PRESS RELEASE

Record plc

19 June 2020

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

Record plc, the specialist currency manager, today announces its audited results for the year ended 31 March 2020.

Resilient, in-line performance; positive growth outlook with final dividend and special dividend declared

Financial headlines:

- *Revenue growth of 2.4% to £25.6m (2019: £25.0m)*
- *Performance fees for the year of £1.8m (2019: £2.3m)*
- *Profit Before Tax (PBT) of £7.7m (2019: £8.0m)*
- *Operating profit margin decreased to 30% (2019: 32%)*
- *AUME[1] $58.6bn at 31 March 2020 (up 2.3% for the year), including net inflows of $4.6bn for the year*
- *AUME £47.3bn at 31 March 2020 (up 7.5% for the year)*
- *Robust financial position with increased net assets of £28.2m at 31 March 2020 (2019: £27.4m)*
- *Basic EPS of 3.26p per share (2019: 3.27p)*
- *Proposed final ordinary dividend of 1.15p per share; total ordinary dividend for the year of 2.30p per share (2019: 2.30p)*
- *Special dividend for the year of 0.41p per share (2019: 0.69p)*

Key developments:

- *Change of leadership during the year with further senior management appointments, including a new Head of Global Sales*
- *Strategy focused on accelerated and diversified growth and planning for generational change*
- *Proven operational resilience and financial independence maintained through the current covid-19 pandemic*
- *Development of currency-based ESG/Impact offering builds on Record's commitment to sustainability principles*
- *Expansion of Record's office in Switzerland through the strengthening of the client and research teams based in Zürich*
- *Economic, political and market environments provide opportunities to engage with current and potential clients across a broad spectrum of products and geographies*

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1 As a currency manager Record manages only the impact of foreign exchange and not the underlying assets, therefore its "assets under management" are notional rather than tangible. To distinguish this from the AUM of conventional asset managers, Record uses the concept of Assets Under Management Equivalents ("AUME") and by convention this is quoted in US dollars.

Commenting on the results, Neil Record, Chairman of Record plc, said:

“This financial year has seen an important change in strategic focus for the Group coupled more latterly with extreme market volatility and disruption to working practices linked to the covid-19 pandemic.

“The change in leadership announced in mid-February shows our intent to build the business with new CEO, Leslie Hill leading our drive to accelerate growth building on Record’s strong market positioning, long track record and depth of institutional client base. Further senior management hires, including a new Head of Global Sales, demonstrate our commitment to delivering diversified growth well into the medium term.

“Covid-19 has been unprecedented in its impact on the business community, the global economy, and on society as a whole. Through such extreme conditions our business has proved its resilience and adaptability, through the inbuilt operational flexibility and the disciplined commitment of our hugely talented employees. The Group remains cash-generative, well capitalised and completely independent of any of the Government’s job retention or loan schemes.

“Against this backdrop, it is pleasing to report the Board’s recommendation for payment of both a final ordinary dividend and also of a special dividend in line with the Group’s capital and dividend policy, and underlining the Board’s confidence in the strategic changes and in the growth opportunities anticipated ahead.”

Analyst presentation

There will be a presentation for analysts at 9.30am on Friday 19 June 2020 held via a Zoom call. Please contact the team at Buchanan via record@buchanan.uk.com for further details. A copy of the presentation will be made available on the Group's website at www.recordcm.com.

For further information, please contact:

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Giles Stewart

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Consolidated statement of comprehensive income

Year ended 31 March

	2020	2019
	£'000	£'000
Revenue	**25,563**	24,973
Cost of sales	**(255)**	(385)
Gross profit	**25,308**	24,588
Administrative expenses	**(17,741)**	(16,704)
Other income or expense	**82**	(8)
Operating profit	**7,649**	7,876
Finance income	**146**	135
Finance expense	**(58)**	(22)
Profit before tax	**7,737**	7,989
Taxation	**(1,365)**	(1,559)
Profit after tax	**6,372**	6,430
Total comprehensive income for the year	**6,372**	6,430
Profit and total comprehensive income for the year attributable to		
Owners of the parent	**6,420**	6,430
Non-controlling interests	(48)	-
Profit and total comprehensive income for the year	**6,372**	6,430
Earnings per share for profit attributable to the equity holders of the Group during the year		
Basic earnings per share	**3.26p**	3.27p
Diluted earnings per share	**3.26p**	3.25p

Consolidated statement of financial position

As at 31 March

	2020	2019
	£'000	£'000
Non-current assets		
Intangible assets	**470**	288
Right-of-use assets	**1,175**	-
Property, plant and equipment	**751**	761
Investments	**2,472**	1,112
Total non-current assets	**4,868**	2,161
Current assets		
Trade and other receivables	**8,704**	7,562
Derivative financial assets	**193**	164
Money market instruments with maturities > 3 months	**7,958**	10,735
Cash and cash equivalents	**14,294**	12,966
Total current assets	**31,149**	31,427
Total assets	**36,017**	33,588
Current liabilities		
Trade and other payables	**(3,009)**	(2,736)
Corporation tax liabilities	**(601)**	(692)
Lease liabilities	**(544)**	-
Financial liabilities	**(2,191)**	(2,621)
Derivative financial liabilities	**(610)**	(109)
Total current liabilities	**(6,955)**	(6,158)
Non-current liabilities		
Deferred tax liabilities	**(86)**	(29)
Provisions	**(200)**	-
Lease liabilities	**(615)**	-
Total non-current liabilities	**(901)**	-
Total net assets	**28,161**	27,401
Equity		
Issued share capital	**50**	50
Share premium account	**2,259**	2,243
Capital redemption reserve	**26**	26
Retained earnings	**25,694**	25,022
Equity attributable to owners of the parent	**28,029**	27,341
Non-controlling interests	**132**	60
Total equity	**28,161**	27,401

Chairman’s statement

“Writing this statement in the middle of the Coronavirus lockdown is a timely reminder both of the value of our asset-based revenue model, and of the importance of adaptability.”

Neil Record

Chairman

2020 will be remembered as the Coronavirus year. It is also the year in which Record plc made some important decisions for its future.

In February 2020, we announced that James Wood-Collins was stepping down as CEO, and that he would be replaced by our Client Team Director, Leslie Hill.

Before I describe the thinking behind this change, I want to pay tribute to the efforts that James devoted to Record in his nine years in this role. Under James’s leadership, we re-established our equilibrium following the Global Financial Crisis, and diversified our range of currency market products and services.

Early in the year, the Board took the view that two imperatives were emerging at Record: that it was becoming increasingly vital to orientate the firm for growth, and it was also becoming increasingly vital to establish succession in the most senior executive posts at Record.

The Board took the view that Leslie Hill, 64, our veteran Client Team Director, with 27 years already completed at Record, had the skills and vision to deliver both growth and succession. This change was facilitated by the arrival of a new Client Team Director, Sally Francis-Cole, who comes with 20 years’ experience in FX sales.

Leslie sets out her plans in more detail in her statement.

Financial overview

Strong net inflows of $4.6 billion for the year (2019: outflows of $4.5 billion) helped drive the 2.3% increase in our final AUME of $58.6 billion, despite the negative impact on markets from covid-19 and the consequent decrease of $4.5 billion in our AUME in the final quarter.

Revenues increased by 2.4% to £25.6 million (2019: £25.0 million), operating profit fell slightly to £7.6 million (2019: £7.9 million) and earnings per share remained broadly flat at 3.26 pence (2019: 3.27 pence).

Further information on AUME flows and financial results can be found in the Operating review and Financial review sections.

Group strategy

I indicated above that the Board is prioritising growth and succession in its strategy. This will mean building on our existing strong base of current business, including a review of the products and services that Record offers to its clients, and an assessment of the way in which we deliver those products and services.

Record is no longer a young company. At 37 years old, we have built up a modus operandi which is reliable and effective. However, technological changes, FX market changes and the changing nature of our client base means that the time has come to re-think how we deliver our services in an increasingly technologically dominated market.

Under Leslie’s new leadership, we will embrace change to deliver our goals.

Capital and dividend

Our capital policy aims to ensure retained capital broadly equivalent to one year’s worth of future estimated overheads (excluding variable remuneration), in addition to capital assessed as required for regulatory purposes, for working capital purposes and for investing in new opportunities for the business.

Our dividend policy targets a level of dividend which is at least covered by earnings and which allows for sustainable dividend growth in line with the trend in profitability. It is also the Board’s intention, subject to financial performance and market conditions at the time, to return excess earnings over ordinary dividends for the financial year and adjusted for changes in capital requirements, to shareholders, normally in the form of special dividends.

The Board is recommending a final ordinary dividend of 1.15 pence per share (2019: 1.15 pence), with the full year ordinary dividend at 2.30 pence, which is equivalent to the full year ordinary dividend in respect of the prior year (2019: 2.30 pence). The interim dividend of 1.15 pence per share was paid on 27 December 2019, and the final ordinary dividend of 1.15 pence per share will be paid on 11 August 2020 to shareholders on the register at 3 July 2020, subject to shareholders’ approval.

The Board has considered at length the current market conditions, including uncertainties surrounding global trade, Brexit and the high likelihood of a global recession arising from the Coronavirus. Such a high level of uncertainty brings with it the need for a measured and prudent approach to ensuring the business retains sufficient capital and liquidity to withstand any negative impacts arising, whilst also allowing the business to continue to invest in implementing its new strategy.

Against this backdrop, the Group has assessed its capital requirement both in terms of the current market conditions and also its anticipated costs and regulatory capital required for the current financial year, which has resulted in an increase to capital required in line with its policy. The net increase in capital required is equivalent to 0.55 pence per share and consequently the Board is announcing a special dividend of 0.41 pence per share to be paid simultaneously with the final ordinary dividend. Total dividends for the year are 2.71 pence per share (2019: 2.99 pence) compared to earnings per share of 3.26 pence per share (2019: 3.27 pence).

The Board will continue to consider ordinary dividends and other distributions to shareholders on a "total distribution" basis. The total distribution for any year will be at least covered by earnings, and will always be subject to the financial performance of the business, the market conditions at the time and to any further capital assessed as required under the policy described above.

The Board

The only change to the composition of the Board was the departure of James Wood-Collins in February 2020. The Board has acted decisively in making the personnel changes I have outlined, but more importantly, has helped executives focus on the importance of change and renewal in every aspect of the firm.

Outlook

Many chairmen's statements written in the first half of 2020 will look ahead with a much larger degree of uncertainty than is usually the case – and this one is no different. At the time of writing, the UK is beginning to gradually ease restrictions, our offices remain closed, and all our activity is taking place by remote working using technology.

I cannot predict the path of the global economy, of the global regulatory environment or of global political developments with any clarity. However, it is at least clear to me that the services we offer – the management of risks and opportunities associated with foreign currency markets – will continue to find demand from clients. If our new strategy is successful, then we should see that demand rising, whatever the global backdrop.

On behalf of the Board, I would like to thank everyone at Record for their hard work and extraordinary adaptability in the face of the unprecedented demands of the Coronavirus lockdown. Many of my colleagues were working very long days in surroundings unfamiliar to business activities, and their commitment and flexibility has meant that our clients have continued to receive the services that they pay us for.

Neil Record

Chairman

18 June 2020

Chief Executive Officer’s statement

“Our strategy is focused on accelerating growth, planning for generational change and in delivering added-value for all of our stakeholders”

Leslie Hill

Chief Executive Officer

I am delighted to welcome you to this year’s Annual Report, my inaugural report after my appointment as Record’s CEO in February 2020, and just prior to the end of the financial year. For those of you who are new to Record, I joined the business in 1992, and was appointed as a Director and Head of Client Team in 1999, having previously gained experience as a Director and Head of Corporate Foreign Exchange sales worldwide for Merrill Lynch.

I am fortunate in being able to take over from James Wood-Collins, who has shown full commitment over the last nine years in building Record into the strong and more diversified business that it is today, and for which I and the rest of the Board are grateful.

Looking ahead, I see some exciting opportunities for the Group to accelerate growth and to realise its full potential, and I fully intend to capitalise on as many of these opportunities as possible.

Company strategy

Record is a listed specialist currency management business which has built a unique position with over 37 years in the FX market. Over this period, we have built a robust and diversified business with an excellent team of committed and talented professionals.

Our strategy has always been to deliver high quality products and services to our clients, using our thought leadership married with our capabilities in research and innovation. This approach has served us well over 37 years and has enabled us to build long-standing and trusted relationships with our clients, and a strong and sustainable business.

Using this foundation, my role is to now to develop the business by injecting new energy and vigour to deliver on the growth opportunities that we currently anticipate through diversification and modernisation. By taking the right steps to leverage our position as a trusted and professional provider of Currency Risk Management and Risk for Return products, in combination with the introduction of new talent and leadership, for example in the shape of our new Head of Global Sales, Sally Francis-Cole and others, I believe we have the resources to sharpen our client focus and put the business on an accelerated growth trajectory over the medium term. Looking forwards we will look to further expand and strengthen our sales team to be able to capitalise on the new product offerings we are developing.

Our plan is also to deepen and broaden our interaction with existing and potential clients, both in our traditional product range and in the new diversifying products and services we are evolving. This will enable us to strengthen our business, and use our financial stability and liquid asset rich balance sheet to launch new initiatives and innovate – always keeping a very firm eye on what our clients tell us they want and will pay us to provide.

This requires a change of emphasis both in how we utilise our current resources most effectively, and also where we need to focus additional effort and resources going forward in order to achieve our goals. Our strategy will seek to consolidate our presence in our key international markets, as well as extend our reach across and into different geographical markets, using diversified and innovative products and services, and using and expanding our existing relationships both with investment consultants and clients.

Our success will depend upon reinforcing, and further building on the cornerstones to our strategy, which are:

- Quality client experience
- Technology and innovation
- Talent development

Quality client experience

A feature of many of our service offerings in recent years has been fee compression. We have countered this by working hard to add value in many ways to client hedging portfolios, for example Cash Collateralisation services, enhancements to Passive Hedging to reduce hedging cost, and hedging of difficult and complex portfolios, like Illiquid Assets and Emerging Market Equities and Bonds. During the recent covid-19 crisis we found that clients really appreciated our stability, reliability and our deep infrastructure. By helping them with complex derivatives as well as the more standard hedging we have been able to show that although clients may underestimate the value of a full service offering when times are good, it comes into its own at difficult times.

We do not necessarily expect this phenomenon to persist forever, but I know our staff really enjoy being able to "show what they can do" - like all good craftsmen and artists! This is a deep and abiding source of satisfaction in all our offices, and makes us a true specialist, who can nevertheless rise to a fresh challenge.

Our long-standing client relationships allow us to know each other well. As a result clients allow us, from time to time, to try things that are new to them, and sometimes to us, allowing us to diversify. This mutual trust is a source of our strength and also our future growth. Seeding new products and ideas is always a challenge and so we look for trusted and trusting seed capital to get ideas off the ground, and I believe this will be a great launch pad for our future growth, to strengthen our business and expand the base from which we operate.

Technology and innovation

Technology is changing both the way we do business and the markets in which we do business. Observing and investing in new technology is essential for ensuring our business remains competitive in terms of our client servicing, our product innovation and productivity, and for maintaining profitability. We will adopt relevant and innovative technology where we can be satisfied it offers cost-effective opportunities to maximise the possibilities for new products and services as well as enhancing our current capabilities and efficiencies.

In terms of product innovation, our new products and services initiatives have included the hiring of an experienced Macro and Currency Manager, John Floyd. His Dynamic Macro Currency strategy has now been funded within the Record – Currency Multi-Strategy Fund. We intend to build a suite of Return-Seeking products of which we can be proud.

In addition we have been asked by clients to develop our EM currency offering using so-called Frontier Currencies, and this is another step in the evolution of our EM currency product, and was seeded this year.

We have developed an ESG/impact bond offering that has also been attracting some attention, and while it is still early stages and we have yet to see real fruits from this innovation, we have good reason to think that this is a robust trend which will last a long time - long enough for us to be able to add this product range to our offering.

The effects of the covid-19 lockdown are also allowing us to consider how we can harness technology to evolve the way we work, the locations we operate from and the way we interact with each other and with our clients; we are being asked to engage in virtual due diligence meetings for example and we are planning our first virtual Final for a mandate in Europe. We hope this will be a feature of our business going forward, allowing us to be cost efficient and have greater global reach.

Talent development

This year we have started to work ever harder to develop our young talented professionals, by rewarding them with training, support, added responsibility and remuneration to take them to the higher ranks within our organisation. We offer a collegiate working environment but work within clear and firmly held beliefs and structures. Everyone knows what they are supposed to do, and are given help to achieve their goals and be the best that they can be.

New hires in our Zurich, New York and London offices are an important part of our talent recruitment and development. In addition, existing staff have a chance to elect to work overseas, and access our network for high quality training and work experience, on occasion, outside our own office environment.

It is essential we build a really strong plan for generational change, and we will not hold back here. It is often hard to achieve, but we believe that by taking the lead from our Chairman, who has been courageous over the years in allowing new talent to flourish, we can achieve the same again.

Market overview

Following a relatively calm first half, the impact of covid-19 on currency markets was reflected in heightened volatility, reduced liquidity and sharp increases in bid/offer spreads in the final quarter of our financial year. In such times, our established long-term trading relationships come to the fore, allowing us to cement our relationships with clients by ensuring we respond to their requests and continue to deliver the highest levels of client service and best execution available. As we enter a period of heightened economic uncertainty and probable recession following covid-19, the importance of having a trusted partner with the expertise and experience to help clients navigate through such uncertain markets cannot be underestimated, and this provides us with an excellent opportunity for growth.

More detailed information on foreign exchange markets over the period is provided in the Markets section below.

Investment performance

As mentioned above, during the year we introduced a new return-seeking currency strategy to our portfolio: the Dynamic Macro Currency strategy managed by John Floyd, which is complementary to Record's more systematic return-seeking currency strategies and which offers some welcome diversification to our return-seeking product suite.

The Dynamic Macro strategy tends to perform well in more volatile markets as evidenced by the overall positive performance for the year. Conversely, and notwithstanding three quarters of positive performance to the end of the calendar year, the Multi-Strategy product delivered overall negative performance for the year linked to the impact of covid-19 on markets in the final quarter.

Product performance data is provided in the Operating review below.

Asset flows and financial performance

AUME closed the year at $58.6 billion, increasing by 2.3% in US dollar terms, and increasing by 7.5% to £47.3 billion in sterling terms. Net inflows for the first six months of $2.0 billion were further bolstered by an additional $2.6 billion in the second half, in aggregate representing 8% of the opening AUME position. This was driven predominantly by inflows of $4.1 billion into Passive Hedging, although both Dynamic Hedging and Currency for Return saw inflows of $0.2 billion and $0.3 billion during the year respectively.

Detailed analysis of AUME is provided in the Operating review below.

The management fees of £25.6 million increased 2.4% (2019: £25.0 million). We have invested in our people and technology and will continue to do so cost effectively as we aim for growth, which we believe will strengthen the business over the longer term.

Consequently, the Group's operating margin reduced marginally from 32% to 30%, and profit before tax decreased by 3.2% to £7.7 million (2019: £8.0 million). Basic earnings per share was broadly flat at 3.26 pence (2019: 3.27 pence).

The Financial review below gives additional commentary.

Outlook

Rigour and discipline is always hard to marry with creativity and flexibility and it is this art that we seek to achieve, staying relevant, and surprising our clients and prospects with the range and quality of our thinking, and with the ability to deliver what we promise.

Our flexibility and capability to react to volatile and occasionally extreme market conditions has been proved over the last few months, both in terms of continuing to service our clients to the high levels they expect and deserve, but also in maintaining the business continuity under the most severe circumstances, whilst always ensuring the well-being and motivation of our staff. In the current market conditions we need to be careful not to overpromise but always to try and over achieve.

We are a strong and resilient business, with a long-standing client base and a cash generative business model. Our team is talented and experienced, we are committed to our business, to each other and of course, always, to our clients. This I believe will allow us to take our business to the next level and we will give it everything we have to achieve that goal.

Leslie Hill

Chief Executive Officer

18 June 2020

Markets

Our market

The currency market represents the biggest and most liquid market available, with exceptionally low transaction costs and daily FX volumes averaging $6.6 trillion (source: BIS Triennial Central Bank Survey of Foreign Exchange and OTC Derivatives Markets 2019). The FX market is essential to global trade and finance and includes a high proportion of not-for-profit or forced participants, resulting in profit-seeking financial institutions continuing to represent a minority of FX market participants. Consequently, the market displays persistent patterns of behaviour or inefficiencies which Record believes can best be exploited by a combination of systematic and discretionary processes.

The FX market continues to offer opportunities for investors. Record's expertise is in identifying and understanding these opportunities and then working with clients to understand how such opportunities may be used to their best advantage, taking account of each client's individual circumstances and attitude to risk.

Global and macro trends

Brexit

The UK formally left the European Union ("EU") on 31 January 2020 and entered the transition period, during which it continues to follow EU rules whilst the negotiations continue on the future relationship. Whilst the UK Government has previously committed to the conclusion of the transition period by the end of 2020, this was prior to the emergence of covid-19 and a full understanding of its effects on the global economy and the distraction from, and consequent delay to Brexit negotiations. At the time of writing, it remains uncertain on how the negotiations on the future relationship will conclude.

What this means for our business

Record has performed a client-by-client assessment of the regulatory basis on which we currently provide services to EU27 clients. As a result, and in addition to industry-wide measures such as the Memoranda of Understanding agreed between the Financial Conduct Authority and EU regulators previously announced, at the time of writing we are confident we will be able to continue to provide services to all current EU27 clients post-Brexit, even in the event of a "hard Brexit" with no extension to the transition period or no other equivalence arrangements.

Subject to negotiations, it remains possible that we would be constrained in marketing our products and services to new clients in certain EU27 countries, although even this constraint is moderated by enabling legislation in many such countries, allowing authorised UK firms to continue to market to professional clients. The situation will be subject to further assessment in the light of any regulatory changes, but the establishment of an authorised subsidiary within the EU27 countries to eliminate any such remaining constraints remains a possibility subject to an assessment of the costs and benefits of doing so.

Despite this uncertainty, and as explained above, we expect to be able to continue to serve all our current EU27 clients, irrespective of whether and how the UK leaves the European Union.

Industry trends

Margin compression and value for money

The average margin on our hedging products and across the industry generally has been under pressure over time from clients seeking to reduce fees in a low yield environment, for example by the use of competitive fee pressure or through increased tailoring of their product for no increase in fees.

What this means for our business

Record does business in a market subject to constant fee pressure and competition, and has done so successfully for many years. We have built our business based on the highest levels of client service, innovative products, robust infrastructure and professional expertise. During periods of relative calm in FX markets, it may be natural for clients to underestimate the potential dangers of volatility, or the value delivered through such high service levels and expertise. However, changing cycles add to uncertainty in markets and bring heightened volatility and reduced liquidity.

Consequently, opportunities continue for Record to illustrate the value to clients of its expertise and experience collected over 37 years, and to provide innovative products to react to clients' needs. Such opportunities are only further heightened by more extreme market conditions such as the current covid-19 pandemic.

Price transparency

Recent years have seen a move towards heightened transparency over costs and fees across our industry, driven by regulatory pressure aimed at fair competition and consistent methods of reporting, and the need to build investor confidence and trust in the sector generally.

What this means for our business

Record acts in a fiduciary capacity for its clients with the continuing obligation to provide best execution and to ensure full transparency and disclosure of all fees for the investment management services provided to its clients. We welcome and fully support all initiatives aimed at achieving full transparency of fees and charges within our industry. In this respect we have previously worked closely with the FCA's Institutional Disclosure Working Group ("IDWG"), and more latterly on the Cost Transparency Initiative ("CTI") in conjunction with the Investment Association, Pensions and Lifetime Savings Association ("PLSA") and the Local Government Pension scheme ("LGPS") Advisory Board, using our knowledge and experience within the FX markets to help create a new framework for the reporting of charges and costs to pension scheme clients. Record is a signatory to the LGPS Investment Code of Transparency. We believe that fulfilling the long-term aim of achieving full cost transparency across the investment management industry can only be in the best interests of all clients, whilst ensuring a level playing field and providing opportunities for firms such as ours already providing full transparency over costs and fees to its clients.

Advances in technology

Over recent years technological advances have changed the way in which businesses in our sector need to operate. This includes how data is collected and analysed for investment purposes, having the ability to trade using electronic platforms and algorithms, enabling improved client reporting processes, and introducing efficiencies in more manual processes and procedures. The speed of change is dramatic and will continue to change the way business is done in our sector going forward.

What this means for our business

Technology has a critical role to play in our business, both to create efficiency to deliver reliable low cost solutions for clients, and to drive innovation in creating new products and markets. Technologies such as artificial intelligence and machine learning, as well as improvements in data science and the ability to utilise opportunities offered through third party systems, can all contribute to the aim of improving our investment management products and services. As a result, the need to continue to observe and invest in technology and innovation is paramount to protect our capability to respond effectively to disruption and change in our markets, as well as to support our investment management processes and systems, improve client service and enhance our operating efficiency and effectiveness.

The changing pattern of FX liquidity provision

Historically the role of liquidity providers and market makers in the FX markets has been filled by investment banks. However, this role is now increasingly being filled by players other than banks due to the increased regulatory burden and capital constraints imposed on banks following the financial crisis.

What this means for our business

Market stress or increased volatility can cause large differentials in the pricing of derivatives due to the lack of market makers, including those banks previously willing to take risk onto their balance sheet. In extreme circumstances, the risk of reduced liquidity increases exponentially such that those market participants not expert in navigating the financial markets or without relationships built over many years with liquidity providers will either be forced to pay significantly increased spreads, or may not be able to trade at all depending on their method of accessing the market. Such circumstances provide opportunities for our business to offer unconflicted and independent expertise in navigating such markets, ensuring as far as possible best execution and access to liquidity that would otherwise not be accessible.

Market review

FX volatility was broadly contained in the first half of the year, although it changed abruptly in the first quarter of 2020 as the severity of the covid-19 pandemic became apparent.

Review of the year ended 31 March 2020

The first half of the financial year saw a re-escalation of trade tensions between the US and China following what proved to be a short-lived truce. The visible effects on global trade and activity compelled major central banks to embark on easing cycles and by December several had cut rates – including the Federal Reserve three times. FX volatility was broadly contained and the relative strength of the US economy meant that the US dollar was supported versus most other developed market currencies.

The global economic outlook shifted abruptly in the first quarter of 2020. As the severity of the covid-19 pandemic became apparent, governments rushed to shutter economies and all non-essential activity in order to prevent the spread of the virus. The unprecedented sudden stop in activity led to a scramble for credit by businesses globally in order to stay afloat and cover lost revenues. The surge in credit demand and highly uncertain outlook saw credit spreads widen sharply and equity markets quickly fall into bear market territory. With the prospect of an economic and liquidity shock transforming into a financial and solvency shock, policymakers acted with a greater sense of urgency than even in the global financial crisis. In order to prevent an economic depression, developed market central banks conducted emergency rate cuts, and most either restarted quantitative easing programmes or began new ones.

The Federal Reserve unveiled a raft of measures designed to ease credit conditions in the US economy and extended its infamous FX swap lines to foreign central banks to ensure adequate US dollar supply abroad. The fiscal response came later but also in force, with governments unveiling packages for the provision of business loans and guarantees, and income replacement for displaced workers. By the end of March, the lines between fiscal and monetary policy had blurred, but the herculean effort on the part of policymakers appeared to have prevented an immediate financial collapse.

The acute demand for US dollars drove the world's reserve currency notably higher against most developed market currencies, while the Japanese yen and Swiss franc were supported by strong external asset positions and the convergence of short-term developed market yields towards the zero lower bound. As might be expected, emerging market currencies were negatively affected by the shock, with those countries starting from low bases of growth, lacking fiscal room, and with reliance on external funding falling the most. Asian emerging market currencies fared better as more effective containment measures and the ability to enact comprehensive fiscal packages provided relative economic shelter.

Coronavirus ("covid-19")

The covid-19 pandemic has transformed economies and financial markets. Many sectors incompatible with "social distancing" have experienced substantial revenue and jobs losses. Reinforced by the fall in commodity prices, this vulnerability extends in some cases to entire national economies and currencies. Governments everywhere navigate the trade-offs between virus containment and economic losses. Fiscal and monetary policies have been wielded worldwide to cover these losses. However, the capacity for policy response varies greatly among countries, as does the method and effect of implementation.

In the same way that many individuals are isolating at home to protect themselves or others from effects of the virus, we see isolationist tendencies in the response of national governments, sometimes even at the local level. In this sense, we expect covid-19 to catalyse trends which had begun before it arrived: reduced trade, strained geopolitics, and hard borders. And yet, this is locked in a paradox with the dense dollarisation of global financial markets over the past decade. Indeed, one of the very first revelations coming from this crisis was just how dependent international (and local) finance was on US dollar liquidity. Just as governments closed borders, they also clamoured for the currency they shared with their neighbours.

We observed this demand for dollar liquidity across both spot and swap rates, which have emerged as a barometer of liquidity stress. The Federal Reserve and the IMF stepped in to fill the gap as nations, banks and corporations aimed to cover funding needs. And so, as events unfold, we expect the interplay of the virus's real economic impact, risk sentiment, the demand for dollar liquidity, and the supply to represent a dominant dynamic in international markets including FX.

Despite the gradual easing of restrictions, risks of an acute crisis have not passed, as losses continue to reverberate throughout economies and financial markets. Longer-term risks have also appeared, and it remains to be seen what the impact on growth, productivity, price level and asset values is of extended policy measures, high debt levels, coordinated fiscal and monetary policy, and transformed social structure.

Beyond the economics of FX value, recent events have also had substantive effects on the structure of the FX market itself. Many of the structural changes observed over the past ten years - more electronic trading and significant non-bank liquidity blurring the line between participants and market makers - reversed in the blink of an eye. Even as banks' risk capital faced new constraints (corporates drawing on credit lines; rising credit risk in their portfolios), they re-emerged as sole market makers. Electronic trading is debilitated by volatile markets, with platform bid/ask spreads having reached an order of magnitude greater than voice quotes. Established trading relationships are proving more valuable than at any other time since 2009 or the Swiss franc peg break in 2015.

Key performance indicators

Measuring our performance against our strategy.

The Board and Executive Committee use both financial and non-financial key performance indicators (“KPIs”) to monitor and measure the performance of the Group against its strategic priorities. Some KPIs link to specific strategic areas as noted below, whilst others represent higher level key metrics in terms of the Group’s business and financial performance.

Financial KPIs

Revenue

Revenue is earned mainly from the provision of currency management services in the form of management fees and performance fees.

Revenue	£ million
FY-20	**25.6**
FY-19	25.0
FY-18	23.8
FY-17	23.0
FY-16	21.4

Why this is important

Revenue is a key indicator of client experience, growth and a key driver of profitability. AUME growth, fee levels sustained through product enhancement, and investment performance in excess of benchmarks all contributed to revenue growth during the year.

Operating profit margin

Operating profit margin is an alternative performance measure, calculated by dividing operating profit by revenue.

Operating profit margin	%
FY-20	**30**
FY-19	32
FY-18	31
FY-17	34
FY-16	32

Why this is important

Operating profit margin is an indicator of the efficiency of the business in turning revenue into profit. Margin compression has been a factor across the sector over a number of years, which continues to impact the business. Further information can be found in the Financial review section.

The Group aims to increase the operating profit margin over time through investment in resources and technology to maintain its premium products and services, whilst increasing operating efficiency and developing more diversified revenue streams in higher margin products.

Basic earnings per share ("EPS")

The Group aims to create shareholder value over the long term, illustrated by a consistent growth in EPS.

EPS	pence
FY-20	**3.26**
FY-19	3.27
FY-18	3.03
FY-17	2.91
FY-16	2.55

Why this is important

EPS measures the overall effectiveness of the business model and drives both our dividend policy and the value generated for shareholders.

Dividends per share ("DPS")

The Group's policy is that total distributions in any year will be covered by earnings. The Group aims to pay a progressive ordinary dividend and return surplus capital to shareholders where it is in excess of business requirements, usually in the form of special dividends.

DPS	Ordinary dividend per share pence	Special dividend per share pence
FY-20	**2.30**	**0.41**
FY-19	2.30	0.69
FY-18	2.30	0.50
FY-17	2.00	0.91
FY-16	1.65	nil

Why this is important

Repeatable dividend payments illustrate the cash-generative nature of Record's business and its strength in converting profits into cash, and providing a suitable return to shareholders. The ordinary dividend per share is unchanged on last year. The special dividend per share has decreased by 0.28 pence resulting in a 9% decrease in total dividends to 2.71 pence per share (2019: 2.99 pence per share).

Non-financial KPIs

AUME

As a currency manager, Record manages only the impact of foreign exchange and not the underlying assets of its clients, therefore its AUM (Assets Under Management) are notional. To distinguish this from the AUM of conventional asset managers, Record uses the concept of Assets Under Management Equivalents ("AUME") and by convention this is quoted in US dollars.

AUME	$ billion
FY-20	**58.6**
FY-19	57.3
FY-18	62.2
FY-17	58.2
FY-16	52.9

Why this is important

AUME is a key driver of future revenue and an indicator of business growth. AUME increased by 2.3% for the year, including net inflows of $4.6 billion, notwithstanding the negative impact of covid-19 on the final quarter of the year.

Clients

Client numbers represent the number of separate legal entities that have appointed Record directly as an investment manager or invested in a Record fund at the year end, and acts as an indicator of business growth.

Clients	
FY-20	**72**
FY-19	65
FY-18	60
FY-17	59
FY-16	58

Why this is important

The sustained growth in client numbers is indicative of successful client engagement, quality client experience and the building of strong "trusted adviser" relationships.

Client longevity

Client longevity measures how long Record has been providing currency management services to each client with a mandate active at 31 March 2020.

Client longevity	**%**
0-1yrs	14
1-3yrs	28
3-6yrs	22
6-10yrs	14
>10yrs	22

Why this is important

Client longevity is both an indicator of recent client growth, and the Group's success in sustaining quality client relationships through investment cycles.

Average number of employees

The average number of employees through the year includes Non-executive Directors.

Average number of employees	
FY-20	**82**
FY-19	85
FY-18	81
FY-17	73
FY-16	69

Why this is important

Average employee numbers is an indicator of growth and also of how effectively the Group is using technology to make processes more efficient.

Staff retention

Staff retention is the number of employees who were employed by Record throughout the period as a percentage of the number of employees at the beginning of the period.

Staff retention	%
FY-20	**81**
FY-19	84
FY-18	93
FY-17	83
FY-16	88

Why this is important

The Group's third cornerstone is talent development, which includes the development and retention of our talented employees. Whilst every business expects a degree of employee turnover, the monitoring of employee retention acts as a general indicator for factors affecting our employees' well-being, development, and issues such as longer-term succession.

Employees with equity interest

The percentage of employees who own shares in Record plc at year end.

Employees with equity interest	%
FY-20	**69**
FY-19	70
FY-18	72
FY-17	68
FY-16	69

Why this is important

The alignment of employee interests with those of our shareholders is an important factor in ensuring the longer-term success of our business and is an important tool in managing generational change.

Operating review

AUME increased by 2.3% in US dollar terms, assisted by aggregate net inflows of $4.6 billion across the year.

Product investment performance

Hedging

Our hedging products are predominantly systematic in nature. The effectiveness of each client mandate is assessed regularly and adjustments are made when necessary in order to respond to changing market conditions or to bring the risk profile of the hedging mandate in line with the client's risk tolerance.

Passive Hedging

Record has developed an enhanced Passive Hedging service, which aims to reduce the cost of hedging by introducing new flexibility into the implementation of currency hedges without changing the hedge ratio. While the strategy is partly systematic, the episodic nature of many opportunities exploited by the strategy means it requires a higher level of discretionary oversight than has historically been associated with Passive Hedging. Exceptional levels of volatility in the FX derivatives market during the latter part of the year has negatively affected some clients. However, for others this volatility has increased the scope of opportunities available.

The table below shows the total value added relative to a fixed-tenor benchmark for an enhanced Passive Hedging programme for a representative account.

	Return for year to 31 March 2020	Return since inception
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	**(0.05%)**	0.09% p.a.

Dynamic Hedging

The performance of our Dynamic Hedging product depends on how the foreign currencies change in value relative to the base currency of a client. During the year, US investors saw losses from currency on international assets when valuing positions in US dollars, as the US dollar appreciated against the majority of G10 currencies. Record's Dynamic Hedging product adjusted hedge ratios in line with US dollar fluctuations, and on aggregate helped protect clients against currency losses.

	Return for year to 31 March 2020	Return since inception
Value added by Dynamic Hedging programme	**0.80%**	0.54% p.a.

Currency for Return

Record's Currency for Return suite of products includes both systematic and discretionary investment styles. The systematic offering combines five strategies under the Currency Multi-Strategy product, whilst the Dynamic Macro Currency product uses a more discretionary approach.

Currency Multi-Strategy

Record's principal Currency for Return product during the year was Currency Multi-Strategy. This combines a number of diversified return streams, which include:

- Forward Rate Bias ("FRB", also known as Carry) and Emerging Market strategies which are founded on market risk premia and as such perform more strongly in "risk on" environments; and
- Momentum, Value and Range Trading strategies which are more behavioural in nature, and as a result are less risk-sensitive.

Record's Multi-Strategy mandates delivered negative overall performance over the year. The first three quarters saw cumulative outperformance but gains were more than offset by losses in the final quarter as a result of the covid-19 pandemic.

Dynamic Macro Currency

The Dynamic Macro Currency strategy utilises a modern, multi-disciplined investment approach to developed and emerging market currencies. A four-pillared proprietary process integrates macroeconomics, market neurology, and quantitative price metrics with disciplined risk management, with analysis targeting the generation of a variant perception of future market price direction. The portfolio is innovatively structured and managed to implement investment views and provide an upside asymmetric return profile. Historically, the long-term track record has been negatively correlated with traditional asset classes such as the S&P500, but has also provided positive risk-adjusted returns during "risk on" environments.

Over the year, the portfolio benefited from our independent research ethos and risk management discipline, including early recognition of the potential severity and global feedback mechanisms of covid-19. The strategy was able to develop early, proprietary models to monitor the impact of the virus. Successful management of the portfolio across various currencies, instruments and time horizons resulted in a +0.82 excess return-to-risk ratio for the year ending 31 March 2020.

Fund name	Scaling	**Return for 12 months to 31 March 2020 %**	Return since inception % p.a.	Volatility since inception % p.a.
Currency Multi-Strategy Fund	4.5-6	**(7.82%)**	(5.42%)	9.11%

Returns	**Return for 12 months to 31 March 2020 %**	Return since inception % p.a.	Volatility since inception % p.a.
Dynamic Macro Currency	4.20%	4.25%	9.30%
Record Multi-Strategy composite	**(3.84%)**	0.60%	3.14%

Scaling

The Currency for Return product group allows clients to select the level of exposure they desire in their currency programmes. The segregated mandates allow clients to select the level of scaling and/or the volatility target. The pooled funds have historically offered clients a range of scaling and target volatility levels.

It should be emphasised that in this case "scaling" refers to the multiple of the aggregate notional value of forward contracts in the currency programme, to the segregated mandate size or the pooled fund's net assets. This is limited by the willingness of counterparty banks to take exposure to the segregated client or pooled fund. The AUME of those mandates where scaling or a volatility target is selected is represented in Record's AUME at the scaled value of the mandate, as opposed to the segregated mandate size or the pooled fund's net assets.

AUME development

AUME expressed in US dollar terms finished the year at $58.6 billion, an increase of 2.3% (2019: $57.3 billion). When expressed in sterling, AUME increased by 7.5% to £47.3 billion (2019: £44.0 billion).

AUME movements

AUME at 1 April 2019	**57.3**
Net flows	+ 4.6
Markets	- 3.2
FX effects and scaling	- 0.1
AUME at 31 March 2020	**58.6**

Passive Hedging AUME increased by 4.3% to $50.3 billion at the end of the year (2019: $48.2 billion), including inflows of $2.0 billion from new clients, and net inflows of $2.1 billion from adjustments by existing clients. Market movements had an impact of reducing AUME by $2.2 billion, whilst movements in exchange rates had a much smaller positive impact increasing AUME by $0.2 billion.

Dynamic Hedging AUME ended the year at $2.5 billion (2019: $3.1 billion), a decrease of 19% represented by the impact of market movements which reduced AUME by $0.8 billion, and was partially offset by net inflows from existing clients of $0.2 billion.

Notwithstanding net inflows of $0.3 billion during the year, Currency for Return AUME remained broadly unchanged at $2.6 billion at the end of the year (2019: $2.7 billion). Movements in exchange rates and scaling adjustments on mandates with fixed target volatilities both decreased AUME by $0.3 billion and $0.1 billion respectively.

Multi-product AUME started and ended the year at $3.0 billion. Tactical positions taken by clients during the year temporarily increased AUME in the third quarter, which subsequently reversed in the fourth quarter as a result of market movements.

Market performance

Record's AUME is affected by movements in market levels because substantially all the Passive and Dynamic Hedging, and some of the Multi-product mandates, are linked to equity, fixed income and other market levels. Market movements decreased AUME by $3.2 billion in the year ended 31 March 2020 (2019: increased $2.3 billion).

Further detail on the composition of assets underlying our Hedging and Multi-product mandates is provided below to help illustrate more clearly the impact of equity and fixed income market movements on these mandate sizes.

AUME composition by underlying asset class as at 31 March 2020

	Equity %	Fixed income %	Other %
Passive Hedging	28%	39%	33%
Dynamic Hedging	90%	0%	10%
Multi-product	0%	0%	100%

Forex

Approximately 89% of the Group's AUME is non-US dollar denominated. Therefore, foreign exchange movements may have an impact on AUME when expressing non-US dollar denominated AUME in US dollars. Foreign exchange movements increased AUME by $0.1 billion over the year. This movement does not have an equivalent impact on the sterling value of fee income.

At 31 March 2020, the split of AUME by base currency was 13% in sterling, 55% in Swiss francs, 11% in US dollars, 15% in euros and 6% in other currencies.

AUME composition by base currency

Base currency	**31 March 2020**	31 March 2019
Sterling	**GBP 6.3bn**	GBP 5.7bn
US dollar	**USD 6.2bn**	USD 6.3bn
Swiss franc	**CHF 31.0bn**	CHF 32.5bn
Euro	**EUR 8.1bn**	EUR 8.3bn
Australian dollar	**AUD 1.6bn**	AUD 1.0bn
Canadian dollar	**CAD 3.5bn**	CAD 0.6bn
Singapore dollar	**SGD 0.0bn**	SGD 0.1bn
Swedish krona	**SEK 3.9bn**	SEK 3.7bn

Product mix

AUME composition by product

	31 March 2020		31 March 2019	
	US $bn	**%**	US $bn	%
Passive Hedging	**50.3**	**86%**	48.2	84%
Dynamic Hedging	**2.5**	**4%**	3.1	5%
Currency for Return	**2.6**	**4%**	2.7	5%
Multi-product	**3.0**	**5%**	3.0	5%
Cash	**0.2**	**1%**	0.3	1%
Total	**58.6**	**100%**	57.3	100%

The mix of AUME remained broadly consistent with the prior year, with aggregate Hedging AUME representing 90% (2019: 89%).

Financial review

“The Group has shown its resilience through a challenging year, and remains independent and profitable supported by its strong and liquid balance sheet.”

Steve Cullen

Chief Financial Officer

Overview

Total revenue for the year increased by 2.4% to £25.6 million (2019: £25.0 million) and operating expenses, excluding variable remuneration, increased by 6.8% to £14.2 million. Variable remuneration rose to £3.5 million (2019: £3.4 million), with the operating profit margin decreasing to 30% (2019: 32%) and profit before tax fell by 3.2% to £7.7 million (2019: £8.0 million).

Profit and loss (£m)

	2020	2019
Revenue	**25.6**	25.0
Cost of sales	**(0.3)**	(0.4)
Gross profit	**25.3**	24.6
Personnel (excluding GPS)	**(8.6)**	(8.2)
Non-personnel cost	**(5.7)**	(5.1)
Other income or expense	**0.1**	—
Total expenditure (excluding GPS)	**(14.2)**	(13.3)
GPS	**(3.5)**	(3.4)
Operating profit	**7.6**	7.9
Operating profit margin	**30%**	32%
Net interest received	**0.1**	0.1
Profit before tax	**7.7**	8.0
Tax	**(1.3)**	(1.6)
Profit after tax	**6.4**	6.4

Revenue

Record’s revenue derives from the provision of currency management services, fees for which can be charged through management fee only or management plus performance fee structures, which are available across Record’s product range. Management fee only mandates are charged based upon the AUME of the product, and management plus performance fee structures include a lower percentage fee applied to AUME, and a proportional share of the specific product performance measured over a defined period.

Management fees are typically charged on a quarterly basis, although Record may charge fees monthly for some of its larger clients. Performance fees can be charged on quarterly, six-monthly or annual performance periods on the basis agreed with the particular client.

As shown under AUME development above, average levels of AUME, and hence management fees, increased across the year predominantly as a result of net inflows of $2.0 billion and $2.6 billion over the first and second halves respectively. These were partially offset by net decreases due to market movements for the year of $3.2 billion. The period up to the last quarter of the year showed an increase of $1.3bn, followed by a $4.5 billion decrease in the final quarter linked to the covid-19 outbreak.

Record’s aggregate revenue for the year increased by 2.4% to £25.6 million, including performance fees of £1.8 million (2019: £2.3 million).

Revenue analysis (£m)

	Year ended 31 Mar 2020	Year ended 31 Mar 2019
Management fees		
Passive Hedging	**12.0**	11.6
Dynamic Hedging	**4.0**	4.6
Currency for Return	**2.0**	1.8
Multi-product	**5.1**	4.3
Total management fees	**23.1**	22.3
Performance fees	**1.8**	2.3
Other currency services income	**0.7**	0.4
Total revenue	**25.6**	25.0

Management fees earned during the year increased by 3.7% to £23.1 million (2019: £22.3 million). The increase in management fees of £0.8 million more than offset the decrease in performance fees of £0.5 million for the year.

Management fees

Passive Hedging management fees increased by £0.4 million to £12.0 million for the year, an increase of 3.6% (2019: £11.6 million) in line with the higher average Passive Hedging AUME over the year.

Dynamic Hedging management fees fell by 13.1% to £4.0 million (2019: £4.6 million), predominantly reflecting the reduction in AUME seen in the final quarter of last year, partially offset by net inflows this year of $0.2 billion.

Currency for Return management fees increased by 11.7% to £2.0 million, reflecting movements in AUME including net inflows of $0.3 billion. Multi-product management fees increased by 18.6% to £5.1 million, bolstered by the temporary tactical mandate activity seen in the second half of the year.

Average management fee rates remained broadly constant throughout the year ended 31 March 2020. However, the trend of increased margin pressure seen in recent years across our industry continues, with clients seeking reduced fees rates or increased tailoring for existing fees, especially across our Passive Hedging offering.

Performance fees

Performance fees are derived from a combination of hedging and return-seeking products. Aggregate performance fees of £1.8 million were earned during the year (2019: 2.3 million).

Other currency services income

Other currency services income totalled £0.7 million (2019: £0.4 million) and consists of fees from ancillary currency management services including collateral management, signal hedging and tactical execution services. Fees charged for these ancillary services are not linked to AUME.

Expenditure

Cost of sales

Cost of sales comprises referral fees and costs in relation to the Record Umbrella Fund.

Operating expenditure

The Group operating expenditure (excluding variable remuneration) increased by 6.8% to £14.2 million for the year (2019: £13.3 million).

Growth in personnel costs of 4.9% to £8.6 million (2019: £8.2 million) reflects salary increases arising as a result of internal promotions during the year, plus the effect of recruiting at more senior levels towards the end of the financial year. The full year effect of these movements will be reflected in an increase in personnel costs for the forthcoming year.

Non-personnel costs increased by 11.8% during the year to £5.7 million (2019: £5.1 million). The Group continued to invest in technology and to improve the resilience of its systems, reflected by an increase in IT-related costs of £0.3 million which are expected to increase in the forthcoming year. One-off project-related costs totalled £0.3 million, including technical consultancy and professional fees.

Other income was £0.1 million for the year (2019: £nil) and represents net gains made on derivative financial instruments employed by the Group's seed funds, hedging activities, and other FX adjustments or revaluations.

Group Profit Share ("GPS") Scheme

The Group operates a discretionary GPS Scheme i.e. variable remuneration, which is linked to both the financial performance of the Group and the achievement against individual performance objectives for staff. Historically, a long-term average of 30% of underlying operating profit before GPS ("GPS pool") has been made available to be awarded to staff. However, for the year ended 31 March 2020 the Remuneration Committee introduced changes to the operation of the scheme with the aim of rewarding individual employee behaviour that drives revenue growth, improvements to efficiency and reduced costs. Consequently, the expectation is that the average GPS % will now diverge from the long-term average due to the Remuneration Committee using the flexibility and discretion it already holds in varying the GPS pool between 25% to 35% of underlying operating profit before GPS.

For the year ended 31 March 2020, the GPS pool is 31.4% of pre-GPS underlying operating profit, which represents £3.5 million, an increase of 3.8% over the previous financial year (2019: £3.4 million).

Operating profit and margin

Group operating profit decreased by 2.9% to £7.6 million (2019: £7.9 million) and the Group operating margin decreased to 30% (2019: 32%). Notwithstanding the increase in revenue for the year, the continued investment in personnel and other resources for the year have impacted the operating margin.

Cash flow

The Group consolidated statement of cash flows is shown in the financial statements.

The Group's year end cash and cash equivalents stood at £14.3 million (2019: £13.0 million). The cash generated from operating activities before tax is shown in note 25 to the financial statements and was £7.9 million (2019: £8.2 million). During the year, taxation of £1.4 million was paid (2019: £1.2 million) and £5.9 million was paid in dividends (2019: £5.5 million).

At the year end, the Group held money market instruments with maturities between three and twelve months, worth £8.0 million (2019: £10.7 million). These instruments are managed as cash by the Group but are not classified as cash under IFRS rules (see note 18 of the financial statements for more details).

Dividends

An interim ordinary dividend of 1.15 pence per share (2019 interim: 1.15 pence) was paid to shareholders on 27 December 2019, equivalent to £2.3 million.

As disclosed in the Chairman's statement, the Board is recommending a final ordinary dividend of 1.15 pence per share, equivalent to £2.3 million, taking the overall ordinary dividend for the financial year to 2.30 pence per share. Simultaneously, the Board is also paying a special dividend of 0.41 pence per share (equivalent to £0.8 million), making the total dividend in respect of the year ending 31 March 2020 of £5.3 million equivalent to 83% of total earnings.

The total ordinary and special dividends paid in respect of the prior year ended 31 March 2019 were 2.30 pence per share and 0.69 pence per share respectively, equivalent to total dividends of £5.9 million and representing 91% of total earnings of 3.27 pence per share.

Financial stability and capital management

The Group's balance sheet is strong and liquid with total net assets of £28.2 million at the end of the year, including current assets managed as cash totalling £22.3 million. The business remains cash generative, with net cash inflows from operating activities after tax of £6.5 million for the year (see note 25 to the financial statements).

The Board's capital policy is to retain minimum capital (being equivalent to shareholders' funds) within the business broadly equivalent to twelve months' worth of future estimated operating expenses (excluding variable remuneration), plus capital assessed as sufficient to meet regulatory capital requirements and working capital purposes, and for investing in new opportunities for the business. To this end, the Group maintains a financial model to assist it in forecasting future capital requirements over a three-year cycle under various scenarios and monitors the capital and liquidity positions of the Group on an ongoing and frequent basis. The Group has no debt.

Record Currency Management Limited ("RCML") is a BIPRU limited licence firm authorised and regulated in the UK by the Financial Conduct Authority ("FCA"), and is a wholly owned subsidiary of Record plc. Both RCML and the Group submit semi-annual capital adequacy returns to the FCA, and held significant surplus capital resources relative to the regulatory financial resource requirement throughout the year.

The Board has concluded that the Group is adequately capitalised both to continue its operations effectively and to meet regulatory requirements, due to the size and liquidity of balance sheet resources maintained by the Group.

The Group held regulatory capital resources based on the audited financial statements as at 31 March (excluding non-controlling interests), as follows:

Regulatory capital resources (£m)

	2020	2019
Core Tier 1 capital	**28.0**	27.3
Deductions: intangible assets	**(0.4)**	(0.3)
Regulatory capital resources	**27.6**	27.0

Further information regarding the Group's capital adequacy information can be found in the Group's Pillar 3 disclosure, which is available on the Group's website at **www.recordcm.com**.

Managing the impact of the Coronavirus pandemic

The Group Board, management and Risk Management Committee constantly monitor emerging risks, assessing the likelihood of impact on the principal risks faced by the business.

At the time of writing, the Coronavirus pandemic ("covid-19") has effectively temporarily shut down the world economy as global leaders fight to stop the spread of the virus through enforced lockdowns in their respective countries. Although some countries are beginning to ease restrictions as mortality rates decline, it remains to be seen whether a second wave of the virus ensues, and if not, how quickly the global economy returns to pre-covid-19 levels, if at all. The speed and scale of disruption caused by the pandemic is unprecedented, meaning the risk has fully transitioned from an emerging risk to a business continuity risk.

Information on the Group's response to the pandemic and the effect on its business and operations is given in more detail below.

Review of the impact of covid-19"

Our clients

Record's clients are institutional and of high quality with strong, long-standing and trusted relationships built over many years. Record has not lost any clients as a result of the covid-19 pandemic and has maintained strong lines of communication and service levels throughout the crisis, responding to client requests in volatile markets and restricted liquidity, and underpinning the quality of our service offering. A large proportion of our current client base by assets (90%) is represented by hedging products which seek to reduce the FX risk associated with our clients' overseas assets – extreme volatility in times of market stress only serves to further reinforce the benefit of such risk mitigation strategies. The quality of our clients is reflected in the business having not suffered from any unpaid fees for over 20 years through various market crises and cycles, and we do not anticipate this changing under the current circumstances.

Our people

Record has successfully transitioned to full remote working without detriment to our clients or employees. We continue to closely monitor the well-being and motivation of all of our staff and to listen and respond to their feedback and requirements. Planning has begun for the easing of restrictions and how these may impact the return to 'normal' working conditions in terms of social distancing, travel, increased office hygiene requirements and other measures. Record has not seen any employee attrition as a result of the crisis, has not cut wages and does not anticipate utilising any of the Government's job retention or loan schemes for businesses.

Our technology and operations

Prior to the UK Government imposed lockdown, Record's operational teams had already been split between the disaster recovery ("DR") site and the Windsor office, and this changed to full working from home for all employees, including all operational teams, subsequent to the lockdown measures being introduced. Throughout these phases full business continuity was maintained. Remote access systems have been strengthened and over the course of the lockdown additional IT equipment has been sourced for individuals to assist with facilitating the required working environment from home.

Our governance and oversight

Virtual meetings have replaced physical meetings in the office and broadly follow the same pattern as prior to the crisis, although the frequency for some meetings has been increased, for example more regular Audit and Risk Committee meetings to review risk and weekly Executive Committee catch ups to discuss employee well-being, market behaviour and other management issues.

Our risk and management reporting framework continues to operate as usual as do monitoring and oversight tasks operated by the compliance team.

Our business model

With the exception of those items discussed above, any further impact of covid-19 on our business model has been limited. Our costs have not materially increased as a result of the virus and our balance sheet remains well capitalised and robust. In terms of revenue, whilst we have not seen and do not anticipate any direct material outflows as a result of covid-19, the link between some of our clients' mandates with other markets, such as equity and fixed income, means our AUME is also affected to a lesser extent to movements in such markets. This was illustrated by the fall of our fourth quarter AUME by -$4.5 billion (-7%) linked to market movements. Conversely, we would expect to see any rebound in such markets reflected by an increase in our AUME.

Our business has responded well to the changes enforced by the covid-19 pandemic, with continuity in operational and client servicing matters, and maintaining a full team without the need for additional funding or Government assistance. We believe that we are capable of continuing to operate under current circumstances for the foreseeable future.

Please see the market review for analysis of the market impact of the covid-19 pandemic.

Financial statements

Consolidated statement of comprehensive income

Year ended 31 March

	Note	**2020 £'000**	2019 £'000
Revenue	4	**25,563**	24,973
Cost of sales		**(255)**	(385)
Gross profit		**25,308**	24,588
Administrative expenses		**(17,741)**	(16,704)
Other income or expense		**82**	(8)
Operating profit	5	**7,649**	7,876
Finance income		**146**	135
Finance expense		**(58)**	(22)
Profit before tax		**7,737**	7,989
Taxation	7	**(1,365)**	(1,559)
Profit after tax		**6,372**	6,430
Total comprehensive income for the year		**6,372**	6,430
Profit and total comprehensive income for the year attributable to			
Owners of the parent		**6,420**	6,430
Non-controlling interests		(48)	-
Profit and total comprehensive income for the year		**6,372**	6,430
Earnings per share for profit attributable to the equity holders of the Group during the year			
Basic earnings per share	8	**3.26p**	3.27p
Diluted earnings per share	8	**3.26p**	3.25p

The notes below are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March

	Note	**2020 £'000**	2019 £'000
Non-current assets			
Intangible assets	11	**470**	288
Right-of-use assets	12	**1,175**	-
Property, plant and equipment	13	**751**	761
Investments	14	**2,472**	1,112
Total non-current assets		**4,868**	2,161
Current assets			
Trade and other receivables	16	**8,704**	7,562
Derivative financial assets	17	**193**	164
Money market instruments with maturities > 3 months	18	**7,958**	10,735
Cash and cash equivalents	18	**14,294**	12,966
Total current assets		**31,149**	31,427
Total assets		**36,017**	33,588
Current liabilities			
Trade and other payables	19	**(3,009)**	(2,736)
Corporation tax liabilities	19	**(601)**	(692)
Lease liabilities	12	**(544)**	-
Financial liabilities	20	**(2,191)**	(2,621)
Derivative financial liabilities	17	**(610)**	(109)
Total current liabilities		**(6,955)**	(6,158)
Non-current liabilities			
Deferred tax liabilities	15	**(86)**	(29)
Provisions		**(200)**	-
Lease liabilities	12	**(615)**	-
Total non-current liabilities		**(901)**	-
Total net assets		**28,161**	27,401
Equity			
Issued share capital	21	**50**	50
Share premium account		**2,259**	2,243
Capital redemption reserve		**26**	26
Retained earnings		**25,694**	25,022
Equity attributable to owners of the parent		**28,029**	27,341
Non-controlling interests		**132**	60
Total equity		**28,161**	27,401

Approved by the Board on 18 June 2020

Company registered number: 1927640

The notes below are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2020

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Equity attributable to equity holders of the parent £'000	Non-controlling interests £'000	Total equity £'000
As at 1 April 2019		**50**	**2,243**	**26**	**25,022**	**27,341**	**60**	**27,401**
IFRS 16 opening adjustment	**1**	**-**	**-**	**-**	**(98)**	**(98)**	**-**	**(98)**
Profit and total comprehensive income for the year		**-**	**-**	**-**	**6,420**	**6,420**	**(48)**	**6,372**
Dividends paid	9	-	-	-	(5,888)	(5,888)	-	(5,888)
Issue of shares in subsidiary		-	-	-	-	-	120	120
Own shares acquired by EBT		-	-	-	(1,020)	(1,020)	-	(1,020)
Release of shares held by EBT		-	16	-	971	987	-	987
Share-based payment reserve movement		-	-	-	287	287	-	287
Transactions with shareholders		-	**16**	-	**(5,650)**	**(5,634)**	**120**	**(5,514)**
As at 31 March 2020		**50**	**2,259**	**26**	**25,694**	**28,029**	**132**	**28,161**

Year ended 31 March 2019

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Equity attributable to equity holders of the parent £'000	Non-controlling interests £'000	Total equity £'000
As at 1 April 2018		**50**	**2,237**	**26**	**24,238**	**26,551**	**-**	**26,551**
Profit and total comprehensive income for the year		**-**	**-**	**-**	**6,430**	**6,430**	**-**	**6,430**
Dividends paid	9	-	-	-	(5,517)	(5,517)	-	(5,517)
Issue of shares in subsidiary		-	-	-	-	-	60	60
Own shares acquired by EBT		-	-	-	(893)	(893)	-	(893)
Release of shares held by EBT		-	6	-	677	683	-	683
Share-based payment reserve movement		-	-	-	87	87	-	87
Transactions with shareholders		-	6	-	(5,646)	(5,640)	60	(5,580)
As at 31 March 2019		50	2,243	26	25,022	27,341	60	27,401

The notes below are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 March

	Note	2020 £'000	2019 £'000
Net cash inflow from operating activities	25	**6,543**	7,026
Cash flow from investing activities			
Purchase of intangible software		**(311)**	(134)
Purchase of property, plant and equipment		**(243)**	(72)
Purchase of securities		**(1,113)**	-
Sale/(purchase) of money market instruments with maturity > 3 months		**2,777**	(537)
Interest received		**160**	110
Net cash inflow/(outflow) from investing activities		**1,270**	(633)
Cash flow from financing activities			
Lease repayments		**(576)**	-
Subscription for shares in subsidiary		**120**	40
Purchase of own shares		**(487)**	(653)
Dividends paid to equity shareholders	9	**(5,888)**	(5,517)
Cash outflow from financing activities		**(6,831)**	(6,130)
Net increase in cash and cash equivalents in the year		**982**	263
Effect of exchange rate changes		346	205
Cash and cash equivalents at the beginning of the year		**12,966**	12,498
Cash and cash equivalents at the end of the year		**14,294**	12,966
Closing cash and cash equivalents consist of:			
Cash		**8,004**	2,150
Cash equivalents		**6,290**	10,816
Cash and cash equivalents	18	**14,294**	12,966

The notes below are an integral part of these consolidated financial statements.

Company statement of financial position

As at 31 March

	Note	**2020** **£'000**	2019 £'000
Non-current assets			
Right-of-use assets	12	**1,096**	-
Investments	14	**3,516**	5,567
Total non-current assets		**4,612**	5,567
Current assets			
Trade and other receivables		**142**	-
Cash and cash equivalents	18	**2,241**	3
Total current assets		**2,383**	3
Total assets		**6,995**	5,570
Current liabilities			
Trade and other payables	19	**(10)**	(55)
Corporation tax liabilities	19	**(2)**	(14)
Lease liabilities		**(495)**	-
Total current liabilities		**(507)**	(69)
Non-current liabilities			
Lease liabilities		**(584)**	-
Provisions		**(200)**	-
Total non-current liabilities		**(784)**	-
Total net assets		**5,704**	5,501
Equity			
Issued share capital	21	**50**	50
Share premium account		**1,809**	1,809
Capital redemption reserve		**26**	26
Retained earnings		**3,819**	3,616
Total equity		**5,704**	5,501

The Company's total comprehensive income for the year (which is principally derived from intra-group dividends) was £6,098,249 (2019: £6,681,076).

Approved by the Board on 18 June 2020 and signed on its behalf by:

Company registered number: 1927640

The notes below are an integral part of these consolidated financial statements.

Company statement of changes in equity

Year ended 31 March 2020

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2019		**50**	**1,809**	**26**	**3,616**	**5,501**
IFRS 16 opening adjustment		**—**	**—**	**—**	**(91)**	**(91)**
Profit and total comprehensive income for the year		**—**	**—**	**—**	**6,098**	**6,098**
Dividends paid	9	—	—	—	(5,888)	(5,888)
Share option reserve movement		—	—	—	84	84
Transactions with shareholders		—	—	—	**(5,804)**	**(5,804)**
As at 31 March 2020		**50**	**1,809**	**26**	**3,819**	**5,704**

Year ended 31 March 2019

	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2018		**50**	**1,809**	**26**	**2,312**	**4,197**
Profit and total comprehensive income for the year		**—**	**—**	**—**	**6,681**	**6,681**
Dividends paid	9	—	—	—	(5,517)	(5,517)
Share option reserve movement		—	—	—	140	140
Transactions with shareholders		—	—	—	(5,377)	(5,377)
As at 31 March 2019		**50**	**1,809**	**26**	**3,616**	**5,501**

The notes below are an integral part of these consolidated financial statements.

Company statement of cash flows

Year ended 31 March

	Note	**2020 £'000**	2019 £'000
Net cash inflow/(outflow) from operating activities	25	**452**	(1,043)
Cash flow from investing activities			
Dividends received		**6,030**	6,600
Investment in subsidiaries		**(80)**	(40)
Redemption of seed funds		**2,247**	-
Interest received		**2**	1
Net cash inflow from investing activities		**8,199**	6,561
Cash flow from financing activities			
Lease repayments		**(517)**	-
Dividends paid to equity shareholders	9	**(5,888)**	(5,517)
Cash outflow from financing activities		**(6,405)**	(5,517)
Net increase in cash and cash equivalents in the year		**2,246**	1
FX revaluation		**(8)**	-
Cash and cash equivalents at the beginning of the year		**3**	2
Cash and cash equivalents at the end of the year		**2,241**	3
Closing cash and cash equivalents consist of:			
Cash		**2,241**	3
Cash equivalents		**-**	-
Cash and cash equivalents	18	**2,241**	3

The notes below are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 March 2020

These financial statements exclude disclosures that are both immaterial and judged to be unnecessary to understand our results and financial position.

1. Accounting policies

In order to provide more clarity to the notes to the financial statements, accounting policy descriptions appear at the beginning of the note to which they relate, and are shown in blue text.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out in the notes below. These policies have been consistently applied to all periods presented unless otherwise stated.

a. Accounting convention

Basis of preparation

The Group and Company have prepared their financial statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRS IC") as adopted in the European Union as at 31 March 2020. The financial statements have been prepared on a historical cost basis, modified to include fair valuation of derivative financial instruments.

The Directors are satisfied that the Company and the Group have adequate resources with which to continue to operate for the foreseeable future. In arriving at this conclusion, the Directors have considered in detail the impact of the covid-19 pandemic on the Group, the market it operates in and its stakeholders. For this reason the financial statements have been prepared on a going concern basis.

The preparation of financial statements in accordance with the recognition and measurement principles set out in IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The bases for management judgements, estimates and assumptions are discussed further in note 2.

Impact of new accounting standards

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- IFRS 16 "Leases"
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. The impact of the adoption of the leasing standard, IFRS 16 – "Leases", and the new accounting policy are disclosed below with further detail provided in note 12. The other amendments to standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments and are not expected to significantly affect the current or future periods.

<u>IFRS 16 - "Leases"</u>

IFRS 16 - "Leases" is effective for annual periods beginning on or after 1 January 2019 and replaces IAS 17 - "Leases" and related interpretations. This introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees, which distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. IFRS 16 requires operating leases, where the Group is the lessee, to be included on the Group's statement of financial position, recognising a right-of-use ("ROU") asset and a related lease liability representing the present value obligation to make lease payments. The ROU asset is assessed for impairment annually (incorporating any onerous lease assessments) and depreciated on a straight-line basis, adjusted for any re-measurements of the lease liability. The lease liability will subsequently be adjusted for lease payments and interest, as well as the impact of any lease modifications. IFRS 16 also requires extensive disclosures detailing the impact of leases on the Group's financial position and results.

The Group has elected to recognise the cumulative effect of initially applying the standard to its leases retrospectively on the date of initial application (1 April 2019), and has not restated comparative information. The cumulative effect of initially applying this Standard results in an adjustment to the opening balance of retained earnings on the date of initial application.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 - "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's assumed incremental borrowing rate as of 1 April 2019. The assumed weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4%.

The Group had three lease agreements relating to its premises in Windsor, New York and Zürich respectively, which were previously recognised as operating leases.

For each lease, a right-of-use asset has been recognised at its carrying amount as if the standard had been applied since the commencement date of each lease.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Full disclosure on leases is provided in note 12.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- right of use assets – increase by £1,560,371;
- lease liabilities – increase by £1,672,994;
- prepayments – reduce by £129,401; and
- accruals – reduce by £144,527.

The net impact on retained earnings on 1 April 2019 was a decrease of £97,497 after adjusting prepayments and accrual balances pertaining to the leases which were recognised under the previous accounting policy.

The decrease in retained earnings will be offset over time by a lower annual Group income statement charge, as the total charge over the life of each lease is the same as under the previous IAS 17 requirements.

Earnings per share increased by 0.01 pence per share for the year ended 31 March 2020 as a result of the adoption of IFRS 16.

There has been no other new or amended standard adopted in the financial year beginning 1 April 2019 which had a material impact on the Group or Company.

Future accounting developments

The Group did not implement the requirements of any other standards or interpretations that were in issue but were not required to be adopted by the Group at the year end date. No other standards or interpretations have been issued that are expected to have a material impact on the Group's financial statements.

b. Basis of consolidation

The consolidated financial information contained within the financial statements incorporates financial statements of the Company and its subsidiaries drawn up to 31 March 2020. Subsidiaries are entities controlled by the Company and are included from the date that control commences until the date that control ceases. Control is achieved where the Company is exposed to or has rights over variable returns from its involvement with the entity and it has the power to affect returns.

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. As the Group has "de facto" control over this special purpose entity, the trust is fully consolidated within the financial statements.

At the end of the financial year, the Group held investments in two seed funds. These funds are held by Record plc and represent seed capital investments by the Group.

Significant judgement

The Group uses judgement to determine whether investments in its seed funds constitute controlling interests in accordance with IFRS 10 – "Consolidated Financial Statements". The Group considers all relevant facts and circumstances in assessing whether it has control over specific funds or other entities. This includes consideration of the extent of the Group's exposure to variability of returns as an investor and the Group's ability to direct the relevant activities, through exercising its voting rights as an investor, or as investment manager. We consider that the Group exerts such control in cases where (either in isolation or together with its related parties) it holds a majority of units in the fund.

If the Group is in a position to be able to control a fund, then 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 a disposal group held for sale it is classified and accounted for on that basis. 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.

Where the Group controls an entity, but does not own all the share capital of that entity, the interest of the other shareholders' non-controlling interests is stated within equity at the non-controlling interests' proportion of the fair value of the recognised assets and liabilities. In the case of the funds controlled by the Group, the interests of any external investors in such funds are recognised as a financial liability as investments in the fund are not considered to be equity instruments.

The financial statements of subsidiary undertakings, which are prepared using uniform accounting policies, are coterminous with those of the Company apart from those of the seed funds which have accounting reference dates of 30 September. The consolidated financial statements incorporate the financial performance of the seed funds in the year ended 31 March 2020 and the financial position of the seed funds as at 31 March 2020.

The Company is taking advantage of the exemption under the Companies Act 2006 s408(1) not to present its individual statement of comprehensive income and related notes that form part of the financial statements. The Group's total comprehensive income for the year includes a profit of £6,098,249 attributable to the Company (2019: £6,681,076).

All intra-Group transactions, balances, income, expenses and dividends are eliminated on consolidation.

c. Foreign currencies

The financial statements are presented in sterling (£), which is the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the parent company using prevailing exchange rates which are updated on a monthly basis. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in the statement of comprehensive income under "other income or expense".

d. Administrative expenses

Administrative expense includes staff costs, marketing and IT costs, which are recognised on an accruals basis as services are provided to the Group.

e. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

f. Impairment of assets

The Group assesses whether there is any indication that any of its assets have been impaired at least annually. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

g. Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

h. Equity

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premium received on issue of share capital. From time to time, the Group has bought in ordinary shares for cancellation. The cost of the buy-ins was taken directly to retained earnings. The nominal value of the shares was taken to a capital redemption reserve. Retained earnings includes all current and prior period retained profits and share-based employee remuneration. All transactions with owners of the parent are recorded separately within equity.

2. Critical accounting estimates and judgements

In order to prepare the financial statements in accordance with IFRS, management make certain critical accounting estimates. Management are also required to exercise judgement in the process of applying the Group's accounting policies and in determining the reported amount of certain assets and liabilities.

The estimates and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. As a consequence actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Areas of significant judgement – consolidation of seed funds

Note 1b describes the basis which the Group uses to determine whether it controls seed funds; further detail on consolidation of seed funds is provided in note 14.

Sources of estimation uncertainty

Management recognise that the use of estimates is important in calculating both the fair value of share options offered by the Group to its employees (see note 22) and deferred tax (see note 15), however the sources of estimation uncertainty do not present a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next financial year in either case.

Calculation of leased assets and liabilities requires the use of both estimation and judgement. The identification of an appropriate discount rate to use in the calculation of the lease liability involves both estimation and judgement. Where the lease's implicit rate is not readily determinable, an incremental borrowing rate must be calculated by the Group. The discount rate used has a direct effect on the size of the lease liability capitalised and although this has been included as an area where the use of estimation and judgement in note 12 is important, it is unlikely to materially impact the Group.

3. Segmental analysis

The Directors, who together are the entity's Chief Operating Decision Maker, consider that its services comprise one operating segment (being the provision of currency management services) and that it operates in a market that is not bound by geographical constraints. The Group provides Directors with revenue information disaggregated by product, whilst operating costs, assets and liabilities are presented on an aggregated basis. This reflects the unified basis on which the products are marketed, delivered and supported. Revenue analysed by product is provided in note 4.

4. Revenue

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of currency management services. Our revenues typically arise from charging management fees or performance fees and both are accounted for in accordance with IFRS 15 - "Revenue from contracts with customers".

Management fees are recorded on a monthly basis as the underlying currency management service occurs; there are no other performance obligations (excluding standard duty of care requirements). Management fees are calculated as an agreed percentage of the Assets Under Management Equivalents ("AUME") denominated in the client's chosen base currency. The percentage varies depending on the nature of services and the level of AUME. Management fees are typically invoiced to the customer quarterly with receivables recognised for unpaid invoices.

The Group is entitled to earn performance fees from some clients where the performance of the clients' mandates exceeds defined benchmarks over a set time period, and are recognised when the fee amount can be estimated reliably and it is highly probable that it will not be subject to significant reversal.

Performance fee revenues are not considered to be highly probable until the end of a contractual performance period and therefore are not recognised until they crystallise, at which time they are payable by the client and cannot be clawed back. There are no other performance obligations or services provided which suggest these have been earned either before or after crystallisation date.

a) Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers, with management fees analysed by product. Other currency services income includes fees from signal hedging and fiduciary execution.

Revenue by product type	**2020 £'000**	2019 £'000
Management fees		
Passive Hedging	**12,026**	11,610
Dynamic Hedging	**3,995**	4,598
Currency for Return	**1,982**	1,775
Multi-Product	**5,130**	4,325
Total management fee income	**23,133**	22,308
Performance fee income	**1,819**	2,333
Other currency services income	**611**	332
Total revenue from contracts with customers	**25,563**	24,973

b) Contract receivables

The payment terms for invoiced revenue vary but are typically 30 days from receipt of invoice. Accrued income is recognised to account for income earned but not yet invoiced. Accrued income is the only component of contract assets.

The Group has recognised the following receivables, assets and liabilities in relation to contracts with customers.

	2020 £'000	2019 £'000
Amount receivable from contracts with customers	**5,192**	4,654
Accrued income from contracts with customers	**2,264**	1,888
Total contract receivables and assets	**7,456**	6,542

The ageing of contract receivables is provided in note 23.

There are no contract liabilities arising in relation to contracts with customers.

c) Contract receivables

The geographical analysis of revenue is based on the destination i.e. the location of the client to whom the services are provided. All turnover originated in the UK.

Revenue by geographical region	**2020 £'000**	2019 £'000
Management and performance fee income		
UK	**2,328**	2,239
US	**6,209**	6,439
Switzerland	**11,377**	11,401
Other	**5,649**	4,894
Total revenue	**25,563**	24,973

d) Major clients

During the year ended 31 March 2020, three clients individually accounted for more than 10% of the Group's revenue. The three largest clients generated revenues of £3.9 million, £3.5 million and £3.1 million in the year (2019: three largest clients generated revenues of £4.4 million, £3.9 million and £3.6 million in the year).

5. Operating profit

Operating profit for the year is stated after charging/(crediting):

	2020 £'000	2019 £'000
Staff costs	**12,087**	11,574
Depreciation of property, plant and equipment	**253**	221
Depreciation of leased property	**504**	-
Operating lease rentals: land and buildings	**-**	604
Amortisation of intangibles	**129**	74
Auditor fees		
Fees payable to the Group's auditor for the audit of the Company's annual accounts	**64**	49
Fees payable to the Group's auditor for the audit of subsidiary undertakings	**53**	42
Fees payable to the Group's auditor for the audit of consolidated funds	**43**	40
Auditor fees total	**160**	131
Fees payable to the Group's auditor and its associates for other services:		
Audit-related assurance services required by law or regulation	**33**	27
Other non-audit services	**-**	61
Loss on forward FX contracts held to hedge cash flow	**509**	242
Loss on derivative financial instruments held by seed funds	**323**	-
Exchange (gains)/losses on revaluation of external holding in seed funds	**(115)**	(67)
Other exchange (gains)/losses	**(515)**	(178)

6. Staff costs

The average number of employees, including Directors, employed by the Group during the year was:

	2020	2019
Corporate	**8**	9
Client relationships	**16**	16
Investment research	**16**	15
Operations	**24**	26
Risk management	**5**	5
Support	**13**	14
Annual average	**82**	85

The aggregate costs of the above employees, including Directors, were as follows:

	2020 £'000	2019 £'000
Wages and salaries	**9,356**	8,900
Social security costs	**1,278**	1,239
Pension costs	**514**	468
Other employment benefit costs	**939**	967
Aggregate staff costs	**12,087**	11,574

Other employment benefit costs include share-based payments, share option costs, and costs relating to the Record plc Share Incentive Plan.

7. Taxation – Group

Current tax is the tax currently payable based on taxable profit for the year. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The total charge for the year can be reconciled to the accounting profit as follows:

	2020 **£'000**	2019 £'000
Profit before taxation	**7,737**	7,989
Taxation at the standard rate of tax in the UK of 19% (2019: 19%)	**1,470**	1,518
Tax effects of:		
Other disallowable expenses and non-taxable income	**4**	16
Capital allowances for the year higher than depreciation	**(51)**	(20)
Higher tax rates on subsidiary undertakings	**17**	10
Adjustments recognised in current year in relation to the current tax of prior years	**-**	2
Adjustments recognised in current year in relation to Research and Development claims in respect of prior years	**(143)**	(93)
Other temporary differences	**68**	126
Total tax expense	**1,365**	1,559
The tax expense comprises:		
Current tax expense	**1,309**	1,445
Deferred tax expense	**56**	114
Total tax expense	**1,365**	1,559

The standard rate of UK corporation tax for the year is 19% (2019: 19%). A full corporation tax computation is prepared at the year end. The actual charge as a percentage of the profit before tax may differ from the underlying tax rate. Differences typically arise as a result of capital allowances differing from depreciation charged, and certain types of expenditure not being deductible for tax purposes. Other differences may also arise.

The tax charge for the year ended 31 March 2020 was 17.6% of profit before tax (2019: 19.5%).

8. Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated as for the basic earnings per share with a further adjustment to the weighted average number of ordinary shares to reflect the effects of all potential dilution.

There is no difference between the profit for the financial year attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

	2020	2019
Weighted average number of shares used in calculation of basic earnings per share	**196,679,874**	196,655,224
Effect of potential dilutive ordinary shares – share options	**390,156**	1,462,554
Weighted average number of shares used in calculation of diluted earnings per share	**197,070,030**	198,117,778

	pence	pence
Basic earnings per share	**3.26**	3.27
Diluted earnings per share	**3.26**	3.25

The potential dilutive shares relate to the share options granted in respect of the Group's Share Scheme (see note 22). There were share options in place at the beginning of the year over 12,291,703 shares. During the year 1,691,068 share options were exercised, and a further 2,640,120 share options lapsed or were forfeited. The Group granted 3,935,000 share options with a potentially dilutive effect during the year. Of the 11,895,515 share options in place at the end of the period, 5,913,648 have a dilutive impact at the year end.

9. Dividends

Interim and special dividends are recognised when paid and final dividends when approved by shareholders.

The dividends paid by the Group during the year ended 31 March 2020 totalled £5,887,541 (2.99 pence per share) which comprised a final dividend in respect of the year ended 31 March 2019 of £2,261,970 (1.15 pence per share), a special dividend in respect of the year ended 31 March 2019 of £1,357,182 (0.69 pence per share) and an interim dividend for the year ended 31 March 2020 of £2,268,389 (1.15 pence per share).

The dividends paid by the Group during the year ended 31 March 2019 totalled £5,516,896 (2.80 pence per share) which comprised a final dividend in respect of the year ended 31 March 2018 of £2,266,379 (1.15 pence per share), a special dividend in respect of the year ended 31 March 2018 of £985,382 (0.50 pence per share) and an interim dividend for the year ended 31 March 2019 of £2,265,135 (1.15 pence per share).

For the year ended 31 March 2020, a final ordinary dividend of 1.15 pence per share has been proposed and a special dividend of 0.41 pence per share has been declared, totalling £2.3 million and £0.8 million respectively.

10. Retirement benefit obligations

The Group operates defined contribution pension plans for the benefit of employees. The Group makes contributions to independently administered plans, such contributions being recognised as an expense when they fall due. The assets of the schemes are held separately from those of the Group in independently administered funds.

The Group is not exposed to the particular risks associated with the operation of Defined Benefit plans and has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

The pension cost charge disclosed in note 6 to the accounts represents contributions payable by the Group to the funds.

11. Intangible assets

Intangible assets are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Amortisation is included within operating expenses in the statement of comprehensive income. Intangible assets are amortised from the date they are available for use. Useful lives are as follows:

- Software – 2 to 5 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

The Group's intangible assets comprise both purchased software and the capitalised cost of software deployment. No internal costs of software development are capitalised. The carrying amounts can be analysed as follows:

2020	**Software £'000**	**Total £'000**
Cost		
At 1 April 2019	1,592	1,592
Additions	311	311
Disposals	-	-
At 31 March 2020	**1,903**	**1,903**
Amortisation		
At 1 April 2019	1,304	1,304
Charge for the year	129	129
Disposals	-	-
At 31 March 2020	1,433	1,433
Net book amounts		
At 31 March 2020	**470**	**470**
At 1 April 2019	288	288

2019	Software £'000	Total £'000
Cost		
At 1 April 2018	1,458	1,458
Additions	134	134
Disposals	-	-
At 31 March 2019	1,592	1,592
Amortisation		
At 1 April 2018	1,230	1,230
Charge for the year	74	74
Disposals	-	-
At 31 March 2019	1,304	1,304
Net book amounts		
At 31 March 2019	288	288
At 1 April 2018	228	228

The annual contractual commitment for the maintenance and support of the above software is £187,454, (2019: £183,976). All amortisation charges are included within administrative expenses.

12. Leases

The Group's lease arrangements consist of business premises property leases. Rental contracts are typically made for fixed periods of three to six years but they may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Until the financial year ended 31 March 2019, these leases met the criteria to be classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, following the adoption of IFRS 16 as described in note 1, leases have been 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. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. As the Group has no borrowings it has estimated the incremental borrowing rate based on interest rate data available in the market, adjusted to reflect Record's creditworthiness, the leased asset in question and the terms and conditions of the lease. For those leases which existed prior to the IFRS 16 transition date on 1 April 2019, a discount rate of 4% was used in calculating the lease liability on transition.

The leases relevant to the twelve months ended 31 March 2020, and the comparative period, are as described below.

On 7 September 2016, the Group signed a new lease on premises at Second and Third Floors, Morgan House, Madeira Walk, Windsor, at an annual commitment of £507,603, expiring 1 September 2022.

On 16 March 2016, the Group signed a lease on premises in New York City, at an average annual commitment of $125,840. The lease expired on 31 May 2019.

On 1 June 2017, the Group signed a five year lease on premises in Zürich, at an annual commitment of CHF 49,680.

Record assesses whether a contract is or contains a lease at the inception of the contract.

Right-of-use ("ROU") assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- an estimate of costs to be incurred to restore the assets to the condition required by the terms and conditions of the lease.

Depreciation is calculated on a straight-line basis over the lease term and included within administration costs (note 5).

Net book value of right-of-use assets

Year ended 31 March 2020	Group £'000	Company £'000
Net book value on transition at 1 April 2019	1,560	1,435
Addition	114	114
Depreciation	(504)	(453)
FX revaluation	(5)	-
Net book value at 31 March 2020	**1,175**	**1,096**

Lease liabilities

At, 31 March 2020, the closing lease liabilities are comprised as detailed in the table below.

	Group £'000	Company £'000
Current lease liabilities	544	495
Non-current lease liabilities	615	584
Total lease liabilities	**1,159**	**1,079**

Lease payments

At 31 March 2020, the undiscounted operating lease payments on an annual basis are as follows:

Maturity of lease liability at 31 March 2020

	Group £'000	Company £'000
Within 1 year	568	508
1-2 years	568	508
2-3 years	100	94
After 3 years	-	-
Total lease liability before discounting	**1,236**	**1,110**

The remainder of the movement in the lease liability relates to non-cash movements. The lease term is determined as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Group considers that exercise of the option is reasonably certain.

Operating leases

Total operating lease commitment under IAS 17 as at 31 March 2020 was £nil. The prior year operating lease commitments under IAS 17 primarily include the agreements for lease contracts for the Morgan House premises in Windsor (expiring in 2022) with an annual commitment of £507,603, the New York office with an annual commitment of $125,840 (expired in May 2019) and the Zurich office with an annual commitment of CHF 49,680 (expiring in 2022).

Up until 31 March 2019, the Group considered the risks and rewards of ownership of the leased properties, and considered that they remained with the lessors. Consequently, all property leases were recognised as operating leases.

The Group had commitments under non-cancellable operating leases relating to land and buildings as set out below:

	31 March 2020	31 March 2019
	£'000	£'000
Within 1 year	**-**	562
1-5 years	**-**	1,310
After 5 years	**-**	-
Total operating lease liability	**-**	**1,872**

The Group's closing operating lease commitments can be reconciled to the opening lease liability as detailed in the table below.

	£'000
Operating lease commitments as at 31 March 2019	1,872
Adjustment for discounting at the lessee's incremental borrowing rate at date of initial application	(199)
Finance lease liability as at 1 April 2019	**1,673**

13. Property, plant and equipment – Group

All property, plant and equipment assets are stated at cost less accumulated depreciation. Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight-line basis over the estimated useful life as follows:

- Leasehold improvements – period from lease commencement to the earlier of the lease termination date and the next rent review date
- Computer equipment – 2 to 5 years
- Fixtures and fittings – 4 to 6 years

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted if appropriate. Gains or losses on disposal are included in profit or loss.

The Group's property, plant and equipment comprise leasehold improvements, computer equipment and fixtures and fittings. The carrying amount can be analysed as follows:

2020	**Leasehold improvements £'000**	**Computer equipment £'000**	**Fixtures and fittings £'000**	**Total £'000**
Cost				
At 1 April 2019	692	711	325	1,728
Additions	-	241	2	243
Disposals	-	-	-	-
At 31 March 2020	**692**	**952**	**327**	**1,971**
Depreciation				
At 1 April 2019	271	484	212	967
Charge for the year	126	89	38	253
Disposals	-	-	-	-
At 31 March 2020	**397**	**573**	**250**	**1,220**
Net book amounts				
At 31 March 2020	**295**	**379**	**77**	**751**
At 1 April 2019	421	227	113	761

2019	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2018	661	671	324	1,656
Additions	31	40	1	72
Disposals	-	-	-	-
At 31 March 2019	692	711	325	1,728
Depreciation				
At 1 April 2018	150	425	171	746
Charge for the year	121	59	41	221
Disposals	-	-	-	-
At 31 March 2019	271	484	212	967
Net book amounts				
At 31 March 2019	421	227	113	761
At 1 April 2018	511	246	153	910

The Group's tangible non-current assets are located predominantly in the UK.

14. Investments

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Investment in subsidiaries at cost	**-**	-	**166**	86
Capitalised investment in respect of share-based payments	**-**	-	**1,279**	1,195
Investment in funds	**-**	1,112	**2,071**	4,286
Investment in impact bonds	**2,472**	-	**-**	-
Total investments	**2,472**	1,112	**3,516**	5,567

Company

Investments in subsidiaries

Investments in subsidiaries are shown at cost less impairment losses. The capitalised investment in respect of share-based payments offered by subsidiaries is equal to the cumulative fair value of the amounts payable to employees recognised as an expense by the subsidiary.

	2020	2019
	£'000	£'000
Investment in subsidiaries (at cost)		
Record Currency Management Limited	10	10
Record Group Services Limited	10	10
Record Portfolio Management Limited	10	10
Record Currency Management (US) Inc.	-	-
Record Currency Management (Switzerland) GmbH	16	16
Trade Record Ltd	120	40
Record Fund Management Limited	-	-
N P Record Trustees Limited	-	-
Total investment in subsidiaries (at cost)	166	86
Capitalised investment in respect of share-based payments		
Record Group Services Limited	**1,186**	1,108
Record Currency Management (US) Inc.	**89**	85
Record Currency Management (Switzerland) GmbH	**4**	2
Total capitalised investment in respect of share-based payments	**1,279**	1,195
Total investment in subsidiaries	**1,445**	1,281

Particulars of subsidiary undertakings

Name	Nature of business
Record Currency Management Limited	Currency management services (FCA, SEC and CFTC registered)
Record Group Services Limited	Management services to other Group undertakings
Record Currency Management (US) Inc.	US advisory and service company (SEC and CFTC registered)
Record Currency Management (Switzerland) GmbH	Swiss advisory and service company
Trade Record Ltd	Prize competition allowing subscribers to trade virtual money across asset classes
Record Portfolio Management Limited	Dormant
Record Fund Management Limited	Dormant
N P Record Trustees Limited	Dormant trust company

The Group's interest in the equity capital of subsidiary undertakings is 100% of the ordinary share capital in all cases except for Trade Record Ltd ("Trade Record") in which the Group's interest is 40% of the ordinary share capital. Record Currency Management (US) Inc. is incorporated in Delaware (registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808) and Record Currency Management (Switzerland) GmbH is incorporated in Zürich (registered office: Münsterhof 14, 8001 Zürich). Trade Record is registered in England and Wales with its registered office at 1 Poultry, London EC2R 8JR. Record plc and all its other subsidiaries are registered in England and Wales, each with the registered office at Morgan House, Madeira Walk, Windsor, Berkshire, SL4 1EP, UK.

Investment in Trade Record Ltd ("Trade Record")

Record plc owns 40% of Trade Record alongside two of its Directors each owning a further 20%. Trade Record was incorporated in February 2019 and was considered an opportunity with the potential to create shareholder value and significant diversification from Record's established currency management business.

Investment in seed funds

In addition to the subsidiaries listed above, the Company holds investments in seed funds. These funds are seed investments, which have various investment objectives and policies and are subject to the terms and conditions of their offering documentation. The principal activity of each is to invest capital from investors in a portfolio of assets in order to provide a return for those investors.

The seed fund investments are presented within investments in the Company statement of financial position, and all seed fund entities are sub-funds of the Record Umbrella Fund, an open-ended umbrella unit trust authorised in Ireland. Two of the four funds, Record Currency - FTSE Index Fund and Record Currency - Emerging Market Currency Fund, were closed in March 2020. The Company's investment in seed funds is shown in the table below.

Group

Entities are consolidated on a line-by-line basis where the Group has determined that a controlling interest exists through an investment holding in the entity, in accordance with IFRS 10 - "Consolidated Financial Statements". Otherwise, investments in entities are measured at fair value through profit or loss.

Investment in Trade Record

Record plc in conjunction with two of its Directors, controls 80% of the ordinary share capital, giving the Company rights over variable returns and the power to affect returns. Therefore the Company has the ability to control Trade Record, which is consequently recognised as a subsidiary.

In accordance with IFRS 10, the financial results of Trade Record are consolidated on a line-by-line basis within the financial statements of the Group.

Investment in seed funds

The Group has controlled the Record Currency – Strategy Development Fund and Record – Currency Multi-Strategy Fund throughout both the year ended 31 March 2020 and the comparative year. Both funds were consolidated in full, on a line-by-line basis in the Group's financial statements throughout these periods.

The Group was in control of the Record Currency – FTSE FRB10 Index Fund throughout the comparative year ended 31 March 2019 and until its closure in March 2020. This fund was consolidated in full, on a line-by-line basis in the Group's financial statements until its closure.

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Investment in funds				
Record Currency – FTSE FRB10 Index Fund	**-**	-	**-**	1,162
Record Currency – Emerging Market Currency Fund	**-**	1,112	**-**	1,112
Record Currency – Strategy Development Fund	**-**	-	**1,181**	1,046
Record – Currency Multi-Strategy Fund	**-**	-	**890**	966
Total investment in funds	**-**	1,112	**2,071**	4,286

The Record Currency - Emerging Market Currency Fund was closed in March 2020. The Group did not control the Record Currency - Emerging Market Currency Fund at any point during the year ended 31 March 2020 or the comparative year, and therefore it did not consolidate this fund in the Group's financial statements.

Investment in impact bonds

In January 2020, the Group invested £2,287,241 in impact bonds; the fair value at the year end was £2,472,241 (prior year: £nil).

15. Deferred taxation – Group

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

A deferred tax liability is generally recognised for all taxable temporary differences.

Deferred tax assets or liabilities arising on goodwill are not recognised but are however recognised on separately identifiable intangible assets. Deferred tax arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting profit or loss nor the taxable profit or loss, is not recognised.

	2020	2019
	£'000	£'000
Charge to income statement in year	**(57)**	(115)
(Liability)/asset brought forward	**(29)**	86
(Liability) carried forward	**(86)**	(29)

The deferred tax (liability)/asset consists of the tax effect of temporary differences in respect of:

	2020	2019
	£'000	£'000
Deferred tax allowance on unvested share options	**1**	6
Excess of taxation allowances over depreciation on fixed assets	**(87)**	(35)
Total	**(86)**	(29)

At the year end there were share options not exercised with an intrinsic value for tax purposes of £7,357 (2019: £44,534). On exercise the Group will be entitled to a corporation tax deduction in respect of the difference between the exercise price and the strike price. There is no unprovided deferred taxation.

16. 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 loss allowances. The amortised cost of trade and other receivables is stated at original invoice value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") for trade receivables and contract assets at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual historic credit loss experience over the preceding 25 years on the total balance of non-credit impaired trade receivables. Accrued income relates to accrued management and performance fees earned but not yet invoiced.

An analysis of the Group's receivables is provided below:

	2020	2019
	£'000	£'000
Trade receivables	**5,192**	4,654
Accrued income	**2,264**	1,888
Other receivables	**308**	108
Prepayments	**940**	912
Total	**8,704**	7,562

All amounts are short-term. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Group has not renegotiated the terms of any receivables in the year ended 31 March 2020. The Group's trade receivables are generally short-term and do not contain significant financing components.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables and contract assets at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual historic credit loss experience over the preceding 25 years on the total balance of non-credit impaired trade receivables. Contract assets relate to accrued management and performance fees earned but not yet invoiced and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the ECLs for trade receivables are a reasonable approximation of the loss rates for the contract assets. The Group does not expect to incur any credit losses and has not recognised any ECLs in the current year (2019: £nil).

17. Derivative financial assets and liabilities

Derivative financial instruments are initially recognised at cost on the date on which the contract is first entered into unless the fair value at acquisition is different to cost, in which case fair value is recognised. Subsequently they are measured at fair value with gains and losses recognised in profit or loss. Transaction costs are immediately recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions.

The Group holds derivative financial instruments for two purposes. The Group uses forward foreign exchange contracts to reduce the risk associated with assets denominated in foreign currencies, and additionally uses both foreign exchange options and forward foreign exchange contracts in order to achieve a return within the seed funds. The instruments are recognised at fair value. The fair value of the contracts is calculated using the market rates prevailing at the period end date. The net gain or loss on instruments is included within other income or expense.

	2020	2019
Derivative financial assets	**£'000**	£'000
Forward foreign exchange contracts held to hedge non-sterling based assets	**-**	106
Forward foreign exchange contracts held for trading	**178**	58
Foreign exchange options held for trading	**15**	-
Total	**193**	164

Derivative financial liabilities	**2020** **£'000**	2019 £'000
Forward foreign exchange contracts held to hedge non-sterling based assets	**(316)**	-
Forward foreign exchange contracts held for trading	**(294)**	(109)
Total	**(610)**	(109)

Derivative financial instruments held to hedge non-sterling based assets

At 31 March 2020 there were outstanding contracts with a principal value of £10,993,268 (31 March 2019: £5,940,246) for the sale of foreign currencies in the normal course of business. The fair value of the contracts is calculated using the market forward contract rates prevailing at 31 March 2020. The Group does not apply hedge accounting.

The net gain or loss on forward foreign exchange contracts held to hedge non-sterling based assets is as follows:

Derivative financial instruments held to hedge non-sterling based assets	**2020** **£'000**	2019 £'000
Net loss on forward foreign exchange contracts at fair value through profit or loss	**509**	242

Derivative financial instruments held for trading

The Record – Currency Multi-Strategy Fund and the Record Currency – Strategy Development Fund may use a variety of instruments including forward foreign exchange contracts, options and futures in order to achieve a return. The Record Currency – FTSE FRB10 Index Fund used forward foreign exchange contracts in order to achieve a return until its closure in March 2020.

All derivative financial instruments held by the Record – Currency Multi-Strategy Fund, the Record Currency – Strategy Development Fund and the Record Currency – FTSE FRB10 Index Fund were classified as held for trading throughout the period or up until the date of closure, where relevant.

At 31 March 2020 there were outstanding contracts with a principal value of £23,425,316 (31 March 2019: £24,323,080).

The net gain or loss on derivative financial instruments held for trading for the year was as follows:

Derivative financial instruments held for trading	**2020** **£'000**	2019 £'000
Net loss on forward foreign exchange contracts and foreign exchange options at fair value through profit or loss	**323**	—

18. Cash management

The Group's cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills. Whilst the Group manages and considers all of these instruments as cash, which are subject to its own internal cash management process, not all of these instruments are classified as cash or cash equivalents under IFRS.

IFRS defines cash and cash equivalents as cash in hand, on demand and collateral deposits held with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Moreover, instruments can only generally be classified as cash and cash equivalents where they are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

In the Group's judgement, bank deposits and treasury bills with maturities in excess of 3 months do not meet the definition of short-term or highly liquid and are held for purposes other than meeting short-term commitments. In accordance with IFRS, these instruments are not categorised as cash or cash equivalents and are disclosed as money market instruments with maturities > 3 months.

	Group		Company	
	2020	2019	**2020**	2019
Assets managed as cash	**£'000**	£'000	**£'000**	£'000
Bank deposits with maturities > 3 months	**7,958**	10,735	**-**	-
Treasury bills with maturities > 3 months	**-**	-	**-**	-
Money market instruments with maturities > 3 months	**7,958**	10,735	**-**	-
Cash	**8,004**	2,150	**2,241**	3
Bank deposits with maturities <= 3 months	**6,290**	10,816	**-**	-
Cash and cash equivalents	**14,294**	12,966	**2,241**	3
Total assets managed as cash	**22,252**	23,701	**2,241**	3

	Group		Company	
	2020	2019	**2020**	2019
Cash and cash equivalents	**£'000**	£'000	**£'000**	£'000
Cash and cash equivalents – sterling	**10,426**	10,624	**2,241**	3
Cash and cash equivalents – USD	**3,654**	2,180	**-**	-
Cash and cash equivalents – CHF	**161**	73	**-**	-
Cash and cash equivalents – other currencies	**53**	89	**-**	-
Total cash and cash equivalents	**14,294**	12,966	**2,241**	3

The Group cash and cash equivalents balance incorporates the cash and cash equivalents held by any fund deemed to be under control of Record plc (refer to notes 1 and 14 for explanation of accounting treatment). As at 31 March 2020, the cash and cash equivalents held by the seed funds over which the Group had control totalled £2,731,819 (31 March 2019: £5,107,670) and the money market instruments with maturities > 3 months held by these funds were £1,599,741 (31 March 2019: £675,577). As at 31 March 2020, the cash and cash equivalents held by Trade Record over which the Group had control was £110,130 (31 March 2019: £80,000). At 31 March 2020, Trade Record did not hold any money market instruments with maturities > 3 months (2019: £nil).

Details of how the Group manages credit risk are provided in note 23.

19. Current liabilities

Trade and other payables are stated at their original invoice value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

	Group		Company	
	2020	2019	**2020**	2019
Trade and other payables	**£'000**	£'000	**£'000**	£'000
Trade payables	**425**	294	—	—
Amounts owed to Group undertaking	—	—	**10**	55
Other payables	**11**	4	—	—
Other tax and social security	**443**	257	—	—
Accruals	**2,130**	2,181	—	—
Total	**3,009**	2,736	**10**	55

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

	Group		Company	
	2020	2019	**2020**	2019
Current tax liabilities	**£'000**	£'000	**£'000**	£'000
Corporation tax	**601**	692	**2**	14

20. Financial liabilities

Record plc has made investments in a number of seed funds where it is in a position to be able to control those funds by virtue of the size of its holding. When Record plc is not the only investor in such funds and the external investment instrument does not meet the definition of an equity instrument under IAS 32 then the instrument is classified as a financial liability. The financial liabilities are measured at cost plus movement in value of the third-party investment in the fund.

Record has seeded four funds which were active during the year ended 31 March 2020. Both the Record Currency – FTSE FRB10 Index Fund and the Record Currency - Emerging Market Currency Fund were closed in March 2020.

The Record - Currency Multi-Strategy Fund and the Record Currency - Strategy Development Fund were considered to be under control of the Group as the combined holding of Record plc and its Directors constituted a majority interest throughout the current and prior years.

The mark-to-market value of units held by investors in these funds other than Record plc are shown as financial liabilities in the Group financial statements, in accordance with IFRS.

Mark-to-market value of external holding in seed funds consolidated into the accounts of the Record Group

	2020	2019
	£'000	£'000
Record Currency – FTSE FRB10 Index Fund	**-**	479
Record – Currency Multi-Strategy Fund	**2,191**	2,142
Record Currency – Strategy Development Fund	**-**	-
Total financial liabilities	**2,191**	2,621

The financial liabilities relate only to the fair value of the external investors' holding in the seed funds, and are in no sense debt.

21. Issued share capital

The share capital of Record plc consists only of fully paid ordinary shares with a par value of 0.025p each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

	2020		2019	
	£'000	**Number**	£'000	Number
Authorised				
Ordinary shares of 0.025p each	**100**	**400,000,000**	100	400,000,000
Called-up, allotted and fully paid				
Ordinary shares of 0.025p each	**50**	**199,054,325**	50	199,054,325

Movement in Record plc shares held by the Record plc Employee Benefit Trust ("EBT")

The EBT was formed to hold shares acquired under the Record plc share-based compensation plans. Under IFRS the EBT is considered to be under de facto control of the Group, and has therefore been consolidated into the Group financial statements.

Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group statement of comprehensive income.

	Number
Record plc shares held by EBT as at 31 March 2018	2,393,432
Adjustment for net purchases by EBT	592,604
Record plc shares held by EBT as at 31 March 2019	2,986,036
Adjustment for net purchases by EBT	233,351
Record plc shares held by EBT as at 31 March 2020	**3,219,387**

The holding of the EBT comprises own shares that have not vested unconditionally to employees of the Group. Own shares are recorded at cost and are deducted from retained earnings.

Further information regarding the Record plc share-based compensation plans and relevant transactions made during the year is included in note 22.

22. Share-based payments

During the year ended 31 March 2020 the Group has managed the following share-based compensation plans:

a) The Group Profit Share Scheme: share awards issued under the Group Profit Share Scheme are classified as share-based payments with cash alternatives under IFRS 2.

b) The Record plc Share Scheme: share options issued under the Record plc Share Scheme are classified as equity-settled share-based payments under IFRS 2.

c) The Record plc Share Incentive Plan: the Group operates the Record plc Share Incentive Plan ("SIP") to encourage more widespread ownership of Record plc shares by employees. The SIP is a tax-approved scheme offering attractive tax savings for employees retaining their shares in the scheme over the medium to long term.

All obligations arising from the three schemes have been fulfilled through purchasing shares in the market.

a. Group Profit Share Scheme

Share-based payments with cash alternatives

These transactions are compound financial instruments, which include a debt element and a cash element. The fair value of the debt component of the amounts payable to the employee is calculated as the cash amount alternative offered to the employee at grant date and the fair value of the equity component of the amounts payable to the employee is calculated as the market value of the share award at grant date less the cash forfeited in order to receive the share award. The debt component is charged to profit or loss over the period in which the award is earned and remeasured at fair value at each reporting date. The equity component is charged to profit or loss over the period in which the award is earned.

The Group Profit Share Scheme allocates a proportion of operating profits to a profit share pool to be distributed between all employees of the Group. The Remuneration Committee has the discretion to vary the proportion allocated to the profit share pool between 25% and 35% of operating profits. Directors and senior employees receive one third of their profit share in cash, one third in shares ("Earned Shares") and may elect to receive the final third as cash only or to allocate some, or all, of the amount for the purchase of Additional Shares. The charge to profit or loss in respect of Earned Shares in the period was £838,483 (2019: £804,422). Other employees receive two thirds of their profit share in cash and may elect to receive the final third as cash only or to allocate some, or all, of the amount for the purchase of Additional Shares.

All shares which are the subject of share awards vest immediately and are transferred to a nominee, allowing the employee, as beneficial owner to retain full rights in respect of the shares purchased. Shares awarded under the Group Profit Share Scheme are subject to restrictions over subsequent sale and transfer and these restrictions are automatically lifted over one third on each anniversary of the Profit Share Payment date for the next three years. In the meantime, these shares cannot be sold, transferred or otherwise disposed of without the consent of the Remuneration Committee.

The Group Profit Share Scheme rules contain clawback provisions allowing for the repayment of profit share payments under certain circumstances including a material breach of contract, an error in performance of duties or a restatement of accounts which leads to a change in any prior award under the scheme.

b. The Record plc Share Scheme

Equity-settled share-based payments

The fair value of the amounts payable to employees under these awards is recognised as an expense over the vesting period of the award, with a corresponding increase in equity. All such awards made by the Group involve the parent company granting rights to its equity instruments to employees of its subsidiary. Consequently the subsidiary measures the services received from its employees in accordance with the above classification under IFRS 2 and recognises a corresponding increase in equity as a contribution from the parent. The parent has the obligation to settle the transaction with the subsidiary's employees and therefore recognises an increase in its investment in the subsidiary and a corresponding increase in equity.

The fair value of options granted is measured at grant date using an appropriate valuation model, taking into account the terms and conditions upon which the instruments were granted including any market or performance conditions, and using quoted share prices.

The Record plc Share Scheme allows deferred share awards to be granted to employees and Directors in the Record Group. Part 1 of the scheme allows the grant of tax-unapproved ("Unapproved") options to employees and Directors and Part 2 allows the grant of HMRC tax-approved ("Approved") options to employees and Directors. Each participant may be granted Approved options over shares with a total market value of up to £30,000 on the date of grant. There is no such limit on the value of grant for Unapproved options, which have historically been granted with a market value exercise price in the same way as for the Approved options.

Options over an aggregate of 3,935,000 shares were granted under the Share Scheme during the year (2019: 935,000), which were all granted as Unapproved options (2019: 370,000 granted as Unapproved options and 565,000 as Approved options). All options were granted with an exercise price per share equal to the share price prevailing at the time of grant.

The 1,985,000 Unapproved options issued to employees on 21 August 2019 each become exercisable in three equal tranches on the third, fourth and fifth anniversary of the date of grant, subject to the employee being in employment with the Group at the relevant vesting date and to the extent performance conditions have been satisfied.

The 1,950,000 Unapproved options issued to employees on 18 March 2020 each become exercisable on the first, second, third and fourth anniversary of the date of grant, subject to the employee being in employment with the Group at the relevant vesting date and to the extent performance conditions have been satisfied.

The fair value of the services provided by employees has been calculated indirectly by reference to the fair value of the equity instruments granted. Fair value amounts for the options granted in the year ended 31 March 2020, and for which a charge to profit or loss was made in the year, were determined using a Black-Scholes option-pricing method and the following assumptions:

Model input	Weighted average value
Share price	31.1p
Exercise price	31.1p
Expected volatility	34%
Option life	4 years
Risk-free interest rate (%)	0.65%

Expected volatility is based on historical volatility.

The Group share-based payment expense in respect of the Share Scheme was £83,799 for the year ended 31 March 2020 (2019: £140,236).

Outstanding share options

At 31 March 2020, the total number of ordinary shares of 0.025p outstanding under Record plc share compensation schemes was 11,895,515 (2019: 12,291,703). These deferred share awards and options are over issued shares, a proportion of which are hedged by shares held in an EBT. Details of outstanding share options awarded to employees are set out below:

Date of grant	At 1 April 2019	Granted	Exercised	Lapsed/ forfeited	**At 31 March 2020**	Earliest vesting date	Latest vesting date	Exercise price
18/11/13	116,667	-	(116,667)	-	**-**	-	-	£0.3000
26/11/14	720,000	-	-	(720,000)	**-**	-	-	£0.3586
24/03/15	114,000	-	(114,000)	-	**-**	-	-	£0.3450
24/03/15	334,750	-	(334,750)	-	**-**	-	-	£0.3450
01/12/15	1,200,000	-	-	(600,000)	**600,000**	01/12/20	01/12/20	£0.2888
27/01/16	562,500	-	(456,250)	-	**106,250**	27/01/20	27/01/20	£0.2450
27/01/16	657,597	-	(321,901)	(91,632)	**244,064**	27/01/20	27/01/20	£0.2450
27/01/16	218,334	-	-	(109,167)	**109,167**	27/01/21	27/01/21	£0.2450
27/01/16	48,334	-	-	(24,167)	**24,167**	27/01/21	27/01/21	£0.2450
30/11/16	288,574	-	-	-	**288,574**	30/11/20	30/11/20	£0.34072
30/11/16	1,042,500	-	(347,500)	-	**695,000**	30/11/19	30/11/20	£0.34072
30/11/16	2,200,000	-	-	(733,332)	**1,466,668**	30/11/20	30/11/21	£0.34072
31/01/17	78,947	-	-	(78,947)	**-**	-	-	£0.3800
26/01/18	1,461,500	-	-	(151,500)	**1,310,000**	26/01/22	26/01/22	£0.4350
26/01/18	328,000	-	-	(91,375)	**236,625**	26/01/20	26/01/22	£0.4350
26/01/18	52,000	-	-	-	**52,000**	26/01/21	26/01/23	£0.4350
26/01/18	1,933,000	-	-	-	**1,933,000**	26/01/21	26/01/23	£0.4350
29/03/19	565,000	-	-	(40,000)	**525,000**	29/03/23	29/03/23	£0.2830
29/03/19	370,000	-	-	-	**370,000**	29/03/20	29/03/23	£0.2830
21/08/19	-	1,985,000	-	-	**1,985,000**	21/08/22	21/08/24	£0.3110
18/03/20	-	1,950,000	-	-	**1,950,000**	18/03/21	18/03/24	£0.28902
Total options	12,291,703	3,935,000	(1,691,068)	(2,640,120)	**11,895,515**			
Weighted average exercise price of options	£0.35	£0.30	£0.30	£0.33	**£0.34**			

During the year 1,691,068 options were exercised. The weighted average share price at date of exercise was £0.35. At 31 March 2020 a total of 869,189 options had vested and were exercisable.

The Directors' interests in the combined share schemes are as follows:

	Ordinary shares held as at	
	31 March 2020	31 March 2019
Record plc Group Profit Share Scheme (interest in restricted share awards)		
Leslie Hill (appointed CEO on 13 February 2020)	**613,458**	802,837
James Wood-Collins (stepped down as CEO on 13 February 2020)	**-**	318,832
Bob Noyen	**311,296**	318,832
Steve Cullen	**142,648**	264,286
Record plc Share Scheme (interest in unvested share options)		
Leslie Hill (appointed CEO on 13 February 2020)	**1,405,001**	1,406,667
James Wood-Collins (stepped down as CEO on 13 February 2020)	**2,425,001**	2,426,667
Bob Noyen	**1,405,001**	1,406,667
Steve Cullen	**935,000**	1,131,667

Performance measures

Performance conditions attached to all options granted to Board Directors differ to those granted for all other staff. All Executive Director option awards are subject to a performance condition and vest on each of the third, fourth and fifth anniversaries of the date of grant subject to an earnings per share ("EPS") hurdle linked to the annualised EPS growth for the respective three, four and five-year periods from grant. Vesting is on a stepped basis, with 25% of each tranche vesting if EPS growth over the relevant period is at least RPI plus 4% per annum, increasing through 50%, 75% and with 100% vesting if EPS growth exceeds RPI plus 13%, as shown in the table below. Options awarded subject to EPS performance conditions are valued using a Black-Scholes model, adjusted for the impact of the performance conditions.

Record's average EPS growth	Percentage of shares subject to the award which vest
>RPI growth + 13%	100%
>RPI growth + 10%, =<RPI growth + 13%	75%
>RPI growth + 7%, =<RPI growth + 10%	50%
>RPI growth + 4%, =<RPI growth + 7%	25%
=<RPI growth + 4%	0%

Approved options issued to all other staff during the year and the prior year were not subject to a Group performance measure.

Approved options issued to all other staff prior to 1 April 2017 were subject to performance measures linked to the Group's Total Shareholder Return ("TSR") and vested on the fourth anniversary of the date of grant, subject to these measures. At vesting date, a percentage of the total options granted could vest based upon Record's TSR performance versus the median TSR performance as measured against the FTSE 350 General Financial – Price Index. Options awarded subject to TSR performance conditions were valued using a Black-Scholes model. The performance target table is given below:

Percentage by which Record's TSR is below the median TSR performance of the index	Percentage of shares subject to the award which vest
Equal to or above the median TSR performance	100%
Equal to or above 75% of the median TSR performance	75%
Equal to or above 50% of the median TSR performance	50%
Below 50% of the median TSR performance	0%

Unapproved options issued to all other staff vest in four equal tranches on the first, second, third and fourth anniversaries of the date of grant, subject to the employee being employed with the Group at the relevant vesting date and to the extent personal performance conditions have been satisfied.

Clawback provisions

In addition to the performance measures above, both Approved and Unapproved options granted to Executive Directors under the Share Scheme are subject to clawback provisions. These provisions allow the Remuneration Committee to adjust the number of shares that may be, or were, acquired to be decreased if the Committee considers that either a material breach of contract has arisen or in respect of retrospective amendments required to calculations of the Group's performance upon which vesting calculations were originally based. The clawback provisions allow the Group to take various steps until the clawback obligation is satisfied, including reduction of future share option awards, transfer of shares back to the Group for nil consideration, reduction of future payments under the Group Profit Share Scheme or payment of sales proceeds back to the Group.

c. The Record plc Share Incentive Plan

The Group operates the Record plc Share Incentive Plan ("SIP"), to encourage more widespread ownership of Record plc shares by employees. The SIP is a tax-approved scheme offering attractive tax savings for employees retaining their shares in the scheme over the medium to long term.

As an incentive to employees, the Group matches every two shares bought by employees with a free matching share. During the year, the Group awarded 54,935 free shares (2019: 66,672 free shares) to employees. The expense charged in respect of the SIP was £17,058 in the year ended 31 March 2020 (2019: £22,200).

There are no restrictions over shares issued under the Record Share Incentive Plan.

23. Financial risk management

The Group's current activities result in the following financial risks and management responses to those risks in order to minimise any resulting adverse effects on the Group's financial performance.

Objectives, policies and processes for managing risk and the methods used to measure the risk

Financial assets principally comprise trade receivables, accrued income, other receivables, money market instruments, cash and cash equivalents and derivative financial assets. Financial liabilities comprise trade and other payables and derivative financial liabilities. The main risks arising from financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and concentration risk, each of which is discussed in further detail below.

The Group monitors and mitigates financial risk on a consolidated basis. The Group has implemented a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk is directed by the Board and reviewed by the Audit and Risk Committee.

The Company's material financial instruments are investments in the seed funds, cash and cash equivalents, and balances due to/from Group undertakings. Intercompany balances are classified as loans and receivables and are repayable on demand. No interest is charged on these balances. The Group has sufficient cash resources and hence management does not believe that the Company has a material exposure to credit risk. The Company's financial risk is managed as part of the Group financial risk management process and therefore separate disclosures for the Company have not been provided.

Market risk is not considered to have a material impact on financial instruments.

Credit risk

The Group has established a cash management team to manage Group cash in accordance with an approved cash management policy. The policy stipulates exposure limits by instruments, counterparty, tenor and duration. Counterparty exposures are measured against ratings published by credit-rating agencies and are monitored daily. The maximum single exposure to any counterparty under the policy is 20% of total assets managed as cash.

The primary objective of the cash management team is to diversify and manage counterparty risk within the risk appetite of the Group and the limits set by the policy. The secondary objective is to maintain yield given the constraints under the policy whilst ensuring sufficient liquidity to meet future cash flow commitments as instructed by the finance team.

The Chief Financial Officer is responsible for reviewing the Group's credit exposure and ensuring that any credit concerns are raised to the Risk Management Committee and that action is taken to mitigate these risks.

The impact of covid-19

The quality of our clients and banking counterparties is reflected in the business having not suffered from any credit default for over 20 years through various market crises and cycles, and we do not anticipate this changing under the current circumstances.

The Group's maximum exposure to credit risk is as follows:

Financial assets at 31 March	2020 £'000	2019 £'000
Trade receivables	**5,192**	4,654
Accrued income	**2,264**	1,888
Other receivables	**308**	108
Derivative financial assets	**193**	164
Money market instruments with maturities > 3 months	**7,958**	10,735
Cash and cash equivalents	**14,294**	12,966
Total financial assets	**30,209**	30,515

The debtors' age analysis is also evaluated on a regular basis for potential doubtful debts. It is management's opinion that no provision for doubtful debts is required. The table below is an analysis of trade receivables and accrued income by due date:

At 31 March 2020	**Carrying amount** **£'000**	**Neither impaired nor past due** **£'000**	**0-3 months past due** **£'000**	**More than 3 months past due** **£'000**
Trade receivables	5,192	5,041	5	146
Accrued income	2,264	2,264	—	—
Total	**7,456**	**7,305**	**5**	**146**
		98%	**0%**	**2%**

At 31 March 2019	Carrying amount £'000	Neither impaired nor past due £'000	0-3 months past due £'000	More than 3 months past due £'000
Trade receivables	4,654	4,369	285	—
Accrued income	1,888	1,888	—	—
Total	6,542	6,257	285	—
		96%	4%	0%

The Group offers standard credit terms of 30 days from invoice date. It is the Group's policy to assess debtors for recoverability on an individual basis and to make a provision where it is considered necessary. In assessing recoverability, the Group takes into account any indicators of impairment up to the reporting date. The application of this policy generally results in debts that are past due not being provided for unless individual circumstances indicate that a debt is impaired.

Trade receivables are made up of 62 debtors' balances (2019: 57). The largest individual debtor corresponds to 15% of the total balance (2019: 19%). Debtor days, based on the generally accepted calculation of debtor days, is 74 days (2019: 68 days). This reflects the quarterly billing cycle used by the Group for the vast majority of its fees. As at 31 March 2020, 2% of debt was overdue (2019: 4%). No debtors' balances have been renegotiated during the year or in the prior year.

Liquidity risk

The Group is exposed to liquidity risk, namely that it may be unable to meet its payment obligations as they fall due. The Group maintains sufficient cash and marketable securities to be able to meet all such obligations. Management review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet the future working capital requirements and to take advantage of business opportunities. The average creditor payment period is 29 days (2019: 21 days).

The impact of covid-19 has been considered, and management believe that the Group's ability to meet its obligations is unaffected.

Contractual maturity analysis for financial liabilities:

At 31 March 2020	**Carrying amount £'000**	**Due or due in less than 1 month £'000**	**Due between 1 and 3 months £'000**	**Due between 3 months and 1 year £'000**
Trade payables	425	425	—	—
Accruals	2,130	67	1,793	270
Derivative financial liabilities	610	148	462	-
Total	**3,165**	**640**	**2,255**	**270**

At 31 March 2019	Carrying amount £'000	Due or due in less than 1 month £'000	Due between 1 and 3 months £'000	Due between 3 months and 1 year £'000
Trade payables	294	294	—	—
Accruals	2,181	40	1,041	1,100
Derivative financial liabilities	109	33	76	—
Total	2,584	367	1,117	1,100

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest-bearing financial assets and liabilities held by the Group. Interest-bearing assets comprise money market instruments and cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and the Group does not therefore incur interest on overdue balances.

A sensitivity analysis has not been disclosed for the impact of interest rate changes as any reasonable range of change in interest rate would not directly have a material impact on profit or equity.

Interest rate profiles

At 31 March 2020	Fixed rate £'000	Floating rate £'000	No interest rate £'000	Total £'000
Financial assets				
Trade receivables	-	-	5,191	5,191
Accrued income	-	-	2,264	2,264
Other receivables	-	-	308	308
Derivative financial assets at fair value through profit or loss	-	-	193	193
Money market instruments with maturities > 3 months	7,958	-	-	7,958
Cash and cash equivalents	6,271	8,023	-	14,294
Total financial assets	**14,229**	**8,023**	**7,956**	**30,208**
Financial liabilities				
Trade payables	-	-	(425)	(425)
Accruals	-	-	(2,130)	(2,130)
Derivative financial liabilities at fair value through profit or loss	-	-	(610)	(610)
Financial liabilities	-	-	(2,191)	(2,191)
Total financial liabilities	-	-	**(5,356)**	**(5,356)**

At 31 March 2019	Fixed rate £'000	Floating rate £'000	No interest rate £'000	Total £'000
Financial assets				
Trade receivables	-	-	4,654	4,654
Accrued income	-	-	1,888	1,888
Other receivables	-	-	108	108
Derivative financial assets at fair value through profit or loss	-	-	164	164
Money market instruments with maturities > 3 months	10,735	-	-	10,735
Cash and cash equivalents	10,816	2,150	-	12,966
Total financial assets	21,551	2,150	6,814	30,515
Financial liabilities				
Trade payables	-	-	(294)	(294)
Accruals	-	-	(2,181)	(2,181)
Derivative financial liabilities at fair value through profit or loss	-	-	(109)	(109)
Financial liabilities	-	-	(2,621)	(2,621)
Total financial liabilities	-	-	**(5,205)**	**(5,205)**

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group makes use of forward foreign exchange contracts to manage the risk relating to future transactions in accordance with the Group's risk management policy.

The Group is exposed to foreign currency risk on revenue invoices and cash holdings that are denominated in a currency other than sterling, and also on assets and liabilities held by the Record Currency – Strategy Development Fund. The principal currencies giving rise to this risk are the US dollar, the Swiss franc, the euro and the Canadian dollar.

During the year ended 31 March 2020, the Group invoiced the following amounts in currencies other than sterling:

	Local currency value '000	Value in reporting currency £'000
Swiss franc (CHF)	14,416	11,533
US dollar (USD)	9,217	7,274
Euro (EUR)	3,028	2,644
Australian dollar (AUD)	1,520	804
Canadian dollar (CAD)	742	436
Swedish krona (SEK)	1,476	101
Singapore dollar (SGD)	25	14
		22,806

The value of revenues for the year ended 31 March 2020 that were denominated in currencies other than sterling was £22.8 million (31 March 2019: £21.4 million).

Record's policy is to reduce the risk associated with the Group's revenues denominated in foreign currencies by using forward fixed rate currency sales contracts, taking into account any forecast foreign currency cash flows.

The settlement of these forward foreign exchange contracts is expected to occur within the following three months. Changes in the fair values of forward foreign exchange contracts are recognised directly in profit or loss.

The cash denominated in currencies other than sterling (refer to note 18), is covered by the Group's hedging process, therefore the Directors consider that the foreign currency risk on cash balances is not material.

Foreign currency risk – sensitivity analysis

The Group has considered the sensitivity to exchange rate movements by considering the impact on those revenues, costs, assets and liabilities denominated in foreign currencies as experienced in the given period.

	Impact on profit after tax for the year ended 31 March		Impact on total equity as at 31 March	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Sterling weakening by 10% against the dollar	**334**	346	**334**	346
Sterling strengthening by 10% against the dollar	**(334)**	(346)	**(334)**	(346)
Sterling weakening by 10% against the Swiss franc	**622**	565	**622**	565
Sterling strengthening by 10% against the Swiss franc	**(622)**	(565)	**(622)**	(565)

Sterling/US dollar exchange rate

The impact of a change of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historical basis and market expectations for future movement. When applied to the average sterling/USD exchange rate of £1 = $1.27 this would result in sterling weakening to £1 = $1.15 and sterling strengthening to £1 = $1.41.

Sterling/Swiss franc exchange rate

The impact of a change of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historical basis and market expectations for future movement. When applied to the average sterling/CHF exchange rate of £1 = CHF 1.25 this would result in sterling weakening to £1 = CHF 1.14 and sterling strengthening to £1 = CHF 1.39.

Sensitivity analyses have not been disclosed for other currencies as any reasonable range of change in exchange rate would not have a material impact on profit or equity.

Concentration risk

The Group is exposed to concentration risk in respect of product, client type and geographical location, which could lead to over-reliance on anyone category of revenue. Note 4 provides detail on clients contributing greater than 10% of revenue.

Concentration risk - sensitivity analysis

The Group has considered the impact of losing the Group's largest client, assuming that only variable remuneration costs can be reduced in the short term.

	Impact on profit after tax for the year ended 31 March		Impact on total equity as at 31 March	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Loss of largest client	**2,214**	2,490	**2,214**	2,490

As part of the Group's ICAAP process, several more severe scenarios are considered.

24. Fair value measurement

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2020	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit or loss				
Impact bonds	2,472	2,472	-	-
Forward foreign exchange contracts used by seed funds	178	-	178	-
Foreign exchange options used by seed funds	15	-	15	-
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for hedging	(316)	-	(316)	-
Forward foreign exchange contracts used by seed funds	(294)	-	(294)	-
Total	**2,055**	**2,472**	**(417)**	**-**

	2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss				
Investments in funds	1,112	1,112	-	-
Forward foreign exchange contracts used for hedging	106	-	106	-
Forward foreign exchange contracts used for seed funds	58	-	58	-
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for hedging	(109)	-	(109)	-
Total	**1,167**	**1,112**	**55**	**-**

There have been no transfers between levels in the reporting period (2019: none).

Basis for classification of financial instruments classified as level 1 within the fair value hierarchy

Impact bonds are classified as level 1. These bonds are valued using the market price and coupon rate.

Basis for classification of financial instruments classified as level 2 within the fair value hierarchy

Forward foreign exchange contracts and options are both classified as level 2. Both of these instruments are traded on an active market. Options are valued using an industry standard model with inputs based on observable market data whilst the fair value of forward foreign exchange contracts may be established using interpolation of observable market data rather than from a quoted price.

Classes and fair value of financial instruments

It is the Directors' opinion that the carrying value of all financial instruments approximates to their fair value.

Categories of financial instrument

At 31 March 2020	**Note**	**Assets at amortised cost £'000**	**Financial liabilities measured at amortised cost £'000**	**Assets at fair value through profit or loss £'000**	**Liabilities at fair value through profit or loss £'000**
Impact bonds	14	-	—	2,472	—
Trade and other receivables (excludes prepayments)	16	7,764	—	—	—
Money market instruments with maturities > 3 months	18	7,958	—	—	—
Cash and cash equivalents	18	14,294	—	—	—
Derivative financial assets at fair value through profit or loss	17	—	—	193	—
Trade payables	19	—	(425)	—	—
Accruals	19	—	(2,130)	—	—
Derivative financial liabilities at fair value through profit or loss	17	—	—	—	(610)
Total		**30,016**	**(2,555)**	**2,665**	**(610)**

At 31 March 2019	Note	Assets at amortised cost £'000	Financial liabilities measured at amortised cost £'000	Assets at fair value through profit or loss £'000	Liabilities at fair value through profit or loss £'000
Trade and other receivables (excludes prepayments)	16	6,650	—	—	—
Money market instruments with maturities > 3 months	18	10,735	—	—	—
Cash and cash equivalents	18	12,966	—	—	—
Derivative financial assets at fair value through profit or loss	17	—	—	164	—
Trade payables	19	—	(294)	—	—
Accruals	19	—	(2,181)	—	—
Derivative financial liabilities at fair value through profit or loss	17	—	—	—	(109)
Total		30,351	(2,475)	164	(109)

25. Cash flow from operating activities

Group

This note should be read in conjunction with the cash flow statements. It provides a reconciliation to show how operating profit, which is based on accounting rules, translates to cash flows.

	2020 £'000	2019 £'000
Operating profit	**7,649**	7,876
Adjustments for non-cash movements:		
Depreciation of right-of-use assets	**504**	-
Depreciation of property, plant and equipment	**253**	221
Amortisation of intangible assets	**129**	74
Net release of shares previously held by EBT	**452**	443
Share-based payments	**286**	87
Other non-cash movements	**(710)**	(172)
	8,563	8,529
Changes in working capital		
Increase in receivables	**(1,281)**	(772)
Increase in payables	**618**	106
(Increase)/decrease in other financial assets	**(30)**	102
Increase in other financial liabilities	**72**	234
Cash inflow from operating activities	**7,942**	8,199
Interest paid	**-**	(22)
Corporation taxes paid	**(1,399)**	(1,151)
Net cash inflow from operating activities	**6,543**	7,026

Company

	2020	2019
	£'000	£'000
Operating profit	**125**	99
Adjustment for:		
Depreciation of right-of-use assets	**453**	-
Loss/(gain) on investments	**25**	(26)
Other	**(162)**	(73)
Changes in working capital		
Increase in receivables	**(271)**	-
Increase/(decrease) in payables	**299**	(1,038)
Cash inflow/(outflow) from operating activities	**469**	(1,038)
Corporation taxes paid	**(17)**	(5)
Net cash inflow/(outflow) from operating activities	**452**	(1,043)

26. Related parties transactions

Company

Details of transactions between the Company and other Group undertakings, which are related parties of the Company, are shown below:

Transactions with subsidiaries

The Company's subsidiary undertakings are listed in note 14, which includes a description of the nature of their business.

	2020	2019
	£'000	£'000
Amounts due to subsidiaries	**132**	(55)
Net dividends received from subsidiaries	**6,030**	6,600

Amounts owed to and by related parties will be settled in cash. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding (2019: £nil). No expense has been recognised during the year in respect of bad or doubtful debts due from related parties.

Investment in Trade Record

In March 2019, Record plc subscribed £40,000 for 40% of the ordinary share capital of Trade Record. In May 2019, Record plc invested a further £80,000 in Trade Record in a subsequent fundraising round.

Group

Transactions or balances between Group entities have been eliminated on consolidation and in accordance with IAS 24, are not disclosed in this note.

Key management personnel compensation

	2020	2019
	£'000	£'000
Short-term employee benefits	**5,627**	5,411
Post-employment benefits	**242**	204
Share-based payments	**909**	889
Total	**6,778**	6,504

Key management personnel dividends

The dividends paid to key management personnel in the year ended 31 March 2020 totalled £3,113,776 (2019: £2,981,053).

Directors' remuneration

	2020 **£'000**	2019 £'000
Emoluments (excluding pension contribution)	**2,328**	2,421
Pension contribution (including payments made in lieu of pension contributions)	**163**	165
Total	**2,491**	2,586

During the year, one Director of the Company (2019: one) participated in the Group Personal Pension Plan, a defined contribution scheme.

Transactions with Trade Record Ltd

In March 2019, Record plc Directors Leslie Hill and Bob Noyen each subscribed £20,000 for 20% of the ordinary share capital of Trade Record. In May 2019, Record plc Directors Leslie Hill and Bob Noyen each invested a further £40,000 in Trade Record in a subsequent fundraising round.

The Directors of Trade Record are Leslie Hill, Director of Record plc, and Rebecca Venis, an existing employee of one of Record's subsidiary companies and who also owns 20% of the ordinary share capital of Trade Record.

Transactions with seed funds

From time to time, the Group injects capital into funds operated by the Group to trial new products (seed capital). If the Group is able to exercise control over such a seed fund by holding a majority interest (whether the majority interest is held by Record plc alone, or by combining the interests of Record plc and its Directors), then the fund is considered to be a related party.

Record Currency – FTSE FRB10 Index Fund, Record Currency – Strategy Development Fund and Record – Currency Multi-Strategy Fund are all related parties on this basis.

The only transaction between the Company and these funds during the year was a redemption of £1,071,306 of the Record Currency – FTSE FRB10 Index Fund on its closure.

During the year, Record plc Director Leslie Hill redeemed £100,000 from the Record – Currency Multi-Strategy Fund.

27. Capital management

The Group's objectives when managing capital are (i) to safeguard the Group's ability to continue as a going concern, (ii) to provide an adequate return to shareholders, and (iii) to meet regulatory capital requirements set by the UK Financial Conduct Authority.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Group had no debt in the current or prior financial year and consequently does not calculate a debt-to-adjusted capital ratio.

The Group's capital is managed within the categories set out below:

	2020 **£m**	2019 £m
Regulatory capital	**9.4**	9.3
Other operating capital	**16.5**	13.7
Operating capital	**25.9**	23.0
Seed capital	**2.1**	4.3
Total capital	**28.0**	27.3

Operating capital is intended to cover the regulatory capital requirement plus capital required for day-to-day operational purposes and other investment purposes. The Directors consider that the other operating capital significantly exceeds the actual day to day operational requirements.

Seed capital is the capital deployed to support the growth of new funds. Seed capital is limited to 25% of the Group's total capital.

For regulatory capital purposes, Record plc is subject to consolidated financial supervision by the Financial Conduct Authority ("FCA"). Our regulatory capital requirements are in accordance with FCA rules and consistent with the Capital Requirements Directive. Our financial resources have exceeded our financial resource requirements (regulatory capital requirements) at all times during the year. Further information is provided in the Financial review.

28. Ultimate controlling party

As at 31 March 2020 the Company had no ultimate controlling party, nor at 31 March 2019.

29. Post reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

30. Statutory Accounts

This statement was approved by the Board on 18 June 2020. The financial information set out above does not constitute the Company's statutory accounts.

The statutory accounts for the financial year ended 31 March 2019 have been delivered to the Registrar of Companies, and those for the year ended in 31 March 2020 will be delivered in due course. The auditor has reported on those accounts; the reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006 in respect of either set of accounts.

Notes to Editors

This announcement includes information with respect to Record's financial condition, its results of operations and business, strategy, plans and objectives. All statements in this document, other than statements of historical fact, including words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "continue", "project" and similar expressions, are forward-looking statements.

These forward-looking statements are not guarantees of the Company's future performance and are subject to risks, uncertainties and assumptions that could cause the actual future results, performance or achievements of the Company to differ materially from those expressed in or implied by such forward-looking statements.

The forward-looking statements contained in this document are based on numerous assumptions regarding Record's present and future business and strategy and speak only as at the date of this announcement.

The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this announcement whether as a result of new information, future events or otherwise.

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.