

## Record plc

### PRESS RELEASE

16 November 2012

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

Record plc, the specialist currency manager, today announces its unaudited results for the six months ended 30 September 2012.

#### Financial highlights:

- AuME<sup>1</sup> \$32.5bn up 5% during the six months to 30 September 2012
- Net client inflows during the six months of \$1.2bn (six months to 30 September 2011: net inflow of \$1.0bn)
- Profit before tax was £2.7m (six months to 30 September 2011: £3.7m)
- Revenue for the six months to 30 September 2012 fell to £8.7m (six months to 30 September 2011: £11.2m)
- Average management fee rates of 8.9 bps for the six months to 30 September 2012 (six months to 30 September 2011: 11.9 bps) reflecting changes in product mix
- Operating costs, before Group Profit Share, reduced by £0.9m to £4.7m (six months to 30 September 2011: £5.6m)
- Operating margin 30% (six months to 30 September 2011: 33%)
- Basic EPS of 0.94 pence (six months to 30 September 2011: 1.26 pence)
- Subject to business conditions and a satisfactory outlook, the intention is to recommend a final dividend of 1.50p per share for the current financial year. No interim dividend will be paid.
- Shareholders' equity increased to £26.9m (30 September 2011: £25.9m) with a cash balance of £25.6m (30 September 2011: £19.7m)

#### Key Points:

- Passive hedging AuME increased by 11% since 31 March 2012 - including three new clients
- Client numbers grew by 2 to 43 (31 March 2012: 41)
- First Multi-Strategy Currency for Return mandate commenced

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<sup>1</sup> 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 real. 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, James Wood-Collins, Chief Executive of Record plc, said:

“The first six months of the year has seen growing AuME and client numbers, together with a marked increase in Requests for Proposals for hedging mandates.

“As a result of the loss of historic mandates already announced, revenue fell to £8.7m and as a result the operating margin fell to 30%. The Group had cash of £25.6m and no debt at 30 September 2012.

“Looking to the remainder of the financial year, we are hopeful that we can secure further hedging mandates, particularly passive hedging in Switzerland. We continue to be encouraged by the progress we have made in the US and are well positioned to benefit from any formal procurement processes that are initiated. The level of demand for currency mandates in the UK has been more modest and this level of activity is likely to continue for the rest of the financial year.

“Overall the business environment for our hedging services appears to have improved and we are working hard to capitalise on the opportunities that are presented to us, whilst continuing to lay the foundations for future growth in demand for return-seeking currency products.”

## **Analyst briefing**

There will be a presentation for analysts at 9.30am on Friday 16 November 2012 in the Copperfield Room, Holborn Bars, 138-142 Holborn, London, EC1N 2NQ. A copy of the presentation will be made available on the Group's website at [www.recordcm.com](http://www.recordcm.com).

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# Chairman's Statement

In the six months to 30 September 2012, we saw growing AuME and client numbers. When compared to the same six months of the prior year, however, we are reporting both lower management fee income and lower profitability due to the changes in business mix that have occurred over this period. By contrast, there has been a noticeable increase in Requests For Proposals (RFPs) over the period, principally for Passive Hedging, which is encouraging.

Dynamic Hedging continues to be the largest source of income, generating 67% of revenue for the six months to 30 September 2012. During this period there have been no changes to the number of clients for whom we provide this product. In the UK we have seen very little new business activity for Dynamic Hedging in the current financial year. In the US we continue to market the product to potential clients and investment consultants and whilst there is a good level of engagement, the nature and timing of further client additions remains uncertain.

Passive Hedging grew again during the period, accounting for 22% of revenue for the six months to 30 September 2012 (year ended 31 March 2012: 15% of revenue). The Group continues to see demand for Passive Hedging, particularly in Switzerland.

Currency for Return now covers a range of investment strategies in currencies, including Carry, Momentum, Value, Emerging Markets and Multi-Strategy. Further progress is being made in enhancing this product offering. The external environment remains challenging for asset managers offering Currency for Return products and a pre-requisite for additional sales is sustained investment performance from one or more of these strategies.

We continue to focus on marketing and selling our expertise to potential clients in the UK, North America and continental Europe, in particular Switzerland. The UK market remains subdued at the present time with a low level of formal procurement processes being initiated. Progress is being made in the US and the Group is now far better placed with US clients and consultants who look for currency solutions. Whilst there is a growing level of interest in currency solutions in the US and Canada, the timing of potential opportunities is uncertain. In Switzerland the growth in Passive Hedging mandates in the first six months demonstrates the success of the Group in this market. The Group is well positioned to gain additional business from this market.

Assets under Management Equivalents ('AuME') increased to \$32.5bn at 30 September 2012, compared to \$30.9bn at 31 March 2012. The largest component of the growth was net flows, accounting for \$1.2bn. The positive equity market performance accounted for a \$0.9bn increase and movements in exchange rates accounted for a \$0.5bn decrease in AuME.

The financial performance of the Group saw revenue decrease to £8.7m for the six months to 30 September 2012, a fall of 22% compared to the six months to 30 September 2011. Profit before tax for the period was £2.7m, being 27% lower than for the equivalent period in the prior year.

As a result of declining profitability, measures have been taken to reduce costs where appropriate and overall costs (before the Group Profit Share 'GPS') have fallen to £4.7m for the six months ended 30 September 2012. This represents a reduction of £0.9m, being 16% of the cost base, over the same period in the prior year. The extent of cost savings that can be implemented is constrained by our need to maintain an appropriate level of support for investment processes and client services.

The operating margin, at 30%, was also less than that achieved in the six months to 30 September 2011 (33%). In addition to the cost savings indicated above, the cost of the variable element of remuneration, the GPS which is set at an average of 30% of pre-GPS operating profit, has fallen in line with operating profit.

Shareholder funds increased to £26.9m at the period end, versus £25.9m at the end of the comparable period in the prior year. The Group has no debt and cash balances increased to £25.6m, compared with £19.7m at 30 September 2011, principally due to the consolidation of the cash positions within the seed capital funds that had previously been categorised as assets held for sale. The Group has a regulatory capital surplus and has cash reserves equivalent to approximately two years' operating costs and no debt.

As indicated in the Report and Accounts for the year ended 31 March 2012, the Group will not pay an interim dividend for the six months ended 30 September 2012. However, subject to business

performance, the Board's intention is to retain the overall dividend payable at 1.50p per share for the current financial year.

Further and more detailed analysis of the results for the period can be found in the Interim Management Review.

## **Investment Performance**

Investment performance during the period has continued to reflect fluctuating bouts of risk appetite and risk aversion, as the 'risk-on risk-off' phenomenon discussed in previous reports has continued to manifest itself. One of the Group's attributes is that its products are not uniformly sensitive to risk appetite, with hedging products in particular offering alternative risk sensitivity.

During the period, US-based Dynamic Hedging clients experienced first US Dollar strength as markets feared a worsening of the Eurozone crisis over the early part of the summer, followed by US Dollar weakness as markets took comfort from measures put in place by the European Central Bank, and the Federal Reserve commenced a further round of quantitative easing. These programmes responded as expected by providing partial offsets to both currency losses in the earlier part of the period and currency gains in the later part, resulting in modest underperformance over the period. The lack of longer-term trends continues to make it challenging to generate consistent outperformance.

UK-based Dynamic Hedging clients experienced relatively high levels of volatility in Sterling currency pairs over the period, with little clear directional movement. Investment performance over the period was broadly flat, with modest gains in most months being offset by somewhat larger losses in other months during the period.

Within Currency for Return products, the performance of Forward Rate Bias and Emerging Market strategies, as risk premia, has tended to reflect falling then rising risk appetite across the period. The FTSE Currency FRB10 Index underperformed in April and May, before recovering strongly through June and July in particular to generate a positive return over the period. This is attributable in part to the equal weighting given to more risk sensitive currencies such as the Australian Dollar, Canadian Dollar and Norwegian Krone. This equal weighting explains much of the underperformance of Record's established Active Forward Rate Bias product, which has a lower allocation to these more risk sensitive and less liquid currencies, as well as in-built risk management costs.

Record's Emerging Market strategy showed similar underperformance in April and May before somewhat recovering later in the period, although not sufficiently to generate positive performance over the period. This strategy reaches the third anniversary of its 'live' track record in the second half of the financial year.

The first half of the financial year saw the launch of Record's first Multi-Strategy currency mandate, which represents an important strategic step for the Group. This mandate combines Record's Active FRB, Emerging Market, Value and Momentum strategies. The few months of performance since launch are insufficient to judge, but Record is enthusiastic about this product's long-term appeal due to its combination of FRB and Emerging Market as risk premia, with Value and Momentum as risk diversifiers, which together are expected to offer investors a more diversified and less volatile opportunity to invest in Currency for Return.

As previously announced, this period also saw the closure of the Euro Stress Fund, due to Record's recognition that Eurozone stress has been more evident in markets other than currency, and we believe this may persist. Record will continue to explore tactical and non-systematic investment strategies to complement our longer-standing more systematic approaches.

## **Group strategy and outlook**

With risk aversion continuing to be a theme of financial markets, hedging products continue to be the most likely source of new revenue for the Group in the short term. The Group continues to actively market its hedging products particularly in North America, the UK and Switzerland. There has been a marked increase in the number of formal RFPs, particularly for Passive Hedging from Switzerland, in the first half of the financial year and it is hoped that this level of activity will continue.

The product suite of Currency for Return products is now largely complete with the addition of Value, Momentum and a Multi-Strategy offering. It is encouraging to have secured our first Multi-Strategy mandate. Whilst we continue to market these products to clients, demand remains subdued as risk aversion appears to be a prevailing theme. Those products that are able to build compelling three-year track records have the greatest chance of success, with the Emerging Market strategy reaching a three year 'live' history in the second half of the financial year.

Hedging is likely to provide short-term growth opportunities with medium-term growth being built on the success of our Currency for Return products.

Neil Record

Chairman

15 November 2012

## Interim Management Review

### Business overview

The six months ended 30 September 2012 has seen AuME growth, principally in Passive Hedging. Dynamic Hedging has remained stable in the period and Currency for Return has seen a reduction in AuME as a result of the closure of the Forward Rate Bias Alpha pooled fund. Both Currency Momentum and Currency Value strategies began in the period as part of a Multi-Strategy Currency for Return mandate.

Income for the first half of the financial year has fallen compared to the preceding six months despite increasing AuME as the product mix has moved from the higher income Dynamic Hedging and Currency for Return products towards the lower income Passive Hedging product. Costs have also fallen compared to the preceding six months as a result of cost control measures implemented since November 2011.

In October 2012 the Group completed its key infrastructure development project, which was the implementation of a new middle and back office system. This will improve both Record's capability to deploy new products and portfolios in a cost effective manner, and improve levels of client service.

The Group generated revenue of £8.7m and pre-tax profit of £2.7m for the six months ended 30 September 2012. As indicated in the Annual Report and Accounts for 31 March 2012, there will be no interim dividend in the current financial year. The Board's intention, subject to business conditions, remains to propose a final dividend of 1.50p per share, unchanged on the overall dividend paid in respect of the year ended 31 March 2012.

### Investment performance

Record's Dynamic Hedging product seeks to allow our clients to benefit from foreign currency strength while protecting them from foreign currency weakness. It performs best when currency movements exhibit trends over periods of 12 months or longer.

From the US perspective the Dollar strengthened significantly in the first quarter of the financial year before giving back this appreciation in the second quarter to finish the half year weaker. Returns from Dynamic Hedging mirrored this, with the cost of varying hedge ratios in the absence of pronounced trends preventing outperformance.

From the UK perspective, international equity hedging clients saw overall strengthening of Sterling with the exception of the month of May when the US Dollar outperformed Sterling. The product generated returns which marginally outperformed a 50% hedged benchmark.

The Currency for Return products had mixed results in the first half of the financial year. The core investment process for the Forward Rate Bias Alpha product is the Trend / Forward Rate Bias (FRB) strategy, which relies on the tendency of higher interest rate currencies to outperform lower interest rate currencies over the long term. Overall performance for the FRB Alpha strategy during the period was negative, as positive returns achieved in the first three months were offset by underperformance in the second quarter due to the costs of the embedded risk control mechanism.

The FTSE FRB10 Index Fund outperformed during the period as the low interest rate developed-world currencies underperformed, with high commodity prices, improving sentiment and US quantitative easing, all providing a platform for positive returns from the strategy. For the Emerging Market (EM) Currency Fund investment performance was negative over the period with losses during the first half of the period and gains made towards the end of the period.

A new Multi-Strategy Currency for Return product was launched at the end of July. It includes four independent return streams: Forward Rate Bias, Emerging Markets, and the new Record Value and Momentum strategies. These return streams have characteristically shown risk diversification, with FRB and Emerging Markets as risk premia, and Value and Momentum as risk diversifiers.

The Euro Stress Fund, which underperformed over the period, was closed in September. The ECB's announcement of a "fully effective backstop" through unlimited bond purchases, supportive verdicts

from the German Constitutional Court and the Dutch electorate, and the resumption of QE 3 by the Federal Reserve brought about a rally in risk assets and the Euro itself. While we continue to share widespread doubts about the ultimate viability of the single currency, coordinated actions within the Eurozone have arrested immediate concerns of further decline, and lessened the opportunity to capitalise on such concerns through currency markets.

## Returns of Record Umbrella Currency Funds and comparable indices for the six months to 30 September 2012

	Gearing	Half year return	Volatility since inception p.a.
<b>Fund name</b>			
FTSE FRB10 Index Fund <sup>1</sup>	1.8	1.99%	8.28%
Emerging Market Currency Fund <sup>2</sup>	1	-1.79%	8.72%
Record Alpha composite <sup>3</sup>		-0.71%	2.74%
<b>Indices</b>			
FTSE Currency FRB 5 GBP Excess return		0.13%	5.79%
FTSE Currency FRB 10 GBP Excess return		1.06%	4.74% <sup>4</sup>

## Distribution

Sales and marketing activities are organised to ensure that our resources are being deployed where there is the greatest likelihood of success. Sales and marketing are primarily focussed on the UK, North America and Switzerland with additional activity in continental Europe. From time to time the Group receives enquiries outside of these geographical locations and responds to those enquiries that are commercially attractive.

The UK market has been subdued in the first six months of the current financial year with very little activity in Passive Hedging, Dynamic Hedging or Currency for Return. It is not envisaged that the situation will improve in the second half of the financial year.

Activity in North America has mainly involved educating potential clients and the consultant community on the Group's products. The US sales executive has now been with the Group for sixteen months, during which time he has met a large number of potential clients and investment consultants. This has led to more detailed engagement with a number of potential clients and consultants, principally for either Dynamic Hedging or a combination of Dynamic Hedging and a Multi-Strategy offering. Whilst it is difficult to predict when, or even if, individual clients may look to adopt either currency hedging or return-seeking strategies, we continue to believe that mandates can be secured over the medium term. The scale of the US institutional investment market, and its current low rate of adoption of currency management strategies, makes this market potentially transformational for Record in the future, although achievement of this is uncertain at present.

<sup>1</sup> FTSE FRB10 Index Fund return data is since inception in December 2010.

<sup>2</sup> Emerging Market Currency Fund return data is since inception in December 2010.

<sup>3</sup> The Record Alpha composite comprises 2 accounts and \$0.37bn of assets.

<sup>4</sup> Inception date is 31 December 1987.

Switzerland continues to be a market where the Group has experienced a good level of recent sales success. The Swiss market has a propensity toward Passive Hedging and the Group is seen as having a good reputation with a number of 'marquee' clients and is also particularly well regarded for its Passive Hedging offering. The Group now has a sales representative based in Switzerland to build on the success that has been achieved in this market.

## Product development

With the launch of Currency Momentum and Currency Value, together with the Multi-Strategy offering, the suite of Currency for Return products has now been substantially redeveloped over the last three years. Demonstrating investable track records for these products is seen as a pre-cursor to attracting meaningful assets under management. Both the Emerging Market product and the FTSE FRB10 Index Fund reach these milestones later this year and next year respectively.

In addition to developments in Currency for Return products, we continue to monitor developments in the currency markets and are constantly looking at opportunities to enhance our hedging product offerings.

## Client development

Client numbers increased to 43 at 30 September 2012 (41 at 31 March 2012).

	30 September 2012	30 September 2011	31 March 2012
Dynamic Hedging	9	11	9
Passive Hedging	25	22	22
Currency for Return	11	17	14
Other Currency Management services	2	-	1
Adjustment for clients with > 1 product	(4)	(7)	(5)
<b>Total</b>	<b>43</b>	<b>43</b>	<b>41</b>

## AuME analysis

As previously noted, the Group's AuME was \$32.5bn at 30 September 2012, an increase of \$1.6bn during the six month period.



## AuME movement in the six months to 30 September 2012

	<b>\$bn</b>
<b>AuME at 31 March 2012</b>	<b>30.9</b>
Net client inflows	1.2
Equity and other market impact	0.9
Foreign exchange impact	(0.5)
<b>AuME at 30 September 2012</b>	<b>32.5</b>

### Net client flows

During the six months to 30 September 2012 net client inflows were \$1.2bn, principally due to increases in Passive Hedging offset by reductions in pooled Currency for Return mandates.

### Equity and other market performance

Record's AuME is affected by movements in equity and other market levels because substantially all the Passive and Dynamic Hedging, and some of the Currency for Return mandates, are linked to equity and other market levels. Market performance increased AuME in the six months to 30 September 2012 by \$0.9bn.

### Foreign exchange

The foreign exchange effect of expressing non-US\$ AuME in US\$ had a small impact on AuME. 80% of the Group's AuME is non-US\$ denominated and expressing this in US\$ decreased AuME for the period by \$0.5bn.

### Product mix

The factors determining the movements in AuME also impact its composition. At 30 September 2012 Currency for Return represented 5% of total AuME. This is down from 10% at 30 September 2011 and down from 6% at 31 March 2012. Dynamic Hedging represented \$9.9bn and 30% of total AuME at 30 September 2012, down from 38% at 30 September 2011 and unchanged AuME from 31 March 2012. Passive Hedging represented \$21.0bn and 65% of total AuME at 30 September 2012, up from 51% at 30 September 2011 and 61% at 31 March 2012.

### AuME by product expressed in US Dollars (\$bn)

	As at 30 September 2012		As at 30 September 2011		As at 31 March 2012	
Dynamic Hedging	9.9	30%	11.1	38%	9.9	32%
Passive Hedging	21.0	65%	14.7	51%	18.9	61%
Currency for Return	1.5	5%	2.8	10%	1.8	6%
Cash and other	0.1	0%	0.3	1%	0.3	1%
<b>Total</b>	<b>32.5</b>	<b>100%</b>	<b>28.9</b>	<b>100%</b>	<b>30.9</b>	<b>100%</b>

### AuME by product expressed in Sterling (£bn)

	As at 30 September 2012		As at 30 September 2011		As at 31 March 2012	
Dynamic Hedging	6.1	30%	7.2	38%	6.2	32%
Passive Hedging	13.0	65%	9.4	51%	11.8	61%
Currency for Return	0.9	5%	1.8	10%	1.1	6%
Cash and other	0.1	0%	0.2	1%	0.2	1%
<b>Total</b>	<b>20.1</b>	<b>100%</b>	<b>18.6</b>	<b>100%</b>	<b>19.3</b>	<b>100%</b>

The AuME composition has remained largely unchanged in terms of the underlying base currencies. Swiss Franc was the base currency for 49% of total AuME at 30 September 2012 (31 March 2012: 47%), US Dollar was the base currency for 20% of total AuME at 30 September 2012 (31 March 2012: 21%), and Sterling was the base currency for 26% of total AuME at 30 September 2012 (31 March 2012: 28%).

## AuME by base currency and product

	Dynamic Hedging		Passive Hedging		Currency for Return	
	30 Sep 12	31 Mar 12	30 Sep 12	31 Mar 12	30 Sep 12	31 Mar 12
Base currency (billions)						
Sterling	GBP 1.8	GBP 1.7	GBP 3.3	GBP 3.4	-	GBP 0.2
US Dollar	USD 5.8	USD 5.9	USD 0.2	-	USD 0.6	USD 0.7
Swiss Franc	CHF 1.2	CHF 1.2	CHF 13.1	CHF 11.6	CHF 0.6	CHF 0.5
Euro	-	-	EUR 1.2	EUR 0.6	-	-
Canadian Dollar	-	-	-	-	CAD 0.3	CAD 0.2
<b>Total</b>	<b>USD 9.9</b>	<b>USD 9.9</b>	<b>USD 21.0</b>	<b>USD 18.9</b>	<b>USD 1.5</b>	<b>USD 1.8</b>

## AuME by client type (\$bn)

	As at 30 September 2012		As at 30 September 2011		As at 31 March 2012	
Government & public funds	21.7	67%	18.4	64%	20.8	67%
Corporate	7.3	22%	6.9	24%	6.4	21%
Foundations & investment funds	3.5	11%	3.6	12%	3.7	12%
<b>Total</b>	<b>32.5</b>	<b>100%</b>	<b>28.9</b>	<b>100%</b>	<b>30.9</b>	<b>100%</b>

## AuME by client location (\$bn)

	As at 30 September 2012		As at 30 September 2011		As at 31 March 2012	
UK	8.6	26%	8.5	29%	8.7	28%
Europe (excluding UK)	18.2	56%	12.9	45%	16.5	54%
North America	5.7	18%	7.5	26%	5.7	18%
<b>Total</b>	<b>32.5</b>	<b>100%</b>	<b>28.9</b>	<b>100%</b>	<b>30.9</b>	<b>100%</b>

## Revenue

Management fee income for the six months to 30 September 2012 was £8.8m, which was 22% lower than for the six months to 30 September 2011 (£11.3m). For the six months to 30 September 2012, Dynamic Hedging and Currency for Return products generated lower management fees whilst Passive Hedging generated higher management fees than over the same period last year. In the six months to 30 September 2012 Dynamic Hedging generated 67% of management fee income, with Currency for Return generating 11%. The reduction in Dynamic Hedging management fee income is primarily due to the loss of the second largest Dynamic Hedging client from November 2011.

## Revenue by product (£m)

	Six months ended 30 September 2012	Six months ended 30 September 2011	Year ended 31 March 2012
<b>Management fees</b>			
Dynamic Hedging	5.9	7.4	13.5
Passive Hedging	1.9	1.5	3.0
Currency for Return	1.0	2.4	3.9
<b>Total management fees</b>	<b>8.8</b>	<b>11.3</b>	<b>20.4</b>
Other income	(0.1)	(0.1)	0.1
<b>Total revenue</b>	<b>8.7</b>	<b>11.2</b>	<b>20.5</b>

Other Group activities include consultancy and gains / losses on derivative financial instruments.

The average fee rate achieved for Dynamic Hedging decreased to 19.0bps (six months to 30 September 2011: 20.2bps) whilst average fee rates for Passive Hedging were broadly unchanged at 3.0bps.

### Average management fee rates by product – (bps)<sup>1</sup>

	Six months ended 30 September 2012	Six months ended 30 September 2011	Year ended 31 March 2012
Dynamic Hedging	19.0	20.2	20.0
Passive Hedging	3.0	3.1	3.1
Currency for Return	21.4	24.5	23.8
<b>Composite average fee rate</b>	<b>8.9</b>	<b>11.9</b>	<b>11.2</b>

### Expenditure

Total expenditure in the six months to 30 September 2012 fell by £1.4m to £6.0m from £7.4m in the six months to 30 September 2011. The reduction was mainly attributable to a number of cost reduction initiatives focussed on personnel and non-personnel costs (reductions of £0.2m and £0.7m respectively) and also to the falling cost of the Group Profit Share (GPS) scheme which was 30% of pre-GPS operating profit in the period (reduction of £0.4m).

Under the GPS scheme rules, the intention is to purchase shares in the market following the announcement of interim and full year financial results in order to meet mandatory and elective share awards.

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<sup>1</sup> bps = basis points = 1/100<sup>th</sup> of 1 percentage point

## Expenditure analysis (£m)

	Six months ended 30 September 2012	Six months ended 30 September 2011	Year ended 31 March 2012
Personnel costs	3.0	3.2	6.4
Non-personnel costs	1.7	2.4	4.2
<b>Administrative expenditure excluding Group Profit Share</b>	<b>4.7</b>	<b>5.6</b>	<b>10.6</b>
Group Profit Share (GPS)	1.2	1.6	2.8
<b>Total administrative expenditure</b>	<b>5.9</b>	<b>7.2</b>	<b>13.4</b>
Loss on financial instruments held as part of disposal group	0.1	0.2	0.3
<b>Total expenditure</b>	<b>6.0</b>	<b>7.4</b>	<b>13.7</b>

## Operating margins

The operating profit for the six months to 30 September 2012 of £2.6m (six months ended 30 September 2011: £3.7m) reflects the lower management fee income in the period mitigated by both the impact of the Group's cost reduction programme which has reduced personnel costs by 6% and non-personnel costs by 29%, and the lower cost of the GPS scheme. The operating margin of 30% compares with 33% operating margin for the same period in 2011.

## Operating cash flow

The Group generated £2.4m of cash flow from operating activities after tax during the six months ended 30 September 2012 (six months ended 30 September 2011: £0.5m). Taxation paid during the period was £0.9m compared with £1.8m for the six months to 30 September 2011. On 1 August 2012 the Group paid a final dividend of 0.75p per share in respect of the period ended 31 March 2012. This equated to a distribution to shareholders of £1.6m (six months ended 30 September 2011: £5.7m).

The Board's objective is to retain sufficient capital within the business to meet continuing obligations, to sustain future growth and to provide a buffer against adverse market conditions. The Group has no debt to repay or to service. Shareholders' funds were £26.9m at 30 September 2012 (30 September 2011: £25.9m).

## Dividends

As indicated in the Annual Report for the year ended 31 March 2012, the Group does not intend to pay an interim dividend in the current financial year. The Board's intention remains to recommend a final dividend of 1.50p per share for the financial year ending 31 March 2013 subject to satisfactory business conditions in the second half of the financial year.

## **Principal risks and uncertainties**

The principal risks and uncertainties documented in the Annual Report and Accounts for the year ended 31 March 2012 are still relevant to Record.

The risk associated with account concentration has remained throughout the six months to 30 September 2012. The proportion of revenue generated from the largest client was 32% at 30 September 2012 (31 March 2012: 29%). The proportion of revenue generated from the largest five clients was 66% at 30 September 2012 (31 March 2012: 60%) and for the largest ten clients was 86% at 30 September 2012 (31 March 2012: 81%).

The level of AuME and fee income is dependent on currency values, performance of underlying assets (typically international equities) and the clients' investment strategies.

## **Cautionary statement**

This interim report contains certain forward-looking statements with respect to the financial condition, results, operations and business of Record. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied in this interim report. Nothing in this interim report should be construed as a profit forecast.

## Statement of Directors' responsibilities

The Directors of Record plc confirm that, to the best of their knowledge, the condensed set of financial statements below have been prepared in accordance with IAS 34 'Interim Financial Reporting', and that the interim management report above includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Neil Record

Paul Sheriff

Chairman

Chief Operating Officer /  
Chief Financial Officer

15 November 2012

15 November 2012



# Independent review report to Record plc (the “Company”)

## Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of Record plc for the six months ended 30 September 2012 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company's members, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our review work, for this report, or for the conclusion we have formed.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Grant Thornton UK LLP

Auditor

London

15 November 2012

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited six months ended 30 Sep 12  £'000	Unaudited six months ended 30 Sep 11  £'000	Audited year ended 31 Mar 12  £'000
<b>Revenue</b>	<b>3</b>	<b>8,714</b>	<b>11,167</b>	<b>20,535</b>
Cost of sales		(136)	(123)	(252)
<b>Gross profit</b>		<b>8,578</b>	<b>11,044</b>	<b>20,283</b>
Administrative expenses		(5,864)	(7,188)	(13,430)
Loss on financial instruments held as part of disposal group	<b>8</b>	(67)	(191)	(299)
<b>Operating profit</b>		<b>2,647</b>	<b>3,665</b>	<b>6,554</b>
Finance income		80	84	155
<b>Profit before tax</b>		<b>2,727</b>	<b>3,749</b>	<b>6,709</b>
Taxation		(725)	(1,043)	(1,803)
<b>Profit after tax and total comprehensive income for the period</b>		<b>2,002</b>	<b>2,706</b>	<b>4,906</b>
Total comprehensive income for the period attributable to:				
Non-controlling interests		(69)	(75)	(7)
Owners of the parent		2,071	2,781	4,913

Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in pence per share)				
Basic earnings per share	4	0.94p	1.26p	2.23p
Diluted earnings per share	4	0.94p	1.26p	2.23p

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited as at 30 Sep 12 £'000	Unaudited as at 30 Sep 11 £'000	Audited as at 31 Mar 12 £'000
<b>Non-current assets</b>				
Property, plant and equipment		167	201	183
Intangible assets		1,078	1,138	1,140
Deferred tax assets		-	62	-
		<b>1,245</b>	<b>1,401</b>	<b>1,323</b>
<b>Current assets</b>				
Trade and other receivables		5,919	6,237	5,070
Derivative financial assets	7	75	-	33
Cash and cash equivalents		25,575	19,659	24,572
		<b>31,569</b>	<b>25,896</b>	<b>29,675</b>
<b>Current assets held for sale (disposal group)</b>	8	-	<b>4,444</b>	<b>1,075</b>
<b>Total current assets</b>		<b>31,569</b>	<b>30,340</b>	<b>30,750</b>
<b>Total assets</b>		<b>32,814</b>	<b>31,741</b>	<b>32,073</b>
<b>Current liabilities</b>				
Trade and other payables		(2,814)	(3,215)	(2,494)
Corporation tax liabilities		(679)	(1,043)	(900)
Derivative financial liabilities	7	-	(78)	(48)
		<b>(3,493)</b>	<b>(4,336)</b>	<b>(3,442)</b>
Deferred tax liabilities		(29)	-	(15)
<b>Total net assets</b>		<b>29,292</b>	<b>27,405</b>	<b>28,616</b>
<b>Equity</b>				
Issued share capital	9	55	55	55
Share premium account		1,809	1,809	1,809
Capital redemption reserve		20	20	20
Retained earnings		25,053	24,031	24,469
<b>Equity attributable to owners of the parent</b>		<b>26,937</b>	<b>25,915</b>	<b>26,353</b>
Non-controlling interests	12	2,355	1,490	2,263
<b>Total equity</b>		<b>29,292</b>	<b>27,405</b>	<b>28,616</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Six months ended 30 September 2011

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Non- controlling interests £'000	Total equity £'000
<b>As at 31 March 2011</b>	55	1,809	20	27,262	952	30,098
Dividends paid	-	-	-	(5,726)	-	(5,726)
Own shares held by EBT	-	-	-	(459)	-	(459)
Share-based payments	-	-	-	173	-	173
Issue of units in funds to non-controlling interests	-	-	-	-	613	613
<b>Transactions with owners</b>	-	-	-	<b>(6,012)</b>	<b>613</b>	<b>(5,399)</b>
Profit for the period	-	-	-	2,781	(75)	2,706
<b>As at 30 September 2011</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>24,031</b>	<b>1,490</b>	<b>27,405</b>

### Six months ended 31 March 2012

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Non- controlling interests £'000	Total equity £'000
<b>As at 30 September 2011</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>24,031</b>	<b>1,490</b>	<b>27,405</b>
Dividends paid	-	-	-	(1,645)	-	(1,645)
Own shares held by EBT	-	-	-	(75)	-	(75)
Share-based payments	-	-	-	26	-	26
Issue of units in funds to non-controlling interests	-	-	-	-	705	705
<b>Transactions with owners</b>	-	-	-	<b>(1,694)</b>	<b>705</b>	<b>(989)</b>
Profit for the period	-	-	-	2,132	68	2,200
<b>As at 31 March 2012</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>24,469</b>	<b>2,263</b>	<b>28,616</b>

## Six months ended 30 September 2012

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Non- controlling interests £'000	Total equity £'000
<b>As at 31 March 2012</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>24,469</b>	<b>2,263</b>	<b>28,616</b>
Dividends paid	-	-	-	(1,645)	-	(1,645)
Share-based payments	-	-	-	134	-	134
Employee share options	-	-	-	24	-	24
Issue of units in funds to non-controlling interests	-	-	-	-	161	161
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,487)</b>	<b>161</b>	<b>(1,326)</b>
Profit for the period	-	-	-	2,071	(69)	2,002
<b>As at 30 September 2012</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>25,053</b>	<b>2,355</b>	<b>29,292</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 30 Sep 12 £'000	Unaudited six months ended 30 Sep 11 £'000	Audited year ended 31 Mar 12 £'000
Profit after tax	2,002	2,706	4,906
Adjustments for:			
Corporation tax	725	1,043	1,803
Finance income	(80)	(84)	(155)
Depreciation of property, plant and equipment	50	41	96
Amortisation of intangible assets	62	-	10
Share-based payments expense	158	173	199
	<b>2,917</b>	<b>3,879</b>	<b>6,859</b>
<b>Changes in working capital</b>			
(Increase) / Decrease in receivables	(851)	651	1,831
Increase / (Decrease) in payables	320	(874)	(1,594)
Decrease / (Increase) in other financial assets	1,033	(1,422)	(2,082)
(Decrease) / Increase in other financial liabilities	(48)	66	35
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>3,371</b>	<b>2,300</b>	<b>5,049</b>
Corporation taxes paid	(932)	(1,829)	(2,656)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>2,439</b>	<b>471</b>	<b>2,393</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(34)	(15)	(52)
Purchase of intangible assets	-	(53)	(65)
Interest received	82	100	158
<b>NET CASH INFLOW FROM INVESTING ACTIVITIES</b>	<b>48</b>	<b>32</b>	<b>41</b>
<b>FINANCING ACTIVITIES</b>			
Cash inflow from issue of units in funds	161	613	1,318
Purchase of treasury shares	-	(459)	(534)
Dividends paid to equity shareholders	(1,645)	(5,726)	(7,371)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>	<b>(1,484)</b>	<b>(5,572)</b>	<b>(6,587)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD (prior to increase in cash due to accounting treatment of assets previously presented as disposal group)</b>	<b>1,003</b>	<b>(5,069)</b>	<b>(4,153)</b>
<b>Increase in cash due to accounting treatment of assets previously presented as disposal group</b>	<b>-</b>	<b>-</b>	<b>3,997</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE PERIOD</b>	<b>1,003</b>	<b>(5,069)</b>	<b>(156)</b>
Cash and cash equivalents at the beginning of the period	24,572	24,728	24,728
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>25,575</b>	<b>19,659</b>	<b>24,572</b>

<b>Closing cash and cash equivalents consists of:</b>			
Cash	5,075	2,256	4,669
Cash equivalents	20,500	17,403	19,903

## Notes to the accounts

### 1. Basis of preparation

The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2012 (which were prepared in accordance with IFRSs as adopted by the European Union) have been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

### 2. Significant accounting policies

The condensed financial statements have been prepared under the historical cost convention modified to include fair valuation of derivative financial instruments.

The accounting policies, presentation and methods of computation applied in the interim financial statements are consistent with those applied in the financial statements for the year ended 31 March 2012.

### 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 Directors receive revenue analysis disaggregated by product, whilst operating costs are presented on an aggregated basis because this reflects the unified basis in which the products are marketed, delivered and supported.

#### (a) Product revenues

The Group has split its currency management revenues by product. Other Group activities include consultancy and gains / losses on derivative financial instruments.

#### Revenue by product type

	Six months ended 30 Sep 12 £'000	Six months ended 30 Sep 11 £'000	Year ended 31 Mar 12 £'000
<b>Management fees</b>			
Dynamic Hedging	5,855	7,373	13,536
Passive Hedging	1,888	1,454	2,989
Currency for Return	1,010	2,452	3,911
<b>Total management fee income</b>	<b>8,753</b>	<b>11,279</b>	<b>20,436</b>
Other Group activities	(39)	(112)	99
<b>Total revenue</b>	<b>8,714</b>	<b>11,167</b>	<b>20,535</b>

#### (b) Geographical analysis

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

	Six months ended 30 Sep 12 £'000	Six months ended 30 Sep 11 £'000	Year ended 31 Mar 12 £'000
UK	2,334	3,061	5,627
US	3,280	5,206	8,886
Switzerland	2,670	2,710	5,288
Other	469	302	635
<b>Total management fee income</b>	<b>8,753</b>	<b>11,279</b>	<b>20,436</b>
Other Group activities	(39)	(112)	99
<b>Total revenue</b>	<b>8,714</b>	<b>11,167</b>	<b>20,535</b>

Other Group activities form less than 1% of the total revenue. This is not considered significant and they are not analysed by geographical region.

### (c) Major clients

During the six months ended 30 September 2012, two clients each contributed more than 10% of the Group's revenue for the six month period, being £2.8m (32%) and £0.9m (11%) respectively.

## 4. Earnings per share

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

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 period attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

	Six months ended 30 Sep 12	Six months ended 30 Sep 11	Year ended 31 Mar 12
Weighted average number of shares used in calculation of basic earnings per share	219,382,105	220,683,191	220,100,209
Effect of dilutive potential ordinary shares – share options	158,695	113,523	240,779
Weighted average number of shares used in calculation of diluted earnings per share	219,540,800	220,796,714	220,340,988
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Basic earnings per share	0.94	1.26	2.23
Diluted earnings per share	0.94	1.26	2.23

The potential dilutive shares relate to the share options granted in respect of the Group's Share Schemes. There were share options and deferred share awards in place at the beginning of the period over 2,028,432 shares. During the period options were exercised, or share awards vested, over 128,432 shares. The Group did not grant any new share options with a potentially dilutive effect during the period.

## 5. Dividends

The dividends paid by the Group during the six months ended 30 September 2012 in respect of the year ended 31 March 2012 totalled £1,645,143 (0.75p per share). The dividends paid during the year ended 31 March 2012 totalled £7,371,007 (3.34p per share) of which £1,645,143 (0.75p per share) was the interim dividend paid in respect of the year ended 31 March 2012 and £5,725,864 (2.59p per share) was the final dividend paid in respect of the year ended 31 March 2011. The dividends paid by the Group during the six months ended 30 September 2011 totalled £5,725,864 (2.59p per share) in respect of the year ended 31 March 2011.

## 6. Investments

Record plc is the ultimate parent company of the Record Group and has seven subsidiary undertakings that are listed below.

### Particulars of subsidiary undertakings:

Name	Nature of Business
Record Currency Management Limited	Currency management services
Record Group Services Limited	Management services to other Group undertakings
Record Currency Management (Jersey) Limited	Fund management company
Record Currency Management (US) Inc.	Service company
Record Portfolio Management Limited	Dormant
Record Fund Management Limited	Dormant
N P Record Trustees Limited	Trust company

Record plc's interest in the equity capital of subsidiary undertakings is 100% of the ordinary share capital in all cases. Record Currency Management (US) Inc. is incorporated in Delaware, USA and Record Currency Management (Jersey) Limited is incorporated in Jersey. All other subsidiaries are incorporated in England and Wales.

The consolidated financial statements include all the subsidiaries listed above, the Record plc Employee Benefit Trust (EBT) which is a special purpose entity consolidated in accordance with SIC 12, and three seeded funds (see note 8).

## 7. Derivative financial assets and liabilities

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

Derivative financial assets	As at 30 Sep 12 £'000	As at 30 Sep 11 £'000	As at 31 Mar 12 £'000
Forward foreign exchange contracts held to hedge cash flow	33	-	33
Forward foreign exchange contracts held for trading	42	-	-
<b>Total derivative financial assets</b>	<b>75</b>	<b>-</b>	<b>33</b>

<b>Derivative financial liabilities</b>	<b>As at 30 Sep 12</b>	<b>As at 30 Sep 11</b>	<b>As at 31 Mar 12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Forward foreign exchange contracts held to hedge cash flow	-	(78)	-
Forward foreign exchange contracts held for trading	-	-	(48)
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>(78)</b>	<b>(48)</b>

### **Derivative financial instruments held to hedge cash flow**

At 30 September 2012 there were outstanding contracts with a principal value of £2,940,315 (31 March 2012: £2,685,811; 30 September 2011: £3,627,750) for the sale of foreign currencies in the normal course of business.

The net gain or loss on forward foreign exchange contracts held to hedge cash flow is as follows:

<b>Derivative financial instruments held to hedge cash flow</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Year ended</b>
	<b>30 Sep 12</b>	<b>30 Sep 11</b>	<b>31 Mar 12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net gain / (loss) on forward foreign exchange contracts at fair value through profit or loss	49	(19)	68

### **Derivative financial instruments held for trading**

Two of the funds seeded by Record (the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund), use forward exchange contracts in order to achieve a return. The Record Currency – Euro Stress Fund used a variety of instruments including forward foreign exchange contracts in order to achieve a return. The forward foreign exchange contracts held by the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund are classified as financial assets held for trading. At 30 September 2012 there were outstanding contracts with a principal value of £9,253,711 (31 March 2012: £9,112,251; 30 September 2011 all outstanding contracts held by the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund were presented within Current assets held for sale). The instruments held by the Record Currency – Euro Stress Fund have been presented within Current assets held for sale (see note 8).

The net gain or loss on forward foreign exchange contracts held for trading is as follows:

<b>Derivative financial instruments held for trading</b>	<b>Six months ended</b>	<b>Six months ended</b>	<b>Year ended</b>
	<b>30 Sep 12</b>	<b>30 Sep 11</b>	<b>31 Mar 12</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net (loss) or gain on forward foreign exchange contracts at fair value through profit or loss	(61)	-	197

## **8. Current assets held for sale (disposal group)**

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 seeded 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 such funds are considered to be under control of the Group and as such the fund is accounted for as a subsidiary of the Group in accordance with SIC-12 and IAS 27.

The Group consolidates the assets of its subsidiaries on a line by line basis, but where the Group is actively seeking to reduce its holding in the seeded funds within twelve months of its initial investment in the fund, through the sale of further units in these funds to external investors and the subsequent redemption of Record's own investment, the investments in the funds are classified as being a disposal group held for sale as it is considered highly probable that the funds will not remain under the control of the Group one year after the original investment was made.

If the Group still retains control of the funds after this time, the Group considers whether an extension of the one year period is applicable. If no extension to the period is applicable, then the funds will cease to be classified as held for sale and will be consolidated in full, on a line by line basis.

In December 2010, the Group invested £1,000,000 in the Record Currency FTSE FRB10 Index Fund and a further £1,000,000 in the Record Currency Emerging Market Currency Fund, and these were accounted for as a disposal group held for sale on the above basis. In both cases, the Group still retained control over each of the funds twelve months after the original investment. Consequently, from 31 December 2011, both funds ceased to be classified as held for sale and are now consolidated in full, on a line by line basis.

In May 2011, the Group invested £1,000,000 in the Record Currency – Euro Stress Fund, the only other investor in the fund was Neil Record, a Director of Record plc. During the six months ended 30 September 2012 the Group decided to liquidate the fund. The Group classified its investment in the fund as a disposal group held for sale from its inception through to its liquidation.

	As at 30 Sep 12 £'000	As at 30 Sep 11 £'000	As at 31 Mar 12 £'000
Seed capital classified as being a disposal group held for sale	-	4,444	1,075

The underlying assets of the funds are cash deposits, and forward foreign exchange contracts with tenors of three months or shorter which are accounted for as derivatives measured at fair value through profit or loss under IAS 39.

The net loss on financial instruments held as part of a disposal group is as follows:

	Six months ended 30 Sep 12 £'000	Six months ended 30 Sep 11 £'000	Year ended 31 Mar 12 £'000
Net loss on financial instruments held as part of disposal group	67	191	299

The net loss on financial instruments held as part of disposal group includes a loss of £10,236 attributable to non-controlling interests (six months ended 30 September 2011: loss of £74,720; 31 March 2012: loss of £7,406).

## 9. Called up share capital

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

	As at 30 Sep 12		As at 30 Sep 11		As at 31 Mar 12	
	£'000	Number	£'000	Number	£'000	Number
<b>Authorised</b> Ordinary shares of 0.025p each	100	400,000,000	100	400,000,000	100	400,000,000
<b>Called up, allotted and fully paid</b> Ordinary shares of 0.025p each	55	221,380,800	55	221,380,800	55	221,380,800

## Changes to the issued share capital

	£'000	Number
<b>As at 31 March 2011</b>	<b>55</b>	<b>221,075,836</b>
Adjustment for own shares held by EBT	-	(1,223,468)
<b>As at 30 September 2011</b>	<b>55</b>	<b>219,852,368</b>
Adjustment for own shares held by EBT	-	(500,000)
<b>As at 31 March 2012</b>	<b>55</b>	<b>219,352,368</b>
Adjustment for own shares held by EBT	-	128,432
<b>As at 30 September 2012</b>	<b>55</b>	<b>219,480,800</b>

## 10. Share-based payments

During the six months ended 30 September 2012 the Group has managed the following share-based compensation plans:

### The Record plc Group Profit Share Scheme

Under the terms of the scheme rules, employees and Directors of the Company may elect to receive a proportion of their profit share in the form of a share award. 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. 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 employees electing to allocate a portion of their profit share for the purchase of Additional shares receive a Matching share value using a multiple decided by the Remuneration Committee.

All shares the subject of share awards are transferred immediately to a nominee and are subject to certain lock up arrangements. None of these shares are subject to any vesting or forfeiture provisions and the individual is entitled to full rights in respect of the shares purchased. No such shares still under lock up can be sold, transferred or otherwise disposed of without the consent of the Remuneration Committee.

### The Record plc Share Scheme

The Record plc Share Scheme was created for the granting of share awards to senior employees. During the year ended 31 March 2009 two such employees were granted deferred share awards upon appointment to the Group. These shares were available to the employee after the vesting period for nil consideration upon exercise. The shares vested equally on the second, third and fourth anniversary of appointment. The vesting of the shares was subject to certain good leaver provisions. The rights to acquire the shares were issued under nil cost option agreements. The final vesting of shares granted under this scheme occurred in the period, with 128,432 shares vesting.

The Record plc Share Scheme was amended in the prior period to facilitate the grant of share options to certain individuals below Board level selected by the Executive Committee as having the

skills and potential to contribute significantly to the business in the future. The revised scheme rules allow the grant of tax-approved options (subject to limits) as well as unapproved options. During the previous financial year, options were issued to 5 such individuals over a total of 2,000,000 shares using both schemes, 100,000 of which had lapsed prior to the end of that year. These options were granted at market price and will vest over 4 years, subject to employment and performance conditions. Of the remaining 1,900,000 options still held, 325,000 had vested but were not exercised during the period. No further grants of options were made during the period.

## **Share-based payment transactions with cash alternatives**

Deferred share awards granted under the Record plc Group Profit Share Scheme are accounted for under IFRS 2 as share-based payment transactions with cash alternatives.

## **Equity-settled share-based payments**

Deferred share awards and options granted under the Record plc Share Scheme are accounted for under IFRS 2 as equity-settled share-based payment transactions.

The fair value of options granted is measured at grant date using the Black-Scholes formula, which takes into account the terms and conditions under which the instruments were granted.

The fair value amounts for all options issued since Admission were determined using quoted share prices.

## **11. Employee Benefit Trust**

The Record plc Employee Benefit Trust (EBT) was created to hold shares acquired to meet obligations for share awards made to employees under the Record plc share-based compensation plans. During the period nil cost options were exercised over a total of 128,432 shares. The EBT continues to hold 1,900,000 shares at 30 September 2012 (31 March 2012: 2,028,432; 30 September 2011: 1,528,432). The holding of the EBT comprises own shares that have not vested unconditionally to employees of the Group or shares that have vested but have not yet been exercised. Own shares are recorded at cost and are deducted from retained earnings. The EBT is consolidated in 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.

## **12. Non-controlling interests**

Three Directors of Record plc and three external investors have purchased units in the two funds currently seeded by Record plc, i.e. the Record Currency FTSE FRB10 Index Fund, the Record Currency Emerging Market Currency Fund, and previously, also the Record Currency – Euro Stress Fund. The mark to market value of these units represents the only non-controlling interests in the Group.

The two existing funds are considered to be under control of the Group through majority interests. The Record Currency – Euro Stress Fund was considered to be under control of the Group throughout its existence.

## Mark to market value of external holding in seeded funds consolidated into the accounts of the Record Group

	As at 30 Sep 12 £'000	As at 30 Sep 11 £'000	As at 31 Mar 12 £'000
Record Currency FTSE FRB10 Index Fund	821	485	528
Record Currency Emerging Market Currency Fund	1,534	821	1,572
Record Currency Euro Stress Fund	-	184	163
<b>Total</b>	<b>2,355</b>	<b>1,490</b>	<b>2,263</b>

### 13. Related party transactions

The related party transactions during the period are consistent with the categories disclosed in the Annual Report for the year ended 31 March 2012.

The compensation given to key management personnel is as follows:

	Six months ended 30 Sep 12 £'000	Six months ended 30 Sep 11 £'000	Year ended 31 Mar 12 £'000
Short-term employee benefits	1,757	1,960	4,007
Post-employment benefits	147	170	342
Share-based payments	424	670	1,057
Dividends	863	2,924	3,792
	<b>3,191</b>	<b>5,724</b>	<b>9,198</b>

### 14. Post reporting date events

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

## **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.