, the Committee believes this is necessary, it would be limited to the first 12 months of service and would not exceed the level of bonus the Committee considers commensurate with a full year's satisfactory performance in the role.

Where a candidate will forfeit remuneration as a result of leaving their current employer, the Group may mitigate that loss by making one-off awards as part of the recruitment arrangements. The Committee will take reasonable steps to ensure that any such awards are no more generous in either amount or terms than the remuneration being forfeited. Any deferred remuneration awards will be subject to appropriate performance adjustment requirements.

Directors' service contracts, letters of appointment and termination arrangements

Description of Executive Directors' Service Agreements

Each of the Executive Directors is employed pursuant to a service agreement with the Company. The Committee's general policy is that each Executive Director will have a rolling contract of employment with mutual notice periods of 12 months. The Committee will consider the appropriate notice period on appointing any new Executive Director. If necessary to secure a new hire, a notice period of up to 24 months may be offered, in which case this would reduce to 12 months or less after an initial period. When recruiting new Executive Directors, the Committee's policy is that contracts will not contain any provision for compensation upon early termination, unless this is necessary in exceptional circumstances.

When an Executive Director leaves the Group, the Committee will review the circumstances and apply the treatment that it believes is appropriate. Any payments will be determined in accordance with the terms of the service contract between the Group and the employee, as well as the rules of any deferred remuneration plans.

Salary and benefits will continue to be paid through the notice period. In certain circumstances, the Committee also has the discretion to make a payment in lieu of notice, normally based on salary only. Departing Executive Directors do not have a contractual entitlement to be awarded variable compensation. If a departing Director works during the notice period to achieve the Group's goals and supports an effective transition of responsibilities, the Committee may recommend to the Board that a discretionary payment be made to reflect his or her contribution during the proportion of the financial year worked.

The treatment of awards under the EPSP and the PSP and other share plans will be in line with the relevant plan rules. In certain circumstances, those rules permit participants to retain some or all of their awards following the termination of their employment or if the employee is leaving due to ill health or injury, or in other circumstances at the discretion of the Committee, taking into account the individual's performance and the reason for leaving.

The Company may pay reasonable fees for independent legal advice in relation to a Director's termination arrangements and nominal consideration for agreement to any contractual terms protecting the Company's rights following termination. Provided each of these does not exceed £10,000 they will not be included in the itemised disclosure in the Annual Report on remuneration. The Committee may agree additional exit payments where such payments are made in good faith to discharge an existing legal obligation, or as damages for breach of such an obligation, or in settlement or compromise of any claim arising on the termination of a Director's office or employment.

Remuneration for Non-Executive Directors

Fees for the Board Chairman and other Non-Executive Directors were determined by the Board based on market information for comparable asset managers and other financial services groups and the constituent companies of the FTSE 250 Index. Non-Executive Directors do not participate in decisions concerning their fees.

Fees will be reviewed annually. The total fees paid to the Non-Executive Directors currently cannot exceed £302,500, as stated in the Group Articles of Association.

Description of Non-Executive Directors' Letters of Appointment

The Company has appointed an independent Non-Executive Chairman, Paul Bradshaw, and six other Non-Executive Directors. Jonathan Punter, Angus Samuels and Mark Johnson are Non-Independent Non-Executive Directors and Angela Crawford-Ingle, Robin Minter-Kemp and Peter Warry are Independent Non-Executive Directors.

The Non-Executive Directors of the Company do not have service agreements. They are each appointed by a letter of appointment reflecting their responsibilities and commitments. Under the Articles, all Directors must retire by rotation and seek re-election by shareholders every three years; however, it is intended that the Directors shall each retire and submit themselves for re-election by shareholders annually.

Each Non-Executive Director will be entitled to an annual fee, details of which are set out in the table below. The Independent Non-Executive Directors will be entitled to additional fees in exceptional circumstances if determined appropriate by the Chairman in consultation with the CEO. The Independent Non-Executive Directors have reciprocal three month notice of termination clauses but there are no contractual provisions for Non-Executive Directors to receive compensation upon termination.

Non-Executive Directors		Annual Fee £
Paul Bradshaw	Chairman	70,000
Angela Crawford-Ingle	Chairman of Audit and Risk	40,000
Mark Johnson		32,500
Robin Minter-Kemp	Chairman of Remuneration	32,500
Jonathan Punter		32,500
Angus Samuels		32,500
Peter Warry	Senior Independent Director	42,500

Directors' remuneration policy continued

In addition, each Non-Executive Director will be entitled to be reimbursed for all reasonable expenses incurred by him or her in the course of their duties to the Company. Although no maximum is imposed, expenses must be reasonable and appropriate.

The Group does not pay retirement or post-employment benefits to Non-Executive Directors and they do not participate in any of the Group's incentive arrangements.

Letters of appointment and service contracts are available for shareholders to view at the Company's registered office on business days between the hours of 9am and 5pm and will be available at the Annual General Meeting.

The following table provides detail of service contracts and the letters of appointment for Directors who served during 2014:

	Title	Appointment date	Resignation date	Effective date of current service agreement	Notice period	Initial term
Executive Directors						
James Barham	Global Head of Sales	27 March 2014		6 April 2014	12 months	Rolling
Jack Berry	Global Head of Solutions			27 March 2014	12 months	Rolling
Kevin Hayes	Chief Financial Officer	15 April 2014		27 March 2014	12 months	Rolling
Glyn Jones	Chief Investment Officer		27 March 2014		-	
Mike Faulkner	Chief Executive			27 March 2014	12 months	Rolling
Non-Executive Directors						
Paul Bradshaw		27 March 2014		27 March 2014	3 months	3 years
Angela Crawford-Ingle		29 May 2014		29 May 2014	3 months	3 years
Mark Johnson		27 March 2014		26 June 2014	N/A	12 months
Robin Minter-Kemp		12 May 2014		12 May 2014	3 months	3 years
Jonathan Punter				26 June 2014	3 months	12 months
Angus Samuels				26 June 2014	N/A	3 years
Peter Warry		1 June 2014		1 June 2014	3 months	3 years
Kenneth McKelvey			27 March 2014			

All Directors are standing for re-election at the next AGM.

Annual report on remuneration

This section summarises the remuneration awarded to Executive and Non-Executive Directors for services during the period ended 30 June 2014 and compares this to remuneration awarded for the prior year. It begins by setting out the context for the remuneration including some of the key performance metrics that the Committee considered when setting the variable compensation pool and determining Executive Directors' cash bonus awards. Where required, this information has been audited.

Business highlights

- Successfully negotiated and completed of the merger of River and Mercantile Asset Management LLP.
- Successfully completed the IPO, including positive engagement with prospective shareholders.
- Maintained a consistent level of Client engagement throughout the corporate activity resulting in continued growth in mandates and AUM.
- Integration of the senior management teams across the combined organisation to leverage the combined infrastructure and talent.
- Positively reinforced the Groups strategy and culture during a period of change and disruption in the organisation.
- Mitigated risks successfully during a period of change, both through positive Client engagement and management of the staff.

Financial highlights

- Aggregated Mandated AUM/NUM was £18.1 billion at 30 June 2014, (including AUM of £2.5 billion from RAMAM) an increase of 29% over 31 December 2013.
- Statutory net profit after tax before discontinued operations was a loss of £1.2 million, after charging £4.6 million of expenses arising from the IPO in June 2014 (CY 2013: £6.0 million).
- Adjusted net profit after taxes was £4.3 million for the six months ended 30 June 2014, compared to £6.0 million for CY 2013.
- Adjusted pre-tax margin was 28% (2013: 26%).
- Statutory earnings per share, before discontinued operations was a loss of 2.22 pence per share for the six months ended 30 June 2014 compared to a profit of 17.01 pence per share for CY 2013.
- Adjusted diluted EPS was 7.39 pence per share for the six months end June 2014, compared with 17.05 pence for CY 2013.

Overall compensation cost across the Group

An expected outcome of our shareholders is that we maintain a sustainable competitive advantage through our people. Part of this advantage is sustained through our remuneration structure. Our remuneration process is therefore a balance between delivering the expected outcomes for both our employees and our shareholders. These outcomes are not mutually exclusive. In the medium term a sustainable business generates enhanced returns for both the employees and the shareholders. The remuneration process considers the reward for the employee in terms of their environment and opportunity (through challenging work and advancement potential), as well as financial reward. While this remuneration report focuses on the amount spent on remuneration we view this as only one element of the outcomes expected by employees.

The Board received a report from the Chief Executive on the progress of the business through the period which included the acquisition of RAMAM and the IPO of the Group. Both events put an additional work load on the organisation, in particular senior management. The business highlights indicate continued growth in the underlying business and despite the corporate activities during the period the key business metrics: growth in AUM/NUM, growth in net management and advisory fees, and the growth in adjusted pre-tax margin indicated strong progress.

The Audit and Risk Committee has reviewed the risk and compliance framework of the Group during the period, including treating customers fairly, addressing conflicts of interest appropriately and other compliance requirements. There were no significant Client disputes or complaints during the period or outstanding, nor notice of any pending litigation. There were no significant operational incidences or regulatory compliance matters during the period. The capital and regulatory position of the Group remains strong.

There has been active engagement with employees through the changes that have occurred during the period and morale and the culture of the Group has remained strong.

Overall the business continues to be well positioned for continued growth and profitability.

As part of the period end employee appraisal process employees have received feedback based on their individual performance measured against their expected performance outcomes. Performance is measured in terms of both quantitative and qualitative metrics. The review, feedback and development planning processes are important elements in determining advancement and ultimately remuneration for the employees. The remuneration proposals from managers have been reviewed by Human Resources and the Chief Executive for alignment to performance, comparability and fairness across the Group. Employees who have not performed within expectations have been suitably counselled. For the senior individuals in the Group the Committee has reviewed the basis for the remuneration proposals and challenged the underlying performance and the absolute and relative remuneration proposals. Senior executives below Board level receive the same components of remuneration as Executive Directors, including: base salary, taxable benefits and cash bonuses. Senior executives are eligible for performance share awards under the PSP.

The Committee has reviewed the overall remuneration proposal from the Chief Executive against the financial performance of the business. The total remuneration has been set at £10.8 million, comprising £7.3 million of fixed base salaries and partner draws and £3.5 million of variable compensation. The remuneration proposals represent cash compensation and it is not proposed to grant awards under the PSP for the period ended 30 June 2014.

The total remuneration to revenue ratio is one measure the Committee has used to size the total remuneration paid. The Board has stated guidance to the market that the remuneration to revenue ratio is targeted to be between 45–50% within the next three years. The Committee has therefore considered the progress towards this guidance in setting the overall remuneration.

The Committee was satisfied that the process was rigorous and that individual and divisional performance has been suitably differentiated and rewarded. The allocation of the remuneration has considered relevant financial and non-financial performance. In aggregate terms the Committee is satisfied that the level of remuneration represents an appropriate level to support the sustainability of the business and maintain the Group's competitive advantage. The Committee has recommended the total remuneration, together with the proposals for the Executive Management, to the Board.

Executive Directors' remuneration

Executive Performance Share Plan

The Group adopted the Executive Performance Share Plan on 2 June 2014. The EPSP has been approved by the Remuneration Committee and was unanimously approved by all the Directors of the Board. The terms of the EPSP are explained on page 62.

The Directors consider that the performance conditions represent a significant challenge for executive and senior management to attain, and that these conditions can only be achieved through the successful, long-term execution of the growth strategy of the Group. The successful implementation of this growth strategy is measured on an absolute basis by the returns experienced by shareholders measured by both the increase in the value of their shareholdings in the Company and the cash returned to them in the form of dividends and other distributions, including share buybacks. The Board considers the hurdle at which vesting starts to be the minimum expected outcome for shareholders of the Group. Below this hurdle, no performance shares vest. Above this hurdle the Executives start to share, with the shareholders, in the excess returns generated.

Above the higher hurdle the excess returns go to the shareholders, including the Executive Directors as shareholders in the vested Performance shares. The Board considers that the performance criteria therefore directly align the reward for performance of the Executives with the investment performance directly experienced by shareholders. A total of 903,048 Performance A shares have not been allocated. The Directors do not intend any additional grants to be awarded to the existing Executive Directors under the EPSP and these shares are reserved for future potential allocation to new Executive Directors or senior management.

In determining the allocation of the EPSP between the Executive Directors the Committee considered:

- the relative seniority between the Executive Directors and their experience;
- their individual ability to influence the execution of the Board's growth strategy;
- the drivers for the growth required to achieve the expected outcomes and their relative ability to influence that growth;
- their responsibilities to maintain control and scalability of the organisation to enhance returns to shareholders;
- their influence over and ability to maintain the governance structure of the Group; and
- their ability to manage and mitigate risk and the effective deployment of capital and resources.

The Committee decided that all the Executive Directors should be allocated Performance A shares as the successful delivery of the Board's strategy would involve a significant contribution both individually and as a collective team.

The Committee awarded the Performance B shares, which have a higher return hurdle, to Mike Faulkner and James Barham as they have the strongest ability to influence the expected outcomes through growth in management fees.

Executive Performance Share Plan			
No.	6 months ended 30 June 2014		
	Opening shares	Grant	Closing shares
Performance A shares			
Mike Faulkner	–	820,954	820,954
Jack Berry	–	1,395,621	1,395,621
James Barham	–	1,231,430	1,231,430
Kevin Hayes	–	1,395,621	1,395,621
	–	4,843,626	4,843,626
Performance B shares			
No.	6 months ended 30 June 2014		
	Opening shares	Grant	Closing shares
Mike Faulkner	–	1,231,430	1,231,430
James Barham	–	1,231,430	1,231,430
	–	2,462,860	2,462,860
Total EPSP Shares	–	7,306,486	7,306,486

Executive Performance Share Plan	Valued at Grant Date Fair Value	Valued at Grant date share price
Fair value/Grant date share price	£ 0.38	£ 1.83
Performance A shares – No.		
Mike Faulkner	311,962	1,502,345
Jack Berry	530,335	2,553,986
James Barham	467,943	2,253,516
Kevin Hayes	530,335	2,553,986
	1,840,575	8,863,833
Performance B shares – No.		
Fair value/Grant date share price	£0.17	£ 1.83
Mike Faulkner	209,343	2,253,516
James Barham	209,343	2,253,516
	418,686	4,507,032

The fair values of the performance shares at grant date were calculated by Ernst & Young LLP.

Remuneration for the six months ended 30 June 2014

In determining the level of remuneration for the Executive Directors the Committee considered the financial performance during the period and the successful completion of the merger with RAMAM and the IPO. James Barham joined the Group on the completion of the merger with RAMAM. Kevin Hayes joined the Group on 27 March 2014. James and Kevin's compensation has been based on the three month period ended 30 June 2014. James Barham's remuneration has been set based on his leadership role in successfully delivering the RAMAM franchise through the completion of the merger and through the combination of the two businesses. At the same time he has made progress on distribution initiatives of the combined organisation. Kevin Hayes remuneration was set at 200% of paid base salary for the three months ended 30 June 2014, primarily based on his contribution to the successful execution of the IPO and the preparation of the Group as a public company.

With regards to Mike Faulkner and Jack Berry, the Committee considered their performance for the six months ended 30 June 2014. During the period the business has continued to perform well and all financial metrics, adjusted for the expenses arising from the IPO, have shown a continued growth trend. Client satisfaction, as measured by low attrition rates during the period have continued to be strong and has resulted in continued positive net flows. Management fee margins have remained stable during the period. Both Mike and Jack have demonstrated strong leadership during a period of significant change. The morale of the organisation is high and employees have seen advancement in their careers and have been suitably rewarded. The business overall continues to be well positioned for sustainable growth.

The Committee recognises that significant progress has been achieved in the six month period in delivering the strategy of the Board, in particular the completion of the merger and the IPO. The remuneration awarded to the Executive Directors has had to be matched to the available financial results in the shortened reporting period.

Glyn Jones who is the Group's Chief Investment Officer was previous a Board member of P-Solve Limited (subsequently renamed River and Mercantile Group PLC) and resigned from the Board on 27 March 2014. Glyn continues as an employee of P-Solve Investments Limited. Base salary and benefits were paid to Glyn in his capacity as an Executive Director up to the date of his resignation from the Board.

Annual report on remuneration continued

The table below shows the remuneration of Executive Directors for the six months ended 30 June 2014.

£	6 months ended 30 June 2014				Total
	Base salary	Taxable benefits	Annual bonus	Pension contribution	
Executive Directors					
Mike Faulkner	153,400	844	100,000	–	254,244
Jack Berry	140,400	960	100,000	14,040	255,400
James Barham	43,750	1,493	60,829	875	106,947
Kevin Hayes	65,476	480	125,000	6,250	197,206
Glyn Jones ¹	59,800	192	–	4,186	64,178

1. Glyn Jones resigned from the Board on 27 March 2014. Glyn continues as an employee of P-Solve Investments Limited. Base salary and benefits were paid to Glyn in his capacity as an Executive Director up to the date of his resignation from the Board.

The following table shows the remuneration paid for the year ended 31 December 2013:

£	Year ended 31 December 2013					Total
	Base salary	Taxable benefits	Annual bonus	Performance shares award	Pension contribution	
Executive Directors						
Mike Faulkner	306,800	1,497	581,013	–	–	889,310
Jack Berry	280,800	1,920	370,000	–	28,080	680,800
Glyn Jones	239,200	768	630,466	–	16,744	887,178

Review of Executive Director base salaries

The Committee has reviewed the base salaries of the Executive Directors against comparable market information. The Committee has recommended and the Board has approved that James Barham's salary be increased from £175,000 to £250,000 with effect from 1 July 2014. This increase reflects his change in responsibilities as Global Head of Distribution for the Group and his change of status from being a Limited Partner in RAMAM to an employee of the Group. No other changes were proposed with regards to the base salaries of Executive Directors.

Performance share grants

Prior to Admission as a public company the Group operated an equity-settled, share-based remuneration plan in which participation was at the discretion of the Directors. The shares issued under this remuneration scheme had performance conditions dependent on the growth of the Company and its subsidiaries adjusted enterprise value over a two to three year period. Under this scheme each performance share could be exchanged for shares in Punter Southall Group Limited under certain performance conditions. The number of shares was quantified following an independent valuation of the Company and its subsidiaries. PSG had the option to acquire the performance shares, if an individual ceased employment before the valuation date.

The fair value of the performance shares over and above the price paid for them by the employees was charged to the income statement. The charge was spread over the period from their date of grant to the end of the vesting period.

During the year ended 31 December 2013, the Group issued a total of 3,000,000 'D' class performance shares at 3.54 pence per share and 1,000,000 'E' class performance shares at 3.63 pence per share. The fair value of each 'D' performance share issued during the year was 5.91 pence and the fair value of each 'E' performance share during the year was 6.13 pence.

During the year ended 31 December 2012, the Group issued a total of 1,507,229 'C' class performance shares at 3.58 pence per share. The fair value of each 'C' class performance share issued in 2012 was 5.77 pence.

The following table shows the performance shares outstanding at 1 January 2013 for each of the Executive Directors and the performance shares issued during the year ended 31 December 2013. No performance shares vested or were forfeited during the year ended 31 December 2013.

Year ended 31 December 2013	Performance shares									
	B		C		D			E		
	Opening	Closing	Opening	Closing	Opening	Granted	Closing	Opening	Granted	Closing
Mike Faulkner	183,611	183,611	–	–	–	827,738	827,738	–	773,312	773,312
Jack Berry	183,611	183,611	289,347	289,347	–	827,737	827,737	–	226,688	226,688
Glyn Jones	183,611	183,611	619,595	619,595	–	378,388	378,388	–	–	–
	550,833	550,833	908,942	908,942	–	2,033,863	2,033,863	–	1,000,000	1,000,000

In the six months ended 30 June 2014 all the outstanding performance shares were converted to shares in P-Solve Limited upon the completion of the acquisition of RAMAM, which was considered a trigger event under the Performance Share Plan. At conversion date the number of performance shares considered to vest in accordance with the original performance conditions was assessed by reference to the valuation of the combined Group after the completion of the merger of RAMAM. The increase in value of the combined Group was compared against the grant date value of the Group and the excess of value over a return threshold formed the basis of incremental value generated. The incremental value was divided by the aggregate value of PSG to determine the number of shares in PSG Participants received. At the option of PSG shares vesting in the six months period ended 30 June 2014 were converted into an equivalent value in the Group's shares.

6 months ended 30 June 2014	Performance shares								
	B			C			D		
	Opening	Vested	Closing	Opening	Vested	Closing	Opening	Vested	Closing
Number of shares									
Mike Faulkner	183,611	183,611	–	–	–	–	827,738	827,738	–
Jack Berry	183,611	183,611	–	289,347	289,347	–	827,737	827,737	–
Glyn Jones	183,611	183,611	–	619,595	619,595	–	378,388	378,388	–
	550,833	550,833	–	908,942	908,942	–	2,033,863	2,033,863	–

6 months ended 30 June 2014	E Performance shares				
	Opening shares	Grant	Forfeiture	Vested	Closing shares
Number of shares					
Mike Faulkner	773,312	–	–	773,312	–
Jack Berry	226,688	–	–	226,688	–
	1,000,000	–	–	1,000,000	–

Single figure remuneration

The single total remuneration figure has been determined as follows:

Base salary: represents the value of salary earned and paid during the periods presented.

Taxable benefits: represents the value of benefits received as outlined on page 37.

Annual bonus: represents the total value of cash bonus awarded for performance during the relevant period presented.

Performance share awards: represents the value of the performance share awards that vested in the period presented. Performance shares vesting in 2013 were exchanged into shares in PSG. As the shares of PSG do not have an observable market value a valuation is performed annually for PSG by an independent valuation agent. The value of performance share awards represents the number of shares vested multiplied by the value of each share of PSG.

For the period ended 30 June 2014 the acquisition of RAMAM was a trigger event under the Performance Share Plan and the determination of the number of shares vesting under the Plan was determined by reference to the valuation of the combined entity as at the date of the acquisition of RAMAM, as described above. All outstanding performance shares converted into shares of the Group. The value of the vested shares in the Group was based on the value per share of the combined Group at 27 March 2014. Performance B, C, D and E shares vested at a price per share of £5.66, £6.14, £2.16 and £6.10, respectively.

Pension: represents the value of contributions to defined contribution pension arrangements and in the case of Jack Berry the amount contributed to a self-directed pension plan.

The following table shows the total remuneration of each Executive Director for the six months ended 30 June 2013 and the total remuneration for the previous year.

Single figure remuneration for the year ended 31 December 2013						
£	Year ended 31 December 2013					
	Base salary	Taxable benefits ²	Annual bonus	Performance shares award	Pension contribution	Total
Executive Directors						
Mike Faulkner	306,800	1,497	581,013	–	–	889,310
Jack Berry	280,800	1,920	370,000	–	28,080	680,800
Glyn Jones	239,200	768	630,466	–	16,744	887,178
Single figure remuneration for the six months ended 30 June 2014						
£	6 months ended 30 June 2014					
	Base salary	Taxable benefits ²	Annual bonus	Performance shares award	Pension contribution	Total
Executive Directors						
Mike Faulkner	153,400	844	100,000	7,547,016	–	7,801,260
Jack Berry	140,400	960	100,000	5,987,258	14,040	6,242,658
James Barham	43,750	1,493	60,829	–	875	106,947
Kevin Hayes	65,476	480	125,000	–	6,250	197,206
Glyn Jones ¹	59,800	192	–	5,660,688	4,186	5,724,866

1. Glyn Jones resigned from the Board on 27 March 2014. Glyn continues as an employee of P-Solve Investments Limited. Base salary and benefits were paid to Glyn in his capacity as an Executive Director up to the date of his resignation from the Board.

2. See page 37 for types of taxable benefits.

Annual report on remuneration continued

The CEO's base salary has not increased since the prior year. Average base salaries have increased approximately 2% compared to the prior year.

The CEO's cash bonus (excluding the vesting of previously issued performance shares) has decreased from £581,000 for the year ended 31 December 2013 to £100,000 for the six months ended 30 June 2014, a decrease of 83%. The total variable compensation of the Group has decreased from £4.88 million to £3.55 million during the same period, a decrease of 38%.

Total remuneration for the 6 months ended 30 June 2014 was £10.8 million. The total dividend proposed to shareholder is £1.9 million. Total remuneration for the year ended 31 December 2013 was £17.3 million. The total dividend paid to shareholders was £20.4 million.

Non-Executive Directors remuneration

The table below shows the total remuneration of the Non-Executive Directors paid from their respective date of appointment to 30 June 2014. In addition to their fees, a payment was made to the Independent Non-Executive Directors for work undertaken relating to the IPO. This fee was an additional fee approved by the Chairman in consultation with the Chief Executive.

Non-Executive Directors	6 months ended 30 June 2014		
	Fees	IPO fee	Total fees
Paul Bradshaw	5,833	–	5,833
Angela Crawford-Ingle	3,636	5,000	8,636
Mark Johnson	451	–	451
Robin Minter-Kemp	4,555	5,000	9,555
Jonathan Punter	451	–	451
Angus Samuels	451	–	451
Peter Warry	3,542	5,000	8,542

Jonathan Punter and Angus Samuels were Directors prior to the date of admission and received no fees during the year ended 31 December 2013 or for the period prior to Admission. Jonathan Punter, Angus Samuels and Mark Johnson are shareholder representatives and their fees are paid directly to the respective shareholding entity. Kenneth McKelvey resigned from the Board on 27 March 2014 and was not paid any fees during the year ended 31 December 2013 or for the period prior to his resignation.

Non-Executive Director fee review

The Non-Executive Director's fees were set prior to Admission based on fees for comparable listed companies and after consultation with the major shareholders. The Board have agreed that the fees paid to Robin Minter-Kemp will be increased from £32,500 to £40,000 to reflect his appointment as Chairman of the Remuneration Committee, which occurred subsequent to his joining the Board.

Personal shareholding policy

The Company does not have a specific policy with regards to minimum share holdings by Executive or Non-Executive Directors. The table below shows the shareholding of the Executive and Non-Executive Directors as at 30 June 2014 and the date of this report:

Shareholding	30 June 2014	
	Number of ordinary shares	Percentage of issued share capital
Mike Faulkner	3,706,823	4.50%
Jack Berry	2,211,206	2.70%
James Barham	1,095,843	1.30%
Kevin Hayes	54,645	0.10%
Paul Bradshaw	13,661	0.00%
Angela Crawford-Ingle	13,661	0.00%
Mark Johnson	783,298	1.00%
Robin Minter-Kemp	13,661	0.00%
Jonathan Punter ¹	–	0.00%
Angus Samuels ²	–	0.00%
Peter Warry	13,661	0.00%

The Company was listed on 26 June 2014 at a share price of 183 pence per share. At 30 June 2014 the share price was 209 pence. Due to the short period for which the Company has been listed, an historical share price charts is not presented. In future years the charts will be presented together with the FTSE All Share as a comparative index.

- Jonathan Punter has 7.77% interest in PSG. PSG has a 38.1% interest in the Company following Admission.
- Angus Samuels has a 1.97% interest in PSG. PSG has a 38.1% interest in the Company following Admission.

As at 19 September 2014, the shareholdings above were unchanged, aside from James Barham, whose interest increased as a result of a purchase of 1,000 shares by a connected party.

Compliance and risk management in remuneration

The Chairman of the Committee also serves on the Audit and Risk Committee.

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 EPSP provides that, at the discretion of the Committee, deferred awards may be reduced or lapsed in the event of a material misstatement of the Group's financial results or misconduct by an individual. As discussed on page 23, employees have signed or are covered by the Share Dealing Code that restricts the sale or hedging of their shares in the Company for a period of two years from the date of Admission.

Implementation of remuneration policy for 2015

The Committee does not anticipate making changes to the way in which the remuneration policy is implemented during 2015, with the exception that consideration will be given for the granting of performance share awards under the PSP in 2015 as outlined on page 34. Executive Directors' bonuses will be based on broadly the same performance metrics as were considered for the six months ended 30 June 2014.

Approved and signed on behalf of the Board:

Robin Minter-Kemp

Chairman of the Remuneration Committee

26 September 2014

People

Our people, their development and advancement, are critical to the success of our Client lead business. Our business model is based on Client engagement. The skills required by our people are a balance of interpersonal and analytical – to listen, understand and act.

As a business we are subject to competitive pressures and this includes the competition for talent. In order to remain competitive we have a talent management philosophy that is linked to attracting, advancing and retaining talented people.

Our talent management philosophy is based on:

Principles

Our principles are the things that define what, and who, we are.

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

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

Community

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

Diversity

We value a work force that is diverse. Our recruitment and talent management is based on merit and performance. Of the 187 Directors and employees at period end: one of eleven Directors; five of 17 senior managers; and 49 of 159 staff were females.

Values

Values describe the behaviours that the business considers to be critical to success. Behaviour consistent with the values should be rewarded.

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 be stretching 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.

Recruitment

Our policies instill in our hiring managers our commitment of fair and equitable treatment of all employees and applicants in the recruitment process.

Advancement

All employees have an equal opportunity for advancement, including training and development.

Directors' report

The Directors present their Report, together with the audited consolidated financial statements of River and Mercantile Group PLC (the Company) and its subsidiaries (collectively, the Group) for the period ended 30 June 2014.

The Company is incorporated in England and Wales under registered number 04035248 and with its registered office at 11 Strand, London, WC2N 5HR.

Directors

The current Directors are listed with their biographies in the Governance section on pages 24 and 25. The names of those Directors along with names of the persons who, at any time during the financial year were Directors, and the date of their appointment to the Board of Directors is set out below.

Director	Date of appointment	Date of resignation
James Barham	27 March 2014	–
Jack Berry	30 June 2009	–
Paul Bradshaw	27 March 2014	–
Angela Crawford-Ingle	29 May 2014	–
Mike Faulkner	30 June 2009	–
Kevin Hayes	15 April 2014	–
Mark Johnson	27 March 2014	–
Robin Minter-Kemp	12 May 2014	–
Jonathan Punter	30 June 2009	–
Angus Samuels	30 June 2009	–
Peter Warry	01 June 2014	–
Glyn Jones	18 April 2011	27 March 2014
Kenneth McKelvey	27 March 2002	27 March 2014

In accordance with the principles of the UK Corporate Governance Code, each of the Directors will stand for re-election on an annual basis.

Strategy Report

The Strategy Report disclosures are included on pages 1–18, 28–31 and 46 and have been approved by the Board.

Dividends

The Directors have proposed a final dividend of 2.3 pence per ordinary share, of which 1.0 pence is a special dividend and relates to net performance fees. Payment of this dividend is subject to approval by shareholders at the Company's 2014 Annual General Meeting (AGM) and, if approved, will be paid on 7 November 2014 to shareholders on the register at the close of business on 10 October 2014.

Employee Share Schemes

The Group has established a trust constituted as an employees' share scheme under section 1166 of the Companies Act 2006. Heritage Corporate Trustees Limited, a Guernsey-based company, is the trustee of the River and Mercantile Group Employee Benefit Trust.

Details of the employee share schemes operated by the Group can be found in notes 22 and 23 of the financial statements and this information is, accordingly, incorporated into this report by reference.

Capital structure and related matters

The capital structure of the Company is detailed on pages 72–75 of this Report and this information is, accordingly, incorporated into this report by reference.

On 26 June 2014, the Company's entire issued ordinary share capital, comprising 82,095,346 ordinary shares of £0.003 each, were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities under the ticker 'RIV'.

The Company is subject to the UK City Code on Takeovers and Mergers.

Each of the Company, the Directors and the shareholders of the Company who sold ordinary shares as part of the IPO (other than those who are no longer employed by the Group) has agreed to certain lock-up arrangements.

Pursuant to an underwriting Agreement entered into on 23 June 2014 between the Company, the Directors, Punter Southall Group Limited (PSG) and Pacific Investments Management Limited, its subsidiary undertakings and its controlling shareholder, Sir John Beckwith ('Pacific Investments' and, together with PSG, the Major Selling Shareholders), and Canaccord Genuity Limited and Numis Securities Limited (together the Joint Bookrunners), each of the Directors and pre-IPO major shareholders agreed that, subject to certain exceptions, during the period of 12 months (and in the case of each of the Executive Directors only, 24 months) from the date of admission of the Company's shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities (Admission), they would not, without the prior written consent of the Joint Bookrunners, offer, lend, mortgage, assign, charge, sell or contract to sell, or otherwise dispose of (or publicly announce any such offer, loan, mortgage, assignments, charge, sale or disposal) directly or indirectly, any ordinary shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

In addition, each of the selling shareholders (other than the Major Selling Shareholders) employed or engaged by the Group agreed not to dispose of any of the ordinary shares that they retained following Admission for a period of 12 months from Admission (and in the case of senior management only, 24 months) without the prior written consent of the Company. The Company agreed not to provide such consent without obtaining the prior written consent of the Joint Bookrunners.

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. However, the Company has entered into a relationship agreement with Punter Southall Group Limited in connection with the exercise of their rights as major shareholders in the Company and their right to appoint Directors to the Board. The Company has also entered into an agreement with Pacific Investments relating to the appointment of a Director. These agreements are further detailed in the Corporate Governance Report in the Relationship Agreement section on page 23.

Amendment to the Company's Articles of Association

The Company's Articles of Association may only be amended by a special resolution of its shareholders passed at a general meeting of its shareholders.

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). Since its shares were listed on the London Stock Exchange on 26 June 2014, the Directors have not exercised any of the powers to issue or purchase shares in the Company.

Auditor

BDO LLP, the external auditor of the Company, has advised of its willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming AGM.

Substantial shareholdings

As at 19 September 2014, the Company had received the notifications of control of 3% or more over the Company's total voting rights and capital in issue as set out below:

	No. of ordinary shares	% of total issued share capital	Direct/indirect
Punter Southall Group Limited	31,302,321	38.13	Direct
Heritage Corporate Trustees Limited	10,390,547	12.66	Direct
Sir John Beckwith	5,252,163	6.4	Direct
Vidacos Nominees Limited	3,932,522	4.8	Direct
Mike Faulkner	3,706,823	4.5	Indirect
Beckwith Investment Management Limited	3,130,990	3.81	Direct
Nortrust Nominees Limited	3,100,151	3.78	Direct
HSBC Global Custody Nominee (UK) Limited	2,732,241	3.33	Direct

As at 30 June 2014	No. of ordinary shares	% of total issued share capital	Direct/indirect
Punter Southall Group Limited	31,302,321	38.13	Direct
Pacific Investments	8,385,445	10.2	Direct
Aviva Investors Global Services Limited	3,932,521	4.8	Direct
Mike Faulkner	3,706,823	4.0	Direct
Legal & General Investment Management Limited	3,360,656	4.0	Direct
Unicorn Asset Management Limited	3,278,689	4.0	Indirect

Financial instruments

Details of the financial instruments used by the Group and the risks associated with them are set out on pages 75–78 and this information is, accordingly, incorporated into this report by reference.

Audit information

So far as the Directors are aware, there is no relevant audit information of which the auditor is unaware. The Directors have taken all reasonable steps to ascertain any relevant audit information and ensure the auditor is aware of such information.

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 of control following a takeover bid.

Directors' indemnities

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 2014 and up to the signing of the Annual Report. In addition, during the year the Company has maintained liability insurance for Directors.

Approval of annual report

The Corporate Governance Report, the Strategic Report and the Directors' Report were approved by the Board on 26 September 2014.

The Directors consider that the annual report and accounts, taken as a whole is fair, balanced and understandable, and provides the information necessary to assess the Group's performance, business model and strategy.

Environmental Matters: Greenhouse gases

We have offices in the London and Boston, US. Our UK Client base is predominantly in and around London and in the north of England. Our US Client base is predominantly in Boston and New York. We have 187 staff including Directors, 155 of whom live in and around London and 32 who live in and around Boston.

Other than travel and our office accommodation we do not have a significant direct impact on the environment, including greenhouse gases water usage, and general refuse.

We estimate that 85% of our employees utilise public transport on a daily basis to commute to work. Approximately 10% of our employees cycle to work daily and we have facilities in our office to encourage this activity, including a 'bike to work' scheme.

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

Our travel reimbursement policy encourages staff to use public transport, where available, when attending Client meetings.

We estimate that our direct incremental greenhouse gas emission over the six month period ended 30 June 2014 resulting from international and domestic air travel and the use of cars was 55 tonnes of CO₂.

We are tenants in lease facilities in London and the US where we estimate the greenhouse gas emissions primarily from heating and cooling are 18 tonnes for the period.

We are conscious of our impact on the environment and have recycling programmes for paper and plastics and encourage conservation of water and other resources.

In selecting suppliers we consider their environmental policies as a factor in selection. The largest suppliers in the period have been professional service firms.

We estimated our greenhouse gas emissions based on our number of staff and their work and travel patterns, and publicly available carbon footprint data.

The total emissions for the period equate to 0.4 tonnes per employee.

In addition to current conservation efforts, we will introduce a carbon offset programme in the forthcoming year.

Going concern

Details of the going concern basis of the financial statements can be found in note 2 on page 58.

Annual General Meeting (AGM)

The AGM will be held at the Charing Cross Hotel, The Strand, London, WC2N 5HX on 23 October 2014, starting at 10.30am. The Notice of Meeting convening the AGM is contained in a separate circular to be sent to shareholders. The Notice of Meeting also includes a commentary on the business of the AGM.

By order of the Board

Paul Bradshaw
Chairman

26 September 2014

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 IFRSs as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group and Company 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Director's Report, Director's Remuneration Report and Strategic Report which comply with the requirements of the Companies Act 2006.

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.

Website publication

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face.

Independent Auditor's report to the members of River and Mercantile Group PLC

We have audited the financial statements of River and Mercantile Group PLC for the period from 1 January 2014 to 30 June 2014 which comprise the Group income statement, the Group statement of comprehensive income, the Group and parent company statement of financial position, the Group and parent company statements of cash flows, the Group and parent company statements of changes in equity and the related notes. 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2014 and of the Group's loss for the period 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 by 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.

Our assessment of risks of material misstatement

We identified the following risks that we believe have had the greatest impact on our audit strategy and scope:

- Revenue recognition – the Group generates revenue from several different distinct revenue streams, including management fees, consulting fees and performance fees. Management fees are accounted for on an accruals basis and payable quarterly. Performance fees are recognised when they can be measured reliably and only when it is probable that economic benefits associated with the transaction will flow to the entity. Performance fees are subject to a deferral mechanism whereby annual performance fees are deferred and are realised if performance continues above the benchmark in aggregate, usually across three years. There is therefore a risk that revenue may not be calculated in accordance with the agreements or may be recognised in the wrong period.
 - We have assessed the level of management fees against the movements in Assets Under Management/ Notional Under Management (AUM/NUM). We have checked a sample of management fee percentages back to contracts and verified the quantity of period end AUM/NUM to external confirmations and third party pricing sources. We have corroborated a sample of management fees to both invoice and bank receipts.
 - We have obtained a sample of contracts and recalculated the performance fee in relation to the outperformance of the Investment and/or Matching Fund. We have checked that where appropriate performance fees have been deferred in accordance with the Client remuneration schedule and based on the specific contractual terms only recognised when they can be measured reliably and when it is probable that economic benefits will flow to the entity, where they are subject to future performance conditions. A sample of performance fees have also been agreed to bank receipts and invoice.
 - We have performed analytical review over consulting fees in comparison to the prior year and agreed a sample to invoice and bank receipts.
- Costs associated with the initial public offering – IAS 32 and the Companies Act 2006 requires that only those costs directly attributable to new capital raised can be allocated against share premium in shareholders Equity. The Group has incurred £4.9 million of costs in relation to the IPO of which only a portion can be directly attributable to the new capital raised. The judgement of what costs can be directly attributable results in a risk of

misstatement in the recognition of these expenses within the income statement and statement of financial position. The corporation tax and VAT treatment of such costs are also subject to specific rules and there is a risk these have not been appropriately applied in estimating the relevant tax provisions and balances.

- We have checked the detailed breakdown of transaction costs and reviewed each invoice to ensure the apportionment of costs to new capital of £360,000 are in accordance with IAS 32. We have ensured that all remaining costs have been charged to the income statement.
- We have ensured that costs treated as tax deductible and irrecoverable for VAT purposes are materially correct.
- Intangible assets and goodwill – included in the statement of financial position is goodwill from the acquisition of River and Mercantile Asset Management LLP (c£13 million) and intangibles assets (c£36 million) acquired in relation to the Investment Management Agreements. The initial calculation based on the fair value of the consideration and identifiable assets and liabilities acquired and also the ongoing impairment and amortisation require certain judgements by management and therefore give rise to a risk of misstatement.
 - We reviewed the impairment test undertaken by management and assessed compliance with the requirements of IAS 36. We also reviewed the assets under management at period end compared with those on acquisition.
 - We challenged and assessed the reasonableness of the assumptions and inputs in both the initial calculations and impairment workings through discussions with management, the use of valuations experts as part of the audit team, recalculation of management workings using alternative inputs where appropriate, comparison to industry benchmarks, reviewing the historical accuracy of forecasting and agreement of information and explanations obtained to supporting documentation and historical information where applicable.
 - The disclosures made in the financial statements were reviewed for compliance with IAS 36.
 - In relation to intangibles, we have agreed that the appropriate amortisation rate has been applied.

The Audit Committee's consideration of these risks is set out on page 26.

Purpose of this report

This report is made solely to the 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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. We define planning materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

We determined planning materiality for the financial statements as a whole to be £205,000. In determining this, we based our assessment on a level of 1% of total turnover this is a revenue-focused group. On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 60% of materiality, i.e. £125,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our materiality of £205,000 for the financial statements as a whole.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our Group audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at three key operating locations two of which were subject to full scope audit procedures. The operating location in the US was subject to specified audit procedures on certain balances. All of these procedures were undertaken by BDO Member firms. Together with the Group Functions, which were also subject to full scope audit procedures, these locations represented the Company's operating segment and 100% of the Group's net assets, revenue and profit before tax.

Opinion 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;
- the information given in the strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 19–23 of the annual report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required 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 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 48, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

**Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor**

London
United Kingdom
26 September 2014

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

Introduction to the consolidated financial statements of River and Mercantile Group PLC

On 27 March 2014, the acquisition of RAMAM was completed in a share for LLP interest exchange by P-Solve Limited. The results of operations of RAMAM have been consolidated as a 100% owned entity from the date of acquisition. P-Solve Limited (P-Solve) changed its name to River and Mercantile Group Limited (R&M) on 9 April 2014 and registered as a public limited company on 2 June 2014. On 26 June 2014 the Group was admitted to the London Stock Exchange as a public listed company.

P-Solve and RAMAM's accounting reference dates were 31 December and 31 March, respectively. R&M changed its accounting reference date to 30 June. Accordingly, the Group's consolidated financial statements include the results of operations for the six-month period ending 30 June 2014 with the comparative period being the 12 months ended 31 December 2013. RAMAM is consolidated for the three-month period from the date of the acquisition to 30 June 2014.

The Financial review gives an explanation of the financial information contained in the financial statements together with information regarding AUM/NUM, revenue margins, non-statutory measures and historical combined financial information which are helpful to the reader to understand the performance of the business.

Consolidated financial statements of River and Mercantile Group PLC

Consolidated income statement

	Notes	6 months ended 30 June 2014 £'000	12 months ended 31 December 2013 £'000
Revenue:			
Net management fees	8	12,285	15,751
Net advisory fees	9	5,240	11,098
Performance fees	10	2,350	3,761
Other income	11	287	–
Total revenue		20,162	30,610
Administrative expenses:			
Marketing	15	269	323
Travel and entertainment		242	259
Office facilities		772	1,454
Technology and communications		930	1,234
Professional fees		703	1,972
Governance expenses	16	70	–
Fund administration	17	96	–
Other		641	182
		3,723	5,424
Expenses associated with the IPO	18	4,045	–
Expenses associated with corporate reorganisation and integration	19	507	–
		4,552	–
Impairment of goodwill	39	–	262
Gains on changes in fair value of the contingent consideration	20	–	(261)
Depreciation	20	24	25
Amortisation	20	1,087	15
Total expenses		9,386	5,465
Remuneration and benefits			
Fixed remuneration and benefits	14, 21	7,292	12,385
Variable remuneration		3,547	4,882
Total remuneration and benefits		10,839	17,267
(Loss)/profit before interest and tax			
Finance income	25	2	40
Finance expense	25	(12)	(115)
		(10)	(75)
(Loss)/profit before taxation			
		(73)	7,803
Tax charge			
Tax charge	26		
Current tax charge		1,337	1,760
Deferred tax (credit)/charge		(176)	21
Net (loss)/profit after tax, before discontinued operations		(1,234)	6,022
Discontinued operations, net of taxes	27	–	1,161
Net (loss)/profit for the period attributable to owners of the Parent		(1,234)	7,183

Consolidated financial statements of River and Mercantile Group PLC continued**Consolidated income statement** continued

	Notes	6 months ended 30 June 2014 £'000	12 months ended 31 December 2013 £'000
Earnings per share			
Continuing operations:	28		
Basic (pence)		(2.22)	17.01
Diluted (pence)		(2.22)	17.01
Discontinued operations:			
Basic/diluted (pence)		-	3.28
Total earnings per share			
Basic (pence)	28	(2.22)	20.29
Diluted (pence)		(2.22)	20.29
Adjusted earnings per share			
Adjusted net profit before tax		5,566	7,818
Adjusted net profit after tax, before discontinued operations		4,299	6,037
Adjusted EPS:	28		
Basic (pence)		7.74	17.05
Diluted (pence)		7.39	17.05

Consolidated statement of comprehensive income

	6 months ended 30 June 2014 £000	Year ended 31 December 2013 £000
(Loss)/profit for the period	(1,234)	7,183
Items that may be reclassified within profit or loss	-	-
Foreign currency translation adjustments	(13)	(18)
Total comprehensive (loss)/income for the period attributable to the owners of the Parent	(1,247)	7,165

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

Consolidated statement of financial position

	Notes	30 June 2014 £'000	31 December 2013 £'000	1 January 2013 £'000
ASSETS				
Cash and cash equivalents	29	19,388	5,192	3,005
Investment management balances	31	8,744	-	-
Fee receivables	30	2,664	4,483	1,996
Asset held for sale – CAMRADATA	27	-	-	1,747
Corporation tax	26	-	-	259
Other assets (including other financial assets)	32	10,336	7,884	12,633
Fixed assets and leasehold improvements	34	230	49	69
Intangible assets	43	50,087	1,836	1,986
Total assets		91,449	19,444	21,695
LIABILITIES				
Investment management balances	31	9,810	-	-
Corporation tax	26	1,337	-	-
Creditors	36	9,148	7,418	4,436
Borrowings	37	-	9,687	-
Held for sale – CAMRADATA	27	-	-	1,809
Deferred tax liability relating to intangibles	33	7,010	-	-
Total liabilities		27,305	17,105	6,245
NET ASSETS		64,144	2,339	15,450
EQUITY				
Share capital	45	246	86	46
Share premium	45	14,688	292	14,597
Foreign exchange reserve	46	(92)	(79)	(61)
Merger reserve	42	44,433	-	-
Capital redemption reserve	46	84	-	-
Capital contribution	46	4,442	575	4,308
Retained earnings	46	343	1,465	(3,440)
		64,144	2,339	15,450

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

The financial statements were approved by the Board of Directors on 26 September 2014 and signed on its behalf by:

Mike Faulkner
Chief Executive

Kevin Hayes
Chief Finance Officer

Consolidated financial statements of River and Mercantile Group PLC continued**Consolidated statement of cash flows**

	Notes	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
Cash flow from operating activities	44		
(Loss)/profit before interest and tax		(63)	7,878
Adjustments for:			
Amortisation of intangible assets		1,087	19
Depreciation of property, plant and equipment		24	25
Impairment of goodwill		-	262
Share-based payment expense		112	25
Changes in the fair value of contingent consideration		-	(261)
Foreign exchange (losses)/gains on operating activities		(10)	101
Operating cash flow before movement in working capital		1,150	8,049
Decrease/(increase) in fee and other receivables		16,934	(3,919)
(Decrease)/increase in payables		(16,882)	3,352
Cash generated from operations		1,202	7,482
Taxation		-	(1,501)
Net cash generated from operations		1,202	5,981
Cash flow from investing activities			
Interest received		-	41
Purchases of equipment and leasehold improvements		(10)	-
Business acquisitions, net of cash acquired		4,019	(170)
Contingent consideration paid on business acquisitions		(71)	(321)
Other investment		234	-
Loan repayments received from related parties		-	6,372
Disposal of discontinued operations		-	1,100
Net cash generated from investing activities		4,172	7,022
Cash flow from financing activities			
Interest received/(paid)		2	(23)
Proceeds on issue of shares		14,640	142
Dividends paid		-	(20,414)
Drawdown of borrowings		-	10,520
Loan repayments paid to related parties		(5,820)	(869)
Net cash generated from/(used in) financing activities		8,822	(10,644)
Net increase in cash and cash equivalents		14,196	2,359
Cash and cash equivalents at beginning of year		5,192	3,005
Effect of foreign exchange rate changes		-	(172)
Cash and cash equivalents at end of period		19,388	5,192

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

Consolidated statement of changes in shareholders' equity

€'000	Share capital	Share premium	FX reserve	Merger reserve	Capital redemption reserve	Capital contribution	Retained earnings	Total attributable to equity holders of Parent
Balance at 1 January 2013	46	14,597	(61)	–	–	4,308	(3,440)	15,450
Comprehensive income for the year								
Profit	–	–	–	–	–	–	7,183	7,183
Other comprehensive income	–	–	(18)	–	–	–	–	(18)
Contributions and distributions								
Dividends	–	–	–	–	–	–	(20,414)	(20,414)
Share premium on performance shares	–	–	–	–	–	–	–	–
Share-based payment expense	–	–	–	–	–	–	25	25
Capital reduction	–	(14,407)	–	–	–	–	14,407	–
Capital contribution from Parent	–	–	–	–	–	(3,733)	3,704	(29)
Issue of performance shares	40	102	–	–	–	–	–	142
Balance at 31 December 2013	86	292	(79)	–	–	575	1,465	2,339

€'000	Share capital	Share premium	FX reserve	Merger reserve	Capital redemption reserve	Capital contribution	Retained earnings	Total attributable to equity holders of Parent
Balance at 31 December 2013	86	292	(79)	–	–	575	1,465	2,339
Comprehensive income for the period								
Loss	–	–	–	–	–	–	(1,234)	(1,234)
Other comprehensive income	–	–	(13)	–	–	–	–	(13)
Contributions and distributions								
Dividends	–	–	–	–	–	–	–	–
Ordinary shares issued in the year	–	–	–	44,433	–	–	–	44,433
Capitalisation of share premium	219	(219)	–	–	–	–	–	–
Share-based payment expense	–	–	–	–	–	–	112	112
Performance shares converted into deferred shares	(84)	–	–	–	–	–	–	(84)
Issue of shares in listing	25	14,975	–	–	–	–	–	15,000
Capital contribution from Parent	–	–	–	–	–	3,867	–	3,867
Shares purchased for cancellation	–	–	–	–	84	–	–	84
Underwriting commission	–	(360)	–	–	–	–	–	(360)
Balance at 30 June 2014	246	14,688	(92)	44,433	84	4,442	343	64,144

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

Consolidated financial statements of River and Mercantile Group PLC continued

Notes to the consolidated financial statements

1. Accounting standards

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and interpretations, International Financial Reporting Interpretation Committee interpretations, and with those parts of the 2006 Act applicable to groups reporting under IFRS as issued by the International Accounting Standards Board as adopted by the European Union (IFRS) that are relevant to its operations and effective for accounting periods beginning on 1 January 2014.

IFRS was adopted effective for the period commencing 1 January 2013, the comparative consolidated statement of financial position as at 31 December 2013 has been prepared in accordance with IFRS.

The impact of new accounting standards and amendments applicable to the Group's six month period ended 30 June 2014, that are not yet effective is not expected to be material to the consolidated financial statements. New standards and interpretations are described in Note 50.

2. The business is considered as a going concern

The Directors have reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the Board have considered the following: budgeted and projected results of the business, projected cash flow and regulatory capital requirements, and the risks that could impact on the Group's liquidity and solvency over the next 12 months. Accordingly, the Group and Parent financial statements have been prepared on a going concern basis using the historical cost convention, except for the measurement at fair value of certain financial instruments that are held at fair value through income.

3. Consolidated financial statements of the Group

The consolidated financial statements include the Company and entities controlled by the Group (its subsidiaries). River and Mercantile Asset Management LLP (RAMAM) was acquired on 27 March 2014 and is consolidated from that date. Note 42 describes the acquisition accounting for RAMAM. CAMRADATA was sold to Punter Southall Group Limited on 20 December 2013 and is shown as discontinued operations in the consolidated financial statements for year ended 31 December 2013 and in the statement of financial position as at 31 December 2013 is treated as held for sale. Note 27 contains details of the financial result and net assets for the years presented.

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

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

4. R&M relationship with fund entities

The Group entities act as the investment managers to funds and segregated managed accounts, and the Authorised Corporate Director (ACD) of River and Mercantile Funds ICVC (collectively; 'Investment Management Entities' (IMEs)). Considering all significant aspects of the Group's relationship with the IMEs, the Directors are of the opinion that although R&M manages the investment resources of the IMEs, the existence of: termination provisions in the Investment Management Agreements which allow for the removal of the Group as the investment manager; the influence exercised by investors in the control of their IME and the arm's length nature of the Group's contracts with the IME; and independent Boards of Directors of the IME, R&M does not control the IME and therefore the assets, liabilities and net profit are not consolidated into the Group's financial statements.

5. Significant accounting policies

A description of the accounting policies used in the preparation of the consolidated financial statements is included in the relevant notes to the financial statement items and are referenced from the relevant financial statements. The significant accounting policies are:

Accounting for business acquisitions, described in Note 38.

Impairment of intangible assets and goodwill recorded in previous acquisitions, described in Notes 38 to 40.

Recognition of management fee and performance fee revenues, described in Notes 8 to 11.

Disclosure of related party transactions with the significant shareholders of the Group, described in Note 48.

The accounting for performance share-based remuneration, described in Notes 22 and 23.

6. Foreign currencies

The majority of revenues, assets, liabilities and funding are denominated in UK Pound Sterling (GBP/£), and therefore the functional and presentation currency of the Group is GBP.

Monetary items which are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated.

The functional currency of the US based business entities is US Dollars and is translated into the presentational currency as follows:

- (i) assets and liabilities are translated at the closing rate at the date of the respective balance sheet;
- (ii) income and expenses for each period presented are translated at the average exchange rate for that period presented; and
- (iii) 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.

7. Judgemental areas and accounting estimates

The Group is required to use judgements in making estimates and assumptions regarding the recorded values of assets and liabilities and the recognition of income and expenses in the preparation of the consolidated financial statements. These estimates and assumptions could give rise to the risk of a material adjustment.

The following areas are considered critical accounting estimates, assumptions and judgements, together with the reference to Notes in the financial statements:

- The determination of the fair value of consideration exchanged in the acquisition of RAMAM (Note 42).
- Fair value of the Investment Management Agreements (IMAs) identifiable intangible asset in the acquisition accounting for RAMAM, including the discount rate used and the period over which the IMA intangibles will be amortised (Note 42).
- Consideration of whether previously recorded goodwill is impaired, including the goodwill arising from the acquisition of RAMAM (Note 42).
- The revenue recognition of management and performance fees (Notes 8 and 10).

8. Net management fee revenue

Net management fee revenue represents the fees charged pursuant to an Investment Management Agreement (IMA) with Clients. Fees are reported net of rebates paid to intermediaries and are charged as a percentage of the Client's Assets under Management (AUM) or Notional Amounts under Management (NUM). The fees are generally accrued on a daily basis and charged to the Client either monthly or quarterly.

9. Net advisory fees

Advisory revenues represent fees charged under Investment Advisory Agreements (IAA) and are typically charged on a fixed retainer fee basis or through a fee for the delivery of a defined consulting or advisory project. Approximately one half of the revenue is from fixed retainers. Advisory revenue is reported net of revenue share arrangements with other advisory partners. During the six months ended 30 June 2014, £109,000 (2013: £195,000) was paid to a subsidiary of PSG and £49,000 (2013: £87,000) was paid to a third party, under revenue sharing arrangements. Fees are accrued monthly and charged when the project has been completed.

10. Performance fees

Performance fees are fees paid under the IMAs for generating investment performance either on an absolute basis, subject to a high water mark or relative to a benchmark. Performance fees are calculated as a percentage of the investment performance and may be subject to deferral and continued performance in future periods. Performance fees are recognised in income when the quantum of the fee can be estimated reliably and it is probable that the fee will be realised. The Client is invoiced for the performance fees at the end of the performance period which is generally annually either on the anniversary of their IMA or on a calendar year basis.

11. Other income

Other income includes the gain on the sale of the equity investment in Manolete which was sold for £300,000 generating a net gain of £292,500. Other income also includes the realised gains and fair value movement relating to the ACD balances (Note 12).

12. Fair value movement on investment

As the ACD of the River and Mercantile Funds ICVC, the Group is required to maintain a box position for each share class issued. The box positions act as a float for investors and enables them to make or divest investments denominated as a cash amount, as opposed to a number of shares. The fair value of the box position of each share class is determined by the underlying value of the respective fund as determined by the third party Fund Administrator. These values are the values at which investors would subscribe or redeem their holdings in the funds, and are not based on observable market data but on what IFRS 13 Fair Value Measurement refers to as Level 3 inputs. The gain or loss on the value of the box positions is included in Other income in the Consolidated Income Statement.

	6 months ended 30 June 2014 £'000
Market value at 1 January 2014	–
Acquisition of RAMAM	451
Sales of fund units	(227)
Realised gains	3
Fair value movement in period	(8)
Market value at end of period	219

The market value of the investments is included in Other assets in Note 32. At 1 January and 31 December 2013 there were no investments that were recorded at fair value.

Consolidated financial statements of River and Mercantile Group PLC continued

13. Segmental reporting

The business operates through four divisions. The net revenue for the six months ended 30 June 2014 and the year ended 31 December 2013 together with the period end assets under management (AUM) and the notional under management (NUM), reflect the measure of the products' activities of the respective divisions.

	2014		2013	
	Net revenue £'000	AUM/NUM £ million	Net revenue £'000	AUM/NUM £ million
Fiduciary Management	5,561	6,584	9,931	5,645
Derivative Solutions	3,400	8,975	5,820	8,433
Equity Solutions	3,324	2,534	–	–
Advisory	5,240	N/A	11,098	N/A
Total net management and advisory fees	17,525	18,093	26,849	14,078

In addition performance fees of £2.35 million (2013: £3.76 million) were earned by the Fiduciary Management Division. No one Client accounts for more than 10% of the revenue or profits of the Group.

Non-current assets held by the US business include £1.4 million (2013: £1.4 million) of goodwill arising from the acquisition of Cassidy and Palisades (Notes 40 and 41) and property plant and equipment of £54,000 (2013: £48,000).

On a geographic basis the majority of the revenues are earned in the UK. The Group has an advisory and fiduciary management business in the US and net revenue earned in the US for the six months ended 30 June 2014 was £2.4 million (2013: £4.2 million). The net AUM of the US business is £575 million (2013: £434 million).

14. Staff costs

	6 months ended 30 June 2014 No.	Year ended 31 December 2013 No.
	The average number of employees (including Directors) employed was:	
Advisory Division	52	49
Fiduciary Management Division	53	47
Derivative Solutions Division	14	14
Equity Solutions Division	12	–
Corporate	30	29
Total average headcount	161	139

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
	The aggregate remuneration of the above employees (including Directors) comprised:	
Wages and salaries	9,672	15,296
Social security costs	815	1,532
Pension costs	240	414
Employee share-based payment charge (Note 22)	112	25
	10,839	17,267

All pension cost relate to defined contribution schemes.

Wages and salaries includes fixed drawings, profit shares and variable remuneration.

15. Administrative expenses

The majority of Administrative expenses are generally fixed in nature and comprise our office facilities, IT and communications costs. Included in Administrative expenses are the following allocated charges from PSG for administrative and support services:

	6 months ended 30 June 2014 £000	Year ended 31 December 2013 £000
Office facilities	516	1,172
Technology and communications	342	739
Professional fees:		
Accounting services	132	326
Legal, compliance and regulatory	233	313
Human resources	87	167
Total	1,310	2,717

Administrative expenses also include the remunerations of the external auditors for the following services:

	6 months ended 30 June 2014 £	Year ended 31 December 2013 £
Statutory audit	88,750	34,911
Corporate finance	751,549	–
Audit related assurance services	11,500	40,000
Tax advisory services	11,900	11,754
Non-audit related assurance services	20,000	–
	883,699	86,665

16. Governance expenses

Governance expenses represent the remuneration of the Non-Executive Directors and the costs of advisors and legal fees relating to the governance framework of being a public listed company.

17. Fund administration

Fund administration includes custodial and fund accounting costs that cannot be recovered from the funds or Clients. The Fund administration cost can increase on new fund launches until the AUM is at a viable level to support the total expense charges.

18. Expenses associated with the initial public offering

On 26 June 2014 the Company was admitted to the main market of the London Stock Exchange. The costs to undertake the IPO includes fees and expenses paid to lawyers, reporting accountants, brokers, consultants and advisors. These costs are not deductible for corporate tax purposes. Included in these costs is £600,000 paid to a subsidiary of PSG for advisory services relating to the IPO. Only the costs directly associated with the new capital raised in the IPO can be charged directly to share premium. An amount of £360,000, relating to underwriting commission has been charged to the share premium account in the Statement of Changes in Shareholders Equity.

19. Expenses associated with reorganisation and integration

Prior to the acquisition of RAMAM and the IPO, a number of steps were taken to reorganise the capital structure of the Group pending the completion of the acquisition of RAMAM, including establishing a Group structure for the two regulated entities. After the completion of the acquisition of RAMAM, costs were incurred relating to the rebranding of the business under the River and Mercantile name and the merger of technology infrastructure including the web sites. As a result of the completion of the IPO, costs were also incurred to establish separate facilities arrangements, transition service agreements and a new Performance Share Plan, as a consequence of the separation from PSG. The merger costs associated with undertaking the acquisition of RAMAM were paid directly by PSG and were not recharged to the Group.

20. Depreciation, changes in contingent consideration and Amortisation

Depreciation charges primarily relate to IT and communications equipment. The fixed assets and the depreciation accounting policy are described in Note 34.

The change in the value of contingent consideration in 2013 and the impairment of goodwill relate to the acquisition of Meridian is described in Note 39.

The amortisation charge relates to the Investment Management Agreements (IMAs) recorded in the acquisition of RAMAM and described in Note 42. The RAMAM IMA intangibles are amortised over their expected useful life of between five to ten years based on an analysis of the respective Client channels. The amortisation is not deductible for tax purposes. At the date of the acquisition a deferred tax liability was recognised and is being charged to taxes in line with the amortisation of the related RAMAM IMAs (Notes 26 and 33).

Consolidated financial statements of River and Mercantile Group PLC continued

21. Remuneration

The level of remuneration is variable with the level of revenues, in particular performance fee revenue.

Fixed remuneration represents contractual base salaries and partner drawings, which comprise the majority of the expense. The Group operates a defined contribution plan under which the Group pays fixed contributions into a separate entity.

Variable remuneration relates to discretionary bonuses, profit share paid to the Partners of RAMAM and associated taxes.

Variable remuneration expenses include a charge of £16,000 (2013: £25,000) relating to the amortisation of previously issued performance share awards. Included in 2014 is a charge of £96,000 relating to the vesting of the performance share awards upon the acquisition of RAMAM, which was a trigger event under the Plan.

22. Share-based payments

The Group has historically operated a share-based remuneration scheme for employees, in which participation was at the discretion of the Directors. Shares granted had performance conditions linked to the growth of the adjusted enterprise value of P-Solve and its subsidiaries over a two to three year period. Each vested performance share was exchanged for shares in Punter Southall Group Limited. The growth of the Company and its subsidiaries and the number of shares to be vested at the valuation date were determined by the Directors of PSG. PSG had the option to acquire the performance shares, if an individual ceased employment before the valuation date.

During the year ended 31 December 2013, the Group issued a total of 3,000,000 'D' class performance shares at 3.54 pence per share and 1,000,000 'E' class performance shares at 3.63 pence per share. The fair value of each 'D' performance share issued during the year was 5.91 pence and of each 'E' performance share was 6.13 pence.

The fair value of shares granted under the share-based remuneration scheme is based on a Black-Scholes model using an expected volatility of 20% and a risk free rate of 1%. The fair value of the performance shares, net of the price paid for them by the employees was amortised over the period from their date of grant to the end of the vesting period.

The total expense recognised in the consolidated income statement for the performance shares granted in the year ended 31 December 2013 was £2,600.

The Performance Share Plan was modified on 20 December 2013 to provide that performance shares could, at the option of PSG, convert either into PSG shares or P-Solve shares and any unconverted performance shares would automatically convert on the occurrence of a corporate transaction. This modification had no effect on the fair value of the performance shares. On 27 March 2014 upon the completion of the acquisition of RAMAM all performance shares were converted, at an equivalent fair value, into P-Solve B ordinary shares and ultimately, as a result of the corporate reorganisation, the deferred shares were cancelled and the B ordinary shares were converted into ordinary shares in the Group. At that date the remaining unamortised fair value of all performance shares of £96,000 was charged to remuneration expense.

23. Executive Performance Share Plan

Prior to Admission, the Board of Directors established the Executive Performance Share Plan (EPSP) to grant the Executive Directors and certain members of senior management performance shares. At the date of admission two classes of performance shares were awarded: Performance Condition A Awards and Performance Condition B Awards. The maximum aggregate number of Performance Condition A Awards and Performance Condition B Awards which may be issued under the EPSP is limited to 10% of the issued ordinary share capital of the Company on Admission. The maximum aggregate ordinary shares of the Company that could be issued is 5,746,674 under Performance Condition A Awards and 2,462,860 under Performance Condition B Awards.

The vesting of Performance Condition A Awards is conditional upon achieving a total shareholder return of at least 12% compounded over the four-year performance period. Vesting starts at 12% compound annual total shareholder return and 100% vests at 24% compound annual total shareholder return over the four-year period. Vesting will be pro-rated on a straight-line basis between 12% and 24%. The shares vest at no cost to the participants.

The vesting of Performance Condition B Awards is conditional on achieving a total shareholder return of at least 25% compounded over the four-year performance period. Vesting starts at 25% compound annual total shareholder return and 100% vests at 30% compound annual total shareholder return over the four-year period. Vesting will be pro-rated on a straight-line basis between 25% and 30%. The shares vest at no cost to the participants. Performance Condition A and B Awards are not eligible for dividends during the vesting period.

Any shares which vest are subject to a holding period of 12 months following the vesting date. Shares which do not vest will be forfeited. The vesting is also subject to the participant's continued employment by the Group during the vesting and holding period or, if employment ceases, being classified as a good leaver at the discretion of the Remuneration Committee. As at 30 June 2014, no shares had vested under either the A or B Awards.

The fair value of the Performance shares was determined by an independent valuation undertaken by Ernst & Young LLP on behalf of the Remuneration Committee of the Board. This fair value was based on a Monte Carlo simulation of possible outcomes based on the returns and volatility characteristics of comparable publicly listed investment management businesses in the FTSE. The simulation is referred to by IFRS 13 Fair Value Measurement as a Level 3 input.

The key assumptions used in the valuation were: a mean expected total shareholder return (TSR) growth rate in line with the risk free rate (1.72%), a TSR volatility derived from the TSR volatilities of listed comparable companies of 30%, and a dividend yield of 4.5%.

The fair value of the Performance A shares is 38 pence and the Performance B shares 17 pence. The fair value of Performance Condition A Awards is estimated at £2.18 million and Performance Condition B Awards at £0.42 million. The fair value will be amortised into variable remuneration expense over the vesting period. The annual charge is approximately £650,000 and will be treated as a non-cash adjusting item. Any shares that vest may be subject to applicable employment taxes at the date of vesting.

23. Executive Performance Share Plan continued

The Performance Share Plan (PSP) was also established prior to admission. The Plan allows for the grant of: Nil Cost Options, Contingent Share Awards or Forfeitable Share Awards. As at 30 June 2014 no grants had been made under the PSP. The Board of Directors have stated an intention that grants of performance shares under the PSP would not be dilutive on shareholders.

At the date of Admission the Group established an Employee Benefit Trust to hold unvested shares on behalf of the employees and to purchase shares to meet the future obligation to deliver shares upon vesting. At 30 June 2014 the EBT did not hold any ordinary shares of the Company.

24. Directors' remuneration and key management remuneration

The aggregate remuneration and fees payable to Executive and Non-Executive Directors for the six months ended 30 June 2014 and the year ended 31 December 2013 was £912,527 and £2,455,156, respectively. Fees payable for the six months ended 30 June 2014 to Directors of PSG aggregated £774 and to Pacific Investments £387 (2013: £Nil and £Nil, respectively).

Key management remuneration

Key management includes the Executive Directors and key management personnel. The remuneration paid or payable to key management for employee services is shown below:

	6 months ended 30 June 2014 £000	Year ended 31 December 2013 £000
Wages and salaries	2,109	1,384
Social security costs	291	185
Pension costs	42	45
Employee share-based payment charge	112	13
	2,554	1,627

Further details can be found in the audited section of the Remuneration Report on pages 40 to 45.

25. Finance income and finance expense

Finance income comprises £2,000 (2013: £40,000) from deposits with PSG. Finance expense comprises £12,000 (2013: £19,000) relating to the unwind of discounts on contingent consideration from previous acquisitions and £Nil (2013: £96,000) due to PSG under the intercompany loan arrangement.

26. Current and deferred tax**Current tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit 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. The Group's liability for current tax is calculated using the statutory tax rates at the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The most significant deferred tax item is the deferred tax liability established against the IMA intangible asset arising from the acquisition of RAMAM. The amortisation is not tax deductible for corporate tax purposes therefore the deferred tax liability is released into the Consolidated Income Statement to match the tax credit on amortisation of the IMA intangibles.

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
Current tax	1,337	1,760
Deferred tax	(176)	21
Tax charge on profit on ordinary activities	1,161	1,781

The current tax charge in respect of the year ended 31 December 2013 was paid by PSG.

Consolidated financial statements of River and Mercantile Group PLC continued**26. Current and deferred tax** continued

The tax assessed for the year is higher (2013: lower) than the average standard rate of corporation tax in the UK. The differences are explained below:

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
(Loss)/profit before tax	(73)	7,803
(Loss)/profit before tax multiplied by the average rate of corporation tax in the UK of 22% (2013: 23.25%)	(16)	1,814
Effects of:		
Transfer pricing adjustments	51	(108)
Expenses not deductible for tax purposes	1,170	(15)
Amortisation of RAMAM goodwill (Note 33)	(216)	-
Income not subject to tax	181	86
Adjustment in respect of prior years	(19)	(1)
Other timing differences	10	5
	1,161	1,781

For information on deferred tax balances, see Note 33.

27. Discontinued operations

CAMRADATA Analytical Services Limited was sold to Punter Southall Group Limited on 20 December 2013 for cash consideration of £1.1 million. The net carrying value of the investment in CAMRADATA at 1 January 2013 comprised assets of £1,747,000 and liabilities of £1,809,000. The results of operations of CAMRADATA for the period from 1 January 2013 to 20 December 2013 were a loss of £70,000 which, together with the gain on the sale £1,231,000 net of tax, have been classified as discontinued operations in the financial statements of the Group for the year ended 31 December 2013.

The post-tax gain on disposal of discontinued operations was determined as follows:

	Year ended 31 December 2013 £'000
Cash consideration received	1,100
Total consideration received	1,100
Cash disposed of	(70)
Net cash inflow on disposal of discontinued operation	1,030
Net liabilities disposed of (other than cash):	
Goodwill	(639)
Trade and other receivables	(361)
Trade and other payables	1,339
	339
Pre-tax gain on disposal of discontinued operation	1,369
Disposal of goodwill arising on consolidation	(138)
Tax on disposal of discontinued operation	-
Post-tax gain on disposal of discontinued operation	1,231

27. Discontinued operations continued

The following table summarises the balance sheet, income statement and cash flows for CAMRADATA for the period from 1 January 2013 to the date of disposal.

Result of discontinued operations for the year ended 31 December 2013	£'000
Revenue	2,388
Expenses other than finance costs	(2,441)
Finance cost	(17)
Tax expense	(3)
Gain from selling discontinued operations after tax	1,231
Minority interest	3
Profit for the year	1,161

Statement of cash flows for the year ended 31 December 2013

The statement of cash flows includes the following amounts relating to discontinued operations:

	2013 £'000
Operating activities	(30)
Investing activities	1,100
Financing activities	(17)
Net cash from discontinued operations	1,053

28. Earnings per share

The basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares of the Group in issue during the period.

To the extent that any of the EPSP performance shares (Note 23) vest they will have a dilutive effect on the equity holders of the Group. The potential dilution effect of the EPSP performance shares will be considered in the calculation of diluted earnings per shares. The compound return to shareholders based on share price and dividends received by shareholders from the date of grant until the reporting date will be compared against the respective performance criteria of the performance shares to determine if the shares are dilutive as of the reporting date. No dividends have been paid to shareholders between the date of grant and the reporting period end. Based on the Group's share price at 30 June 2014, none of the EPSP performance shares would have met the vesting criteria and were therefore not considered dilutive for purposes of calculating diluted earnings per share.

Earnings per share

	6 months ended 30 June 2014	Year ended 31 December 2013
(Loss)/profit from continuing operations attributable to owners of the Parent, before discontinued operations (£'000)	(1,234)	6,022
Net (loss)/profit attributable to owners of the Parent (£'000)	(1,234)	7,183
Weighted average number of shares in issue ('000)	55,560	35,412
Weighted average number of diluted shares ('000)	58,157	35,412

Earnings per share (pence)

Earnings per share – continuing operations		
Basic (pence)	(2.22)	17.01
Diluted (pence)	(2.22)	17.01
Total earnings per share (pence)		
Basic (pence)	(2.22)	20.29
Diluted (pence)	(2.22)	20.29

Consolidated financial statements of River and Mercantile Group PLC continued**28. Earnings per share** continued**Adjusted net profit after tax before discontinued operations**

Adjusted net profit after tax represents net profit after tax before discontinued operations, adjusted to add back the amortisation of intangible assets and IPO costs, net of taxes.

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
Net (loss)/profit before tax	(73)	7,803
Adjustments:		
Amortisation of intangible assets	1,087	15
Expenses associated with the initial public offering	4,045	–
Expenses associated with the corporate reorganisation and integration	507	–
Adjusted net profit before tax	5,566	7,818
Tax	(1,267)	(1,781)
Adjusted net profit after tax, before discontinued operations	4,299	6,037
Weighted average shares	55,560	35,412
Weighted average diluted shares	58,157	35,412
Adjusted EPS:		
Basic (pence)	7.74	17.05
Diluted (pence)	7.39	17.05

Reconciliation between weighted average shares in issue

	6 months ended 30 June 2014 '000	Year ended 31 December 2013 '000
Weighted average number of shares in issue – basic	55,560	35,412
Timing effect of performance share conversion to ordinary shares	2,597	–
Weighted average number of shares in issue – diluted	58,157	35,412

As at 30 June 2014, there were no shares which were antidilutive during the six months ended 30 June 2014 but which may be dilutive in future periods. The performance shares which were antidilutive during the six months ended 30 June 2014 were converted to ordinary shares before the period end, at which point they were included in basic shares in issue.

29. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. At period end all cash balances were held by banks with credit ratings of at least single A.

30. Fee receivables

Fee receivables are recorded initially at the invoiced value, which is the estimated fair value of the receivables and are subsequently held at amortised cost. The collectability of the fee receivables is reviewed periodically and if there is evidence to indicate that that amount may not be collectable a specific provision is established against the receivable. At 30 June 2014, a provision of £59,000 (1 January and 31 December 2013: £Nil) has been established against doubtful receivable balances and the total balance is reported in the consolidated statement of financial position net of this provision. On confirmation that the fee receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The ageing of fee receivables is shown below:

	30 June 2014 £'000	31 December 2013 £'000	1 January 2013 £'000
Neither past due nor impaired	1,489	3,337	1,131
Past due but not impaired:			
Between one and two months	434	856	524
Between two and three months	400	107	198
More than three months	341	183	143
	2,664	4,483	1,996

The average credit period on fees is 47 days (2013: 52 days). The Directors believe that the carrying value of fee receivables, net of the provision for doubtful receivables balances, represents their fair value and is the maximum credit risk value.

31. Investment management balances

	30 June 2014 £'000	31 December 2013 £'000	1 January 2013 £'000
Investment management assets	8,744	–	–
Investment management liabilities	9,810	–	–

As Authorised Corporate Director (ACD) of River and Mercantile Funds ICVC (the Fund) the Group is required to settle transactions between investors and the depositary of the Fund. The Group is exposed to the short-term liquidity requirements to settle with the depositary of the Fund before receiving funds from the investor and mitigates this risk by holding cash in its ACD account. The Group has credit risk if an investor defaults on a contract. Under such a default, the Group is required to settle the investor's contract with the depositary of the Fund. The Group is then able to redeem the shares in the Fund. The Group bears the risk that the price of the shares may vary between the initial settlement and redemption of the shares.

The investment management assets and liabilities are valued at the contractually agreed subscription or redemption values.

32. Other assets (including other financial assets)

	30 June 2014 £'000	31 December 2013 £'000	1 January 2013 £'000
Prepayments and accrued income	9,653	5,990	4,297
Deferred tax	95	135	155
Other financial assets	588	59	30
Loans to PSG	–	1,683	8,131
Receivable from PSG	–	17	20
	10,336	7,884	12,633

Accrued income relates to management fees that have been earned but are invoiced to Clients in arrears on a quarterly basis. Loans to PSG include free cash balances transferred to PSG. Included in other financial assets is £219,000 of fund units held at fair value as described in Note 12 (1 January and 31 December 2013: £Nil). Also included is £18,000 (31 December 2013: £17,000, 1 January 2013: £20,000) of receivables from PSG, held at amortised cost. The remainder comprises sundry balances arising in the course of trading, held at amortised cost.

33. Deferred tax liabilities

In the acquisition accounting for RAMAM, the purchase price was allocated between identifiable assets and goodwill. The existing Investment Management Agreements (IMAs) were recorded as identifiable intangible assets and will be amortised into income over their useful life. This amortisation is not deductible for tax purposes. A deferred tax liability is recorded and will be charged to the tax line to match the tax effect of this amortisation. The deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled based upon tax rates that have been enacted at period end.

Deferred tax liabilities

	Total £'000
At 1 January 2013 and 31 December 2013	–
Deferred tax liability on Intangible Assets (Note 26)	7,226
Credit to the income statement	(216)
At 30 June 2014	7,010

Deferred tax asset

Deferred tax is the tax expected to be payable or receivable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. This balance is disclosed within other assets (Note 32).

	Accelerated capital allowance £'000	Short-term timing differences £'000	Total £'000
At 1 January 2013	67	89	156
Charge to the income statement	(9)	(12)	(21)
At 31 December 2013	58	77	135
Charge to the income statement	(4)	(36)	(40)
At 30 June 2014	54	41	95

Consolidated financial statements of River and Mercantile Group PLC continued

34. Fixed assets and leasehold improvements

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation charges the cost of the assets over their expected useful lives. Computer equipment is depreciated over three years and fixtures, fitting and equipment over seven years. The assets from the acquisition of RAMAM are recorded at their fair value and are depreciated over their expected remaining lives. Leasehold improvements are amortised over the remaining term of the leases.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 1 January 2013	506	–	506
Exchange difference	2	–	2
At 31 December 2013	508	–	508
Additions	10	–	10
Exchange difference	6	–	6
Additions at fair value RAMAM	36	147	183
At 30 June 2014	560	147	707
Accumulated depreciation:			
At 1 January 2013	437	–	437
Depreciation charge	25	–	25
Exchange difference	(3)	–	(3)
At 31 December 2013	459	–	459
Depreciation charge	15	9	24
Exchange difference	(6)	–	(6)
At 30 June 2014	468	9	477
Net book value:			
At 1 January 2013	69	–	69
At 31 December 2013	49	–	49
At 30 June 2014	92	138	230

Included in the office facilities charges from PSG are operating expenses related to leasehold improvements and other costs that are charged by PSG on a periodic basis (Note 15).

35. Operating leases

Office facilities are leased under operating leases. The rental is charged to the consolidated income statement on a straight-line basis over the lease term. Rent rebates are accounted for over the period of the lease term. The Group entered into a non-cancellable operating lease on 26 June 2014 with PSG for the Group's primary office facilities in London until December 2021. The Group receives a rent rebate from PSG amounting to £131,000, payable monthly until 2016. The future aggregate minimum lease payments under all non-cancellable operating leases, net of rent rebates are as follows:

	At 30 June 2014 £'000	At 31 December 2013 £'000
No later than one year	582	98
Later than one year and no later than five years	2,484	258
Later than five years	600	–
	3,666	356

The rent charge during the period of £516,000 (2013: £1,172,000) is included in Administrative expenses (Note 15).

36. Creditors

	30 June 2014 £'000	30 December 2013 £'000	1 January 2013 £'000
Taxes and social security	1,019	1,624	1,085
Accruals and other payables	8,081	5,155	2,521
Contingent consideration	48	106	708
Payables to PSG	–	312	101
Other creditors	–	221	21
Total payables	9,148	7,418	4,436

Details of contingent consideration are disclosed in Notes 38 and 39.

37. Borrowing facility

On 29 November 2013 the Group agreed an unsecured borrowing facility with Punter Southall Group Limited of £10,520,000 and drew down the full amount immediately. The facility had an interest rate of LIBOR plus 2.99%. The Group repaid £869,000 of the principal and interest by 31 December 2013 and a further £5.82 million during the period. The balance of the facility was forgiven by Punter Southall Group Limited on 27 March 2014 and the amount was recorded as a capital contribution to the Group. The following table shows the movements in the borrowings:

	At 30 June 2014 £'000	At 31 December 2013 £'000
At 1 January	9,687	–
Loan received during the year	–	10,520
Loan repaid	(5,820)	(869)
Interest accrued	–	36
Loan forgiveness	(3,867)	–
	–	9,687

38. Business combinations

The Group applies the acquisition method of accounting to account for business combinations.

Goodwill

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 unit 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**

Investment Management Agreements and customer relationships acquired in a business combination are recognised separately from goodwill at their fair value at the acquisition date. Customer relationships have an estimated useful life of 20 years and Investment Management Agreements 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.

Impairment of tangible and 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 tangible and 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 cash-generating unit to which the asset belongs. Recoverable amount is the higher of the fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) 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 statement of comprehensive income, net of any depreciation or amortisation that would have been charged since the impairment.

Contingent consideration payable for business combinations

On acquisition date, the key estimate in determining the fair value of the contingent consideration is the Directors' best estimate of expected profit levels of the acquired businesses. These inputs are not based on observable market data. IFRS 13 Fair Value Measurement refers to such inputs as 'Level 3' inputs. These estimates are reassessed at each reporting date and adjustments are made to the fair value of the contingent consideration where necessary. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised either in profit or loss or as a change to other comprehensive income if required by IAS 39.

If contingent consideration is payable after more than one year from the statement of financial position date the expected amounts of contingent consideration are discounted using discount rates that reflect the current market assessment of the time value of money and the risks specific to the acquired business.

Consolidated financial statements of River and Mercantile Group PLC continued

39. Meridian Performance Services Limited

On 19 September 2011 the Group acquired the trade and assets of Meridian Performance Services Limited. The purchase consideration for the acquisition included amounts payable to the former owners which was contingent on the continued performance of the business. The initial goodwill of £395,000 arising from the acquisition consisted largely of the synergies and the increase in revenue expected from incorporating the business of Meridian Performance Services Limited into the Group.

The contingent consideration arrangement required the Group to pay, in cash, to the former owners of Meridian a share of the revenue generated from the business for three years from 2012 to 2014. At the date of the acquisition the estimated fair value of the contingent consideration by applying the income approach was £733,000. In the subsequent periods the business did not generate expected levels of additional revenue which led to the impairment of the carrying amount of goodwill and a reduction in the fair value of the contingent consideration payable to the sellers. During 2013 the remaining goodwill of £262,000 was impaired. The fair value of contingent consideration was reduced to £107,000 at 31 December 2013. As at 30 June 2014 the fair value of the contingent consideration payable is £48,000 as a result of a payment of consideration of £71,000 made during the period, net of £12,000 relating to the unwind of the discount on the consideration. All of the goodwill recognised was deductible for corporation tax purposes.

The contingent consideration is valued using models applying inputs which are not based on observable market data, but those which IFRS 13 Fair Value Measurement refers to as Level 3 inputs. The key input is the expected revenues generated by the business as the contingent payments are directly tied to revenues.

40. Cassidy Retirement Group Inc.

On 1 February 2012 the Group acquired Cassidy Retirement Group Inc. in the US. The consideration transferred for the acquisition consisted of 133,552 shares of Punter Southall Group Limited valued at £3.14 per share and represent a capital contribution to the Group. In addition, the Group was to pay a mixture of cash and shares to the former owners based on a share of the revenue generated from the business for one year post acquisition.

The fair value of the contingent consideration arrangement was estimated at £419,000 by applying the income approach using inputs which are not based on observable market data, which IFRS 13 Fair Value Measurement refers to as Level 3 inputs. The key input was the expected revenues generated by the business as contingent payments were directly tied to revenues. A total of £229,000 has been paid to the former owners and as at 30 June 2014 no further payments are required to be made. The goodwill of £1,218,000 arising from the acquisition consisted largely of the synergies and the increase in revenue expected from incorporating the business of Cassidy Retirement Group, Inc. into the Group. All of the goodwill recognised is expected to be deductible for corporation tax purposes.

41. Palisades Capital Advisors LLC

On 11 March 2013 the Group acquired the trade and assets of Palisades Capital Advisors LLC for cash consideration of £170,000 resulting in goodwill on acquisition of £170,000. All of the goodwill recognised is expected to be deductible for corporation tax purposes. Due to the full integration of the business into the Group it is not practicable to determine the post-acquisition results to the end of the reporting periods.

42. River and Mercantile Asset Management LLP (RAMAM)

On 27 March 2014, the Company completed the acquisition of RAMAM (an equity asset management business) in order to combine RAMAM's equity management with the Group's asset allocation and derivative management capabilities to offer outcome-focused mandates for both the retail and institutional markets. 100% of the membership interests of RAMAM were transferred to the Company in return for a 31% shareholding in the capital of the Company. In aggregate a total of 7,636,191 new ordinary shares were issued at nominal value to RAMAM members. At the date of the acquisition the shares in P-Solve Limited did not have a readily determined market value. The fair value of the shares was determined using assumptions and judgements regarding the value of the combined Group after the acquisition.

The fair value of the shares in P-Solve transferred as consideration for the acquisition was determined using inputs which are not based on observable market data which IFRS 13 Fair Value Measurement refers to as Level 3 inputs. The key estimate in determining the fair value of the consideration transferred is the Director's best estimate of the value of the combined business based on the projected earnings and valuation multiples observable in the public markets. The value calculated was discounted to reflect the private company status of the combined business at the time. The net value of the Group was determined to be £141.6 million, representing a fair value of the consideration transferred for the purchase as £44.43 million. The consideration for the acquisition was a non-cash item.

A merger reserve was established of £44.43 million that represents the difference between the nominal value and the fair value of the new shares issued by the Company to the members of RAMAM as consideration for the acquisition of RAMAM, in accordance with Section 612 of the Companies Act 2006.

The identifiable assets include the fair value of the Investment Management Agreements (IMAs) acquired. The expected future cash flows are based on assumptions and estimates including the level of future sales, redemptions, and investment performance. Costs associated with the IMAs are also estimated. The after tax net cash flows were discounted to the current period using a discount rate that reflects the risk associated with the net cash flows. The resulting intangible asset will be amortised over the useful life of the contracts ranging from five to ten years, depending on the nature of the distribution channel. The amortisable values of the IMAs were calculated using forecast cash flows into perpetuity with a pre-tax discount rate of 11.25% and a medium-term net growth rate of 5-7% for Institutional mandates and 2% for Retail. The amortisation will not be deductible for corporate tax purposes and therefore a deferred tax liability has been raised on the value of the intangible assets.

42. River and Mercantile Asset Management LLP (RAMAM) continued

The provisional values for the acquired business at the date of the acquisition are as set out in the table below.

	£'000
Cash	4,019
Receivables	26,800
Payables	(28,696)
Property, plant and equipment	183
Investment Management Agreements	36,129
Deferred tax recognised on the intangible assets acquired	(7,226)
Total identifiable assets	31,209
Goodwill	13,224
Total consideration	44,433

The fair value of receivables is equal to their gross contractual value and management expect to collect all of the contractual cash flows.

As the discounted cash flow model uses historical AUM and fee margin assumptions with projected growth and performance, there is uncertainty arising from whether these assumptions are met.

RAMAM Goodwill

The excess of the consideration over the provisional fair value of the identifiable net assets acquired represents goodwill of £13.2 million arising from the acquisition. The goodwill consisted largely of the synergies and the increase in revenue expected from incorporating the business of RAMAM into the Group.

As the initial accounting for a business combination can be determined only provisionally by the end of the reporting period, the business combination has been accounted for using provisional amounts.

As the RAMAM acquisition was completed on 27 March 2014, a full evaluation of the goodwill of RAMAM to determine if the goodwill is impaired is not required, unless factors subsequent to the acquisition indicate that impairment may have occurred. The strategic rationale for the acquisition and expectations of revenue synergies are still valid. In particular, all the portfolio manager teams are still in place and the key institutional and retail distribution relationships have been maintained. The Directors therefore consider that there is no indication that an impairment has occurred.

The revenues of RAMAM and the post-tax results for the period since the acquisition date are £3.3 million and £0.9 million, respectively. If the Acquisition had taken place at the beginning of the financial year, revenues of RAMAM and the post tax results would have been £6.9 million and £1.8 million, respectively. These results do not include any benefit from revenue synergies.

From a capital management perspective all the acquisition intangibles, net of the deferred tax, and amounts recorded as goodwill are supported by the merger reserve in shareholders' equity. This approach is consistent with our regulatory capital treatment.

43. Intangible assets**Goodwill and Investment Management Agreements**

	Goodwill £'000	Customer lists and IMAs £'000	Total £'000
Cost:			
At 1 January 2013	1,762	381	2,143
Addition	170	–	170
Exchange difference	(39)	–	(39)
At 31 December 2013	1,893	381	2,274
Addition	13,224	36,129	49,353
Exchange difference	(15)	–	(15)
At 30 June 2014	15,102	36,510	51,612
Accumulated amortisation and impairment:			
At 1 January 2013	(133)	(24)	(157)
Amortisation charge	–	(19)	(19)
Impairment charge	(262)	–	(262)
At 31 December 2013	(395)	(43)	(438)
Amortisation charge	–	(1,087)	(1,087)
At 30 June 2014	(395)	(1,130)	(1,525)
Net book value:			
At 30 June 2014	14,707	35,380	50,087
At 31 December 2013	1,498	338	1,836
At 1 January 2013	1,629	357	1,986

Consolidated financial statements of River and Mercantile Group PLC continued

44. Notes to consolidated cash flow statement

The following table summarises the operating, investing and financing cash flows:

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
Net cash generated from operations	1,202	5,981
Net cash used in investing activities	4,172	7,022
Net cash generated from/(used in) financing activities	8,822	(10,644)
Net increase in cash and cash equivalents	14,196	2,359
Cash and cash equivalents at beginning of year	5,192	3,005
Effect of foreign exchange rate changes	-	(172)
Cash and cash equivalents at end of the year	19,388	5,192

Net cash generated from operations for the six months ended 30 June 2014 was £1.2 million, (2013: £6.0 million) compared to a net loss after tax of £1.2 million (2013: £6.0 million). The primary difference between the pre-tax net loss and cash flows from operations relates to the non-cash amortisation of IMA intangibles acquired in the acquisition of RAMAM.

Cash flows from investing activities for the six months ended 30 June 2014 were £4.17 million, (2013: £7.02 million). The acquisition of RAMAM involved a non-cash share for partner interest exchange with a fair value of £44.4 million. The cash from investing activities is primarily the cash balance in RAMAM at the date of the acquisition. For the year ended 31 December 2013, the proceeds of the sale of CAMRADATA of £1.1 million are partially offset by the payment of contingent consideration for the Meridian acquisition.

Cash flows generated from financing activities for the six months ended 30 June 2014 were £8.8 million (2013: cash used £10.6 million) reflecting the cash raised in the IPO, net of the underwriting fees, partially offset by the repayment of the intercompany loan from Punter Southall Group Limited (PSG). PSG forgave a balance of £3.9 million on the intercompany borrowing facility that had been established during 2013. The amount was recorded as a capital contribution to the Group and is not reflected in investing activity as it is a non-cash item. For the year ended 31 December 2013 cash from financing activities reflects the borrowing from PSG of £10.5 million and the payment of £20.4 million in dividends to PSG.

45. Share capital and share premium

The Group had the following share capital at the balance sheet date.

	30 June 2014 Number	31 December 2013 Number	1 January 2013 Number	30 June 2014 £	31 December 2013 £	1 January 2013 £
Allotted, called up and fully paid						
Ordinary shares of £0.003/£0.0001 each	82,095,346	11,804,027	11,804,027	246,286	1,180	1,180
A performance shares of £0.01 each	-	1,479,972	1,479,972	-	14,800	14,800
B performance shares of £0.01 each	-	1,479,829	1,479,829	-	14,798	14,798
C performance shares of £0.01 each	-	1,507,229	1,507,229	-	15,072	15,072
D performance shares of £0.01 each	-	3,000,000	-	-	30,000	-
E performance share of £0.01 each	-	1,000,000	-	-	10,000	-
A ordinary shares of £0.003	-	-	-	-	-	-
B ordinary shares of £0.003	-	-	-	-	-	-
	82,095,346	20,271,057	16,271,057	246,286	85,850	45,850

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

A, B, C, D and E performance shares and deferred shares carried no right to vote or entitlement to dividend.

The A and B ordinary shares carried the right to vote and within each class, each share ranked pari passu for dividends.

Consolidated financial statements of River and Mercantile Group PLC continued**45. Share capital and share premium** continued

£	Ordinary shares	A ordinary shares	B ordinary shares	A performance shares	B performance shares	C performance shares	D performance shares	E performance shares	Deferred shares	Total value of shares
As at 1 January 2013	1,180	-	-	14,800	14,798	15,072	-	-	-	45,850
D performance shares issued	-	-	-	-	-	-	30,000	-	-	30,000
E performance shares issued	-	-	-	-	-	-	-	10,000	-	10,000
As at 31 December 2013/ 1 January 2014	1,180	-	-	14,800	14,798	15,072	30,000	10,000	-	85,850
Ordinary shares issued in the year	764	-	-	-	-	-	-	-	-	764
Ordinary shares converted into A ordinary shares	(1,180)	1,180	-	-	-	-	-	-	-	-
A performance shares converted into B ordinary/deferred shares	-	-	-	(14,800)	-	-	-	-	14,800	-
B performance shares converted into B ordinary/deferred shares	-	-	144	-	(14,798)	-	-	-	14,654	-
C performance shares converted into B ordinary/deferred shares	-	-	159	-	-	(15,072)	-	-	14,913	-
D performance shares converted into B ordinary/deferred shares	-	-	111	-	-	-	(30,000)	-	29,889	-
E performance shares converted into B ordinary/deferred shares	-	-	105	-	-	-	-	(10,000)	9,895	-
B ordinary shares converted into A ordinary shares	-	54	(54)	-	-	-	-	-	-	-
Deferred shares cancelled	-	-	-	-	-	-	-	-	(84,151)	(84,151)
No of shares prior to conversion	764	1,234	465	-	-	-	-	-	-	2,463
Conversion of ordinary/A ordinary/B ordinary shares into £0.003 shares	764	1,234	465	-	-	-	-	-	-	2,463
Capitalisation of share premium	67,962	109,836	41,435	-	-	-	-	-	-	219,233
A ordinary shares converted into ordinary shares	111,070	(111,070)	-	-	-	-	-	-	-	-
B ordinary shares converted into ordinary shares	41,900	-	(41,900)	-	-	-	-	-	-	-
Ordinary shares issued in the year – Listing	24,590	-	-	-	-	-	-	-	-	24,590
As at 30 June 2014	246,286	-	-	-	-	-	-	-	-	246,286

During the year ended 31 December 2013, the Company issued 4,000,000 performance shares.

On 27 March 2014, the Company completed a merger with RAMAM whereby the membership interests of RAMAM were transferred to the Company in return for a 31% shareholding in the capital of the Company. In aggregate a total of 7,636,191 new ordinary shares in P-Solve were issued at nominal value to RAMAM members.

45. Share capital and share premium continued

During the three month period to 31 March 2014 the Company performed a number of share conversions. The share conversions had no impact on the total value of the Company's share premium and share capital reported as at 31 December 2013.

On 27 March 2014 PSG forgave a balance of £3,867,000 on an intercompany borrowing facility that had been established during 2013. The amount was recorded as a capital contribution to the Group (Note 37).

On 28 May 2014, the Company capitalised £219,233 of the total share premium reserve at 31 March 2014 through a new share issue. The new shares were issued at nominal value on the basis of 89 A ordinary shares for each A ordinary share held; and 89 B ordinary shares for each B ordinary share held; and 89 ordinary shares for each ordinary share held.

In aggregate a total of 2,216,958,750 A ordinary shares, B ordinary shares and ordinary shares were in issue immediately after the capitalisation.

On the same day, a consolidation of share capital was then undertaken so that 30 A ordinary shares were consolidated into one A ordinary share with a nominal value of £0.003; and 30 B ordinary shares were consolidated into one B ordinary share with a nominal value of £0.003; and 30 ordinary shares were consolidated into one ordinary share with a nominal value of £0.003.

In aggregate a total of 73,898,625 A ordinary shares, B ordinary shares and ordinary shares were in issue immediately after consolidation.

On 28 May 2014, all of the Deferred performance shares were cancelled for nil consideration, so share capital comprised only of A ordinary shares, B ordinary shares and ordinary shares.

On 2 June 2014, the Company was re-registered as a public limited company and on 26 June 2014 issued 8,196,721 new shares as part of the initial public offering. At 30 June 2014 the total number of shares outstanding was 82,095,346 shares.

Included in share premium is £360,000 of underwriting commissions (1 January and 31 December 2013: £Nil). The movements in the share premium account are included in the statement of changes in equity.

46. Reserves

Foreign exchange reserve represents the cumulative unrealised 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, as detailed in Note 6.

The Merger reserve arose on the merger with RAMAM as detailed in Note 42.

The Capital redemption reserve was created as a result of the Group purchasing its own shares for cancellation.

The Capital contribution arose on the acquisition of Cassidy (Note 40), whereby PSG awarded shares to the seller in respect of the sale. The movement in the period relates to the forgiveness of the loan from PSG (see Note 37).

The movement in all reserves is detailed in the Consolidated statement of changes in equity.

47. Financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, together with the Note reference for the description of the balance, the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, are shown below:

	Note
Fair value through profit and loss:	
Contingent consideration of acquisition	38, 39 and 40
ACD fair value instruments	12
Investment management balances	31
Loans and receivables:	
Cash and cash equivalents	29
Fee receivables	30
Other assets	32
Financial liability at amortised cost:	
Creditors	36
Borrowings	37

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: market, credit, liquidity and business 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 management

Credit risk refers to the risk that a counter party defaults on their contractual obligations resulting in financial loss to the Group. The carrying amount of financial assets recorded in the financial information represents the Group's maximum exposure to credit risk. The Group held no

Consolidated financial statements of River and Mercantile Group PLC continued

47. Financial instruments continued

collateral as security against any financial asset. Credit risk arises principally from the Group's fee receivables and cash balances. The Group managed its credit risk through monitoring the credit quality of the counterparties with which we do business. The aging of outstanding fee receivables at the balance sheet date is given in Note 30.

As Authorised Corporate Director (ACD) of River and Mercantile Funds ICVC (the Fund) the Group is required to settle transactions between investors and the depositary of the Fund (see Note 12). The Group is exposed to the short-term liquidity requirements to settle with the depositary of the Fund before receiving funds from the investor and mitigates this risk by holding cash in its ACD account. The Group is exposed to credit risk if an investor defaults on a contract. Under such a default, the Group is required to settle the investor's contract with the depositary of the Fund. The Group is then able to redeem the shares in the Fund. The Group bears the risk that the price of the shares may vary between the initial settlement and redemption of the shares.

The Group had no fee receivable balances at period end that were individually greater than £500,000. At 31 December 2013 the Group had two Clients with outstanding balances over £500,000. Both balances were settled post year-end.

At period end there were no balances outstanding with Punter Southall Group Limited. At 31 December 2013 the outstanding balance was £1,683,000 (1 January 2013: £8,131,000). Subsequent to the year end all balances have been received in full.

The Banks with whom we deposit cash and cash equivalent balances are monitored on a regular basis including their credit ratings.

The Group bears risk in relation to the box position held in respect of the River and Mercantile Funds ICVC (Note 12). If any debtor failed to pay, the Group would redeem the underlying positions in respect of that debtor; however it would be subject to risk that the value of the underlying positions had fallen. The maximum theoretical risk exposure is the full value of the box position as reported in Note 12, however this is highly improbable to occur in practice. Management monitor the performance and aging of box position balances and take corrective action as appropriate.

Foreign currency management

The Group has foreign currency denominated assets and liabilities primarily arising from the US business and is therefore exposed to exchange rate fluctuations on these balances. The carrying amount of the Group's foreign currency denominated monetary assets and liabilities all in US Dollars, are shown below in the Group's functional currency:

	At 30 June 2014 £'000	At 31 December 2013 £'000	At 1 January 2013 £'000
Fee receivables	932	1,076	658
Cash and cash equivalents	390	945	221
Creditors	(751)	(909)	(588)
	571	1,112	291

A 10% fluctuation in the exchange rate between US Dollars and UK Pound Sterling on the outstanding foreign currency denominated monetary items at period end balances would result in a post-tax increase/decrease in profit of £57,000, £111,000 and £29,000 at 30 June 2014, 31 December 2013 and 1 January 2013, respectively.

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.

Interest rate management

The Group has minimal exposure to interest rate risk. The Group has no external borrowings at period end. The borrowing facility with PSG had a variable interest rate of LIBOR + 2.99% and was settled on 27 March 2014. Cash deposit with banks earn a floating rate of interest and the interest income is not significant in either period.

Liquidity 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 business is cash generative and has cash and cash equivalent balances that support the business working capital requirements. The fee receivable invoicing cycle is generally quarterly, as a result working capital balances are maintained to meet the ongoing expenses of the business during the quarterly cycles. The Group's capital expenditure requirements have not been significant and have been limited to office and IT equipment. The Group has entered into an operating lease over its premises. Note 35 discloses the future aggregate minimum lease payments, net of rebates over the next five years. The future fair value of contingent consideration payable at 30 June 2014 is £48,000 (31 December 2013: £107,000, 1 January 2013: £733,000) detailed in Note 39. At 30 June the Group had cash and cash equivalents of £19.4 million (2013: £5.2 million, 31 December 2012: £3.0 million). The increase in cash results from the net proceeds of £10.0 million from the issuance of £15.0 million of new shares as part of the IPO. In September 2014 the Group made a seeding investment in the River and Mercantile Dynamic Asset Allocation Fund of £5.0 million funded from cash balances.

As ACD of River and Mercantile Funds ICVC (the Fund) the majority of the operating cash balance of RAMAM are held in the ACD operating account into which the management fees from the ICVC are paid on a monthly basis. Of the ACD account balance at each period end, the proportion attributable to Client fund transactions (i.e. the difference between investment management balances (refer to Note 31) is controlled by Bank of New York Mellon, and cannot be utilised by RAMAM. At 30 June 2014 £1.1 million of the cash and cash equivalents balance was restricted.

47. Financial instruments continued**Non-derivative cash flows**

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 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. They do not take account of any cash flows generated from profits on normal trading activities.

	On demand £'000	< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000
As at 30 June 2014					
Assets					
Cash and cash equivalents	19,388	-	-	-	-
Investment management balances	-	8,744	-	-	-
Fee income receivables	-	2,664	-	-	-
Asset held for sale	-	-	-	-	-
Other receivables	-	571	-	17	-
Total financial assets	19,388	11,979	-	17	-
Liabilities					
Investment management balances	-	9,810	-	-	-
Borrowings	-	-	-	-	-
Creditors	-	1,019	48	-	-
Held for sale	-	-	-	-	-
Total financial liabilities	-	10,829	48	-	-
Net liquidity surplus/(deficit)	19,388	1,150	[48]	17	-
As at 30 December 2013					
Assets					
Cash and cash equivalents	5,192	-	-	-	-
Investment management balances	-	-	-	-	-
Fee income receivables	-	4,483	-	-	-
Asset held for sale	-	-	-	-	-
Other receivables	1,700	15	28	16	-
Total financial assets	6,892	4,498	28	16	-
Liabilities					
Investment management balances	-	-	-	-	-
Borrowings	9,687	-	-	-	-
Creditors	312	1,845	59	48	-
Held for sale	-	-	-	-	-
Total financial liabilities	9,999	1,845	59	48	-
Net liquidity surplus/(deficit)	(3,107)	2,653	(31)	(32)	-
As at 1 January 2013					
Assets					
Cash and cash equivalents	3,005	-	-	-	-
Investment management balances	-	-	-	-	-
Fee income receivables	-	-	-	-	-
Asset held for sale	-	-	1,747	-	-
Other receivables	8,331	14	-	16	-
Total financial assets	11,336	14	1,747	16	-
Liabilities					
Investment management balances	-	-	-	-	-
Borrowings	-	-	-	-	-
Trade and other payables	101	1,106	553	155	-
Held for sale	-	-	1,809	-	-
Total financial liabilities	101	1,106	2,362	155	-
Net liquidity surplus/(deficit)	11,235	(1,092)	(615)	(139)	-

Consolidated financial statements of River and Mercantile Group PLC continued

47. Financial instruments continued

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern. The Group funds its expenditures on commitments from existing cash and cash equivalent balances. The Group operates through three regulated entities: P-Solve Investments Limited, and River and Mercantile Asset Management LLP, both authorised and regulated by the UK FCA and P-Solve LLC registered as investment advisor with, and regulated by, the SEC in the United States. These entities are required to maintain minimum levels of capital and reserve that are sufficient to meet their regulatory capital requirements. The Group operates a comprehensive risk management framework that identifies areas of risk, establishes risk appetites and mitigating controls and monitors compliance within the risk limits. The Group has complied with its regulatory capital required throughout the period under review.

There have been no changes from the prior year in the risks faced by the Group in relation to its financial instruments.

48. Related party transactions

Punter Southall Group Limited and subsidiaries, and Pacific Investments are considered significant related parties.

Punter Southall Group, and subsidiaries (PSG)

Related party balances and transactions with PSG for the six months ended 30 June 2014 and for the year ended 31 December 2013 are described in the following notes:

- Corporation tax (Note 26)
- Creditors (Note 36)
- Borrowings (Note 37)
- Other assets (Note 32)
- Advisory fee revenue shares (Note 9)
- Expenses charged by PSG as intercompany charges included in Administrative expenses (Note 15)
- Expenses associated with the initial public offering (Note 18)
- Finance income and Finance expense (Note 25)
- Sale of CAMRADATA to PSG (Note 27)
- Director remunerations (Note 24)

The costs related to the acquisition of RAMAM comprising legal and due diligence costs were paid by PSG.

Pacific investments

Related party transactions with Pacific Investments for the six months ended 30 June 2014 relate to Director's remuneration in Note 24.

Material contracts with related parties

Operating lease

The details of the a non-cancellable operating leases relating to the London corporate headquarters entered into with PSG is described in Operating Leases (Note 35).

Transition Services agreement with Punter Southall Group Limited

On 27 March 2014, the Company entered into a transitional services agreement with PSG (the Transitional Services Agreement or TSA) pursuant to which PSG agreed, for a transitional period to provide certain IT, finance, human resources, facilities management and legal and compliance services to the Group.

The TSA terminates on 30 June 2017. The Group may terminate one or more transitional service upon at least one month's written notice. PSG may terminate one or more transitional services upon at least 12 months' written notice.

The Directors intend that the majority of these services will be migrated in the medium term.

49. Ultimate controlling party and subsidiary undertakings

Up until 26 June 2014 the ultimate controlling party of R&M was PSG. The Group became a publicly listed company on 26 June 2014.

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 %	Nature of business
P-Solve Investments Limited	England	100/100	Investment management
P-Solve Holdings Limited	England	100/65	Holding company for the US business
P-Solve LLC	USA	100/100	Actuarial and consulting
River and Mercantile Holding Limited	UK	100/100	Holding company
River and Mercantile Asset Management LLP	UK	100/100	Investment management
River and Mercantile Asset Management LLC	US	100/100	Marketing

The Company holds 18,878,569 ordinary shares in P-Solve Holdings which carry 100% of the voting rights. A further 10,165,383 A ordinary shares of P-Solve Holdings (representing 35% of the total issued ordinary share capital) are held by employees of P-Solve LLC (through PSG Trustees, which PSG Trustees will transfer to the R&M EBT on Admission). The A ordinary shares of P-Solve Holdings do not carry any voting rights, but rank equally with the ordinary shares in respect of dividend rights and capital rights above a hurdle of £1.8 million.

During the six months ended 30 June 2014, the Group made changes to its corporate structure. These are detailed in Note 3 of the Company financial statements. None of the changes led to a loss of control of subsidiaries and therefore did not affect the equity attributable to owners.

50. New standards and interpretations

The following standards have not been early adopted. Their impact has not yet been fully assessed:

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and hedge accounting and impairments. It replaces IAS 39.
- IFRS 15 'Revenue from Contracts with Customers' which is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition.

51. IFRS 1 First-time adoption

The Group has determined that the financial statements for the six months ended 30 June 2014 constitute the first set of full financial statements to be prepared under IFRS. IFRS 1 First-time adoption of IFRS sets out additional reporting requirements for the first set of financial statements prepared under IFRS. The IFRS transition date is deemed to be 1 January 2013 in accordance with IFRS 1. The additional disclosure required is:

- a) A statement of financial position for the adoption date (1 January 2013), with Notes;
- b) A reconciliation of reported equity between UK GAAP and IFRS for
 - i) The adoption date (1 January 2013); and
 - ii) The end of the latest period reported under UK GAAP (31 December 2013);
- c) A reconciliation of total comprehensive income between UK GAAP and IFRS for the latest period reported under UK GAAP (12 months ended 31 December 2013).

The statement of financial position and accompanying Notes have been included in the primary statements and related Notes of these consolidated financial statements.

Consolidated financial statements of River and Mercantile Group PLC continued**51. IFRS 1 First-time adoption** continued**Reconciliation of reported equity:**

	UK GAAP 31 December 2013 £'000	Effect of transition to IFRS £'000	IFRS 31 December 2013 £'000	UK GAAP 1 January 2013	Effect of transition to IFRS	IFRS 1 January 2013 £'000
ASSETS						
Cash and cash equivalents	5,192	-	5,192	3,005	-	3,005
Investment management balances	-	-	-	-	-	-
Fee income receivables	4,483	-	4,483	1,996	-	1,996
Asset held for sale	-	-	-	1,747	-	1,747
Corporation tax	-	-	-	259	-	259
Other receivables	7,884	-	7,884	12,633	-	12,633
Fixed assets and leasehold improvements	49	-	49	69	-	69
Intangible Assets	1,282	544	1,836	1,682	304	1,986
Total assets	18,890	544	19,444	21,391	304	21,695
LIABILITIES						
Investment management balances	-	-	-	-	-	-
Corporation tax	-	-	-	-	-	-
Creditors	7,418	-	7,418	4,436	-	4,436
Borrowings	9,687	-	9,687	-	-	-
Liabilities held for sale	-	-	-	1,809	-	1,809
Deferred tax liability relating to intangibles	-	-	-	-	-	-
Total liabilities	17,105	-	17,105	6,245	-	6,245
NET ASSETS	1,785	554	2,339	15,146	304	15,450
EQUITY						
Share capital	86	-	86	46	-	46
Share premium	292	-	292	14,597	-	14,597
Foreign exchange reserve	(6)	(73)	(79)	(28)	(33)	(61)
Merger reserve	-	-	-	-	-	-
Capital redemption reserve	-	-	-	-	-	-
Capital contribution	575	-	575	4,308	-	4,308
Retained earnings	838	627	1,465	(3,777)	337	(3,440)
Capital and reserves attributable to owners of the Parent	1,785	554	2,339	15,146	304	15,450

All differences relate to amortisation of goodwill under IFRS and foreign exchange differences arising on the revised goodwill balances.

Reconciliation of total comprehensive income:

	Year ended 31 December 2013 £'000
Total comprehensive income under UK GAAP	6,914
Adjustment to reflect amortisation of goodwill under IFRS	290
Foreign exchange differences arising on revised goodwill	(40)
Other	1
Total comprehensive income as reported under IFRS	7,165

Parent Company River and Mercantile Group PLC

Company statement of financial position

	Notes	30 June 2014 £'000	31 December 2013 £'000	1 January 2013 £'000
ASSETS				
Cash and cash equivalents	2	13,008	320	369
Investments	3	55,571	11,145	14,900
Other receivables	4	1,360	28	470
Total assets		69,939	11,493	15,739
LIABILITIES				
Payables	5	4,034	853	1,084
Corporation tax	6	123	-	-
Borrowings	7	-	9,687	-
Total liabilities		4,157	10,540	1,084
Net Tangible Assets		65,782	953	14,655
NET ASSETS		65,782	953	14,655
EQUITY				
Share capital	8	246	86	46
Share premium	9	14,688	292	14,597
Merger reserve	10	44,433	-	-
Capital redemption reserve	10	84	-	-
Capital contribution	10	3,867	-	-
Retained earnings	10	2,464	575	12
Capital and reserves attributable to owners of the Parent		65,782	953	14,655

Parent Company River and Mercantile Group PLC continued

Company statement of cash flows

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
Cash flow from operating activities		
Operating (loss)/profit	(3,793)	–
Operating cash flow before movement in working capital	(3,793)	–
(Increase)/decrease in receivables	(1,032)	470
Decrease/(increase) in payables	3,192	(231)
Cash (used in)/generated from operations	(1,633)	239
Taxation	–	–
Net cash (used in)/generated from operations	(1,633)	239
Cash flow from investing activities		
Interest received/(paid)	2	(4)
Dividend from subsidiaries	5,500	9,264
Disposal of CAMRADATA	–	1,100
Net cash generated from investing activities	5,502	10,360
Cash flow from financing activities		
Ordinary share issue for listing	14,640	–
Performance share issue in the year	–	115
Loan from PSG related to capitalisation of share premium	–	10,520
Loan from PSG repaid	–	(869)
Loan repayment to PSG	(5,820)	–
Dividends paid	–	(20,414)
Net cash generated from/(used in) financing activities	8,820	(10,648)
Management of liquidity resources		
Other	(1)	–
Cash and cash equivalents at beginning of year	320	369
Change in cash	12,688	(49)
Cash and cash equivalents at end of year	13,008	320

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital contribution £'000	Retained earnings £'000	Total attributable to equity holders of Parent £'000
2014							
Balance at 31 December 2013	86	292	–	–	–	575	953
Comprehensive income for the year							
Profit	–	–	–	–	–	1,889	1,889
Contributions by and distributions to owner							
Ordinary shares issued in the year	–	–	44,433	–	–	–	44,433
Capitalisation of share premium	219	(219)	–	–	–	–	–
Performance shares converted into deferred shares	(84)	–	–	–	–	–	(84)
Capital contribution from loan from Parent capitalised	–	–	–	–	3,867	–	3,867
Issue of shares in listing	25	14,975	–	–	–	–	15,000
Shares purchased for cancellation	–	–	–	84	–	–	84
Underwriting commissions	–	(360)	–	–	–	–	(360)
Balance at 30 June 2014	246	14,688	44,433	84	3,867	2,464	65,782
2013							
Balance at 1 January 2013	46	14,597	–	–	–	12	14,655
Comprehensive income for the year							
Profit	–	–	–	–	–	6,570	6,570
Contributions by and distributions to owner							
Dividends	–	–	–	–	–	(20,414)	(20,414)
Capital reduction	–	(14,407)	–	–	–	14,407	–
Issue of performance shares	40	102	–	–	–	–	142
Balance at 31 December 2013	86	292	–	–	–	575	953

Parent Company River and Mercantile Group PLC continued

Notes to the Company financial statements

1. Basis of preparation

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and interpretations, International Financial Reporting Interpretation Committee interpretations, and with those parts of the 2006 Act applicable to companies reporting under IFRS as issued by the International Accounting Standards Board as adopted by the European Union (IFRS) that are relevant to its operations and effective for accounting periods beginning on 1 January 2014.

IFRS was adopted effective for the period commencing 1 January 2013, the comparative consolidated statement of financial position as at 31 December 2013 have been prepared in accordance with IFRS. The Company's financial statements have been prepared on a going concern basis.

Initial public offering

The Company's shares were admitted for trading on the London Stock Exchange on 26 June 2014.

Name changes

On 28 March 2014 the Company changed its name from P-Solve Limited to River & Mercantile Group Limited. On 9 April 2014 the Company changed its name to River and Mercantile Group Limited. On 2 June 2014 the Company changed its name to River and Mercantile Group PLC after registering as a PLC.

Result for the period

The profit after tax for the six months ended 30 June 2014 was £1,889,000 (2013: £6,570,000) which included £5,500,000 (2013: £9,265,000) of dividend income.

In accordance with s408 of the Companies Act 2006 a separate profit and loss account has not been presented for the Company. There are no items of comprehensive income other than the result for the period 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

The Directors proposed a dividend of 2.3 pence per share for the period ended 30 June 2014.

2. Cash and cash equivalents

Cash and cash equivalents comprise balances held at banks available on demand.

3. Investments in subsidiaries

	At 30 June 2014 £'000	At 31 December 2013 £'000
At start of period/year	11,145	14,900
Additions	99,997	–
Disposals	(55,571)	(485)
Impairment of investment in P-Solve Holdings Ltd	–	(3,270)
At end of period/year	55,571	11,145

The Company's investments in subsidiaries and associates are stated at cost less provision for any impairment incurred.

Pursuant to the acquisition of RAMAM, during the period the Company acquired a 100% interest in River and Mercantile Asset Management LLP. Further details including IFRS 3 disclosures on the RAMAM acquisition is contained in Note 42 of the consolidated financial statements. Subsequently, all investments held by the Company were then contributed to River and Mercantile Holdings Limited at book value of £55,571,000 in return for a further investment in River and Mercantile Holdings Limited.

In the prior year, the Company disposed of its holding in CAMRADATA.

Details of the Group's subsidiaries are given in Note 49 of the consolidated financial statements.

4. Other receivables

	At 30 June 2014 £'000	At 31 December 2013 £'000	At 1 January 2013 £'000
Taxes and social security	364	–	–
Prepayments and accrued income	81	–	–
Amounts owed from Group undertakings	616	–	470
Other debtors	299	28	–
	1,360	28	470

Included in other debtors at 31 December 2013 was £28,000 relating to the issue of E performance shares.

Amounts owed from Group undertakings represent balances incurred in the course of trade and are payable on demand.

5. Payables

	At 30 June 2014 £'000	At 31 December 2013 £'000	At 1 January 2013 £'000
Accruals and deferred income	1,957	–	–
Amounts owed to Group undertakings	2,077	853	1,084
	4,034	853	1,084

Amounts owed to Group undertakings represent balances incurred in the course of trade and are payable on demand.

6. Corporation tax**Current tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit 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. The Group's liability for current tax is calculated using the statutory tax rates at the balance sheet date.

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
Current tax	123	–
Tax charge on profit on ordinary activities	123	–

The current tax charge in respect of the year ended 31 December 2013 was paid by PSG.

The tax assessed for the years is lower than the average standard rate of corporation tax in the UK. The differences are explained below:

	6 months ended 30 June 2014 £'000	Year ended 31 December 2013 £'000
Profit before tax	1,889	6,570
Profit before tax multiplied by the average rate of corporation tax in the UK of 22% (2013: 23.25%)	416	1,528
Effects of:		
Income not assessable to tax	–	(2,297)
Group relief surrendered	–	9
Expenses not deductible for tax purposes	(293)	760
	123	–

7. Borrowings

Borrowings relate to the unsecured borrowing facility with Punter Southall Group. Full details can be found in Note 37 of the consolidated financial statements.

8. Share capital

Full details of the Company's share capital can be found in Note 45 of the consolidated financial statements.

9. Share premium

A reconciliation of the movements in share premium can be found in the Company statement of changes in equity.

Parent Company River and Mercantile Group PLC continued

10. Reserves

A reconciliation of the movements in reserves can be found in the Company statement of changes in equity.

The merger reserve arose on the acquisition of River and Mercantile Asset Management LLP. Full details can be found in Note 46 of the consolidated financial statements.

Full details on the nature of the other reserves in the Company can be found in Note 46 of the consolidated financial statements.

11. 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 47 of the consolidated financial statements.

The financial assets and liabilities of the Company are categorised under IAS 39 as follows.

Financial assets €'000s	Fair value through profit or loss			Loans and receivables		
	30 June 2014	31 December 2013	1 January 2013	30 June 2014	31 December 2013	1 January 2013
Cash and cash equivalents	-	-	-	13,008	320	369
Other receivables	-	-	-	1,279	28	470
Total financial assets	-	-	-	14,287	348	839

Other receivables excludes prepayments and accrued income.

Financial Liabilities €'000s	Fair value through profit or loss			Amortised cost		
	30 June 2014	31 December 2013	1 January 2013	30 June 2014	31 December 2013	1 January 2013
Payables	-	-	-	2,077	853	1,084
Borrowings	-	-	-	-	9,687	-
Total financial liabilities	-	-	-	2,077	10,540	1,084

Payables excludes accruals and deferred income.

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. They do not take account of any cash flows generated from profits on normal trading activities.

At 30 June 2014 €'000s	On demand	< 3 months	3-12 months	1-5 years	> 5 years
Assets					
Cash and cash equivalents		13,008	-	-	-
Other receivables		616	663	-	-
Total financial assets		13,624	663	-	-
Liabilities					
Creditors		2,077	-	-	-
Borrowings		-	-	-	-
Total financial liabilities		2,077	-	-	-
Net liquidity surplus		11,547	663	-	-

At 31 December 2013 €'000s	On demand	< 3 months	3-12 months	1-5 years	> 5 years
Assets					
Cash and cash equivalents		320	-	-	-
Other receivables		-	28	-	-
Total financial assets		320	28	-	-
Liabilities					
Creditors		853	-	-	-
Borrowings		9,687	-	-	-
Total financial liabilities		10,540	-	-	-
Net liquidity surplus/(deficit)		(10,220)	28	-	-

11. Financial instruments continuedAt 1 January 2013
€'000s

	On demand	< 3 months	3-12 months	1-5 years	> 5 years
Assets					
Cash and cash equivalents	369	–	–	–	–
Other receivables	470	–	–	–	–
Total financial assets	839	–	–	–	–
Liabilities					
Payables	1,084	–	–	–	–
Borrowings	–	–	–	–	–
Total financial liabilities	1,084	–	–	–	–
Net liquidity deficit	(245)	–	–	–	–

Other receivables excludes prepayments and accrued income and payables excludes accruals and deferred income.

12. Directors' remuneration

Details of the individual Directors' remuneration is given in the Directors' Remuneration Report on pages 40 to 45.

13. Related parties

The Company entered into the following transactions with related parties:

€'000s Related party	Type of transaction	Transaction amount		Balance owed/(owing)		
		2014	2013	30 June 2014	31 December 2013	1 January 2013
Punter Southall Group	Borrowing facility	9,687	9,687	–	(9,687)	–
	IPO costs	600	–	–	–	–
River and Mercantile Group undertakings	Group interest paid	12	40	–	–	–
	Inter company balances			(1,460)	(10,540)	(614)
	Group cost sharing	1,577	–	–	–	–
	Dividends received	5,500	9,265	–	–	–

14. IFRS 1 – First time adoption

The Company has determined that the financial statements for the six months ended 30 June 2014 constitute the first set of full financial statements to be prepared under IFRS. IFRS 1 First-time adoption of IFRS sets out additional reporting requirements for the first set of financial statements prepared under IFRS. The IFRS transition date is deemed to be 1 January 2013 in accordance with IFRS 1. The additional disclosure required is:

- A statement of financial position for the adoption date (1 January 2013), with notes;
- A reconciliation of reported equity between UK GAAP and IFRS for
 - The adoption date (1 January 2013); and
 - The end of the latest period reported under UK GAAP (31 December 2013);
- A reconciliation of total comprehensive income between UK GAAP and IFRS for the latest period reported under UK GAAP (12 months ended 31 December 2013).

There are no differences in reported equity for the Company between UK GAAP and IFRS at either 1 January or 31 December 2013.

There is no difference in comprehensive income between UK GAAP and IFRS for the 12 months ended 31 December 2013.

15. Other information

The Company has four employees (2013: 0), who are the Executive Directors of the Group. The Company has taken the exemption under s408(2) of the Companies Act 2006 to not present their remuneration separately in these financial statements.

There have been no events after the balance sheet date which the Directors feel should be disclosed in these financial statements.

The Company has not entered into any significant commitments or contingent liabilities after the balance sheet date.

Notes

River and Mercantile Group PLC

Shareholder Information and Advisors

Company No.

04035248

Registered office11 Strand
London
WC2N 5HR

Tel: 020 3327 5100

Company Secretary

Elizabeth Weston

Websitewww.riverandmercantile.com**Annual General Meeting**23 October 2014 at 10.30am
Charing Cross Hotel
Strand
London
WC2N 5HX**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.

Dividend

For the financial year ended 30 June 2014

Amount

2.3 pence per ordinary share

Ex-dividend date

8 October 2014

Record date

10 October 2014

Payment date

7 November 2014

RegistrarsEquiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA**Shareholder helpline**0800 876 6660
(+44 121 415 7047)www.shareview.co.uk**Auditors**BDO LLP
55 Baker Street
London
W1U 7EU**Legal Advisors to the Company**Ashurst LLP
Broadwalk House
5 Appold Street
London**Joint Brokers and Advisors**Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QRNumis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT**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

River and Mercantile Group PLC

Shareholder Information and Advisors

Company No.

04035248

Registered office

11 Strand
London
WC2N 5HR

Tel: 020 3327 5100

Company Secretary

Elizabeth Weston

Website

www.riverandmercantile.com

Annual General Meeting

23 October 2014 at 10.30am
Charing Cross Hotel
Strand
London
WC2N 5HX

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.

Dividend

For the financial year ended 30 June 2014

Amount

2.3 pence per ordinary share

Ex-dividend date

8 October 2014

Record date

10 October 2014

Payment date

7 November 2014

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder helpline

0800 876 6660
(+44 121 415 7047)www.shareview.co.uk

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Legal Advisors to the Company

Ashurst LLP
Broadwalk House
5 Appold Street
London

Joint Brokers and Advisors

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QRNumis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

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

RIVER AND MERCANTILE
GROUP

River and Mercantile Group PLC
11 Strand, London
WC2N 5HR
T: 020 3327 5100

www.riverandmercantile.com