ANNUAL REPORT AND ACCOUNTS 2021

RIVER AND MERCANTILE

RIVER AND MERCANTILE

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

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Clients

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

Investment

We design, build, manage and distribute specialist investment products designed to meet specific client needs which have broad client application across our target audience groups. We work with our clients as partners to ensure their needs, and the resultant solutions and products, are clearly understood and implemented.

Innovation

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

Forward looking statements

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

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

Highlights

2021

OVERVIEW

Fee earning AUM	**£47.6bn**	8% increase ↑
Statutory profit before tax	**£10.9m**	31% increase ↑
Total revenue	**£74.3m**	5% increase ↑
Adjusted profit before tax	**£15.0m**	14% increase ↑
Dividend per share	**11.69p**	23% increase ↑

Operational Highlights

	2021	2020	Change
Fee earning AUM	**£47.6bn**	£44.2bn	8%
Net management and advisory fees	**£67.9m**	£69.4m	(2%)
Performance fees	**£6.4m**	£1.2m	448%
Statutory profit before tax	**£10.9m**	£8.3m	31%
Statutory earnings per share	**9.79p**	6.39p	53%
Adjusted profit before tax[1]	**£15.0m**	£13.2m	14%
Adjusted underlying profit before tax[1]	**£12.2m**	£12.6m	(3%)
Basic adjusted underlying EPS	**11.30p**	11.18p	2%
Total dividend for the year[2]	**11.69p**	9.54p	23%

1 Adjusted profit and adjusted underlying profit are alternative performance measures (APM) , see note 13 of the consolidated financial statements for a reconciliation to statutory profit.

2 Including 4.48 pence second interim dividend and 3.32 pence proposed final dividend.

Strategic report

Chairman's Statement

JONATHAN DAWSON
CHAIRMAN OF THE BOARD

Although the announcement of the conditional sale of River and Mercantile Investments Limited (RAMIL, Solutions) which holds our Fiduciary Management and Derivatives business to Schroders was made in October, the preparatory work for the sale reflects detailed consideration by the Board of our strategy in the first half of 2021. The extensive preparations and the sale process itself have been time consuming and demanding. The resulting transaction, which is subject to the approval of shareholders at a general meeting to be called in December, is a clear demonstration of the Board's commitment to deliver proper value for shareholders, with a vital contribution made by James Barham our Group Chief Executive to the success of the exercise. The price achieved for RAMIL of £230 million, represented a premium of 28.2 per cent. over the Group's undisturbed market capitalisation on 9 August, (the day prior to the announcement that the Group had received a number of expressions of interest in the Solutions business). This is a clear illustration of the discount that the market had applied to our Group and a spur to us to ensure that our shareholders received full value. The sale, if approved, is likely to be completed in the first quarter of next year. The Board intends to return the majority of proceeds to Shareholders following completion of the sale and will engage with Shareholders regarding the amount to be returned. Sufficient funds will be retained both to ensure that its existing business remains well capitalised and to facilitate its plans for the development of the asset management business.

The sale of RAMIL, and its attractiveness to a number of serious industry leaders, was underpinned by its robust performance in the retendering exercise for fiduciary managed pension assets required by the Competition and Markets Authority (CMA) following the latter's enquiry into the sector which was closed in June 2019. The outcome of the retendering for the Fiduciary Management business has been discussed in more detail in the Group Chief Executive's report. This is a tribute to our people in the business, to their focus on achieving great performance and great service for our clients, and to their energy in pitching for new opportunities arising from the sector-wide retendering. We believe that our retendering success is market leading.

Our equities business, River and Mercantile Asset Management LLP (RAMAM) has had a very strong year's performance. RAMAM has benefited from a sectoral shift towards 'value', which has played to the strengths and consistency of our team. The Board is very pleased to note that 11 of our 14 equities strategies are ahead of their respective benchmarks since inception – a remarkable achievement. Included in this is the European Fund which has exceeded its benchmark by in excess of 7.5 per cent. since its launch earlier this financial year.

In January, we announced that Ian Berry and a team of experienced infrastructure investment professionals had joined the Group and that we were planning to launch a new infrastructure fund. We hope to reach first close within the next two months. We have very high hopes for our investment in this space; it is clearly a key area for yield- seeking pension funds and other investors with critical income requirements.

Financial performance

Total revenues were up 5 per cent. (£3.7 million) following the achievement of material performance fees from both Solutions and Asset Management. Statutory profits before tax increased by 31 per cent. to £10.9 million and adjusted profits before tax increased by 14 per cent. to £15.0 million. The Directors have declared a second interim dividend of 4.48 pence per share and are recommending a final dividend of 3.32 pence per share. This amounts to a total dividend of 11.69 pence per share for the period, representing an increase in the total dividend for the year of 23 per cent.

We recognise the importance of dividends to our shareholders against the background of the sale of RAMIL and in order to provide Shareholders with some certainty for the year ending 30 June 2022, the Board confirms that it intends to pay at least the same cash ordinary dividend per share as for the year ended 30 June 2021.

Board changes

In January we announced the appointment of Martin Gilbert to the Board as Deputy Chairman and an independent non-executive director. Martin has an outstanding record in the asset management sector and the Group is most fortunate in having his expertise and strategic wisdom to help us in our discussions.

In May we announced the appointment of Alex Hoctor-Duncan as an Executive Director with responsibility for strategic development. Alex will join the Board on 29 November at the expiry of his 'garden leave' and will set to work on developing new areas for our long-term growth, building on the Group's strong foundations. Alex has had a distinguished career in asset management largely at Blackrock and its UK precursor companies. Most recently he has been Global Head of Aberdeen Standard Investments, part of abrdn plc. As announced, James Barham will be leaving the Group to join Schroders as part of the sale of RAMIL and he will be succeeded as CEO by Alex Hoctor-Duncan.

Our people and culture

This has been a hard year in which many important and necessary strategic decisions have been taken and executed. It has been all the harder against the background of restrictions arising from the COVID pandemic and the associated disruption. On behalf of the Board, I pay tribute to the determination of all of the Group's people to ensure that our client service and support remained robust, and that our 'client first' instincts were able to be maintained: thank you! I particularly want to single out James Barham for his thoughtful leadership of our people through the last 20 COVID-impacted months. This has helped maintain the strong team spirit and culture in the Group.

Outlook

Looking ahead, we are working hard towards the completion of the sale of RAMIL in the first quarter of 2022, the proposed return of capital to shareholders, and the launch of our new strategic plan built around our asset management capabilities.

There is a lot of work to be done to execute our plans effectively, and no doubt we will also have to contend with the economic headwinds which are already being felt this year. However, I firmly believe that the Group will be able to continue to deliver good returns to shareholders through:-

- continuing to achieve strong performance for our investment clients;
- bearing down on costs as we right size the business; and
- investing in future strategic growth opportunities.

I therefore feel we can look ahead with optimism for the future of River and Mercantile.

Jonathan Dawson
Chairman

4 November 2021

Group Chief Executive's Statement

JAMES BARHAM
GROUP CHIEF EXECUTIVE

Introduction

We have recently announced the sale of our UK Solutions business and before I address this I would like to set out our work leading up this and to place this corporate action into context.

I wrote in my report last year a clear strategic plan to transform the dynamics of the Group, invest in the key elements of our business and drive shareholder value. The strategic plan had a series of core deliverables; a significant investment in Distribution and in particular an overhaul of the Wholesale Distribution function, investment in deepening and broadening our investment capabilities and the development of an integrated operational infrastructure. These investments were a core part of the transformation of our business to deliver on the enormous potential embedded within the organisation. I will detail the actions we took over the last year and the impact this has had on our business which has led to some strong returns from within the business and the seventh consecutive year of AUM growth.

I also laid out my vision and leadership beliefs and a recognition that the ability to adapt to changing market conditions is crucial. The Fiduciary market has been undergoing significant change, an industry in which we are the longest established manager with a robust and growing client base, excellent investment performance and high-quality people throughout the organisation. This has contributed to the many industry awards our Solutions business has won over the last few years.

The Group has supported the growth and strategic development of both its Solutions and Asset Management divisions since the merger of P-Solve and River and Mercantile Asset Management and the subsequent listing in 2014. However, it has been increasingly clear given the continued undervaluation of our business, we needed to adapt our strategy to ensure that we were able to accelerate returns for shareholders and at the same time deliver the optimal environment for our Solutions business to grow and continue to deliver excellent outcomes to our clients.

We announced on the 26 October 2021 the sale of our UK Solutions Division to Schroders. We see this as positive move for all stakeholders of the Group, our shareholders, our people, and our clients as we combine the UK's largest listed asset manager with the UK's longest established Solutions manager. We are creating, we believe, the most complete major proposition in a rapidly growing and exciting industry that continues to consolidate, whilst at the same time enabling the remaining business to focus on developing our specialist asset management capabilities.

The combination with Schroders ensures that we maintain the distinct characteristics of our Solutions business, our investment philosophy and process, our clear strategic thinking, and our integrated implementation, whilst benefiting from the scale of our combined operations and so continue to be a market leader and winner in this fast-growing and dynamic market.

As we will set out in the associated circular, we will utilise the proceeds of this sale to return the majority of the net proceeds to shareholders and to invest in accelerating the growth of the remaining businesses through both organic and acquisition-led strategies to broaden and diversify the River and Mercantile business.

Solutions

Our Solutions business is a strong and attractive business which has continued to perform strongly over recent years. The initial element of the CMA order concluded on the 9 June 2021 and it is clear that we fared well in an unprecedented period for the Fiduciary industry: we retendered almost the entirety of our relevant AUM in a relatively short period. Since the beginning of the retendering process, we retained nearly 90 per cent. of relevant AUM compared to the average retention in the market of circa 73 per cent, and in addition we have won a significant number of new clients during the period and in spite of the corporate developments, the pipeline of new opportunities is strong.

We are clearly delighted with the vote of confidence we received from our clients through this process, and I would like to take this opportunity to reiterate our absolute commitment to deliver the investment returns and outcomes that they require.

We recognise that for some of our competitors the initial retendering process will continue for some time for a variety of reasons. We are confident of our ability to take advantage of this ongoing CMA related activity to increase market share, and at the same time continue to win new fiduciary mandates as the underlying market continues to grow with fund consolidation forecast to drive further activity.

Strategic Plan

I set out in my last report the strategic plan focused on the core elements, investing in distribution, a deepening and broadening of our investment capabilities and, operationally the development of a single target operating model across the Group. I have set out below an update on these elements over the last year.

Distribution: We have continued to invest in our distribution capabilities; overhauling our underperforming Wholesale distribution and implementing a technically strong and centralised Solutions sales capability within our Institutional distribution function.

The business delivered an increase in AUM of £3.4 billion during the year. We have seen a significant recovery in our Wholesale business following the investments we made in the distribution team this time last year. Wholesale gross sales have grown by 180 per cent. over the last twelve months with an improvement in net positive sales of £554 million from the previous year. I am especially pleased with the speed at which the restructured team has turned this part of our business around. The investment has repaired the underperformance that we had seen from this distribution channel over the last few years and looking forward, we expect Wholesale to continue to grow strongly.

Our institutional business continues to face some headwinds in the UK and particularly in Australia where recent regulatory changes has impacted investment behaviour of some of our clients. We have confidence in both markets and we have an extremely talented and well regarded institutional team and combined with a growing array of relevant products and solutions for this market, will lead to a recovery in this area and a return to growth.

The investment we have made in our Solutions distribution has equally delivered a clear transformation and all stages of our pipeline have been enhanced over the last 12-18 months. We announced that following the year end, we had an additional £2.1 billion of assets at various stages of the transition process, including £1.4 billion of assets where agreements have been signed however assets have not yet transferred.

Our pipeline has responded to the investment in sales and reflects our activities at each stage of the sales process. Our success rate at RFP and pitch has continued to improve and evidences the strong investment and client proposition that has been developed over time. There has been some short term disruptions in the Solutions pipeline, however, with the confirmation of the sale of our Solutions business to Schroders we believe progress will continue to improve and accelerate under their ownership.

Investment: We have invested in deepening existing investment capabilities in our Equities business to support the continued growth and expansion of this team. We have launched the European Fund, which is performing very strongly, and at the time of writing AUM is over £200 million and is receiving broad support from across the market. We are also continuing to design and develop relevant product for the market, and we are in the process of bringing SFDR Article 8 and Article 9 strategies to the market across both UK, European and Global strategies. We will launch these strategies on our Irish ICAV platform and as UCITS they support distribution into a range of global markets.

We are broadening our investment capabilities with the recruitment of a highly regarded physical Sustainable Infrastructure business led by Ian Berry, formerly Head of Infrastructure Equity at Aviva Investors. We also recruited a team with whom he used to work, and we are in the process of launching our first strategy, the Infrastructure Equity Income Fund where we are seeing strong support from across the market.

Operations: We undertook all the planning and preparation for the implementation of a new target operating model consolidating our operational capabilities across the Group onto a modern, flexible solution supported by a single data architecture designed to deliver operational leverage and enhanced client experience. This has been placed on hold temporarily as we deal with the sale of our Solutions business and we will continue once this process is complete.

2021 Group Performance

The Group has performed well over the period and total AUM has grown by 8 per cent. to £47.6 billion. The net flow ratio was +3.2 per cent. and investment performance was positive, contributing an additional 4.5 per cent. Total revenue rose by 5.3 per cent. to £74.3 million with statutory profit before tax increasing 31 per cent. to £10.9 million and adjusted profit before tax was £15.0 million, an increase of 14 per cent. The business has performed robustly and a combination of strong cost control and improving performance fees has delivered a positive outcome. The investments we have made in distribution and our investment capabilities have begun to deliver the outcomes we expected.

Investment Performance

Our investment performance has been impressive through the year across the business. Our equity portfolios performed well and the return to value toward the back end of the last calendar year has ensured that we recovered all the underperformance of the previous years. Performance against benchmarks and in absolute terms has been resilient and whilst some of our very specialist portfolios have struggled on a relative performance, over 75 per cent. of our strategies outperformed their relative benchmarks during the period.

Our Solutions performance is built on a long-established track record of outperformance. The team has delivered circa 10 per cent. p.a. absolute return since 2004 and this is a record that stands us out in the competitive fiduciary market.

The last year was no exception, and we have continued to deliver with average portfolios outperforming their benchmarks by 9.8 per cent. This excellent performance along with an improved rate environment has ensured that our ability to deliver a growing level of performance fees is significantly enhanced.

Performance fees

These investment returns have led to a return of healthy performance fees from both our Solutions and Equities business. The pre-tax contribution was £2.8 million (performance fee profit excluding seed gains for the year) which compares favourably to a contribution in our last financial year of £0.6 million.

Outlook

The business is undergoing a significant transition which will leave the business as a specialist Asset Management business with a foundation in two key elements: Equities and Infrastructure. We will look to build out these capabilities and add teams and businesses where appropriate and continue the process of diversification that I set out in my original strategy. Alex Hoctor-Duncan joins our business as Head of Strategy at the end of November and I would like to take this opportunity to welcome him to our business. He will succeed me as Group Chief Executive subject to and conditional on completion of the sale of our Solutions business as I will transfer with the Solutions sale to lead this business and play a broader management role at Schroders.

As I have highlighted earlier in my statement, I believe this transaction with Schroders delivers a positive outcome for all stakeholders. In particular it ensures that the culture and values that nurture our people are protected and the distinct factors and characteristics of our Fiduciary and Derivatives solutions that have delivered so successfully for our clients will be enhanced within the Schroders family.

The remaining business operates in exciting growth markets and the development and launch of new products and structures over the coming months ensure that the business is well positioned, and I am excited by the opportunities available.

I took over as Group Chief Executive in 2019, having founded River and Mercantile Asset Management in 2006 and being its Chief Executive up to the merger with P-Solve in 2014. It has been a great honour to lead a simply fantastic business and to work with such incredibly talented people. As you know we are a people led business and it is the strength of those people that defines the strength of an organisation and we have been sustained in all that we do by loyal and enthusiastic clients.

As this is my last report as Group Chief Executive, I would like to take this opportunity to thank all our shareholders, our clients, and our people for their support. I am very proud of what has been achieved for both businesses and I am confident that River and Mercantile will continue to thrive and grow under Alex's leadership.

This has been a challenging year with the combination of the on-going COVID-19 backdrop alongside the corporate shift that has taken place and our people have continued to deliver exceptional results and a strong service for our clients. Our people and their support and hard work have ensured that the foundations of the business continue to stand out in crowded and competitive markets.

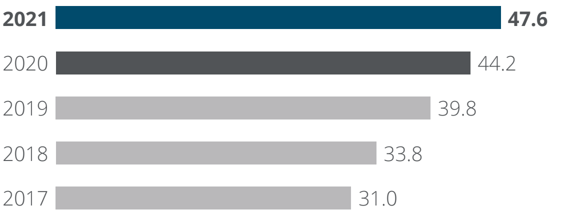
James Barham
Group Chief Executive

4 November 2021

Key Performance Indicators (KPIs)

Fee earning AUM (£ billion)

£47.6bn



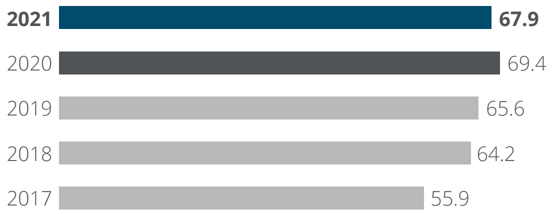
	2021	2020	2019	2018	2017
Change in fee earning AUM	**8%**	11%	18%	9%	22%

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

In 2021 overall AUM growth was strong despite difficult market conditions. While the change in working practices created challenges for distribution in general, sales for Solutions and Wholesale were strong.

Net management and advisory fees (£ million)

£67.9m



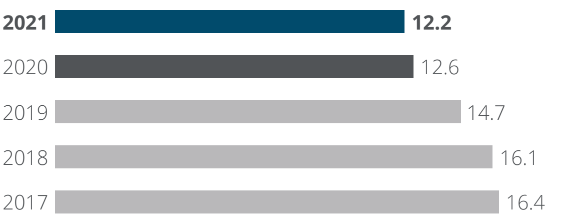
	2021	2020	2019	2018	2017
Change in net management and advisory fees	**(2%)**	6%	2%	15%	22%

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

Fees were slightly down on the year, reflecting lower fee margins in Fiduciary and Institutional Equity redemptions.

Adjusted underlying profit before tax (£ million)

£12.2m

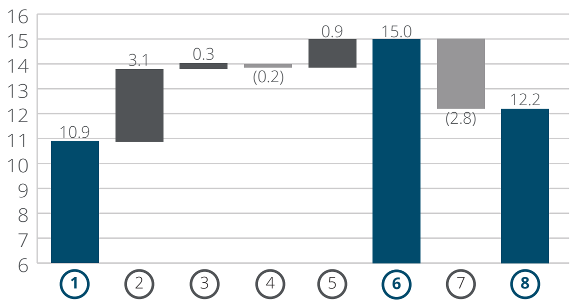


	2021	2020	2019	2018	2017
Adjusted underlying pre-tax margin	**18%**	18%	22%	25%	29%

Adjusted underlying profit before tax represents the core profitability of the Group. Our margin remained at 18 per cent. in 2021 (2020: 18%).

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

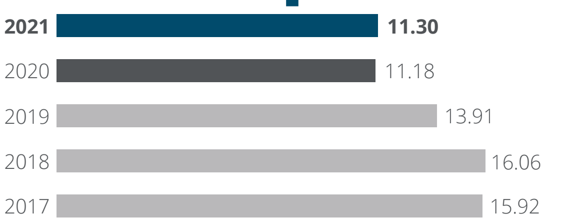
Adjusted underlying profit before tax to statutory profit reconciliation (£ million)



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

Basic adjusted underlying earnings per share (pence)

11.30p

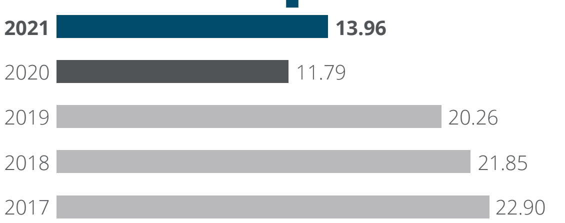


	2021	2020	2019	2018	2017
Change in BUAEPS	**1%**	(20%)	(13%)	1%	46%

BUAEPS reflects the core adjusted earnings per share. The calculation of this metrics is shown in note 13 of the consolidated accounts.

Basic adjusted earnings per share (pence)

13.96p



	2021	2020	2019	2018	2017
Change in BAEPS	**18%**	(42%)	(7%)	(5%)	97%

BAEPS reflects the total adjusted earnings per share. The calculation of this metric is shown in note 13 of the consolidated accounts.

Group Investment Performance

Group Investment Performance : June 2021

Annualised Investment Performance by Investment Strategy	AUM £bn 30 Jun 2021	1 Year (%) Abs.	1 Year (%) Rel.	5 Years (% p.a.) Abs.	5 Years (% p.a.) Rel.	Since Inception (% p.a.) Abs.	Since Inception (% p.a.) Rel.	Since Inception Date
STABILITY/RETURN GENERATION								
Fiduciary DB[1]	13.8	4.0%	9.8%	7.3%	3.6%	9.1%	2.2%	Jan-04
RAMIL Stable Growth Fund	1.1	19.6%	16.5%	7.8%	4.3%	8.1%	4.4%	Dec-08
Fiduciary DC – Long Term Growth	0.1	21.4%	13.8%	9.1%	2.0%	9.1%	2.3%	Oct-11
Fiduciary DC – Stable Growth	0.1	18.7%	12.1%	8.1%	1.9%	8.1%	2.4%	Oct-11
Fiduciary DC – Cautious Growth	0.1	13.3%	7.7%	7.0%	1.9%	8.1%	3.4%	Oct-11
Dynamic Asset Allocation	0.2	21.3%	17.0%	8.0%	3.4%	6.7%	2.1%	Sep-14
US Solutions	0.7	4.1%	(0.2%)	7.2%	0.5%	8.7%	0.9%	Aug-13
Total Solutions AUM	16.1							
RETURN GENERATION/INCOME								
UK Equity Income	0.1	19.1%	(1.1%)	7.6%	1.8%	10.6%	1.6%	Feb-09
RETURN GENERATION – SPECIALIST								
UK Equity Smaller Companies	0.6	53.7%	1.4%	18.5%	5.9%	15.9%	6.9%	Nov-06
UK Recovery	0.2	47.9%	27.7%	13.2%	7.4%	12.6%	5.8%	Jul-08
Global Recovery[4]	0.4	40.8%	16.3%	14.2%	0.3%	13.9%	1.7%	Mar-13
Global Recovery Focus Segregated	0.1	53.4%	14.2%	16.2%	1.5%	14.4%	3.1%	Feb-12
Global Recovery Concentrated Segregated	0.5	37.1%	(1.9%)	n/a	n/a	11.2%	(2.9%)	Apr-16
RETURN GENERATION – CORE								
UK Equity High Alpha	0.1	45.5%	25.3%	11.7%	5.9%	8.4%	3.2%	Nov-06
UK Core Segregated	0.2	17.0%	(3.2%)	7.4%	1.7%	7.6%	1.6%	Nov-10
UK Dynamic Equity	0.1	25.0%	4.8%	9.3%	3.5%	7.1%	2.2%	Mar-07
UK Micro Cap Investment Company	0.1	73.9%	21.6%	24.7%	12.1%	20.0%	9.8%	Dec-14
Global High Alpha	0.2	34.6%	10.1%	13.7%	(0.2%)	12.8%	(0.0%)	Dec-14
International High Alpha	0.0	33.8%	(1.9%)	n/a	n/a	45.2%	(2.4%)	May-20
European Fund	0.1	n/a	n/a	n/a	n/a	27.5%	7.6%	Sep-20
Segregated Mandates[2]	2.0	n/a	n/a	n/a	n/a	n/a	n/a	
ILC Emerging Markets								
Global EM	0.1	46.5%	5.6%	13.9%	0.9%	7.0%	0.9%	Jan-12
Total Equity Solutions AUM	4.8							
Structured Equity	8.4	n/a[3]						Dec-05
LDI	18.3							Dec-05
Total Derivatives AUM	26.7							
Total AUM	47.6							

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

1. Fiduciary Defined Benefit (DB) reflects an equally weighted composite of all full fiduciary active schemes total portfolio returns against its full liabilities benchmark where used to report to the client, does not include schemes with asset restrictions.
2. Segregated mandates are measured against specific client benchmarks and therefore a composite performance benchmark is not meaningful.
3. Derivatives mandates do not target investment outperformance therefore this is not measured.
4. Performance for Global Recovery is for the ES R&M Global Recovery fund but includes AUM for the Global Recovery ICAV which launched in June 2021.

Chief Financial Officer's Review

SIMON WILSON
CHIEF FINANCIAL OFFICER

Overview

Last year the Group reported its sixth consecutive year of AUM growth and this year we are pleased to report our seventh. This was achieved during a period of intense retendering as we completed the CMA review for the vast majority of our Fiduciary clients. The following key factors impacted the financial performance of the business during the year:

- As previously reported, the CMA retender process together with the impact of COVID has delayed the level of new business activity in Solutions to towards the end of the year. The fee margin compression as a result of the retendering process has to some extent been offset by investment performance, the net result being flat Fiduciary management fee revenue for the year;
- Derivatives AUM has grown at a stable fee margin, resulting in good management fee growth of 9 per cent. year on year;
- Our Equities business generated positive Wholesale net sales, a significant reversal versus prior year as highlighted in the CEO's statement. This together with strong investment performance more than offset the redemptions in our Institutional business. Management fee revenue for Equities as a whole, however, declined by 11 per cent. as we went into the year with lower AUM than the prior year average and our inflows were skewed towards the second half;
- The year saw a welcome return of material performance fees for the Group totalling £6.4 million, with strong outperformance in both Solutions and Equities;
- Staff costs increased during the year, both fixed and variable. This reflects the full year impact of initiatives commenced in the prior year, namely: investment in distribution, new initiatives such as Infrastructure further strengthening in our sustainable investment proposition and an associated increase in variable remuneration, also in part due to higher performance fee remuneration
- There has been an increased focus during the year on cost saving initiatives with administration costs flat year on year and slightly down on an adjusted basis notwithstanding the Group's growth initiatives

Outlook

With good asset growth in Solutions and Wholesale towards the end of last year both of these businesses have higher in-force revenue than was generated during FY21, as detailed further below. With our retendering completed in all material respects, we have retained nearly 90 per cent. of relevant AUM and do not anticipate any further material fee margin attrition in relation to our existing Solutions clients. Margin's may vary as our average Solutions client size mix changes; however, as the Fiduciary market continues to grow strongly and evolve, we continue to focus on all client sizes from the large (over £1 billion) and medium, to smaller clients where the development and growth of our small schemes' solution is ongoing. How our client mix evolves over time will depend on a number of factors, but it is not expected to result in a material change in fee margins in the short to medium term.

Our strong relative investment performance in Fiduciary during the year is expected to continue to generate performance fees for FY22 as the three year deferral structure means we will continue to earn fees this year unless there is significant underperformance. If our relative performance against benchmarks remains flat this year then we would expect to generate higher performance fees than in FY21 as the release of the FY22 element of last year's performance deferral will take more of our clients above their high water mark into fee earning territory.

Our Infrastructure business is close to launching its first fund and we believe has a very exciting future. Successful growth will materially change the financial profile of the Group and we will keep our shareholders abreast of developments and expectations.

Finally, the announcement of the sale of the Solutions business to Schroders marks the Group's most significant development since its IPO in 2014. The financial shape of the business will change after completion and the Group's post sale strategic plan to be presented in Spring 2022 will obviously influence this. Until the transaction completes, the Group will broadly continue to operate as it currently does.

As part of the sale the Group has entered into a transitional services agreement (TSA) with Schroders to facilitate the orderly transfer of the business and to temporarily provide certain group services to its new owner following completion. This will require a material level of group resource for a period post completion. Leading up to and following expiry of the TSA the Group will need to reduce its cost base to a level appropriate for the remaining business and to execute its new strategy. Given the expected timing of the disposal, the Group will own Solutions for the majority of the financial year ending 30 June 2022 and is therefore expected to be profitable for this financial year as a whole. Immediately following the sale, the Group will experience moderate and temporary run rate operating losses as it transitions to become a specialist asset manager. The Board's target is for the Group to achieve monthly run rate profitability by the end of the first full financial year following completion of the sale. Guidance on the Group's cost base and route to profitability will be given at the time of presentation of the Group's new strategy next year.

AUM

£ million	Fiduciary Management	Derivative Solutions S. Equity	Derivative Solutions LDI	Derivative Solutions Total	Equity Solutions Wholesale	Equity Solutions Institutional	Equity Solutions Total	Total AUM
Opening AUM	14,773	7,395	17,817	25,212	1,024	3,211	4,235	44,220
Sales	1,151	1,718	675	2,393	595	178	773	4,317
Redemptions	(1,463)	(735)	(1,034)	(1,769)	(404)	(1,060)	(1,464)	(4,696)
	(312)	983	(359)	624	191	(882)	(691)	(379)
Net rebalance and transfers	875	45	859	904	–	–	–	1,779
Net flow	563	1,028	500	1,528	191	(882)	(691)	1,400
Investment performance	722	–	–	–	422	843	1,265	1,987
Closing AUM	**16,058**	**8,423**	**18,317**	**26,740**	**1,637**	**3,172**	**4,809**	**47,607**
Change in AUM	8.7%	13.9%	2.8%	6.1%	59.9%	(1.2%)	13.6%	7.7%

AUM grew by £3.4 billion (+7.7 per cent.) during the year comprising £1.4 billion of net flows and £2.0 billion of positive investment performance. Equity Wholesale had a strong year in respect of both net sales of £0.2 billion and investment performance of £0.4 billion. Fiduciary Management and Derivatives performed well with positive net flows across all activities.

AUM Movements Since the Period End

As a result of the announcement on 10 August in relation to approaches the Company had received, the Solutions business has not won any material new business which is normal and expected in these circumstances. It is anticipated that following the announcement of the sale of the Solutions business to Schroders and the removal of the uncertainty around its future ownership, we should see a return to pitching for and winning new business.

Qtr ending 30 September 2021 £ million	Fiduciary Management	Derivative Solutions S. Equity	Derivative Solutions LDI	Derivative Solutions Total	Equity Solutions Wholesale	Equity Solutions Institutional	Equity Solutions Total	Total AUM
Opening AUM	16,058	8,423	18,317	26,740	1,637	3,172	4,809	47,607
Sales	872	231	134	365	130	70	200	1,437
Redemptions	(336)	(549)	(602)	(1,151)	(63)	(512)	(575)	(2,062)
	536	(318)	(468)	(786)	67	(442)	(375)	(625)
Net rebalance and transfers	(24)	139	611	750	–	–	–	726
Net flow	512	(179)	143	(36)	67	(442)	(375)	101
Investment performance	86	–	–	–	44	(52)	(8)	78
Closing AUM	**16,656**	**8,244**	**18,460**	**26,704**	**1,748**	**2,678**	**4,426**	**47,786**
Change in AUM	3.7%	(2.1%)	0.8%	(0.1%)	6.8%	(15.6%)	(8.0%)	0.4%

Assets under management for the three months ended 30 September 2021 increased by a modest 0.4 per cent. This was primarily driven by £0.5 billion of positive Fiduciary net flows offset by £0.4 billion of Institutional Equity net outflows. Wholesale continues to generate consistent positive net flows.

During the three months to 30 September 2021 two Fiduciary Management clients gave notice of their intention to redeem for transition after September. As a result a total of £97 million of Fiduciary Management AUM and £290 million of Derivative AUM will be redeemed in the coming months.

In addition an Equity Solutions Institutional client notified their intention to redeem £265 million of their holdings in October 2021.

Positively, two new Derivative Solutions clients signalled their intention to fund £35 million of Structured Equity and £130 million of LDI in the coming months.

Financial highlights

£'000s (unless stated)	Year Ended 30 June 2021	2020	Movement	Movement %
Net management fees	57,423	58,449	(1,026)	(2%)
Advisory fees	10,490	10,932	(442)	(4%)
Total underlying revenue	67,913	69,381	(1,468)	(2%)
Performance fees	6,363	1,161	5,202	+448%
Total revenue	74,276	70,542	3,734	+5%
Administration expenses	15,997	15,926	71	0%
Total remuneration and benefits	43,188	41,158	2,030	+5%
Adjusted underlying profit before tax	12,234	12,564	(330)	(3%)
Adjusted underlying profit after tax	9,476	9,352	124	+1%
Performance fee profit before tax	2,754	622	2,132	+343%
Performance fee profit after tax	2,231	504	1,727	+343%
Adjusted profit before tax	14,988	13,186	1,802	+14%
Adjusted profit after tax	11,707	9,856	1,851	+19%
Statutory profit before tax	10,905	8,299	2,606	+31%
Statutory profit after tax	8,208	5,343	2,865	+54%
Adjusted underlying earnings per share basic (pence)	11.30	11.18	0.12	+1%
Adjusted earnings per share basic (pence)	13.96	11.79	2.17	+18%
Earnings per share basic (pence)	9.79	6.39	3.40	+53%
Dividend per share (pence)	11.69	9.54	2.15	+23%
Cash (£ million)	29.6	24.3	5.3	+22%
Surplus regulatory capital (£ million)	14.0	16.1	(2.1)	(13%)

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

Management fee margins

	Fiduciary Management	Derivative Solutions	Equity Solutions Wholesale	Equity Solutions Institutional
Average fee earning AUM (£ million)	15,238	25,853	1,214	3,224
Net management fees (£'000s)	21,143	16,799	8,173	11,308
Average margin 2021 (bps)	13.9	6.5	67	35
In-force margin at 30 June 2021 (bps)	13.4	6.4	66	34
In-force margin at 30 September 2021 (bps)	12.8	6.2	66	36
Medium term guidance (bps)	12.5-13.5	6-7	60-65	33-36

Fee margins during the year were broadly in line with our previous medium-term guidance. The in-force margin for Fiduciary at the year end was 13.4 basis points and 12.8 basis points at the end of September 2021. We have reduced our guidance on Fiduciary to reflect transitions and final adjustments as a result of retenders which will reduce the year end in-force margin. Our medium-term guidance for the remainder of the business remains unchanged.

Revenue Weighted Asset Attribution (RWAA)

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

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

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

RWAA

	Equities - Non-Discretionary	Equities - Discretionary	Interest Rates	Cash/ Independent	Other
30 June 2021	33%	3%	22%	39%	3%
31 December 2020	31%	3%	19%	44%	3%
30 June 2020	33%	4%	21%	39%	3%
31 December 2019	36%	4%	20%	37%	3%
30 June 2019	37%	3%	19%	38%	3%

Performance fees

Performance fees for the period of £6.4 million (prior year: £1.2 million) were principally earned during the second half of the year. Our macro views and tactical approach generated significant outperformance within Fiduciary and the outlook for 2022 is good as explained earlier in this review. Performance fees from Equities were earned primarily from the Micro Cap strategy which has potential to generate further performance fees in the current year.

Administrative expenses

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Marketing	**700**	799
Travel and entertainment	**29**	427
Office facilities	**2,344**	2,517
Technology and communications	**3,182**	3,247
Market data	**2,975**	2,346
Professional fees	**2,402**	2,064
Research	**1,154**	1,331
Governance expenses	**738**	801
Fund administration	**1,046**	1,162
Other staff costs	**321**	251
Insurance	**770**	613
Irrecoverable VAT	**299**	215
Other costs	**37**	153
Total administrative expenses	**15,997**	15,926

Administrative expenses remained flat at £16.0 million year on year. A continued focus on cost savings and efficiencies has meant no increase in total expenditure notwithstanding the Group's growth initiatives, new business areas and higher staff numbers.

The impact of COVID-19 restricted our ability, like everyone's, to travel and visit clients. Travel and entertainment cost will increase in 2022, however we do not anticipate this will yet fully return to levels seen pre pandemic in this current year.

Market data continues to increase at a material rate as a result of flexible working practices and higher data requirements as our investment into ESG analysis and client reporting continues. We expect this growth to slow in the current year.

Included within professional fees is £0.3 million in relation to the sale of the Solutions business and is an adjusting item which is deducted when deriving adjusted profit (see note 13). Professional fees also includes £0.4 million relating to the target operating model (TOM) project that was paused.

The sale of the Solutions business has resulted in incurring significant professional fees post year end which will be set out in the circular to shareholders.

Remuneration

Fixed remuneration costs increased by £0.8 million (3 per cent.) to £29.7 million reflecting, in the main, the full year effect of additional hires across the Group in the investment and distribution teams in FY21, new initiatives such as Infrastructure and further strengthening of our sustainable investment proposition.

Variable remuneration increased by £1.2 million (10 per cent.) due to higher staff numbers and higher performance fees earned, offset by lower levels within Asset Management reflecting the reduced level of profitability from the prior year. In the FY20 Annual Report we anticipated that remuneration would range between 58 per cent. and 60 per cent. of underlying revenue for the year before any impact of any performance fees. The actual underlying remuneration ratio was 58.0 per cent. excluding the IFRS 2 charge for dilutive share awards.

Performance fee remuneration was 60 per cent. of revenues in FY21 compared to prior years of 50 per cent., increased to reflect the positive client retention results following the completion of the CMA review retenders. Total remuneration costs as a percentage of total revenue remained at 58.1 per cent.

Two new dilutive share awards schemes were introduced during the year being the Executive Director Value Transformation Plan (VTP) and the Senior Management Share Plan (SMSP). As set out in last year's annual report and this year's interim results, the vesting of these awards is conditional on achieving a total shareholder return in excess of 12 per cent. per annum over the relevant measurement periods and the value of the awards is dependent on the level of return above this hurdle. As the awards have market-based conditions, under IFRS 2 the annual charge will remain the same irrespective of whether the awards vest or not, save for any adjustment to reflect a change in expectation of staff leaving over the vesting period. The charge is based on the fair market value of the award spread over the award period (in the case of the VTP) or vesting period (in the case of the SMSP). The charge for the part year was £0.9 million (prior year nil) and a full annual charge of £1.6 million. As a dilutive non-cash award, it is treated as an adjusting item to Adjusted Profit consistent with previous dilutive awards the Company has made.

Divisional analysis (unaudited)

The Group is not required to segmentally report as its different business activities are not considered to be segments for the purposes of IFRS 8 on the basis that decisions made by the Board are made at an overall Group level (see note 4 of the financial statements).

Notwithstanding this, due to the announced conditional sale of the Solutions business and to provide additional transparency to shareholders, this year the Group is providing a divisional analysis. The below has not been audited. It represents one method of separating the Group's results based on the following assumptions:

a) Investment Solutions includes Fiduciary, Derivatives and Advisory activities, split between UK and US;

b) Asset Management includes Equities and Infrastructure split between UK and US (Equities only);

c) The four investment categories include all directly attributable costs. In relation to staff costs, in most cases any staff member who spends 75 per cent. or more of their time is included within the relevant category, primarily being investment, distribution and operations staff;

d) Central corporate and PLC costs are not allocated to the investment categories to minimise the level of judgement and estimation;

e) Corporate administration expenses predominantly comprise UK property costs, Group IT platform costs, external audit, marketing and certain professional fees;

f) Corporate remuneration includes Executive Directors, Group heads of Distribution and Operations and Central Legal and Compliance, Risk, Marketing, Finance and HR staff;

g) PLC costs include Non-Executive Director fees, internal audit and other governance costs;

h) All costs are on an adjusted basis (see note 13 of the financial statements)

Divisional Analysis

£'000	UK UK Investment Solutions unaudited	UK UK Asset Management unaudited	US US Investment Solutions unaudited	US US Asset Management unaudited	UK Corporate unaudited	UK PLC unaudited	Total
	Year ended 30 June 2021						
Net management fees	36,448	19,096	1,495	384	–	–	57,423
Net advisory fees	5,453	–	5,037	–	–	–	10,490
Performance fees	4,096	2,267	–	–	–	–	6,363
Total revenue	**45,997**	**21,363**	**6,532**	**384**	**–**	**–**	**74,276**
Total administrative expenses	**(2,724)**	**(3,874)**	**(1,437)**	**(586)**	**(5,923)**	**(1,159)**	**(15,703)**
Fixed remuneration	(13,126)	(5,506)	(4,854)	(1,010)	(4,733)	(494)	(29,723)
Variable remuneration	(5,405)	(5,378)	(646)	14	(2,050)	–	(13,465)
Total remuneration	**(18,531)**	**(10,884)**	**(5,500)**	**(996)**	**(6,783)**	**(494)**	**(43,188)**
Subtotal	**24,742**	**6,605**	**(405)**	**(1,198)**	**(12,706)**	**(1,653)**	**15,385**
Depreciation	–	–	(31)	(4)	(135)	–	(170)
Amortisation of software	–	–	–	–	(104)	–	(104)
Gain on disposal of fair value instruments	–	–	–	–	209	–	209
Finance income	–	–	–	–	25	–	25
Finance expense	–	–	–	–	(96)	–	(96)
Foreign exchange loss	–	–	–	–	(261)	–	(261)
Adjusted profit before tax	**24,742**	**6,605**	**(436)**	**(1,202)**	**(13,068)**	**(1,653)**	**14,988**

Liquidity and regulatory capital
Cash and cash equivalents increased to £29.6 million as at 30 June 2021. The Group prudently manages its regulatory capital position and maintains a significant surplus of regulatory capital resources over its capital requirement. At the year-end that surplus, after allowing for dividends to be paid in respect of the year, was £14.0 million and our regulatory capital resources represented just over 180 per cent. of the Group's current regulatory capital requirement.

Taxation
As previously reported, the Group's high effective tax rate is a result of it being unable to offset its US losses against its profitable UK activities. The effective tax rate on adjusted underlying profit was 23 per cent. for the year ended 30 June 2021 (2020: 26 per cent.) reflecting reduced levels of losses in the US. The statutory profit effective tax rate was 25 per cent. for the year ended 30 June 2021 (2020: 36 per cent.).

Distributable reserves
As at 30 June 2021, the Company had £53.7 million of distributable reserves (2020: £55.0 million).

Dividends
On 15 April 2021 an interim dividend of 3.89 pence was paid. The Directors have declared a second interim dividend of 4.48 pence per share, of which 1.59 pence is special, to be paid on 10 December to shareholders on the register as at 19 November. The ex-dividend date will be 18 November 2021. The Directors are proposing to shareholders a final dividend of 3.32 pence per share, of which 1.06 pence is special, which will take total dividends per share paid, declared and proposed for the year ended 30 June 2021 to 11.69 pence per share representing 80 per cent. of adjusted underlying profit after tax and 100 per cent. of performance fee profit after tax. The final dividend will be paid on 31 December 2021 to shareholders on the register as at 10 December 2021. The ex-dividend date will be 9 December 2021.

Simon Wilson
Chief Financial Officer
4 November 2021

Our Strategy and Business Model

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

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

Distribution driving profitable growth
Growth delivered through strength in distribution across our core markets (UK, US, and Australia) and distribution partnerships in target geographies. Supporting this growth with a targeted business and investment team acquisition policy.

A robust and scalable operational platform
Investing to enhance our operational infrastructure to support this growth and deliver increasing efficiencies.

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

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

Background

Our objective has been to identify more as an asset management business, managing and advising a broad range of strategies and clients on their assets. The recent announcement of the sale of our Solutions business will position the business as a more recognisable specialist asset management company built around our current core competencies of Equities and Infrastructure.

River and Mercantile in 2026
This shift in our strategy undertaken over the last twelve months will ensure that by 2026 we are an investment led asset manager with products at its heart. This commercial direction of travel will accelerate as we continue to take investment intellectual property and apply it to our strategies. As already highlighted, we see this as our core competence – the ability to link client needs to investment R&D to product design and distribution.

We want our business to reflect all that is positive about managers with demonstrable skill with the following core characteristics:

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

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

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

Our business model to deliver on this strategy is set around the three key pillars of any successful asset management business

Investment manufacturing
We have a high quality and relevant investment capability providing products and services meeting client needs across a range of audience groups. This is currently set out across our Fiduciary and Advisory investment team, our Equities teams managing UK, European, Emerging Market and Global equities, our Derivatives team managing Liability Driven Investment (LDI) including gilt collateral

management and structured equity solutions and our recently launched Infrastructure business. We have also announced that we are selling our Solutions business to Schroders and the Group will focus on our asset management capabilities in Equities and Infrastructure.

We will continue to invest in our Equities team and Infrastructure team and add new teams where appropriate. We have already highlighted that we are seeking additional capabilities. We have also continued to invest in our existing investment teams. For example, James Sym, a highly rated European value manager, joined the Equities PVT team from Schroders last year and we have recently added additional analyst resource. As at the date of writing, James Sym's European Fund has raised over £200 million AUM, which is a testament both to his investment expertise and our strong distribution capability.

Earlier this year we announced that a highly rated Sustainable Infrastructure team had joined the Group and we will be launching their flagship fund imminently. This is a key area for yield-seeking pension funds and other investors with income requirements.

We are also continuing to design and develop relevant product for the market, and we are in the process of bringing SFDR Article 8 and Article 9 strategies to the market across UK, European and Global strategies. We will continue to make these additions to the investment teams across the business to make sure that we continue to deliver for our investors and develop innovative products to meet their needs.

Distribution

We have invested heavily in our distribution capabilities and the business delivered an increase in AUM of £3.4 billion during the year. Our Wholesale distribution was overhauled, and we have seen a significant recovery in this distribution channel following the investments made in the area. As reported in the Group Chief Executive's statement, Wholesale gross sales have grown by 180 per cent. over the past 12 months and we expect Wholesale to continue to grow strongly.

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

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

Operational

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

As noted in the Group Chief Executive's statement, we undertook the planning and preparation of the implementation of a new target operating model but have temporarily placed the implementation of this project on hold as we deal with sale of the Solutions business. We will re-visit this once the sale is complete in terms of the scale and need of any model enhancement required for the remaining business.

Summary

Our strategic objectives are ambitious over the coming years and we expect to see a transformation in the business as we continue this programme of investment in key parts of the Group. The delivery of high quality investment products to our clients and investors is paramount and the changes we are making we believe will deliver equally strong and growing returns for our shareholders.

The Board intends to refocus the Group as a specialist asset manager, positioned to grow through a diversification of its existing product offering and client base. The Board has confirmed that it will develop a detailed post-sale strategic plan over the coming months and update shareholders on this plan as part of a full strategy, capital allocation and dividend policy update in the Spring of 2022.

Our People

Our people

People continue to be one of the key pillars of our 2026 strategy and our people are critical to the success of the Group. Progress continues on the development of a Group-wide Employee Value Proposition (EVP) that incorporates purpose, employee voice, effective leadership and appropriate incentives. This proposition is under-pinned by the Group's principles and values.

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

The Group undertook its second employee engagement survey in November 2020 and will run another in 2022 with a pulse survey in November 2021.

There was an 87 per cent. response rate to our 2020 survey and an overall rate of engagement of 76 per cent. compared to 59 per cent. in 2018 and a 77 per cent. average for our industry sector. The 2020 survey showed significant areas of improvement from 2018 including in our infrastructure and Executive and senior management communication, many commenting on the value of the CEO weekly briefings and remote Townhalls held throughout the pandemic.

Our people feel that the most positive things about working for the Group are their colleagues, the richness of their roles, their autonomy and the learning and development that they gain.

There is still a need for the Group to focus on improving cross-team collaboration, a "one-company" identity or purpose and clearer career progression. These have become the focus of Group-wide survey objectives.

We have continued to work remotely throughout the financial year and have slowly started to reintegrate people back into the office both in late summer 2020 and throughout 2021 when appropriate. The COVID-19 pandemic and our 2020 survey results (indicating that work life balance could be improved to some degree) have accelerated our thinking on how to integrate our businesses given the success of remote working. In the spring of 2021, we agreed that we would be asking our teams across the Group to work in a way that best suits their colleagues, their businesses and their clients. Most business heads felt that a trial period of working an average of three days in the office and two days remotely would be a way to test this out. So, from the end of September 2021 through to March 2022, this trial will be in operation.

Culture

We incorporated questions about our culture into our 2020 survey and used the answers to create a cultural map of our business. This analysis indicated that the Group exhibits four cultural styles that reflect: Safety, Order, Learning and Results. The culture could therefore be described as one that is planful, methodical and focused on clients. This is supported by an open and creative mindset, enabling employees to speak comfortably about concerns and put new ideas into action, and ultimately achieves an effective balance between organisational flexibility and stability. We believe that these strengths play to both our client focus and our sense of responsibility towards both clients and regulators.

We identified two areas where we could reinforce to provide more balance - a Caring style to enhance Group-wide collaboration on shared group objectives and to do this we would need to focus more on developing shared goals and reward structures that support these. We would also want to reinforce the Purpose style and this would support a shift towards more interdependent working by 'pulling' employees along towards an inspiring vision, as opposed to 'pushing' them via top-down command and control approaches. This would support a move towards more agile working.

Leadership

During 2020 the Group designed a new leadership framework to describe the critical competencies that all leaders in River and Mercantile needs to have to ensure organisational success. We went through a four-stage process with the Executive team identifying a long list of 19 leadership competencies.

These 19 competencies were shared with the broader senior leadership team and they were asked to rate each competency on a scale of importance. The highest rated ten competencies were discussed with two groups making up the senior leadership team. These groups were used to discuss examples of behaviours aligned to each of the ten competencies.

The result was a set of leadership competences based on our senior management feedback, combined with external research and best practice providing a framework that is:

- Clear and relevant
- Measurable
- Future focused
- Aligned with the business
- Resonating with the River and Mercantile strategy, culture and values

Principles and values

The principles and values of the company remain unchanged but they are the focus of a new Group wide project on purpose in which we intend to refine and modify them to create a core purpose and updated values that are clearer and promote a unified group identity as identified by our culture work from the employee survey. We have also integrated them with our new leadership competencies, derived from the long list of 19 competencies referenced above, to provide a one page framework:

<table>
<tr><th>Values</th><th>Principles</th><th></th><th>Our derived leadership competencies 2020</th></tr>
<tr><td>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.</td><td>Integrity</td><td>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.</td><td rowspan="5">Accountability
Authenticity
Builds Talent
Client Centricity
Collaboration
Communication
Decision Quality
Engagement
Inclusive
Resilience</td></tr>
<tr><td>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.</td><td>Authenticity</td><td>One of the important things that differentiates us is our authenticity. Many of our new employees have commented on how genuine they find our people. We encourage a sense that people are direct and clear about what they believe.</td></tr>
<tr><td>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.</td><td>Respect</td><td>We expect people to be open and honest with others, however this must be done with respect. Our people think about how they frame their views in a way that is respectful to other team members.</td></tr>
<tr><td>Demanding of our best
We aim to stretch ourselves and help each other to be the best we can. We are demanding of our people and we are committed to supporting them to achieve excellence. We expect people to constructively express their disappointment for anything that is mediocre, be it client work, performance, or internal processes.</td><td>Community</td><td>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.</td></tr>
<tr><td>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.</td><td>Diversity</td><td>We believe that a diversity of perspectives and thought, when part of an inclusive culture, results in better judgments and decision making.</td></tr>
</table>

Performance

The Group measures performance through an annual appraisal process and for the past two years all employees have been through this process using our Actus performance management system. Performance is measured against personal objectives, business objectives and the Group's values using behavioural competences.

These values describe the behaviours that the business considers to be critical to success through meeting all of our stakeholders' requirements (including clients, colleagues, shareholders and regulators). Behaviours not consistent with the values are identified and dealt with through reduced variable pay and through development or performance management. As we aim to update our values to strengthen aspects of our culture relating to purpose and collaboration, new supporting behavioural competences will be incorporated into our performance management (and hence reward) process.

In 2020 we reduced our standard probationary period for new joiners to three months with an option to extend for an additional three months. This aligns with our need to closely supervise certified staff for the first few months of their employment to ensure that they are competent to undertake their role. We also felt that this new process allows us to clearly indicate to individuals who aren't meeting our requirements where they need to improve in good time. We can then set up the required targets and support for a second three-month period if required. We feel this is a fairer way to help integrate people into the business while minimising risk for all.

Reward and recognition

As well as offering competitive base salaries the Group runs a discretionary employee bonus scheme which is dependent on personal and business performance. In 2020 we benchmarked our salaries and total compensation against the market and where appropriate adjusted to ensure we were broadly aligned to market levels. Bonuses may be paid as cash or as part of the Company's deferred equity plan under which payments may be made in units of funds or in Company shares.

In 2020 we offered a Senior Management LTIP based on our Deferred Equity Plan rules to those in key senior management positions and this award was made in January 2021.

The Company also runs an annual Save-As-You-Earn scheme. During this financial year no share options were exercised by employees.

Work life balance, and health and wellbeing

The Group understands the need to take a balanced approach between work and home life. In addition to enhanced maternity and holiday entitlements and offering flexible working arrangements where possible, the Group has embraced the opportunity to look at more agile working going forwards. As a result, there are plans underway to review and develop a more effective use of technology and physical office space in the future.

We will be developing the Group's approach to agile working and embedding this into the formal and informal arrangements we have with our employees. Agile working brings many advantages and efficiencies; however, we must be aware of the challenges this also creates for some of the workforce. We are a people and ideas rich organisation, and it is difficult to place a value on collaboration, informal conversations and learning and development opportunities. Our plan is to trial a hybrid pattern of working through to March 2022 and then assess how this works for all of our teams through consultation with our leaders and our people.

Employees are offered comprehensive medical insurance which incorporates many health and wellbeing features including an employee assistance helpline, mindfulness apps, wellbeing assessments and workshops on key topics such as managing stress and lifestyle. We have continued to provide this support during the pandemic by issuing guidance, providing resources and maintaining communication. The Group continues to offer to all employees the opportunity to benefit from the cycle to work salary sacrifice scheme which supports a healthier lifestyle.

In 2020 and 2021 we undertook a full risk assessment of both of our London offices and in line with government guidance allowed employees to attend the office when they were unable to work effectively from home. We provided COVID-19 guidelines to those who attended the office and Health and Safety measures were put in place in line with government guidance. We updated these guidelines in line with changing situation throughout the year and our office fully reopened just after the end of the financial year.

Over the year the Mental Health First Aiders (MHFAs) continued to support colleagues even whilst working remotely. In May a five day campaign was also run by the MHFAs over Mental Health Awareness Week to provide links to education and resources to help staff members. In addition, some MHFAs provided personal stories about their experience of mental health with the hope that talking about them would help reduce the stigma around the subject.

Recruitment

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

Our candidate management system continues to allow us to monitor recruitment from several perspectives including effectiveness, equality and cost and we are building out onboarding capabilities to automate much of our onboarding process in order to improve the candidate experience.

Diversity and inclusion

Diversity is one of our key principles and inclusivity is now one of our key leadership competencies. We launched our Diversity action plan in 2020. As part of this plan, we have:

- Rolled out compulsory unconscious bias training for all of our staff and new joiners in order to raise awareness
- Rolled out inclusive leadership training for our managers and leaders in order to drive better behaviours
- Collected Diversity data on a voluntary basis from our employees
- Launched a Diversity Policy in April 2021
- We have renewed our membership of the Diversity Project and our Group Chief Executive remains a member of the project's Advisory Board and our Group Head of Investments a member of its Steering Group
- Signed up to the Women in Finance Charter and aim to reach a target of 29 per cent. of its senior management being female by 2025
- Started to pilot the use of anonymous and redacted CVs in our recruitment processes to rule out bias

Our diversity data indicates that our prime area of focus needs to be around gender. The Group acknowledges that this should not be at the expense of other areas of diversity.

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

27.8 per cent. of our Board and Senior Management are female and 23.2 per cent. of the upper quartile of the Group in terms of seniority are female.

Gender balance as at 30 June 2021

Position	Female	Male
Directors	2	5
Senior Management and Direct Reports	17	62
Total employees	80	220

Gender pay reporting

Although the Company is not obliged to publish the gender pay reporting analysis as it does not have 250 or more UK based employees, it is included here for general information, and is comparable to our industry peers. It is also notable that the same proportion of men and women receive a bonus, albeit there is a wider gender gap with bonus than on pay which is reflective of the existing gender seniority pattern, as can be seen from the second table below. We are developing an action plan to drive change over time. Ultimately in the short to medium term any significant changes will require the hiring of more senior women in a very competitive market.

2021

Gender pay gap – mean	Gender pay gap – median	Gender bonus gap – mean	Gender bonus gap – median	Proportion of men getting bonus	Proportion of women getting bonus
20.9%	**19.5%**	**57.6%**	**52.5%**	**83.9%**	**89.2%**

2020

Gender pay gap – mean	Gender pay gap – median	Gender bonus gap – mean	Gender bonus gap – median	Proportion of men getting bonus	Proportion of women getting bonus
20.4%	17.9%	39.6%	41.4%	86.8%	94.6%

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

As can be seen our gender pay gap has not improved this year. The decision by the Group Chief Executive to not receive a bonus in 2019-2020 and the payment of a bonus to the CFO in 2020-2021, when he did not receive one in 2020 means that the overall bonus pay gap has reverted to 2019 levels. Being a small firm, turnover of roles during the year (with new joiners not being eligible for a bonus until the following year) can impact the statistics significantly.

It is clear that the solutions for improving the pay gap will take some time and effort to address and we will continue to look at ways we can improve the numbers of women in senior roles which will have the most significant impact. As a result, we signed up to the Women in Finance Charter in 2021 and aim to have at least 29 per cent. of our senior management roles filled by women by 2025.

Advancement

All employees have an equal opportunity for advancement, including training and development. The Group operates an internal grading system which provides career pathing and supports a promotion process that is calibrated by the Group Chief Executive, Group HR and representatives of the Group Executive Committee. During the financial year 37 employees were promoted. A decision was made to review the grading system in 2021. The first stage of this review has now completed, and we have a proposal in place for review and discussion by the Executive and Senior Management. The proposal aims to provide a simplified leadership and specialist career path to Managing Director and greater clarity concerning progression from level to level across the organisation.

In 2021 the Group has undertaken a succession planning and key staff review utilising tools such as the 9-box grid and working closely with business heads. Our key staff succession plan is 50 per cent. complete and will be updated continuously throughout the year. This is an excellent tool both for risk management but also for planning around career advancement and development opportunities.

Training development and professional qualifications
The Group has delivered general and management training over the financial year and has offered time and financial assistance to those employees undertaking professional qualifications. In the year ending June 2021 the Group spent £204,000 centrally on development for our people, including qualifications, professional memberships and training. That is a spend of over £660 per employee per year on development. Our businesses also fund continuing professional development such as conferences, events and local on the job technical development separately. COVID-19 continues to impact this spend in 2021 as the spend was only 1.7 per cent. higher than in 2020.

The Group is also committed particularly to actuarial and CFA professional training and examinations for all entry level employees in our client facing businesses. We pride ourselves on supporting our employees through these qualifications with generous study leave allowances.

All employees are required to complete mandatory unconscious bias, cyber security and compliance training. Since the implementation of senior managers and certification regime the Group has invested extensively in training employees and has rolled out a number of training sessions for the Group's directors and senior managers. In 2020–2021 the Group rolled out conduct rules training to all employees. The Group sees training around Diversity, Cyber awareness and Compliance as an ongoing commitment.

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

Sustainability and Corporate Social Responsibility

1. INTRODUCTION

As providers of equity and debt to companies or advice to asset owners, all financial institutions play a vital role in net Environmental gain, achieving positive Societal outcomes and ensuring well Governed companies.

River and Mercantile is committed to creating value for investors. Central to this is the belief that a sustainable and socially responsible approach enables our fiduciary responsibility to both protect and enhance the value of assets over the long-term.

In our Sustainability Report for 2020-21, you will read about our contribution to the Environmental, Social & Governance (ESG) revolution to date, and in the years to come. There is our climate disclosure following the recommendations of the Task Force on Climate-related Financial Disclosures, our own greenhouse gas emissions and offsets as a Group and detail on our corporate social responsibility.

Roger Lewis
Head of ESG

4 November 2021

2. RESPONSIBLE INVESTMENT: INTEGRATING ESG

2.1 FIVE SUSTAINABILITY PILLARS

As the Group combines asset management and institutional solutions, the different divisions fulfil ESG in different ways but based around core principles. River and Mercantile is a sustainable business that aims to compound value for all stakeholders over the long term. It is a responsible steward of capital with a culture of longevity. It will strive for sustainability through the pillars of Responsible Stewardship, People, Community, Environment and Innovation, leading to positive long-term outcomes for all.

1. **Responsible Stewardship:** We recognise our duty for long-term responsible stewardship across all clients, assets and regions. We integrate ESG factors for client outcomes and for the sustainability of the environment, society and markets. We take exercising our shareholder rights and obligations seriously and engage with investees.
2. **People:** the Group values the differences that a diverse workforce brings to the organisation and is fully committed to the elimination of unlawful and unfair discrimination. Our employment policies reinforce our position on preventing discrimination against all protected characteristics. The Group's commitment goes further than policies and includes a commitment to building a culture that values meritocracy, openness, fairness and transparency. We have taken specific steps towards enhancing diversity by adopting a Diversity Action Plan which addresses leadership, the measurement of diversity through data, education for all of our staff, communication with our people and community, the setting of targets and sharing our practices through our external profile. The CFA Certificate in ESG is included in our Group study policy.
3. **Community:** We foster a sense of social responsibility and hold ourselves to high ethical and governance standards.
4. **Environment:** We seek to be a 'good ancestor', aware of the natural environment bequeathed to future generations. We also see increasing recognition and focus on the risks & opportunities of climate and the energy transition.
5. **Innovation:** Our strategy, processes & products identify and meet changes in clients' preferences, market fundamentals, data, the environment and society.

2.2 THE YEAR IN REVIEW

Reflecting back over the last twelve months, River and Mercantile has seen much ESG activity across the Group.

We have a structure for ESG polices in place, and these are made publicly available on our website (https://riverandmercantile.com/responsible-investment/). This includes excluding controversial weapons and coal.

In order to ensure that our investment beliefs, strategy and culture enable effective stewardship and to support our focus on the integration of our five sustainability pillars across the Group, in this period we created a new Group Head of ESG role and reviewed the ESG Committee structure. The ESG and Stewardship Committee is chaired by the Group Chief Executive and its members include senior employees from RAMAM and RAMIL and the Group's corporate function. Two working groups of the ESG and Stewardship Committee, the ESG Client Working Group and ESG Investment Working Group, are chaired by Group ESG to provide input, approvals and escalations.

We are being active in responding to consultations, putting our name on letters alongside other investors and participating in working groups run by associations we are members of. Notable examples are the Department for Work and Pensions looking at how Social is applied by pension funds, the Global Investor Letter to Governments on the Climate Crisis (https://theinvestoragenda.org/wp-content/uploads/2021/09/2021-Global-Investor-Statement-to-Governments-on-the-Climate-Crisis.pdf) and helping to define net zero for Infrastructure and Derivatives with the Institutional Investors Group on Climate Change.

We remain signatories to UNPRI and the UN Global Compact. We closely follow their principles, from incorporating ESG in investment and engagement for UNPRI to the human rights, labour rights, environment, and anti-corruption of UNGC. This has been enhanced with our membership of the GRESB real asset sustainability benchmark, becoming an investor signatory of CDP and our public support of TCFD and the Transitions Pathway Initiative.

For engagement, we are proud that RAMAM and RAMIL have been accepted by the UK Financial Reporting Council in the first round of the new Stewardship Code 2020 signatories. This demonstrates that we follow a robust framework for our engagement activities, on behalf of clients, and can show real outcomes. We have also started closely monitoring progress of agreed targets at investee companies, run bulk campaigns to encourage reporting of greenhouse gas emissions and for flagship funds, align our engagement discussions to the seventeen UN Sustainable Development Goals.

Source: River & Mercantile Asset Management funds, H1 2021

We have identified how to support clients with the UK Treasury's new green gilts for hedging, either at their request or ours. As we go to press, we can confirm our participation in the first issuance of £10bn in September 2021.

Within RAMIL, we completed a drive to score all our buy rated managers for their ESG credentials, ahead of engagement to understand and improve their ESG capabilities.

As a private asset class with no standard ESG research available, we built a scorecard to rate and benchmark infrastructure assets including renewable power sources such as wind farms or biomass plants for ESG. This is considered by investment committees alongside risk and return.

We take our obligations under SRD II seriously as this aims to encourage shareholder engagement with companies to ensure that decisions are made for long-term stability. SRD II requires greater transparency on engagement and voting as well as the publication of a shareholder engagement policy. Our response to these requirements can be found on our website: https://riverandmercantile.com/responsible-investment/.

All this is in addition to 'business as usual ESG', with proprietary processes and teams integrating ESG to investment and engagement decisions.

2.3 NETTING TO ZERO CARBON

We are excited to have made the Net Zero Asset Managers Commitment (NZAM) during our last financial year, and to have progressed preparations to join the Net Zero Investment Consultants Initiative.

For NZAM in particular at almost one year old, clients are rightly asking us 'now what'? To answer: the three commitments and ten pledges are now in the progress of being fully embedded. We need to fully understand the greenhouse emissions of companies we invest in, known as their Scopes 1 and 2 or our Scope 3. We need to engage with them to reduce emissions and have plans to monitor and to escalate. Offsets for carbon removal can be purchased, but these should be for small residual amounts only. Reporting progress and accountability is also important and required.

Our immediate priority for net zero is the interim 2030 target for 50 per cent. emissions reduction, in-line to meet the requirements of climate science to limit warming by mid-century. We are identifying the initial funds and percentage of AUM that will be in scope, their holdings and emissions as at the December 2019 start point, and then will adjust top level sector tilts and bottom up stock selection accordingly.

Expect further updates on our progress in netting to zero carbon emissions in future annual reports.

2.4 ESG STRATEGY

With a definition in mind of strategy as plans and actions that will lead us to greater success for ESG and need for direction over the coming years, our strategy shall include:

- Best practice and structure to our stewardship activities adds alpha and continues our FRC Stewardship Code commitment, but we must also consider internal engagement and how ESG affects people's roles.
- ESG data is core, and what do we need from third party providers to accompany our own detailed fundamental research of companies?

- With many frameworks, codes and associations emerging in various corners of ESG, it is really important for us to join ones with a clear reason for doing so, and to understand the benefits / costs / implications.

Surrounding all this to ensure the Strategy is delivered, while tactical opportunities can still be captured, is robust governance from the Group ESG function and all teams.

As with our net zero commitment, expect further updates on our strategic progress in future annual reports.

2.5 THE YEAR AHEAD

Thinking ahead now, important milestones will include:

- Identifying top themes for 2022 to drive our engagement and voting
- Adding SFDR Article 8 and 9 funds to our product offering, given that these are funds that promote Environmental or Social characteristics and clearly demonstrate turning 'talk into action' for ESG
- Adding momentum to the net zero plan, formalising our approach to climate with a Group Climate Policy and further integrating the full lifecycle carbon (plus other GHGs like methane) and climate scenarios to our investment consulting and investment management activities
- Agreeing and beginning to implement the ESG Strategy

All this returns to our belief set out above of the role financial institutions play in net Environmental gain, achieving positive Societal outcomes and ensuring well Governed companies.

3. RIVER AND MERCANTILE CLIMATE DISCLOSURE

INTRODUCTION

We are committed to implementing the recommendations and best practices of the Task Force on Climate-related Financial Disclosures (TCFD), as set by the Climate Standards Disclosure Board (CSDB). This is in order to provide all our stakeholders, including investors, with decision-useful information on the climate-related risks and opportunities that impact our business, and the governance structures in place to manage. We are proud to be amongst the 1,500+ organisations that publicly support these disclosures. This forms part of our wider approach to ESG factors.

The very nature of financial institutions means they can have a significant impact on climate as providers of debt or equity to companies. These financed impacts can be positive (offshore wind, hydrogen) or negative (carbon heavy facilities and the risk of stranded assets). As an active and responsible investor, the impacts of climate change are strategically important to our business.

We manage climate as two distinct aspects as an investor and as a corporate. In this section of our Sustainability Report, we provide our comprehensive corporate TCFD disclosure that covers the eleven recommended disclosures across the four core elements of Governance, Strategy, Risk Management and Metrics & Targets below (source: TCFD, Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures, 2017). We also reference and include the Supplemental Guidance for Asset Managers when appropriate.

These disclosures accompany our wider climate strategy, participation and advocacy via the Institutional Investors Group on Climate Change, climate policy and net zero carbon Investor Climate Action Plan.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

3.1 GOVERNANCE

a) Describe the Board's oversight of climate-related risks and opportunities.

At a Board level, our Group Chief Executive has overall responsibility for climate-related risks and opportunities, and for the Group's response to climate change.

The Board monitors progress against mitigating all other risks by meeting frequently during the year (meetings are detailed in the Annual Report). It considers specific reports, reviews business and financial performance, as well as strategy, key initiatives, risks and governance. This includes climate-related issues when relevant.

The Board monitors and oversees progress against climate-related issues via the Group Board Risk Committee and the Group Investment Committee. Every second or third quarter, a briefing is provided to the Board by the Group ESG and Stewardship Committee on sustainability, and climate is core to this. Recent examples of content include climate consultations by regulators and TCFD itself, carbon-budgets set by the UK Committee on Climate Change and application of scenario analysis to clients' assets. A report summarising the assessment of direct climate-related risks the Group faces is provided to the Group Board Risk Committee annually. Board training on climate-related risk to ensure effective ongoing oversight and management of these risks will be considered in future.

The Group ESG function, which is responsible for climate, feeds into the Board via the ESG Committee, as explained in the following section.

b) Describe management's role in assessing and managing climate-related risks and opportunities

Overall responsibility for managing the risks and capitalising upon the opportunities of climate is assigned to Group ESG. This responsibility is discharged via our Group Climate Policy, ESG Committee and Investment & Client Working Groups. These form the primary mechanisms for monitoring and assigning responsibility of climate-related issues across the organisation. Specifically, the Policy covers coal exclusions, climate in investment consulting and in investment management, engaging with investees for climate and disclosures.

The quarterly ESG Committee is chaired by the Group Chief Executive and members are the Executive team. The monthly Working Groups are chaired by Group ESG and comprised of all investment and client facing roles, with escalation and required approvals made to the ESG Committee. Wider developments in climate are monitored by Group ESG. This includes development of prices on carbon emissions, net zero carbon commitments and regulatory requirements (such as the EU's SFDR and Taxonomy).

Through various tools and data inputs, climate is considered in investment strategies at both top-down allocation and bottom-up fundamental research levels.

3.2 STRATEGY

Climate-related risks and opportunities cover all aspects of our business, from pre-investment research and investment decisions through to generating financial return to meet our clients' required outcomes.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

We define time horizons as short (current financial year), medium (1-5 years) and long (5+ years) term. Assessments to determine risks and opportunities cover current regulation, emerging regulation, technology, legal, market, reputational, products and services, acute physical and chronic physical.

Specific risks we have identified in each time horizon include:

Type	Time	Impact
Transition: Market	Short-term	Future changes in energy prices, driven by energy demand & supply, impacting investee companies' costs. Impacts to investee companies' revenue from new environmental or carbon taxes. Changes to investor preferences and demand for green/ESG funds.
Physical: Acute	Medium-term	Damage to assets (ours or investees') from extreme weather events. This can lead to write-downs to asset book values and increases in insurance premiums if the probability of extreme weather increases.
Transition: Reputation	Medium-term	Increased stakeholder concern or negative stakeholder feedback for failing to comply with ESG or climate requirements. Sectoral stigmatisation flowing to investments in the same sector, such as coal.
Transition: Policy	Medium-term	Ongoing requirement for compliance at a corporate entity level. Impacts to investees, for example from carbon taxes.
Physical: Chronic	Long-term	Reduced asset performance due to changing long-term weather patterns. Higher temperatures may influence the functioning of equipment at investee companies and lead to an increase of fuel consumption or lower performance/ staff productivity levels.

Specific opportunities we have identified in each time horizon include:

Type	Time	Impact
Markets	Short- to medium-term	Continued growth in demand driven by the global energy transition for new types of power generation and transport, and for companies or infrastructure assets in these sectors. Benefits as a responsible investor, by evidencing the positive ESG impacts delivered through our investments.
Products & Services	Short- to medium-term	Revenue opportunities from investments in the renewable energy market, driven by the Paris Agreement (2015) and signatories' own Nationally Determined Contributions. Investor desire for climate-friendly investment strategies/products and providing such funds.
Resource Efficiency and Energy Source	Medium-term	Reduced operating costs and increased production capacity at investee companies.

Engagement with investee companies is a core part of managing these risks and opportunities, in particular where material risk exists, or where we are significant shareholders. Topics have included encouraging Scopes 1 and 2 greenhouse gas disclosure, emissions reduction and either commencing or enhancing TCFD disclosures.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Our strategy as a Group is influenced by climate in the following ways:

- Investment decisions: Climate-related risks and opportunities are considered through our pre investment due-diligence processes and factored into decision making. Issues like stranded assets, accelerated depreciation and limited revenue-generating ability for companies due to climate are core in fundamental research
- Products and services: New opportunities to invest and derive financial returns, as in the short- to medium-term we expect to see continued growth in demand for investment in decarbonisation and the wider energy transitions
- Adaptation and mitigation activities: climate and UN Sustainable Development Goal #13 (Climate Action) is a core subject of our stewardship activities. This includes monitoring the emissions of companies whose stocks we hold
- Per our Group Exclusions Policy, companies whose operations create excessive climate change impacts are excluded. These are specified as any with greater than 30 per cent. revenue from the following:
  - Mining companies that extract thermal coal
  - Mining companies developing significant new thermal coal assets
  - Mining companies that extract other non-renewable energy sources with high Greenhouse Gas impacts: oil and tar sands
  - Power generation companies with electricity generated by coal that do not have credible plans to move to renewable or low carbon alternatives such as gas
  - Power generation companies that plan to expand coal power generation capacity
- Operational: ESG requirements and stakeholder expectations continue to grow in the short to medium-term. As an investor we are exposed to increasing compliance burden, with financial and reputational risks for failure to respond

Our financial planning has been influenced in the following way:

- Operating costs: We acknowledge that climate data at asset-allocation and bottom-up stock picking levels is essential, as well as various industry memberships and participation. We therefore include costs for climate solutions in our ESG budget

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We use climate-related scenarios to inform our risk management framework (detailed in the following section), which in turn is one element of our business strategy.

As an investment consultant to pension schemes, we use three common reference scenarios in the Ortec Finance Climate MAPS tool (Paris-orderly transition, Paris disorderly and Paris-failed) to assess the hypothetical value to our clients' assets of various future temperate scenarios.

3.3 RISK MANAGEMENT

As a financial institution, our business is exposed to both risk and opportunity from climate change. Our risk framework enables us to identify, understand and manage all risks, include climate.

a) Describe the organisation's processes for identifying and assessing climate-related risks

b) Describe the organisation's processes for managing climate-related risks

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

The 2021 climate-related risk assessment focused on 'harm to firm', identifying and assessing climate-related risk exposures that could directly impact on RMG, and determining how these exposures should be managed.

The Group does not view the risks associated with climate change as a new risk category but rather an aggravating factor for risk categories already assessed using the Group's risk management framework. Thus, the Group's approach to the management of climate-related risk is to treat it as another risk factor to be assessed and managed using existing risk assessment tools. Both bottom-up and top-down approaches are used to identify and assess the climate-related risks it faces.

Bottom-up: Using the risk and control self-assessment process.

Top-down: A scenario analysis approach is used to explore and develop an understanding of how climate-related risks might plausibly impact the Group over time. Scenario analysis a useful tool for the identification and assessment of strategic, financial and operational risks from climate change as it can be used to take account of the various uncertainties associated with climate change.

The scenario analysis approach involves:

- Identifying the climate-related risk exposure factors that could result in a material impact for RMG taking into account transition and physical risks, and potential financial, physical and reputational impacts
- Combining the identified exposure factors to create plausible risk events that are then assessed for their impacts on RMG in three versions of the future world created by the Network for Greening the Financial System: 1. Global warming is limited in an orderly way; 2. Global warming is limited in a disorderly way; 3. Hot House world. These assessments consider short, medium and long-term time horizons
- Identifying management actions to manage risk events

Summary of Risk-Assessment Results

The most severe risks are that the Group's product offering does not meet investors' or asset owners' climate needs, or that the Group's products are deliberately misrepresented as being more climate-friendly than they are. We have put in place actions and oversight to mitigate each of these risks.

3.4 METRICS AND TARGETS

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

For climate impacts to the investment activities in the Strategy disclosure above, metrics and other data are considered as follows.

- For asset liability matching and strategic asset allocations, outputs from Ortec Finance include macro-economic and financial impacts
- For transition risk at portfolio-level and their alignment to the Paris goals, we use PACTA to understand the gap between high emission activities and low-carbon solutions, or alignment
- For transition risk at company-level, we support TPI and its metrics of management quality & carbon performance. CDP data is also referenced for current and historical periods to allow for trend analysis. For both transition and physical risk at company-level, we refer to weighted average carbon intensities, ESG research and scoring from third party providers, and other data such as CDP results and TCFD disclosures

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

As an organisation categorised by TCFD as Financial/Asset Manager, our main exposure to climate risk and opportunity is to revenue (on the income statement) and assets & liabilities (balance sheet). This exposure covers 1. GHG emissions, 2. energy, 3. water, 4. land use, 5. location and 6. risk mitigation, and applies to both ourselves as a corporate (in particular numbers 1 and 2, as detailed below) and to our investments.

We report our greenhouse gas emissions annually in accordance with the Greenhouse Gas Protocol, published by the World Resources Institute (a U.S. based environmental NGO). Calculations and reporting are performed by an independent, external sustainability consultant, Be Zero Carbon. Furthermore, as a UK listed company, we have a regulatory obligation to report GHG emissions.

GHG emissions are reported as tonnes of carbon dioxide equivalent (tCO2e) and are broken down into three scopes of operational boundaries.

- **Scope 1**: direct emissions from sources owned or controlled by the Group that release emissions into the atmosphere, for example combustion within boilers on our premises
- **Scope 2**: electricity indirect emissions from consumption of purchased power for use within our buildings
- **Scope 3**: other indirect GHG emissions, comprised of fifteen areas of activity that are a consequence of an organisation's actions. For the, Group we break Scope 3 into operational (Categories 5, 6 and 7) and financed (Category 15) emissions. Understanding our Category 15 financed emissions is a core first step in our net zero carbon commitment, and will be followed by engagement to reduce emissions, and then offsetting the remainder. We do not consider the remaining Scope 3 categories to be applicable as these are sources not owned or controlled by the Group

We quantify and report our Scope 1 and 2 emissions and voluntarily report our operational Scope 3 Indirect emissions. This content of our TCFD disclosure can be found in the carbon reporting section that follows.

c) Targets to manage climate-related risks and opportunities, and performance against targets

The Group does not yet currently set specific climate or GHG emission reduction targets.

As part of our ESG Strategy, targets, including those suggested by TCFD, shall be considered under our Environmental corporate sustainability pillar, in order to manage climate risks, save costs and prepare for upcoming regulation.

As part of our net zero asset managers commitment, a proportion of assets under management and funds will have a 50 per cent. emissions reduction target by 2030 against a 2019 baseline. This will be announced in July 2022, at one year of us making the commitment. We expect the percentage of AUM in scope to increase each year, ultimately up to 100 per cent.

4. RIVER AND MERCANTILE CARBON EMISSIONS REPORTING

4.1 OVERVIEW

This statement of carbon emissions and environmental impact is compliant with the Streamlined Energy and Carbon Reporting (SECR) requirements. It covers the following:

- Global energy use
- Greenhouse Gas (GHG) emissions relating to heating fuels, electricity and reimbursed transport expenses
- Intensity ratios
- Information relating to sustainability actions

This report covers the River and Mercantile entities located in London, Chicago, Boston, and staff working remotely.

Reporting Period: 1st July 2020 - 30th June 2021

	Scope	UK Energy Use (kWh)	GHG Emissions (tCO2e)*
Natural Gas Consumption	Scope 1	23,986.1	4.4
Purchased Electricity	Scope 2	555,638.8	147.7
Operational: Company Transport, Electricity Losses, Shipping & 'Well to Tank' (fuel) emissions.	Scope 3	-	15.1
Total		**579,624.9**	**167.2**

** Tonnes of carbon dioxide equivalent, a standardised measure of six greenhouse gases defined by the Kyoto Protocol, 1997*

Based on the emissions above, the carbon intensity of River and Mercantile is:

- 0.56 tCO2e per Full-Time Employee
- 0.0054 tCO2e per square foot of office space

Given that this is the first year that River and Mercantile is required to comply with the SECR, no reporting from previous years is included. As per SECR guidelines, any future reports will include year-on-year comparisons. Additionally, the COVID-19 pandemic led to significant changes in company operations including work-from-home policies and travel restrictions, leading to a different emission profile than would be expected during a typical operating year.

4.2 SUSTAINABILITY AND ENERGY EFFICIENCY ACTIONS

Given our Environmental sustainability pillar, we have made the following goals:

- Switching tariffs to a renewable energy provider where possible
- Conducting a green audit of the entire business, including Scope 3 emissions
- Creating posters and other visual reminders for employees to 'switch off lights when not in the room' and to 'turn off computers at the end of the working day'
- Implementing facilities management approaches in order to reduce the carbon footprint within our offices. Our offices are equipped with recycling facilities for paper and plastics and encourage conservation of water and other resources. We have water dispensers, reusable dinnerware, and dairy free alternatives to milk. We have also made efforts to reduce our printing requirements
- Various other initiatives are available. We offer the UK Government's Cycle to Work scheme, and bike storage and electric vehicle charging stations are available at some office buildings. Our travel reimbursement policy encourages staff to use public transport, where available, when attending client meetings
- Our offices all have video conferencing facilities so we can reduce travel requirements for ourselves and our clients. We use standard technology systems so that documents can be transmitted electronically

4.3 METHODOLOGY

This methodology follows the GHG Reporting Protocol, specifically under the operational control approach for all facilities controlled by River and Mercantile. All energy and GHG calculations were completed using the 2020 and 2021 UK Government GHG Conversion Factors for Company Reporting (DEFRA). Note that Scope 2 emissions were calculated using a location-based method.

The data used in this report was based on operational data gathered by River and Mercantile and prepared with the assistance of BeZero Carbon LTD.

The collected data consisted of invoices for all UK sites and employee mileage which was later reimbursed by River and Mercantile. In the case that the energy consumption was only provided by the amount of the utility bills paid, the office floor area was used to estimate energy consumption.

The total emissions attributable to River and Mercantile in compliance with the SECR guidelines were calculated to be **167.3 tCO2e** for the reporting period.

Our full operational carbon footprint for the period, beyond emissions covered by SECR, is **369 tCO2e**.

As a net zero asset manager, we hold ourselves to account in the same way as our investee companies. We have therefore commenced heading towards being a net zero firm, beyond just carbon neutrality, by taking more carbon out of the atmosphere than we put in there. This has been achieved by purchasing offsets worth **460 tCo2e** and will be followed by engagement with our staff to reduce future emissions.

As we are a UK and US based firm, we have included high quality offsets for UK reforestation projects that contribute to the UK's own net zero commitment. The other projects were selected on the basis of being located in the world's biggest emitters. There is also a focus on soil given its significant carbon capture properties and methane given the materially higher amount of heat that it traps. From BeZero Carbon's offsetting portfolio, credits from the following projects were retired:

- Afforestation in the UK: reforestation project in rural Scotland. Accredited by Woodland Carbon, with a strong regulatory environment and ongoing monitoring to mitigate risks, including permanence and reversibility risk over the 100-year time horizon
- Grassland conservation in the USA: protecting land from conversion to crops, thereby retaining the millions of tonnes of CO_2 that are stored in plants and in the soil
- Avoidance of Methane emissions from landfill in India avoids the generation of methane emissions from municipal solid and food waste through composting

CLIMATE NEUTRAL NOW

We are proud participants in the UN Climate Neutral Now initiative, which our greenhouse gas emissions reporting, reduction and accredited offsets form part of.

5. CORPORATE SOCIAL RESPONSIBILITY

5.1 MODERN SLAVERY

We are committed to preventing acts of modern slavery and the occurrence of human trafficking in our business and supply chain. We expect our suppliers to uphold human rights. We have a Modern Slavery Statement, which is available on our website, and continue to survey our largest suppliers for compliance with the Modern Slavery Act.

5.2 ANTI-BRIBERY, CORRUPTION AND ANTI-FACILITATION OF TAX EVASION

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

5.3 DATA PROTECTION / CYBER SECURITY

All employees are required to take part in a monthly online training module on cyber awareness. Employees are also subjected to random phishing simulations to test reaction to suspicious emails and web links. The Group is certified with Cyber Essentials, a Government-backed scheme designed to guard against the most common internet based cyber security threats.

5.4 COMMUNITY

The Group and its employees were collectively involved in various charitable activities in the countries in which it operates. We aim to make an impact within the communities we operate, whilst fostering a sense of community amongst employees through collaborative volunteer events as well as raising funds for charity.

We support our employees in their endeavours through a number of initiatives:

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

Risk Management

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

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

Approach to risk management

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

We take a cautious and proactive approach to risk management, recognising the importance of understanding risks to the business, and managing them effectively. We have a formal structure for managing risks across the Group comprising independent governance and oversight of risk, a risk appetite statement approved by the Board, risk management frameworks (including policies and supporting documentation) and a formalised process for providing risk reporting to the Board through the Risk Committee. We continue to invest in our risk management approach and resources.

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

Governance

The Group has established a structured approach to risk governance, ensuring an effective level of alignment between oversight and management responsibility for risk. This approach includes risk policies and standards, and executive-level risk oversight committees. The risk governance structure includes clearly defined roles and responsibilities for Board and Group Executive Committees, control functions and the accountable executives. Non-Executive Director oversight of the risk management process with respect to standards of conduct, risk management and internal control is exercised through the Risk Committee, more details of which are on page 64.

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

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

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

The *third line of defence* comprises the Group's internal assurance/audit function which has been outsourced to our selected service partner RSM Risk Assurance Services LLP. Internal audit supports the Board and executive management in protecting the assets, reputation and sustainability of the organisation by providing independent and objective assurance.

Risk appetite

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

Risk management framework

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

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

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

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

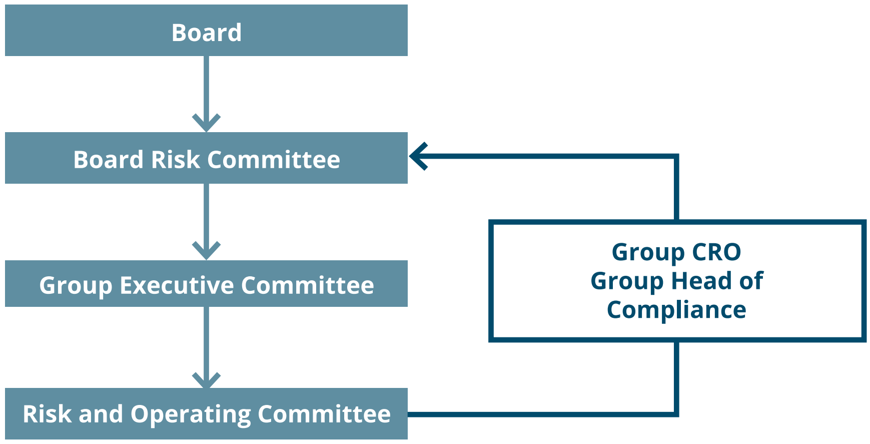
Conduct
In addition to an effective risk management framework, good conduct and clarity on the expectations around it is critical to effective management of risk. We have always considered ourselves to be a business focused on client outcomes, with conduct a core value to our thinking. We place significant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

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

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

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

Risk governance



Risk management framework

Principal Risks and Uncertainties

Principal risks	Risk management approach
Sustained market decline *The risk of a severe economic downturn and related sustained decline in asset prices.* A severe economic downturn could lead to a reduction in AUM resulting in a decline in revenue and capital levels.	The diversification of the Group's business activities reduces the impact of procyclicality, i.e. the risk of deterioration in business or economic conditions requiring a firm to contract its business when market conditions are unfavourable. During challenging economic times, advisory retainer and project revenues in RAMIL would be expected to increase in the short term as clients seek additional guidance to manage through the challenging conditions. Likewise, in strong markets the RAMAM business would be expected to experience stronger performance and growth. Revenue within our Derivatives business is largely dependent on notional under management which, unlike AUM, is unaffected by market movements. Although a severe economic downturn could impact the viability of some derivatives counterparties, we have no direct exposure to derivatives counterparties as we act as agent, rather than principal, on all derivatives transactions.
Sustained investment underperformance *The risk that our clients will not meet their investment objectives due to poor relative performance of one or more of the Group's funds over a prolonged period.* Sustained underperformance across a range of the Group's products and strategies could result in a corresponding reduction in management and performance fee revenue.	The Group has clearly defined investment processes designed to meet investment targets within stated risk parameters. The Group carries out review and challenge of investment risks and associated investment performance, independent of our fund managers, across all asset classes. Issues and areas of excessive risk are escalated to members of senior management and the Group Investment Committee as are investment performance issues. The review and challenge include seeking rationale from the fund managers for performance to ensure the appropriate due diligence has been carried out and all intended risks are being taken and managed.
People risk (loss of a senior portfolio manager) *The risk of failure to retain or attract the people critical to successfully delivering investment outperformance to our clients and all other aspects of our strategy.* The unplanned departure of a senior fund manager or a member of our leadership team could lead to significant redemptions from our funds, failure to deliver our strategy or failure to run our business efficiently, resulting in a material impact on revenue and capital levels.	The loss of a portfolio manager from RAMAM is most likely to affect the Group. The Group mitigates this risk through developed succession planning and a shared philosophy and approach that combines investment manager independence with a disciplined investment team process. This is supported by a systematic screening tool and shared analyst resource, so that reliance on individuals is reduced. Our remuneration structures provide incentives linked to individual, divisional and Group performance. They are designed to attract and retain critical staff, and to motivate and support the development of our employees.
Liquidity risk *The risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can only secure such resources at excessive cost.*	The liquidity risk management objective of the Group is to ensure that at all times it has sufficient liquidity to meet its liabilities as they fall due under both 'business as usual' and stressed conditions and without incurring losses above the applicable risk tolerance. The Group holds several classes of liquid resources. Liquid assets identified by the Group include trade debtors, other debtors, investments, cash and cash equivalents. The business is cash generative before the payment of dividends and has balances that support working capital requirements. All cash balances are held in 'on call' accounts with tier 1 ranking UK banks and are therefore immediately available. Liquidity stress testing is performed to test and examine the adequacy of the Group's overall liquidity resources, and hence allow executive management to make informed decisions and to plan appropriately for the ongoing running of the Group.
Counterparty and credit risk *The risk that clients or counterparties fail to fulfil their contractual obligations to make a payment.*	The Group deposits cash at credit institutions with high long-term and short-term credit ratings reducing the risk that the institution will default on repayment of the cash deposits. The Group has established a robust debt collection process mitigating the risk of clients defaulting on payment of fees. Additionally, the Group has the contractual right and ability to take fees from assets for many clients who incur management and advisory fees.

Failure of a critical outsourced service provider *The risk that an outsourced partner fails to provide the service required either through their own organisational failure, or through substandard performance.* Our relationships with stakeholders may be jeopardised if our outsourced partners provide inadequate service, resulting in the loss of clients or regulatory or financial censure and negative financial consequences.	Ahead of outsourcing critical operational activities, the Group performs due diligence that reflects the potential risk to our business and clients. Where the Group outsources operational activities, it chooses parties of an appropriate nature and scale who provide robust controls. All outsource partners who provide the Group with critical services are subject to ongoing oversight, giving us assurance that they meet our required standards.
Information and communication technology *The risk of critical systems or connectivity failures leading to an inability of the Group to operate for a period of time.* The unavailability of our key systems could mean we are unable to act on behalf of our clients and/ or perform other time-critical activities to ensure the smooth running of our business. This could lead to trading losses, as well as client losses and reputational damage.	The Group's information and communication technology infrastructure is hosted in secure Tier 3 data centres with a high degree of redundant power and network connections. This infrastructure is designed to be fully resilient from a disaster recovery perspective and includes diverse communications lines, near real-time data replication between geographically separated data centres and multiple network routing paths. Disaster recovery is supported by replication technology providing a copy of the production environment that can be quickly brought back in the disaster recovery data centre. Unlike traditional point-in-time backups, this enables a recovery point objective of several seconds and a recovery time objective of 'near un-interruption' for critical market facing systems, and several hours for less critical systems. This disaster recovery strategy is tested at least annually to provide assurance of its effectiveness. The most recent disaster recovery test provided a high degree of confidence in the design's ability to cope with a major disruptive event to the primary data centre.
Cyber threat *The risk that a successful cyberattack could result in the loss of Group or client assets or data or cause significant disruption to key systems.* Failure to repel successfully a significant attack could undermine stakeholder confidence in our ability to safeguard assets, which could affect our ability to retain existing clients and attract new business, and hence affect capital and revenue.	The Group adopts a multi-layered approach to cybersecurity, consisting of training, policies and cyber controls. The Group maintains physical preventions (firewalls, filters, device management, network threat detection) and best practices such as patch management to minimise the risk of successful cyberattack. Systems are subject to periodic penetration testing; the Group attained Cyber Essentials certification in January 2021. We have established a mandatory security awareness programme for all employees to extend knowledge and understanding of cyber risks within the business. Employees are regularly reminded to remain vigilant to the risk of cyberattack and periodic attack simulations are deployed across the organisation via email to further test reaction and awareness. Data back-ups are replicated to a secure offsite data centre and stored in an encrypted state. The data backups are not accessible through normal operating procedures and are therefore offline during storage.
Legal and regulatory risks *The risk of breaching, or non-compliance with applicable law and regulations, resulting in an increased level of regulatory intervention, regulatory censure and/or fines, and temporary restrictions on our ability to operate.* A breach of regulatory or legal requirements could result in fines and sanctions which could diminish the Group's reputation with clients and the market generally.	The Group promotes a strong compliance culture and requires all relevant employees to undertake training on regulatory matters. The legal and compliance functions support the business in implementing and maintaining appropriate regulatory controls, guided by relevant policies. Compliance with relevant regulatory requirements is monitored in accordance with a risk-based programme. The Group's legal and compliance functions continually monitor legal and regulatory developments to assess potential business implications. We maintain active dialogue both with our clients and with regulatory bodies so that we can adapt our business model and strategy accordingly. The compliance function operates processes and controls to ensure the timely and accurate submission of information to the Financial Conduct Authority.

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

Viability Statement

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

The Directors reviewed the previous viability assessment period of three years and have extended the Group's planning period to five years for the 2021 year-end assessment. The extended five-year period is considered appropriate as it most closely corresponds to the planning horizons and management information currently used within the Group.

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

Consequently, a range of scenarios have been examined which include both market, commercial and operational stresses to the Group.

The core scenarios have been prepared on the basis that the announced sale of the Solutions business completes during the 2022 financial year. The sale will result in a materially different shaped group which will initially be loss making on a run rate basis. The Directors have considered a range of factors that may affect the viability of the remaining Group including but not limited to;

- It's initial loss-making position, the steps that will be required and the execution of its strategy to move to profitability
- It's less diversified client base, the risk of client losses and greater exposure to equity markets
- The impact of the above factors under stressed scenarios including a significant equity market downturn
- The early stage of its infrastructure business
- The importance of retention of key staff in our people business
- The resultant increase in the Group's liquidity and capital base from the proceeds of the sale and the likely return of capital to shareholders in 2022; and
- The Company's anticipated dividend strategy.

As the sale hasn't completed at the date of this Annual Report the viability of the Group was also assessed assuming the sale doesn't proceed.

The impact of market events on asset values and investment performance was modelled, and the second-order impact on AUM flows was assessed with reference to historical industry experience and subjected to senior management review. The impact of cost increases and savings was assessed based upon known expenditure at current operational levels and the levels of additional resource required and potential efficiencies. Management actions to reduce costs or otherwise protect regulatory capital, cash or profits were subject to challenge to ensure actions were feasible, both in scope and timing. The Group's balance sheet, cash and regulatory capital positions in each scenario were modelled by applying known historical behaviours (such as invoicing timing and frequency, average debtor payment days) and adjusting for any expected impact arising from the stress scenarios.

As a result of this testing the Group remained viable and able to withstand the financial impact of a range of adverse scenarios. The nature of the viability testing is that the scenarios chosen should be severe. Where appropriate, the Group has controls and processes in place to reduce the impact of negative events occurring. The Board receives regular risk management reporting updates to allow it to assess the effectiveness of the controls in place.

The Section 172 statement set out on page 54 is incorporated by reference into the Strategic Report and forms part of the Strategic Report. Pages 3 to 37 constitute the Strategic Report which was approved by the Board on 4 November 2021 and signed on its behalf.

James Barham
Group Chief Executive

Simon Wilson
Chief Financial Officer

Governance

Board of Directors

Jonathan Dawson
– Chairman

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

Tenure: Four years

Career and experience: A graduate of the universities of St Andrews and Cambridge, Jonathan started his career in the Ministry of Defence before joining Lazard, the investment bank, where he spent over 20 years. He left Lazard in 2005 and co-founded Penfida Limited, the leading independent corporate finance advisor to pension fund trustees. Jonathan previously served as Senior Independent Director and Chair of the Remuneration Committee of Next plc. Jonathan has also chaired three pension scheme boards of trustees. Other previous appointments include, Non-Executive Director of Galliford Try plc, National Australia Group Europe Limited and Standard Life Investments (Holdings) Limited. Most recently Jonathan served as Senior Independent Director and Chair of the Audit and Risk Committee of Jardine Lloyd Thompson Group plc.

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

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

Martin Gilbert
– Deputy Chairman

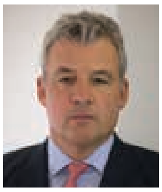
Appointment: Martin was appointed to the Board on 6 January 2021. Martin sits on the Nomination, Remuneration and Audit Committees.

Tenure: Less than one year

Career and experience: Martin co-founded Aberdeen Asset Management in 1983, leading the company for 34 years and overseeing its 2017 merger with Standard Life. He is Chairman of Revolut Limited, Senior Independent Director at Glencore, Chairman of Toscafund and ASSETCO PLC and Saranac Partners. Until November 2019, he was Chairman of the UK's Prudential Regulation Authority's Practitioner Panel and was Deputy Chairman of the Board of Sky PLC until 2018. Before this he was the Chairman of FirstGroup. In 2015, he was ranked no. 22 of the Harvard Business Review's 900 top performing CEOs in the world. Martin holds an LLB from the University of Aberdeen and an MA in accountancy. He qualified as a Chartered Accountant with Deloitte.

Current external appointments: Martin sits on the Board of ASSETCO plc, Toscafund, Revolut and Glencore plc as detailed above. In addition, Martin sits on the Boards of a number of listed investment trust funds, positions he has continued to hold following his retirement from Aberdeen Standard Life, alongside a number of other directorships.

Skills and competencies: Martin brings substantial experience and knowledge of the financial services and asset management sector. He is also a co-founder and then Chief Executive of Aberdeen Asset Management plc which became one of the world's leading independent asset managers under his leadership.



James Barham
– Group Chief Executive

Appointment: James was appointed Group Chief Executive of River and Mercantile Group PLC in July 2019. He has been a Group Board Director since the IPO in 2014.

Tenure: Seven years as an Executive Director of which two years as Group Chief Executive.

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

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

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

James Barham
– Group Chief Executive (continued)
Skills and competencies: Having founded RAMAM 15 years ago, James has served on the Board since the IPO of the Company and brings not only extensive experience and knowledge of the Group combined but significant asset management industry expertise and commerciality to his leadership of the Group. James has set out a clear vision and strategy for the Group over the next five years and has undertaken a substantive refresh of his senior management team which is critical to the Company's long-term sustainable success.

Simon Wilson
– Chief Financial Officer
Appointment: Simon was appointed to the Board as an Executive Director and Chief Financial Officer on 19 May 2020.
Tenure: One year
Career and experience: Simon is a Chartered Accountant and has over 20 years' experience in asset management and the financial services sector gained in senior financial roles. Prior to joining, Simon spent five years as Group Finance Director for the Topland Group, one of the UK's largest privately owned investment groups which focuses on real estate, hotels, healthcare and the provision of equity and debt finance. He qualified as a Chartered Accountant at Deloitte in its financial services assurance department in London and moved to Hawkpoint, the M&A advisory business, where he advised on public and private transactions, capital raises and IPOs in the financial services and mid-market sectors. From Hawkpoint he joined the financial services investment group, Pacific Investments, where he spent twelve years, latterly as Managing Director of Corporate Finance and Chief Operating Officer of fund management. While at Pacific Investments, Simon represented Pacific's interests in RAMAM from its formation in 2006 until its merger in 2014 prior to the IPO of the Company.
Current external appointments: Simon has no external appointments.
Skills and competencies: Simon has significant financial experience, having held a number of senior financial roles. This, combined with his asset management experience and previous knowledge of the Group's asset management business, allows him to bring in-depth expertise on a broad range of relevant areas to the Board. Simon's contribution to the Board and senior management team is key to the long-term sustainable success of the Company.

Angela Crawford-Ingle
– Senior Independent Non-Executive Director
Appointment: Angela was appointed to the Board on 29 May 2014. Angela is Chair of the Company's Audit Committee, the Senior Independent Director and additionally sits on the Remuneration, Nomination, Group Board Investment and Risk Committees.
Tenure: Seven years
Career and experience: Angela is a Chartered Accountant with extensive audit experience of multinational and listed companies. Angela was a Partner in PricewaterhouseCoopers specialising in financial services for 30 years during which time she led the insurance and investment management division and retired in 2008. In previous roles, Angela served as a Non-Executive Director of Beazley plc and Swinton Group Limited and Audit Chair at Openwork Holdings Limited.
Current external appointments: Angela is a Non-Executive Director and Audit Chair of Lloyds of London and Audit Chair at TP ICAP plc.
Skills and competencies: As a qualified Chartered Accountant, Angela brings substantial industry, and technical financial experience to the Board. Angela contributes scrutiny and oversight to the Board, drawing on her experience of audit and advisory work to multinational and listed companies. Her previous roles as Non-Executive Director of Beazley plc and Swinton Group Limited and Audit Chair of Openwork Holdings Limited cement her extensive financial services sector experience. As reflected in her current appointments, Angela has significant experience as a Non-Executive Director and audit committee chair of major financial services institutions. Angela's audit and industry experience allow her to bring a financial and strategic outlook on diverse subjects in support of the Board and its Committees. Her considerable knowledge and experience continue to be an important contribution to the long-term sustainable success of the Company.

John Misselbrook – Independent Non-Executive Director

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

Tenure: Three years

Career and experience: John has extensive financial services and non-executive experience. John has over 40 years' experience in financial services and was the Chief Operating Officer of Baring Asset Management Limited for 11 years. John was formerly the Chairman of Aviva Investors and Non Executive Director and Chair of the Risk and Remuneration Committees of Brown Shipley & Co. Limited.

Current external appointments: John currently serves as the Chair of Hargreaves Lansdown Fund Managers Limited and Chair of JPMorgan China Growth and Income plc.

Skills and competencies: John brings extensive financial services experience to the Board. He has a deep understanding of operations, compliance, risk and investment management which are important in his roles as Chair of the Risk Committee and Chair of the Group Investment Committee. The Group works within the highly regulated environment of financial services and his skills and experience are valuable to the sustainability and long-term success of the business.

Miriam Greenwood – Independent Non-Executive Director

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

Tenure: Two years

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

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

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

Corporate Governance Report

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

Compliance with the UK Corporate Governance Code

The Board recognises the key value of good corporate governance in ensuring the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. Good corporate governance is critical to the successful management of a sustainable business. Accordingly, we are committed to the principles of corporate governance contained in the UK Corporate Governance Code (the Code), issued by the Financial Reporting Council in July 2018, which can be found on the FRC website at www.frc.org.uk/directors/corporate-governance-and-stewardship.

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

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

Board leadership and Company purpose Provides shareholders with information on the Board, an overview of the work undertaken to promote the long-term success of the Company and how the Board has considered stakeholders' interests.	See pages: 43 to 45 and pages 54 to 57
Division of responsibilities Provides shareholders with information on the division of responsibilities between the leadership of the Board and the executive leadership of the business, and the effective operation of the Board.	See page 44
Composition, succession and evaluation Provides an overview of the Board evaluation process and includes the report from the Nomination Committee on its work during the year on Board composition and succession planning.	See page 45 and Nomination Committee Report on page 58
Audit, risk and internal control Provides a report from the Group's Audit and Risk Committees on their work during the year to oversee the Company's external and internal audit, the integrity of the financial statements, risk management, oversight of the internal controls framework and determining the nature and extent of principal risks the Company is willing to take in order to achieve its long-term strategic objectives.	Audit Committee Report page 60 Risk Committee Report page 64 Principal risks pages 34 to 36
Remuneration Provides a report from the Remuneration Committee on the work of the Remuneration Committee to oversee the Group's remuneration practices ensuring that they are linked to the successful and sustainable delivery of the Company's long-term strategy.	See page 67

Board and Committee member attendance for the period ended 30 June 2021

Director	Board quarterly	Board ad hoc	Audit	Risk	Remuneration	Nomination	Investment
Jonathan Dawson	6/6	11/11	n/a	n/a	n/a	4/4	n/a
James Barham	6/6	11/11	n/a	n/a	n/a	n/a	n/a
Martin Gilbert (appointed 6 January 2021)	2/2	5/5	3/3	n/a	2/3	4/4	n/a
Angela Crawford-Ingle	6/6	11/11	7/7	6/6	6/8	4/4	4/4
Miriam Greenwood	6/6	11/11	6/7	5/6	8/8	4/4	4/4
John Misselbrook	6/6	11/11	7/7	6/6	8/8	4/4	4/4
Simon Wilson	6/6	11/11	n/a	n/a	n/a	n/a	n/a

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

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

Leadership

The Board has provided the Group with entrepreneurial leadership and is responsible for the long-term sustainable success of the Group for the benefit of its shareholders. The Board has regard for other stakeholders, including employees, clients, suppliers and wider society. Further details of the Board's consideration of its stakeholders are set out in our Section 172 Statement on page 54.

Strategy

The Board reviewed the strategy of the Group at Board meetings where strategy papers presented by the Executive Directors and the Group's corporate advisors, Lazard and Fenchurch Advisory were considered and discussed by the Board. Sufficient time was allocated in each presentation for questions and discussion by the Board. The Board has engaged with major shareholders on the strategic direction of the Group.

As a result of this strategic review, and the receipt of indications of interest from third parties in the Group's Solutions business, the Board commenced an auction process for the sale of the Solutions business. The generation of value for shareholders and the interests of stakeholders have been key areas of focus for the Board when considering the strategy of the Group.

During the course of conducting its strategic review, the Board has considered the resources required to execute the change in strategy and the Group's strategic growth plans and the opportunities and risks to the future success of the business.

The Board received regular reports on product development and received detailed presentations when considering requests for seed funding for new products, such as the R&M European Fund, or the launch of new businesses, such as the Infrastructure business.

Risk

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

- the Risk Appetite Statements;
- Operational Risk Scenario Analysis;
- the ICAAP;
- The Group's prudential requirements, including the migration to ICARA process and requirements;
- the principal risks, emerging risks and uncertainties facing the Company; and
- an enhanced suite of risk policies.

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

Reward

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

- the annual performance objectives for the Executive Directors;
- the evaluation of the performance of the Executive Directors against their objectives and the variable remuneration outcomes;
- the remuneration arrangements relating to the appointment of Alex Hoctor-Duncan;
- the remuneration arrangements for the workforce, including variable remuneration pools and arrangements, base salary increase and the vesting of share awards; and
- the remuneration arrangements related to the sale of the Solutions business and retention arrangements for certain key employees.

Governance

During the year, the Board has undertaken a review of the Group's strategy which has led to the decision to sell the Solutions business. The challenge, governance and oversight of the Board has contributed to the delivery of the changes agreed in the review of the Group's strategy. The Executive Directors implement the Group's strategy through engagement with the senior management of the Group and the boards of directors of the respective operating subsidiaries.

Culture

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

Understanding our employees' views is an important element of monitoring and assessing the Group's culture and ensuring that the Group's values are embedded across the organisation. The Board has reviewed the results of the 2020 staff survey. The Chair of the Remuneration Committee, who is the Non-Executive Director designated by the Board to engage with the workforce, reported on the matters discussed at the employee engagement forum.

Division of responsibilities

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

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

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

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

The NEDs:

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

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

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

Board composition

As at 30 June 2021, the Board comprised seven Directors: the Chairman, the Deputy Chairman, who is an independent NED, three independent NEDs and two Executive Directors. At least half of the Board, excluding the Chairman, comprises of independent NEDs. The Group continues to drive diversity and inclusion at all levels. The Company complied with the Hampton-Alexander Review target of 33 per cent. female representation on the Board until 6 January 2021 following Martin Gilbert's appointment to the Board. As detailed in the Nomination Committee Report, Martin's wealth of asset management experience, industry profile and potential to contribute to the long term success of the Company outweighed considerations of diversity and no other candidates were considered for this role.

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

All Directors are subject to annual re-election at the Company's AGM. Details of the reasons why each Director's contribution is and continues to be important to the Company's long-term sustainable success is set out on pages 39 to 41 alongside the Directors' biographies.

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

Independence

Martin Gilbert, Angela Crawford-Ingle, Miriam Greenwood and John Misselbrook have been determined by the Board to be independent. The Board has determined that each NED is independent in both character and judgement. Save as disclosed below, there are no relationships or circumstances which are likely to affect or appear to affect the NEDs' judgement or independence.

The Board considers Martin Gilbert to be independent. While Martin owns a minority stake in one of the Group's shareholders, AssetCo plc, Martin does not represent this shareholder on the Board and his ownership of AssetCo plc shares has not been determined to impair his independence.

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

Conflicts of interest

The Board takes action to identify and manage conflicts of interest. Where conflicts of interest arise, the relevant Director declares his or her interest in the matter and the Director recuses himself or herself and does not participate in the related decision.

Appointments to the Board

The Board has established a Nomination Committee to lead the process for Board appointments and to consider the balance of skills, experience and knowledge on the Board. The Nomination Committee ensures that there is a formal and rigorous process for appointments to the Board. Details of the work of the Nomination Committee are set out in the Nomination Committee Report on page 58.

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

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

Commitment

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

Each NED's letter of appointment sets out the time commitment required for the role. As part of the Nomination Committee's appointment process other significant commitments of candidates are considered and any new appointments or significant interests are required to be approved by the Nomination Committee. The Nomination Committee report on page 58 describes the work undertaken by the Committee to provide oversight of these matters.

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

Operation of the Board

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

The Board attendance of the Directors is set out in the table on page 43.

At each quarterly Board meeting, a report from the Group Chief Executive and Chief Financial Officer is typically tabled. The Chairman of each Board Committee reports on its activities since the last Board meeting.

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

All Directors have access to the Company Secretary's services and advice. The appointment and removal of the Company Secretary is a matter reserved for the full Board.

Committees

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

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

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

Performance evaluation

The evaluation of the performance of the Board, its Committees, the Chairman and Directors is undertaken annually. The internal Board and Committee evaluation process is coordinated by the Company Secretary. The evaluation process involves the completion of questionnaires collated by the Company Secretary and a series of one-to-one meetings with the Chairman. The evaluation process seeks individual Director's assessments of the Board's effectiveness including strategy development, culture, the decision-making process, Board relationships, information flows and the operation of the Board Committees.

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

The Chairman did not consider an externally facilitated board evaluation to be appropriate for the financial year ending 30 June 2021 due to the focus on the strategic review of the activities of the Group. This will be reviewed in the next financial year.

Views of shareholders

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

2020 AGM vote

At the Company's Annual General Meeting (AGM), held on 14 December 2020, all resolutions were successfully passed with the requisite majority. The Directors' Remuneration Policy (the Policy) and Value Transformation Plan (VTP) were approved at the AGM with broad shareholder support of 62.2 per cent. of votes in favour and 63.1 per cent. of votes in favour respectively. However, in light of the votes of shareholders against the Policy and VTP, the Company announced that it would continue its dialogue with shareholders.

Having already extensively consulted with shareholders prior to the AGM, the views of major shareholders on the VTP are clearly understood and as such there has been no further shareholder consultation on this matter.

Following the AGM, the Company has continued to communicate with its major shareholders, including those who voted against the Policy and VTP, on a range of matters. While the Company will continue to engage with its shareholders on matters, including its remuneration arrangements, no further action has been taken on the Policy and VTP.

Explanation of non-compliance with the Code

Provision 18 of the Code in part requires that additional external appointments should not be undertaken without the prior approval of the Board. Our approach is such that external appointments are cleared with the Chairman and then considered by the Nomination Committee. We consider this to be a robust process and all external board appointments are reviewed to ensure that Directors are able to dedicate sufficient time to the Group.

The Nomination Committee notes that Martin Gilbert has a number of significant external appointments and has balanced this against the experience and expertise in asset management that Martin brings to the Board and his potential to contribute to the long-term success of the Company. The Nomination Committee will continue to monitor Martin's time commitments to his various roles and that of the Board.

Provision 38 of the Code states that pension contribution rates for Executive Directors should be aligned with those available to the workforce. While Simon Wilson's rate of pension is aligned with the workforce, James Barham's pension contribution aligned with the workforce from January 2021 in accordance with the Directors' Remuneration Policy. Alex Hoctor-Duncan's rate of pension will be aligned with the workforce.

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).

Jonathan Dawson
Chairman of the Board

Directors' Report

The Directors present their report and the Group's audited financial statements for the year ended 30 June 2021.

Principal activities and business review

The Company's principal activity is to act as a holding company for a group of investment advisory and management companies. The Company is a public limited company incorporated in England and Wales under registered number 04035248. The Group operates principally in the UK and has a trading subsidiary in the US. One of the Group's trading subsidiaries is registered as a foreign registered entity in Australia. A review of the business is set out in the Strategic Report on pages 5 to 7.

Board of Directors

The Directors of the Company at 30 June 2021 are set out below. Their biographies are set out in the Governance section on pages 39 to 41.

Director	Date of appointment
James Barham	27 March 2014
Angela Crawford-Ingle	29 May 2014
Jonathan Dawson	1 October 2017
Martin Gilbert	6 January 2021
Miriam Greenwood	28 May 2019
John Misselbrook	16 February 2018
Simon Wilson	19 May 2020

In accordance with the Company's Articles of Association and best practice set out in the Code, all continuing Directors will offer themselves for re-election at the AGM, with the exception of Martin Gilbert, who will be standing for election, as this is the first AGM since his appointment. Alex Hoctor-Duncan will join the Board as an Executive Director on 28 November 2021 and will stand for election at the AGM. Alex's biographical details are set out in the Notice of AGM.

Directors' interests

Directors' interests in the shares of the Company are disclosed in the Directors' Remuneration Report on page 75. No Director had a material interest in any significant contract (other than a service contract) with the Company or any subsidiary company at any time during the year.

Statement of Directors' responsibilities

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

Conflicts of interest

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

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

Directors' indemnities and insurance

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

The Company's Articles of Association permit the provision of indemnities to the Directors. In accordance with the Articles of Association, qualifying third-party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during the year to 30 June 2021 and up to the signing of the Annual Report.

Directors' service agreements

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

Non-Executive Directors' letters of appointment

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

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

Compensation for loss of office

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

Change of control

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

Management report

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

Dividends

The Directors have proposed a final dividend of 3.32 pence per ordinary share (2020: 2.34 pence) of which 1.06 pence is a special dividend relating to net performance fees. Payment of this dividend is subject to approval by shareholders at the Company's 2021 AGM and, if approved, will be paid on 31 December 2021 to shareholders on the register at the close of business on 10 December 2021.

Capital structure and voting rights

As at 30 June 2021, there were 85,453,634 ordinary shares of 0.003 pence each. Each share in issue is listed on the Official List maintained by the FCA in its capacity as the UK Listing Authority.

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

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

At the 2020 AGM, the Company was granted the authority to buy back its own shares up to a maximum of 8,540,346 shares. There have been no share buy-backs during the period. The Company does not hold any shares in treasury.

Shares held in an employee benefit trust (EBT)

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

The Company's EBT is operated by Apex Financial Services (Trust Company) Limited. During the reporting period, the trustee of the EBT purchased 209,000 shares. As at 30 September 2021, the EBT held 1.9 per cent. of the total issued share capital of the Company.

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

Auditors

BDO LLP, the external auditors of the Company, have advised of their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming AGM. The Audit Committee report considers the independence of the auditors on page 62.

Audit information

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

Substantial shareholdings

As at 30 September 2021, the Company had received the notifications of control of 3 per cent. or more over the Company's total voting rights and capital in issue in accordance with DTR 5 as set out below:

	Number of ordinary shares	% of total issued share capital
Punter Southall Group	17,242,703	20.18
Premier Miton Investors	6,491,443	7.60
Aberdeen Standard Investments	6,433,403	7.53
Unicorn Asset Management	5,595,000	6.55
AssetCo Plc	5,000,000	5.85
Sir John Beckwith	4,252,163	4.98
Aviva Investors	4,213,705	4.93
Mike Faulkner	4,063,071	4.75
Jupiter Asset Management	2,798,352	3.27
Chelverton Asset Management	2,775,000	3.25

Disclosure of information under listing rule 9.8.4R

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

Information	Location
Interest capitalised	Not applicable
Shareholder waiver of dividends	See section above of Directors' Report – Shares held in an EBT
Shareholder future waiver of dividends	See section above of Directors' Report – Shares held in an EBT
Agreements with controlling shareholders	Not applicable
Provision of services by controlling shareholder	Not applicable
Details of long-term incentive schemes	Remuneration Report page 72
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Significant contracts with directors or controlling shareholders	Not applicable
Non pre emptive issues of equity for cash	Not applicable
Non pre emptive issues of equity for cash in relation to major subsidiary	Not applicable
Participation by parent of a placing by a listed subsidiary	Not applicable
Publication of unaudited financial information	Not applicable

Going concern

The Strategic Report discusses the Group's business activities, together with the factors likely to affect its future development, performance and position. The Group has access to the financial resources required to run the business efficiently and has a strong cash position. The Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements and have accordingly prepared the Group and parent financial statements on a going concern basis. Please refer to the Viability Statement on page 37 for further details.

Statement of viability

In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over a longer period than the twelve months as required by the Going Concern provision. Details of the assessment can be found on pages 37 and 62.

Political donations

The Group made no political donations or contributions during the year (2020: £nil).

Events after the reporting period

On 26 October 2021 the Group announced that it has entered into a contract with the Schroders Group to acquire its Solutions business. This announcement does not have a material impact on the financial results as presented however will impact the future operations of the Group.

With the exception of the event mentioned above since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

The Board of Directors have declared a second interim dividend of 4.48 pence per share, of which 1.59 pence is a special dividend and relates to net performance fees. The second interim dividend will be paid on 10 December 2021 to shareholders on the register as at 19 November 2021. The ex–dividend date is 18 November 2021.

The Board of Directors have also proposed a final dividend for the year ended 30 June 2021, subject to approval by shareholders at the Group's AGM on 13 December 2021, of 3.32 pence per share, of which 1.06 pence is a special dividend and relates to net performance fees.

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 32 to 36 and this information accordingly is incorporated into this report by reference.

Future developments

Details on the likely future developments for the Group can be found in the Group Chief Executive's Statement on pages 6 and 7.

GHG emissions and SECR

Details on the GHG emissions and the SECR compliance of the Group can be found on page 30.

Corporate governance statement

DTR 7.2.1 requires that the Group's disclosures on corporate governance be included in the Directors' Report. This information is presented on page 42 in the Corporate Governance Report and is incorporated by reference into this Directors' Report and is deemed to form part of this report.

Employee engagement

The Group holds regular all-employee virtual Townhall meetings, which are recorded and made available to employees who are unable to attend or are based outside of the UK. These Townhall meetings provide employees with information about the performance of the Group and other matters of concern to employees. Employees are able to ask members of senior management and Executive Directors questions at Townhall meetings. The Group encourages employee participation in its SAYE Scheme. Further details of the Group's approach to its employees are set out in the Our People section and the Company's Section 172 Statement.

Internal control and risk management

Details of how the Board monitor the Group's internal control and risk management approach can be found in the Risk Management section of the Strategic Report on pages 32 to 33.

AGM

The AGM will be held on 13 December 2021, starting at 9am. The Notice of Meeting convening the AGM will be circulated to all shareholders at least 20 working days before the AGM and will set out the details of the resolutions to be proposed at the AGM. The Notice of Meeting will be available on the Company's website at www.riverandmercantile.com.

Approval of annual report

The Corporate Governance Report, the Strategic Report and the Directors' Report were approved by the Board on 4 November 2021.

By order of the Board

Sally Buckmaster
Group Company Secretary

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements and have elected to prepare the Company financial statements in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IASs in conformity with the requirements of the Companies Act 2006, 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;
- prepare financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union; and
- prepare a Directors' report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board is satisfied that the assets of the Company are safeguarded and protected from fraud and other irregularities.

Website publication

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

Directors' responsibilities pursuant to DTR4

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

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

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

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

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

This Responsibility Statement was approved by the Board on 4 November 2021.

By order of the Board

Sally Buckmaster
Group Company Secretary

Our Stakeholders: Section 172 Statement

Duty to promote the success of the Company

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

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

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

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

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

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

Our key stakeholders	How we engage with them
Shareholders The ongoing support of our shareholders is vital in helping us deliver our long-term strategic objectives and the profitable growth of the business.	The Board engages with the Company's shareholders in a number of ways. Our AGM is held in December annually and allows shareholders the opportunity to engage directly with the Board. All Directors attend the AGM and are available to answer shareholder queries. Due to the COVID-19 restrictions, our last AGM was virtual and shareholders were provided with an email address to send in their questions to the Board in advance of the AGM. The Company Secretary collates shareholder and proxy voting agency feedback provided in advance of the AGM and circulates this to the Board for consideration. The Group Chief Executive and Chief Financial Officer regularly meet (in person and virtually) the Company's major shareholders to discuss the financial performance of the Company. The Chairman, and on occasion the Senior Independent Director, meet major shareholders without the Executive Directors present to permit direct feedback. During the past year, the Chairman has met with a number of major shareholders to understand their views on the strategic direction of the Company. The Chair of the Remuneration Committee met with the Company's major shareholders to discuss the Remuneration Policy and Value Transformation Plan.
Clients Our clients are the people and firms that entrust us with the investment of their assets. We focus on understanding our clients' needs and developing relevant solutions and products to meet those needs.	Our client services, distribution, investment consulting and investment management teams all maintain contact with our clients through regular meetings, reporting and written communication. We continue to evolve the manner in which we engage with clients with a greater emphasis on virtual communication to address client's evolving investment and governance needs. Client engagement activities are reported to the Board regularly by the Group Chief Executive and the Group's Global Head of Distribution. The Group Chief Executive and members of the senior management team meet directly with key clients. To support engagement with our clients, we have invested in and implemented a new client relationship management platform. A client satisfaction survey was undertaken this year in the Solutions business to further understand the views of our clients and to ensure that we continue to meet our clients' expectations. We have responded to our clients' increasing focus on ESG matters through our commitment to key industry initiatives, such as the Net Zero Asset Managers Initiative, the hire of a Group Head of ESG and our increased focus on the delivery of sustainable investment outcomes.

Our key stakeholders	How we engage with them
People Our people are critical to the success of the Group. It is imperative that the Board engages effectively with employees. It is of the utmost importance to the Board that we have a culture that attracts and retains talented employees. We value our diverse workforce and seek inclusion at all levels.	We engage with our employees regularly through senior management communications and quarterly virtual Townhall presentations. Our Group Chief Executive writes to all employees on a regular basis and virtual Townhalls have been held to allow employees to raise concerns directly using an online platform. At each senior management meeting, the Group HR Director provides an update on HR matters, including matters relating to staff wellbeing and health. Following the Government's removal of COVID-19 restrictions, our offices are now fully open and a flexible working plan is being trialled. A staff survey was conducted in October 2020 and following the results of the survey senior management worked together with HR and employees on action plans focusing on purpose and career development. We invest in our people through training and support a number of employees who are undertaking professional qualifications, by offering study leave and paying tuition fees. All employees are required to undertake mandatory compliance training. Focus has been directed on diversity and inclusion and hiring managers have received unconscious bias training and diversity and inclusion training has been provided to employees. In addition to support provided through the Group's employee assistance programme, the Company has a number of trained mental health first aiders. Miriam Greenwood, the Chair of the Remuneration Committee, is the Director responsible for employee engagement. Miriam attends Group induction days for new employees and the rest of the Board attends by invitation. Miriam hosted a virtual employee engagement forum this year, where employees from across the Group, at a range of levels of seniority, were invited to attend and participate in discussions on topics, including Board interaction with employees, management communication, working practices and our employees' experience of working remotely during the COVID-19 pandemic. The matters raised and discussed in the forum were then reported by Miriam to the Board on an anonymous basis. Our Remuneration Committee reviews and considers the overall Group wide employee pay trends, has oversight of the various bonus pools and approves the remuneration of the Group's senior management and Executive Directors. The Risk Committee receives a quarterly report from the Group HR Director on the working environment which includes data on new joiners, leavers and employee wellbeing.
Suppliers and service providers Our suppliers and service providers include outsourced third-party service providers such as our IT service provider, payroll administrator and middle and back office support function, and other key third-party service providers. Their services and support are vital in helping us deliver our services to our clients, pay and support our employees and to grow our business, including being key to us being able to meet our regulatory obligations.	The Group is committed to the highest standards of business conduct. Each business area is responsible for the day to day contact with our third-party service providers. We ensure that there is an appropriate framework of oversight of our key third-party suppliers. Regular meetings are held with key third-party service providers and issues escalated to Fran Fahey, Group Chief Operating Officer, where required. The Risk Committee receives quarterly papers on the Group's outsourcing and third-party supplier risks prepared by the Chief Risk Officer.

Our key stakeholders	How we engage with them
Regulators The Group operates in the UK, US and Australia and is therefore subject to the oversight of various regulators. We have a conduct-led culture that encourages our people to act with integrity at all times.	We engage with our regulators primarily through our Group compliance function by way of regular mandatory reporting as well as any ad hoc interactions required by our regulators. We are open and co-operative with our regulators and take our regulatory responsibilities seriously. The Group's Head of Compliance and the Chief Risk Officer attend the Risk Committee meetings and report on the Group's regulatory and compliance matters, interaction with regulators and the risk management framework. The Risk Committee receives a regular report on conduct and culture and a quarterly compliance report covering compliance matters for both UK regulated subsidiaries and the US regulated subsidiary. In the UK, the relevant Financial Conduct Authority (FCA) "Dear CEO" letters are circulated to the Board for review.
Community and environment We aim to make a difference through the things that we do, including charitable work, carbon offsetting and the stewardship of our clients' assets.	The Board considers the impact of our operations on the community and environment. ESG has been a key area of focus over the past year. The Group's ESG Committee co-ordinate the Group's ESG and corporate responsibility activities and a Group Head of ESG has been appointed to further strengthen this area. The Group has signed up to the Net Zero Asset Managers Initiative and the Solutions business will sign up to the Net Zero Investment Consultants Commitment and support the goal of net zero greenhouse gas emissions by 2050 for all clients. The Group has been a signatory to the UN PRI since 2019 and continues to report on its approach to responsible investment. As the Group comprises regulated investment firms, we take our role as custodians of our clients' assets very seriously. Considerations of our role as stewards and an evolving understanding of stewardship are consistent with our clients' investment needs and expectations. Both of the Group's regulated UK subsidiaries have been accepted by the FRC in its first wave of signatories to the UK Stewardship Code 2020. The Board's Investment Committee has discussed the evolving approach to sustainable investing and the launch of sustainability focused investment products. The Group, on behalf of its constituent companies, calculates its carbon emissions annually and offsets its carbon emissions. The Group expects to be certified as carbon neutral. Further details of our approach to sustainability and corporate responsibility can be found on pages 24 to 31. Highlights include the Group's stewardship activities, charitable donations and activities, and increased consideration of the positive steps to improve the environment.

Nomination Committee Report

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 43):

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

Role and responsibilities

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

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

Committee membership

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

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

Committee focus for FY2021

The Nomination Committee focused on the appointment of Martin Gilbert as the Group's Deputy Chairman and the recruitment and appointment of Alex Hoctor-Duncan as an Executive Director responsible for strategic development. Alex Hoctor-Duncan will join the Board on 28 November 2021.

Appointment of Martin Gilbert

Following engagement with our largest shareholder, the Committee and Board decided to appoint Martin Gilbert as Deputy Chairman. Martin has brought substantial experience and knowledge of the asset management industry to the Board. Martin's expertise has been drawn on by the Board during its review of the Group's strategy and its focus on delivering shareholder value.

In light of Martin's significant experience, knowledge and industry profile coupled with his desire to join the Board to bring about strategic change, the Committee did not use open advertising or an external search consultancy.

The Committee and Board considers Martin Gilbert to be independent. While Martin owns a minority stake in one of the Group's shareholders, AssetCo plc, Martin does not represent this shareholder on the Board and his ownership of AssetCo plc shares has not been determined to impair his independence.

Recruitment and appointment of Alex Hoctor-Duncan

During the first quarter of 2021 the Committee considered questions around medium term succession planning with regard to our Executive Directors. The Committee concluded that it was appropriate to augment the executive capability of the Group through the recruitment of a new Executive Director with appropriate broad experience in the asset management sector.

Following careful consideration of the role and our requirements, I met with Alex Hoctor-Duncan to assess his potential suitability for the role and subsequently the Committee interviewed him. In the light of the Committee's assessment of Alex Hoctor-Duncan, the Committee instructed Russell Reynolds to provide a comprehensive analytical report on him reviewing his strengths as well as providing an assessment of those areas where he had less experience, areas for training and development, and areas for board level coaching. In light of the report, which was carefully considered by the Committee, a recommendation was made to the Board to appoint Alex Hoctor-Duncan as an Executive Director responsible for strategic development.

Commitments

The Committee keeps under review each Director's external appointments to ensure they have sufficient time to dedicate to their duties. As part of the Committee's appointment process, other significant commitments of candidates are considered. Any new appointments or significant interests are required to be approved in advance by the Committee. When considering the approval of any new appointment or interest, detail of the estimated time commitments of the proposed new role are provided to the Committee for consideration. The Committee is satisfied that all Directors have sufficient time to meet their Board responsibilities.

Board skills and experience

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

Board evaluation

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

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

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

Appointments to the Board and diversity

Appointments to the Board are made on merit and are based on an evaluation of the skills and relevant sectoral experience of the candidates. The Committee recognises that diversity leads to better decision-making and improved overall performance. Diversity is more than gender – as such the Committee is cognisant that a combination of demographics, skills, experience, race, age, gender, educational and professional background, and other relevant personal attributes on the Board is important in providing a range of perspectives, insights and challenge needed to support good decision-making. The Board has not formally documented its policy on diversity to date, however the Committee continues to consider diversity when reviewing Board composition. The gender balance of those in senior management and their direct reports and further information on the Group's approach to diversity is set out on page 22 of the People Report.

Jonathan Dawson
Chair of Nomination Committee

Audit Committee Report

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 43):

- Angela Crawford-Ingle (Chair)
- John Misselbrook
- Miriam Greenwood
- Martin Gilbert (6 January 2021)

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

Responsibilities of the Audit Committee

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

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

During 2021, the Committee continued to focus on its responsibility for the monitoring and oversight of the Group's control environment and system of internal controls. As part of this work, the Committee considered the Group's ICAAP wind down plan, risk appetite, risk control assessments and various operational stress scenarios to support the Board's conclusions on the Viability Statement set out on page 37.

Key activities and areas of review during the year

- Considered whether the Group's 2021 interim and annual financial reports were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- The Group's viability statement and papers in support of the Board's assessment of the Company and Group as a going concern
- The appropriateness of accounting estimates and judgements
- Engagement with the Nomination Committee and Board on the recruitment and appointment of Martin Gilbert as Deputy Chairman, including participation in the interview and selection process
- Review of the performance and independence of the external auditors and monitored the provision of non-audit services
- Liquidity management and forecasting of the Group's working capital and regulatory capital surplus
- Review of the internal audit annual programme, the findings and monitored management's responses to address audit actions
- Review of the effectiveness of the internal audit function

The Committee's key responsibilities include:

Financial reporting	– Monitoring the integrity of the financial statements of the Group – Assessing changes to accounting policies and major judgemental areas – Assessing compliance with accounting, legal and regulatory requirements
Review of judgemental assertions	– Reviewing key judgemental areas of work completed by the Group, including going concern, viability and ICAAP – Significant accounting judgements
Internal audit	– Monitoring and reviewing the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system
External audit	– Overseeing the relationship with the external auditors which supports the Committee's responsibilities with respect to the content and integrity of the Group's financial reporting – Reviewing and approval of the annual audit plan – Reviewing the findings of the external audit – Overseeing the effectiveness of the external audit taking into consideration relevant UK professional and regulatory requirements, the independence of the external auditors and recommending to the Board the appointment and remuneration of the external auditors – Developing and implementing policy on the engagement of the external auditors to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required

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

Meetings

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

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

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

Representatives from BDO, including the lead audit partner for the 2021 financial year, attended all of the Committee's scheduled meetings. During 2021, private meetings were held with the external auditors without management present. Representatives from RSM UK, the Group's internal audit function attend all of the Committee's scheduled meetings. Private meetings were also held with representatives from RSM UK. These meetings provided an opportunity for any matters to be raised confidentially.

Annual report and accounts

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

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

Key areas of estimation and judgment

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

Goodwill and intangible assets Depending upon the asset, this can involve judgements which include business growth and also estimates including discount rates, comparable revenue multiples and comparable earnings multiples. During the year, the basis of assessment for impairment of certain investment management contracts was changed from a value in use method, to fair value less costs to sell.

Seed investments The Group holds seeding investments in funds which it manages. Judgement is required to be exercised in terms of assessing whether these funds are to be consolidated in accordance with IFRS 10. The Group's policy is to hold seed investments as assets for sale applying a simplified consolidation in accordance with IFRS 5 unless factors dictate that the investments should be consolidated in full under IFRS 10. At the reporting date there was a single fund which requires full consolidation under IFRS 10. A number of factors are applied to identify the funds that require full consolidation. The Committee discussed the approach taken by management and agreed that the methodology applied was appropriate.

Going concern

The Committee is responsible for reviewing whether it is appropriate for the Group and the Company to adopt the going concern basis of accounting in preparing the half-year and annual financial statements for the year ended 30 June 2021.

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

The Committee resolved that it was appropriate for the Group and the Company to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 30 June 2021 and that the Group would be able to continue to operate over a period of at least twelve months from the date of approving the financial statements.

Statement of viability

Under the 2018 Corporate Governance Code the Group is required to provide a statement of viability which can be found on page 37. The Committee reviewed the Group's viability for a period of five years and discussed the Group's current financial position, the Group's liquidity and any risk to its future liquidity and its regulatory capital requirement and its forecast surplus capital. The Committee recommended to the Board that the viability statement be approved.

External audit

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

Tenure

BDO was reappointed as the Group's external auditors following appointment in 2014. The Group is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Corporate Governance Code. The Audit Committee for the financial year ending 30 June 2021 approved the appointment of Neil Fung-On as Lead Audit Partner. 2020 was the last year for the Lead Audit Partner Leigh Treacy before she rotated off after five years tenure.

Effectiveness

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

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

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

Fees

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

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

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Audit of the Company's annual accounts	161	130
Audit of the Company's subsidiaries	235	114
Audit related assurance services	64	75
	460	319

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

Internal audit

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

The Committee worked with internal audit to ensure that the audit plan for the year addressed the most material risks to the Group and the key themes affecting the industry and considered the actions management has taken to implement the recommendations of RSM. This included a focus on key financial controls, financial promotions, Market abuse and Regulations and Compliance Management. A total of six internal audits have been completed with further internal audits planned for the remainder of the 2021 calendar year.

Effectiveness of internal audit

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

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

Angela Crawford-Ingle

Chair of Audit Committee

4 November 2021

Risk Committee Report

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 43):

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

The Board considers all the members to have the relevant skills and experience to be members of the Committee and they have all attended the quarterly meetings, with ad hoc meetings held as required. The Committee met six times in the past year. The Committee invites other participants as appropriate and has standing invitations for the Chairman, Group Chief Executive and Chief Financial Officer, Group Chief Risk Officer, Group General Counsel and Head of Compliance and Group Chief Operating Officer.

The Committee has had a full agenda consistent with the Board's objectives.

Key responsibilities

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

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

Risk framework

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

COVID-19

The primary risk to the Group from COVID-19 has been the potential for operational failures brought about by the move to remote working which took place in Q1 2020 with the commencement of the first lockdown and has continued in some form with Group moving towards agile working. During this extended period of working from home the operational risk framework of the Group has been shown to be effective and resilient in this different working environment.

SMCR

Work on the implementation of SMCR has continued in 2021 with the review of the Group's fitness and propriety documentation, processes and procedures supporting the effective functioning of the Group's Fitness and Propriety Committee (FIT Committee) which is chaired by the Group Chief Risk Officer. The certification process for certified staff is undertaken in September annually and is overseen by the FIT Committee. Data has been submitted to the FCA for the Group's senior managers and certified persons for inclusion in the FCA Directory.

Risk Appetite Statement

The Risk Appetite Statement of the Group articulates the nature and level of risk exposure that the Board is willing to bear in pursuit of the Group's strategic objectives and business plan. The Risk Appetite Statement forms part of the risk management process of the Group. The Committee has comprehensively reviewed the revised Risk Appetite Statement and supporting key risk indicators during the period and recommended their approval to the Board.

Conduct

Embedding the cultural values that puts the client first and delivers good client outcomes has continued to be a focus for the Executive Directors and the Board. Training on the FCA's Conduct Rules has been provided to all staff in addition to our annual compliance training programme.

Investment Firms Prudential Regime

The UK prudential regime for investment firms has been an area of focus for the Committee. Regular reports on the FCA's proposed prudential regime for investment firms are provided to the Committee by the Group General Counsel and Head of Compliance and externally facilitated training was provided to the Committee in November 2020. Particular focus has been given to the Internal Capital Adequacy and Risk Assessment (ICARA) process and risk management implications for the Group.

I would like to commend the focus executive management have given to continuing to strengthen the risk culture and to the maintenance of an effective operational risk framework in a particularly challenging and different business environment and to my colleagues on the Committee for their challenge and oversight.

John Misselbrook
Chair of Risk Committee

Investment Committee Report

Membership and attendance

Membership of the Committee comprised the independent Non-Executive Directors (meeting attendance is on page 43):

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

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

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

Key responsibilities

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

Focus for 2020/21

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

- Risk Oversight: The Committee worked extensively with the independent Risk Team to delineate the key risks in each of the portfolios with streamlined exception reporting presented on a quarterly basis. If issues are identified these are raised with the relevant Senior Managers and the Board
- ESG Investment Processes: The Group has been developing its ESG proposition significantly over the last year and the GIC has been reviewing this progress on a quarterly basis. This has included deep-dives on the FM proposition and the new Sustainable PVT process along with quarterly ESG scores by portfolio
- Climate Change: The Committee has reviewed the progress to date in integrating climate change and carbon metrics into portfolio construction across the Group with the Head of ESG. Given the Net-Zero commitments this will undoubtedly be a key area of focus for the next year. Carbon metrics are now reported for the majority of portfolios to the GIC on a quarterly basis against relevant benchmarks

Focus for the next year

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

- Net Zero Targets: Given the commitments that have been made across the Group the GIC will be reviewing and providing oversight for each business areas long term plans to achieve Net Zero
- New ESG focused funds: The Group is looking to launch a number of ESG focused funds with specific sustainability goals, this is something the committee will review in further detail with the Portfolio Managers and Head of ESG
- Infrastructure Investment division: As a significant area of growth for the Group, the Committee will work with the Infrastructure investment division to understand and develop the long term plans for the evolution of the business

John Misselbrook
Chair of Investment Committee

Remuneration Committee Report

Dear Shareholders,

When I wrote to you last year, it was to set out our new Directors' Remuneration Policy (the 'Policy') and to ask for your support for the Policy. I am pleased that the Policy was approved at the AGM in 2020 and this is the first year that we are reporting on its implementation. I would like to thank you for its support. I am mindful that while the majority of shareholders supported the Policy, some of our shareholders did not.

The work of the Committee this year can be reviewed in two parts, the first, involving shareholder engagement on the new Policy culminating in the approval of the Policy at the AGM and the second implementing the Policy. The latter included the approval of the Value Transformation Plan awards to our Executive Directors, the introduction of a Senior Executive Share Plan award scheme for our key members of staff and the review of our Executive Directors' performance against their performance objectives. The work of the Committee this year was undertaken against the backdrop both of a year still dominated by COVID-19 and of significant corporate change for the Group which has culminated in the recently announced transaction with Schroders for the sale of our Solutions business. This remains subject to regulatory and shareholder approval.

Subject to the completion of the sale of Solutions to Schroders, James Barham will be leaving the Group to join Schroders and Alex Hoctor-Duncan will be appointed as the CEO on James' departure. The Committee has considered the remuneration aspects of the changes to our Board, including the approval of the remuneration of Martin Gilbert, the new Deputy Chairman, and Alex Hoctor-Duncan. Alex joins us as an Executive Director on 29 November with responsibility for strategic development of the Group

The Committee has considered the potential remuneration implications of a completion of the sale of Solutions and has concluded that the completion of the sale should be treated as a "Corporate Action" as defined in the Value Transformation Plan. The Executive Directors participation will, therefore, be treated in accordance with the relevant provisions of the VTP. We propose to consult with our major shareholders on a new long term incentive plan in 2022.

The value in our business comprises our people and of clients. Ensuring that our people are appropriately incentivised and that reward and retention mechanisms are put in place has been an important area of focus of the Committee in the run up to the announcement of the transaction with Schroders. This is particularly important to ensure the stability of the remaining business of the Group and the business being sold.

One of the key design elements of the Policy was simplicity and clarity. I am pleased to report that this has been demonstrated in the implementation of the Policy this year. Executive Directors' performance objectives in line with the Policy were approved by the Committee and their performance against these objectives assessed by the Committee. We have as in previous years fully disclosed and reported this in the Remuneration Report.

I would also like to stress how important the wellbeing of our people are to the Group and as Chair, I have undertaken on line meetings with staff members to hear their views on, inter alia, on whether they have felt sufficiently supported by the Group during the difficult challenges faced in working from home. I am pleased to say that the responses have been positive to date but we will continue with the initiative as we return to a new normal working environment.

I am pleased to present our Directors' Remuneration Report for the year ended 30 June 2021 setting out how we have implemented the Policy. I look forward to receiving your support at the AGM in December for the decisions taken this year.

Miriam Greenwood,
Chair of the Remuneration Committee

The Remuneration Committee reviews and sets the remuneration of the Executive Directors within the parameters of the Directors' Remuneration Policy as approved by shareholders at the AGM held on 14 December 2020 (the Remuneration Policy or Policy). The Remuneration Policy is available on the Company's website https://riverandmercantile.com/wp-content/uploads/2020/10/RMG_Directors_Remuneration_Policy.pdf

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

The Committee is chaired by Miriam Greenwood with Martin Gilbert, Angela Crawford-Ingle and John Misselbrook as members of the Committee. The Committee held eight meetings during the financial year, and Committee attendance is presented on page 43. Other attendees, including the Chairman, Group Chief Executive, Group HR Director and Chief Financial Officer attend by invitation.

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

During the year, the Committee has considered a number of key matters, and the most significant are set below:

- The vesting of employee share incentive awards and deferred bonus awards;
- The approval of the Executive Directors' annual performance objectives;
- The assessment of Executive Directors' performance against their objectives and resultant variable remuneration outcome;
- The approval of the base salary increases and variable remuneration for the Group's senior management;
- The oversight and review of the Group's approach to variable remuneration for all employees, including the bonus pools for all employees;
- The approval of retention arrangements for key staff related to the corporate transaction; and
- Oversight of the application of regulatory rules on the deferral of variable compensation of Material Risk Takers variable compensation.

The Committee's key responsibilities are:

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

Summary of current remuneration policy

Executive Directors' remuneration is determined in accordance with the Remuneration Policy. Following its approval at the 2020 AGM, the Remuneration Policy has been implemented this year.

Executive Director remuneration comprises base salary, pension and other benefits; and variable remuneration in the form of a Short Term Incentive bonus (50 per cent. cash and 50 per cent. shares - to be held for a minimum of three years), and participation in the Value Transformation Plan.

Malus and clawback is applicable to all variable remuneration, with triggers aligned with market best practice. At present this is:

- Clawback for the cash and share element of the short term incentive bonus for two years from the payment date
- Malus adjustment applies to the VTP for unvested nil cost options up to five years from the award date and Clawback applies to vested nil cost options for two years following vesting of the nil cost options

The Policy also requires Executive Directors to acquire and retain at least 300 per cent. of base salary in the Company's shares within five years of taking office and the CEO is required to acquire and retain shares equivalent to 500 per cent. of base salary.

The following sections set out the remuneration arrangements and outcomes for the year ended 30 June 2021.

The following pages have been prepared in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended, the UK Corporate Governance Code 2018 and the FCA's Listing Rules and this Remuneration Report will be put to an advisory shareholder vote at the AGM on 13 December 2021.

Review of performance for the year ended 30 June 2021

The Committee determined performance measures and weightings for 2020-2021 that were aligned with the business plan and strategy. These comprised a combination of financial and non-financial measures, with financial measures making up at least 50 per cent. of the scorecard. For the purposes of the short term incentive bonus (STI) a threshold, target and maximum performance level was set for each measure, with an outcome of 0 per cent. for below threshold performance, 75 per cent. for threshold performance and 100 per cent. for on-target performance.

The Committee used its discretion to adjust formulaic outcomes when they were not considered to be representative of the overall financial performance of the Group or outside of the Group's risk appetite.

Performance objectives for 2020-2021

All objectives for 2020-2021 were shared for both the CEO and CFO and were made up of:

Financial Objectives: (50 per cent. of STI bonus is related to these targets)

- Organic Growth in net management and advisory fees;
- Growth in underlying pre-tax margin;
- Basic EPS; and
- Distribution and Investment performance indirectly measured through Net Flows in AUM.

Strategic (20 per cent. of STI bonus is related to these targets)

- Acquisitions/Disposals/Joint Ventures;
- Execution of significant distribution partnerships;
- Team acquisition;
- The corporate infrastructure or target operating model project; and
- The integration of ESG across the Group.

Measurements are based on specific project completion or the ongoing status of activities or projects.

Individual Objectives (30 per cent. of STI bonus is related to these targets)

- People;
- Clients;
- Governance; and
- Culture

Specific targets and actions in each of these categories were set in order to facilitate measurement of success. The objectives, weightings and outcomes are detailed in the outcomes section below.

Outcomes for 2020-2021

Short Term Incentive (audited)

Executive Directors are eligible to participate in an annual bonus plan at the discretion of the Committee. Half of the bonus awarded will be delivered in shares (net of payment for tax and NIC) and subject to a three-year holding period. Dividends may be received on shares during the holding period. If regulations (Financial Conduct Authority or another regulatory body relevant to the Group's activities) require deferral levels that are greater than those set out under the Policy, the Committee will approve the required level of deferrals of annual bonus awards required to comply fully with the regulations. The Annual short-term incentive (Bonus) is capped at 250% of base salary.

Objective Type	% of total 250% bonus offering	Objective Category	KPI	Threshold payout 75%	Maximum payout 100%	WEIGHTING	Outcomes Jun 2021	% payout	Result James Barham (CEO)	Result Simon Wilson (CFO)	Notes
GROUP FINANCIAL	**50%**	FINANCIAL	Organic growth in net management and advisory fees	70,050	72,209	35%	67,913	0%	£0	£0	
			Growth in adjusted underlying pre-tax margin	0.14	0.18	25%	18.0%	100%	£112,500	£78,125	
			Growth in BAUEPS	9.19p	11.18p	25%	11.3	100%	£112,500	£78,125	
		DISTRIBUTION	Net Flows in AUM	3,683	7,600	15%	1,400	0%	£0	£0	
STRATEGIC	**20%**	CORPORATE ACTIVITY	Acquisitions/Disposals/JVs	2 projects under discussion	1 Project completed	**42%**	Three projects under way but none completed	75%	£47,250	£70,313	As SW is not involved directly in client relationships and his focus is more on corporate transactions we have reallocated weighting from Client enagegement to this objective (additional £37,500)
			Acquisition of teams and development of new products to diversify the investment offering	1 team/product under offer or development	1 team onboard or product launched	**26%**	Infrastructure team onboard	100%	£46,800	£32,500	
			Signing of one or more significant distribution contract	1 Distribution contract of significant AUM potential signed		**16%**	None signed but multiple discussions underway	0%	£0	£0	
			Intergation of ESG into R&M business at Corporate and Investment level	Head of ESG recruitment underway, Strategy and policy in development, ESG Governance infrastructure under establishment	Head of ESG in place, Strategy and policy in place, ESG Governance infrastructure in place	**16%**	Head of ESG hired 1 March. ESG committee and governance structure in place and underway with policies in place	75%	£21,600	£15,000	
INDIVIDUAL	**30%**	PEOPLE	Talent development, specifically on succession planning and leadership development	Medium Turnover Succession Plan underway	Low Turnover Succession plan complete	**20%**	Succession plan development – Key individuals identified and succession plans built but not approved, Turnover remains steady and low with key staff (sub 5%)	75%	£40,500	£18,750	
		CLIENTS	Client engagement	Achieve 75% of objectives	Achieve 100% of objectives	**20%**	Wholesale Distribution team investment and build out of distribution capability with enhanced pipeline	100%	£54,000	N/A	SW not involved in client relationships so weighting has been moved to Acquisitions/ Disposals and JVs due to his greater involvement in that area (£37,500 max payout)
		GOVERNANCE	Governance and regulation including good governance and board interaction, reporting and SMCR and regulatory compliance and Risk Management	N/A	Strong	**20%**	No compliance issues or fines; Balancing the management of the business with overall risk appetites. Throughout COVID as an added pressure.	100%	£54,000	£37,500	
		CULTURE	Culture and conduct including Diversity targets specifically gender and Employee survey action targets on engagement	Have 3 active Culture and diversity projects underway	Engagement and Strategy and targets agreed and Progress against targets	**40%**	Engagement Survey results communicated and action planning sessions complete. Diversity Policy and strategy agreed by ESG and management committee. Leadership framework agreed. Values and Purpose project to be started. Good weekly communication from leadership.	75%	£81,000	£56,250	
								TOTAL	£570,150	£386,563	
								Cash	£285,075	£193,281	
								Shares	£285,075	£193,281	
								% of Max	63%	62%	

Executive Director

STI bonus £	Total	Cash	Shares	% of Maximum	Notes
James Barham	£570,150	£285,075	£285,075	63%	Cash element will be reduced by £10,875 re overpayment of pension allowance (see pension)
Simon Wilson	£386,563	£193,282	£193,281	62%	

Fixed base remuneration and benefits

There were no other changes in Executive Director base pay and benefits for the financial year ending 30 June 2021 and none is proposed for the financial year commencing 1 July 2021.

	2020/21	**2021/22**	
Executive Director	Current salary £	**New salary £**	Increase %
James Barham	360,000	**360,000**	0%
Simon Wilson	250,000	**250,000**	0%

Pension contributions (audited)

Executive Directors pension contributions as a percentage of salary are aligned with the general workforce.

In accordance with the Policy, from 1 January 2021 James Barham was due to receive a fixed cash allowance of 5 per cent. of salary (£1,500 per month), reduced from 9 per cent. (£2,708.33 per month) in lieu of pension contributions due to his pension funding status. Due to an administrative error this change was not made, and James Barham continued to receive his 9 per cent. fixed cash allowance. For the period 1 January 2021 to 20 September 2021 James Barham received an overpayment of £10,875. This amount was recovered by reducing his STI/bonus payment for the period ending 30 June 2021 by the same amount. This is reflected in the Directors Single figure remuneration table.

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

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

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

Single figure remuneration (audited)

The following table gives the single figure remuneration for Executive Directors who served during the financial years ended 30 June 2021 and 30 June 2020.

£	Year ended 30 June	Base salary	Taxable benefits[1]	Pension[3]	Total of fixed remuneration	Annual bonus[2]	PSP shares vested	SAYE Options	Total of variable remuneration	Total
James Barham	**2021**	**360,000**	**2,550**	**32,500**	**395,050**	**559,275**	**–**	**–**	**559,275**	**954,325**
	2020	360,000	2,563	32,500	395,063	–	–	–	0	395,063
Simon Wilson	**2021**	**250,000**	**1,022**	**12,500**	**263,522**	**386,563**	**–**	**–**	**386,563**	**650,085**
	2020	29,762	90	1,488	31,340	–	–	–	0	31,340

1. Taxable benefits consist of private medical insurance.
2. Annual bonus is the STI payable in respect of the financial year which includes cash and shares.
3. Pension contribution includes cash allowances and contributions made to self-invested personal pensions.

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Mike Faulkner was awarded a performance fee bonus of £350,000 in June 2018. Under the Directors' Remuneration Policy in force at the time as approved at the AGM in 2017, 40 per cent. should have been paid in cash and 60 per cent. deferred into shares or fund units. Due to an administrative error, 60 per cent. was paid in cash in 2018 and 40 per cent. was deferred (in cash and not units) to be paid in 2021. This was also not reported in the single figure remuneration table in 2018. James Barham was paid a performance fee bonus of £216,000 in 2018 and the correct ratio of deferral (60 per cent.) and cash (40 per cent.) was made and because of his role at the time his deferral was made through UCITS funds. However, the deferral was not reported in the single figure table for Directors' Remuneration in the 2018 Annual Report and Accounts.

Given the overall quantum of Mike Faulkner's 2018 performance fee bonus that has been paid was correct, there are no adjustments or repayments required.

LTIAs (audited)

No LTIA awarded to any Executive Director vested during the financial year ending 30 June 2021. No performance conditions were met for any LTIA awarded to an Executive Director during the financial year ending 30 June 2021.

In 2018 the then Executive Directors were awarded conditional share awards under the Group's DEP (2018 LTIA). Under the 2018 LTIA, the Executive Directors' awards will only vest in full if growth in the Group's adjusted underlying diluted earnings per share (aEPS) of 20 per cent. per annum is achieved between 30 June 2018 and 30 June 2021. The 2018 LTIA will not vest if the annualised aEPS for that period is less than 10 per cent. per annum and the awards will vest proportionally on a straight-line basis. The Policy requires continued employment by the Group during the performance period of any LTIA. The 2018 LTIA did not meet its performance criteria and accordingly did not vest at the end of the performance period on 30 June 2021. The 2018 LTIA have now lapsed.

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

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

Based on calculations as at 30 June 2021 none of James Barham's or Jack Berry's 2019 LTIA is likely to vest at the end of the performance period in June 2022.

In accordance with the Policy, the Executive Directors were granted a one-off five year award under the Value Transformation Plan (VTP) on 15 January 2021. The award gives Executive Directors the opportunity to earn share awards over a five year performance period with phased vesting over years 3, 4 and 5 of the plan, subject to the achievement of a minimum total shareholder return (TSR) of 12 per cent. compounded annually during the performance period (years 3, 4 and 5). Participants will share in 6 per cent. (Group Chief Executive 3.75 per cent., CFO 2.25 per cent.) of the total value created for shareholders above this hurdle.

In aggregate, individual amounts that may be received by Executive Directors will be capped such that the Group Chief executive is capped at the lower of £20 million or 2.5 per cent. of issued share capital and the CFO is capped at the lower of £12 million or 1.5 per cent. of the issued share capital.

The TSR hurdle will be measured on each of the third, fourth and fifth anniversaries of the performance period (the Measurement Dates). On each of these Measurement Dates, participants will 'bank' their share in the value created in excess of the hurdle over the prior period, in the form of nil-cost options. The TSR at each Measurement Date will be based on a 30 day volume weighted average share price following the publication of the preliminary results for the relevant year. The initial share price used for measuring the TSR was £1.70. The TSR calculation includes dividend payments.

Banked nil-cost options will vest as follows:

- 25 per cent. of the bank at the first Measurement Date in year three of the performance period;
- 25 per cent. of the bank at the second Measurement Date (less any prior withdrawals) in year four of the performance period; and
- The balance of the bank at the third and final Measurement Date in year five of the performance period.

Vested awards are subject to a holding period such that they become unrestricted no earlier than five years from award. Malus and clawback apply to the VTP in accordance with the Policy. The Remuneration Committee may vary the level of vesting if it determines that the formulaic vesting level would not reflect the business or personal performance or such other factors as it may consider appropriate.

Minimum shareholding (audited)

The Policy requires that Executive directors maintain a minimum shareholding in the Group to ensure that Executive Directors' interests are aligned with those of shareholders. The Chief Executive Officer is required to acquire and retain the Company's shares equivalent to at least 500 per cent. of base salary. The Chief Financial Officer is/ required to acquire and retain the Company's shares equivalent to at least 300 per cent. of base salary. Executive Directors shall have five years from taking office to acquire the shares. Vested shares must be held until the requirement is met (unless there are exceptional circumstances). In addition to personally owned shares, shares not subject to performance conditions will count towards the shareholding requirement on a net of tax basis.

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

In addition, shares subject to the shareholding requirement must be held in full for two years post-employment.

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

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

Group Chief Executive's remuneration

James Barham's bonus has increased from £0 in the prior year to £570,150 for the current year, because he waived his entitlement to a bonus in 2020. In 2019 the figure was £343,750. His single figure remuneration set out below includes base salary, value of taxable benefits, pension contributions and cash bonus (£nil). The total variable remuneration of the Group has increased by 11 per cent. from £12.2 million to £13.5 million over the same period.

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

Year	Group Chief Executive's single figure remuneration £	Annual bonus pay out against maximum	Long-term incentive vesting rate against maximum opportunity
2021	**954,325**	**63%**	**n/a[1]**
2020	395,063	0%	n/a[1]
2019	797,097[5]	0%	100% PSP
2018	2,543,588[4]	37%	23% EPSP
2017	923,221	83%[2]	n/a[1]
2016	309,476	21%[2]	n/a[1]
2015	309,079	0%	n/a[1]
2014 (six months)	7,801,260[3]	100%	100%

1. No shares vested during the financial years ended 30 June 2015, 2016, 2017 , 2020 or 2021
2. Includes share awards not included in single figure remuneration as unvested at year-end
3. 2014 remuneration includes £7.5 million of previously issued shares in the pre IPO Group which converted into shares at the IPO
4. Restated 2018 figures as Executive Performance Share Plan (EPSP) now included in the 2018 figure
5. Mike Faulkner was the Group Chief Executive until 30 June 2019. His remuneration is accordingly reflected in the above table
6. James Barham was appointed as Group Chief Executive on 1 July 2019 and his remuneration is reflected in the 2020 row of the above table

CEO pay ratio

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

Year	Method	25th Percentile pay ratio	Median Pay ratio	75th Percentile pay ratio
2019	A	15.6:1	9.2:1	5.1:1
2020	A	7.2:1	4.6:1	2.7:1
2021	**A**	**19.6:1**	**11.4:1**	**6:1**

We have adopted method A of calculation. The Change in CEO pay ratio from 2020 to 2021 is due to James Barham waiving his STI bonus in 2020 and Simon Wilson not receiving an STI bonus in 2020. Both received a full year STI bonus in 2021. There has been no change to the pay and benefits of the company as a whole or the company's employment models. The same rationale applies to the increase in median pay ratio for 2020-2021. We believe the median is representative of our overall reward policies on pay, reward and progression, in that it demonstrates the possibility of variable cash pay and equity, which are both potentially awarded as staff progress with the business.

Company share price and TSR performance

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

Annual percentage change in remuneration of Directors compared to employees

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

Year on Year Increase (decrease)	James Barham	Simon Wilson	Jonathan Dawson	Angela Crawford-Ingle	Miriam Greenwood	John Misselbrook	Martin Gilbert	Average Increase across all employees (excl. directors)
Salary	0%	0%	0%	0%	0%	0%	N/A	3.05%
Taxable benefits	(0.51%)	10.36%	0%	0%	0%	0%	N/A	(0.30%)
Annual incentive	100%	100%	0%	0%	0%	0%	N/A	20%

(a) Increase in Simon Wilson's taxable benefits is due to him receiving a full year of benefits in 2021 compared to part-year in 2020.

(b) Employee benefits costs reduced during the year due to the impact of COVID-19 on medical insurance premiums which reduced.

Relative importance of spend on pay

£ million	Year ended 30 June 2021	Increase	Year ended 30 June 2020
Total remuneration and benefits	44.1	7%	41.1
Distributions to shareholders including proposed dividend (pence per share)	11.69	23%	9.54

Non-Executive Director remuneration (audited)

The table below shows the total remuneration of the Non-Executive Directors paid during the years ended 30 June 2021 and 30 June 2020.

NED	Year	Fee £	Additional fees for chairing Committees[1]	Total
Jonathan Dawson	2021	150,000	–	150,000
	2020	150,000	–	150,000
Angela Crawford-Ingle	2021	65,500	8,000	73,500
	2020	61,750	8,000	69,750
John Misselbrook	2021	47,500	8,000	55,500
	2020	43,750	8,000	51,750
Miriam Greenwood	2021	47,500	8,000	55,500
	2020	43,750	8,000	51,750
Martin Gilbert[1]	2021	48,810	–	48,810
	2020	N/A	N/A	N/A

1. Martin Gilbert was appointed as Deputy Chairman on 6 January 2021, so the fee for 2021 is pro-rated.

Non-executive Director fee review

Non-Executive Director fees were reviewed and increased effective 1 April 2020 and accordingly remain unchanged The Chairman waived any entitlement to the review of his fees in 2020 and his fees have not been reviewed in 2021. Non-Executive Directors are reimbursed for reasonable business expenses.

Directors' shareholdings

Director	Number of ordinary shares held at 30th June 2021	Unvested share awards, at 30 June 2021
James Barham	1,621,473	569,170
Simon Wilson	6,314	177,061
Jonathan Dawson	100,800	–
Angela Crawford-Ingle	24,924	–
Martin Gilbert	–	–
Miriam Greenwood	7,144	–
John Misselbrook	3,000	–

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

Advisors

The Committee received independent advice on material matters, including:

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

PwC continue to provide advice to it on remuneration matters since their appointment in 2019. The Committee is satisfied that the advice received from its advisors is independent and objective. The total cost of the advice received by the Committee from PwC in relation to directors' remuneration is £131,500 which was charged on a time spent basis.

Post-employment shareholding requirements

Upon leaving the Group, Executive Directors will be required to retain shares equivalent to 200 per cent. of base salary or the number of shares held by an Executive Director if this is lower, for a period of two years under the Remuneration Policy.

Statement of voting at 2020 AGM

Resolution	Votes cast excluding withheld	Votes for	Votes against	Votes withheld
To approve the Directors' report on remuneration for the year ended 30 June 2020	74.14%	96.60%	3.40%	5,075
To approve the Directors' Remuneration Policy	74.14%	62.19%	37.81%	5,075

Compliance and risk management in remuneration

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

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

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

Accordingly, the Group's DEP provides that, at the discretion of the Committee, deferred awards may be reduced or cancelled in the event of certain malus scenarios including a material misstatement of the Group's financial results or misconduct by an individual.

Statement of implementation for 2021/22

Base salary

James Barham and Simon Wilson's base salary will remain unchanged in the financial year 2021/22 and are as follows:

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

Short term incentive

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

The Committee determines performance measures and weightings aligned with the business plan and strategy. These will compromise of a combination of financial and non-financial measures, with financial measures making up at least 50 per cent. of the scorecard. A threshold, target and maximum performance level is set for each measure, with an outcome of 0 per cent. for threshold performance or below and 50 per cent. of maximum for on-target performance. Specific metrics, targets and performance against targets will be disclosed retrospectively with performance outcomes in the 2022 Annual Report due to the commercial sensitivity of the targets as they indicate the Company's strategy for the next year.

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

Approved and signed on behalf of the Board.

Miriam Greenwood
Chair Of Remuneration Committee

4 November 2021

Financial Statements

Independent Auditor's Report to the Members of River and Mercantile Group PLC

Year ended 30 June 2021

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards; adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of River and Mercantile Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statements of Cash Flows, Consolidated and Company Statements of Changes in Shareholders' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Directors in December 2013 to audit the financial statements for the year ending 30 June 2014 and subsequent financial periods. The period of total uninterrupted engagement, since listing, including retenders and reappointments is 8 years, covering the years ending 30 June 2014 to 30 June 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the entity's financial performance including forecasting and budgeting processes and the entity's risk assessment process.
- We evaluated the Directors' method of assessing going concern, including the relevance and reliability of underlying data such as future financial prospects and financial modelling used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other. We also performed stress testing on forecasts prepared by the Directors and considered the related impact on going concern.
- We evaluated the Directors' plans and decisions for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances with regard to the sale of River and Mercantile Investments Limited and the launch of River and Mercantile Infrastructure LLP.

- We considered if there were any litigations against the Group that will cause the Group not to be able to continue as a going concern.
- We evaluated the adequacy and appropriateness of disclosures in the financial statements regarding the going concern.
- We evaluated and considered various scenarios in the Internal Capital Adequacy and Risk Assessment of the individual entities and the Group to check that their modelling was appropriate and in compliance with regulatory requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*99.97% (2020: 100%) of Group revenue* *99.79% (2020: 99.81%) of Group total assets*		
Key audit matters		2021	2020
	Revenue recognition	✔	✔
	Impairment review of goodwill, customer lists and Investment *Management Agreements (IMAs)*	✔	✔
Materiality	*Group financial statements as a whole* £545,250 (2020: £410,000) based on 5% (2020: 5%) of Group profit before tax		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement. In order to gain appropriate audit coverage over the risks described in the key audit matters section below and of each individually significant reporting component, full scope audits of the five significant components were performed by the Group audit team, being BDO LLP. In respect of five other non-significant components, which contribute 7 per cent. of Group net assets, the Group audit team performed specific procedures over the financial information relevant to the consolidated financial statements. These procedures were performed to an appropriate level of materiality as described in the materiality section below as well as aggregation risk. All significant components of the Group have conterminous year ends, with the exception of River and Mercantile Asset Management LLP (RAMAM LLP), which has a year end of 31 March. A full scope audit of RAMAM LLP was performed by the Group audit team for the year ended 31 March 2021 and additional audit procedures were performed to cover the three-month period to 30 June 2021.

Key audit matters

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

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition (note 3 to the Annual Report)</td><td>The Group's revenue is made up of distinct revenue streams, primarily management fees, performance fees and advisory fees.

Revenue recognition is considered to be a significant audit risk as it is a key driver of return to investors and requires judgement in determining the accrual or deferral of revenue, the treatment of performance measures and the point at which it is highly unlikely that there will not be a significant reversal in future periods.</td><td>We responded to this risk by performing the following procedures:

Management fees
• We recalculated a sample of management fees recognised in the year based on assets under management (AUM)/ notional under management (NUM) information prepared by management and rates prevalent in the respective investment management agreements (IMAs). We traced the sample through to invoice and subsequent cash receipt or to debtors and accrued income where relevant.
• We agreed a sample of AUM and NUM to custodian statements and independent 3rd party pricing sources, for example Bloomberg.
• We obtained an understanding of the controls surrounding the custodian's accounting and reconciliation process through review of the Systems and Organisation Controls (SOC) Report certified by an independent auditor. We also reviewed the SOC Reports and assessed whether there are relevant issues related to the controls that we are relying on.
• We considered whether the investment management agreement mandates have been complied with by selecting a day and reviewing for breaches on the selected day.
Performance fees
• We recalculated performance fees due in respect of a sample of contracts and tested the appropriateness of the deferral of performance fees in accordance with the terms of the contract, the accounting policy and applicable accounting standards and whether it is highly unlikely that there will be a significant reversal in future periods.
• We developed expectations of contracts that would give rise to a performance fee by considering underlying performance against the terms of the contract and compared our expectations against the performance fee income recognised in the accounts.
Advisory fees
• We vouched a sample of advisory fees to invoice and cash receipt, including a sample of accrued advisory fees to subsequent invoice and cash receipt.
• We validated the existence of project advisory fees by obtaining completion documents such as formal advice letters. We traced the sample through to invoice and subsequent cash receipt or to debtors and accrued income where relevant.
• We considered the completeness and existence of advisory fees recognised through reviewing a sample of on-going advisory projects and the related recognition of retained fees in the current period.
• We compared a sample of invoices raised after the year end to the accrued income balance to check, where appropriate, they were recognised in the income statement for the current year.
Key observations:
Based on the work performed we consider that revenue has been recognised appropriately and is in accordance with the Group's revenue recognition accounting policy.</td></tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment review of goodwill, customer lists and Investment Management Agreements (IMAs) (note 9 to the Annual Report)	The impairment review of goodwill, customer lists and IMAs is considered to be a significant audit risk due to the judgements made in determining whether there is an indication of impairment in respect of these intangible assets and also in the calculations of recoverable amounts. The assumptions used to calculate the recoverable amounts considered in the impairment review of goodwill, customer lists and IMAs include revenue growth rates, revenue multiples, ongoing expenses such as the remuneration ratio and the discount factor applied to calculate the present value of the balances.	We responded to this risk by performing the following procedures: *Goodwill* • We assessed the reasonableness of the client's value in use model for the River and Mercantile Asset Management LLP cash-generating unit (CGU) in respect of goodwill. We re-performed the calculation of the recoverable amount. We challenged the key assumptions applied by management, including revenue growth forecasts, ongoing expenses and the discount factor applied with reference to existing client knowledge. Together with our internal valuation experts team, we determined whether the discount factor represented an appropriate weighted average cost of capital for the Group when considering goodwill. • We reviewed the accuracy of the fair value less costs of disposal model prepared by management in order to calculate the recoverable amount of the Cassidy CGU. We re-performed the calculation of the recoverable amount. We challenged the key assumptions applied by management, including the revenue multiple used and the estimated costs to sell against comparative companies and our existing knowledge respectively. We performed a sensitivity analysis over the revenue and cost multiples to determine the reasonableness of management's assumptions. • We assessed the accuracy of previous forecasts by comparing to actual performance. *Customer lists and IMAs* • We reviewed management's assessment of whether any indications of impairment existed in respect of the non-finite intangible assets and challenged this assessment in light of our knowledge of the Group and consideration of forecasts prepared by management and whether the assessment was performed in accordance with the related accounting standards. • We reviewed the impairment calculations prepared by management for the recoverable amount of the customer lists and IMA intangibles. This involved understanding the basis for management's assumptions and vouching these to available independent evidence where possible as set out below. • We recalculated the revenue figures using the RAMAM LLP run rates at the year end pro-rated taking into consideration lost clients and contract changes. • We obtained the multiples used by management and compared it with the Enterprise Value/Revenue multiples from external sources to recalculate the valuation of the IMA contracts for RAMAM LLP and River and Mercantile LLC. **Key observations:** As a result of performing the above procedures we consider the assumptions made in the impairment assessments to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	545,250	410,000	247,000	134,000
Basis for determining materiality	5% of Profit before tax		45% of Group materiality	33% of Group materiality
Rationale for the benchmark applied	A principal consideration for members of the Parent company in assessing the financial performance of the Group.		Capped 45% (2020: 33%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	408,900	310,000	185,000	101,000
Basis for determining performance materiality (75% of Materiality (2020: 75%)	75% (2020: 75%) of financial statement materiality based on our consideration of the control environment and number of historical errors identified.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 11 per cent. and 99 per cent. of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £61,000 to £545,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £30,000 (2020:£8,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate.
Other Code provisions	• Directors' statement on fair, balanced and understandable; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and • The section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	• We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we performed the following procedures:

- gained an understanding of the legal and regulatory framework applicable to the Group and the Parent Company and the industry in which it operates, and considered the risk of acts by the Group and the Parent Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, and the applicable financial reporting framework and the Financial Conduct Authority's regulations considered results of our enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtained and reviewed the Group and Parent Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; and
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud.
- discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud; and
- assessed the susceptibility of the financial statements to material misstatement, including fraud. We considered the fraud risk areas to be revenue recognition, management override of internal controls, and share based payments.

Our procedures to respond to risks identified included the following:

- agreement of the financial statement disclosures to underlying supporting documentation;
- review of FCA correspondence, minutes of board, risk, remuneration and audit committee meetings throughout the period;
- in addressing the risk of management override of internal controls, our procedures included testing journals which met a defined risk criteria and evaluating whether there was evidence of bias by the directors in accounting estimates that represented a risk of material misstatement due to fraud;
- in response to the risk of fraud in revenue recognition, the procedures performed in the key audit matters section above; and
- in addressing the risk related to share based payments we used our internal valuation experts in determining the fair value of options and performed recalculations and other detailed procedures considering whether or not performance conditions have been met.

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Neil Fung-On (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
4 November 2021

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

Consolidated Income Statement

Year ended 30 June 2021

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Revenue	3		
Net management fees		**57,423**	58,449
Advisory fees		**10,490**	10,932
Performance fees		**6,363**	1,161
Total revenue		**74,276**	70,542
Administrative expenses	5	**15,997**	15,926
Depreciation of owned assets	20	**170**	217
Amortisation	9	**3,019**	3,257
Impairment of intangible assets	9	**180**	1,377
Total operating expenses		**19,366**	20,777
Remuneration and benefits			
Fixed remuneration and benefits		**29,723**	28,922
Variable remuneration		**13,465**	12,236
Total remuneration and benefits	6	**43,188**	41,158
Dilutive share awards charge/(credit)	6, 7	**909**	(17)
Total remuneration and benefits including dilutive share awards		**44,097**	41,141
Total expenses		**63,463**	61,918
Gain on disposal of fair value investments		**209**	42
Other unrealised gains and (losses)	10	**215**	(301)
Profit before interest and tax		**11,237**	8,365
Finance income	11	**25**	54
Finance (expense)	11	**(96)**	(178)
Foreign exchange (loss) / gain		**(261)**	58
Profit before tax		**10,905**	8,299
Tax charge/(credit)	12		
Current tax		**3,146**	2,799
Deferred tax		**(449)**	157
Profit for the year attributable to owners of the parent		**8,208**	5,343
Earnings per share:	13		
Statutory basic (pence)		**9.79**	6.39
Statutory diluted (pence)		**9.78**	6.37

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 2021

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit for the year	**8,208**	5,343
Items that may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustments	**164**	(29)
Total comprehensive income for the year attributable to owners of the parent	**8,372**	5,314

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

Year ended 30 June 2021

	Note	**30 June 2021 £'000**	30 June 2020 £'000
Assets			
Cash and cash equivalents	15	**29,635**	24,251
Fee receivables	18	**4,880**	10,233
Other receivables	19	**21,881**	15,458
Assets held for sale	17	**–**	810
Investments held at fair value through profit or loss	16	**1,368**	290
Deferred tax asset	12	**519**	276
Right of use assets	21	**1,219**	2,586
Property, plant and equipment	20	**253**	438
Intangible assets	9	**23,514**	26,560
Total assets		**83,269**	80,902
Liabilities			
Current tax liabilities		**925**	383
Trade and other payables	22	**19,484**	17,493
Lease liability	21	**1,283**	2,691
Deferred tax liability	12	**1,731**	2,078
Total liabilities		**23,423**	22,645
Net assets		**59,846**	58,257
Equity			
Share capital	23	**256**	256
Share premium		**15,429**	15,429
Other reserves	24	**1,174**	1,010
Own shares held by EBT	25	**(4,029)**	(4,255)
Retained earnings		**47,016**	45,817
Equity attributable to owners of the parent		**59,846**	58,257

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

The financial statements were approved by the Board on 4 November 2021.

James Barham
Group Chief Executive

Simon Wilson
Chief Financial Officer

Consolidated Statement of Cash Flows

Year ended 30 June 2021

	Note	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Cash flow from operating activities			
Profit before interest and tax		**11,237**	8,365
Adjustments for:			
Amortisation of intangible assets	9	**3,019**	3,257
Impairment of intangible assets	9	**180**	1,377
Depreciation of property, plant and equipment	20	**170**	217
Depreciation of right of use asset	21	**1,263**	1,278
Share-based payment expense		**1,009**	409
Other unrealised (gains) and losses	10	**(215)**	301
Disposal of investments held at fair value		**(209)**	(42)
Operating cash flow before movement in working capital		**16,454**	15,162
(Increase)/decrease in operating assets		**(1,077)**	26,502
Increase/(decrease) in operating liabilities		**1,942**	(28,555)
Cash generated from operations		**17,319**	13,109
Tax paid		**(2,604)**	(3,129)
Net cash generated from operating activities		**14,715**	9,980
Cash flow from investing activities			
Purchase of intangible assets	9	**(324)**	(385)
Purchase of property, plant and equipment	20	**–**	(45)
Interest received		**25**	54
Proceeds from disposal of investments held at fair value		**1,225**	6,342
Purchase of investments held at fair value		**(1,108)**	(1,523)
Purchase of investments held for sale	17	**–**	(810)
Net cash (used in)/generated from investing activities		**(182)**	3,633
Cash flow from financing activities			
Interest paid		**–**	(8)
Dividends paid	14	**(7,582)**	(12,135)
Purchase of own shares		**(350)**	–
Lease payments	21	**(1,384)**	(1,503)
Share issue		**–**	294
Net cash (used in) financing activities		**(9,316)**	(13,352)
Net increase in cash and cash equivalents		**5,217**	261
Cash and cash equivalents at beginning of year		**24,251**	24,046
Effects of exchange rate changes on cash and cash equivalents		**167**	(56)
Cash and cash equivalents at end of year	15	**29,635**	24,251

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

Year ended 30 June 2021

	Share capital £'000	Share premium £'000	Other reserves £'000	Own shares held by EBT £'000	Retained earnings £'000	Total £'000
Balance as at 30 June 2019	256	15,136	45,472	(6,251)	10,250	64,863
Adjustment to retained earnings on transition to IFRS16	–	–	–	–	(189)	(189)
Adjusted as at 1 July 2019	256	15,136	45,472	(6,251)	10,061	64,674
Comprehensive income for the year:						
Profit for the year	–	–	–	–	5,343	5,343
Other comprehensive income	–	–	(29)	–	–	(29)
Total comprehensive income for the year	–	–	(29)	–	5,343	5,314
Transactions with owners:						
Dividends	–	–	–	–	(12,135)	(12,135)
Share-based payment expense	–	–	–	–	409	409
Deferred tax on share-based payment expense	–	–	–	–	(202)	(202)
Realised tax in respect of award vesting	–	–	–	–	(96)	(96)
Disposal of shares in respect of award vesting	–	–	–	1,996	(1,996)	–
Shares issued in respect of award vesting	–	293	–	–	–	293
Amendment to retained earnings on capital redemption of merger reserve	–	–	(44,433)	–	44,433	–
Total transactions with owners:	–	293	(44,433)	1,996	30,413	(11,731)
Balance as at 30 June 2020	256	15,429	1,010	(4,255)	45,817	58,257
Comprehensive income for the year:						
Profit for the year	–	–	–	–	8,208	8,208
Other comprehensive income	–	–	164	–	–	164
Total comprehensive income for the year	**–**	**–**	**164**	**–**	**8,208**	**8,372**
Transactions with owners:						
Dividends	–	–	–	–	(7,582)	(7,582)
Share-based payment expense	–	–	–	–	1,009	1,009
Deferred tax on share-based payment expense	–	–	–	–	140	140
Purchase of own shares	–	–	–	(350)	–	(350)
Disposal of shares in respect of award vesting	–	–	–	576	(576)	–
Total transactions with owners:	**–**	**–**	**–**	**226**	**(7,009)**	**(6,783)**
Balance as at 30 June 2021	**256**	**15,429**	**1,174**	**(4,029)**	**47,016**	**59,846**

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

1. BASIS OF PREPARATION

The Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRS).

Going concern

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

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

Basis of consolidation

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

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

If the Group controls a fund, the fund is consolidated within the Group financial statements. Such funds are consolidated either on a line–by–line basis, or if the fund meets the definition of an asset held for sale it is classified and accounted for on that basis (see note 17). In the case that the Group does not control a fund for the complete reporting period, then the fund is consolidated only for the part of the reporting period for which the Group has control over the entity.

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

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

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

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

The Group's relationship with fund entities

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

Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. A lease is identified if; there is an identified asset, the group obtains substantially all the economic benefits from use of the asset and the Group has the right to direct use of the asset.

The Group initially records a lease liability in the Group's consolidated statement of financial position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate that we would have to pay for a loan of a similar term, and with similar security to obtain an asset of similar value. A right of use (ROU) asset is also recorded at the value of the lease liability. Interest is accrued on the lease liability using the effective interest method to give a constant rate of return over the life of the lease whilst the balance is reduced as lease payments are made. The ROU asset is depreciated from commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term as the benefit of the asset is consumed. Increases or decreases that occur at contractually agreed market rent review dates are included in the lease liability once revised market rents have been agreed.

1. BASIS OF PREPARATION (CONTINUED)

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

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

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

- assets and liabilities are translated at the closing rate at the date of the respective statement of financial position;
- income and expenses are translated at the daily exchange rate for the date on which they are incurred; and
- all resulting exchange differences are recognised in other comprehensive income.

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

Adoption of new standards and interpretations affecting the reported results or the financial position
There have been no new or revised standards or interpretations which have become effective or been early adopted in the period.

2. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The significant accounting estimates of the Group are detailed below:

- The accounting for UCITS V deferred remuneration awards involves estimates of forfeiture rates
- Inputs and vesting assumptions for certain share awards including estimates for the expectation of whether the performance conditions will be met at the vesting date
- The valuation of client lists included within intangible assets includes estimates for appropriate multiples and disposal in calculating the net realisable value

The significant accounting judgements of the Group are detailed below:

- Inputs and vesting assumptions for certain share awards
- Impairment of intangible assets, goodwill and investments recorded in previous acquisitions. Depending upon the asset, this can involve judgements which include business growth and estimates including discount rates, comparable revenue multiples and comparable earnings multiples. During the period, the basis of assessment for impairment of certain investment management contracts was changed from a value in use method, to fair value less costs to sell
- Where the Group seeds a fund it is launching, judgement is required to determine whether the Group has control over the fund and therefore if the fund should be consolidated within the Group's results
- The Group incurs costs on behalf of a fund it is launching which will ultimately be recovered from the fund vehicle and drawings relating to the members of River and Mercantile Infrastructure LLP (RAMI LLP) which are held on the balance sheet until there are accumulated profits to distribute. Judgment is required to assess the likelihood of fund launch and the recovery of those costs (at the reporting date the Group had £1.2 million (2020 £nil) of costs receivable on its balance sheet).

3. REVENUE

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Net management fees		
– Fiduciary Management	**21,143**	21,118
– Derivatives	**16,799**	15,389
– Equity Solutions – Wholesale	**8,173**	8,851
– Equity Solutions – Institutional	**11,308**	13,091
Total net management fees	**57,423**	58,449
Advisory fees		
– Retainers	**4,771**	5,054
– Project fees	**5,719**	5,878
Total advisory fees	**10,490**	10,932
Total net management and advisory fees	**67,913**	69,381
Performance fees		
– Fiduciary Management	**4,096**	1,161
– Equity Solutions	**2,267**	–
Total performance fees	**6,363**	1,161
Total revenue	**74,276**	70,542

Net management fees
Net management fees represent the fees charged pursuant to an IMA. Net management fees are reported net of rebates to clients and are typically charged as a percentage of the client's AUM or NUM. The fees are generally accrued based on a contractual daily fee calculation and billed to the client either monthly or quarterly. During the year ended 30 June 2021, rebates totalling £2,026,000 (2020: £2,739,000) were paid in respect of Equity Solutions and the Dynamic Asset Allocation Fund management fees.

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

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

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

There were £11,000 (2020: £30,000) contract liabilities as at the year ended 30 June 2021.

4. DIVISIONAL AND GEOGRAPHICAL REPORTING

The business operates through two divisions, however, these are not considered to be segments for the purposes of IFRS 8 on the basis that decisions made by the Board are made at an overall Group level. The information received by the Board supports this decision–making, with income statements, balance sheets, forecasts and budgets presented at a Group level.

No single client accounts for more than 10 per cent. of the revenue of the Group (2020: none).

On a geographic basis the majority of the revenues are earned in the UK. The Group has an advisory, derivatives, fiduciary management and equity solutions business in the US and net revenue earned in the US for the year ended 30 June 2021 was £6.9 million (2020: £6.3 million). The AUM of the US business was £1,432 million (2020: £1,449 million).

Non–current assets held by the US business include £1.3 million (2020: £1.5 million) of goodwill.

5. ADMINISTRATIVE EXPENSES

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Marketing	**700**	799
Travel and entertainment	**29**	427
Office facilities	**2,344**	2,517
Technology and communications	**3,182**	3,247
Market data	**2,975**	2,346
Professional fees	**2,402**	2,064
Research	**1,154**	1,331
Governance expenses	**738**	801
Fund administration	**1,046**	1,162
Other staff costs	**321**	251
Insurance	**770**	613
Irrecoverable VAT	**299**	215
Other costs	**37**	153
Total administrative expenses	**15,997**	15,926

Included within office facilities expenses in the current year is the depreciation charge on the right of use asset of £1.3 million (2020: £1.3 million). The expenses relating to the Group's leased properties are charged as the straight–line depreciation cost of the capitalised asset.

Administrative expenses include the remuneration of the external auditors of £330,000, however the total charge in relation to the year for all audit related services is detailed below. The additional audit fees will be expensed in the following year.

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Audit of the Company's annual accounts	**161**	130
Audit of the Company's subsidiaries	**235**	114
Audit related assurance services	**64**	75
	460	319

6. REMUNERATION AND BENEFITS

Fixed remuneration represents contractual base salaries, RAMAM member drawings, employee benefits and recruitment costs. The Group operates a defined contribution plan under which it pays contributions to a third party. In the year the Group established a subsidiary, RAMI LLP, drawings relating to members of this partnership are only accounted for as an expense to the extent there are accumulated profits to distribute. At the year end all drawings relating to the members of RAMI LLP were held on the balance sheet of the Group (£293,000).

Variable remuneration relates to discretionary bonuses, variable profit share paid to the members of RAMAM, IFRS 2 charges in respect of share awards, associated payroll taxes and recruitment costs. Recruitment costs of £288,000 (2020: £393,000) were incurred in the year.

Variable remuneration also includes a charge of £193,000 (2020: £406,000) relating to the Group's non–dilutive share awards and credit of £6,000 (2020: credit of £40,000) of associated social security costs.

	Year ended 30 June 2021	Year ended 30 June 2020
The average number of employees (including Directors) employed was:		
UK Investment Solutions	**149**	144
US Investment Solutions	**41**	39
UK Asset Management	**43**	35
US Asset Management	**4**	4
Corporate	**46**	42
PLC	**5**	4
Total average headcount	**288**	268

The Group has modified the classification of its headcount analysis to better reflect its operational structure, the prior year has been restated to reflect the updated classifications.

	Note	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
The aggregate remuneration of employees (including Directors) comprised:			
Wages and salaries		**37,855**	36,192
Social security costs		**3,946**	3,575
Pension costs (defined contribution)		**1,113**	976
Share–based payment expense (excluding dilutive share awards)		**274**	415
Total remuneration and benefits (excluding dilutive share awards)		**43,188**	41,158
Fixed remuneration		**29,723**	28,922
Variable remuneration		**13,465**	12,236
		43,188	41,158
Dilutive share award costs:			
Share–based payment expense	7	**755**	–
Social security costs	7	**154**	(17)
Total dilutive share award costs/(credit)		**909**	(17)
Total remuneration and benefits (including dilutive share awards)		**44,097**	41,141

Directors' remuneration

The aggregate remuneration and fees payable to Executive and Non–Executive Directors for the year ended 30 June 2021 was £1,988,000 (2020: £1,042,000).

Information regarding the aggregate single figure remuneration of the Executive Directors (which includes the highest paid Director of £954,000 (2020: £395,000)) is included in the Remuneration Committee Report.

6. REMUNERATION AND BENEFITS (CONTINUED)

Key management remuneration

Key management includes the Executive and Non–Executive Directors, and Executive Committee members. The remuneration paid or payable to key management for employee services is shown below:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Short–term employee benefits	**7,428**	5,932
Long–term employee benefits	**–**	7
Pension costs	**166**	113
Share–based payment expense	**723**	141
	8,317	6,193

Details of share awards granted to Executive Directors for future performance periods are included in the Remuneration Committee Report in the Annual Report.

7. SHARE–BASED PAYMENTS

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

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

7. SHARE-BASED PAYMENTS (CONTINUED)

The key features of the awards are:

Financial year of award	2016	2017	2018	2019	2020	2021
Number of shares granted '000						
Scheme 1 – Employees	892	229	29	41	–	–
Scheme 2 – Employees	45	–	–	–	–	–
Scheme 3 – Employees	184	150	514	108	–	–
Scheme 4 – Employees	–	–	196	190	–	–
Scheme 5 – Employees	–	–	48	–	–	–
Scheme 6 – Executive Directors	265	304	1,114	797	177	
Scheme 7 – Employees	–	–	–	–	–	189
Scheme 8 – SMSP	–	–	–	–	–	1,765
Scheme 9 – VTP	–	–	–	–	–	Variable
Maximum term at grant date						
Scheme 1 – Employees	5 years	4 years	4 years	3 years	n/a	n/a
Scheme 2 – Employees	4 years	n/a	n/a	n/a	n/a	n/a
Scheme 3 – Employees	4 years	4 years	4 years	3 years	n/a	n/a
Scheme 4 – Employees	n/a	n/a	3 years	3 years	n/a	n/a
Scheme 5 – Employees	n/a	n/a	4 years	n/a	n/a	n/a
Scheme 6 – Executive Directors	5 years	4 years	4 years	5 years	3 years	n/a
Scheme 7 – Employees	n/a	n/a	n/a	n/a	n/a	3 years
Scheme 8 – SMSP	n/a	n/a	n/a	n/a	n/a	4 years
Scheme 9 – VTP	n/a	n/a	n/a	n/a	n/a	5 years
Vesting conditions (see key below)						
Scheme 1 – Employees	1, 2 and 3	1, 2 and 3	1, 2 and 3	1 and 4	n/a	n/a
Scheme 2 – Employees	1 and 2	n/a	n/a	n/a	n/a	n/a
Scheme 3 – Employees	1	1	1	1	n/a	n/a
Scheme 4 – Employees	n/a	n/a	1 and 4	1 and 4	n/a	n/a
Scheme 5 – Employees	n/a	n/a	none	n/a	n/a	n/a
Scheme 6 – Executive Directors	1 and 2	1 and 2	1 and 5	1 and 6	1	n/a
Scheme 7 – Employees	n/a	n/a	n/a	n/a	n/a	1
Scheme 8 – SMSP	n/a	n/a	n/a	n/a	n/a	1 and 2
Scheme 9 – VTP	n/a	n/a	n/a	n/a	n/a	1 and 2

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

7. SHARE–BASED PAYMENTS (CONTINUED)

The following table sets out the movement in awards recognised in the income statement during the year and the key inputs into the fair values of awards:

	Financial year of award										
'000s	2016	2017	2018	2018	2018	2019	2019	2020	2021	2021	2021 VTP
Grant date share price £	2.21	3.12	3.14	3.12	3.22	3.22	2.53	1.65	1.73	2.33	2.14
Number of shares outstanding at 30 June 2019	768	566	105	314	1,269	222	905	–	–	–	–
Number of shares granted during the year	–	–	–	–	–	–	–	177	–	–	–
Number of shares forfeited during the year	(11)	(457)	–	(189)	(328)	(36)	(13)	–	–	–	–
Number of shares vested during the year	(379)	(87)	(65)	(58)	(51)	–	–	–	–	–	–
Vesting profile adjustments	–	–	–	–	31	–	–	–	–	–	–
Number of shares outstanding at 30 June 2020	378	22	40	67	921	186	892	177	–	–	–
Number of shares granted during the year	–	–	–	–	–	–	–	–	189	1,765	Variable*
Number of shares forfeited during the year	(9)	–	–	–	(1)	–	–	–	–	(30)	–
Number of shares lapsed during the year	(369)	–	–	–	(819)	(2)	–	–	–	–	–
Number of shares vested during the year	–	(22)	(40)	(67)	(101)	(208)	(64)	–	–	–	–
Vesting profile adjustments	–	–	–	–	–	24	–	–	–	–	
Number of shares outstanding at 30 June 2021	–	–	–	–	–	–	828	177	189	1,735	Variable*
Fair value assumptions:											
Exercise price	£nil	£nil	£nil	£nil	£nil	£nil	£nil	£nil	£nil	£nil	£nil
Risk free rate	0.94% or 1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	(1.04%)	1.0%	(0.06%)	(0.02%)
Share price volatility	27.40%	27.90%	28.20%	28.20%	28.80%	28.80%	30.83%	33.66%	38%	38%	38%
Dividend yield	5%	5%	5%	5%	5%	5%	5%	5%	5%	2.88%	Nil
Number of shares expected to vest '000	–	–	–	–	–	–	687	177	153	537	Variable*

* The number of shares issued under the VTP award will vary dependant on the total shareholder return over the vesting period.

The Group provides a sensitivity analysis to show the impact to the Group profit before taxation in the event that forfeiture conditions assumptions are exceeded or below that of the Group's estimated percentages:

Impact on income statement of a change in forfeiture assumption	**Change**
+ 5%	**+£0.1m**
– 5%	**–£0.1m**

There were 220,601 awards exercised under the plans in 2021 (2020: 751,685). The weighted average share price at the date of exercise of these awards was £1.76 (2020: £2.61).

The weighted average fair value of awards granted under the plans during the year was £1.30 (2020: £1.65), excluding the VTP award.

The weighted average remaining contractual life of the share awards outstanding under the plans as at 30 June 2021 was 3 years (30 June 2020: 2 years).

7. SHARE-BASED PAYMENTS (CONTINUED)

Save-as-you earn (SAYE)

All eligible UK employees may participate in the Group's SAYE Plan. Under the terms of this plan, employees may enter into contracts to save up to the maximum amount permitted under legislation and, at the expiry of a fixed term, have the option to use these savings to acquire shares in the Company at a discounted price, calculated under the rules of the plan (currently a 20% discount to the market price at the date of award). The following table sets out the movement in SAYE awards recognised in the income statement during the year and the key inputs into the fair values of awards:

'000s	2016	2017	2018	2019	2020	2020
Number of shares outstanding at 30 June 2019	183	119	82	266	–	–
Number of options granted during the year	–	–	–	–	147	706
Number of shares forfeited during the year	–	(15)	–	–	(135)	–
Number of options exercised in the year	(183)	–	–	–	–	–
Number of shares outstanding at 30 June 2020	–	104	82	266	12	706
Number of options granted during the year	–	–	–	–	–	–
Number of options forfeited during the year	–	(104)	(76)	(203)	–	(83)
Number of shares outstanding at 30 June 2021	**–**	**–**	**6**	**63**	**12**	**623**
Fair value assumptions						
Exercise price	£1.87	£2.18	£2.65	£2.00	£1.95	£1.57
Risk free rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Share price volatility	25.50%	28.36%	28.30%	28.30%	31.09%	31.09%
Dividend yield	5%	5%	5%	5%	5%	5%

There were no options granted in the year (2020: 706,000).

There were no options exercised under the SAYE plan in 2021 (2020: 183,000). The weighted average contractual life of the options outstanding under the plan at 30 June 2021 was 2 years (2020: 3 years).

8. DEPRECIATION AND AMORTISATION

Depreciation charges primarily relate to IT and communications equipment, and leasehold improvements. The property, plant and equipment, and the depreciation accounting policies are described in note 20. Depreciation on right of use leasehold assets is included within administrative expenses and detailed in note 5.

The amortisation charge relates to the IMA intangibles and recognised as part of the acquisition of RAMAM and the Group's internally generated software asset. The RAMAM IMA intangibles held at the balance sheet date are amortised over their expected useful life of ten years. The amortisation is not deductible for tax purposes. At the date of the RAMAM acquisition a deferred tax liability was recognised and is being charged to the income statement tax expense in line with the amortisation of the related IMAs. The Groups' software asset is amortised over the expected useful life.

9. INTANGIBLE ASSETS

Business combinations and goodwill

All business combinations are accounted for using the acquisition method. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer. The fair value of a business combination is calculated at the acquisition date by recognising the acquired entity's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, at their fair values at that date. The acquisition date is the date on which the acquirer effectively obtains control of the acquired entity. The cost of a business combination in excess of fair value of net identifiable assets or liabilities acquired, including intangible assets identified, is recognised as goodwill. Any costs incurred in relation to a business combination are expensed as incurred.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

9. INTANGIBLE ASSETS (CONTINUED)

Goodwill is not amortised but is reviewed for impairment annually, or more frequently when there is an indication of impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. Each CGU to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and then to the other assets of the unit pro–rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised is not reversed in a subsequent period.

Identifiable intangible assets

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

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

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

Impairment of intangible assets, excluding goodwill

At each statement of financial position date or whenever there is an indication that the asset may be impaired, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is the higher of the fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

9. INTANGIBLE ASSETS (CONTINUED)

	Goodwill £'000	Customer lists and IMAs £'000	Software £'000	Total £'000
Cost:				
At 30 June 2019	15,642	38,556	84	54,282
Additions	–	–	385	385
Exchange difference	47	65	–	112
At 30 June 2020	15,689	38,621	469	54,779
Additions	–	–	324	324
Exchange difference	(171)	–	–	(171)
At 30 June 2021	**15,518**	**38,621**	**793**	**54,932**
Accumulated amortisation and impairment:				
At 30 June 2019	418	23,053	58	23,529
Amortisation charge	–	3,226	31	3,257
Impairment	21	1,356	–	1,377
Exchange difference	–	56	–	56
At 30 June 2020	439	27,691	89	28,219
Amortisation charge	–	2,915	104	3,019
Impairment	180	–	–	180
At 30 June 2021	**619**	**30,606**	**193**	**31,418**
Net book value:				
At 30 June 2020	15,250	10,930	380	26,560
At 30 June 2021	**14,899**	**8,015**	**600**	**23,514**

Impairment review

Goodwill includes £13.2 million (2020: £13.6 million) in respect of RAMAM and £1.3 million (2020: £1.5 million) in respect of Cassidy Retirement Group Inc. (Cassidy).

The Directors estimated the recoverable amount of the RAMAM goodwill based upon the value in use of the business. The value in use was measured using internal budgets and forecasts to generate a five–year view. The key assumptions used were: revenue based on internally approved budget in year one, an 8 per cent. per annum revenue growth rate for the next four years; no growth after this point; and a pre–tax discount rate of 10 per cent. Estimates were made concerning remuneration and administrative costs, based upon current levels and expected changes.

Sensitivity analysis was performed on the key inputs of the valuation, being the growth and discount rates and future cash flows. A fall of greater than 10 per cent. in projected revenue or a change in the discount rate to a rate in excess of 22 per cent. is required to indicate impairment.

The Directors estimated the recoverable amount of the Cassidy goodwill using the fair value less costs of disposal. This value was measured using the revenues of the CGU and third–party data concerning comparable revenue multiples paid for recent acquisitions of similar businesses.

The key assumptions included in the estimate were: the costs of disposal; and the assumption that the multiples observed in other businesses would be comparable. Sensitivity analysis was performed on the valuation. A reduction in the revenue multiple of greater than 80 per cent. would be required to indicate impairment.

9. INTANGIBLE ASSETS (CONTINUED)

At the balance sheet date, the Group had an intangible asset of £8.0 million (2020: £10.9 million) relating to the RAMAM IMAs. The value of the intangible asset is supported using its fair value less costs of disposal. The fair value is calculated using an appropriate revenue multiple for the business and associated disposal costs. A decrease of greater than 20 per cent. in the revenue multiple used would be required to indicate any impairment.

In the prior year an intangible asset relating to the investment management contracts of the ILC funds was fully impaired, resulting in a net book value of £nil at both 30 June 2020 and 30 June 2021.

10. OTHER UNREALISED GAINS AND LOSSES

	Note	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
Investments held at fair value through profit or loss (FVTPL)	16	**287**	(435)
Gain on reclassification of held for sale asset to FVTPL	16	**233**	–
Recycle life-to-date gains to realised gains and losses		**(209)**	–
Unrealised foreign exchange on investments		**(47)**	–
Gain on purchase of UCITS		**–**	27
Change in fair value of contingent consideration		**(49)**	107
Total other unrealised gains and losses		**215**	(301)

11. FINANCE INCOME AND EXPENSES

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

Finance income comprises £25,000 of bank interest (2020: £54,000). Finance expense comprises of lease liability finance interest unwind £96,000 (2020: £170,000) and bank charges of £nil (2020: £8,000).

12. CURRENT AND DEFERRED TAX

The tax charge consists of current tax and deferred tax. Current tax represents the estimated tax payable on the taxable profits for the period. Taxable profit differs from profit before tax reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements, and is measured using the substantively enacted rates expected to apply when the asset or liability will be realised or settled.

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

Deferred tax is recognised in the income statement, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity.

The most significant deferred tax items are the deferred tax liability established against the IMA intangible asset arising from the acquisition of RAMAM and the deferred tax asset recognised in respect of the share–based payment expenses. The amortisation of the IMA intangible asset is not tax deductible for corporate tax purposes therefore the deferred tax liability is released into the consolidated income statement to match the amortisation of the IMA intangible.

12. CURRENT AND DEFERRED TAX (CONTINUED)

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Current tax:		
Current tax on profits for the year	**3,146**	2,799
Deferred tax – origination and reversal of timing differences	**(449)**	157
Total tax charge	**2,697**	2,956

The total tax charge assessed for the year is higher (2020: lower) than the average standard rate of corporation tax in the UK.

The differences are explained below:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Profit before tax	**10,905**	8,299
Profit before tax multiplied by the average rate of corporation tax in the UK of 19% (2020: 19%)	**2,072**	1,577
Effects of:		
Expenses not deductible for tax purposes	**44**	145
Losses not deductible for tax purposes	**374**	972
Other reconciling differences	**207**	262
Total tax charge	**2,697**	2,956

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

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Deferred tax assets		
At beginning of year	**276**	1,034
(Charge)/credit to the income statement:		
– share–based payment expense	**99**	(562)
– IFRS 16 movement	**4**	–
– movement in foreign exchange	**–**	6
Credit charge to equity:		
– share–based payment expense	**140**	(202)
– recycling of deferred tax on shares vested	**–**	–
At end of year	**519**	276

12. CURRENT AND DEFERRED TAX (CONTINUED)

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Deferred tax liabilities		
At beginning of year	**2,078**	2,483
Charge/(credit) to the income statement:		
– amortisation of intangibles	**(554)**	(554)
– change in future tax rates	**175**	
– movement on intangibles	**–**	233
– movement on investments held at fair value	**32**	(84)
At end of year	**1,731**	2,078

On 11 March 2021, the Government announced its intention to increase the main corporation tax rate from 19 per cent. to 25 per cent. from 1 April 2023. The announced rate reductions have been substantively enacted by the Balance Sheet date and have been reflected above as appropriate.

13. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares of the Company in issue during the year, excluding 1,590,950 shares held by the EBT (2020: 1,602,578).

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

	Year ended 30 June 2021	Year ended 30 June 2020
Profit attributable to owners of the parent (£'000)	**8,208**	**5,343**
Weighted average number of shares in issue ('000)	**83,853**	**83,624**
Weighted average number of diluted shares ('000)	**83,964**	**83,856**
Earnings per share:		
Earnings per share		
Basic (pence)	**9.79**	**6.39**
Diluted (pence)	**9.78**	**6.37**

Reconciliation between weighted average number of shares in issue

	Year ended 30 June 2021 '000	Year ended 30 June 2020 '000
Weighted average number of shares in issue – basic	**83,853**	83,624
Dilutive effect of shares granted under SAYE	**111**	232
Dilutive effect of executive and senior management share awards	**–**	–
Weighted average number of shares in issue – diluted	**83,964**	83,856

Adjusted profit

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

13. EARNINGS PER SHARE (CONTINUED)

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

Adjusted profit comprises adjusted underlying profit and performance fee profit.

Adjusted profit before tax is determined by adjusting statutory profit before tax for the impact of amortisation and impairment of intangible assets (excluding software), other unrealised gains and losses and dilutive share awards. In the year, adjusted profit before tax also adjusts for professional fees incurred in relation to the sale of the Solutions business.

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

Performance fee profit represents performance fees, less the associated remuneration costs plus the gain on disposal of investments held at fair value.

Tax on adjusted profit and adjusted underlying profit adjusts for the corporation tax and deferred tax impact of the adjusting items.

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Adjusted profit calculation:		
Statutory profit before tax	**10,905**	8,299
Adjustments:		
Amortisation and impairments of intangible assets (excluding software)	**3,095**	4,603
Deal related professional fees	**294**	–
Other unrealised (gains) and losses	**(215)**	301
Dilutive share awards costs/(credits)	**909**	(17)
Adjusted profit before tax	**14,988**	13,186
Taxes	**(3,281)**	(3,330)
Adjusted profit after tax	**11,707**	9,856
Performance fee profit calculation:		
Performance fees	**6,363**	1,161
Less remuneration at 60% (2020: 50%)	**(3,818)**	(581)
Realised gain on disposal of investments held at fair value	**209**	42
Performance fee profit before tax	**2,754**	622
Taxes	**(523)**	(118)
Performance fee profit after tax	**2,231**	504
Adjusted underlying profit calculation:		
Adjusted profit before tax	**14,988**	13,186
Less: Performance fee profit before tax	**(2,754)**	(622)
Adjusted underlying profit before tax	**12,234**	12,564
Taxes on adjusted profit	**(3,281)**	(3,330)
Add back: Taxes on performance fee profit	**523**	118
Adjusted underlying profit after tax	**9,476**	9,352
Adjusted underlying pre–tax margin (calculated on total revenue excluding performance fees)	**18%**	18%

13. EARNINGS PER SHARE (CONTINUED)

Adjusted earnings per share

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Adjusted profit after tax	**11,707**	9,856
Adjusted underlying profit after tax	**9,476**	9,352
Weighted average shares ('000)	**83,853**	83,624
Weighted average diluted shares ('000)	**83,964**	83,856
Adjusted EPS:		
Basic (pence)	**13.96**	11.79
Diluted (pence)	**13.94**	11.75
Adjusted underlying EPS:		
Basic (pence)	**11.30**	11.18
Diluted (pence)	**11.29**	11.15

14. DIVIDENDS

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

During the year, the following dividends were paid:

	Ordinary (pence)	Special (pence)	Total (pence)	**Year ended 30 June 2021 £'000**	Year ended 30 June 2020 £'000
2019 second interim	3.50	1.60	5.10	**–**	4,269
2019 final	2.60	2.40	5.00	**–**	4,188
2020 first interim	3.90	0.50	4.40	**–**	3,678
2020 second interim	2.81	–	2.81	**2,360**	–
2020 final	2.24	0.10	2.34	**1,961**	–
2021 first interim	3.89	–	3.89	**3,261**	–
				7,582	12,135

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits. At year end, all cash balances were held by banks with credit ratings as detailed below.

Bank	**30 June 2021 £'000**	30 June 2020 £'000	Credit rating	Rating body
Barclays Bank	**24,968**	19,305	A1	Moody's
Lloyds Bank	**3,807**	4,384	A1	Moody's
First Republic Bank	**860**	562	A1	Moody's
Total cash and cash equivalents	**29,635**	24,251		

16. INVESTMENTS HELD AT FVPL

The Group uses capital to invest in its own fund products as seed investments. The investments are recognised as a financial asset in the balance sheet and changes to the fair value are recognised in the income statement. The fair value of the Group's investment in its funds is derived from the fair value of the underlying investments, some of which are not traded in an active market and therefore the investment is classified as Level 2 under IFRS 13 Fair Value Measurement.

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

	Investments held at FVTPL £'000
At 30 June 2019	5,387
Additions	1,523
Movement in FVTPL	(435)
Foreign exchange movement	(58)
Disposals	(6,127)
At 30 June 2020	290
Additions	**1,020**
Transfer from asset held for sale	**810**
Gain on transfer of asset held for sale	**233**
Other movements on investments	**(11)**
Movement in FVTPL	**287**
Foreign exchange movement	**(36)**
Disposals	**(1,225)**
At 30 June 2021	**1,368**

In the year, additions include the reclassification of an asset previously classified as held for sale plus any accumulated gains on derecognition as held for sale (see note 17).

17. ASSETS HELD FOR SALE

Where the Group seeds a fund which meets the definition of an asset held for sale it is accounted for accordingly. These will be held at the lower of cost or net realisable value. In the period the seeded fund met the definition of a subsidiary therefore was transferred from assets held for sale and consolidated as a subsidiary of the Group.

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

	Investments held for sale £'000
At 30 June 2019	–
Additions	810
At 30 June 2020	810
Transfer to investments held at FVTPL	(810)
At 30 June 2021	**–**

18. FEE RECEIVABLES

Fee receivables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. The Group applies the IFRS 9 simplified approach to measuring ECLs for fee receivables at an amount equal to lifetime ECLs. The ECLs on fee receivables are calculated based on actual historic credit loss experienced over the preceding three to five years on the total balance of non–credit impaired fee receivables and also the future likelihood of default.

The Group considers a fee receivable to be credit impaired when one or more detrimental events have occurred, such as significant financial difficulty of the client or it becoming probable that the client will enter bankruptcy or other financial reorganisation. As the majority of fee receivables are fees settled directly from the assets of the respective funds, the credit risk is considered to be very low. Taking into consideration the Group's historic experience, and their current credit exposures in light of future probabilities of default, the Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2020: nil). The Directors are satisfied with the credit quality of counterparties.

	30 June 2021 £'000	30 June 2020 £'000
Fee receivables	**4,880**	10,233
	4,880	10,233

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

	30 June 2021 £'000	30 June 2020 £'000
Opening provision for impairment	**–**	–
Increase during the year	**–**	–
Receivable written off during the year	**–**	–
Closing provision for impairment	**–**	–

The average credit period on fee receivables is 26 days (2020: 13 days).

19. OTHER RECEIVABLES

	30 June 2021 £'000	30 June 2020 £'000
Accrued income	**18,322**	13,723
Prepayments	**2,242**	1,691
Other debtors	**1,317**	44
	21,881	15,458

The Group applies the IFRS 9 simplified approach to measuring ECLs. The Group does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2020: nil).

The Group's policy on financial instruments can be found in note 27.

20. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at historical cost less accumulated depreciation. Depreciation charges the cost of the assets to the consolidated income statement over their expected useful lives. Office equipment includes computer equipment which is depreciated over three years, and fixtures, fittings and equipment which is depreciated over seven years. Leasehold improvements are amortised over the remaining term of the leases. The depreciation period and method is reviewed annually. Depreciation on right of use leasehold assets is included in administration expenses.

	Office equipment £'000	Leasehold improvements £'000	**Total £'000**
Cost:			
At 30 June 2019	557	550	1,107
Additions	45	–	45
Exchange difference	5	2	7
At 30 June 2020	607	552	1,159
Additions	–	–	**–**
Disposals	–	–	**–**
Exchange difference	(20)	(9)	(29)
At 30 June 2021	**587**	**543**	**1,130**
Accumulated depreciation:			
At 30 June 2019	351	150	501
Depreciation charge of owned assets	72	145	217
Exchange difference	2	1	3
At 30 June 2020	425	296	721
Depreciation charge of owned assets	66	104	170
Exchange difference	(10)	(4)	(14)
At 30 June 2021	**481**	**396**	**877**
Net book value:			
At 30 June 2020	182	256	438
At 30 June 2021	**106**	**147**	**253**

21. RIGHT OF USE ASSETS AND LEASE LIABILITY

	Right of Use Asset £'000
Cost:	
At 30 June 2019	–
Recognition of asset on transition to IFRS 16	5,591
Additions	41
At 30 June 2020	5,632
Additions	–
Exchange difference	(176)
At 30 June 2021	**5,456**
Accumulated depreciation:	
At 30 June 2019	–
Recognition of depreciation charge on transition to IFRS 16	1,768
Depreciation charge	1,278
At 30 June 2020	3,046
Depreciation charge	1,263
Exchange difference	(72)
At 30 June 2021	**4,237**
Net book value:	
At 30 June 2020	2,586
At 30 June 2021	**1,219**

	Lease Liability
Lease Liability:	
At 30 June 2019	–
Recognition of liability on transition to IFRS 16	4,024
Payments made	(1,503)
Interest charge	170
At 30 June 2020	2,691
Payments made	(1,384)
Interest charge	96
Exchange difference	(120)
At 30 June 2021	**1,283**
Of which:	
Current lease liabilities	746
Non–Current lease liabilities	537
At 30 June 2021	**1,283**

From 1 July 2019, the Group's leases relating to office accommodation with terms of more than one year were recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5 per cent.

22. TRADE AND OTHER PAYABLES

	30 June 2021 £'000	30 June 2020 £'000
Trade payables	**342**	195
VAT payable	**668**	1,110
Remuneration accruals	**14,800**	11,570
Other accruals and payables	**3,663**	4,588
Contract liabilities	**11**	30
	19,484	17,493

The Group's policy on financial instruments can be found in note 27.

23. SHARE CAPITAL

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

Allotted, called up and fully paid: Ordinary shares of £0.003 each	Number	£
Opening balance at 1 July 2019	85,296,176	255,889
Shares issued in respect of SAYE award vesting	157,458	472
Closing balance at 30 June 2020	85,453,634	256,361
Shares issued in respect of SAYE award vesting	–	–
Balance as at 30 June 2021	**85,453,634**	**256,361**

The ordinary shares carry the right to vote and rank pari passu for dividends. The share premium account arises from the excess paid over the nominal value of the shares issued.

24. OTHER RESERVES

	30 June 2021 £'000	30 June 2020 £'000
Foreign exchange reserve	**514**	350
Capital redemption reserve	**84**	84
Capital contribution reserve	**576**	576
	1,174	1,010

The foreign exchange reserve represents the cumulative foreign exchange differences arising on US Dollar denominated businesses in the Group as well as currency differences on goodwill and fair value adjustments on the acquisition of foreign subsidiaries. Upon any disposal of the US Dollar denominated business, the associated cumulative foreign exchange differences would be recycled through the consolidated income statement.

The capital contribution reserve arose from a historical acquisition whereby the Group's then parent settled part of the consideration in its own shares valued at £576,000.

25. OWN SHARES HELD BY EBT

During the year, the Group's EBT purchased Group shares in relation to non–dilutive share awards (note 7). The shares held are measured at cost. At 30 June 2021 the EBT held 1,590,950 shares (2020: 1,602,578).

	£'000
Opening balance at 1 July 2019	6,251
Disposal of shares in respect of award vesting	(1,996)
Balance as at 30 June 2020	4,255
Purchase of own shares	350
Disposal of shares in respect of award vesting	(576)
Balance as at 30 June 2021	**4,029**

26. RELATED PARTY TRANSACTIONS

Related parties to the Group are key management personnel (note 6) and any interests in structured entities managed by the Group.

The interest in structured entities relates to investment funds that the Group manages and from which it receives management fees for providing this service. By virtue of the investment management agreements in place, such funds may be considered to be related parties. Investment management fees are included within management fees in note 3.

The revenue recognised in respect of net management and performance fee charges from these investment funds in the year was £8.0 million (2020: £9.5 million). At the end of the year £0.90 million (2020: £0.04 million) of revenue was accrued in respect of net management fees from these investment funds.

27. FINANCIAL INSTRUMENTS

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

Financial assets at FVTPL

The Group initially records all financial assets at fair value. The Group subsequently holds each financial asset at FVTPL or amortised cost on application of the 'Business Model' and 'Solely Payments of Principal and Interest' test. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the income statement.

Trade and other receivables

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

Cash and cash equivalent balances

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

Trade and other payables

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

27. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

Financial instruments held by the Group are categorised under IFRS 9 as follows:

	30 June 2021 £'000	30 June 2020 £'000
Financial assets		
Cash and cash equivalents	**29,635**	24,251
Fee receivables	**4,880**	10,233
Other receivables	**19,639**	13,767
Total financial assets held at amortised cost	**54,154**	48,251
Investments held at FVTPL	**1,368**	290
Total Investments held at FVTPL	**1,368**	290
Total financial assets	**55,522**	48,541

Other receivables exclude prepayments.

	30 June 2021 £'000	30 June 2020 £'000
Financial liabilities		
Trade and other payables	**19,302**	17,493
Lease liabilities	**1,283**	2,691
Total financial liabilities at amortised cost	**20,585**	20,184
Contingent consideration	**171**	228
Total financial liabilities held at fair value	**171**	228
Total financial liabilities	**20,756**	20,412

Trade and other payables exclude deferred income.

The Directors consider the carrying amounts of the loan and receivables, financial assets and financial liabilities carried at amortised cost to be a reasonable approximation to their fair values based upon their nature and the relatively short period of time between the origination of the instruments and their expected realisation.

As reported in the prior year's Annual Report the Group became the investment manager of the ILC funds. The contractual agreements entered into between the parties constituted a business combination under IFRS 3. The contingent consideration is calculated based on the percentage of revenue generated by an IMA and measured at fair value at each reporting date. The contingent consideration balance is recognised within Trade and other payables in the consolidated statement of financial position and changes in fair value are recognised in the income statement.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and liabilities

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, and held as FVTPL and revalued on a recurring basis, grouped into levels 1 to 3:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The Group does not hold financial instruments in this category
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group's seeding of funds is held within this category
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group's contingent consideration of the ILC team is held within this category. This contingent consideration is measured at fair value at the reporting date. Based on a discount rate of 10 per cent. and an assumed AUM growth of 10 per cent. per annum, the fair value of the contingent consideration payable is £171,000 (2020: £228,000)

	30 June 2021 £'000	30 June 2020 £'000
Financial assets		
Financial assets held at fair value – level 2	**1,368**	290
	1,368	290

	30 June 2021 £'000	30 June 2020 £'000
Financial liabilities		
Financial liabilities held at fair value – level 3	**171**	228
	171	228

During the period the Group transferred its held for sale asset into financial assets held at fair value. With the exception of this transfer, there have been no transfers of financial instruments between levels during the period.

Financial risk management

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

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

Credit risk management

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

The banks with whom the Group deposits cash and cash equivalent balances are monitored, including their credit ratings (note 15).

Market risk – pricing risk

Pricing is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those from interest rate risk or currency risk. In respect of pricing risk on financial instrument risks, the Group's exposure to pricing risk is principally through seed investments held. The Group does not hedge exposures to pricing risk.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk – foreign currency risk management

The Group's foreign currency risk arises where adverse movements in foreign exchange rates impact the value of the assets and liabilities held in currencies other than the local entity's functional currency.

The carrying amount of the Group's foreign currency exposures are shown below in GBP:

	30 June 2021 £'000	30 June 2020 £'000
Fee receivables	**511**	675
Cash and cash equivalents	**1,436**	1,158
Payables	**(2,007)**	(3,823)
Other assets	**3,055**	2,785
Assets held for sale	**–**	810
Investments held at fair value	**1,188**	240
Total	**4,183**	1,845

A 10 per cent. fluctuation in the exchange rate between foreign currencies and UK Pounds sterling on the outstanding foreign currency denominated monetary items at year–end balances would result in a gain or loss of £418,000 (2020: £185,000).

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

Market risk – interest rate risk management

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

Liquidity risk management

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

The Group is cash generative before the payment of dividends and has cash and cash equivalent balances that support the Group's working capital requirements. The fee receivable invoicing cycle is generally quarterly; as a result cash balances are maintained to meet the ongoing expenses of the business during the quarterly cycles. The Group's capital expenditure requirements have not been significant and have been limited to office and IT equipment.

Prior to significant cash outflows (or entering into commitments which would result in significant cash outflows), including dividends, the Group undertakes liquidity and capital analysis.

The Group has entered into leases over its premises. The Group's lease liability of £1,283,000 (2020: £2,691,000) is presented on the statement of financial position.

At 30 June 2021, the Group had cash and cash equivalents of £29.6 million (2020: £24.3 million).

27. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity gap analysis
The table below presents the cash flows receivable and payable by the Group under non–derivative financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

The net liquidity positions in the table below relate to cash flows on contractual obligations existing at the reporting date and does not take account of any cash flows generated from profits on normal trading activities.

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2021				
Assets				
Cash and cash equivalents	29,635	–	–	–
Fee income receivables	–	4,880	–	–
Other receivables	–	19,588	–	51
Total financial assets	**29,635**	**24,468**	**–**	**51**
Liabilities				
Trade and other payables	714	18,588	–	–
Lease liability	–	219	528	536
Total financial liabilities	**714**	**18,807**	**528**	**536**
Net liquidity surplus/(deficit)	**28,921**	**5,661**	**(528)**	**(485)**

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2020				
Assets				
Cash and cash equivalents	24,251	–	–	–
Fee income receivables	–	10,233	–	–
Other receivables	–	9,173	4,536	58
Total financial assets	24,251	19,406	4,536	58
Liabilities				
Trade and other payables	–	15,373	1,146	946
Lease liability	–	382	1,098	1,211
Total financial liabilities	–	15,755	2,244	2,157
Net liquidity surplus/(deficit)	24,251	3,651	2,292	(2,099)

Capital management
The Group operates its subsidiaries as self–sufficient entities which, save for activities in the US, are expected to be able to meet their funding requirements without recourse to the parent.

The Group's capital structure consists of equity (share capital and share premium), other reserves and its retained earnings; capital is managed on a consolidated and individual entity basis to ensure that each entity is able to continue as a going concern. Three of the Group's subsidiaries are regulated entities (one in the UK, one in the US and one in both the UK and the US). The Group scrutinises its capital adequacy using the Pillar 2 and ICAAP frameworks which are regulated by the FCA to maintain adequate capital requirements. The Group has complied with its regulatory capital required throughout the period covered by these financial statements.

28. ULTIMATE CONTROLLING PARTY AND SUBSIDIARY UNDERTAKINGS

The Company became publicly listed on 26 June 2014 and remains publicly listed. The Directors consider that there is no ultimate controlling party of the Group.

Subsidiary undertakings

The following subsidiaries have been included in the consolidated financial information of the Group:

Name	Country of incorporation of registration	Proportion of voting rights/ ordinary share capital held %	Registered office address	Nature of business
River and Mercantile Investments Limited[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment management
River and Mercantile US Holdings Limited[1]	UK	100	30 Coleman St, London, EC2R 5AL	Holding company for the US business
River and Mercantile LLC[1, 2]	US	100	130 Turner St, Waltham, MA 02453	Actuarial and consulting
River and Mercantile Holdings Limited	UK	100	30 Coleman St, London, EC2R 5AL	Holding company
River and Mercantile Asset Management LLP[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment management
River and Mercantile Group Services Limited[1,2,3]	UK	100	30 Coleman St, London, EC2R 5AL	Dormant service company
River and Mercantile Group Trustees Limited[1,2]	UK	100	30 Coleman St, London, EC2R 5AL	Dormant service company
River and Mercantile Services LLC[2]	US	100	1209 Orange St, Delaware, 19801	Dormant service company
River and Mercantile Infrastructure LLP[1]	UK	100	30 Coleman St, London, EC2R 5AL	Investment advisor
River and Mercantile Infrastructure GP S.a.r.l.	Lux	100	2–4 rue Eugene Ruppert, L–2453	General partner
River and Mercantile International High Alpha Fund[4]	US	100	1209 Orange St, Delaware 19801	Equity fund
River and Mercantile Group Employee Benefit Trust	UK	0	12 Castle Street, St Helier, Jersey, JE2 3RT	Employee Benefit Trust

1. Indirect holding
2. Exempt from audit requirements
3. Dormant at 30 June 2021 but started to operate as a service company on 1 July 2021
4. Investment fund seeded by the Group which has been consolidated in the Group's results

River and Mercantile Asset Management LLP has a non–coterminous year end, reporting at 31 March on a standalone basis. This was the existing year–end date as at acquisition and no change is expected.

29. EVENTS AFTER THE REPORTING DATE

On 26 October 2021 the Group announced that it has entered into a contract with the Schroders Group to acquire its Solutions business. This announcement does not have a material impact on the financial results as presented however will impact the future operations of the Group.

With the exception of the event mentioned above since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group.

The Board of Directors have declared a second interim dividend of 4.48 pence per share, of which 1.59 pence is a special dividend and relates to net performance fees. The second interim dividend will be paid on 10 December 2021 to shareholders on the register as at 19 November 2021. The ex–dividend date is 18 November 2021.

The Board of Directors have also proposed a final dividend for the year ended 30 June 2021, subject to approval by shareholders at the Group's AGM on 13 December 2021, of 3.32 pence per share, of which 1.06 pence is a special dividend and relates to net performance fees.

Company Statement of Financial Position

	Note	30 June 2021 £'000	30 June 2020 £'000
Assets			
Cash and cash equivalents	2	**12,175**	13,898
Other receivables	3	**5,750**	3,396
Deferred tax asset	4	**302**	126
Right of use assets	6	**569**	1,620
Property, plant and equipment	5	**81**	188
Intangible assets	7	**600**	380
Investments	8	**59,586**	58,901
Total assets		**79,063**	78,509
Liabilities			
Payables	9	**4,793**	2,697
Lease liability	6	**506**	1,578
Total liabilities		**5,299**	4,275
Net assets		**73,764**	74,234
Equity			
Share capital	10	**256**	256
Share premium	11	**15,429**	15,428
Other reserves	12	**84**	84
Retained earnings		**57,995**	58,466
Equity attributable to owners		**73,764**	74,234

The notes to the financial statements of River and Mercantile Group PLC (registered number 04035248) form part of and should be read in conjunction with the financial statements.

The Company's profit after tax for the year was £5,946,000 (2020: £11,335,000).

The financial statements were approved by the Board on 4 November 2021.

James Barham
Group Chief Executive

Simon Wilson
Chief Financial Officer

Company Statement of Cash Flows

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Cash flow from operating activities		
Profit before interest and tax	**5,906**	11,809
Adjustments for:		
Depreciation of property, plant and equipment	**107**	150
Depreciation of right of use asset	**1,051**	1,050
Amortisation of intangible assets	**104**	32
EBT funding	**–**	–
Share–based payment expense	**324**	265
Dividends from subsidiaries	**(13,000)**	(16,000)
Other gains and losses	**–**	(27)
Operating cash flow before movement in working capital	**(5,508)**	(2,721)
(Increase)/decrease in operating assets	**(2,352)**	4,306
Increase/(Decrease) in operating liabilities	**2,675**	(6,691)
Cash used in operations	**(5,185)**	(5,106)
Taxation (paid)/received	**(579)**	511
Net cash used in operations	**(5,764)**	(4,595)
Cash flow from investing activities		
Purchases of property, plant and equipment	**–**	(24)
Purchase of intangible assets	**(324)**	(386)
Investment in subsidiaries	**–**	–
Repayment of intercompany loan receivables	**–**	4,877
Interest received	**71**	37
Dividends received from subsidiaries	**13,000**	16,000
Net cash generated from investing activities	**12,747**	20,504
Cash flow from financing activities		
EBT funding settled	**–**	–
Dividends paid	**(7,582)**	(12,135)
Share issue	**–**	294
Lease liability payments	**(1,124)**	(1,274)
Net cash used in financing activities	**(8,706)**	(13,115)
Net (decrease)/increase in cash and cash equivalents	**(1,723)**	2,794
Cash and cash equivalents at beginning of year	**13,898**	11,104
Cash and cash equivalents at end of year	**12,175**	13,898

Company Statement of Changes in Shareholders' Equity

	Share Capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance as at 30 June 2019	256	15,136	44,517	14,726	74,635
Adjustment to retained earnings on transition to IFRS 16	–	–	–	(123)	(123)
Adjusted balance as at 30 June 2019	256	15,136	44,517	14,603	74,512
Comprehensive income for the year:					
Profit for the year	–	–	–	11,335	11,335
Total comprehensive income for the year	–	–	–	11,335	11,335
Transactions with owners:					
Dividends	–	–	–	(12,135)	(12,135)
Share–based payment expense	–	–	–	409	409
Deferred tax on share–based payment expense	–	–	–	(158)	(158)
Realised tax in respect of award vesting	–	–	–	(21)	(21)
Amendment to retained earnings on capital redemption of merger reserve	–	–	(44,433)	44,433	–
Share issue in respect of award vesting	–	292	–	–	292
Total transactions with owners:	–	292	(44,433)	32,528	(11,613)
Balance as at 30 June 2020	256	15,428	84	58,466	74,234
Comprehensive income for the year:					
Profit for the year	–	–	–	5,946	5,946
Total comprehensive income for the year	**–**	**–**	**–**	**5,946**	**5,946**
Transactions with owners:					
Dividends	–	–	–	(7,582)	(7,582)
Share–based payment expense	–	–	–	1,009	1,009
Deferred tax on share–based payment expense	–	–	–	156	156
Other	–	1	–	–	1
Total transactions with owners:	–	1	–	(6,417)	(6,416)
Balance as at 30 June 2021	**256**	**15,429**	**84**	**57,995**	**73,764**

The merger reserve arose on the acquisition of RAMAM in March 2014. Following approval by Shareholders at the Company's AGM in December 2019 to undertake a reduction in capital, and with a view to effecting this on approval from the High Court, the Company capitalised its merger reserve of £44.4 million by paying up and issuing deferred shares in the Company (the "Deferred Shares") to a nominee who held such shares in trust for the shareholders. The Company received High Court approval in January 2020 to affect the reduction in capital by cancellation of the Deferred Shares, creating distributable reserves available to the Company.

1. BASIS OF PREPARATION

The Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (IFRS).

Principal place of business

The Company's principal place of business is the same as its registered office.

Result for the year

In accordance with s408 of the Companies Act 2006 a separate income statement has not been presented for the Company. There are no items of comprehensive income other than the result for the year and therefore no statement of comprehensive income has been prepared for the Company.

Foreign currencies

To the extent that the Company undertakes transactions in currencies other than GBP, the transactions are translated into GBP using the exchange rate prevailing at the date of the transaction. Balances denominated in foreign currencies are translated into GBP using the exchange rate prevailing at the balance sheet date. All foreign exchange differences arising from the settlement of transactions or the translation of balances are recognised in operating expenses in the income statement.

Dividends

See note 14 of the consolidated financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank, cash at agents, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Below is a table detailing the credit rating of the banks with which the Company holds its cash, and the balance held at year-end.

Bank	**30 June 2021 £'000**	30 June 2020 £'000	Credit rating	Rating body
Barclays Bank	**12,175**	13,898	A1	Moody's

3. OTHER RECEIVABLES

	30 June 2021 £'000	30 June 2020 £'000
Taxes and social security	**346**	327
Prepayments and accrued income	**881**	601
Amounts owed from Group undertakings	**4,523**	2,467
Other debtors	**–**	1
	5,750	3,396

Included in amounts owed from Group undertakings are two loans to River and Mercantile Holdings Limited of £1,000,000 and $1,000,000 which both accrue interest at the Bank of England base rate plus 3 per cent. and are repayable on demand. All other amounts owed from Group undertakings represent balances incurred in the course of trade and are payable on demand.

The Company applies the IFRS 9 simplified approach for measuring ECLs on accrued income and the three staged model for measuring ECLs on the remaining other receivables. The Company does not expect to incur any credit losses and has not recognised any impairment losses in the current year under IFRS 9 (2020: nil).

4. TAX

The Company's accounting policy in respect of tax is the same as that of the Group as detailed in note 12 of the consolidated financial statements.

	30 June 2021 £'000	30 June 2020 £'000
Deferred tax assets:		
At beginning of year	**126**	736
Credit/(charge) to the income statement – share-based payment expense	**20**	(451)
Credit/(charge) to equity – share-based payment expense	**156**	(159)
At year end	**302**	126

The March 2021 Budget announced an increase to the main rate of corporation tax to 25 per cent. from 1 April 2023. This rate has been substantively enacted at the balance sheet date.

5. PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment is carried at historical cost less accumulated depreciation. Depreciation charges the cost of the assets to the consolidated income statement over their expected useful lives.

	Office equipment £'000	Leasehold improvements £'000	Total £'000
Cost:			
At 30 June 2019	136	370	506
Additions	24	–	24
At 30 June 2020	160	370	530
Additions	–	–	–
At 30 June 2021	**160**	**370**	**530**
Accumulated depreciation:			
At 30 June 2019	29	163	192
Depreciation charge	32	118	150
At 30 June 2020	61	281	342
Depreciation charge	29	78	107
At 30 June 2021	**90**	**359**	**449**
Net book value:			
At 30 June 2020	99	89	188
At 30 June 2021	**70**	**11**	**81**

6. RIGHT OF USE ASSETS AND LEASE LIABILITY

	Right of Use Asset £'000
Cost:	
At 30 June 2019	–
Recognition of asset on transition to IFRS 16	4,066
At 30 June 2020	4,066
Additions	–
At 30 June 2021	**4,066**
Accumulated depreciation:	
At 30 June 2019	–
Recognition of depreciation charge on transition to IFRS 16	1,396
Depreciation charge	1,050
At 30 June 2020	2,446
Depreciation charge	1,051
At 30 June 2021	**3,497**
Net book value:	
At 30 June 2020	1,620
At 30 June 2021	**569**

	Lease Liability
Lease Liability:	
At 30 June 2019	-
Recognition of liability on transition to IFRS 16	2,739
Payments made	(1,274)
Interest charge	113
At 30 June 2020	1,578
Payments made	(1,123)
Interest charge	51
At 30 June 2021	**506**
Of which:	
Current lease liabilities	506
Non-Current lease liabilities	–
At 30 June 2021	**506**

From 1 July 2019, the Company's leases relating to office accommodation with terms more than one year are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The weighted average lessee's incremental borrowing rate applied to the leases on 1 July 2019 was 5 per cent.

7. INTANGIBLE ASSETS

Intangible assets are carried at historical cost less accumulated amortisation and impairment. Amortisation charges the cost of the assets to the consolidated income statement over their expected useful lives.

	Software £'000	Total £'000
Cost:		
At 30 June 2019	84	84
Additions	386	386
At 30 June 2020	470	470
Additions	324	324
At 30 June 2021	**794**	**794**
Accumulated amortisation and impairment:		
At 30 June 2019	58	58
Amortisation charge	32	32
At 30 June 2020	90	90
Amortisation charge	104	104
At 30 June 2021	**194**	**194**
Net book value:		
At 30 June 2020	380	380
At 30 June 2021	**600**	**600**

8. INVESTMENTS IN SUBSIDIARIES

	30 June 2021 £'000	30 June 2020 £'000
At start of year	**58,901**	58,762
Additions – share-based payments in subsidiaries	**685**	139
At end of year	**59,586**	58,901

9. PAYABLES

	30 June 2021 £'000	30 June 2020 £'000
Trade payables	**357**	60
Amounts owed to Group undertakings	**–**	19
Other accruals and payables	**4,436**	2,618
	4,793	2,697

The Company also had payables of £506,000 (2020: £1,578,000) in relation to its lease liabilities.

10. SHARE CAPITAL

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

11. SHARE PREMIUM

Full details of any movements in share premium can be found in the Company statement of changes in equity.

12. OTHER RESERVES

A reconciliation of the movements in reserves can be found in the Company statement of changes in equity. Details on the nature of the other reserves in the Company can be found in note 24 of the consolidated financial statements.

A breakdown of other reserves is detailed below.

	30 June 2021 £'000	30 June 2020 £'000
Capital redemption reserve	**84**	84
	84	84

As at 30 June 2021, the Company had £53,711,000 of distributable reserves (2020: £55,038,000).

13. FINANCIAL INSTRUMENTS

A discussion of the financial risks and associated financial risk management, which applies to all of the companies in the Group, can be found in note 27 of the consolidated financial statements, along with the Group's accounting policy in respect of financial instruments.

The financial assets and liabilities of the Company are categorised under IFRS 9 as follows:

Financial assets held at amortised cost	**30 June 2021 £'000**	30 June 2020 £'000
Cash and cash equivalents	**12,175**	13,898
Other receivables	**4,869**	2,795
Total financial assets held at amortised cost	**17,044**	16,693

Other receivables exclude prepayments.

Financial liabilities held at amortised cost	**30 June 2021 £'000**	30 June 2020 £'000
Payables	**4,793**	2,697
Lease liability	**506**	1,578
Total financial liabilities	**5,299**	4,275

Credit risk management

Credit risk refers to the risk that the counterparty defaults on their contractual obligations resulting in financial loss to the Company. The carrying amount of financial assets at amortised cost recorded in the financial statements represents the Company's maximum exposure to credit risk. The Company held no collateral as security against any financial asset. Credit risk arises principally from the Company's intercompany and cash balances. The Company manages its credit risk through monitoring the credit quality of the counterparties with which cash is held and the Company's subsidiaries resources.

The bank with whom the Company deposits cash and cash equivalent balances are monitored, including its credit ratings (note 2).

13. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk – interest rate risk management

The Company has minimal exposure to interest rate risk. The Company has no external borrowings and cash deposits with banks earn a floating rate of interest. Interest income is not significant in either year.

Liquidity gap analysis

The below table presents the cash flows receivable and payable by the Company under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

The net liquidity positions in the table opposite relate to cash flows on contractual obligations existing at the balance sheet date and does not take account of any cash flows generated from profits on normal trading activities.

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2021				
Assets				
Cash and cash equivalents	12,175			
Other receivables	4,869	–	–	–
Total financial assets	**17,044**	**–**	**–**	**–**
Liabilities				
Payables	138	4,483	172	–
Lease liability	–	149	357	–
Total financial liabilities	**138**	**4,632**	**529**	**–**
Net liquidity surplus/(deficit)	**16,906**	**(4,632)**	**(529)**	**–**

	On demand £'000	< 3 months £'000	3–12 months £'000	> 12 months £'000
As at 30 June 2020				
Assets				
Cash and cash equivalents	13,898	–	–	–
Other receivables	2,795	–	–	–
Total financial assets	16,693	–	–	–
Liabilities				
Payables	–	2,183	92	422
Lease liability	–	299	921	358
Total financial liabilities	–	2,482	1,013	780
Net liquidity surplus/(deficit)	16,693	(2,482)	(1,013)	(780)

14. REMUNERATION AND BENEFITS

Details on each category of remuneration are explained in note 6 of the consolidated accounts.

The Company had an average of 51 employees during the year (2020: 45).

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
The aggregate remuneration of employees (including Directors) comprised:		
Wages and salaries	**6,448**	5,891
Social security costs	**835**	820
Pension costs (defined contribution)	**184**	163
Share-based payment expense	**(224)**	276
Total remuneration and benefits (excluding dilutive share awards)	**7,243**	7,150

Details of the individual Directors' remuneration are shown in the Remuneration Committee Report.

15. RELATED PARTIES

The Company entered into the following transactions with related parties:

		Transaction recharge value		Balance owed/(owing)	
Related party	Type of transaction	**30 June 2021 £'000**	30 June 2020 £'000	**30 June 2021 £'000**	30 June 2020 £'000
River and Mercantile Investments Limited	Management recharges	**6,169**	9,216		
(subsidiary undertaking)	Intercompany balances			**1,203**	698
River and Mercantile LLC	Management recharges	**115**	38		
(subsidiary undertaking)	Intercompany balances			**231**	(19)
River and Mercantile Holdings Limited	Intercompany loan interest income	**–**	52		
(immediate subsidiary undertaking)	Intercompany balances		–	**1,771**	1,425
River and Mercantile Infrastructure LLP	Management recharges	**–**	–		
(subsidiary undertaking)	Intercompany balances			**509**	–
River and Mercantile Asset Management LLP	Management recharges	**2,109**	458		
(subsidiary undertaking)	Intercompany balances			**809**	343

River and Mercantile Group PLC is the ultimate parent to River and Mercantile Infrastructure LLP, River and Mercantile LLC and River and Mercantile Asset Management LLP are fellow subsidiaries and River and Mercantile Holdings Limited is the immediate subsidiary undertaking. The prior year balance owed/owing has been restated.

16. OTHER INFORMATION

The Company has taken the exemption under s408(2) of the Companies Act 2006 to not present their remuneration separately in these financial statements.

On 26 October 2021 the Group announced that it has entered into a contract for the Schroders Group to acquire its Solutions business. This announcement does not have a material impact on the financial results as presented however will impact the future operations of the Group.

A second interim dividend in respect of the year of 4.48 pence per share has been declared, of which 1.59 pence is a special dividend relating to net performance fees. The Directors have proposed a final dividend in respect of the year of 3.32 pence per share, of which 1.06 pence is a special dividend relating to net performance fees.

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

Glossary

AGM – Annual general meeting

Asset Management – Equities and Infrastructure activities

AUM – Amounts on which management fees and performance fees are charged across all asset classes managed by the Group. In relation to derivatives, AUM represents the aggregate billing notional of the derivative contracts on which management fees are charged

BAEPS – Basic Adjusted earnings per share

BUAEPS – Basic Adjusted Underlying earnings per share

Board – the board of directors of the Company

bps – basis points, where one basis point represents 0.01%

CASS – Client Assets sourcebook

CDP – Formerly known as the Carbon Disclosure Project. CDP provides investors with critical environmental data infrastructure to integrate sustainability within the investment process.

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CGU – Cash generating unit

CIO – Chief Investment Officer

CMA – Competition and Markets Authority

Company – River and Mercantile Group PLC

COO – Chief Operating Officer

COVID or COVID-19 or Coronavirus – the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)

CRM – Client Relationship Management

DAA – Dynamic Asset Allocation

DB – Defined benefit

DC – Defined contribution

DEP – Deferred Equity Plan

Director – a director of the Company

EBT – Employee Benefit Trust

ED – Executive Director

EPS – Earnings per share

EPSP – Executive performance share plan. A dilutive share plan awarded to executives during the Group's IPO

ESG – Environmental, social, governance

EVP – Employee Value Proposition

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

FVTPL – Fair value through profit or loss

Group – River and Mercantile Group PLC and its subsidiaries

IAS – International Accounting Standards

ICAAP – Individual Capital Adequacy Assessment Process

ICVC – Investment company of variable capital

IFRS – International Financial Reporting Standards

ILC – Industrial life cycle

IT – Information Technology

IMA – Investment management agreement

IME – Investment Management Entities

INED – Independent Non Executive Director

IPO – Initial public offering

ISA – International Standards on Auditing (UK)

KPI – Key performance indicator

LDI – Liability-driven investment, an investment strategy based on the cash flows needed to fund future liabilities

LTIA – Long-term incentive awards

LTIP – Long-term incentive plan

NAV – Net asset value

NED – Non-Executive Director

PSG – Punter Southall Group Limited

PSP – Performance Share Plan

PVT – Potential, value and timing. The investment strategy employed by the Group's Equity Solutions division eligible defined benefit fund members in case of employer insolvency

RAMAM – River and Mercantile Asset Management LLP

RAMIL – River and Mercantile Investments Limited

RFP – Request For Particulars

RIA – regretted institutional attrition

RWAA – Revenue weighted asset attribution

SAYE – Save-As-You-Earn Scheme

Schroders – In the context of the sale of Solutions this denotes Schroders International Holdings Limited

SFDR – The EU Sustainable Finance Regulation

SID – Senior Independent Director

SMCR – Senior Managers and Certification Regime

Solutions – Fiduciary, Derivatives and Advisory activities. In the context of the sale to Schroders, Solutions denotes RAMIL and comprises the Group's non-US Fiduciary Management, Advisory and Derivatives businesses

SRD II – The Shareholder Rights Directive II

TCFD – Task Force on Climate-related Financial Disclosures

TSR – Total shareholder return

UCITS – Undertakings for the collective investment of transferable securities.

UN PRI – United Nations Principles of Responsible Investing

YoY – Year-on-year

Shareholder Information and Advisors

Company number
04035248

Registered office
30 Coleman Street
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Tel: 020 3327 5100

Group Company Secretary
Sally Buckmaster

Website
www.riverandmercantile.com

Annual General Meeting
13 December 2021 at 9.00 am

Dividends
Where possible, it is recommended that dividend payments are made directly into a bank account to provide improved security and faster access to funds. You may give instruction via the Registrar's website www.shareview.co.uk or in writing.

Final dividend for the financial year ended 30 June 2021:

Amount
3.32 pence per ordinary share.

Ex-dividend date
9 December 2021

Record date
10 December 2021

Payment date
31 December 2021

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Corporate broker and advisors

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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
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Sedol code
BLZH7X4

Ticker
RIV

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