



Record plc

Annual results

Year to 31 March 2014

17 June 2014



Disclaimer

IMPORTANT INFORMATION

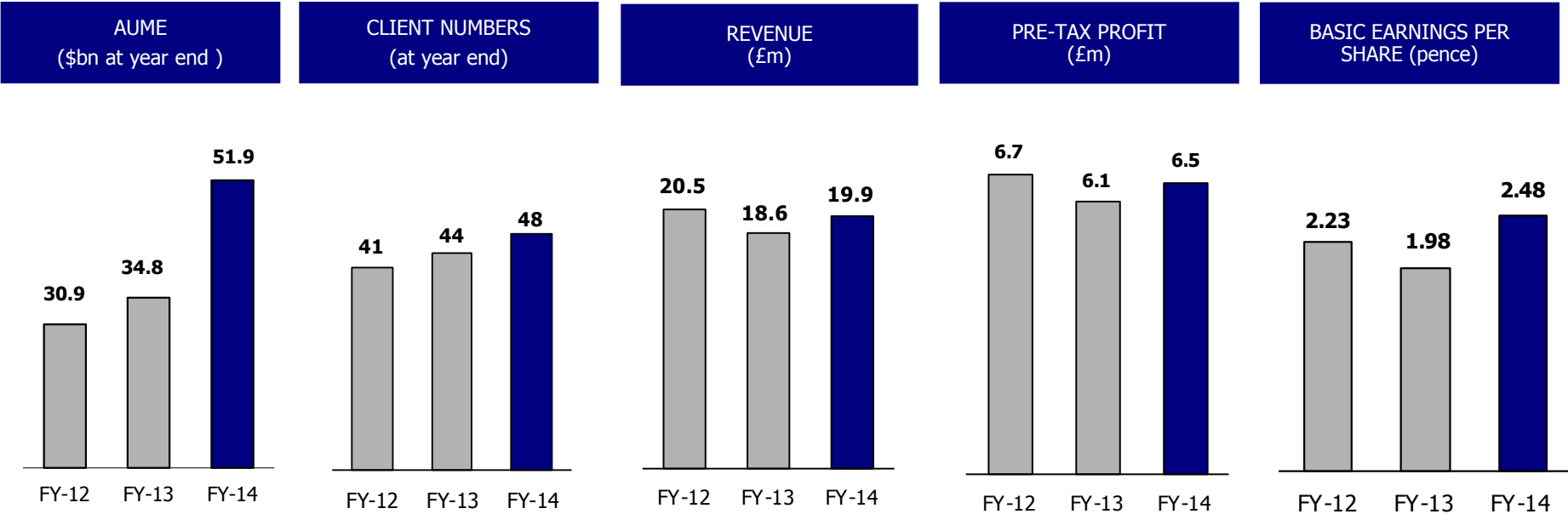
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The value of investments, and the income from them, may go down as well as up, and is not guaranteed. Past performance cannot be relied on as a guide to future performance. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any forward-looking statements, which speak only as of the date of this document.



Headlines

- Revenue of £19.9m (up 7% on FY-13)
- Pre-tax profit £6.5m (up 7% on FY-13)
- AUME \$51.9bn at 31 March 2014 (+49%)
- AUME £31.1bn at 31 March 2014 (+36%)
- Shareholders' equity £29.2m at 31 March 2014
- Client numbers up 4 to 48
- Management fees £20.3m (+12% on FY-13: £18.1m)
- Operating profit margin of 32% (FY-13: 32%)
- Underlying operating profit margin of 33% (FY-13: 31%)
- Basic EPS 2.48p per share (FY-13: 1.98p per share)
- Final dividend of 0.75p per share, payable on 30 July 2014
- Total dividend in respect of FY-14: 1.50p per share (FY-13: 1.50p)





Business strategy

Current environment

■ New business opportunities

- Focussed on the Group's core markets: North America, continental Europe (in particular Switzerland) and the UK
- Greater US interest in currency management driven by growth in international asset allocations, and could be stimulated again by an expectation of US Dollar appreciation
- Early signs of renewed interest in Currency for Return strategies, in particular FRB, due to increasingly divergent behaviour amongst central banks

■ Revenue margins and volumes

- Higher level of new business opportunities, in particular from the US, has led to increased competitive activity
 - Further growth in mandates and AUME will be required to offset fully the impact of fee reductions undertaken in the financial year and the loss of a client announced since the year end
 - The Group continues to seek to differentiate its services in order to preserve revenue margins going forward
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Strategy

- Maintain focus on currency and short-term interest rate management
- Sustained marketing effort in US and Switzerland
- Focus on continued new sales in FY15
- Deliver diversification benefits from expanded product offering
- Enhancement of Hedging products and Currency for Return products
- Preserving cash



Expanded product offering

- Current product range

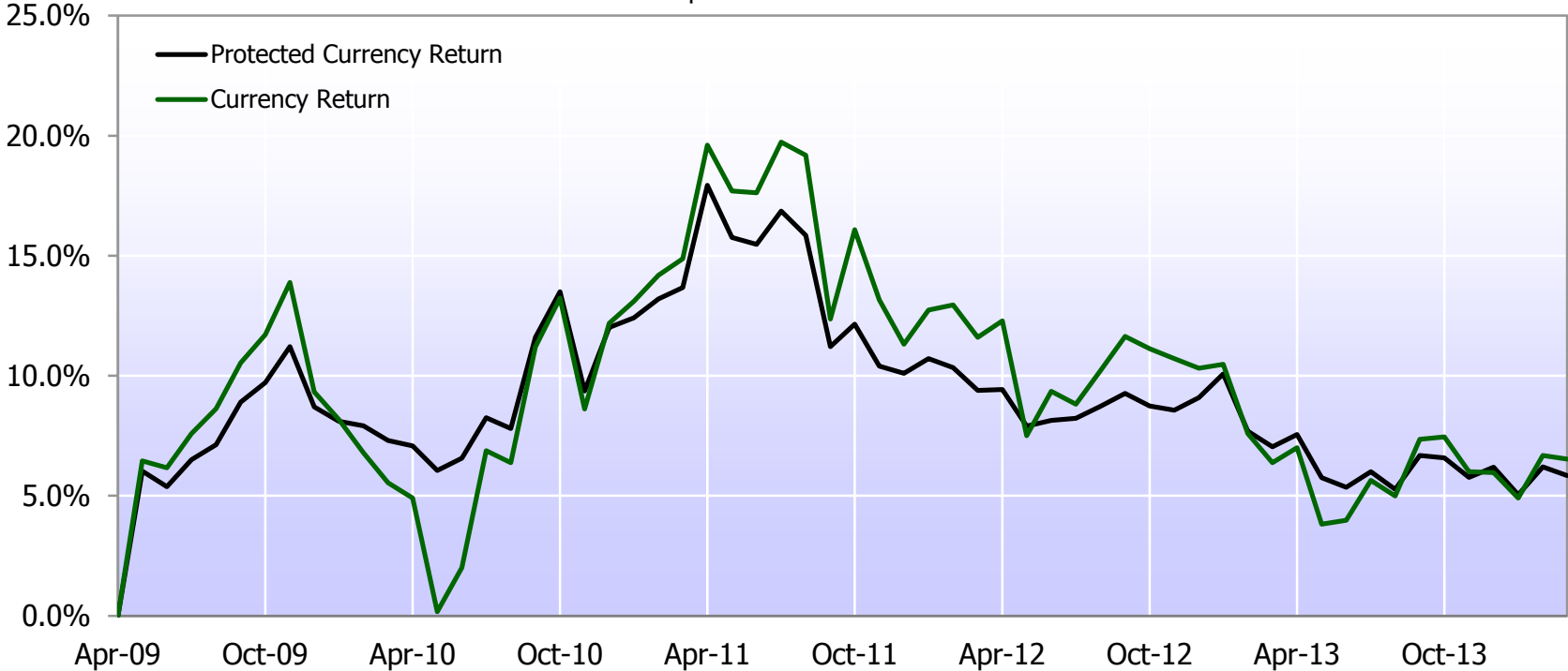
- Hedging
 - Dynamic Hedging First Live Programme 1983
 - Passive Hedging First Live Programme 1999
- Currency for Return
 - FRB Alpha First Live Programme February 2003
 - FRB Beta First Live Programme September 2009
 - Emerging Markets First Live Programme November 2009
 - Currency Momentum First Live Programme July 2012
 - Currency Value First Live Programme July 2012
 - Multi-Strategy First Live Programme July 2012



Product Performance

Performance of a US Dynamic Hedging Client

US Dynamic Hedging Client
30 Apr 2009 – 31 Mar 2014



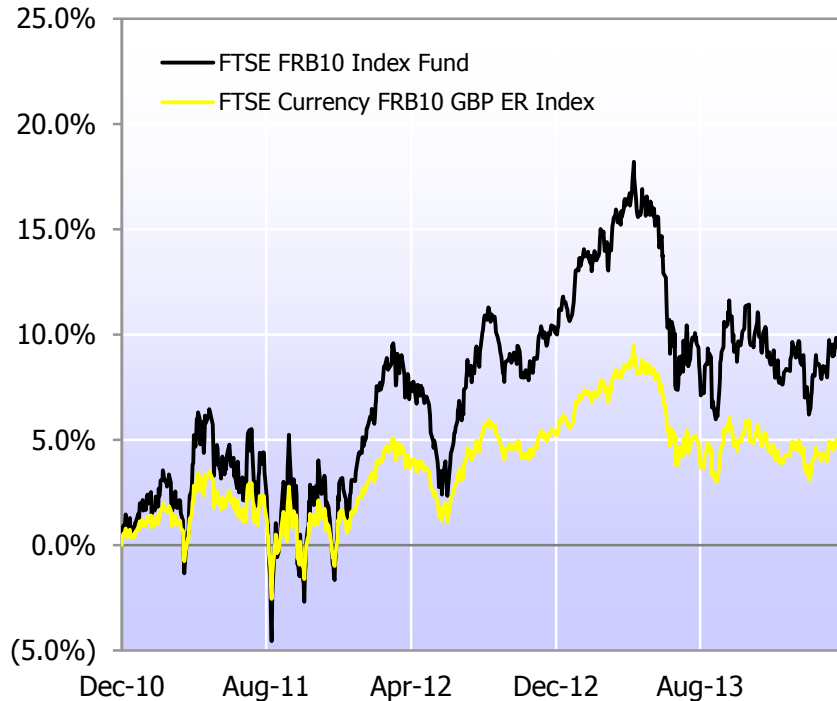
As at 31 Mar 2014	Protected Currency Return	Currency Return
Inception to date (cum.)	5.8%	6.5%
Inception to date (ann.)	1.2% p.a.	1.3% p.a.

Source: Record Currency Management and WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Data is cumulative from 30 Apr 2009 to 31 Mar 2014.

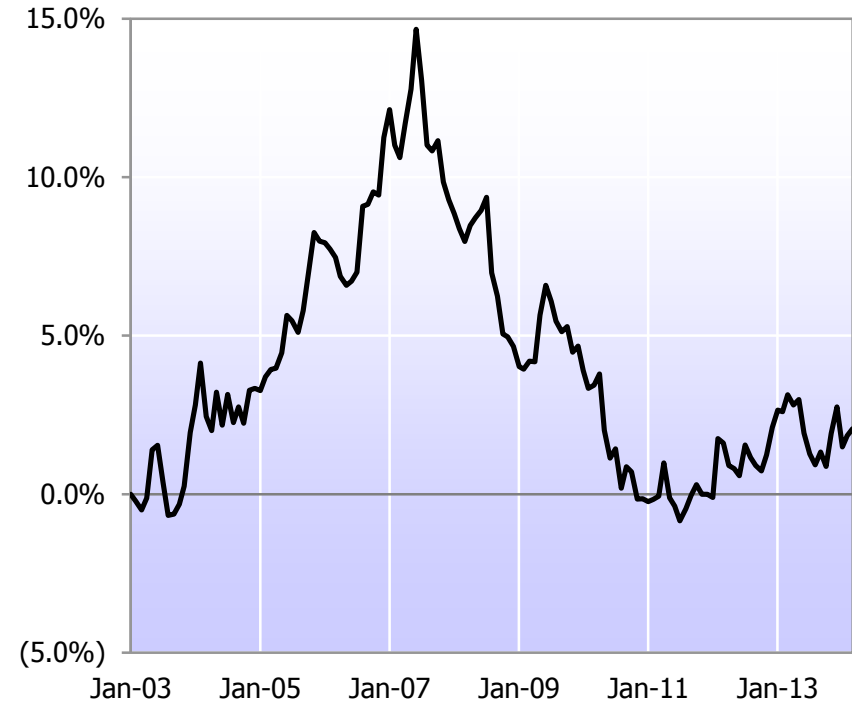


FRB10 Fund and Alpha Composite Performance

Record Currency FTSE FRB10 Index Fund
01 Dec 2010 - 31 Mar 2014



Alpha Composite
31 Jan 2003 - 31 Mar 2014



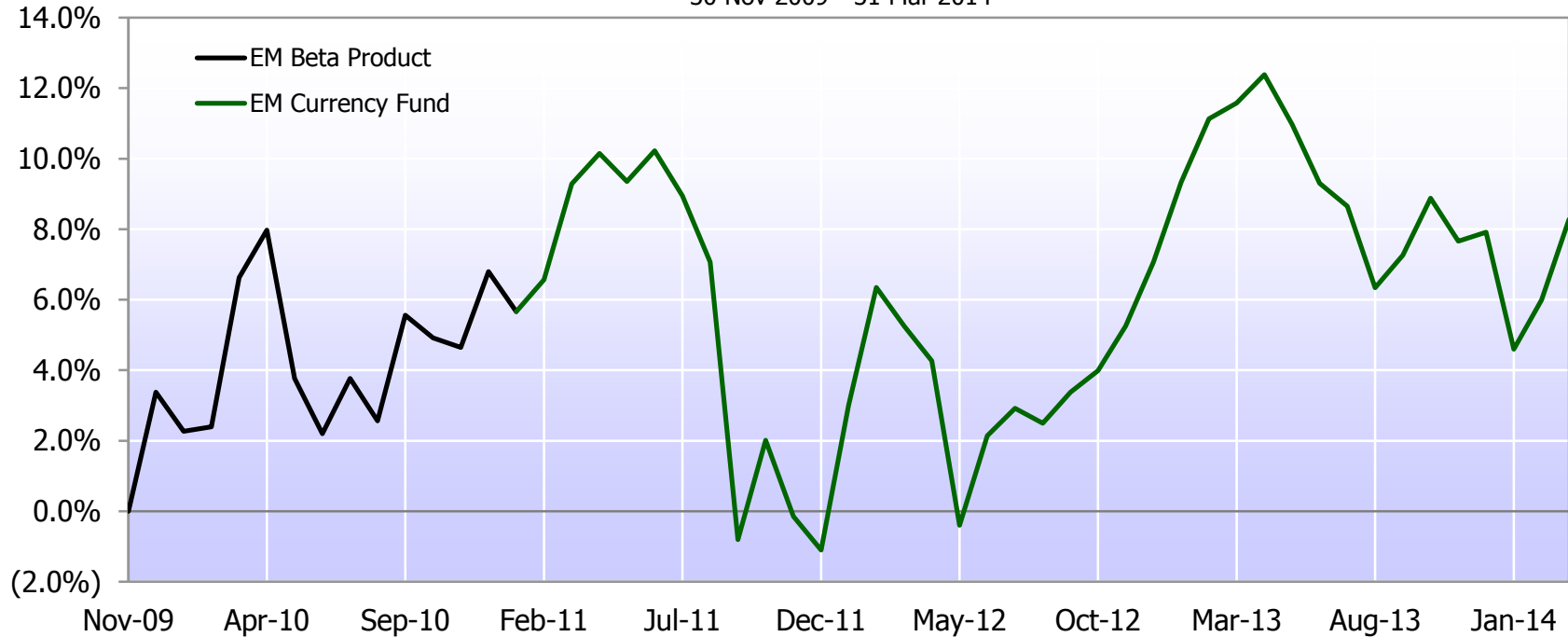
As at 31 Mar 2014	FTSE FRB10 Index Fund (x1.8)
Inception to date (cum.)	11.5%
Inception to date (ann.)	3.3% p.a.

As at 31 Mar 2014	Alpha Composite
Inception to date (cum.)	1.9%
Inception to date (ann.)	0.2% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 31 Mar 2014. Returns of all clients in the Alpha composite are weighted in US dollars and scaled to a gearing ratio of one. The volatility of returns will be greater if higher leverage is applied.

Record's Emerging Market Currency Strategy

Record Emerging Market Strategy
30 Nov 2009 - 31 Mar 2014



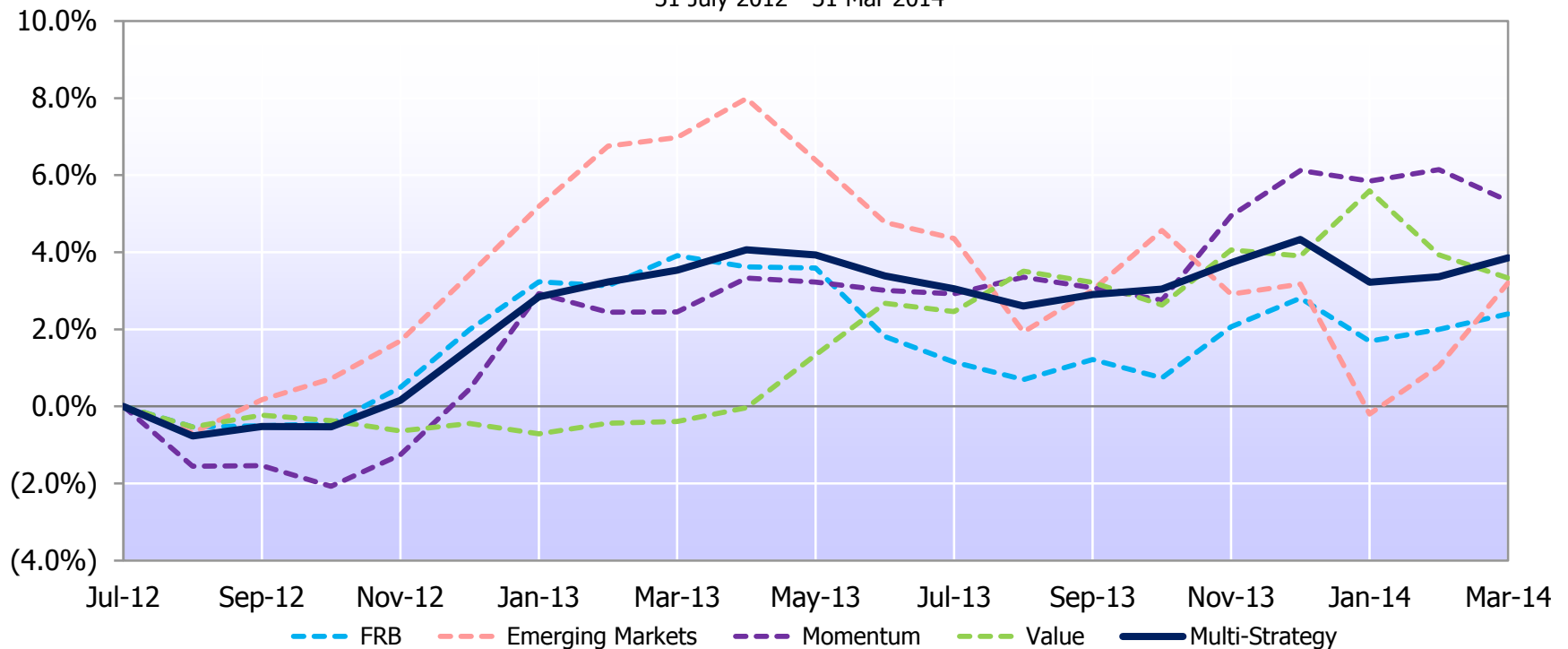
As at 31 Mar 2014	Emerging Market Strategy
Inception to date (cum.)	8.3%
Inception to date (ann.)	1.9% p.a.

Source: Record Currency Management. Total returns based on EM Beta product from 30 Nov 2009 to 31 Dec 2010 and Record EM currency fund from 01 Jan 2011 to 31 Mar 2014.



Multi-Strategy Performance

Record Multi-Strategy approach
31 July 2012 - 31 Mar 2014



As at 31 Mar 2014	Multi Strat	FRB	Emerging Markets	Momentum	Value	DBCR +*
Inception to date (cum.)	3.9%	2.4%	3.2%	5.3%	3.3%	1.0%
Inception to date (ann.)	2.3% p.a.	1.4% p.a.	1.9% p.a.	3.2% p.a.	2.0% p.a.	0.6% p.a.

Source: Record Currency Management and Bloomberg. Record Multi-Strategy based on cumulative returns from 31 Jul 2012 to 31 Mar 2014 for a live mandate in CAD base. *Deutsche Bank currency index excess returns in CAD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.

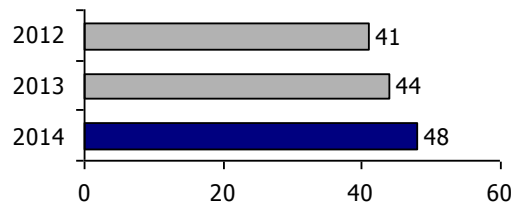
RECORD CURRENCY MANAGEMENT



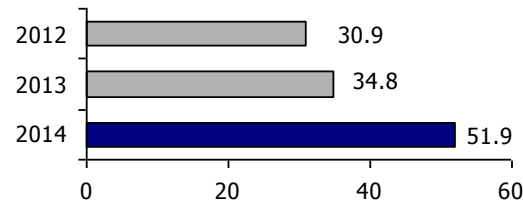
Financial Performance

Financial KPIs – Years ended 31 March

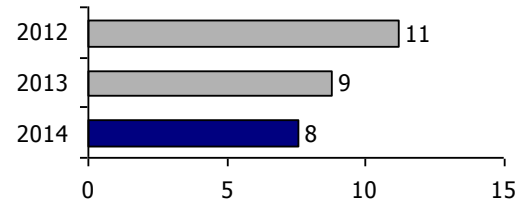
Client numbers



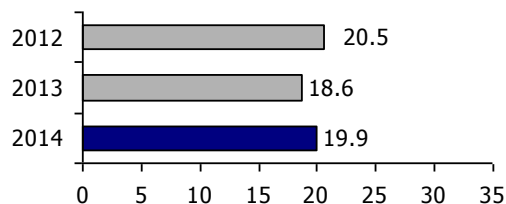
AUME (\$bn)



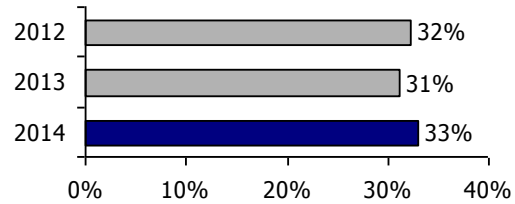
Average management fee rates (bps)



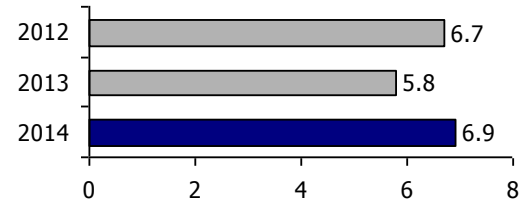
Revenue (£m)



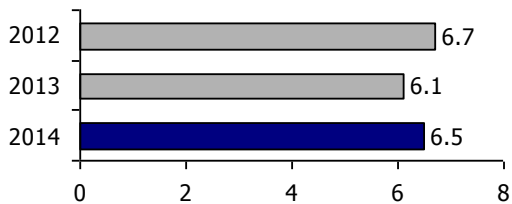
Underlying operating margin



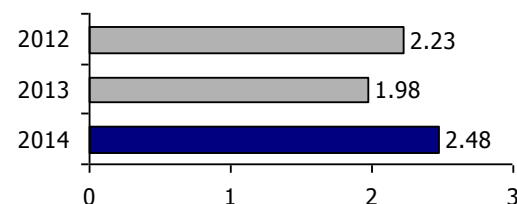
Underlying profit before tax (£m)



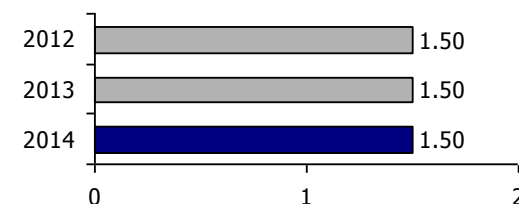
Profit before tax (£m)



EPS (pence)



Dividend (pence per share)





Financials – client numbers

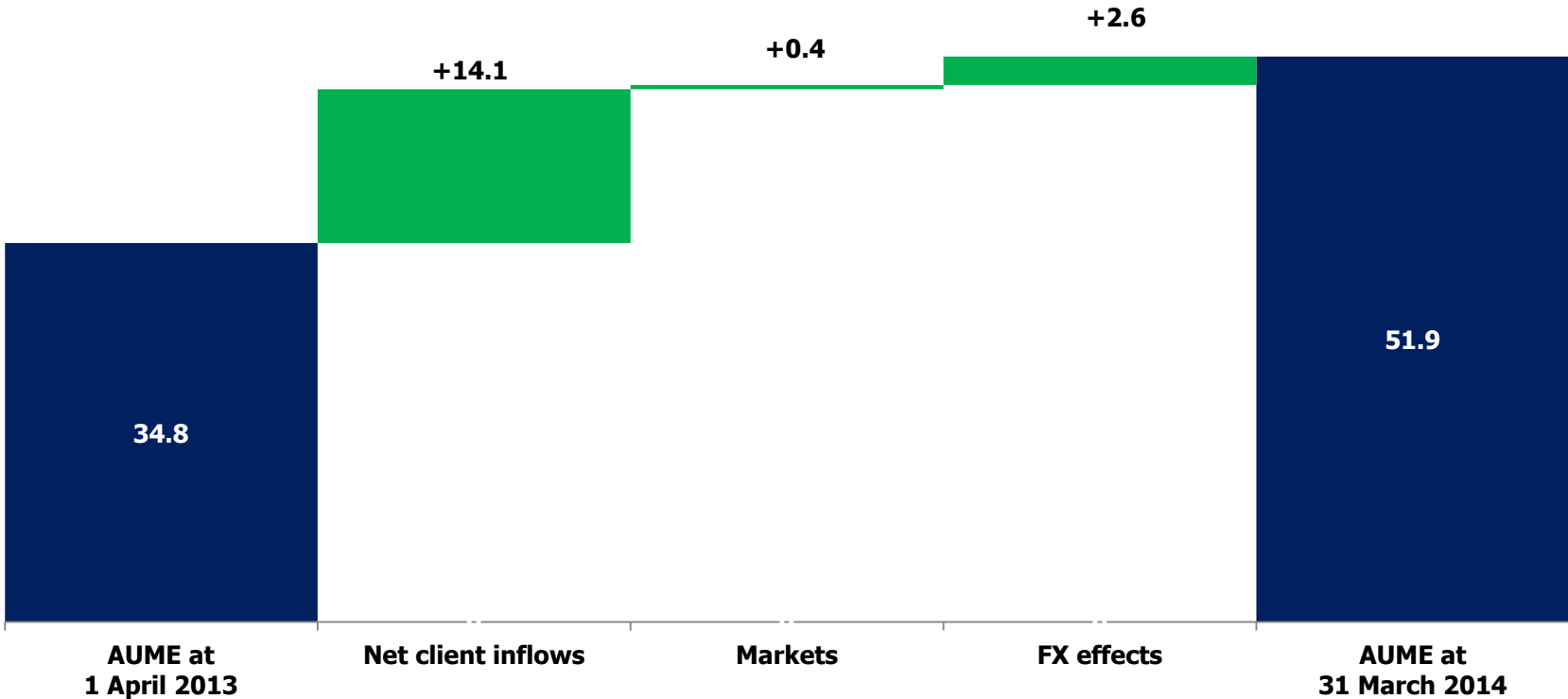
Client numbers

	31 Mar 13	31 Mar 14
Dynamic Hedging	8	12
Passive Hedging	26	28
Hedging	34	40
Currency for Return	12	13
Other currency management services	2	-
Less clients with >1 product	(4)	(5)
Total	44	48

Note: total of client numbers by product type is greater than total client numbers due to some clients having more than one account; for pooled fund client numbers look through pooled funds to individual investor level.

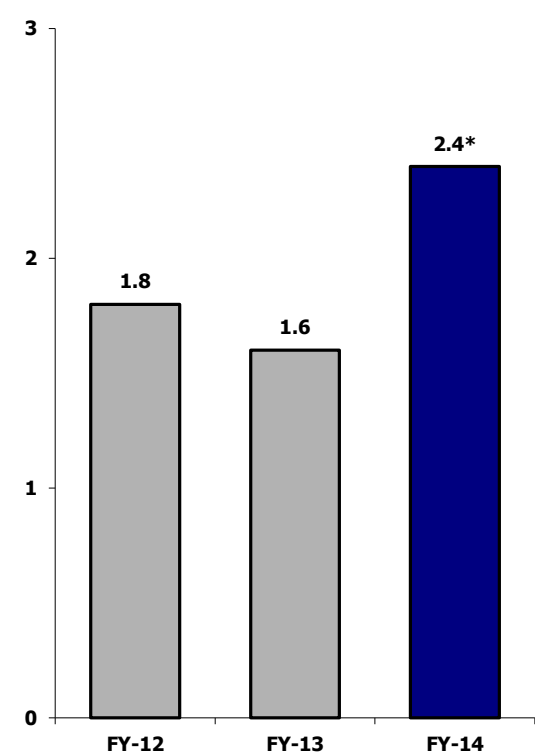
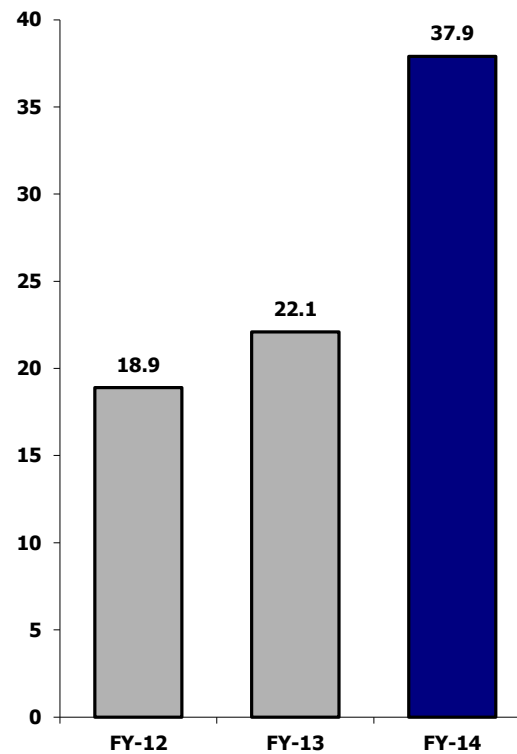
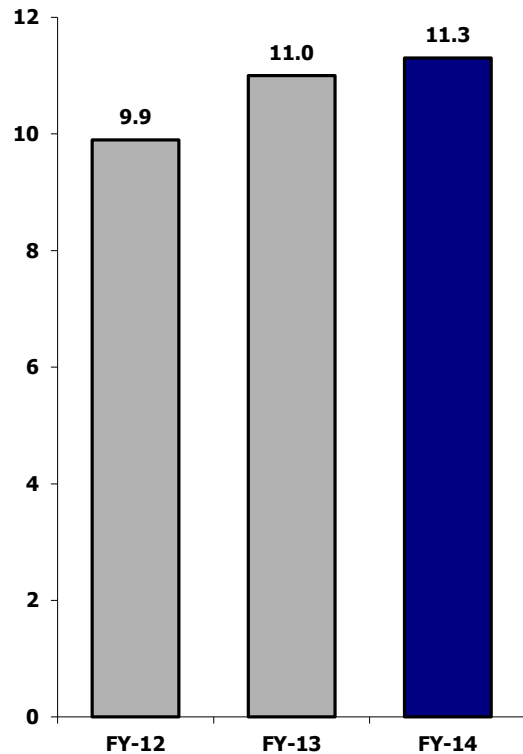
Financials – AUME movement

AUME bridge for the year ended 31 March 2014 (\$bn)



AUME by product at period end

Dynamic Hedging (\$bn)	Passive Hedging (\$bn)	Currency for Return (\$bn)
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* Part of the AUME relating to a bespoke hybrid hedging and return-seeking mandate has been reclassified, consequently \$1bn of AUME previously categorised under Dynamic Hedging has been reclassified as Currency for Return AUME, ensuring consistency of approach between AUME classification and the analysis of management fees.

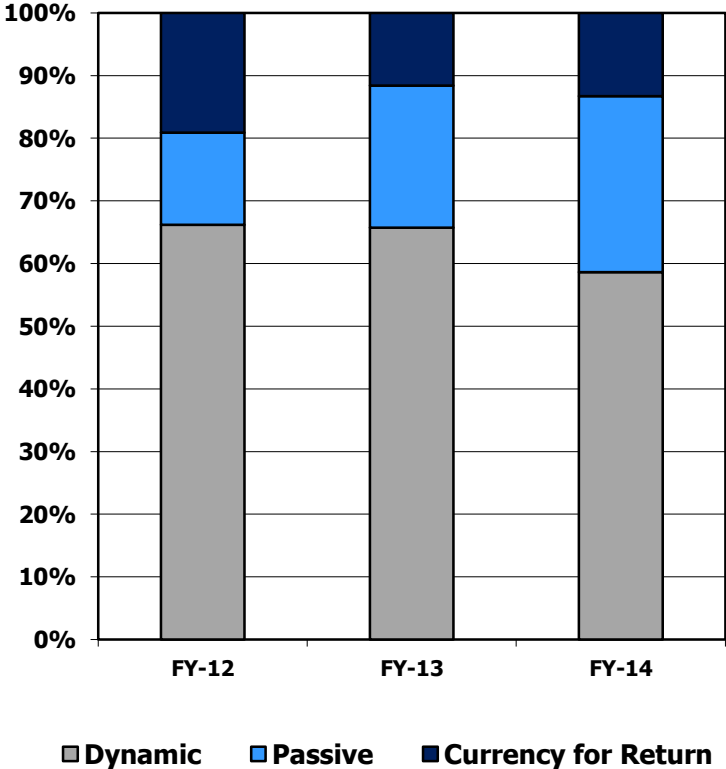


Financials – Average AUME, management fee rates & fees

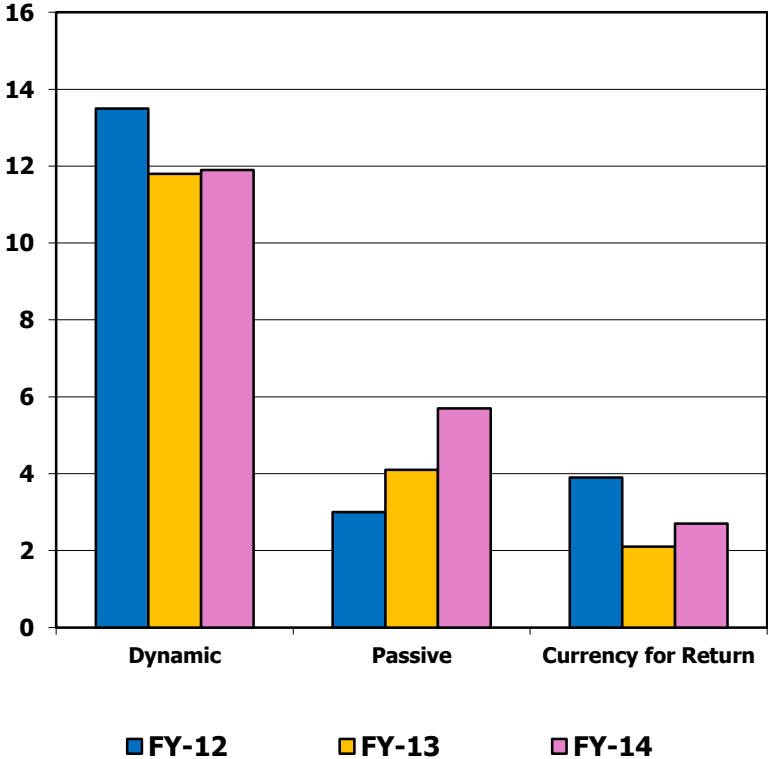
	Av. AUME (\$bn)		Av. mgmt. fee rates (bps)		Mgmt. Fee (£m)	
	FY-13	FY-14	FY-13	FY-14	FY-13	FY-14
Dynamic Hedging	10.0	11.8	18	16	11.9	11.9
Passive Hedging	20.7	27.8	3	3	4.1	5.7
Currency for Return	1.5	2.5	22	17	2.1	2.7
Cash	0.1	0.2	-	-	-	-
Combined	32.3	42.3	9	8	18.1	20.3

Financials – fee analysis

Management fees analysis by product



Management fees by product (£m)





Financials – income statement

	FY-13		FY-14	
	Underlying £m	Consolidated £m	Underlying £m	Consolidated £m
Management fees	18.1	18.1	20.3	20.3
Other income	0.2	0.5	-	(0.4)
Total Income	18.3	18.6	20.3	19.9
Cost of sales	(0.3)	(0.3)	(0.2)	(0.1)
Gross Profit	18.0	18.3	20.1	19.8
Operating costs (excl. variable remuneration)	(9.9)	(9.9)	(10.4)	(10.5)
Variable remuneration	(2.4)	(2.4)	(2.9)	(2.9)
Gain/(Loss) on financial instruments held as disposal group	(0.1)	(0.1)	-	-
Total expenditure	(12.4)	(12.4)	(13.3)	(13.4)
Operating profit	5.6	5.9	6.8	6.4
Operating Profit Margin	31%	32%	33%	32%
Finance income	0.2	0.2	0.1	0.1
Profit before tax	5.8	6.1	6.9	6.5
Taxation	(1.5)	(1.5)	(1.5)	(1.5)
Profit after tax	4.3	4.6	5.4	5.0



Financials - earnings

	FY-13	FY-14
	£m	£m
Profit before tax	6.1	6.5
Tax	(1.5)	(1.5)
Profit after tax	4.6	5.0
Profit attributable to the equity holders	4.3	5.4
Profit /loss attributable to Non controlling interests	0.3	(0.4)
eps – basic	1.98p	2.48p
eps – diluted	1.98p	2.47p
Final / interim dividend per share	1.50p	1.50p
Dividend cover	1.3x	1.7x

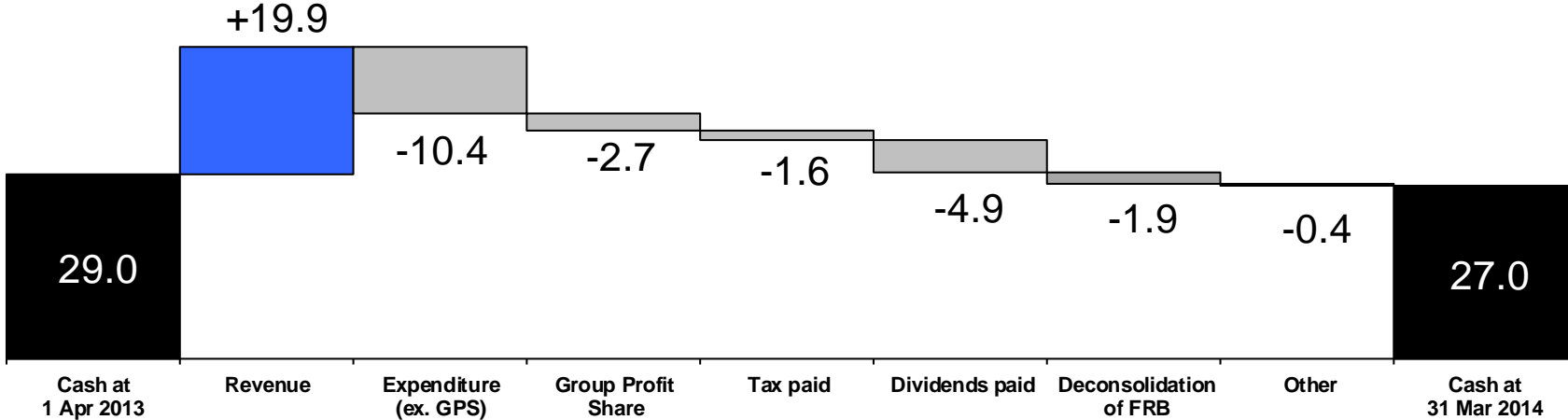
Financials – balance sheet

Balance sheet as at period end

	FY-13	FY-14
	£m	£m
Fixed assets	1.1	0.9
Investments	-	2.8
Non-current assets	1.1	3.7
Trade debtors and other receivables	5.6	5.6
Derivative financial assets	-	0.2
Money market instruments	-	15.5
Cash and cash equivalents	29.0	11.5
Current assets	34.6	32.8
Current liabilities	(3.5)	(3.6)
Net assets	32.2	32.9
Equity attributable to owners of the parent	28.6	29.2
Non-controlling interest	3.6	3.7
Total equity	32.2	32.9

Financials - cash

CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2014 (£m)



- The Group’s cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills with maturities of up to 1 year. 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.
- The IFRS classification of these instruments has a material impact on the IFRS cash flow statement which indicates a £15.5 million cash outflow as a result of purchasing money market instruments with maturities greater than 3 months.



Appendices



Management and Board

Executive Management

Name	Position	Experience
Neil Record	Chairman	<ul style="list-style-type: none">■ Founded Record in 1983. Principal shareholder and Chairman ever since■ Acknowledged as one of the leading figures in the currency investment management industry
James Wood-Collins	Chief Executive Officer	<ul style="list-style-type: none">■ Joined Record in 2008. Previously a Managing Director at JP Morgan Cazenove advising financial institutions on M&A, IPOs and related corporate finance transactions
Bob Noyen	Chief Investment Officer	<ul style="list-style-type: none">■ Joined Record in 1999 with responsibility for Investment & Research■ Previously worked as Assistant Treasurer for Minorco (now part of Anglo American plc)
Leslie Hill	Head of Client Team	<ul style="list-style-type: none">■ Joined Record in 1992 and was appointed Head of Sales and Marketing in 1999■ Prior experience includes working at Lloyds Bank and Merrill Lynch, where she was Director and Head of Corporate Foreign Exchange Sales worldwide
Steve Cullen	Chief Financial Officer	<ul style="list-style-type: none">■ Qualified as a Chartered Accountant in 1994 and joined Record in 2003 as Financial Controller.■ Appointed to the Board and made Chief Financial Officer on 15 March 2013.

Non-Executive Directors

Name	Position	Experience
Cees Schrauwers	Senior Independent Director	<ul style="list-style-type: none">■ Formerly Managing Director, Aviva International; Managing Director, CGU Insurance; Partner, Coopers & Lybrand; Senior Independent Director Brit Insurance Holdings; Chairman Drive Assist Holdings Ltd.■ Currently Chairman of the Guernsey Financial Services Commission and a Non-executive Director of Scottish Widows Group Limited
Andrew Sykes	Non-Executive Director	<ul style="list-style-type: none">■ Formerly Director, Schroders plc■ Currently Chairman of SVG Capital plc and Smith & Williamson Holdings Limited, and a Non-executive Director of Gulf International Bank (UK) Limited
David Morrison	Non-Executive Director	<ul style="list-style-type: none">■ Director PayPoint plc; Chairman Snoozebox Holdings plc; a Director of several private companies and a Non-executive Director of N P Record plc between 1987 - 1996■ Founder and Chief Executive of Prospect Investment Management



AUME definition

- **Dynamic Hedging mandates:**

- = total amount of clients' investment portfolios denominated in liquid foreign currencies, and hence capable (under the terms of the relevant mandate) of being hedged, plus

- **Passive Hedging mandates:**

- = the aggregate nominal amount of passive hedges actually outstanding in respect of each client, plus

- **Currency for Return mandates:**

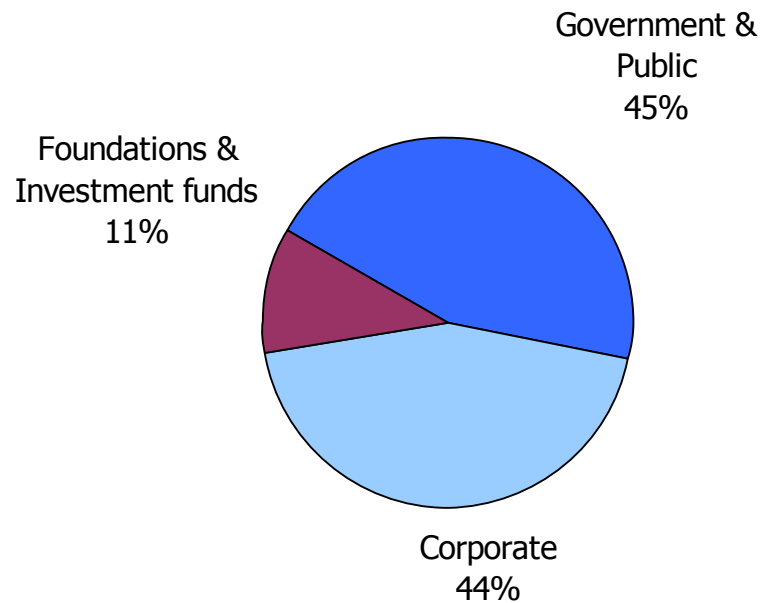
- = the maximum aggregate nominal amount of outstanding forward contracts for each client, plus

- **Cash:**

- = the total set aside by clients and managed and/or "equitised" using futures by Record.

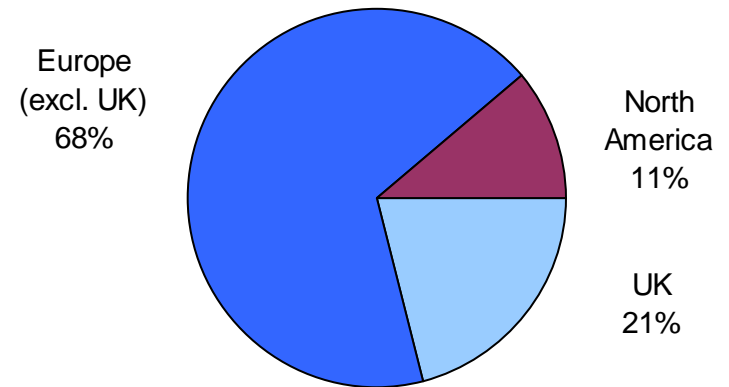
AUME analysis

Split of AUME by client type — 31 March 2014



Total: \$51.9 bn

Split of AUME by country/region — 31 March 2014



Total: \$51.9 bn

Note: both pie charts look through pooled funds to individual investor level



Group Profit Share (GPS) and Share Scheme

Group Profit Share Scheme

- **GPS Scheme is split into a 27% Profit Share Pool and a 3% Matching Pool – in line with intention to be 30% of Operating Profit over the medium term**
- **Any US Sales incentives paid will be accounted for as cost of sales (75% in shares that are subject to 3 year “lock in”)**
- **The aggregate cost of the GPS Scheme (including the Matching Pool) and sales incentives would be below the 35% of Operating Profit level in most reasonable scenarios**
- **GPS Scheme is shared amongst all staff based on “profit share units”**
- **For all senior employees including Board Directors:**
 - 1/3rd Shares
 - 1/3rd Cash
 - 1/3rd Cash or Shares - shares attract a matching award (funded from the Matching Pool)
 - Shares subject to “lock up” for up to 3 years
- **GPS claw back provisions added to GPS Scheme rules - effective 1st July 2014**

Share Scheme

- **Options grants for employees (not including main Board Directors) was repeated September 2013**
 - **Options grant for CEO in November 2013 through the Share Scheme**
 - **Share Scheme claw back provisions added to the Unapproved scheme rules for Executive Directors**
-

Financials – cost analysis

	FY-13	FY-14
	£m	£m
Personnel (excluding Group Profit Share)	6.0	6.1
Non-personnel cost	3.9	4.4
Expenditure before Group Profit Share	9.9	10.5
Group Profit Share Scheme	2.4	2.9
Total administrative expenditure	12.3	13.4
Loss on assets held for sale	0.1	-
Total Expenditure	12.4	13.4

Financials – concentration

Largest clients by FY-14 fees

	AUME	Management fees	
	\$bn	£m	%
Clients 1-10	36.8	16.4	81%
Clients 11-20	9.4	2.7	13%
Other clients	5.7	1.2	6%
Total	51.9	20.3	100%