
Client focused Outcome orientated

Introduction

River and Mercantile is a client focused, outcome orientated 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 services a client base, predominantly in the UK, which comprises institutional pension schemes, wholesale 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.

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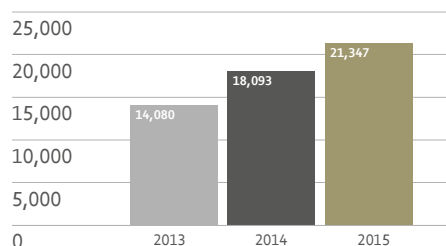
Forward looking statements

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 2015

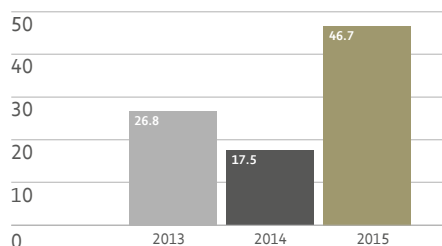
Mandated AUM/NUM

£21,347M



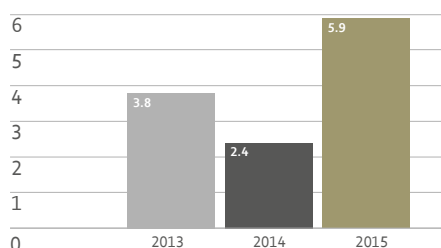
Management and advisory fees

£46.7M



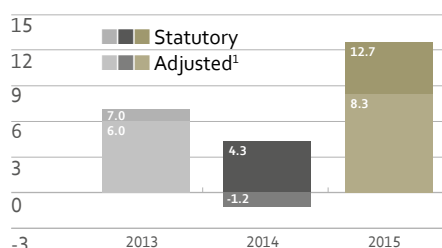
Performance fees

£5.9M



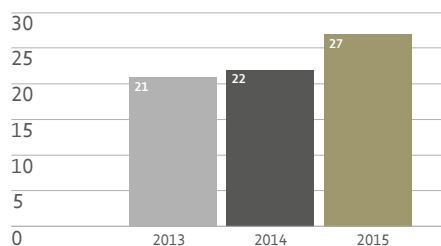
Profit after tax

£12.7M



Adjusted underlying pre-tax margin²

27%



Interim dividend paid:	4.6 pence per share
Second interim dividend:	4.6 pence per share (to be paid 30 October 2015)
Proposed final dividend:	3.8 pence per share
Total dividend for year:	13.0 pence per share

1 Adjusted profit after tax represents profit adjusted to add back the amortisation of intangibles assets, EPSP costs, and the IPO and corporate reorganisation costs, net of taxes. The amortisation of intangibles and the EPSP costs are both non-cash costs, and the IPO and corporate reorganisation costs are considered to be non-recurring. The Directors believe that the adjusted profit after tax is a measure of the post-tax cash operating profits of the business and gives an indication of the profits available for distribution to shareholders.

2 Adjusted underlying pre-tax margin represents net management and advisory fees less the related expense base, excluding the amortisation of intangible assets, EPSP costs, and IPO and corporate reorganisation costs; divided by net management and advisory fees.

Comparability of reported results

The financial results presented comprise the year ended 30 June 2015 of the Group. Due to the change in the Group's year end in 2014, the 2014 comparative period is the six months ended 30 June 2014 and the 2013 comparative is the year ended 31 December 2013.

Group at a glance

All of the divisions operate as part of a single business and are complementary in nature, allowing for the distribution of multiple advisory and investment solutions to clients.

Advisory

£12.1M

Net Advisory revenue

Fiduciary Management

£7.6BN

Fiduciary Management Mandated AUM

Derivative Solutions

£11.8BN

Derivative Solutions NUM

Equity Solutions

£2.0BN

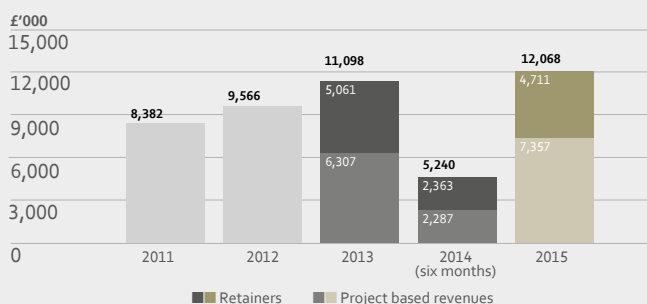
Equity Solutions AUM

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.

Net Advisory revenue

£12.1M

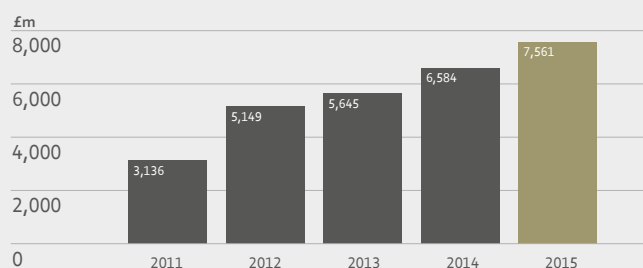


Fiduciary Management division

Fiduciary Management involves the delegation by clients of a range of services to the Group. These include asset allocation, hedging, manager selection and transition management. Total Investment Governance Solution (TIGS), the primary Fiduciary Management product currently has £7.5bn of AUM and has consistently outperformed its client outcome orientated benchmark over the last 12 years.

Fiduciary Management Mandated AUM

£7.6BN

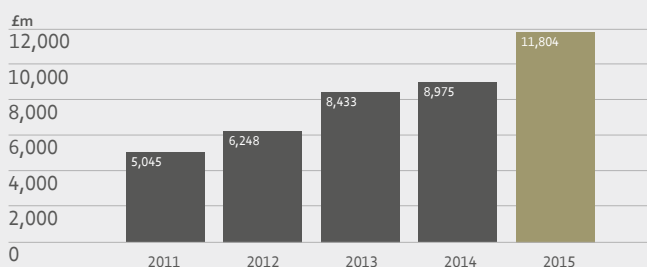


Derivative Solutions division

Derivative Solutions provide liability-driven investment (LDI) and structured equity strategies, which are offered to institutional investors. The Notional Under Management (NUM) of £11.8bn comprises interest rate swaps, inflation swaps, and structured equity, supported by collateral management.

Derivative Solutions NUM

£11.8BN

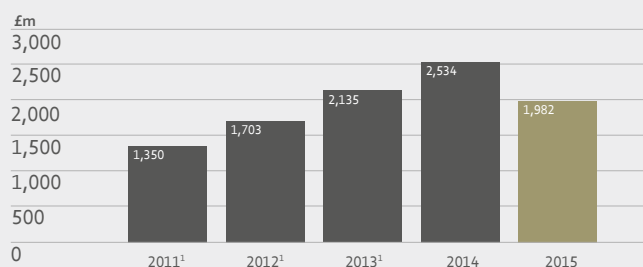


Equity Solutions division

Equity Solutions is an active equity managing division covering a range of UK and global equity strategies. These services are offered on both a segregated and pooled basis to both institutional investors and wholesale intermediaries.

Equity Solutions AUM

£2.0BN



1 2011-2013 was prior to the acquisition of RAMAM

Business model

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 on page 05 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.

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.

In fact, 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.


Client relationships

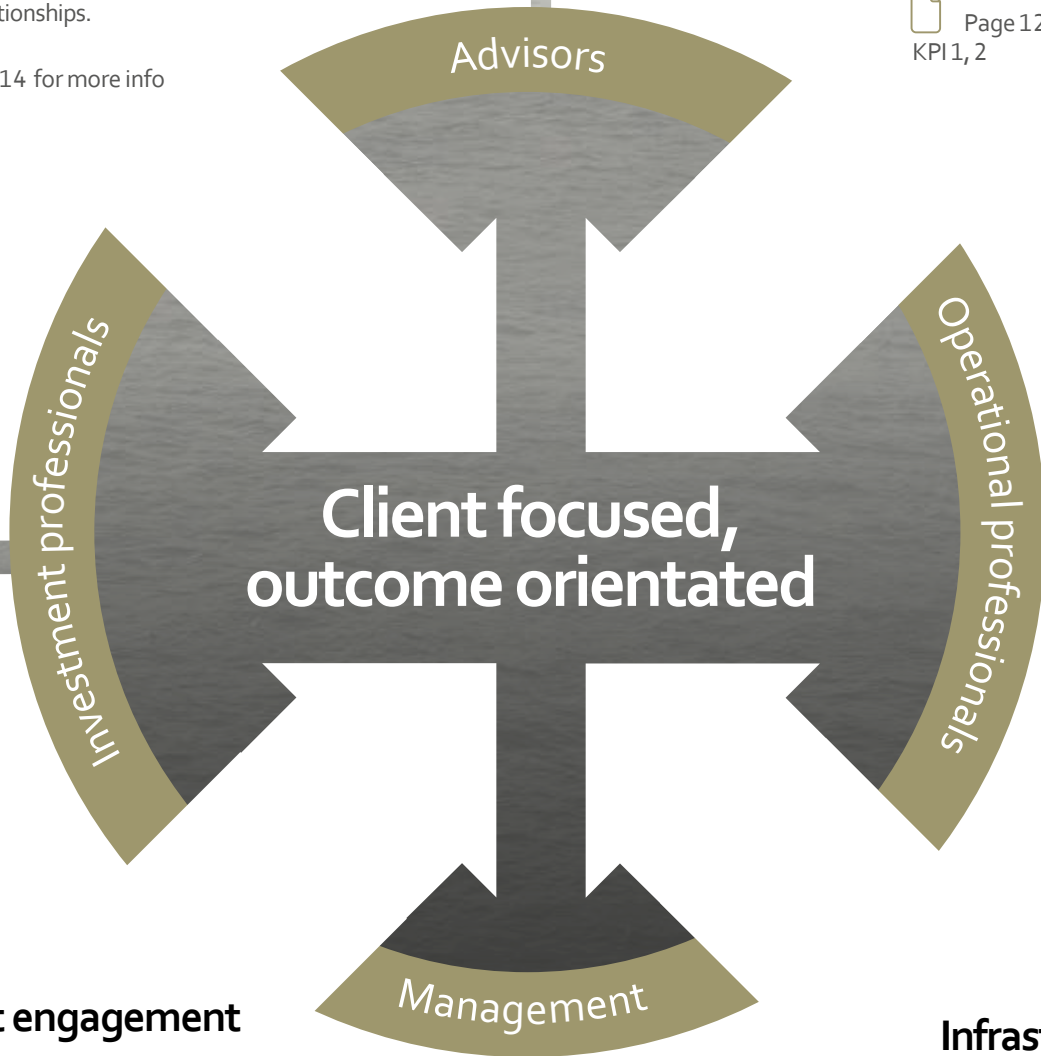
Establishing, developing and maintaining client relationships: An engagement process that is aligned to the client allows for the management of conflicts within their governance process. Trusted client engagement leads to sustained client relationships.

 Page 14 for more info
KPI 1, 2

Solutions and products


Delivering effective investment solutions and products, with a particular emphasis on well-defined client outcomes identified through the client engagement process.

 Page 12 for more info
KPI 1, 2



Client engagement

A sustainable business model built on a client engagement process which results in low attrition, growth in AUM/NUM, stable margins and growth of profitability.

 Page 14 for more info KPI 1, 2

Infrastructure

A client responsive infrastructure to support the client engagement.

Shareholder outcome orientated

A sustainable business model which generates profits for distribution to shareholders and long-term share price appreciation.

KPI 3, 4

Chairman's statement

A successful first year.



Paul Bradshaw
Non-Executive Chairman

River and Mercantile enjoyed a successful first complete year in the public market

Statutory profit after tax and adjusted profit after tax was £8.3m and £12.7m respectively, and we are declaring a second interim dividend of 4.6 pence per share of which 1.0 pence is a special dividend and relates to net performance fees. We are proposing a final dividend for 2015 of 3.8 pence to shareholders, bringing the total dividends paid, declared and proposed to 13.0 pence per share which represents 80% of the adjusted underlying profit after tax and 100% of the net performance fee profit after tax.

Total 2015 Dividend

13.0 pence
per share

The major challenge faced during the year was the closure of the thematic global equity strategy. This was undoubtedly in the long-term interests of all our stakeholders, especially our customers, reinforcing our commitment only to offer services which clearly add value. Nevertheless, this decision cost us short-term redemptions and significant closure costs. Our Executive team is strongly incentivised in alignment with shareholder return, and our core values in turn recognise that dependency on customer centricity. Accordingly, we were not surprised by the Executives' decision to recommend zero bonuses for themselves to reflect the short-term impact of this closure.

“We continue our leadership position as the industry evolves inexorably towards tailored, outcome-based solutions.”

Other key metrics in the business were strong. Mandated AUM/NUM increased by 18%. Net flows from clients were £2.8bn, including the £0.8bn negative impact of the thematic global equity strategy closure. Net management and advisory fee revenue this year was 18% higher than last year on a pro forma basis.

We continue our leadership position as the industry evolves inexorably towards tailored, outcome based solutions. We have enjoyed success in gaining several new clients by bringing together our equity and solutions skills for a winning proposition – a key reason for the merger before the IPO.

We are all very conscious that a client outcome focused strategy – in contrast to the historic product focus – is now on the horizon for many of our much larger competitors. We remain convinced that our outcome orientated business model and management team are well able to continue to respond more quickly and, critically, with a stronger client focus than many of our competitors.

Market turmoil since our year end should be beneficial to our business as more clients seek the deeper risk control inherent in our propositions. This is evidenced by our actual investment performance during the highly volatile conditions in August.

Our position in the more conventional market was reinforced by the successful launch of the UK River and Mercantile Micro Cap Investment Company and the investment teams in Fiduciary Management and Equity Solutions continue to deliver outstanding performance.

The pension world continues to experience seismic shocks in regulation and structure. We welcome, but are not surprised by, the maturity of the UK population recognising long-term needs and not using pension assets irresponsibly. It is a time of great uncertainty in the industry, but we stay focused in our belief that client centricity and evolving solutions which meet the client’s need are absolutely winning strategies.

I must take the opportunity to thank my Board colleagues, especially the Independent Directors, for their continued wisdom and commitment. I must also express the whole Board’s appreciation of Angus Samuels and Mark Johnson for their input as we have transitioned to a public company and who, as previously agreed, will step down at the Annual General Meeting (AGM). We have a great platform and great people and we look forward to many years of growth.

Paul Bradshaw
Non-Executive Chairman

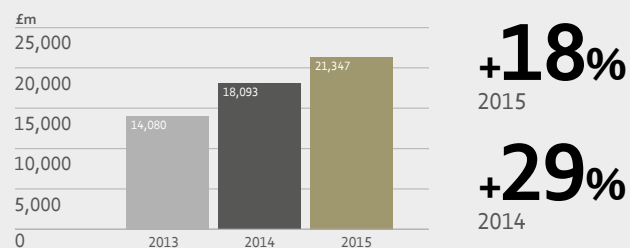
Strategy and progress against objectives

Objectives	Progress	Goals for 2016	KPIs
<i>Strong organic growth in Fiduciary and Advisory</i>	<ul style="list-style-type: none"> – Advisory growth from client driven projects – Fiduciary Manager of the Year – Continued client mandate wins – Strong outcome driven investment performance 	<p>Continued focus on delivering outcome orientated advice and investment solutions to clients</p> <p>Expand the range of client types to whom we offer solutions</p>	<p>1</p> <p>2</p>
<i>Equity mandates to grow – wholesale and institutional</i>	<ul style="list-style-type: none"> – Closure of the thematic global equity strategy and focused on the Potential, Value and Timing (PVT) investment processes – Continued strong investment performance in PVT strategies – Launch of UK River and Mercantile Micro Cap Investment Company and Global High Alpha strategy 	<p>Continue to build out the global capabilities of the PVT investment processes</p> <p>Grow institutional AUM from mandates in Global High Alpha strategy and available capacity in other strategies</p> <p>Seek opportunities for corporate equity and derivative mandates</p> <p>Continue to broaden distribution through the wholesale intermediated channel</p>	<p>1</p> <p>2</p>
<i>Derivatives growth further fuelled through consultant relationships</i>	<ul style="list-style-type: none"> – Structured equity mandate wins through consultants and strong pipeline – Continued LDI mandate wins and increased hedging activity by existing clients 	<p>Continued focus on structured equity solutions for clients in a volatile and uncertain market to improve clients' equity outcomes</p> <p>Seek to accelerate growth in other hedging strategies</p>	<p>1</p> <p>2</p>
<i>New product launches to accelerate growth</i>	<ul style="list-style-type: none"> – New strategies launched to address client needs, including: Dynamic Asset Allocation Fund, UK River and Mercantile Micro Cap Investment Company, Global High Alpha strategy 	<p>Continue to develop solutions based on institutional client needs for outcome orientated products</p> <p>Focus on capital preservation and income solutions for the wholesale market</p>	<p>1</p> <p>2</p>
<i>Deliver outcome orientated returns for shareholders</i>	<ul style="list-style-type: none"> – Share price growth from 183 pence on IPO to 212 pence on 30 June 2015 – Dividends declared and proposed totalling 13.0 pence per share 	<p>Continue to return adjusted profits to shareholders in accordance with the Board's distribution policy</p>	<p>3</p> <p>4</p>

Key Performance Indicators (KPIs)

1

Growth in mandated AUM/NUM



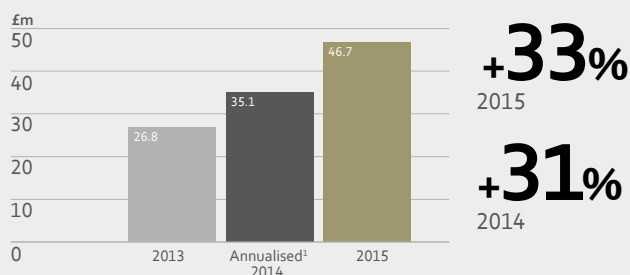
Description

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.

2

Growth in net management and advisory fees



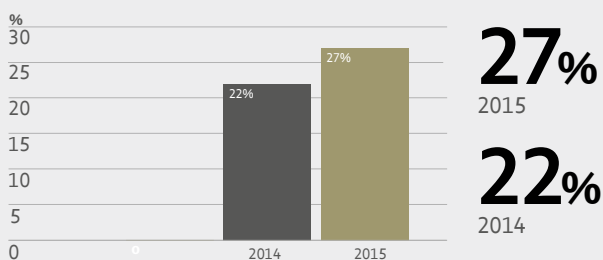
Description

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.

1 The 2014 six month results have been doubled to arrive at the annualised comparative. The Directors consider this appropriate as it allows for more meaningful comparison and management and advisory fees generally accrue evenly throughout the period.

3

Adjusted underlying pre-tax margin



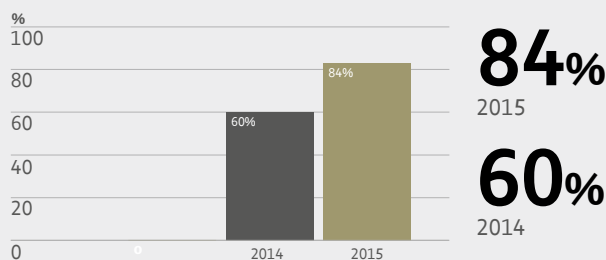
Description

Adjusted underlying pre-tax margin represents net management and advisory fees less the related expense base, excluding the amortisation of intangible assets, EPSP costs, and IPO and corporate reorganisation costs; divided by net management and advisory fees.

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

4

Percentage of adjusted earnings per share distributed



Description

Adjusted earnings per share represent the net profit after tax adjusted to add back the amortisation of intangible assets, EPSP costs 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.

Chief Executive's review

A good performance during a volatile period.



Mike Faulkner
Chief Executive Officer

Last year having just listed, my report focused primarily on our strategy. A year on, with 12 months of financial performance behind us, I would like to look at how we have performed in the context of that strategy, specifically focusing on what worked and what didn't. Next, I want to describe our platform of investment products and services, and the performance achieved. Finally, I will address the question of how we see the business evolving from here.

Last year I set out the following as the key elements to our strategy – the table below is taken as presented in last year's report.

Our strategy remains the same, and all of the themes and opportunities we had identified remain. I describe below the performance of the business in the context of this strategy.

Advisory and Fiduciary

We have continued to experience organic growth in our Advisory and Fiduciary divisions. The Advisory revenue was impacted positively by the work done advising clients around the departure of a well-known external third party asset allocation team in August 2014, but we have also seen good wins in our defined contribution and insurance businesses. We have seen a number of UK DB Advisory clients choose to move towards Fiduciary, and as a result Advisory revenue will slow into next year until that revenue is replaced in the Advisory division.

Fiduciary Management has seen very strong growth during the year, both in terms of flows and investment performance. At the IPO we had identified both as meaningful contributions and it is useful to see this being reflected in our results.

Derivative Solutions

We have seen growth in our Derivatives division, and have made significant progress in developing our business in conjunction with consultancies.

During the year, NUM grew from £8.9bn to £11.8bn. Some key highlights are as follows:

- Our Fiduciary Management division increased hedge levels in advance of the significant fall in yields in September 2014, and this led to a meaningful growth in NUM;
- We have seen strong interest and growth in our structured equity business from advisory clients, contributing to growth; and
- We have had success with structured equity with the consulting community. We announced recently the implementation of a structured equity mandate of £700m from Royal Mail Pension Plan, which was advised by a leading consultancy. This is consistent with one of our stated reasons for the merger between P-Solve and RAMAM.

The pipeline of interest in our Derivatives division remains strong and we expect continued interest in structured equity, particularly in light of political, economic and market uncertainty.

Equity Solutions

We continued to achieve sales into specialist products within our wholesale business, and have recently soft-closed our UK Smaller Companies Fund. We have, like others in the industry, experienced outflows and as a result our wholesale business is behind where we thought it would be at the beginning of the year, although net flows for the year are still positive.

Our institutional equity business has underperformed significantly due to our decision to close the global thematic equity strategy within Equity Solutions. As a result, we lost £0.8bn of AUM. However, due to the engagement process with our clients, many are interested in other services the Group is able to offer.

The area that did not progress as quickly as we had thought was demand for integrated active and structured equity mandates. We believe the logic for these mandates remain, but at the moment clients are more interested in implementing these components separately.

Kevin's report provides more granular detail on the financial performance in each of the divisions.

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Recap on strategy

Strong organic growth in Fiduciary and Advisory

We expect continued growth in our Advisory and Fiduciary Management businesses, particularly in the UK DB 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 its 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.

Chief Executive's review continued

"Our ability to evidence a strong track record of adding value to indices over a cycle makes us very unusual, if not unique."

New product development

We launched two new products during the year:

- The River and Mercantile Dynamic Asset Allocation (DAA) Fund. Launched in September 2014 and seeded with Group capital, we have raised assets from institutional clients that have experience of our asset allocation skills as Advisory clients. We are marketing the fund to a range of investors, but our expectation is that the fund will need to build a strong 12 month track record to start building more significant assets. So far, the fund is performing well.
- The River and Mercantile UK Micro Cap Investment Company. Launched in December 2014, we successfully raised £50m into this investment company.

In addition, we had been developing a global equity capability, known as Global High Alpha, managed within our PVT equity strategy. Globalising the PVT strategy more broadly has been a key priority for product development during the year, and the DAA fund makes use of this capability. I believe these developments show strong evidence of synergies from the merger in developing new products.

Investment platform

We have identified the business as focused on 'delivering outcomes', whether that is liability-related, or wealth-related. Our ability to build solutions must be based on the quality of our investment platform, and it is therefore important that this performs well. We are focused on achieving broad-based, strong performance across the whole of our product

range. I am pleased to report that this remains the case, as the table below shows clearly.

It is this commitment to the quality of our platform that led to our decision to close the thematic global equity strategy. We are focused on delivering on the commitments we make and the above performance is strong evidence of the success achieved across our investment teams.

Outlook

As I identified above, we expect advisory revenue to slow into next year, but pick up thereafter once the revenue lost from clients moving to Fiduciary is replaced. Our Fiduciary Management activities continue to look well placed – with a long strong track record and broad client base – in an increasingly competitive market.

Our Derivatives division looks very well-positioned, particularly in structured equity, and we are expecting strong growth in that division. Structured equity is a compelling alternative to traditional passive management, and the risk management characteristics are attractive to clients that seek risk reduction but without the return reduction effects of moving to bonds. Our ability to evidence a strong track record of adding value to indices over a cycle makes us very unusual, if not unique.

We are very positive about the outlook for Equity Solutions from here following the refocus on our PVT strategy. The PVT philosophy and process lends itself to the management of a wide range of different mandate types, as can be seen below in the application to regional equity strategies and

Investment Performance at 30 June 2015

By Investment Strategy

	1 year (%)		5 years (% p.a.)		Since inception (% p.a.)		
	Abs.	Rel.	Abs.	Rel.	Abs.	Rel.	Launch date
FIDUCIARY MANAGEMENT							
TIGS	13.8%	(1.7%)	11.0%	1.6%	9.9%	2.3%	01-Jan-04
Dynamic Asset Allocation (DAA)	n/a	n/a	n/a	n/a	2.9%	(0.8%) ¹	02-Sep-14
DERIVATIVE SOLUTIONS							
Structured equity	4.4%	4.2%	10.3%	0.7%	6.4%	1.1%	31-Dec-05
EQUITY SOLUTIONS							
World Recovery Fund	1.7%	(7.8%)	n/a	n/a	20.6%	11.4%	04-Mar-13
Global High Alpha Fund	n/a	n/a	n/a	n/a	6.1%	4.8%	12-Dec-14
UK Smaller Companies Fund	12.6%	7.1%	24.1%	10.6%	13.2%	7.3%	30-Nov-06
UK Income Fund	7.1%	4.5%	14.0%	3.2%	15.8%	2.6%	03-Feb-09
UK High Alpha Fund	6.8%	4.2%	16.5%	5.8%	8.3%	3.0%	28-Nov-06
UK Micro Cap Investment Company	n/a	n/a	n/a	n/a	13.2%	1.7%	02-Dec-14

1 The benchmark is 3m LIBOR plus 4%. Difficult market conditions have been an influence during the year. For example, the FTSE All-Share returned around 0.8% from 2 September 2014 to 30 June 2015, around 2.1% behind the DAA Fund.

Global High Alpha. This represents an opportunity for us.

We are hopeful that a full year of track record for DAA will allow us to raise assets more broadly into this strategy, which would be highly accretive for growth in the business.

James describes further in his report our distribution activities to support growth. But in particular, I do believe that one theme is set to emerge more strongly and that is for investors to become more demanding. The search for return has always been there, but it seems clear that offering higher return ways for investors to increase wealth, at what might be considered a reasonable price, will be an increasing trend going forward. This is a natural reaction to the effect of many de-risking strategies that in a low yield environment tend to reduce the return on assets very significantly indeed.

Many clients still desire meaningful return levels and as a result I believe the pendulum will swing back in the coming years to return generation, albeit with more controlled risk than such products may have had in the past. DAA is an example of such a product, and my view is we will see a range of return-seeking strategies emerge. This will be an area of focus for us in developing solutions going forward.

Summary

Overall, the business has experienced good growth during the year, consistent with the strategy I set out in last year's report. In most areas we delivered as we set out, but the shutdown of the thematic global equity strategy and not making progress on integrated active and structured equity mandates are notable exceptions.

The continued growth in our assets demonstrates our focus on delivering effective, outcome-led solutions to our clients. We have a track record of over 10 years in designing and executing structured equity solutions for clients and the execution of the Royal Mail Pension Plan mandate is an indication of the demand from pensions and institutional clients for structured equity to shape the profile of their investment returns.

The level of net flows during the year is a positive indication that the business has performed well, we continue to deliver sustained investment returns for our clients and the business overall remains strongly positioned for growth.

We remain committed to this focus on delivering outcomes, and this runs through our product range coupled with our solutions approach to developing business. As well as developing the solutions approach into other markets, we expect to develop our business into higher return-seeking mandates as that trend emerges.

Finally, I would like to thank our clients, employees and shareholders for their continued support in our first year as a public company. I would especially like to thank our Board for its support and counsel in what has been a year of transformation for the business. I believe we go into 2016 with a stronger Company as a result.

Mike Faulkner
Chief Executive Officer

Client engagement report

“We believe that there is a fundamental change taking place in our industry as our clients’ needs undergo an ongoing evolution.”



James Barham
Global Head of Distribution

The change that began in the institutional market is now migrating into the thinking of the retail market and this progressive shift towards ‘outcome orientated’ strategies will force our market to focus on developing solutions that address specific client needs. These needs will incorporate areas such as the requirement for income, the appetite to protect assets from the impact of increasing inflation, or protecting wealth in an unstable environment.

This change represents a cultural shift for much of our industry, since asset managers have historically focused on single component ‘building blocks’. We believe that the Group is strongly positioned to deliver a more holistic solution given our breadth of skills and our historic focus on our clients’ needs. We have long demonstrated an ability to engage proactively with clients, build deeper relationships, and understand and serve their requirements more effectively. I report below on developments in our client service and distribution activities.

Client Service

The strength of our client relationships is key to our success. To ensure we continue to improve these, we regularly carry out a client satisfaction survey to get feedback on our performance and identify areas for improvement. We were very pleased to see the results of our 2015 survey which were overwhelmingly positive. 86% of our Fiduciary and Advisory clients were ‘very satisfied’ or better giving us an average score of 8.3 out of 10 for overall relationship.

Our clients particularly commented on our responsiveness, our understanding of their needs and our innovative solutions:

"A first class company providing excellent service."

Paul Rudd

Chairman, Express Newspapers Pension Fund

"A client focused company that is quick to react when the need arises."

Phil Dunford

Dover Harbour Board Pension Scheme

"After previous years of 'passive' advice, reacting to events, with other advisers, P-Solve has stood out as providing: a clearly expressed view and opinion, communicated not just in investment but also economic terms; a strategy and plan to implement; and a feeling of being ahead of the game, not just reacting."

Martyn Harvey

Fujitsu

"Very customer focused at all times."

Graham McNab

Morrison

"As a member-nominated trustee, sometimes the investment side can become hard to understand. The guys from P-Solve are always happy to slow down and explain in a way that we understand. A very trustworthy and professional service."

Adam Collins

FuturePlanner

We believe that these comments reflect the commitment of the Group to its clients, which in turn is the key driver behind the very low attrition rate experienced by the business.

Distribution

Our distribution infrastructure is designed to drive growth in the main areas of the business; advice led strategies (Fiduciary, Advisory and Insurance), Equity and Multi Asset solutions and Derivatives. We have separate teams that drive distribution in these core markets and have continued to invest in our capabilities. A few years ago we took the decision to explore opportunities in the Australian institutional market and following a period of working in partnership with a local distributor have decided to rely on our own model and as a result we are seeing significant progress in this market.

Fiduciary, Advisory and Insurance

There continues to be strong demand for our services in the UK defined benefit, defined contribution and insurance markets across all engagement models. In particular we have seen continued growth in our DC Fiduciary model where we are the first provider to deliver a three year track record in this important arena. We are seeing a number of new entrants to this market along with significant press coverage which we believe will fuel demand. We also continue to see growth in DB fiduciary as our client's engagement evolves from a pure advisory solution.

The fiduciary market continues to grow fast, and has great scope for further growth. However, competition has increased with the resultant impact on win rates and possible future impact on margins in this area. According to the latest KPMG survey they estimate that fiduciary management has become the engagement model of choice for less than 5% of the market which equates to a little over 300 UK DB schemes out of more than 6,000. This is growth of circa 44% in the number of fully delegated fiduciary management mandates in 2014, but importantly demonstrates the scope for further growth in the coming years.

With our strong 12 year track record in this market, we are well positioned to benefit from this trend. We have seen significant growth in assets and client numbers, with new Fiduciary AUM increasing by over 20% during the year. We continue to review our sales model in this market, but still believe that an engagement based on understanding a client's needs is critical to success. We currently operate in these markets under the P-Solve and Meridian brands.

Equity and Multi Asset Solutions

We took the decision to close our global thematic equity strategy during the year and this has naturally had an impact on our sales figures in the institutional market. We have however continued to invest in our highly successful PVT strategy and we have launched a series of new products during the year that will ensure that the strategy is well positioned to take advantage of demand. We launched the Global High Alpha strategy in December 2014 and we anticipate this strategy growing strongly over the coming 12 months as demand increases from our core markets in the UK, US and Australia. We also launched the River and Mercantile UK Micro Cap Investment Company, which takes the River and Mercantile name back into the 'closed-end' market for the first time since 1996.

This launch was on the back of our strong reputation investing in smaller companies which also led to the soft close of our very successful UK Smaller Companies Fund. All our Equity Solutions strategies are comfortably ahead of their respective benchmarks since inception.

Our exposure to the intermediated market has continued to grow and gross sales in this market exceeded £500m in the period for the first time in our history. We are continuing to explore how we can apply our broader client engagement model to this market and have a number of new initiatives working in conjunction with our clients that will help develop thinking in this area. The understanding of the role certain strategies play in a client's portfolio is absolutely critical and we believe that this will help the business control attrition rates over the coming years.

We launched the Dynamic Asset Allocation (DAA) Fund in September 2014 on the back of very strong returns in our broader asset allocation capabilities. We have raised £62m over the last 12 months and we expect to see increased demand as we achieve a 12 month track record for the fund. There has been an explosion in the number of multi asset funds over the last few years, and investors are faced with a confusing array of often quite complex solutions. Our strategy is clearly defined and simple to understand, based on a strong investment process that has delivered consistent performance over more than a decade. We see this as an important area of growth for our business in years to come.

Derivative Solutions

Our derivative capabilities encompass both liability hedging (Liability Driven Investment or LDI) and structured equity in which we have an established presence. According to the latest KPMG survey in this area we are one of the five largest providers of LDI services and the third largest in providing segregated services in this market. We have a more dominant position with regard to structured equity and according to the same survey account for nearly 35% of mandates in this market. The Derivatives division have achieved this strong position historically working with the P-Solve client base. We have seen significant demand for our structured equity capabilities and evidence of this was with the recent mandate with Royal Mail Pension Plan. We were appointed to manage a £700m structured equity mandate where we worked closely with the scheme's advisors and the in-house team led by Ian McKnight. Ian, commenting on our appointment, said "We have been very impressed with R&M's design, execution and client service."

We are working with a broad range of clients and expect to see growth in our Derivatives division as we continue to evolve the nature of solutions we offer in both the institutional and wholesale space.

Summary

From a client engagement perspective, the River and Mercantile Group has demonstrated its capability to evolve and innovate, adapting to market changes since the underlying businesses were founded. We have strong brands and franchises, strong and deep client relationships, a broad product offering and talented and committed employees. As a result, we believe the business is positioned to continue to achieve strong growth through serving our clients.

James Barham

Global Head of Distribution

Financial review

The results this year show the continued strong growth of the business.



Kevin Hayes
Chief Financial Officer

The results this year show the continued strong growth of the business through the execution of our strategy. Despite the challenges outlined by Mike with regard to the thematic global equity strategy, we have nonetheless seen positive momentum in all key metrics.

- Growth in total mandated and fee earning AUM/NUM up 18% and 21%, respectively;
- Positive net flows from new and existing clients of £2.8bn in the year, which includes £0.8bn of redemptions from the thematic global equity strategy;
- Investment performance increased AUM by £845m;
- Growth in net management and advisory revenues, up 18% compared to the previous year on a pro forma basis, despite the loss of revenue from the global thematic equity strategy;
- Maintained stable overall net management fee margins;
- At or above benchmark performance generated performance fees of £5.9m;
- Growth in adjusted underlying pre-tax margin from 22% to 27%, achieved through operating leverage;
- Administrative expenses (excluding governance) increased 14% compared to total management and advisory revenue increasing 18% on a pro forma basis;
- Growth in adjusted profit after tax to £12.7m;
- Stable capital base with Group consolidated excess regulatory capital of £5.7m after declared and proposed dividends; and
- Total paid, declared and proposed dividends to shareholders of £10.7m representing 80% of the adjusted underlying profit after tax and 100% of the net performance fee profit after tax.

Positive Net flows	Closure of the thematic global equity strategy reduced Equity Solutions Institutional AUM by	Positive investment performance	Growth in Mandated AUM/NUM	Growth in Fee earning AUM/NUM
£2.8BN	£774M	£385M	18%	21%

Comparability of reported results

The statutory financial statements presented comprise the year ended 30 June 2015 of the Group, with the comparative period being the six months ended 30 June 2014, which include the results of RAMAM for three months from 27 March 2014 to 30 June 2014. In this review we will compare the current year's results against the comparative period of 1 July 2013 to 30 June 2014 as if the acquisition of RAMAM had occurred on 1 July 2013, as this presents a more meaningful comparative. Where this is the case, the comparative will be clearly labelled as 'pro forma' to indicate the use of a non-statutory measure.

As outlined in the CEO's review, our growth strategy is based upon a series of related objectives.

Objective

- Delivering on clients' desired outcomes;
- Delivering investment outcomes above the clients' stated benchmarks; and
- Developing new solutions based on the clients' changing outcomes.

- Gaining operating leverage from the investment platform through utilising available investment capacity and scalable investment processes.

- Managing our expense base, both administration and remuneration as we grow.

- Managing our capital base so that a high proportion of adjusted profit after tax can be paid through to our shareholders in the form of dividends.

This results in

- Growth in AUM/NUM;
- Low rates of client attrition and a lower cost of distribution;
- Growth in management and advisory fees; and
- Growth in performance fees.

- Increased management fee revenue with lower incremental costs.

- Improved pre-tax margin; and
- Increased adjusted profit after tax.

- Improved shareholder value.

Financial review continued

AUM/NUM

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

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 year ended 30 June 2015.

£'m	Assets Under Management (AUM) and Notional Under Management (NUM)					Total AUM/NUM
	Fiduciary Management	Derivative Solutions (NUM)	Equity Solutions		Total	
			Wholesale	Institutional		
Opening fee earning AUM/NUM	6,080	8,863	846	1,563	2,409	17,352
Sales	1,301	1,670	490	207	697	3,668
Redemptions	(623)	(152)	(312)	(1,014)	(1,326)	(2,101)
Net rebalance	–	1,253	–	–	–	1,253
Net flow	678	2,771	178	(807)	(629)	2,820
Investment performance	643	–	59	143	202	845
Closing fee earning AUM/NUM	7,401	11,634	1,083	899	1,982	21,017
Mandates in transition	163	170	–	–	–	333
Redemptions in transition	(3)	–	–	–	–	(3)
Total Mandated AUM/NUM	7,561	11,804	1,083	899	1,982	21,347
<i>Opening mandated AUM/NUM</i>	<i>6,584</i>	<i>8,975</i>	<i>846</i>	<i>1,688</i>	<i>2,534</i>	<i>18,093</i>
Increase/(Decrease) in Fee Earning Assets	22%	31%	28%	(42%)	(18%)	21%
Increase/(Decrease) in Mandated Assets	15%	32%	28%	(47%)	(22%)	18%
Derivatives by type:						
£m			Structured Equity	Gilts and LDI		Total NUM
Opening fee earning AUM/NUM			782	8,081		8,863
Sales			777	893		1,670
Redemptions			–	(152)		(152)
Net rebalance			(20)	1,273		1,253
Net flow			757	2,014		2,771
Closing fee earning AUM/NUM			1,539	10,095		11,634
Mandates in transition			–	170		170
Redemptions in transition			–	–		–
Total mandated AUM/NUM			1,539	10,265		11,804

Fiduciary Management

Sales included 17 new mandate wins during the year and £274m of contributions from scheme sponsors from existing clients.

Redemptions include £98m of payments to pension beneficiaries, and £197m (six clients) who transferred to the Pension Protection Fund. In addition four clients having achieved their funding objective, moved to buy in or buy out or moved to alternative arrangements.

During the year £643m was added through investment performance in Total Investment Governance Solutions (TIGS) a return of 11% on opening AUM, including liability hedging, which has meant that our clients moved closer to their funding objective this year.

During the year, we engaged an independent third party to survey our clients and formally solicit feedback and gauge our performance as measured by our clients' satisfaction. Advisory and Fiduciary Management clients rated their overall client experience and the outcomes from our Fiduciary Management offering as overwhelmingly positive. 86% of our Fiduciary and Advisory clients were 'very satisfied' or better giving us an average score of 8.3 out of 10 for overall relationship.

Multi Asset Solutions

During the year the Multi Asset Solutions team was established and the Dynamic Asset Allocation Fund was launched and seeded with £5m of the Group's capital. At year end, £62m of external AUM had been raised. The DAA Fund uses the same investment processes as TIGS in Fiduciary Management. Due to the size of the AUM it is presently included under the Fiduciary Management heading.

Derivative Solutions

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

During the year we onboarded eight new clients into LDI, adding £893m of NUM. In addition, we continued to see strong flows from existing clients who increased their level of hedging to respond to market and scheme funding levels. Redemptions were £152m including £132m of clients that moved to the Pension Protection Fund.

Derivatives' structured equity solutions provides strategies to shape the return profile of clients' equity portfolios. Included in sales is £700m from the Royal Mail Pension Plan structured equity mandate, which is covered in more detail in the client engagement report. At year end Derivative Solutions had 25 clients using structured equity products.

Equity Solutions

At the beginning of the year the Equity Solutions division comprised the thematic global equity strategy and the Potential, Value and Timing (PVT) strategy.

After a prolonged period of underperformance of the thematic global equity strategy we engaged with investors, the majority of whom decided to redeem their investments. This led to the closure of all the funds and the departure of the team. The financial impact of the closure of the thematic global equity strategy is detailed in the box below.

Closure of the thematic global equity strategy

As noted in Mike's review, the closure of the thematic global equity strategy resulted in a net reduction in AUM of £774m (opening AUM was £666m). The revenue earned by the strategy during the year prior to closure was £1.6m.

The total cost to close the division was £0.6m and included:

- Fund administration costs of £64k to close the funds;
- £395k incurred in redundancy costs (recorded in fixed remuneration expense); and
- £125k in legal and professional fees.

The net profit associated with the strategy was a loss of £700k including closure costs. The departure of the thematic global equity team reduces the run rate costs (mainly in fixed remuneration) by £720k. As the strategy did not represent a separate business line, the results of the strategy have not been disclosed as a discontinued operation.

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

Financial review continued

PVT strategy sales during the year included £127m into R&M UK Smaller Companies Fund and a segregated mandate win of £100m. Redemptions of £552m were spread across the strategies generally from investors choosing to reduce their risk exposure.

Investment performance across the PVT equity strategies was solid with £145m added from performance in the year. In aggregate there is at least £5bn of additional capacity across the existing Equity Solutions funds and strategies.

Fund AUM as at 30 June 2015	AUM £m	Quartile ¹	
		YTD	Since inception
R&M UK High Alpha Fund	299	1	2
R&M UK Smaller Companies Fund	583	4	1
R&M UK Income Fund	253	2	1
R&M UK Unconstrained Fund	8	2	3
R&M UK Equity Long Term Recovery Fund	125	2	1
R&M World Recovery Fund	195	1	1
Segregated mandates and other	519	n/a	n/a
Total AUM	1,982		

1. Quartile data from the Investment Association as at 30 June 2015.

Revenue and Margins

Management fees are charged generally as a percentage of the AUM/NUM we manage for clients and are negotiated based on a number of factors including the size of the mandate. Net management fees reflect rebates and other payments to external distributors. During the year the average net margins have remained stable. Included in Derivatives Solutions is the NUM from LDI and structured equity. As the level of structured equity increases the average margin may decrease due to the mix change, with structured equity generally at a lower net management fee margin.

	Fiduciary Management	Derivative Solutions	Equity Solutions		Total Average
			Wholesale	Institutional	
Average fee-earning AUM £m	7,046	9,832	953	1,362	19,193
Average margin 2015 (bps)	18–20	7–8	72–74	48–50	18
Average margin 2014 (bps)	18–20	7–8	82–84	44–46	18

2015 Increase in net management and advisory fees (vs pro forma)

18%

£'000s	Year ended 30 June 2015	6 months ended 30 June 2014	Pro forma year ended 30 June 2014 (unaudited)	Increase vs pro forma 2014
Net management fees				
– Fiduciary	13,083	5,560	10,449	25.2%
– Derivatives	7,857	3,400	6,577	19.5%
– Equity Solutions Wholesale	6,935	1,561	4,231	63.9%
– Equity Solutions Institutional	6,809	1,764	7,449	(8.6%)
Advisory fees				
– Retainers	4,711	2,363	4,839	(2.6%)
– Project fees	7,259	2,877	6,139	18.2%
Total net management and Advisory fees	46,654	17,525	39,684	17.6%
Performance fees				
– Fiduciary	5,263	2,350	6,111	(13.9%)
– Equity Solutions	616	–	8,899	(93.1%)
Total performance fees	5,879	2,350	15,010	(60.8%)

Advisory revenues

The Advisory division earns revenues from clients who engage us on a retained fee basis or for a fees based on undertaking specific projects. The increase in advisory fees was driven by an increase in project work for clients, relating to the closure of a third party asset allocation strategy.

Performance fee revenue

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

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 in full if performance continues above benchmark across the subsequent three years. If the client were to redeem their mandate, any deferred performance fees would be immediately crystallised. In the year ended 30 June 2015, £5.3m of performance fees were earned, £3.2m from previously deferred performance fees and £2.1m from clients with annual high water marks.

At June 2015 the amount of deferred performance fees that could be earned in the year ended 30 June 2016 assuming continued performance in line with benchmark, is £2.2m.

Equity Solutions

In Equity Solutions, performance fees are earned on outperformance relative to a stated benchmark. Performance fees were £0.6m for the year ended 30 June 2015.

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 2015 total performance fee eligible assets were £320m. Of these assets £302m were below their performance benchmark by more than 5% and £18m were within 1% of their performance benchmark. The weighted average rate of performance fees in respect of outperformance on the eligible AUM is 17%.

Administrative Expenses

£'000s	Year ended 30 June 2015	6 months ended 30 June 2014	Pro forma year ended 30 June 2014 (unaudited)	Increase vs pro forma 2014
Administrative expenses excluding governance	9,113	3,564	7,982	14%
Governance costs	639	159	159	
Administrative expenses	9,752	3,723	8,141	20%
Total net management and Advisory fees	46,654	17,525	39,684	18%

Administrative expenses have increased by 14% compared to our net management and advisory revenues which have risen by 18% during the year indicating operating leverage from our core business. Administrative expenses include £189k related to the closure of the thematic global equity strategy. In addition, administrative expenses increased due to additional legal and fund administration costs from the establishment of new investment strategies and funds.

The governance costs reflect the costs of operating as a public limited company from the IPO date, 26 June 2014. These costs include legal and advisory costs, and increased audit fee.

Remuneration

	Year ended 30 June 2015	6 months ended 30 June 2014
Fixed remuneration	18,440	7,292
Variable remuneration	8,476	3,547
Total remuneration (excluding EPSP)	26,916	10,839
Total revenue (excluding other income)	52,533	19,875
Remuneration ratio (total remuneration excluding EPSP/total revenue)	51%	55%

Excess net management and advisory fee growth over admin expenses (excluding governance)

4%

Financial review continued

Remuneration ratio decrease

4%

Remuneration expense includes: (a) fixed remuneration comprising: base salaries, drawings, benefits and associated taxes; (b) variable remuneration comprising: performance bonus and profit share paid to the partners of RAMAM LLP and applicable taxes; and (c) the amortisation of the fair value of performance share awards under the Performance Share Plan.

Fixed remuneration is allocated to net management and advisory fees. Variable remuneration is accrued on net management and advisory fees, and performance fees. In general the accrual rate of variable remuneration is approximately 42% of performance fee revenue.

The business has operating scale and through increased total revenue, the level of total remuneration (excluding EPSP) to total revenues is targeted at between 45–50% to be achieved in the next two years.

Statutory and adjusted profits

	Year ended 30 June 2015	6 months ended 30 June 2014
Statutory profit before tax	10,525	(73)
Pre-tax margin	20%	(0.4%)
Adjusted profit before tax	15,895	5,566
Adjusted pre-tax margin	30%	28%
Adjusted underlying profit before tax	12,429	3,916
Adjusted underlying pre-tax margin	27%	22%
Adjusted profit after tax	12,693	4,299

Statutory profit before tax is £10.5m, after the charge for the amortisation for intangibles and EPSP costs.

Adjusted profit before tax represents statutory profit adjusted to add back the amortisation of intangible assets, EPSP costs, and the IPO and corporate reorganisation costs. The amortisation of intangibles and the EPSP cost are both non-cash costs, and the IPO and corporate reorganisation costs are considered to be non-recurring.

Adjusted profit after tax represents adjusted profit before tax, less applicable taxes. The Directors believe that adjusted profit after tax is a measure of the post-tax cash operating profits of the business and gives an indication of the profits available for distribution to shareholders.

Adjusted underlying pre-tax margin represents net management and advisory fees less the related expense base, excluding the amortisation of intangible assets, EPSP costs, and IPO and corporate reorganisation costs; divided by net management and advisory fees.

The adjusted underlying pre-tax margin for the year ended 30 June 2015 was 27% (2014: 22%). 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.

Capital, liquidity and regulatory capital

The business is strongly cash generative. For the year ended 30 June 2015 we generated cash from operations of £11.6m. Net cash used in investing activities reflects the £5m seeded to the DAA Fund. Net cash used in financing activities represents the £5.7m of dividends paid to shareholders. The cash raised from the IPO has been used in part in seeding the DAA fund, which is currently attracting outside investors. Cash and cash equivalents at year end were £20.2m.

As a business regulated by the UK Financial Conduct Authority, we hold prudent levels of capital resource in order to ensure our financial stability. We undergo a continual Internal Capital Adequacy Assessment Process (ICAAP), to ensure that we are holding sufficient levels of equity capital for the scale and nature of our operations and risk. As at 30 June 2015, adjusting for the

effect of the interim and proposed final dividend we have excess qualifying regulatory capital of £5.7m over the minimum required by our ICAAP. We do not anticipate any significant change in our regulatory capital requirements in 2016.

Performance Share Plan

As part of the 2015 remuneration process, awards were made under the Performance Share Plan (PSP) to non-Director employees. The aggregate face value of these grants was approximately £1.1m. The vesting of the awards is linked to achieving specified performance targets over the vesting period. As described in note 6 of the consolidated financial statements, remuneration expense includes an amortisation charge for the fair value of these awards. Awards under the PSP are not intended to cause further dilution to shareholders and will therefore be satisfied through share purchases by the Employee Benefit Trust (EBT). Capital has been earmarked for the purchase of the Group's shares by the EBT, which will be treated as treasury stock in shareholders' equity.

Earnings per share

Pence per share	Year ended 30 June 2015	6 months ended 30 June 2014
Statutory basic EPS	10.15	(2.22)
Statutory diluted EPS	9.85	(2.22)
Adjusted basic EPS	15.46	7.74
Adjusted diluted EPS	15.00	7.39
Share count normalised adjusted diluted EPS ¹	15.00	5.08

1 2015 and 2014 figures calculated using the 2015 weighted average diluted share count.

The diluted earnings per share calculation includes the dilutive effect of shares that could be issued under the Executive Performance Share Plan as measured at the balance sheet date. These shares would be issued in 2017 (subject to a one year lock-up), if the award conditions are met. The basic earnings per share represents the earnings per share to the existing shareholders that will accrue during the EPSP vesting period on an undiluted basis.

The share count normalised adjusted diluted EPS has been presented to better reflect the growth in adjusted earnings, and to remove the effect of the change in the Group's share capital structure in the prior period.

Dividends

On 23 October 2014 the shareholders approved the payment of the 2014 final dividend of 2.3 pence per share (including 1.0 pence of a special dividend relating to net performance fees). On 27 February 2015, an interim dividend of 4.6 pence per share was declared which included a special dividend of 1.0 pence relating to net performance fees. The Board have declared a second interim dividend of 4.6 pence per share, of which 1.0 pence is a special dividend and relates to net performance fees to be paid on 30 October 2015. In addition the Board are proposing to shareholders a final dividend of 3.8 pence per share. Total dividends per share paid, declared or proposed for the year ended 30 June 2015 are 13.0 pence per share, representing 80% of the adjusted underlying profit after tax and 100% of the net performance fee profit after tax.

Kevin Hayes

Chief Financial Officer

Total dividends per share paid or proposed in respect of the year ended 30 June 2015

13.0 pence

per share

Risk management

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 stakeholders: 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. Further details can be found in the Audit and Risk Committee report.

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. Further details can be found in the Remuneration Committee report.

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 function 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 function 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 function 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

The Compliance and Risk 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 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 instil a risk and compliance awareness and client orientated culture.

Legal

The Legal function 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 and the company secretarial matters of its UK subsidiaries. As well as providing legal support to the advisory, investment and distribution teams in relation to the Group's products and services, the Legal function also provides legal support in relation to other matters, such as employment, trading, information technology, intellectual property and finance.

Company secretarial services for River and Mercantile Group PLC are provided by Mazars Company Secretaries Limited.

Human Resources

The Human Resources function 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.

Principal risks and uncertainties

The following table summarises the principal risks and uncertainties considered most relevant to our business. See note 28 to the consolidated financial statements for further information on financial risks.

Principal risks

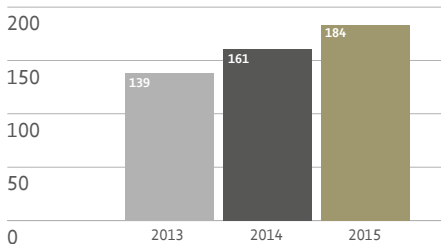
ACTIVITY	RISK	OUTCOME	MITIGATION
Client engagement	We do not fully identify or understand the client's desired investment outcomes.	The client's investment strategy does not meet the client's desired outcomes. This could lead to a loss of clients, failure to win new business and reputational issues.	<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 relative to their objectives.</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, and stressed 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 client 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> <p>The Group maintains and operates policies and organisational and administrative arrangements to identify, monitor, manage and disclose any material conflicts of interest.</p>
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	Financial loss, foregone revenue, fines and reputational damage.	<p>Experienced and knowledgeable employees with appropriate segregation of roles and responsibilities.</p> <p>Documentation policies and procedures govern workflows, internal control procedures and escalation protocols to achieve predictable outcomes.</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> <p>Business continuity management programme for the continuity of critical business functions and services.</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.	Regulatory changes are monitored by the Group's Compliance and Legal 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.
		Changes in the regulatory framework could make it more costly or capital intensive to operate in the market, reducing profitability of the Group.	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.
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.	Succession plans identify employees with the potential to fill key business leadership positions.
			Our ethos is centred on delivering against the outcomes of our stakeholders. 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.

Corporate responsibility

Adding value to all our stakeholders.

Average headcount



People

Our people, their development and advancement, are critical to the success of our client-led 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.

We measure regretted staff turnover as a metric for our success in retaining and rewarding our talent. Regretted staff turnover is measured as the number of staff leaving the firm voluntarily during the year who were graded as performing as expected or better in their previous performance review, as a proportion of the average heads during the year. For 2015 this number was 7%. 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: Whilst 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 191 Directors and employees at period end: one of 11 Directors; seven of 27 senior managers; and 49 of 180 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.

Recruitment

Our policies instil in our hiring managers our commitment to 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.

Environmental matters: Greenhouse gases

We have offices in 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 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 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.

By order of the Board

Paul Bradshaw
29 September 2015

Carbon Neutral®

This year, the Group has worked with CarbonNeutral from Natural Capital Partners, a world-leading provider of environmental solutions. The Group undertook a detailed assessment of all greenhouse gas emissions, which has generated a total emissions figure of 852 tonnes of CO₂ for the year, including all travel and commuting.

The Group is committed to minimising its impact on the environment and as such has fully offset these emissions in accordance with the CarbonNeutral Protocol, the global standard for CarbonNeutral® certification. This means that for every tonne of CO₂ emissions produced by the Group during the year, it has purchased a verified carbon offset which guarantees an equivalent amount of emission is reduced from the atmosphere through a renewable energy or clean

technology project. The Group is supporting schemes which combine green energy funding and forestry protection and renewal.

The Directors are therefore pleased to announce that the Group has achieved CarbonNeutral® company status for the year ended 30 June 2015, which the Group intends to achieve in future periods.



Values describe the behaviours that the business considers to be critical to success.

Value	Expectation
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.

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 except where noted in the report below.

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 considers that the Company and the Group has complied with the Code, except for provision B.1.2 (which states that at least half the Board, excluding the Chairman, should comprise Independent Non-Executive Directors). Excluding the Chairman, the Board consists of 10 members: four Executive Directors, and six Non-Executive Directors, three of whom are regarded as not independent (Mark Johnson, Jonathan Punter and Angus Samuels).

Two of the Non-Executive Directors are considered to not be independent given the provisions of the Relationship Agreement between the Company and Punter Southall Group Limited (PSG). However, the Board considers that appropriate independent challenge is provided by the Independent Directors on the Board and feels that the experience provided by Mark, Jonathan and Angus is invaluable to the Group.

In accordance with the option granted to the Directors under the Relationship Agreement the Board has agreed with Angus Samuels and Mark Johnson that their appointment as Non-Executive Directors be extended until the holding of the Company's 2015 AGM, at which point they will not stand for re-election as Directors. After this date, the Board will comprise of eight members excluding the Chairman, of whom three are regarded as Independent.

Capital Structure

Details of the Company's capital structure can be found on pages 78 to 79.

The Board

Composition

During the year, the Board comprised the Chairman, four Executive Directors, and six Non-Executive Directors, three of whom are regarded as independent. The Board have appointed Peter Warry as the Senior Independent Director.

The roles of the Chairman and Chief Executive are separate, clearly defined and have been approved by the Board. The Chairman, Paul Bradshaw, is responsible for the leadership of the Board. The Chief Executive, Mike Faulkner, is responsible for the day-to-day management of the Group.

As at the date of this Report, the Board members are as follows:

Name	Position
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	Senior 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 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, 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 continues to believe that Paul Bradshaw is an independent Chairman for Code purposes. Although Mr Bradshaw serves as a Non-Executive Director on the boards of Nucleus Financial Group Limited of which Sanlam Limited UK (previously a significant shareholder in PSG) is the main institutional shareholder 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 ensures that he makes a significant contribution to the work of the Board and its committees.

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.

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 number of Board meetings held this year is tabled below.

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 46 to 51).

Performance Evaluation

All Executive Directors have received regular feedback with regards to their performance against the agreed objectives. At year end a formal process was undertaken to evaluate the Executive Directors individually and as a group against their individual and collective objectives. Details of their individual and collective performance are summarised in the Remuneration Committee Report.

The performance of the Non-Executive Directors during the year ended 30 June 2015 has been reviewed against external benchmarks and in all cases was approved as being continuously effective.

The Independent Non-Executive Directors, led by the Senior Independent Director have assessed the performance of the Chairman during the year ended 30 June 2015 and having taken account of the views of the Executive Directors his performance is deemed to be effective and appropriate.

An internal Board and committee evaluation process was coordinated by the Company Secretary during the year ended 30 June 2015 and sought the individual Director's assessment of the Board's effectiveness including strategy development, the decision making process, Board relationships, information flows and the operation of the Board

Committees. The review concluded that the overall Board and Committees were operating effectively and to a high standard of governance. The relationship between the Chairman and the CEO was considered sound and constructive. Areas for improvement included improving the administrative processes supporting the operation of the Board. As this was the first full year as a public company and the Board was newly constituted the Company did not undertake an externally facilitated Board and Committee evaluation process.

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. Also, the committees are open to other Directors who are not part of their core membership to attend, as appropriate.

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 Independent Directors meet after each Board and concluded during the year there was no requirement for a Nomination Committee meeting.

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.

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.

Corporate governance report continued

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 formally meets 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 in accordance with current best practice.

During the coming year, the Committee shall review the Group's audit arrangements.

Board and Committee member attendance for the period ended 30 June 2015

Director	Board quarterly	Board ad-hoc	Audit and Risk	Remuneration
Paul Bradshaw	4 of 4	9 of 9		5 of 6
Mike Faulkner	4 of 4	7 of 9		
Kevin Hayes	4 of 4	9 of 9		
James Barham	4 of 4	4 of 9		
Jack Berry	3 of 4	4 of 9		
Jonathan Punter	3 of 4	6 of 9		
Angus Samuels	4 of 4	9 of 9		
Mark Johnson	4 of 4	6 of 9		
Peter Warry	4 of 4	8 of 9	9 of 9	6 of 6
Robin Minter-Kemp	4 of 4	8 of 9	8 of 9	6 of 6
Angela Crawford-Ingle	4 of 4	8 of 9	9 of 9	

In circumstances where Board members cannot attend Board meetings, generally as a result of client commitments, adequate notice has been given and alternative arrangements have been made to solicit the member's views and opinions.

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

Risk Management and Internal Controls

The Board is responsible for ensuring that the Group's systems of internal controls and risk management are effective and fit for purpose; embedded in the business processes and part of the business culture. The system of internal control is designed to manage risk within tolerance levels and provide reasonable assurance as to the effectiveness of the safeguards in place to protect the business against the risk of material error, loss or fraud. However, such a system can only provide reasonable, not absolute, assurance against material misstatement or loss. The Audit and Risk Committee supports the Board in discharging its oversight duties with regard to internal control, risk management and capital adequacy. The Committee seeks to identify the key risks and issues and where appropriate escalate them either within the appropriate business unit or to the Board.

Risk management is implemented from the top down, starting at Board level, through to the individual operational departments. The attitudes to risk agreed in Board and committee discussions are fed through to the planning process for the individual business units. The Board is responsible for the ICAAP, a process required by the FCA, which summarises the risk management framework and regulatory capital requirements of the Group.

This is closely linked to the Group's planning and capital management process.

The risk management framework includes a sound system of internal controls. The key procedures relevant to financial reporting that the Directors have established to ensure that the internal controls are effective and commensurate with a group of this size are:

- day-to-day supervision of the business by the Executive Directors;
- review and analysis by the various Group committees of standard quarterly and periodic reporting, as prescribed by the Board;
- authorisation limits over expenditure incurred;
- review of financial, operational and assurance reports from management; and
- review of any significant issues arising from external audits.

The Board therefore confirms that it has, during the financial year, reviewed the effectiveness of the Group's risk management and internal controls (including financial, operational and compliance controls), which have been in place throughout the year under review and continue to operate up to the date of approval of the Annual Report and Accounts.

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 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 is required to enter into an agreement with the Company to ensure compliance with the independence provisions set out in the Listing Rules (the Relationship Agreement).

The Relationship Agreement regulates the ongoing relationship between the Company and PSG. The Company and PSG agreed, inter alia, that PSG would be able to nominate two Non-Executive Directors of the Company:

- the first (Angus Samuels) 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 FCA 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
- the second (Jonathan Punter) 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.

Both Angus Samuels and Mark Johnson are not standing for re-election at the Group's AGM.

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 pays PSG for the transitional services on a

monthly basis on arm's length terms. These transitional agreements, except for the provision of IT infrastructure are currently scheduled to terminate by 31 December 2015.

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 with by PSG and its associates and Pacific Investments; and the procurement obligation included in the Relationship Agreement has been complied with by PSG.

Whistle-blowing policy

We are committed to conducting our business with honesty and integrity, and we expect all staff to maintain high standards in accordance with our Standards of Conduct policy. However, all organisations face the risk of mistakes or errors occurring from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring and to address them when they do occur.

Previously, the Group was subject to the PSG whistle-blowing policy. During the year, a policy was developed specific to the Group which establishes an independent process for the raising of concerns both internally and to outside parties. This includes an external telephone hotline.

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 ensure that the Company complies with its obligations as a company listed on the Official List of the FCA, including requirements to disclose certain dealings in Company securities. The Securities Dealing Code is applicable to all staff.

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.

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.

By order of the Board

Paul Bradshaw
29 September 2015

Board of Directors



Paul Bradshaw
Non-Executive Chairman

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 Sanlam Limited and its UK controlled subsidiaries, and Non-Executive Chairman of Nucleus Financial Group.

Committee membership
Remuneration Committee and Nominations Committee



Angela Crawford-Ingle
Independent Non-Executive Director

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
Audit and Risk Committee and Nominations Committee



Mike Faulkner
Chief Executive Officer

Mike founded P-Solve in 2001 to offer pro-active and strategic advice to pension scheme trustees and corporate clients. P-Solve became one of the first investment consultants in the UK to offer Fiduciary Management to schemes. He has 24 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
None



Mark Johnson
Non-Executive Director

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 Pacific Asset Management 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
None



James Barham
Global Head of Distribution

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
None



Robin Minter-Kemp
Independent Non-Executive Director

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 £300m to £6.5bn ahead of the business's acquisition by Schroders plc in July 2013. Robin served in the Royal Welch Fusiliers after Sandhurst.

Committee membership
Audit and Risk Committee, Remuneration Committee and Nominations Committee



Jack Berry

Global Head of Solutions

Jack established P-Solve's advice capabilities enabling pension schemes to use derivatives in liability-driven investments 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

None



Jonathan Punter

Non-Executive Director

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

None



Kevin Hayes

Chief Financial Officer

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.

Committee membership

None



Angus Samuels

Non-Executive Director

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 Private Wealth Holdings, Sanlam Life and Pensions UK and Nucleus Financial Group. From Zimbabwe, Angus's career began at stockbrokers Fergusson Bros and Hall Stewart and Co in South Africa.

Committee membership

None



Peter Warry

Senior Independent Non-Executive Director

Chairman of The Royal Mint, Peter has also served as Chairman of BSS Group PLC, Victrex PLC and Kier Group PLC 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

Audit and Risk Committee, Remuneration Committee and Nominations Committee

Audit and Risk Committee report

"I am pleased to present the report of the Audit and Risk Committee and I would like to thank all the members of the Board and management for their cooperation and assistance during the year."

Angela Crawford-Ingle
Chair, Audit and Risk Committee

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 Group's financial statements, and reviewing the effectiveness of the Group's internal controls and risk management systems.

The primary role of the Audit and Risk Committee in relation to financial reporting is to monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and review significant financial reporting judgements. The Committee has approached its review of the annual report as a whole with focus on behalf of the Board on considering the concept of 'fair balanced and understandable'. We have challenged ourselves to ensure the key messages about the performance of the business are delivered in a manner consistent with our own understanding and interpretation of the information we receive.

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 and our engagement process

In nominating Directors to the Committee, the Board complied with the recommendations of the UK Corporate Governance Code. The Audit & Risk Committee is comprised of Peter Warry, Robin Minter-Kemp and me as Chair all of whom have been adjudged by the Board to be Independent Non-Executive Directors. The Board appointed me as Chair of the Committee based on my relevant background and experience in financial matters. The Independent Auditor is invited to attend meetings on a regular basis, including separate meetings without the Executive Directors present.

Committee meetings are also 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 the Committee continues to value their advice and insight. The Chief Financial Officer, Head of Risk and Head of Compliance regularly attend Committee meetings.

The Committee held nine meetings during the year ended 30 June 2015.

Areas of focus

During the year the Committee's key areas of focus have been:

- monitoring the financial reporting process;
- monitoring the effectiveness of the Group's internal controls and risk management systems;
- consideration of whether there is a need for an internal audit function and the formulation of an outsourced internal audit policy;
- continuing to monitor the development of an integrated controls framework for the consolidated Group, leveraging the individual risk and control frameworks of P-Solve and RAMAM;
- reviewing the significant areas of accounting judgement identified in the business;
- reviewing and monitoring the independence of the external auditors, BDO LLP and in particular the provision of non-audit services provided by them to the Group; and
- reviewing and approving the Group's ICAAP.

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.

Before the Group's admission to the London Stock Exchange on 26 June 2014, BDO were the independent auditors for PSG, P-Solve entities and RAMAM, and upon listing were appointed as auditors to the Group.

The audit partner was previously the engagement partner involved with the audit of PSG, P-Solve and RAMAM. Independence procedures have been performed including review of non-audit services and review of BDO's report describing its arrangements to identify, report and manage any conflict of interest. The Committee have confirmed that audit partner rotation was not required for 2015, however under the applicable ethical standards, rotation of the audit partner will be required in 2016. The audit partner attends the Committee meetings at which the half yearly and annual reports are reviewed.

The Committee places great emphasis on ensuring there are high standards of quality and effectiveness in the external audit process. Audit quality is assessed throughout the year, with a focus on strong audit governance and the quality of the team. The effectiveness of the audit is assessed through discussion throughout the year, taking account considerations such as:

- reviewing the quality and scope of the audit planning and its responsiveness to changes in the business;
- monitoring of the auditor's independence; and
- considering the level of challenge evidenced in discussions and reporting.

During the year the external auditors were, on a number of occasions engaged to provide non-audit services, including tax compliance. In order to maintain their independence such appointments are only made when the Committee is satisfied that there are no matters that would compromise the independence of the auditors or affect the performance of their statutory duties. On each occasion that the external auditors were engaged to provide additional services the Committee is satisfied that they were best placed to provide these services because of their

familiarity with the relevant areas of the Group's business. Details of the fees paid to the auditors can be found on page 67.

The Committee has concluded that BDO, as the Group's auditor, has maintained its independence and objectivity throughout the financial year ended 30 June 2015. BDO have also considered their position as auditors and have confirmed their independence to the Company in writing. The Committee has assessed the performance of the external auditors and it considers that it is in the best interests of the Group that BDO continue to act as the Group's external auditors and have recommended this to the Board. The Board have accepted the Audit and Risk Committee's recommendation and a resolution will be proposed at the 2015 Annual General Meeting for the reappointment of BDO as external auditors.

During the prior period, a total of £884,000 of fees were paid to BDO, a significant portion of which related to the Group's IPO. The Committee concluded that BDO maintained its independence and objectivity throughout the IPO process based upon independent partner review and segregation of duties within the teams. This work was considered one-off in nature. In the current year, the Committee monitored the level of non-audit work performed by BDO and generally chose other providers for non-audit services.

Matters significant to financial reporting

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

- consideration of whether previously recorded goodwill is impaired including the goodwill arising from the acquisition of RAMAM and also whether there are any indications of impairment existing for finite life intangible assets;
- revenue recognition;
- share-based payment expense including applicable payroll taxes for awards under performance share plans.

The Committee has reviewed accounting papers from the Finance function, along with budgets and forecasts combined with its members' knowledge of the business to assess for indications of impairment. Additionally, it has reviewed the output of impairment reviews of goodwill to ensure that their rationale and conclusions appear reasonable.

It has reviewed accounting papers on bad debt provision and has considered the internal control framework relating to revenue recognition, determining that there has been no indication of fraudulent reporting.

The Committee has worked in conjunction with the Remuneration Committee with regards to the accounting for the Performance Share Plans, including the receipt of third party valuation information.

Each of these areas requires the exercise of professional judgement and the Committee has reviewed the accounting judgements involved with each of the areas. 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.

Internal audit

The Group does not have a dedicated internal audit function. The Audit and Risk Committee have considered the issue and have deemed that based upon the size and complexity of the organisation, the appropriate approach is to rely upon the work performed by the Group's risk and compliance functions, as well as engaging third parties to perform specific engagements on areas of risk which have been identified.

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.

Angela Crawford-Ingle
Chair, Audit and Risk Committee

Remuneration Committee report

"I am pleased to present our remuneration report for 2015. This report reflects the linkage between performance, remuneration and strategy that remains integral to our remuneration policy."

Robin Minter-Kemp
Chair, Remuneration Committee

The last 12 months marks the successful application of RAMAM and P-Solve's 'pay for performance' philosophy that forms the basis of the Group's remuneration policy. The Committee expect that this approach will lead to remuneration to revenue ratios trending to 45–50% in the next two years. We also aim to align the Executive Directors with the interests of our shareholders through awards that were made under the Executive Performance Share Plan at the date of the IPO. The vesting of these awards is dependent on achieving challenging total shareholder returns during the plan's four year vesting period.

This allows rewarding of Executive Directors according to individual performance and the Company's success through receiving a significant proportion of their remuneration through the Executive Performance Share Plan (EPSP).

In addition to the establishment of the EPSP and the Performance Share Plans (PSP) the Committee has reviewed and proposed the Group's remuneration policy procedures and practices that comply with the appropriate FCA SYSC 19A Remuneration Code requirements. These proposals have been accepted by the Board for full implementation. During the year the Committee reviewed the terms and parameters of the PSP including the consideration of additional incentives as deferred remuneration. Accordingly, share awards have been made for selected employees. This would enable further employees to participate and share in the success of the Business through their individual performance across the divisions of the Group.

The Remuneration report is divided into three main sections:

1. The River and Mercantile Group Remuneration Structure;
2. The Remuneration Policy, approved at last year's AGM; and
3. The Annual Report on remuneration, which provides information on Directors' remuneration.

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;
- evaluating the Executive Directors against the individual and collective performance objectives set by the Board;
- 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 addition to the Chair, other members include Paul Bradshaw and Peter Warry. The Committee was formally established on 19 May 2014. The Committee held six fully attended meetings during the financial year ended 30 June 2015.

In appointing Directors to the Committee, the Board 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 the development of the Group's remuneration strategy and policy.

Areas of focus during the 12 months to 30 June 2015

In the 12 months to 30 June 2015 the Committee met on six occasions and the areas of focus for the Committee were as follows:

- Review of the Group's remuneration policy to ensure compliance with the FCA SYSC 19A Remuneration Code requirements;
- Review of the development of an equity reward scheme for employees;
- Executive remuneration arrangements;
- The EPSP;
- The PSP; and
- Review of the development of HR systems and appropriate material for the employee hand book.

The Committee will continue to monitor the regulatory environment in the interest of ensuring that our remuneration policy remains compliant. We look forward to any feedback on remuneration at the AGM in December and receiving your support.

Robin Minter-Kemp
Chair, Remuneration Committee

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 business, competitive 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 rewards 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 as a result of operating in different markets. 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 the Group, on which the partners will now earn dividends as shareholders of the Group.

In P-Solve, the remuneration philosophy was 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.

Variable remuneration is paid in cash and in certain cases is deferred into 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.

River and Mercantile Group Policy

The remuneration policy applies to all Group employees and partners. The Board of Directors has adopted the remuneration policy at the recommendation of the Remuneration Committee.

The policy reflects the Group's objectives for good corporate governance as well as sustained and long-term value creation for shareholders. In addition, it ensures that:

- the Group is able to attract, develop and retain high-performing and motivated employees in a competitive international market;
- employees are offered a competitive and market aligned remuneration package making fixed salaries a significant remuneration component; and
- employees feel encouraged to create sustainable results and that a link exists between shareholders/ Funds managed by Fund Managers within the Group, customers and employee interests.

The policy focuses on ensuring sound and effective risk management through:

- a stringent governance structure for setting goals and communicating these goals to employees;
- alignment with the Group's business strategy, values, key priorities and long-term goals;
- alignment with the principle of protection of customers and investors; and
- ensuring that the total bonus pool does not undermine the Group's capital base.

Corporate governance

The Board of Directors has set guidelines for the review and control of compliance with the remuneration policy.

Various control and compliance functions within the Group are involved in the process with regard to the implementation of incentive structures to ensure that risk, capital and liquidity limits are not exceeded. The Group's Audit and Risk Committee assesses whether the incentive structure is commensurate with the Group's risks, capital and liquidity and the Audit and Risk Committee further evaluates the probability and timing of the remuneration.

On the basis of the recommendation of the Remuneration Committee the Board of Directors defines the approach to allocating funds to performance-based remuneration pools. This approach is reviewed formally once a year by the Remuneration Committee.

Remuneration components

At the annual performance and appraisal review meeting, the individual employees and managers evaluate and document performance in the past year and set new goals. Decisions on adjustment – if any – of the employee's fixed salary or on annual performance-based pay are made on the basis of this appraisal.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package.

Remuneration committee report continued

The four remuneration components are:

- Fixed remuneration (including fixed supplements);
- Performance-based remuneration (variable pay);
- Pension schemes, where applicable; and
- Other benefits.

Fixed remuneration is determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.

The performance-based remuneration motivates and rewards high performers who significantly contribute to sustainable results, perform according to set expectations for the individual in question, strengthen long-term customer relations, and align income with shareholder interests.

Performance based remuneration may be disbursed as cash bonus, shares, share-based instruments, and other generally approved instruments.

Pension schemes – employees are covered by defined contribution plans with a pension insurance company.

Other benefits are awarded on the basis of individual employment contracts and local market practice.

Performance-based remuneration

Performance-based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking, i.e. if the performance-based remuneration exceeds the minimum threshold determined by the Board of Directors by granting a proportion of performance-based pay as deferred shares and for material risk takers the possibility of deferred cash as well.

Further, performance-based pay is awarded by ensuring:

- an appropriate balance between fixed and performance-based components;
- that the fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible; and
- that material risk takers cannot dispose of the share-based instruments for an appropriate period of time after transfer of the instruments to the risk taker.

Sign-on fixed pay, stay-on and guaranteed bonus

Sign-on fixed pay as well as stay-on and guaranteed variable pay are granted only in exceptional cases, and will be assessed by the business unit in question and the Head of HR. The mentioned components will only be used to attract or retain highly specialised individuals. Such pay may not exceed six months' gross salary or greater than £50,000 without Remuneration Committee approval. Sign-on fixed pay can be paid in cash or in a split between cash/shares and will, according to applicable legislation as a main rule, be conditional upon the employee not resigning within a given period of time after the pay.

Any sign-on pay to material risk takers will be agreed in connection with the employment of the material risk taker.

Sign-on, stay-on or guaranteed variable pay will be subject to and will be paid in accordance with the relevant applicable legislation.

Material risk takers and controlled functions

Remuneration of material risk takers and employees/partners in controlled functions is subject to specific conditions laid down in applicable national legislation, EU rules and relevant guidelines.

Remuneration of the Executive Directors

The remuneration of the Executive Directors is intended to ensure the Group's continued ability to attract and retain the most qualified persons and to provide a solid basis for succession planning. In connection with the annual assessment of the remuneration of the Executive Directors, developments in market practice are assessed systematically.

The Remuneration Committee submits recommendations on adjustments in remuneration of the Executive Board members for the approval of the Board of Directors. The remuneration of the Executive Directors may consist of fixed salary and supplements, incentive programmes and pension schemes.

The performance of Executive Directors is assessed at least once a year based on written performance agreements in accordance with the above described criteria containing both financial and non-financial KPIs. These KPIs reflect the Group's value creation targets, both in the short and in the long-term. The yearly performance-based remuneration to Executive Directors cannot exceed 200% of the yearly gross salary inclusive of pension, however, subject to applicable legislation.

Remuneration of the Board of Directors (Non-Executive)

Non-Executive members of the Board of Directors of the Group receive a fixed fee. These Board members are not covered by incentive programmes and do not receive performance-based remuneration. The fees below are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size and complexity, the responsibilities and the time the Board members are expected to allocate to fulfil their duties as Board members. No pension contributions are payable on these Board members' fees and, in addition Non-Executive Board Members do not receive other benefits.

Application of the Remuneration Code

For the purposes of the FCA rules P-Solve Investments Limited and River and Mercantile Asset Management LLP are considered to be a 'proportionality level 3' firm.

The Remuneration Code covers all aspects of remuneration that could have a bearing on effective risk management including salaries, bonuses, long-term incentive plans, options, hiring bonuses, severance packages and pension arrangements.

The FCA expects firms to apply the following principles on a firm-wide basis: risk management and risk tolerance (Remuneration Principle 1); supporting business strategy, objectives, values and long-term interests of the firm (Remuneration Principle 2); conflicts of interest (Remuneration Principle 3); governance (Remuneration Principle 4); risk adjustment (Remuneration Principle 8); pension policy (Remuneration Principle 9); personal investment strategies (Remuneration Principle 10); guaranteed variable remuneration on a firm-wide basis (Remuneration Principle 12(c)); payments related to early termination (Remuneration Principle 12(e)) and deferral (Remuneration Principle 12(g)) on a firm-wide basis.

However, the more detailed rules on establishing and applying total remuneration policies (that apply to proportionality Level 3 firms) will only apply to 'Remuneration Code Staff' in a way that is appropriate to our size, internal organisation and the nature, the scope and the complexity of our activities.

Remuneration Code Staff comprises categories of staff including senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile.

The Group maintains a record of staff subject to the Remuneration Code.

The Group takes reasonable steps to ensure that our Remuneration Code Staff understand their status including the potential for remuneration which does not comply with certain requirements of the Remuneration Code to be rendered void and recoverable by the firm.

Remuneration Code Staff are required to sign a declaration to confirm that they have read and understood the policy and that they abide by the Remuneration Code Principles.

The Group ensures that where customer and Group interests conflict then customer interests will prevail.

Advice-taking

The Committee is committed to the use of third-party and internal experts to provide advice on remuneration and related matters. During the year, no events have given rise to a need to consult third parties, however we will continue to seek impartial views from qualified third parties on long-term incentive plans where appropriate. We have not consulted with employees when setting Director remuneration during the year.

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.

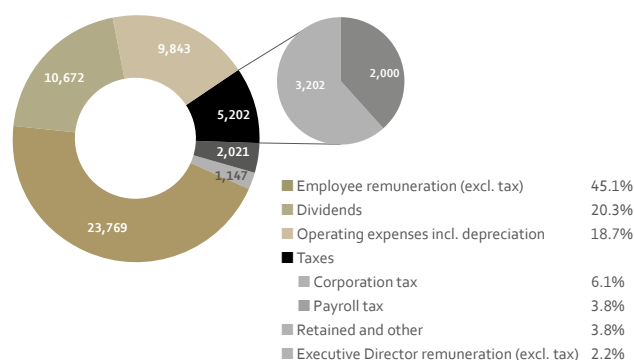
The Directors have made the following statement regarding our remuneration to revenue ratio in the future:

"... 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 Chief Executive's review 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 year ended 30 June 2015 the total remuneration (excluding EPSP costs) paid to Executive Directors and employees was £26.9m, representing 51% of total revenues. The adjusted profit after tax was £12.7m. Total dividends proposed or declared in respect of the year are £10.7m. Remuneration to revenue ratio, pre-tax margin and the dividend policy are among the key metrics in setting expected outcomes for shareholders and employees.

The chart below illustrates how the Group's adjusted revenue and expenses are distributed to stakeholders, including staff and Executive Directors.



Robin Minter-Kemp
Chair, Remuneration Committee

Directors' remuneration policy

Directors' remuneration policy

The Directors' remuneration policy is set out as follows. The policy was approved by shareholders at the 2014 Annual General Meeting and has been fully implemented. The detailed results of the vote on the report and the policy were:

	In favour	Against	Total votes cast	% of issued share capital	Votes withheld
Approve the Directors' report on remuneration	73,056,999	102,616	73,159,615	89.12	–
Approve the Directors' remuneration policy	72,605,772	553,843	73,159,615	89.12	–

Engagement with shareholders

Understanding the expected outcomes of our stakeholders 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

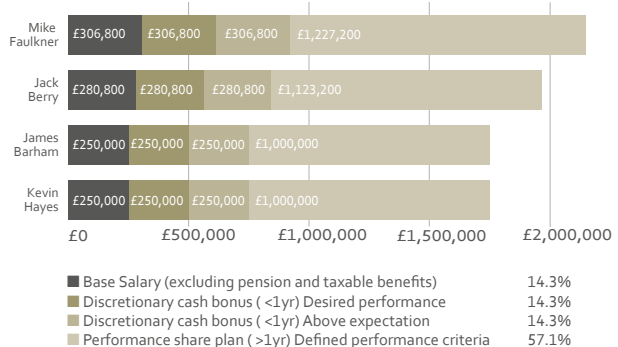
The remuneration arrangements for Executive Directors are similar to those applying to all employees as defined in the previous section. Executive Directors earn base salaries and are entitled to benefits and pension contributions which are set relative to market benchmark levels.

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 stakeholders. 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 and excludes EPSP.



	Taxable benefits	Pension	Minimum	Maximum
Mike Faulkner	£2,279	–	£308,279	£2,149,079
Jack Berry	£2,279	£24,675	£307,754	£1,992,554
James Barham	£8,042	£7,500	£265,542	£1,765,542
Kevin Hayes	£2,279	£12,500	£264,779	£1,764,779

Executive Directors are assessed against business deliverables, governance and succession.

Remuneration policy for Executive Directors

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

Component	Description
Base salary: To reflect the Executive Directors' responsibilities and level of expertise and experience.	Base salary is paid monthly in cash via payroll. Base salaries are targeted at the median 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 13 August 2015.
Annual cash bonus awards: To reward the achievement of business priorities and desired outcomes for the financial year.	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.
Performance Share Plan (PSP): To incentivise medium-term performance and focus on strategic priorities that deliver against measurable outcomes.	Executive Directors can be awarded grants under the PSP, which vest on achieving measurable outcomes associated with specific strategic objectives. Vesting of the PSP awards is determined by the Committee and vested awards may be subject to further hold periods or malice provisions. PSP awards for executives 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. Grants under the PSP are in addition to the outstanding grant under the EPSP.
Pension: To enable provision for personal and dependant retirement benefits.	Executive Directors may participate in the UK defined contribution pension arrangements on the same basis as other employees. The Group's contributions are currently between 6% and 10%. 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.
Taxable benefits: To enable the Executive Directors to undertake their role by ensuring their wellbeing and security.	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.

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.

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.

Once remuneration is paid (or shares are issued and lock-ups have ceased), there are no provisions for claw-back.

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.

Directors' remuneration policy continued

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 are reviewed annually. The fees paid to the Non-Executive Directors for their service as Directors currently cannot exceed £302,500, as stated in the Group Articles of Association. Additional amounts are payable for Directors who are appointed to executive office, serve on any committee or who otherwise perform services which in the opinion of the Directors are outside the scope of ordinary duties. These additional amounts are not included in the £302,500 limit.

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 of Association, 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 is 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	40,000
Jonathan Punter		32,500
Angus Samuels		32,500
Peter Warry	Senior Independent Director	42,500

In addition, each Non-Executive Director is 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 the year ended 30 June 2015:

Title	Appointment date	Resignation date	Effective date of current service agreement	Notice period	Initial term
Executive Directors					
James Barham	Global Head of Distribution	27 March 2014	6 April 2014	12 months	Rolling
Jack Berry	Global Head of Solutions	30 June 2009	27 March 2014	12 months	Rolling
Kevin Hayes	Chief Financial Officer	15 April 2014	27 March 2014	12 months	Rolling
Mike Faulkner	Chief Executive Officer	30 June 2009	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 <i>(extended to 11 Dec 2015)</i>
Robin Minter-Kemp		12 May 2014	12 May 2014	3 months	3 years
Jonathan Punter		30 June 2009	26 June 2014	3 months	3 years
Angus Samuels		30 June 2009	26 June 2014	n/a	12 months <i>(extended to 11 Dec 2015)</i>
Peter Warry		1 June 2014	1 June 2014	3 months	3 years

All Directors except for Angus Samuels and Mark Johnson 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 year ended 30 June 2015 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 and financial highlights

- Fee earning AUM/NUM increased 21% to £21.1bn;
- Mandated AUM/NUM increased 18% to £21.3bn;
- Net flows were £2.8bn, which included the redemptions from the thematic global equity strategy of £0.8bn;
- Net management and advisory fees increased 18% on a pro-forma basis to £46.7m and average margins have been maintained;
- Adjusted profit before tax is £15.9m with a margin of 30% up from 28% in the prior period;
- Adjusted underlying profit before tax of £12.4m, compared to the prior six month period of £3.9m;
- Adjusted underlying pre-tax margin (including one-time costs) is 27%, up from the prior period at 22%.

Significant progress was made against the stated strategic objectives of the business during 2015:

- The advisory and investment management business model continues to show the benefits of their diversified revenues streams;
- Engagement with the consultant distribution channel has resulted in significant mandate wins in Equity Solutions and Derivatives, including the Royal Mail Pension Plan mandate of £700m; and a pipeline of other opportunities which are nearing mandate completion;
- Launch of the River and Mercantile UK Micro Cap Investment Company, as a permanent capital vehicle, raising £50m at retail margins;
- Launch of the Global High Alpha strategy utilising the existing PVT investment process;
- Investment performance in TIGS was 13.9% for the financial year which generated £642m of investment performance in Fiduciary Management and resulted in performance fees of £5.3m; and
- Investment performance in the PVT Equity Solutions strategy has been above benchmark.

Executive Directors' remuneration

Remuneration for the year ended 30 June 2015

In line with the remuneration policy, the Executive Director team was evaluated based on its performance measured against KPIs to achieve the desired outcomes. These KPIs cover:

- Business deliverables – effective client engagements, financial deliverables and business development objectives;
- Governance – effect reporting to the Board and application of risk framework and controls; and
- Succession – effective succession planning and staff retention.

In determining variable compensation for Executive Directors the desired outcome for the Group was evaluated against achieving a satisfactory remuneration to total revenue ratio in line with the Group's objective to achieve a remuneration ratio of 45–50% over the next two years.

Accordingly, due to exceptional items that increased costs and reduced revenue against plan – primarily due to closing the thematic global equity strategy – the annual variable compensation proposal that was recommended for approval by the Committee included a voluntary zero cash bonus for all Executive Directors. This decision was to demonstrate the Board's commitment in aligning the interest of the Executive Directors with shareholders.

The table below shows the remuneration of Executive Directors for the year ended 30 June 2015 and the six months ended June 2014.

£	Year ended 30 June 2015				Total
	Base salary	Taxable benefits	Annual bonus	Pension contribution	
Executive Directors					
Mike Faulkner	306,800	2,279	–	–	309,079
Jack Berry	280,800	2,279	–	24,675	307,754
James Barham	250,000	8,042	–	7,500	265,542
Kevin Hayes	250,000	2,279	–	12,500	264,779
£	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.

Review of Executive Director base salaries

There are no changes proposed for Executive Directors' salaries.

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 68.

The Directors consider that the performance conditions represent a significant challenge for Executive Directors 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 Executive Directors 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 Executive Directors 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.

During the year ended 30 June 2015 there have been no changes in the Executive Performance Share Plan. The tables below shows the EPSP awards granted and their valuation:

Number Performance A shares	6 months ended 30 June 2014		
	Opening shares	Grant	Closing 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	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
Performance A shares			
Fair value/Grant date share price		£ 0.38	£1.83
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			
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 EY LLP.

Annual report on remuneration continued

The EPSP plan is structured to align vesting to the total shareholder return (TSR) received by shareholders during the vesting period. The table below illustrates for several TSR scenarios, how the vesting value attributable to Executive Directors compares to shareholder return (share price appreciation from IPO price plus distributions). It assumes a dividend yield of 5% and is for illustrative purposes only.

TSR	Shareholder value creation £'000	EPSP value at vest £'000			% of shareholder value creation		
		A shares	B shares	Total	A shares	B shares	Total
12%	211,069	–	–	–	0.0%	0.0%	0.0%
24% ¹	286,441	17,822	–	17,822	6.2%	0.0%	6.2%
30% ²	330,065	21,712	11,040	32,753	6.6%	3.3%	9.9%

- 1 24% TSR leads to vesting of all A awards.
- 2 30% TSR leads to vesting of all A and B awards.

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 PSG 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.

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 PSP. 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.

In respect of the year ended 30 June 2015, certain Group employees will receive performance share grants under the PSP. The awards have not been given to Executive Directors, but have generally been given to the more senior and highly paid individuals. The awards contain criteria requiring continued employment over the vesting period (three–four years) and in many cases include a 12% corporate TSR hurdle to match the minimum hurdle for the EPSP. Additionally, some awards contain divisional revenue or AUM targets required for vesting.

These awards help ensure that senior individuals' remuneration remains linked to the longer-term success of their respective divisions, and the Group as a whole.

The following table shows the performance shares for each of the Executive Directors during the six months ended 30 June 2014.

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

Single figure remuneration

The total single figure remuneration 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.

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 and includes EPSP.

For the six months ended 30 June 2014 the acquisition of RAMAM was a trigger event under the PSP 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 tables show the total remuneration of each Executive Director for the year ended 30 June 2015 and the six months ended 30 June 2014.

Single figure remuneration for the year ended 30 June 2015

£	Year ended 30 June 2015					Total
	Base salary	Taxable benefits ²	Annual bonus	Performance shares award	Pension contribution	
Executive Directors						
Mike Faulkner	306,800	2,279	–	–	–	309,079
Jack Berry	280,800	2,279	–	–	24,675	307,754
James Barham	250,000	8,042	–	–	7,500	265,542
Kevin Hayes	250,000	2,279	–	–	12,500	264,779

Single figure remuneration for the six months ended 30 June 2014

£	Year ended 30 June 2014					Total
	Base salary	Taxable benefits ²	Annual bonus	Performance shares award	Pension contribution	
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 43 for types of taxable benefits.

The CEO's base salary has not increased since the prior year. Average base salaries have increased approximately 4% compared to the prior year.

The CEO's cash bonus (excluding the vesting of previously issued performance shares) has decreased from £100,000 for the six months ended 30 June 2014 to £nil for the year ended 30 June 2015, a decrease of 100%. On an annualised basis, the total variable compensation of the Group has increased from £7.1m to £8.5m during the same period, an increase of 19%.

The CEO received 14% of the maximum potential remuneration (excluding EPSP) available to him during the year. There were no potential shares vesting to the CEO during the year.

Summary of remuneration and distributions

£m	Year ended 30 June 2015	6 months ended 30 June 2014	Movement
Total remuneration	26.9	10.8	16.1
EPSP expense	1.0	–	1.0
Distributions to shareholders in respect of period	10.7	1.9	8.8
Distributions to shareholders recorded in period	5.7	–	5.7

Annual report on remuneration continued

Non-Executive Directors' remuneration

The tables below show the total remuneration of the Non-Executive Directors paid during the year ended 30 June 2015 and from their respective date of appointment to 30 June 2014.

£	Year ended 30 June 2015			6 months ended 30 June 2014		
	Base fee	Additional fee	Total fees	Base fee	IPO fee	Total fees
Non-Executive Directors						
Paul Bradshaw	70,000	–	70,000	5,833	–	5,833
Angela Crawford-Ingle	40,000	15,000	55,000	3,636	5,000	8,636
Mark Johnson	32,500	–	32,500	451	–	451
Robin Minter-Kemp	40,000	–	40,000	4,555	5,000	9,555
Jonathan Punter	32,500	–	32,500	451	–	451
Angus Samuels	32,500	–	32,500	451	–	451
Peter Warry	42,500	–	42,500	3,542	5,000	8,542

Jonathan Punter, Angus Samuels and Mark Johnson are shareholder representatives and their fees are paid directly to the respective shareholding entity.

Non-Executive Director fee review

The Non-Executive Directors' fees were set prior to Admission based on fees for comparable listed companies and after consultation with the major shareholders. The Board agreed that the fees paid to Robin Minter-Kemp would be increased from £32,500 to £40,000 from 1 July 2014 to reflect his appointment as Chairman of the Remuneration Committee, which occurred subsequent to his joining the Board.

Further consideration was provided for Angela Crawford-Ingle's work over and above that in relation to her appointment, particularly in respect of the preparation, review and approval of the Company's 2014 financial statements. This award was proposed and approved by the Chairman in consultation with the other Independent Non-Executives and the Chief Executive Officer. There are no proposals to change the fee arrangements for Non-Executive Directors for the year ending 30 June 2016.

Personal shareholding policy

The Company does not have a specific policy with regards to minimum shareholdings by Executive or Non-Executive Directors. The table below shows the shareholding of the Executive and Non-Executive Directors as at 30 June 2015 and the date of this report, and 30 June 2014:

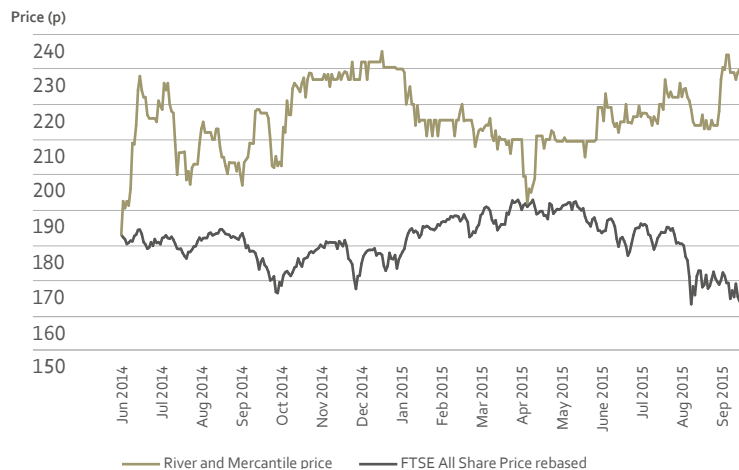
Shareholding	30 June 2015		30 June 2014	
	Number of ordinary shares	Percentage of issued share capital	Number of ordinary shares	Percentage of issued share capital
Mike Faulkner	3,706,823	4.52%	3,706,823	4.52%
Jack Berry	2,211,206	2.69%	2,211,206	2.69%
James Barham	1,095,843	1.33%	1,095,843	1.33%
Kevin Hayes	193,932	0.24%	54,645	0.06%
Paul Bradshaw	13,661	0.02%	13,661	0.02%
Angela Crawford-Ingle	13,661	0.02%	13,661	0.02%
Mark Johnson	783,298	0.95%	783,298	0.95%
Robin Minter-Kemp	13,661	0.02%	13,661	0.02%
Jonathan Punter ¹	–	0.00%	–	0.00%
Angus Samuels ²	–	0.00%	–	0.00%
Peter Warry	13,661	0.02%	13,661	0.02%

1 Jonathan Punter has 7.4% interest in PSG. PSG has a 38.1% interest in the Company following Admission.

2 Angus Samuels has a 1.4% interest in PSG. PSG has a 38.1% interest in the Company following Admission.

Share price performance

The graph below shows the performance of the Company's shares compared to the FTSE All Share index over the same period.



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 33, 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 2016

The Committee does not anticipate making changes to the way in which the remuneration policy is implemented during 2016. Executive Directors' bonuses will be based on broadly the same performance metrics as were considered for the year ended 30 June 2015.

By order of the Board:

Robin Minter-Kemp

Chair, Remuneration Committee

Director's 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 year ended 30 June 2015.

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 34 and 35. 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	—

With the exception of Mark Johnson and Angus Samuels and in accordance with the principles of the UK Corporate Governance Code, each of the Directors will stand for re-election on an annual basis. As reported in the Corporate Governance report the appointment of Mark Johnson and Angus Samuels which has been extended by the Directors will cease with effect from the date of the holding of Company's 2015 AGM.

Strategic report

The Strategic report disclosures are included on pages 1 to 29 and have been approved by the Board.

Dividends

The Directors have proposed a final dividend of 3.8 pence per ordinary share (2014: 2.3 pence). Payment of this dividend is subject to approval by shareholders at the Company's 2015 AGM.

Employee Share Schemes

Details of the employee share schemes operated by the Group can be found in note 7 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 78 to 79 of this Report and this information is, accordingly, incorporated into this Report by reference.

There have been no changes in the capital structure during the year.

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

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 33.

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 29 September 2015 and the reporting date, 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
Aviva Investors	6,006,193	7.32	Direct
Sir John Beckwith (Pacific Investments)	5,252,163	6.40	Direct
Mike Faulkner	3,706,823	4.52	Indirect
Legal & General Investment Management	3,590,656	4.37	Direct
Unicorn Asset Management	3,433,689	4.18	Direct
Beckwith Investment Management Limited	3,130,990	3.81	Direct

Financial instruments

Details of the financial instruments used by the Group and the risks associated with them (including the financial risk management objectives and policies, and exposure to price, credit and liquidity risk) are set out on pages 80 to 85 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.

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 2015 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 29 September 2015.

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.

Going concern

In reaching this conclusion the Board have considered budgeted and projected results of the business including a formal five year plan for the Group with several scenarios, projected cash flow and regulatory capital requirements, and the risks that could impact on the Group's liquidity and solvency over the next 12 months. Additionally, the capital adequacy of the Group in base and stress scenarios is tested as part of the ICAAP process.

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

Events after the reporting period

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

Future developments

Details on the likely future developments for the Group can be found in the Chairman's statement on page 6 and the Chief Executive's review on page 10.

Greenhouse gas emissions

Details on the greenhouse gas emissions of the Group can be found on page 29.

Annual General Meeting (AGM)

The AGM will be held on 11 December 2015, 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

29 September 2015

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

Our opinion on the financial statements

In our opinion the River and Mercantile Group PLC financial statements for the year ended 30 June 2015, which have been prepared by the Directors in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 June 2015 and of the Group's profit for the year then ended;
- have, as regards the Group financial statements, been properly prepared in accordance with IFRSs as adopted by the European Union;
- have, as regards the Parent Company financial statements, been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

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.

What our opinion covers

Our audit opinion covers the following for the year ended 30 June 2015:

- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Consolidated and parent company statement of financial position;
- Consolidated and parent company statement of changes in equity;
- Consolidated and parent company cash flow statement; and
- Related notes.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Report, 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.

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

Scope of the audit and our approach

In order to gain appropriate audit coverage of the risks described below and of each individually significant reporting component, statutory audits of all significant components were performed by the Group audit team. The Group audit team also performed statutory audits for the non-significant components based in the UK. In respect of the non-significant components based in the US, which contribute 3% of Group profit, 10% of Group turnover and 1% of Group net assets, the Group audit team performed audit procedures over the financial information relevant to the consolidated financial statements. These procedures were performed to an appropriate level of materiality having regard to the level of Group materiality described below as well as aggregation risk. All significant components of the Group have coterminous year ends, with the exception of River & Mercantile Asset Management LLP, which has a year end of 31 March. A statutory audit was performed by the Group audit team for the year ended 31 March 2015 and additional audit procedures were performed to cover the three month period to 30 June 2015, as well as the correct allocation of financial information to the reporting period.

Our audit approach was developed by obtaining an understanding of the Group's activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement.

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

All components of the Group were audited by the group audit team. Below are those risks which we considered to have the greatest impact on our audit strategy, along with our audit response:

Risk area	Audit response
<p>Revenue recognition</p> <p>The Group's revenue is made up of three distinct components, being management fees, performance fees and advisory fees.</p> <p>Revenue recognition is considered to be a significant audit risk as it is the key driver of shareholder return to investors and there is judgement over the accrual or deferral of revenue, the treatment of performance measures and the point at which it is probable that the revenue will be realised.</p>	<p>We responded to this risk by performing a range of analytical procedures and tests of detail covering all revenue streams. In particular, our audit testing included:</p> <ul style="list-style-type: none"> Analysing the level of management fees compared with the movements in Assets Under Management/ Notional Under Management (AUM/NUM); Recalculating a sample of management and performance fees, including accrued fees, based on underlying contracts, the value of AUM/NUM as agreed to third party sources, and outperformance of the investments and/or matching funds and tracing this sample through to invoice and bank receipt; Reviewing the recognition, including the deferral, of performance fees based on the specified contractual terms and client remuneration schedules; and Agreeing a sample of advisory fees to invoice and bank receipt and testing the cut off of advisory fees around the year end.
<p>Impairment of goodwill and other intangibles</p> <p>Included in the statement of financial position of River and Mercantile Group PLC is goodwill arising on the acquisition of River and Mercantile Asset Management LLP of £13m and intangible assets of £31m.</p> <p>The impairment of goodwill and other intangibles is considered to be a significant audit risk due to the significant judgement in determining whether there is an indication of impairment of the intangible assets and in the underlying assumptions used to calculate the value in use in the impairment review of goodwill, including revenue growth rates and the discount factor applied.</p>	<p>The focus of our response to this risk was to challenge and benchmark the assumptions used by management in determining if any impairment of goodwill and other intangible assets was required, particularly in light of the closure of the global thematic fund in the year. Our audit testing included:</p> <ul style="list-style-type: none"> Challenging management's assessment of whether any indications of impairment of other intangible assets existed, based on our knowledge of the business. This included an analysis of the relative contribution of the global thematic fund at the time of acquisition; Performing a sensitivity analysis of management's impairment review of goodwill using alternative inputs where appropriate; Comparison of key inputs including revenue growth rates and discount factor to industry benchmarks. We also involved valuation experts as part of our review of management's workings, including the selection of an appropriate discount factor; and Reviewing the historical accuracy of forecasting and agreeing information and explanations obtained from management to independent evidence and historical information where applicable.
<p>Share-based payments:</p> <p>The Group has Performance Share plans in place. There is significant subjectivity and judgement involved in respect of the estimates inherent in the valuation of the schemes and the calculation of the relevant charges. The accounting and disclosure requirements involve a high degree of complexity and there is a risk that the schemes are not adequately reflected and disclosed in the financial statements.</p>	<p>We responded to this risk by challenging the assumptions inherent in the determination of the fair value of the schemes and recalculating the charges and relevant tax implications. In particular, our testing included:</p> <ul style="list-style-type: none"> Reviewing the assumptions used in the relevant Monte Carlo simulation models used to determine the fair value of the performance share plans in accordance with IFRS. This included consultation with valuations experts as part of the audit team; Recalculating the charge in the year and the deferred tax and national insurance arising on the schemes, based on the estimated number of shares that will vest. We challenged the assumptions inherent in the estimate of the number of shares that are ultimately expected to vest; Recalculating the dilutive effect of the share plans on earnings per share, including the assessment of the progress against the relevant hurdles; and Reviewing the accounting policy in respect of the schemes and disclosures in the financial statements in accordance with the requirements of IFRS.

The Audit and Risk Committee's consideration of these key issues is set out on page 36.

Materiality in context

Materiality can be defined as the magnitude of misstatement in a set of financial statements that could influence the economic decisions of a knowledgeable person. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. When assessing materiality we have regard to a number of factors including the value of the Group to shareholders, the key drivers of the activity of the Group and the level of judgement inherent revenue recognition. We determined materiality for the Group to be £500,000 which approximates to 1% of revenue as determined at the planning stage (based on management accounts for nine months, pro-rated for the full year).

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £10,000. We also reported to the Audit and Risk Committee on disclosure matters we identified when assessing the overall presentation of the financial statements.

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 year 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 page 30 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 Group 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 and Risk 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 parent 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 53, in relation to going concern; and
- the part of the corporate governance statement relating to the Company's compliance with the 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

29 September 2015

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

The consolidated financial statements show the results of operations and financial position for the 12 months ended 30 June 2015. The Group changed its year end from 31 December to 30 June, effective from 30 June 2014. Accordingly the comparative period given is the six months ended 30 June 2014.

River and Mercantile Asset Management LLP was acquired on 27 March 2014 and the comparative period financial statements include the results of operations for the three-month period from the date of the acquisition to 30 June 2014. P-Solve Limited 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.

The Financial Review gives an explanation of the financial information contained in the consolidated 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 historical performance of the business.

Consolidated income statement

	Note	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Revenue	3		
Net management fees		34,586	12,285
Net advisory fees		12,068	5,240
Performance fees		5,879	2,350
Other income		56	287
Total revenue		52,589	20,162
Operating expenses	5		
Marketing		574	269
Travel and entertainment		519	242
Office facilities		1,778	772
Technology and communications		2,433	930
Professional fees		1,583	614
Governance expenses		639	159
Fund administration		683	96
Other		1,543	641
		9,752	3,723
Expenses associated with the IPO	11	–	4,045
Expenses associated with corporate reorganisation and integration	11	–	507
		–	4,552
Depreciation	8	91	24
Amortisation	8	4,333	1,087
Total operating expenses		14,176	9,386
Remuneration and benefits			
Fixed remuneration and benefits		18,440	7,292
Variable remuneration		8,476	3,547
		26,916	10,839
EPSP Costs	7	1,037	–
Total remuneration and benefits		27,953	10,839
Total administrative expenses		42,129	20,225
Profit/(loss) before interest and tax		10,460	(63)
Finance income	12	71	2
Finance expense	12	(6)	(12)
Profit/(loss) before tax		10,525	(73)
Tax charge	13		
Current tax		3,193	1,337
Deferred tax		(1,000)	(176)
Profit/(loss) for the period attributable to owners of the parent		8,332	(1,234)
Earnings per share:	14		
Basic (pence)		10.15	(2.22)
Diluted (pence)		9.85	(2.22)

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

Consolidated statement of comprehensive income

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Profit/(loss) for the period	8,332	(1,234)
Items that may be subsequently reclassified to profit or loss:		
Change in value of available-for-sale financial assets	124	–
Foreign currency translation adjustments	86	(13)
Total comprehensive income/(loss) for the period attributable to owners of the parent	8,542	(1,247)

Items in the consolidated statement of comprehensive income are shown net of applicable taxes.

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

Consolidated statement of financial position

	Note	30 June 2015 £'000	30 June 2014 £'000
Assets			
Cash and cash equivalents	16	20,227	19,388
Investment management balances	17	9,104	8,744
Available-for-sale investments	18	5,155	–
Financial assets at fair value through profit or loss	28	130	219
Fee receivables	19	3,126	2,664
Other receivables	20	10,744	10,022
Deferred tax asset	13	528	95
Property, plant and equipment	21	208	230
Intangible assets	9	45,853	50,087
Total assets		95,075	91,449
Liabilities			
Investment management balances	17	9,201	9,810
Current tax liabilities	13	1,555	1,337
Trade and other payables	22	10,291	9,148
Deferred tax liability relating to intangible assets	13	6,174	7,010
Total liabilities		27,221	27,305
Net assets		67,854	64,144
Equity			
Share capital	23	246	246
Share premium	23	14,688	14,688
Available-for-sale reserve	24	124	–
Foreign exchange reserve	24	(6)	(92)
Merger reserve	24	44,433	44,433
Capital redemption reserve	24	84	84
Capital contribution	24	4,442	4,442
Retained earnings	24	3,843	343
Equity attributable to owners of the parent		67,854	64,144

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 and authorised for issue on 29 September 2015.

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

Consolidated statement of cash flows

	Note	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Cash flow from operating activities			
Profit/(loss) before interest and tax		10,460	(63)
Adjustments for:			
Amortisation of intangible assets	8	4,333	1,087
Depreciation of property, plant and equipment	8	91	24
Share-based payment expense	7	530	112
Foreign exchange losses/(gains) on operating activities		1	(10)
Operating cash flow before movement in working capital		15,415	1,150
(Increase)/decrease in operating assets		(1,456)	17,168
Increase/(decrease) in operating liabilities		586	(16,882)
Cash generated from operations		14,545	1,436
Tax paid		(2,975)	–
Net cash generated from operations		11,570	1,436
Cash flow from investing activities			
Purchases of property, plant and equipment	21	(81)	(10)
Acquisition of subsidiary, net of cash acquired		–	4,019
Interest received		71	–
Investment in seeded fund	18	(5,000)	–
Contingent consideration paid on business acquisitions		(51)	(71)
Net cash (used in)/generated from investing activities		(5,061)	3,938
Cash flow from financing activities			
Interest (paid)/received		(6)	2
Dividends paid	15	(5,664)	–
Proceeds on issue of shares		–	14,640
Loan repayments paid to related parties		–	(5,820)
Net cash (used in)/generated from financing activities		(5,670)	8,822
Net increase in cash and cash equivalents		839	14,196
Cash and cash equivalents at beginning of period		19,388	5,192
Cash and cash equivalents at end of period	16	20,227	19,388

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

Consolidated statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Available-for-sale reserve £'000	Foreign exchange reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2014	86	292	–	(79)	–	–	575	1,465	2,339
Comprehensive income for the period:									
Loss for the period	–	–	–	–	–	–	–	(1,234)	(1,234)
Other comprehensive income	–	–	–	(13)	–	–	–	–	(13)
Total comprehensive income for the period	–	–	–	(13)	–	–	–	(1,234)	(1,247)
Transactions with owners:									
Ordinary shares issued in the period	–	–	–	–	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 previous parent	–	–	–	–	–	–	3,867	–	3,867
Shares purchased for cancellation	–	–	–	–	–	84	–	–	84
Share issue costs	–	(360)	–	–	–	–	–	–	(360)
Balance as at 30 June 2014	246	14,688	–	(92)	44,433	84	4,442	343	64,144
Comprehensive income for the year:									
Profit for the year	–	–	–	–	–	–	–	8,332	8,332
Other comprehensive income	–	–	155	86	–	–	–	–	241
Total comprehensive income for the year	–	–	155	86	–	–	–	8,332	8,573
Transactions with owners:									
Dividends	–	–	–	–	–	–	–	(5,664)	(5,664)
Share-based payment expense	–	–	–	–	–	–	–	530	530
Deferred tax credit on share-based payment expense	–	–	–	–	–	–	–	302	302
Deferred tax credit on available-for-sale investments	–	–	(31)	–	–	–	–	–	(31)
Balance as at 30 June 2015	246	14,688	124	(6)	44,433	84	4,442	3,843	67,854

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

Notes to the financial statements

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, 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 and adopted by the European Union (IFRS) that are relevant to the Group's operations and effective for accounting periods beginning on 1 July 2014.

The Group's accounting reference date changed from 31 December to 30 June during 2014, therefore the comparative period is the six months ended 30 June 2014. The new standards and interpretations applicable to the Group are described in note 31.

The business is considered as a going concern

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

In reaching this conclusion the Board has considered budgeted and projected results of the business including a formal five year plan for the Group with several scenarios, projected cash flow and regulatory capital requirements, and the risks that could impact on the Group's liquidity and solvency over the next 12 months. Additionally, the capital adequacy of the Group in base and stress scenarios is tested as part of the ICAAP process.

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

Basis of consolidation

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

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

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated statement of financial position, the subsidiaries' identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. The consolidated financial statements are based on the financial statements of the individual Companies drawn up using the standard Group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Group policies for consolidation purposes.

RAMAM was acquired on 27 March 2014 and is consolidated from that date. See note 10 for further details on the acquisition of RAMAM.

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.

The Group's relationship with fund entities

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

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

1. Basis of preparation continued

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 reporting date. Non-monetary items are measured at the rates prevailing on the date of the transaction and are not subsequently retranslated.

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

- assets and liabilities are translated at the closing rate at the date of the respective balance sheet;
- income and expenses for each period presented are translated at the average exchange rate for that period presented; and
- all resulting exchange differences are recognised in other comprehensive income.

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

2. Significant accounting policies and significant judgments and estimates

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

- Accounting for business acquisitions, described in note 10;
- Impairment of intangible assets and goodwill recorded in previous acquisitions, described in note 9;
- Recognition of management and performance fee revenues, described in note 3; and
- The accounting for share-based remuneration, described in note 7.

Some of the significant accounting policies require management to make subjective judgements or estimates. The policies which management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements are:

- Consideration of whether previously recorded goodwill is impaired, including the goodwill arising from the acquisition of RAMAM;
- The revenue recognition of management and performance fees;
- Share-based payment expense including applicable payroll taxes for awards under performance share plans;
- The determination of the fair value of consideration exchanged in the acquisition of RAMAM; and
- Fair value of the IMA identifiable intangible asset in the acquisition accounting for RAMAM, including the discount rate used and the period over which the IMA intangible will be amortised.

3. Revenue

Net management fees

Net management fees represent the fees charged pursuant to an IMA with clients. They are reported net of rebates and commissions paid to third parties and are charged as a percentage of the client's AUM or Notional Under Management (NUM). The fees are generally accrued on a daily basis and charged to the client either monthly or quarterly. During the year ended 30 June 2015, rebates and commissions totalling £2,011,000 (2014: £598,000) were paid to third parties in respect of management fees.

Net advisory fees

Net advisory fees represent fees charged under Investment Advisory Agreements (IAA) and are typically charged on a fixed retainer fee basis or through a fee for the delivery of a defined consulting or advisory project. Advisory revenue is reported net of revenue share arrangements with other advisory partners. During the year ended 30 June 2015, £179,000 (six months ended 30 June 2014: £109,000) was paid to a subsidiary of PSG and £92,000 (2014: £49,000) was paid to a third party, under revenue sharing arrangements. Fees are accrued monthly and charged when the work has been completed.

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 objectives 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. This occurs once the end of the performance period has been reached. 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.

Other income

Other income includes the realised gains and fair value movements relating to the ACD balances (note 28).

Notes to the financial statements continued

4. Divisional and geographical reporting

The business operates through four divisions, however these are not considered as segments for the purposes of IFRS 8. Despite this, the Directors feel that it is useful to the understanding of the results of operations to include certain information.

The net revenue for the year ended 30 June 2015 and six months ended 30 June 2014 together with the period end AUM and NUM, reflect the activities of the respective divisions.

The Equity Solutions division represents the RAMAM business which was acquired on 27 March 2014.

	Year ended 30 June 2015		6 months ended 30 June 2014	
	Net revenue £'000	Mandated AUM/NUM £m	Net revenue £'000	Mandated AUM/NUM £m
Fiduciary Management division	13,083	7,561	5,561	6,584
Derivative Solutions division	7,857	11,804	3,400	8,975
Equity Solutions division	13,744	1,982	3,324	2,534
Advisory division	11,970	N/A	5,240	N/A
Total	46,654	21,347	17,525	18,093

Performance fees of £5.2m (June 2014: £2.4m) were earned by the Fiduciary Management division, with the remainder earned by the Equity Solutions division.

No single client accounts for more than 10% of the revenue or profits of the Group (June 2014: none).

On a geographic basis the majority of the revenues are earned in the UK. The Group has an advisory, derivatives and fiduciary management business in the US and net revenue earned in the US for the year ended 30 June 2015 was £5.4m (June 2014: £2.4m). The AUM/NUM of the US business was £637m (June 2014: £575m).

Non-current assets held by the US business include £905,000 (June 2014: £1.4m) of goodwill and property plant and equipment of £44,000 (June 2014: £54,000).

5. Operating expenses

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

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Office facilities	505	516
Technology and communications	1,007	342
Professional fees:		
Accounting services	255	132
Legal, compliance and regulatory	174	233
Human resources	106	87
Other	90	–
Total	2,137	1,310

Included in other costs in the consolidated income statement is the cost of insurance of £404,000 (2014: £188,000), staff training and recruiting of £530,000 (2014: £315,000) and irrecoverable VAT of £222,000 (2014: £nil).

5. Operating expenses continued

Operating expenses also include the remuneration of the external auditors for the following services:

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Audit of the Company's annual accounts	205	39
Audit of the Company's subsidiaries	75	50
Audit related assurance services	9	11
Tax advisory services	–	12
Tax compliance services	34	–
Corporate finance services	–	752
Non-audit related assurance services	–	20
	323	884

Included in audit of the Company's annual accounts in the year ended 30 June 2015, is £116,000 relating to additional costs associated with the audit of the Group's 2014 financial statements.

6. Remuneration and benefits

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 contributions to a third party.

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

Variable remuneration also includes a charge of £78,000 (June 2014: £16,000) relating to the amortisation of share awards. Included in 2014 is a charge of £96,000 relating to the vesting of performance share awards upon the acquisition of RAMAM, which was a trigger event under the relevant plan.

	Year ended 30 June 2015 No.	6 months ended 30 June 2014 No.
The average number of employees (including Directors) employed was:		
Advisory division	56	52
Fiduciary Management division	48	41
Derivative Solutions division	18	14
Equity Solutions division	16	12
Distribution	16	12
Corporate	30	30
Total average headcount	184	161

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
The aggregate remuneration of employees (including Directors) comprised:		
Wages and salaries	24,249	9,672
Social security costs	2,000	815
Pension costs (defined contribution)	588	240
Share-based payment expense (note 7)	79	112
Total remuneration and benefits (excluding EPSP)	26,916	10,839
Fixed remuneration	18,440	7,292
Variable remuneration	8,476	3,547
	26,916	10,839
Share-based payment expense (note 7)	452	–
Social security costs (note 7)	585	–
Total EPSP costs	1,037	–

Included in wages and salaries is £305,000 (2014: £nil) relating to accruals for as yet untaken holiday entitlements.

Notes to the financial statements continued

6. Remuneration and benefits continued

Directors' remuneration

The aggregate remuneration and fees payable to Executive and Non-Executive Directors for the year ended 30 June 2015 and the six months ended 30 June 2014 was £1,452,154 and £912,527 respectively. Fees payable for the year ended 30 June 2015 to Directors of PSG and Pacific Investments totalled £65,000 and £32,500 (June 2014: £774 and £387) respectively.

Further details on the Directors' remuneration can be found in the Remuneration report.

Key management remuneration

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

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Wages and salaries	5,453	2,109
Social security costs	911	291
Pension costs	87	42
Share-based payment expense	470	112
	6,921	2,554

Included in social security costs is national insurance arising on share awards (note 7).

7. Share-based payments

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

Where the terms and conditions of options are modified before they vest, the change in the fair value of the options, measured immediately before and after the modifications, is recognised in the consolidated income statement over the remaining vesting period.

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

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 PSG. 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.

The PSP 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 performances shares of £96,000 was charged to remuneration expense.

Executive Performance Share Plan

Prior to Group's admission to the London Stock Exchange ('Admission') on 26 June 2014, the Board of Directors established the Executive Performance Share Plan (EPSP) to grant the Executive Directors 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 was limited to 10% of the issued ordinary share capital of the Company on Admission. The Company granted 4,843,626 performance shares under Performance Condition A Awards and 2,462,860 performance shares under Performance Condition B Awards. These all remain outstanding as at 30 June 2015.

7. Share-based payments continued

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 ending 30 June 2018. 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 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 ending 30 June 2018. 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%.

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 2015, no shares had been granted, forfeited, exercised, expired or vested under either the A or B Awards (June 2014: none).

The fair value of the performance shares was determined by an independent valuation undertaken by EY 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 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 per share and the fair value of the Performance B shares is 17 pence per share. The total fair value of Performance Condition A and B Awards is estimated at £1.84m and £0.42m respectively. The fair value is amortised into share-based remuneration expense over the vesting period and a charge of £452,000 was recognised for the year ended 30 June 2015 (June 2014: £nil), which is treated as a non-cash adjusting item. The weighted average contractual remaining life of the A and B awards as at 30 June 2015 is two years.

The Directors expect that any shares that vest will be subject to applicable employer taxes at the date of vesting and at the end of the holding period. An accrual for this cost has been calculated based on the current rate of national insurance, the number of the shares that the Directors expect to vest and the share price at the reporting date. The movement in the accrual in the year ended 30 June 2015 was £585,000 (June 2014: £nil) and was included in the share-based remuneration expense. This figure assumes that 100% of the awards will vest, which is an estimate subject to uncertainty, whereby less than 100% could vest. This is the first time that the estimate has been made and whilst the next financial year will give a clearer picture of the TSR likely to be achieved, it will still remain an estimate. The estimate is directly linked to the charge recognised, so a 10% reduction in the number of shares expected to vest would reduce the charge in the year by £59,000.

Performance Share Plan

The PSP was also established prior to Admission. The plan allows for the grant of: Nil Cost Options, Contingent Share Awards or Forfeitable Share Awards. The Board of Directors have stated an intention that grants of performance shares under the PSP would not be dilutive on shareholders.

The Directors have granted awards to staff in respect of the year ended 30 June 2015. The awards total £1,070,000 and will be converted into a number of shares subject to award based upon the share price following the announcement of the Group's results for the year. It is the intention of the Directors that these shares are not dilutive, as the shares will be purchased by the Employee Benefit Trust.

The awards vest at 30 June 2017 or 30 June 2018, depending on the award. These awards are in respect of employee services during the year ended 30 June 2015 and in future periods. Therefore the fair value of the awards is recognised in part in the year ended 30 June 2015.

The awards contain a combination of performance measures, including: continued employment; future sales targets; Group TSR; and divisional revenue and AUM.

The fair value of the awards has been estimated using a combination of Monte Carlo simulation and Black-Scholes modelling. For the purposes of these financial statements the figures have been estimated using the share price as at 13 August 2015, being the date on which the Remuneration Committee approved the awards. Any significant adjustments resulting from the actual issue price will be accounted for in the Group's 2016 results.

Notes to the financial statements continued

7. Share-based payments continued

The key inputs used in determining the fair value of the PSP are:

	Share plan 1	Share plan 2	Share plan 3
Grant date award value £	619,735	375,000	47,665
Grant date share price £	2.22	2.22	2.22
Estimated number of shares to be granted	279,160	168,919	21,471
Exercise price	£nil	£nil	£nil
Risk free rate	0.94%	0.94%	0.94%
Share price volatility	26.08%	26.08%	26.08%
Dividend yield	5%	5%	5%
Key terms:			
Vesting period	01/07/14 – 30/06/17	01/07/14 – 30/06/18	01/07/14 – 30/06/17
Weighted average remaining contractual life	2 years	3 years	2 years
12% compounded TSR Hurdle over vesting period	Yes	Yes	No
Continued employment required (subject to good leaver provisions)	Yes	Yes	Yes
Other key terms	Achievement of specified divisional AUM and revenue targets within a range	None	None
Vesting profile per individual	Straight-line between minimum and maximum divisional AUM and revenue targets	All or nothing	All or nothing
Grant date fair value per share (pence)	60.69	204.69	51.71
Number of shares expected to vest	178,662	168,919	21,471

Additionally, one employee was given share awards on commencing employment equalling the cash value and vesting terms of an award given by their previous employer. This award vests in stages between 11 December 2015 and 31 March 2018. The total number of shares granted totals 13,466 and the only condition is for the employee to remain employed at the vesting dates. The fair value per share has been calculated as 204.69 pence and the full number of shares is expected to vest. The weighted average remaining contractual life is two years.

The charge recognised in respect of PSP awards in the year ended 30 June 2015 is £78,000 (2014: £nil). Additionally, an accrual of £45,000 (2014: £nil) for national insurance on vesting has been established.

As at the reporting date, none of shares were exercisable (2014: none).

8. Depreciation and Amortisation

Depreciation charges primarily relate to IT and communications equipment. The property, plant and equipment, and the depreciation accounting policy are described in note 21.

The amortisation charge relates to the IMAs recorded in the acquisition of RAMAM and described in note 9. The RAMAM IMA intangibles are amortised over their expected useful life of between five to 10 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 13 and 9).

9. Intangible assets

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 CGUs 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.

9. Intangible assets continued

Identifiable intangible assets

Investment Management Agreements and customer relationships

IMAs and customer relationships acquired in a business combination are recognised separately from goodwill at their fair value at the acquisition date. Customer relationships have an estimated useful life of 20 years and IMAs estimated useful lives of five to 10 years. The identified intangible assets are carried at cost less accumulated amortisation calculated on a straight-line basis.

Impairment of non-current 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 non-current 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 CGU 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 CGU) is estimated to be less than its carrying amount, an impairment loss is recognised as an expense immediately. For assets other than goodwill, where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation or amortisation that would have been charged since the impairment.

	Goodwill £'000	Customer lists and IMAs £'000	Total £'000
Cost:			
At 1 January 2014	1,893	381	2,274
Additions from business combinations	13,224	36,129	49,353
Exchange difference	(15)	–	(15)
At 30 June 2014	15,102	36,510	51,612
Exchange difference	99	–	99
At 30 June 2015	15,201	36,510	51,711
Accumulated amortisation and impairment:			
At 1 January 2014	(395)	(43)	(438)
Amortisation charge	–	(1,087)	(1,087)
At 30 June 2014	(395)	(1,130)	(1,525)
Amortisation charge	–	(4,333)	(4,333)
At 30 June 2015	(395)	(5,463)	(5,858)
Net book value:			
At 30 June 2014	14,707	35,380	50,087
At 30 June 2015	14,806	31,047	45,853

Goodwill includes the goodwill arising on the acquisition of RAMAM and Cassidy Retirement Group Inc., which are considered significant. Included in the year end balance is £13.2m (2014: £13.2m) in respect of RAMAM and £1.2m (2014: £1.2m) in respect of Cassidy.

The Directors estimated the recoverable amount of the Cassidy and RAMAM goodwill based upon the value in use of the respective businesses. The value in use was measured using internal budgets and forecasts covering a period of five years, with a nil growth rate assumption for perpetuity cash flows and a discount rate of up to 20%.

The key assumptions included in the estimate are revenue and AUM, and expenses including compensation. These were determined using a combination of bottom-up review of current levels of revenue and cost, known changes, contractual provisions and sales plans.

The remaining goodwill is not considered significant in the context of the total goodwill held by the Group.

Sensitivity analysis was performed on the key inputs, including growth and discount rates. No reasonable movement in key inputs was found that indicated impairment.

Notes to the financial statements continued

10. Business combinations

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 and as such are classified as Level 3 inputs under IFRS 13 Fair Value Measurement. 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 year end 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.

River and Mercantile Asset Management LLP

On 27 March 2014, the Group 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 wholesale 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 Limited transferred as consideration for the acquisition was determined using inputs which are not based on observable market data and as such are classified as Level 3 inputs under IFRS 13 Fair Value Measurement. The key estimate in determining the fair value of the consideration transferred is the Directors' 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 £141.6m, representing a fair value of the consideration transferred for the purchase as £44.4m. The consideration for the acquisition was a non-cash item.

A merger reserve was established of £44.4m 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 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 10 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 wholesale. 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.

There were no acquisitions made during the year ended 30 June 2015.

11. Expenses associated with the IPO and corporate reorganisation and integration

In the six months ended 30 June 2014 the Group incurred £4.0m of professional and commission fees in relation to its listing on the London Stock Exchange and a further £0.5m costs in relation to its corporate reorganisation and integration of RAMAM following its acquisition (note 10).

These costs are one-off in nature and do not reflect the underlying performance of the business and therefore have been presented separately in the consolidated income statement.

12. Finance income and finance expense

Finance income and expense is recognised in the period to which they relate on an accruals basis.

Finance income comprises £21,000 of bank interest (June 2014: £2,000 from deposits with PSG) and £50,000 of foreign exchange gain (2014: none). Finance expense includes £3,000 (June 2014: £12,000) relating to the unwinding of discounts on contingent consideration from previous acquisitions and £3,000 (June 2014: £nil) of other finance expense.

13. Current and deferred tax

The tax charge consists of current tax and deferred tax. Current tax represents the estimated tax payable on the taxable profits for the period. Taxable profit differs from 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. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and is measured using the substantively enacted rates expected to apply when the asset or liability will be realised.

13. Current and deferred tax continued

Deferred tax assets and liabilities are not offset unless the Group has legal right of offset which it intends to apply. Deferred tax assets are recognised only to the extent that the Directors consider it probable that they will be recovered.

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

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Current tax	3,193	1,337
Deferred tax	(1,000)	(176)
Total tax charge	2,193	1,161

The tax assessed for the year is £9,000 (June 2014: £1,161,000) higher than the average standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Profit/(loss) before tax	10,525	(73)
Profit/(loss) before tax multiplied by the average rate of corporation tax in the UK of 20.75% (2014: 22%)	2,184	(16)
Effects of:		
Transfer pricing adjustments	–	51
Expenses not deductible for tax purposes	1,028	1,351
Deferred tax on amortisation of RAMAM IMAs	(867)	(216)
Income not subject to tax	(70)	–
Adjustment in respect of prior years	40	(19)
Other timing differences	(122)	10
Total tax charge	2,193	1,161

Effective from 1 April 2014, the applicable UK corporation tax rate was reduced from 23% to 21%. Effective from 1 April 2015, the UK corporation tax rate was reduced to 20%.

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

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Deferred tax liabilities		
At beginning of period	7,010	–
Acquisition of RAMAM (note 10)	–	7,226
Credit to the income statement – amortisation movement	(867)	(216)
Debit to equity – fair value movements on available for sale assets	31	–
At end of period	6,174	7,010
Deferred tax assets		
At beginning of period	95	135
(Charge)/credit to the income statement:		
– accelerated capital allowances	(3)	(4)
– deductible temporary differences	(28)	(36)
– share-based payment expense	162	–
Credit to equity – share-based payment expense	302	–
At end of period	528	95

There were no unrecognised deferred tax assets at the reporting date (2014: none).

Notes to the financial statements continued

14. Earnings per share

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

To the extent that any of the EPSP performance shares (note 7) vest they will have a dilutive effect on the equity holders of the Company. The potential dilution effect of the EPSP performance shares will be considered in the calculation of diluted earnings per share.

The compound return to shareholders is based on share price and dividends received by shareholders from the date of grant until the reporting date and 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 consideration is given to future performance.

Based on the Group's share price at 30 June 2015 and dividends paid, 46% of the EPSP performance shares would have met the vesting criteria and were therefore considered dilutive for purposes of calculating diluted earnings per share. In the six months ended 30 June 2014, the effect of the EPSP shares would have been anti-dilutive and therefore was not included.

	Year ended 30 June 2015	6 months ended 30 June 2014
Profit/(loss) attributable to owners of the parent (£'000)	8,332	(1,234)
Weighted average number of shares in issue ('000)	82,095	55,560
Weighted average number of diluted shares ('000)	84,592	58,157

Earnings per share:

Earnings per share		
Basic (pence)	10.15	(2.22)
Diluted (pence)	9.85	(2.22)

Adjusted profit after tax

Adjusted profit after tax represents profit after tax, adjusted to add back the amortisation of intangible assets, share-based remuneration relating to EPSP, and IPO costs, all net of tax. For the six months ended 30 June 2014, the four days of share-based remuneration relating to EPSP was not included.

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Profit/(loss) before tax	10,525	(73)
Adjustments:		
Amortisation of intangible assets	4,333	1,087
Share-based remuneration including payroll taxes relating to EPSP awards only	1,037	–
Expenses associated with the IPO	–	4,045
Expenses associated with the corporate reorganisation and integration	–	507
Adjusted profit before tax	15,895	5,566
Adjusted tax charge	(3,202)	(1,267)
Adjusted profit after tax	12,693	4,299

Adjusted earnings per share

	Year ended 30 June 2015	6 months ended 30 June 2014
Adjusted profit after tax ('000)	12,693	4,299
Weighted average shares ('000)	82,095	55,560
Weighted average diluted shares ('000)	84,592	58,157
Adjusted EPS:		
Basic (pence)	15.46	7.74
Diluted (pence)	15.00	7.39

14. Earnings per share continued**Adjusted underlying profit**

Adjusted underlying profit represents net management and advisory fees less the related expense base, excluding the amortisation of intangible assets, share-based payments and costs associated with the IPO and restructuring.

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Performance fees	5,879	2,350
Associated remuneration expense at 42%	(2,469)	(987)
Net performance fee profit before tax	3,410	1,363
Adjusted profit before tax	15,895	5,566
Less:		
Net performance fee profit before tax	(3,410)	(1,363)
Other income	(56)	(287)
Adjusted underlying profit before tax	12,429	3,916
Adjusted underlying tax charge	(2,482)	(904)
Adjusted underlying profit after tax	9,947	3,012
Adjusted underlying pre-tax margin	27%	22%

Reconciliation between weighted average shares in issue

	Year ended 30 June 2015 '000	6 months ended 30 June 2014 '000
Weighted average number of shares in issue – basic	82,095	55,560
Timing effect of performance share conversion to ordinary shares	–	2,597
Dilutive effect of shares granted under EPSP	2,496	–
Weighted average number of shares in issue – diluted	84,591	58,157

As at 30 June 2015, there were no shares which were anti-dilutive during the year ended 30 June 2015 but which may be dilutive in future periods (2014: 7,306,486).

15. Dividends

The Group recognises dividends when an irrevocable commitment to pay them is incurred. In the case of interim dividends, this is generally the payment date. In the case of final dividends, this is the date upon which the dividend is approved at the AGM.

During the year ended 30 June 2015 a final dividend in respect of the six months ended 30 June 2014 of £1,888,000 (2.3 pence per share) and an interim dividend in respect of the year of £3,776,000 (4.6 pence per share) was paid. No dividends were paid during the six months ended 30 June 2014.

16. 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.

17. Investment management balances

	30 June 2015 £'000	30 June 2014 £'000
Investment management receivables	9,104	8,744
Investment management payables	9,201	9,810

As ACD of River and Mercantile Funds ICVC (the Fund) RAMAM is required to settle transactions between investors and the depositary of the Fund. The Group is exposed to the short-term liquidity requirements to settle with the depositary of the Fund before receiving payments from the investor and mitigates this risk by holding cash in its ACD account. The credit risk associated with the investment management balances is discussed in note 28.

Notes to the financial statements continued

17. Investment management balances continued

The investment management balances are recorded as loans and receivables. They are initially recognised based upon the values given by the administrator of the ICVC and are subsequently recognised at amortised cost. Due to their short-term nature (typically less than a week), amortised cost closely approximates fair value. If any investment management receivable were to remain unpaid significantly past its term, the Directors would consider provision for impairment, however this has not arisen in respect of the reporting date balances.

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

18. Available-for-sale investments

During the year ended 30 June 2015, the Group invested £5.0m of seed capital in the River and Mercantile Dynamic Asset Allocation fund (the 'DAA Fund'). At 30 June 2015, this investment is recognised as an available-for-sale financial asset. The Group's policy on financial instruments can be found in note 28.

The fair value of the Group's investment in the DAA Fund is derived from the fair value of the underlying investments, some of which are not traded in an active market and therefore the investment is classified as Level 2 under IFRS 13 Fair Value Measurement. The DAA Fund is an unlisted equity vehicle based in the UK.

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

	£'000
At 1 July 2014	–
Additions	5,000
Movement in fair value	155
At 30 June 2015	5,155

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

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 2015, a provision of £82,000 (30 June 2014: £59,000) 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 2015 £'000	30 June 2014 £'000
Neither past due nor impaired	1,039	1,489
Past due but not impaired:		
Between one and two months	850	434
Between two and three months	937	400
More than three months	300	341
Impaired:		
More than three months	82	59
Provision for impairment	(82)	(59)
Total fee receivables	3,126	2,664

The average credit period on fees is 51 days (2014: 47 days). The Directors believe that the carrying value of fee receivables, net of impairment, represents their fair value due to their short-term nature and is the maximum credit risk value. The Directors are satisfied with the credit quality of counterparties representing balances neither past due nor impaired.

20. Other receivables

	30 June 2015 £'000	30 June 2014 £'000
Prepayments and accrued income	10,593	9,653
Receivable for sale of Manolete	–	300
Other assets	151	69
	10,744	10,022

Accrued income relates to management fees that have been recognised in the consolidated income statement in line with the Group's accounting policies on revenue recognition, but have not yet been invoiced to clients. Clients are generally invoiced in arrears on a quarterly basis.

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

21. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Depreciation charges the cost of the assets to the consolidated income statement over their expected useful lives. Office equipment includes computer equipment which is depreciated over three years and fixtures, fittings and equipment which is depreciated over seven years. 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 2014	508	–	508
Additions	10	–	10
Exchange difference	6	–	6
Additions at fair value on the acquisition of RAMAM	36	147	183
At 30 June 2014	560	147	707
Additions	46	35	81
At 30 June 2015	606	182	788
Accumulated depreciation:			
At 1 January 2014	459	–	459
Depreciation charge	15	9	24
Exchange difference	(6)	–	(6)
At 30 June 2014	468	9	477
Depreciation charge	48	43	91
Exchange difference	12	–	12
At 30 June 2015	528	52	580
Net book value:			
At 30 June 2014	92	138	230
At 30 June 2015	78	130	208

22. Payables

	30 June 2015 £'000	30 June 2014 £'000
Trade payables	469	–
Taxes and social security	1,253	1,019
Accruals and other payables	8,569	8,081
Contingent consideration	–	48
	10,291	9,148

Accruals and other payables include accruals for employee and subsidiary LLP member remuneration. The Group's policy on financial instruments can be found in note 28.

Notes to the financial statements continued

23. Share capital and share premium

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

	30 June 2015		30 June 2014	
	Number	£	Number	£
Allotted, called up and fully paid:				
Ordinary shares of £0.003 each	82,095,346	246,286	82,095,346	246,286

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

The tables on the following page set out the movements in share capital during the year.

Number of shares 000's	Ordinary shares	A ordinary shares	B ordinary shares	A perf. shares	B perf. shares	C perf. shares	D perf. shares	E perf. shares	Deferred shares	Total no. of shares
As at 1 January 2014	11,804	–	–	1,480	1,480	1,507	3,000	1,000	–	20,271
Ordinary shares issued in the year	7,635	–	–	–	–	–	–	–	–	7,636
Ordinary shares converted into A ordinary shares	(11,804)	11,804	–	–	–	–	–	–	–	–
A performance shares converted into B ordinary/deferred shares	–	–	0	(1,480)	–	–	–	–	1,480	0
B performance shares converted into B ordinary/deferred shares	–	–	1,440	–	(1,480)	–	–	–	1,465	1,425
C performance shares converted into B ordinary/deferred shares	–	–	1,590	–	–	(1,507)	–	–	1,491	1,574
D performance shares converted into B ordinary/deferred shares	–	–	1,114	–	–	–	(3,000)	–	2,989	1,103
E performance shares converted into B ordinary/deferred shares	–	–	1,049	–	–	–	–	(1,000)	990	1,039
B ordinary shares converted into A ordinary shares	–	537	(537)	–	–	–	–	–	–	–
Deferred shares cancelled	–	–	–	–	–	–	–	–	(8,415)	(8,415)
Number of shares prior to conversion	7,635	12,341	4,656	–	–	–	–	–	–	24,633
Conversion of ordinary/A ordinary/B ordinary shares into £0.003 shares	255	411	155	–	–	–	–	–	–	821
Capitalisation of share premium	22,653	36,612	13,812	–	–	–	–	–	–	73,077
A ordinary shares converted into ordinary shares	37,023	(37,023)	–	–	–	–	–	–	–	–
B ordinary shares converted into ordinary shares	13,967	–	(13,967)	–	–	–	–	–	–	–
Ordinary shares issued in the period – Listing	8,197	–	–	–	–	–	–	–	–	8,197
As at 30 June 2014 and 30 June 2015	82,095	–	–	–	–	–	–	–	–	82,095
Nominal value £	0.003	0.003	0.003	0.01	0.01	0.01	0.01	0.01	0.01	

23. Share capital and share premium continued

£	Ordinary shares	A ordinary shares	B ordinary shares	A perf. shares	B perf. shares	C perf. shares	D perf. shares	E perf. shares	Deferred shares	Total no. of shares
As at 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)
Number 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 period – Listing	24,590	–	–	–	–	–	–	–	–	24,590
As at 30 June 2014 and 30 June 2015	246,286	–	–	–	–	–	–	–	–	246,286

Included in share premium is £360,000 of underwriting commissions. The movements in the share premium account are included in the consolidated statement of changes in shareholders' equity.

24. Reserves

Available-for-sale reserve represents the unrealised fair value movements in assets available-for-sale. On disposal the cumulative fair value changes in other comprehensive income are reclassified to profit or loss.

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 10. On disposal of the US Dollar denominated business, the associated cumulative unrealised foreign exchange differences would be recycled through the consolidated income statement.

The merger reserve arose on the acquisition of RAMAM as detailed in note 10.

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

The capital contribution arose on an historic acquisition, whereby PSG awarded shares to the seller in respect of the sale. The movement in the prior period related to the forgiveness of the loan from PSG (note 27).

The movement in all reserves is detailed in the consolidated statement of changes in shareholders' equity.

Notes to the financial statements continued

25. 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:

	30 June 2015 £'000	30 June 2014 £'000
No later than one year	632	582
Later than one year and no later than five years	2,352	2,484
Later than five years	200	600
	3,184	3,666

26. Contingent liabilities

The Directors were not aware of any events which would give rise to a contingent liability of the Group at the reporting date (June 2014: none).

27. Related party transactions

Key management personnel, PSG, and Pacific Investments Management Limited, its subsidiary undertakings and controlling shareholder, Sir John Beckwith (together 'Pacific Investments') are considered related parties.

Significant transactions with Pacific Investments

There have been no significant transactions with Pacific Investments during the year (2014: none).

Significant transactions with PSG

	Transaction amount	
	30 June 2015 £'000	30 June 2014 £'000
Administrative charges from PSG	2,137	1,310
Finance income on intercompany balances	–	2
Finance expense on intercompany balances	6	12
Advisory fee revenue share	179	109
IPO advisory costs	–	600

Details on the administrative charges from PSG can be found in note 5.

Borrowing facility with PSG

On 29 November 2013 the Group agreed an unsecured borrowing facility with PSG 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 £5.82m during the six months ended 30 June 2014. The balance of the facility was forgiven by PSG on 27 March 2014 and the amount was recorded as a capital contribution to the Group.

Key management personnel compensation

Details of key management personnel compensation can be found in note 6.

28. Financial instruments

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

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

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

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

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

28. Financial instruments continued

Trade and other receivables

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

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

Cash and cash equivalent balances

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

Available-for-sale financial assets

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

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

Trade and other payables

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

Categories of financial instruments

Financial instruments held by the Group are split into the following categories:

	30 June 2015 £'000	30 June 2014 £'000
Financial Assets		
Cash and cash equivalents	20,227	19,388
Investment management balances	9,104	8,744
Fee receivables	3,126	2,664
Other receivables	10,101	9,685
Total loans and receivables	42,558	40,481
Available-for-sale investments	5,155	–
Total available-for-sale	5,155	–
Financial assets at fair value through profit or loss	130	219
Total assets at fair value through profit or loss	130	219
Total financial assets	47,843	40,700
	30 June 2015 £'000	30 June 2014 £'000
Financial Liabilities		
Trade and other payables	–	48
Total liabilities at fair value through profit or loss	–	48
Investment management balances	9,201	9,810
Trade and other payables	8,981	8,081
Total other liabilities at amortised cost	18,182	17,891
Total financial liabilities	18,182	17,939

The Directors consider that the carrying amounts of the loan and receivables, financial assets and financial liabilities carried at amortised cost to be a reasonable approximation to their fair values.

Notes to the financial statements continued

28. Financial instruments continued

Financial risk management

The risks of the business are measured and monitored in accordance with the Board's risk appetite and policies and procedures covering specific risk areas, such as: credit, market and liquidity risk.

The Group is exposed to credit risk, market risk (including interest rate and foreign currency risks) and liquidity risks from the financial instruments identified above. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them.

Credit risk management

Credit risk refers to the risk that a counterparty defaults on their contractual obligations resulting in financial loss to the Group. The carrying amount of loans and receivables recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group held no collateral as security against any financial asset. Credit risk arises principally from the Group's fee receivables, investment management balances, other receivables and cash balances. The Group manages its credit risk through monitoring the credit quality of the counterparties with which we do business.

The ageing of outstanding fee receivables at the balance sheet date is given in note 19. The Group had no fee receivable balances at year end that were individually greater than £500,000 (2014: none).

The banks with whom we deposit cash and cash equivalent balances are monitored on a regular basis including their credit ratings (note 16).

The Group bears risk in relation to the investment management balances held in respect of the River and Mercantile Funds ICVC. If any debtor failed to pay, the Group would redeem the underlying 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 £9.1m value of the receivables multiplied by the percentage decrease in the underlying ICVC position during the period between default and redemption. In order to mitigate the risk of losses arising from late receipt, the Group will seek specific indemnity from counterparties in certain cases. Management monitor the performance and aging of the investment management positions and take corrective action as appropriate.

Market risk – Foreign currency risk management

The Group has foreign currency denominated assets and liabilities primarily arising from the US business (including intra-Group balances) 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:

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Fee receivables	372	932
Cash and cash equivalents	1,645	390
Creditors	(1,444)	(751)
Total	573	571

A 10% fluctuation in the exchange rate between US Dollars and UK Pound Sterling on the outstanding foreign currency denominated monetary items at year/period end balances would result in a post-tax increase/decrease in profit of £57,000.

Foreign exchange risk arising from transactions denominated in foreign currencies are monitored and where appropriate the currency required to settle the transaction may be purchased ahead of the settlement date.

Market risk – Interest rate risk management

The Group has minimal exposure to interest rate risk. The Group has no external borrowings 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 deposits with banks earn a floating rate of interest and the interest income is not significant in either period.

Market risk – Equity price risk management

Equity price risk is the risk that arises from the volatility in the prices of equity instruments held by the Group. In the case of the Group this is limited to the risk of a decline in the market price of the DAA fund leading to a loss relating to the seeding position. Typically, this would be managed by detailed monitoring of the position and a decision to reduce the holding, however the seeding nature of the investment means that this is less likely. Therefore the Group would only exit this position in the case of a significant diminution in value, or if the fund was closing or a third party buyer could be found. A 10% reduction in the price of the DAA fund as at 30 June 2015 would lead to a charge to the statement of comprehensive income of £516,000, with a 10% increase leading to a corresponding credit.

28. Financial instruments continued

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash reserves to meet the Group's working capital requirements. Management monitors forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

The 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 25 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 2015 is £nil (30 June 2014: £48,000) detailed in note 22. At 30 June 2015 the Group had cash and cash equivalents of £20.2m (2014: £19.4m).

As ACD of River and Mercantile Funds ICVC some of the operating cash balance of RAMAM is held in the ACD operating account into which the management fees from the ICVC are paid on a monthly basis. Of the ACD operating account balance at each year end, the proportion attributable to client fund transactions (i.e. the difference between investment management balances (refer to note 17) is controlled by Bank of New York Mellon, and cannot be utilised by RAMAM. At 30 June 2015 £2.3m (30 June 2014: £1.1m) of the cash and cash equivalents balance was restricted.

Liquidity gap analysis

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities by remaining contractual maturities at the 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. This analysis does not account for 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 2015					
Assets					
Cash and cash equivalents	20,227	–	–	–	–
Investment management balances	–	9,104	–	–	–
Fee income receivables	–	3,126	–	–	–
Asset held for sale	–	–	5,155	–	–
Other receivables	–	146	–	–	–
Total financial assets	20,227	13,247	5,155	–	–
Liabilities					
Investment management balances	–	9,201	–	–	–
Creditors	–	1,253	–	–	–
Total financial liabilities	–	10,454	–	–	–
Net liquidity surplus	20,227	2,793	5,155	–	–

Notes to the financial statements continued

28. Financial instruments continued

	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	–

Capital management

The Group operates its subsidiaries as self-sufficient entities, which are expected to be able to meeting their funding and capital requirements without recourse to the parent.

The Group manages its capital on a consolidated and individual basis to ensure that it is able to continue as a going concern. Three of the Group's subsidiaries are regulated entities (two in the UK and one in the US). These entities are required to maintain minimum levels of capital that are sufficient to meet their regulatory capital requirements. The Group and its subsidiaries have complied with their regulatory capital requirements throughout the year.

Financial assets at fair value through profit or loss

As the ACD of the River and Mercantile Funds ICVC, RAMAM is required to maintain positions in each share class issued. The 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 positions is measured 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. In the six months ended 30 June 2014, the Directors considered that these inputs were categorised under IFRS 13 Fair Value Measurement as Level 3 inputs. In the year ended 30 June 2015, the Directors re-evaluated their previous assessment and now deem these inputs to be Level 2 inputs. The policy of the Group is that transfers between levels will occur as soon as the Directors are aware of information which would indicate a change. In respect of the box position, this occurred on 31 December 2014.

The gain or loss on the value of these positions is included in other income in the income statement.

	Level 3 financial assets £'000
Carrying value at 1 January 2014	–
Acquisition of RAMAM	451
Sales of fund units	(227)
Realised gains	3
Unrealised losses in period	(8)
Carrying value at 30 June 2014	219
Sales of fund units	(17)
Unrealised losses in period	(4)
Carrying value at 31 December 2014 prior to transfer to Level 2 financial assets	198
Transfer to Level 2 financial assets	(198)
Level 3 carrying value at 30 June 2015	–

28. Financial instruments continued

Movement in fair value of other payables

Contingent consideration arising on business combinations is measured at fair value and is based on the Directors' best estimate of expected profit levels of the acquired businesses, as described in note 10.

	£'000
Fair value at 1 January 2014	106
Settlement	(71)
Unwinding of discount	13
Fair value at 30 June 2014	48
Settlement	(51)
Unwinding of discount	3
Fair value at 30 June 2015	–

29. Operating assets and liabilities

Included in the consolidated statement of cash flows are the lines Increase/decrease in operating assets and Increase/decrease in operating liabilities. Operating assets comprise investment management balances (asset), financial assets at fair value through profit or loss, fee receivables and other receivables. Operating liabilities comprise investment management balances (liability) and trade and other payables.

30. Ultimate controlling party and subsidiary undertakings

Up until 26 June 2014 the ultimate controlling party of the Company 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 ¹	England	100/100	Investment management
P-Solve Holdings Limited ¹	England	100/65	Holding company for the US business
P-Solve LLC ¹	USA	100/100	Actuarial and consulting
River and Mercantile Holdings Limited	UK	100/100	Holding company
River and Mercantile Asset Management LLP ¹	UK	100/100	Investment management
River and Mercantile Asset Management LLC ¹	US	100/100	Marketing
River and Mercantile Group Employee Benefit Trust	UK	0/0	Employee benefit trust

¹ Indirect holding.

The Company indirectly holds 18,878,569 ordinary shares in P-Solve Holdings Limited 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 indirectly held by employees of P-Solve LLC. 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 £1.8m.

Both River and Mercantile Asset Management LLP and LLC have reporting periods ending 31 March on a standalone basis. These were the existing period end dates as at acquisition and no change is expected.

Notes to the financial statements continued

31. New standards and interpretations

There have been no new standards having a material impact on the financial statements for the year.

The following standards and amendments to existing standards have been published and are mandatory from the financial period beginning on or after the effective dates shown below but are not currently relevant to the Group (although they may affect the accounting for future transactions and events).

Topic	Key requirements	Effective date
IFRS 9, Financial Instruments	IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.	1 January 2018
IFRS 15, Revenue from contracts with customers	The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the new requirements add specific guidance for multiple-element arrangements, contract costs and disclosures.	1 January 2018
Annual Improvements to IFRSs (2012–2014 Cycle)	Changes to various standards.	1 January 2016

The Directors have not yet assessed the impact that the adoption of these standards and interpretations in future periods will have on the financial statements.

32. Events after the reporting period

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

Company financial statements

Company statement of financial position

	Notes	30 June 2015 £'000	30 June 2014 £'000
Assets			
Cash and cash equivalents	2	8,933	13,008
Investments	3	55,635	55,571
Other receivables	4	6,413	1,360
Deferred tax	6	399	–
Total assets		71,380	69,939
Liabilities			
Payables	5	1,252	4,034
Corporation tax	6	5	123
Total liabilities		1,257	4,157
Net Assets		70,123	65,782
Equity			
Share capital	7	246	246
Share premium	8	14,688	14,688
Merger reserve	9	44,433	44,433
Capital redemption reserve	9	84	84
Capital contribution	9	3,867	3,867
Retained earnings	9	6,805	2,464
Capital and reserves attributable to owners		70,123	65,782

Company financial statements continued

Company statement of cash flows

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Cash flow from operating activities		
Loss before interest and tax	(1,188)	(3,793)
Adjustments for:		
(Increase)/decrease in receivables	(52)	(1,032)
Increase/(decrease) in payables	(2,782)	3,192
Share-based payment expense	530	–
Cash (used in)/generated from operations	(3,492)	(1,633)
Taxation	(124)	–
Net cash (used in)/generated from operations	(3,616)	(1,633)
Cash flow from investing activities		
Interest received/(paid)	53	2
Dividend from subsidiaries	10,216	5,500
Investment in subsidiary	(64)	–
Net cash generated from investing activities	10,205	5,502
Cash flow from financing activities		
Ordinary share issue for listing	–	14,640
Loan repayment to PSG	–	(5,820)
Loan to subsidiary	(5,000)	–
Dividends paid	(5,664)	–
Other	–	(1)
Net cash (used in)/generated from financing activities	(10,664)	8,819
Net increase/(decrease) in cash and cash equivalents	(4,075)	12,668
Cash and cash equivalents at beginning of period	13,008	320
Cash and cash equivalents at end of period	8,933	13,008

Company statement of changes in shareholders' 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
Balance at 1 January 2014	86	292	–	–	–	575	953
Comprehensive income for the period:							
Profit	–	–	–	–	–	1,889	1,889
Transactions with owners:							
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 previous parent	–	–	–	–	3,867	–	3,867
Issue of shares in listing	25	14,975	–	–	–	–	15,000
Shares purchased for cancellation	–	–	–	84	–	–	84
Share issue costs	–	(360)	–	–	–	–	(360)
Balance at 30 June 2014	246	14,688	44,433	84	3,867	2,464	65,782
Comprehensive income for the year:							
Profit	–	–	–	–	–	9,217	9,217
Transactions with owners:							
Dividends	–	–	–	–	–	(5,664)	(5,664)
Share-based payment expense	–	–	–	–	–	530	530
Tax credit on share-based payment expense	–	–	–	–	–	258	258
Balance at 30 June 2015	246	14,688	44,433	84	3,867	6,805	70,123

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

The Company's accounting reference date changed from 31 December to 30 June during 2014, therefore the comparative period is the six months ended 30 June 2014.

Significant accounting policies

The principal accounting policies adopted are the same as those set out in the consolidated financial statements except as noted below:

- Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.
- Dividend income is recognised when the right to receive payment is established.
- The Company records income relating to intragroup service contracts in the period in which the services were performed.

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 year ended 30 June 2015 was £9,217,000 (2014: £1,889,000) which included £10,216,209 (2014: £5,500,000) 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 3.8 pence per share for the year ended 30 June 2015.

2. Cash and cash equivalents

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

3. Investments in subsidiaries

	30 June 2015 £'000	30 June 2014 £'000
At start of year/period	55,571	11,145
Additions	64	99,997
Disposals	–	(55,571)
At end of year/period	55,635	55,571

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

Additions in the year ended 30 June 2015 comprise capital contributions made to certain of the Company's subsidiaries pursuant to the Group's PSP plan (consolidated note 7).

3. Investments in subsidiaries continued

In the prior year, pursuant to the acquisition of RAMAM, 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 10 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.

Details of the Group's subsidiaries are given in note 29 of the consolidated financial statements.

4. Other receivables

	30 June 2015 £'000	30 June 2014 £'000
Taxes and social security	113	364
Prepayments and accrued income	290	81
Amounts owed from Group undertakings	5,919	616
Other debtors	91	299
	6,413	1,360

Amounts owed from Group undertakings represent balances incurred in the course of trade and are payable on demand. See note 28 of the consolidated financial statements for the Company's accounting policies in respect of financial instruments.

5. Payables

	30 June 2015 £'000	30 June 2014 £'000
Trade payables	213	–
Accruals and deferred income	1,039	1,957
Amounts owed to Group undertakings	–	2,077
	1,252	4,034

Amounts owed to Group undertakings represent balances incurred in the course of trade and are payable on demand. See note 28 of the consolidated financial statements for the Company's accounting policies in respect of financial instruments.

6. Current and deferred tax

	30 June 2015 £'000	30 June 2014 £'000
Current tax	6	123
Deferred tax	(141)	–
Total tax (credit)/charge	(135)	123

The tax assessed for the years is lower than the average standard rate of corporation tax in the UK.

The differences are explained below:

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Profit before tax	9,082	1,889
Profit before tax multiplied by the average rate of corporation tax in the UK of 20.75% (2014: 22%)	1,885	416
Effects of:		
Income not assessable to tax	(2,119)	(293)
Other timing differences	(141)	–
Expenses not deductible for tax purposes	240	–
Total tax charge	(135)	123

Company financial statements continued

Notes to the Company financial statements continued

6. Current and deferred tax continued

The analysis of deferred tax assets is as follows:

	Year ended 30 June 2015 £'000	6 months ended 30 June 2014 £'000
Deferred tax assets		
At beginning of period	–	–
(Charge)/credit to the income statement – share-based payment expense	141	–
Credit to equity – share-based payment expense	258	–
At end of period	399	–

Effective from 1 April 2014, the applicable UK corporation tax rate was reduced from 23% to 21%. Effective from 1 April 2015, the UK corporation tax rate was reduced to 20%.

7. Share capital

Full details of the Company's share capital can be found in note 23 of the consolidated financial statements.

8. Share premium

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

9. 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 10 of the consolidated financial statements.

Full details on the nature of the other reserves in the Company can be found in note 24 of the consolidated financial statements.

10. Financial instruments

A discussion of the financial risks and associated financial risk management which applies to the Group, can be found in note 28 of the consolidated financial statements. The areas relevant to the Company are credit risk management and liquidity risk management. Details of the Group's capital management policies, which apply to the Company, can also be found in this note.

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 2015	30 June 2014	30 June 2015	30 June 2014
Cash and cash equivalents	–	–	8,933	13,008
Other receivables	–	–	6,123	1,279
Total financial assets	–	–	15,056	14,287

Other receivables exclude prepayments.

Financial liabilities £'000s	Fair value through profit or loss		Amortised cost	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Payables	–	–	213	2,077
Total financial liabilities	–	–	213	2,077

Payables exclude deferred income.

10. Financial instruments continued

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 2015 £'000s	On demand	< 3 months	3-12 months	1-5 years	> 5 years
Assets					
Cash and cash equivalents	8,933	–	–	–	–
Other receivables	5,996	126	–	–	–
Total financial assets	14,929	126	–	–	–
Liabilities					
Creditors	213	–	–	–	–
Borrowings	–	–	–	–	–
Total financial liabilities	213	–	–	–	–
Net liquidity surplus	14,716	126	–	–	–
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	–	–	–

11. Directors' remuneration

Details of the individual Directors' remuneration is given in note 6 of the consolidated financial statements

12. Related party transactions

The Company entered into the following transactions with related parties:

£'000s Related party	Type of transaction	Transaction amount		Balance owed/(owing)	
		2015	2014	30 June 2015	30 June 2014
Punter Southall Group	Borrowing facility	–	9,687	–	–
	IPO costs	–	600	–	–
	Admin expenses	2,084	–	–	–
River and Mercantile Group undertakings	Group interest paid	–	12	–	–
	Inter-company balances	–	–	5,919	(1,460)
	Group cost sharing	4,607	1,577	–	–
	Dividends received	10,262	5,500	–	–

13. Other information

The Company has taken the exemption under s408(2) of the Companies Act 2006 to not present employee numbers and 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.

Definitions

ACD – Authorised Corporate Director
2006 Act – the Companies Act 2006
AGM – Annual General Meeting
ARCOMM – Audit and Risk Committee
AUM – Assets under Management
BDO – BDO LLP
Cassidy – Cassidy Retirement Group Inc.
Company – River and Mercantile Group PLC
DAA Fund – River and Mercantile Dynamic Asset Allocation Fund
DB – Defined Benefit
DC – Defined Contribution
EPSP – Executive Performance Share Plan
FCA – Financial Conduct Authority
Group – the Company and its subsidiaries
IAA – Investment Advisory Agreement
ICVC – River and Mercantile Funds ICVC
IFA – Independent Financial Advisor
IFRS – International Financial Reporting Standards
IMA – Investment Management Agreement
Meridian – P-Solve Meridian is an area of P-Solve focussing on insurance & related matters
NUM – Notional under Management
PSG – Punter Southall Group Limited
P-Solve – P-Solve Investments Limited
PSP – Performance Share Plan
PVT – Potential, Value and Timing investment strategy
RAMAM – River and Mercantile Asset Management LLP
REMCO – Remuneration Committee
TIGS – Total Investment Governance Solution

Notes

Notes

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

Mazars Company Secretaries Limited

Website

www.riverandmercantile.com

Annual General Meeting

11 December 2015 at 10.30am
Hosted by Numis
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

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

3.8 pence per ordinary share

Ex-dividend date

26 November 2015

Record date

27 November 2015

Payment date

18 December 2015

Registrars

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Shareholder helpline

0371 384 2030
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Auditors

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W1U 7EU

Joint Brokers and Advisors

Canaccord Genuity Limited
88 Wood Street
London
EC2V 7QR

Numis Securities Limited
The London Stock Exchange Building
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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

www.riverandmercantile.com

RIVER AND MERCANTILE
GROUP