Annual Report 2014

Record plc

About us

Record is an established, independent currency manager. Everything we do is for our clients – we do not undertake proprietary trading.

Our clients are largely institutions, including pension funds, charities, foundations, endowments, and family offices, as well as corporate clients.

Record manages $51.9bn (£31.1bn) in client currency exposures (as at 31 March 2014).

We are based in Windsor, in the UK, and have been since our establishment in 1983. Record has always been an independent currency specialist, and has always focussed on developing a deep understanding of the risk and reward opportunities in currency markets, so as to offer our clients the most appropriate solution to their currency needs.

Our clients benefit from our experience, and from the continuity and consistency with which we apply that experience. We also attach importance to continuity of leadership and management. Record Currency Management is wholly-owned by Record plc, which is listed on the Main Market of the London Stock Exchange, and majority-owned by its Directors and employees.

Record plc

is a specialist currency manager, providing both currency hedging and currency for return mandates for institutional clients.

The Group, founded over 30 years ago, has a leading position in managing currency for institutional clients.

Highlights

Assets Under Management Equivalents ("AUME")

$51.9bn

2013 – $34.8bn

Clients

48

2013 – 44

Revenue

£19.9m

2013 – £18.6m

Profit before tax

£6.5m

2013 – £6.1m

Earnings per share

2.48p

2013 – 1.98p

Dividend per share

1.50p

2013 – 1.50p

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www.recordcm.com

Chairman's statement

Notwithstanding the positive growth in terms of our financial results and AUME, we continue to do business in a challenging environment – challenging in terms of varying expectations amongst current and prospective clients, fee pressures, and increased regulatory responsibilities.

Neil Record
Chairman

Highlights

Operating margin maintained at 32%

Profit before tax of £6.5m

The Board is recommending a final dividend of 0.75p per share

Find out more online
recordcm.com/about-us/overview/

Overview

The Group has continued to build on the foundations for growth laid in prior years. The benefits from the growth in the "leading" indicators of AUME and client numbers reported last year have now flowed through into this year's underlying results, bolstered by a 49% increase in AUME and a 9% increase in client numbers during this year. It's therefore pleasing now to report increases in "lagging" growth indicators as well, namely revenue, profits and earnings per share for the year.

The market in which we operate has continued to evolve, with short-term sentiment and risk appetite being driven as much by political influences as by economic decisions. The most prevalent market factor affecting the Group's investment performance over the twelve months to 31 March 2014 has been the increasingly divergent behaviour amongst central banks, with policies more predicated on domestic objectives rather than a common global imperative.

Notwithstanding the positive growth in terms of our financial results and AUME, we continue to do business in a challenging environment – challenging in terms of varying expectations amongst current and prospective clients, fee pressures, and increased regulatory responsibilities.

Financial highlights

The full year effect of increases in AUME and client numbers reported for last year, plus net inflows of $14.1 billion over the year, have resulted in an increase in underlying revenues for the first time in five years. This growth was however diluted somewhat by the amendment of fee scales for our Dynamic Hedging product announced mid-year; a consequence of higher levels of business enquiries and procurement processes being accompanied, inevitably, by an increase in competitive activity. In recognising this by aligning existing clients' fees with those being proposed to new clients, we are pursuing growth in volume that would more than compensate for reduced revenue margins.

Against this backdrop, total statutory revenues grew by 7% to £19.9 million for the year (2013: £18.6 million) achieving an increase in profit before tax of 7% to £6.5 million (2013: £6.1 million) and basic earnings per share rose by 25% to 2.48 pence (2013: 1.98 pence). AUME increased to $51.9 billion (2013: $34.8 billion) including the inflows of $14.1 billion mentioned previously, although the product mix in hedging continues its shift from Dynamic Hedging to the lower-margin Passive Hedging product, which now accounts for 73% of total AUME (2013: 63%).

Culture and regulatory change

Our business depends on the relationships built with our clients and their trust placed in us to provide the best possible service and solutions to their currency needs. Since establishing Record over 30 years ago, a culture driven by integrity and of prioritising clients' best interests has underpinned our position as one of the leading currency experts in our industry.

This culture, and its continued reinforcement across the firm, is far more effective than regulation alone. The 2008 financial crisis and, more recently, allegations of manipulation across the financial services sector generally, have driven calls for reform across the industry as a whole. We are committing the necessary resources to ensure full compliance with regulations as they evolve, and are also cognisant of our role in helping clients understand and meet their new regulatory requirements.

Dividend

The Board is recommending a final dividend of 0.75 pence per share. The total dividend in respect of the year ended 31 March 2014 of 1.50 pence per share is unchanged on the previous year and in line with our intention as stated in this year's interim report. The dividend will be payable on 30 July 2014 to shareholders on the register at 27 June 2014. For the current financial year, the Board's intention, subject to business conditions, is to retain the overall dividend payable at 1.50 pence per share, which the Board would expect to be payable equally in respect of an interim and final dividend. In setting the dividend, the Board will be mindful of achieving a level which it expects to be at least covered by earnings and which allows for sustainable dividend growth by the business in line with the trend in profitability.

Group strategy

The Group continues to focus on building long-term relationships with our clients with a view to generating sustainable growth for the business. Although the product mix has continued its shift towards lower margins, the advantage in having more Passive Hedging clients is in their longevity – consequently the opportunity for us to nurture relationships and identify new business opportunities with the same client is far greater. The higher-margin, return-seeking currency products tend to be more susceptible to short-term changes in market sentiment, and we have the diversified product suite ready to react and take advantage of any such opportunities as they arise.

Outlook

We continue to engage with a number of potential clients on a wide variety of currency-related issues, including both hedging and return-seeking strategies.

Growing divergence of central banks' policies has led to the re-emergence of interest in return-seeking and in particular "carry" opportunities – interest which has recently culminated in the first significant external investment into the Record Currency – FTSE FRB10 Index Fund just prior to year end and growth that we hope to continue to build on in the current financial year.

The market in which we operate continues to change and the importance of maintaining both our flexible approach to clients' currency-related issues and our superior level of client service are paramount. This approach has served us well over the last 30 years and we believe will continue to do so as we adapt to future market developments and changing client demands.

I would also like to take this opportunity to thank all of the Group's management and staff for their continued hard work and commitment throughout the year.

Neil Record
Chairman
16 June 2014

Chief Executive Officer's statement

It is gratifying to report that in the financial year to 31 March 2014 the Group has achieved growth in client numbers, AUME, revenues and profits.

James Wood-Collins
Chief Executive Officer

This growth has been achieved in the context of a continued shift in business mix towards Hedging and particularly Passive Hedging services, which whilst attracting lower revenue margins, have historically been less sensitive to investment performance, and client mandates typically longer-lived.

Further growth in mandates and AUME will be required to offset fully the impact of fee rate reductions undertaken in the financial year, and the Group is confident that its diversified range of products is well-positioned to respond to varying client demand.

Market overview

The most prevalent market factor affecting the Group's investment performance over the twelve months to 31 March 2014 has been increasingly divergent behaviour amongst central banks. Broadly since 2009, developed market central banks, in particular those of Japan, the United States, the Eurozone, the United Kingdom and Switzerland had pursued exceptionally loose monetary policy. Since the start of the financial year, central banks have been pursuing different policies more predicated on domestic objectives rather than a common global imperative, and this difference in behaviour is being felt in currency markets.

In brief, Japan continues firmly in the easing camp, the Eurozone and Switzerland more biased towards looser monetary policy, and the United States and the United Kingdom more clearly on a path towards tightening.

Since the middle of 2013, the FX market itself has attracted new and in some cases undesired attention. Much of this attention has focussed on FX benchmark or "fix" rates, which are now the subject of multiple regulatory investigations around the world. To be clear, Record has no connection with any of these investigations. Overall, it should be emphasised that the FX market serves its users tremendously well, as a continuous round-the-clock market offering deep liquidity in a wide range of currency pairs, including for very large transactions, and at exceptionally low costs. Record's status as an independent and expert manager acting only on its clients' behalf enables us to navigate this market solely in our clients' best interests.

Investment performance

The performance of our Dynamic Hedging product depends on how foreign currencies change in value relative to the base currency of a client. During the last year, mandates for our US and UK-based Dynamic Hedging clients performed as expected in terms of allowing clients to benefit from periods of strengthening foreign currencies, whilst being protected against periods of weakening foreign currencies. Overall, UK-based Dynamic Hedging programmes generated positive returns from hedging, in turn helping to offset clients' losses from foreign currency exposure. Conversely, US-based Dynamic Hedging programmes generated modest negative returns, allowing clients' gains from foreign currency exposure to be largely preserved.

Amongst Currency for Return products in the year, the Active FRB product saw negative returns as relatively low interest rate currencies strengthened, while higher interest rate currencies were relatively weak. Similarly, the Forward Rate Bias Index product also produced negative returns as low interest rate currencies appreciated. Record's Emerging Market Currency Fund generated negative returns over the period as emerging market currencies depreciated against a basket of developed market currencies. More detailed performance data is provided in the Operating Review (page 20).

Record's live Multi-Strategy mandate, a combination of Forward Rate Bias, Emerging Market, Momentum and Value strategies, delivered modest positive performance over the period, led by returns in the Value and Momentum strategies.

Asset flows and financial performance

AUME increased significantly through the year by 49%, to \$51.9 billion. This increase was driven by several new Hedging mandates, modestly offset by client losses, driving net inflows of \$14.1 billion. External factors (e.g. equity and other market movements and the impact of exchange rates over the period) also contributed +\$3.0 billion. Since the year end, Record has announced the termination of a Dynamic Hedging mandate of approximately \$600 million.

This growth in AUME has led to an increase in underlying[1] revenues of 11%, to £20.3 million. A continued focus on cost control has seen the Group increase its underlying operating profit margin to 33%, leading to growth in underlying profit before tax of 19%, to £6.9 million, and in basic earnings per share of 25%, to 2.48 pence per share.

Strategic progress

During the financial year the Group has built on the foundations for growth established in prior years, and has continued to engage with more prospective clients, to enhance its service offering, and to strengthen further its infrastructure to manage client-specific mandates in a robust and operationally efficient environment.

Engagement with prospective clients and their investment consultants continues to focus on the Group’s core markets of North America, continental Europe and in particular Switzerland, and the United Kingdom.

In the United States, long-term growth in international asset allocations driven by the adoption of global benchmarks, combined with the expectation of a strengthening US Dollar, brought about a marked increase in interest in hedging from the summer of 2013. This higher level of interest was accompanied by increased competitive activity, and the Group took the decision in November 2013 to recognise this by reducing fee scales for existing clients, as well as for potential new clients.

Since the start of 2014, the absence of pronounced US Dollar appreciation has caused some of this interest to diminish, although this could return quickly with US Dollar strength. It remains the case that many US investors have greater exposure now to foreign currencies than has been the case historically, and this supports greater interest in currency management strategies to which the Group is well positioned to respond.

In Switzerland, Record achieved considerable growth in Passive Hedging mandates, as a result of the Group’s long and respected presence in the market, investors’ focus on hedging implementation, and Record’s high service level offering. The client relationships built on Passive Hedging also provide an opportunity to discuss other Record products.

In the United Kingdom, the Group continues to engage with prospective clients on both Passive and Dynamic Hedging, and has seen early signs of renewed interest in Currency for Return strategies, including Forward Rate Bias strategies. These strategies tend to perform well both in anticipation of interest rate divergence as well as in established divergent environments with larger interest rate differentials to harvest. Client interest is drawn to transparent, low-geared and lower fee strategies, which Record is ideally placed to meet with the FTSE FRB10 Index Fund.

With respect to enhancing Record’s products and services, we have continued to develop the service offering in Hedging products, to gain more experience in managing the Multi-Strategy portfolio, which will mark its second anniversary in July 2014, and to explore further product development. Such enhancements are essential to continue to meet clients’ requirements.

1 The underlying results are those before consolidating the seed funds in full, and they reflect internal management reporting of the revenues and costs driving the future cashflows of the business.

The Group has also continued to invest further in its operational infrastructure, in terms of systems, processes and most of all people. Over 30 years, Record has built a client-centric operating model – all Hedging mandates, and unfunded Currency for Return mandates, are run as bespoke segregated mandates, with each client’s individual parameters, exposures and trades recorded and managed uniquely for that client. It is this model that enables us to run highly operational risk-sensitive Hedging mandates, in particular in Passive Hedging, robustly and efficiently, and on terms that are attractive to the client. This client-centric model is wholly different from the fund-oriented operational approach that many alternative investment managers have put in place, and is a model in which Record will continue to invest.

Outlook

After five years of declining revenues and profits, the progress made in the twelve months to 31 March 2014 demonstrates the Group’s ability to grow client relationships and AUME through both long-established and new products. Across our core markets of North America, continental Europe and the United Kingdom, growing interest in currency management strategies, whether Hedging, Currency for Return, or a combination, augurs well for future growth.

Competitive pressures continue to be felt across our markets. The Group’s responses to these pressures include continually enhancing the service levels and client features in respect of some products, such as Passive Hedging, whilst recognising fee pressures and reducing fees to remain competitive in others. At all times the Group will remain focussed on its principal objectives of offering services and products that are designed to meet our clients’ currency objectives and to do so at good value, that allow the Group to maintain its position as an unconflicted expert agent, acting solely in its clients’ best interests, and for which the Group will be properly remunerated.

Within those parameters, there are numerous opportunities for both existing and new products, with both long-established and new clients, and all of the Group’s staff are wholly focussed on making the most of these opportunities.

James Wood-Collins
Chief Executive Officer
16 June 2014

Strategy and objectives

We are a specialist currency manager. Our goals are to meet client demand for robust and innovative currency solutions and, in doing so, to create shareholder value for our investors over the long term.

Our goals are achieved by:	Benefits:	Risks:
Client relationships Building strong, long-term "trusted advisor" relationships with our clients	• Understanding our clients' needs and concerns fully helps us to develop effective solutions and identify new business opportunities • Good relationships lead to client longevity and support for new ideas	• Underperforming products lead to risk of client loss • Change of client or Record personnel can put relationship at risk
Innovation Devising and implementing new products and strategies Enhancing existing products and strategies	• Bespoke solutions meet unique client requirements • Innovative solutions enhance premium brand and reputation and resist fee erosion • Enhances product diversification of our business	• Bespoke solutions may be less scalable than standard products • New products susceptible to changes in market sentiment (e.g. risk-on vs risk-off)
People Attracting, developing and retaining high quality people	• Ensures high quality and continuity of products and service to clients • Talent retention key to long-term success of business • Succession planning enhanced through internal candidates	• Buoyant market leads to attractive alternative opportunities • Entrepreneurial individuals may wish to broaden their experience elsewhere
Growth Growing AUME	• Enhances reputation and stability of organisation • Leads to increase in revenue streams • Supports development of business and talent	• Lower margin mandates decrease overall profitability • Business scalability can be affected by AUME type
Risk management Maintaining a robust operational model	• Reinforces client confidence and trust • Minimises cost of errors and complaints	• Increasing costs of infrastructure, people, and processes
Profitability Operating a scalable and profitable business model	• Enhances shareholder value and liquidity in shares • Assists attraction and retention of talent	• Profitability sensitive to size and concentration of client base • Market competition may lead to reduced margins • Business scalability can be affected by AUME type

Measurable by:	Progress made in year:	Expectations for FY15:
• Number of clients • Management fees	**KPI: Client numbers** **48** +9% Management fees **£20.3m** +12%	• Continued discussion and educational dialogue with prospective hedging clients • Building on recent success by increasing client interest in Currency for Return strategies
• Growth in seeded funds through external investment • New business or clients won for bespoke mandates	• First material external investment into FTSE FRB10 Index Fund during the year • Ongoing dialogue with potential clients around wide range of currency issues – including Multi-Strategy opportunities	• Growth of enhanced Passive Hedging and/or Multi-Strategy mandates • Potential for supplementary services to enhance product offering (e.g. cash management) • Assisting clients with new regulatory compliance requirements in terms of trading and reporting
• Employee retention rates	Staff retention **91%** +5%	• Focus on selective recruitment and retention to continue
• AUME movement in year	**KPI: AUME** **$51.9bn** +49%	• Decision-making processes are extending resulting in slower rate of client acquisition • Short-term market fluctuations and changes in risk sentiment lead to some investors taking tactical approach to hedging rather than strategic
• Investment in systems • Formal complaints	• Implementation of upgrade to back and middle office system during the year • Complaints: none (2013: none)	• Continued investment in developing and upgrading core systems • Improving controls around bespoke mandates
• Underlying operating profit margin • Basic EPS	**KPI: Underlying operating profit margin** **33%** +2% **KPI: Basic EPS** **2.48p** +25%	• Competitive pressures across our market may result in reduced margins

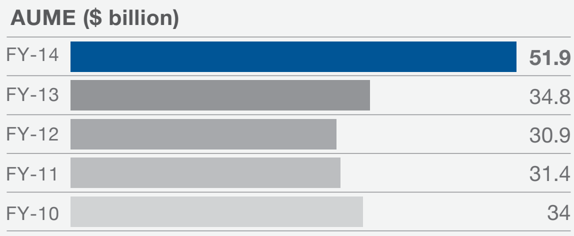
Key Performance Indicators

The Board and Executive Committee use a number of key performance indicators (KPIs) to monitor the performance of the Group. A history of these KPIs is shown below:

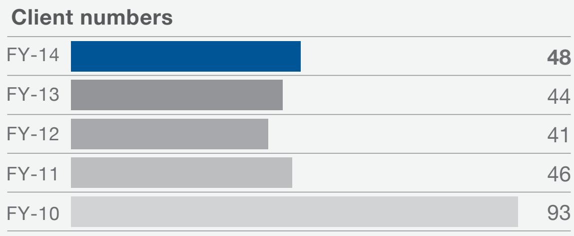
Indicator:	
AUME	We aim to grow AUME by building long-term relationships with clients and innovating new products resulting in net inflows to AUME
Client numbers	Client numbers represents the number of separate legal entities that have invested in a Record fund or appointed Record directly as an investment manager
Average management fee rates	The Group aims to provide a premium level of service and expertise in exchange for a fair level of remuneration
Underlying operating margin	The Group aims to increase operating profit margin through firm cost control whilst building profitable revenue streams
Basic earnings per share (EPS)	The Group's objective is to create shareholder value over the long term, reflected in consistent growth in EPS

How we performed this year: | **Performance History:**

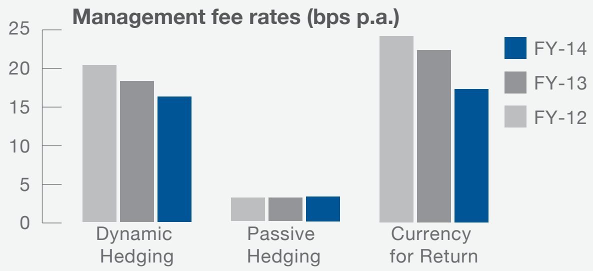
- Net AUME inflows for the year were $14.1bn and AUME ended the year at $51.9bn, the highest closing level of AUME for six years



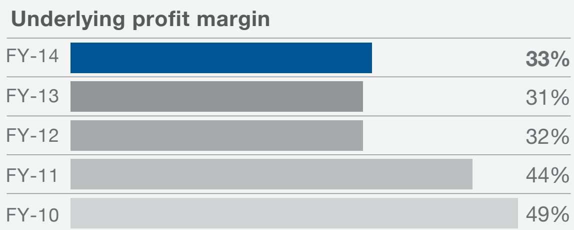
- Client numbers at the end of the year stood at 48, the highest for four years



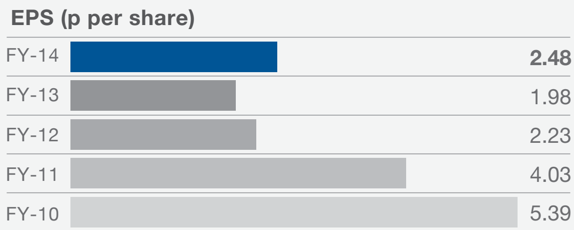
- Fees for Dynamic Hedging were reduced during the year to align existing clients' fees with those being proposed to potential new clients. Fee rates on other products were broadly maintained



- Underlying profit margin increased from 31% to 33%



- EPS increased by 25% due to growth in revenue and firm cost control during the year



The Group, founded over 30 years ago, has a leading position in managing currency for institutional clients.

Strategic goals

We are a specialist currency manager. Our goals are to meet client demand for robust and innovative currency solutions and, in doing so, to create shareholder value for our investors over the long term.

Over the 30 years since being established, the Group's business model has focussed fundamentally on the individual requirements of each of our clients. Consequently, the Group operates Hedging mandates and unfunded Currency for Return mandates as bespoke, segregated mandates, managing each client's unique characteristics through operational systems built robustly and efficiently to manage exposures and to minimise operational risk. These strong operational capabilities are supplemented by a team of highly experienced personnel within the investment, client services and support teams.

By building trusted advisor relationships with each client, we can fully understand their currency-related issues and implement robust and innovative solutions.

Clients
Deep understanding of clients

Products	Infrastructure	People
See What we do p12	See Our infrastructure p15	See Our people p15
Currency specialist	**Risk management**	**Governance culture**
See Our market p11	See Our risk management p25	See Our Corporate governance report p36

The Group has long and appealing track records for its Dynamic and Passive Hedging products and has established itself both in the eyes of clients and their investment consultants as a respected specialist in this sector. The Group also has a long track record in managing currency for return products.

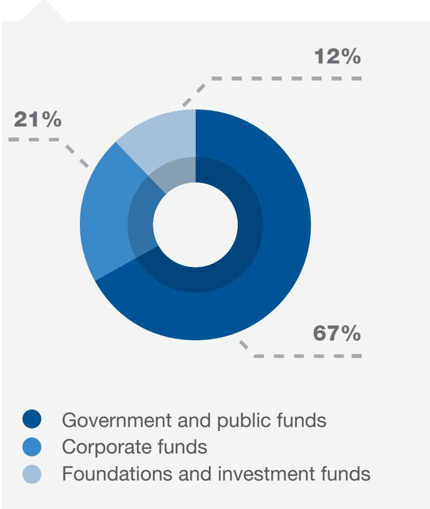
Our clients

Client relationships are the keystone to our success. Only by building strong, long-term "trusted advisor" relationships with our clients can we fully understand their currency issues and develop effective solutions for their currency requirements.

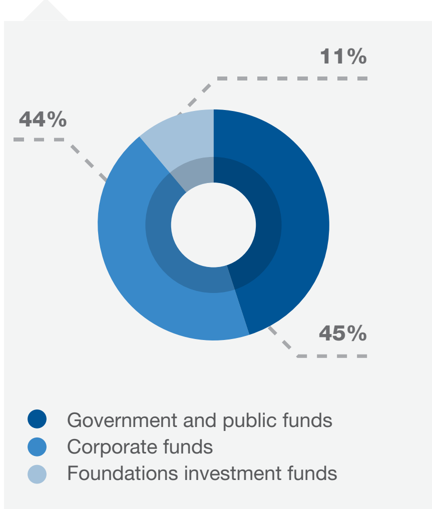
We provide currency hedging and return-seeking mandates to institutional clients including public defined benefit (DB) pension schemes, corporate DB pension schemes, corporations, foundations and trusts as well as private wealth funds.

During the year the growth in AUME has been principally from new mandates from corporate DB pension schemes.

AUME by client type
31 March 2013



AUME by client type
31 March 2014

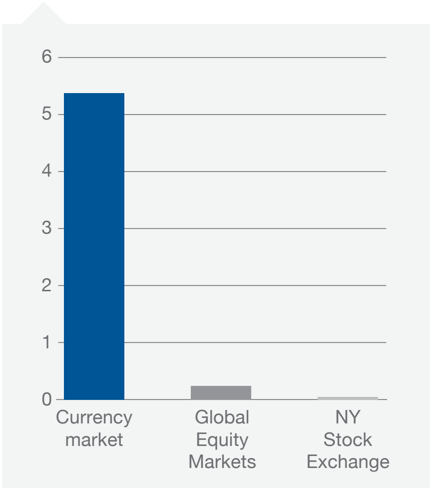


Our market

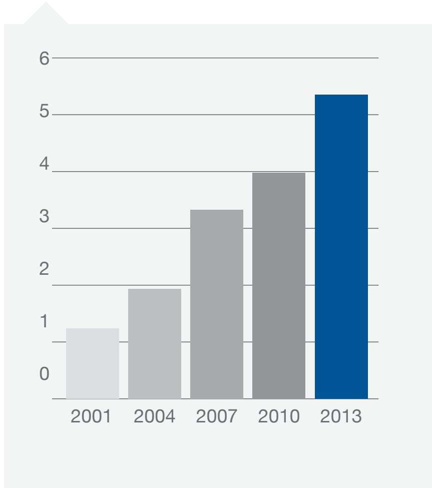
The currency market represents the biggest and most liquid market available with exceptionally low transactions costs and daily FX volumes of $5.3 trillion per day. The FX market is essential to global trade and finance and includes a high proportion of not for profit or forced players, resulting in 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 are best exploited by quantitative, systematic processes.

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

Daily trading volume 2014[1]
$ trillions



Average total daily volume April[2]
$ trillions

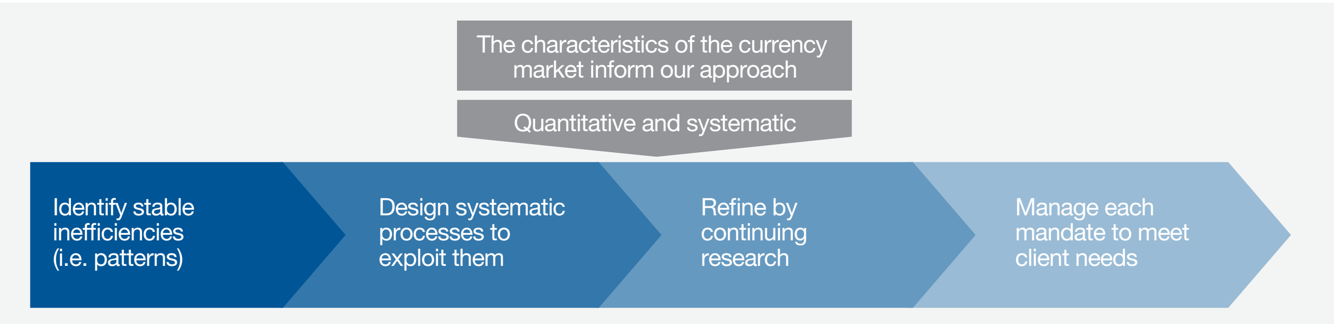


1 Source: Record, BIS Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity (September 2013), Bloomberg, WFE, NYSE.
2 Source: BIS: Triennial Central Bank Survey – 'Foreign exchange turnover in April 2013: preliminary global results', September 2013.

What we do

We have a fundamental understanding of how currency markets operate. Our approach is to listen to clients and to understand their currency issues in order to advise them on the best solution. Clients invested in international assets are exposed inherently to the risk of currency rate fluctuations, which can be managed using currency hedging.

Alternatively, clients may be interested in both risk reduction and value-added opportunities, which can be offered through a mix of hedging and currency for return strategies. Investing in currency strategies has the advantage of offering diversification of returns compared to more standardised asset classes.

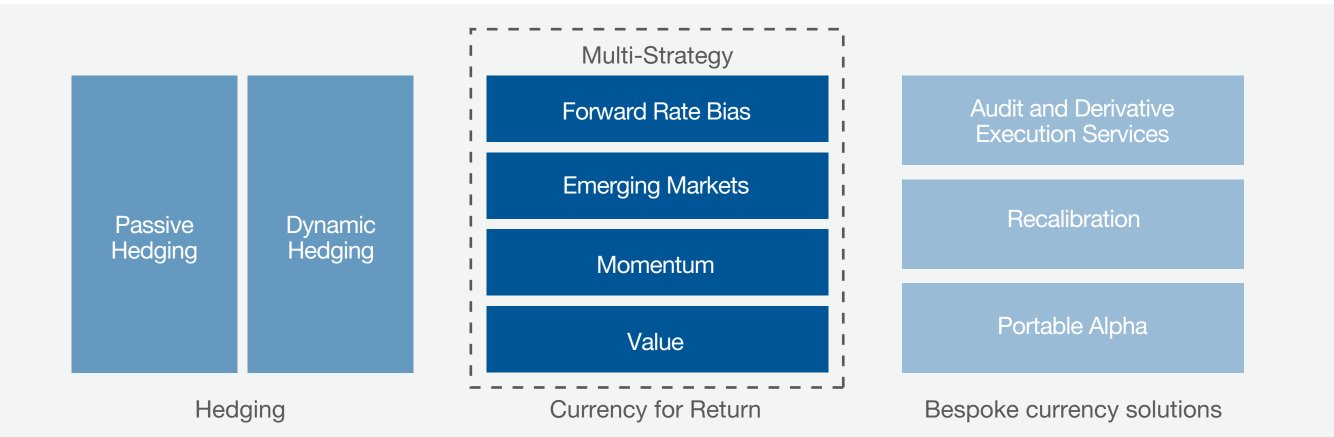


Our products and services

The Group's suite of core products is split into two main categories: Currency Hedging (based on risk reduction) and Currency for Return products. We are also able to offer bespoke solutions tailored to individual client requirements.

Currency Hedging mandates are primarily risk-reducing in nature. The suite of Hedging products comprises Passive Hedging and Dynamic Hedging.

Currency for Return mandates are return-seeking in nature. The range includes five Currency for Return strategies being Active FRB, FRB Index, Emerging Market, Momentum and Value and these strategies can be offered in either a segregated or pooled fund structure. Additionally, Record is able to offer combinations of these strategies under a multi-strategy approach that seeks to vary the allocation to these strategies either on a fixed basis or according to market conditions.



Currency Hedging:
AUME $49.2 billion

Our hedging products are predominantly systematic in nature. Record has the experience and expertise to deliver tailored hedging programmes to suit the currency needs of our clients. The effectiveness of each of the client mandates is assessed regularly and adjustments are made when necessary in order to respond to changing market conditions. Work continues in evolving and differentiating our hedging products through enhancements to the product offerings. In a competitive market place, this is seen as becoming increasingly important to maintain our premium product status and to grow market share further.

Passive Hedging:
AUME $37.9 billion

These mandates have the reduction of exposure to currency risk as their sole objective. They require execution and operational expertise rather than investment judgement or skill. In addition to this expertise, our experience in managing bank counterparty exposure on behalf of clients, in offering independent trading relationships, in managing the inherent operational risk and our continued innovation with respect to the instruments and strategies we are able to offer are all factors contributing to the continued growth of this product.

Dynamic Hedging: AUME $11.3 billion

Record's Dynamic Hedging product is an attractive alternative to Passive Hedging since these mandates have the reduction of exposure to currency risk as their principal objective and generating value as a secondary objective. The Dynamic Hedging product seeks to allow our clients to benefit from foreign currency strength while protecting them from foreign currency weakness relative to their own base currency. Value is generated entirely through the asymmetric reduction of pre-existing currency risk. Dynamic Hedging's ability to outperform Passive Hedging is dependent on trending in currency markets.

Currency for Return: AUME $2.4 billion

Our Currency for Return strategies have the generation of investment return as their principal objective.

Record's longer-established return-seeking strategies, the forward rate bias (FRB) and emerging market currency strategies, are founded on market risk premia and as such perform more strongly in "risk on" environments. By contrast, value and momentum strategies are founded on market inefficiencies which are more behavioural in nature. As such they are less risk-sensitive, with value strategy returns relatively insensitive to risk sentiment and momentum strategy returns potentially inversely correlated to risk sentiment. It is this diversification of response to risk sentiment that makes the multi-strategy approach an attractive alternative for generating a return from currency for potential clients. Furthermore, the multi-strategy approach can be used as a flexible "overlay" to help clients achieve a variety of investment objectives.

Active FRB

The core investment process, the Trend/FRB strategy aims to generate return by buying selected developed market higher interest rate currencies and selling selected lower interest rate currencies and managing these positions with a view to controlling downside risk.

FRB Index

One of Record's medium to long-term aims is to develop currency as an asset class in its own right. The "asset class project", which started in 2009, saw the launch of a currency index, the FTSE Currency FRB10 Index, in December 2010. Record launched a pooled fund, the Record Currency – FTSE FRB10 Index Fund, to track this FTSE index and invested £1 million in December 2010. The first significant external investment into this fund was received in the first quarter of 2014.

Emerging Market Currency

Emerging market currencies offer investors an opportunity either to seek to make a return from such currencies or to seek to separate the currency effect from the underlying overseas domestic asset performance (typically equities or bonds). Record believes that as a result of convergence in the levels of economic output between emerging and developed markets, emerging market currencies appreciate over time. This currency appreciation has historically been a significant contributor of returns to (developed market) holders of emerging market assets including equities and bonds.

Consequently we regard emerging market currency strategies as an attractive route through which to implement emerging market local currency debt strategies, offering substantially the same elements of return, with significant implementation benefits including cost, flexibility and security.

This convergence-driven return opportunity combined with the Forward Rate Bias from selection based on interest rate differentials and discretionary risk management, is expected to result in long-term positive performance of the strategy.

Currency Momentum

This strategy exploits the tendency of the spot rate to appreciate after a prior appreciation, and to depreciate after a previous depreciation. This market inefficiency has persisted across different currencies and it is present in other asset classes, such as equities. Currency is commonly thought of as trending and the momentum strategy seeks to make a return from this phenomenon.

Currency Value

Research suggests that purchasing power parity (PPP) valuation models have been relatively good predictors of the long-term direction of spot movements. For example, if a currency deviates too much from its equilibrium value (as indicated by PPP), then this deviation will be corrected. The more significant the deviation, the more pressure on the exchange rate to revert to equilibrium value and, consequently, the more rapid the reversion. Currency value strategies exploit this insight, buying currencies that are undervalued relative to PPP and selling currencies that appear overvalued.

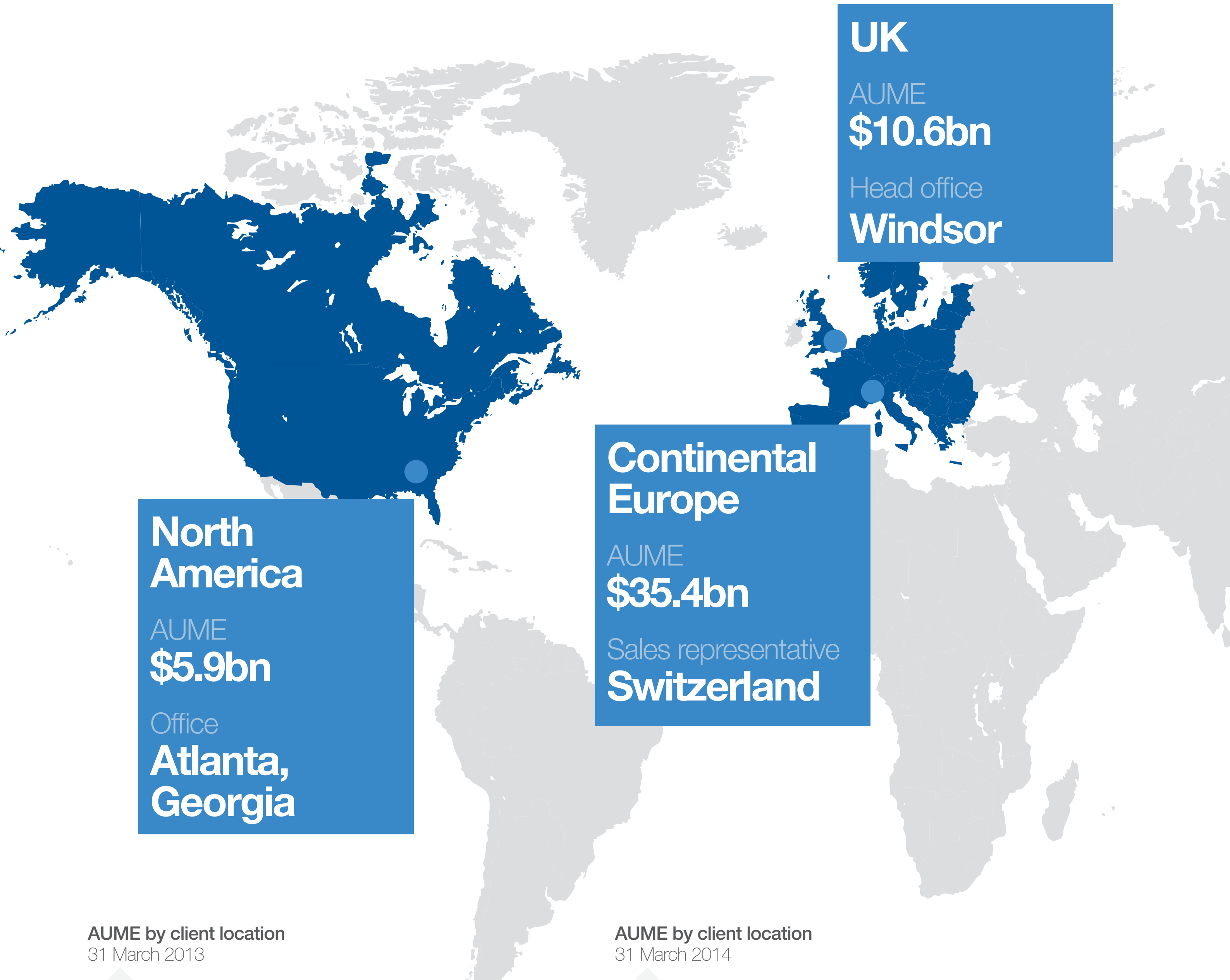
Multi-strategy

The multi-strategy approach can be applied as an "overlay" to help clients achieve a variety of investment objectives. Record has the ability to combine four currency return streams (forward rate bias, emerging markets, momentum and value) in different weightings that appeal to particular market segments.

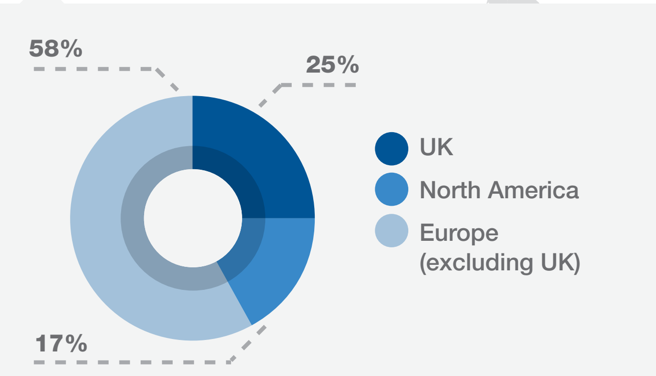
Further information on product investment performance is given in the Operating Review section (Page 18).

Where we operate

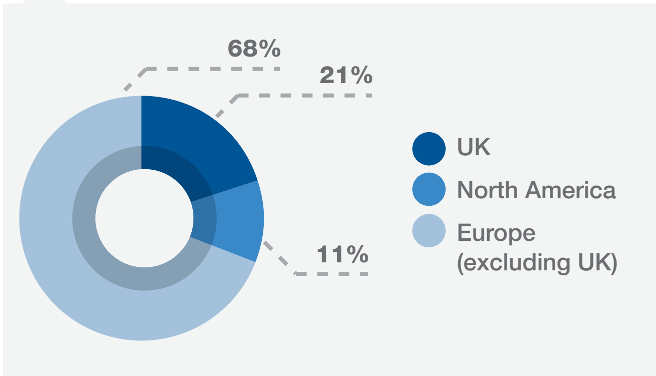
The Group's main geographical markets are the UK, North America and Continental Europe, in particular Switzerland, as determined by the location of clients to whom services are provided.



AUME by client location
31 March 2013



AUME by client location
31 March 2014



Where we operate

The Group's Head Office is in Windsor, UK from where all of its operations are performed and controlled. The Group also has a US office, including a sales executive and one research analyst, based in Atlanta, Georgia and a sales representative based in Switzerland. In addition to these main markets, we continue to explore new geographical markets which we believe may offer attractive opportunities.

Regions

Our clients are located in:

- UK
- Switzerland
- US
- Canada
- Germany
- Netherlands
- Belgium

Distribution

The Group's sales and marketing activities are organised to ensure that resources are deployed where opportunities have been identified as giving the most likelihood of future success. To this end, the dedicated sales and marketing team are based in the UK headquarters but available to provide comprehensive sales and technical support to the sales executive based in the US as well as to the representative in Switzerland.

We distribute through both direct sales to institutional clients, and through local and global investment consultants. Similarly to the relationships we seek to build with clients, building long-term relationships with investment consultants and maintaining communication with them about our products and services is important to our continued success and our ability to deliver quality services to our clients. By working closely with both clients and investment consultants we can identify new business opportunities as the currency landscape continues to change and evolve.

Our products are delivered both through segregated mandates and pooled fund structures to suit individual client requirements.

Our people

Record's success depends on its ability to attract, retain and motivate highly talented staff.

Recruitment

The recruitment process is carefully structured to ensure that people with the right talent and experience are recruited into the Group. This continues with a comprehensive induction programme for all new joiners to allow them to adapt to the specialist environment within Record.

The Group has continued to recruit very selectively throughout the year in order to maintain a flexible, scalable platform for future growth. The number of employees in the Group remained broadly stable during the year, and headcount at 31 March 2014 was 65 (2013: 64).

Staff retention and motivation

An effective performance review and objective setting process, personal development planning including the development of career paths, together with our open and involving office culture, are all key priorities in the development and retention of our staff. In addition, the Group Share Scheme, the Group Profit Share Scheme and the Group Share Incentive Plan (SIP) promote the acquisition of equity in the Company by staff, improving motivation and retention, as well as aligning employees' interests with those of our clients and shareholders. At 31 March 2014, the proportion of employee shareholders stood at 72% (2013: 76%).

Our infrastructure

The Group's operational infrastructure is built around how we service our clients and ensures a collaborative approach. Superior relationship management is core to our client proposition and we achieve this on various levels by assigning a dedicated and experienced relationship manager to oversee each client portfolio. Also, direct communication between our operational and administrative specialists with each client's own internal functions is encouraged (for example on rebalancing or reporting issues), building on the general level of interaction with the client and underpinning the overall "trusted advisor" relationship. This high level of communication on multiple levels ensures all aspects of the currency issues facing our clients are fully considered and understood in terms of solutions.

With the exception of the research analyst based in our US office, all of the Group's investment function, comprising portfolio implementation, trading and research are based at the Head Office in Windsor, UK.

Operational and support functions are also based centrally at Head Office in the UK and provide services to the Group as a whole. Information Technology incorporates our new middle and back office system, which was fully implemented in the previous financial year, and has been upgraded during this year. Since implementation, the system has enabled us to manage a wider variety of instruments and to be in a position to deploy enhancements to products and processes, ultimately leading to an improved level of service to clients and a more cost-effective, scalable operating platform.

The most prevalent market factor affecting the Group's investment performance over the twelve months to 31 March 2014 has been increasingly divergent behaviour amongst central banks.

This divergence is in contrast to the high degree of policy convergence, in particular amongst the central banks of Japan, the United States, the Eurozone, the United Kingdom and Switzerland (henceforth referred to as the "G5"), that had been largely observed since 2009 as a uniform policy response to the banking crisis and subsequent recessions.

As well as commenting on this divergence and its impact on exchange rates and on Record's products, this section will also address the functioning of the FX market itself, which has come under new and frequently unwelcome scrutiny since the middle of 2013.

Central bank policy

Broadly since 2009, developed market central banks, in particular those of the G5 have pursued exceptionally loose monetary policy. This has consisted of a range of policies including close-to-zero policy interest rates, "forward guidance" on the anticipated path interest rates may take in the future, and further growth in the base money supply through asset purchases (known as "quantitative easing").

During the year to 31 March 2014, it has become evident that different central banks are now starting to pursue different policies with respect to stopping, slowing, continuing, increasing or indeed starting these unconventional monetary policy tactics, and furthermore that this difference in behaviour is being felt in currency markets.

At the outset of the financial year, currency markets were focussed on Japan, and in particular the 3-4 April 2013 meeting of the Bank of Japan's monetary policy committee under new Governor Haruhiko Kuroda. At this meeting Governor Kuroda surprised markets by announcing a "new phase of monetary easing", intended to target a 2% inflation rate through aggressively increasing asset purchases, and in effect targeting a doubling of the monetary base by the end of 2014. This firmly pinned the Bank of Japan's colours to the "more easing" mast. Predictably the Japanese Yen continued its depreciation course that had started in September 2012.

By contrast, on 22 May 2013, Chairman Ben Bernanke mooted slowing the $85 billion per month rate of asset purchases then being pursued by the US Federal Reserve, immediately adding "tapering" to the financial lexicon. This rapidly gave rise to speculation that the Federal Reserve would start to slow asset purchases from the September 2013 meeting of its Open Market Committee, and that interest rate tightening would follow thereafter. Policy divergence had therefore opened up, most clearly between the US and Japan.

This perception of tightening from the Federal Reserve had the predictable effect of supporting the US Dollar throughout the summer, in particular against emerging market currencies with sizeable current account deficits whose economies were seen as vulnerable to a tightening rate cycle. When in September 2013 the Federal Reserve elected not to start tapering, choosing instead to "await more evidence that progress will be sustained", markets were surprised, but the December 2013 decision to reduce asset purchases by $10 billion re-affirmed prior expectations. The Federal Reserve has continued to reduce further the rate of asset purchases at subsequent meetings, illustrating that whilst interest rates continue to be exceptionally low and the monetary base continues to expand, the direction of travel for the Federal Reserve continues towards tightening rather than easing.

The European Central Bank and the Bank of England have also moved towards monetary policy being dictated by domestic policy objectives, rather than a common global policy imperative. The European Central Bank had steadfastly resisted the most unconventional forms of monetary policy such as quantitative easing, cleaving instead to more orthodox policies. President Mario Draghi's July 2012 commitment "to do whatever it takes to preserve the Euro" continued to serve its reassuring function throughout much of this financial year, although towards the end of the financial year and subsequently speculation has grown that the risk of deflation in the Eurozone is sufficiently high for asset purchases or more traditional forms of easing (such as negative deposit rates) to return to the agenda. The European Central Bank is therefore more likely on an easing rather than tightening path.

In the United Kingdom, incoming Bank of England Governor Mark Carney sought initially to rely on forward guidance, by establishing in August 2013 a firm link between the unemployment rate and interest rates increases. This link did not survive a faster-than-expected fall in unemployment, with forward guidance amended in February 2014 to a more judgemental and therefore discretionary determination of interest rates. While rates continue to be exceptionally low, and the Bank of England has preserved its discretion in when rates will be increased, the direction of travel appears to be in favour of tightening, with perhaps greater risk that this will take place sooner rather than later, particularly if concerns grow of a house price bubble.

To complete the G5, the Swiss National Bank has preserved its policy of capping the value of the Swiss Franc versus the Euro, thereby limiting the scope for monetary policy divergence compared to that of the Eurozone. In summary therefore, Japan continues firmly in the easing camp, the Eurozone and Switzerland more biased towards looser monetary policy, and the United States and the United Kingdom more clearly on a path towards tightening.

In general rising interest rates and interest rate expectations for one currency are positive for the performance of that currency. The effects of interest rate and rate expectations on Record's currency management services are complex, but some conclusions can be drawn.

With respect to the hedging services that now comprise the large majority of Record's AUME, the long-established arguments in favour of hedging currency risk are in theory neutral to the interest rate outlook and indeed short-term currency performance, as the objective of hedging is principally to reduce the volatility contributed by long-term unrewarded currency risk. Nonetheless experience has shown that the expectation of a strengthening base currency, and hence the risk of losses caused by depreciating exposure currencies, can be a powerful catalyst to encourage investors to consider hedging.

The expectation of a strengthening US Dollar, fuelled by the prospect of interest rate tightening, and combined with international asset allocations that have grown significantly in recent years, is believed to account for much of the growth in interest in hedging that Record saw, starting from the summer of 2013. Since the start of 2014, the absence of pronounced US Dollar appreciation, attributable in part to a more nuanced expectation of US interest rate tightening, has caused some of this interest to diminish, although this could return quickly with US Dollar strength. It remains the case that many US investors have greater exposure now to foreign currencies than has been the case historically, and this supports greater interest in currency management strategies.

With respect to return-seeking currency strategies, the most obvious beneficiary of monetary policy divergence, and hence anticipated interest rate divergence, are the forward rate bias or "carry trade" strategies. These strategies tend to perform well both in anticipation of interest rate divergence, as this is reflected in currency spot price movements, as well as in established divergent environments with larger interest rate differentials to harvest. This more supportive environment is believed to account for the nascent although growing interest that Record has seen in forward rate bias strategies in the latter part of 2013 and early part of 2014.

Emerging market currency strategies have suffered to some extent, in particular from the expectation of US interest rate tightening and a slowdown in their own GDP growth. This does not though diminish the long-term case predicated on the convergence in productivity between emerging and developed economies, and many emerging market economies continue to offer attractive interest rate premiums, now at multi-year highs. The long-term investment case for emerging market currency strategies therefore continues to be strong.

Momentum and value strategies are less evidently directly affected by developed market interest rates. As a generalisation, reduced participation by central banks in capital markets should allow these strategies better to assert themselves in the market circumstances to which they are best suited, although changing market expectations can prove costly to momentum strategies in particular.

The FX market

Since the middle of 2013, the FX market has attracted new and in some cases undesired attention. Much of this attention has focussed on FX benchmark or "fix" rates, which are now the subject of multiple regulatory investigations around the world. To be clear, Record has no connection with any of these investigations.

By way of background, benchmark rates, amongst which the best known are WM/Reuters rates, were established for valuation and reporting, including importantly in indices, and not originally for outright trading. These rates are calculated based on actual trades in a one minute window. Banks now offer a facility to clients to commit in advance to transacting at WM/Reuters spot rates. This extension of an after-the-fact benchmark rate, to a rate at which a bank will commit in advance, is a fundamental change in the benchmark's purpose.

As a specialist currency manager, Record has an obligation to achieve best execution for its clients and has no bias towards using WM/Reuters rates, only doing so if it better suits our client's objective. This is only a small minority of our trading activity, on average less than 5%.

Overall it should be emphasised that the FX market serves its users tremendously well, as a continuous round-the-clock market offering deep liquidity in a wide range of currency pairs, including for very large transactions, and at exceptionally low costs.

Experience, Integrity and Client relationships

Product investment performance

Our hedging products are predominantly systematic in nature. The effectiveness of each of the client mandates 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.

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 last year, mandates for our US and UK-based Dynamic Hedging clients performed as expected in terms of allowing clients to benefit from periods of strengthening foreign currencies, whilst being protected against periods of weakening foreign currencies.

UK investors saw losses from currency over the year as Sterling strengthened, leading to lower base valuations for foreign currency investments. UK-based Dynamic Hedging programmes systematically increased hedge ratios over the year in response to Sterling strength; this resulted in positive returns from hedging, in turn helping to offset losses from foreign currency exposure.

Conversely, US investors saw gains from currency on international exposures when valuing positions in US Dollars, as foreign currencies strengthened against the US Dollar. Record's Dynamic Hedging product reduced hedge ratios over the year in response to this US Dollar weakness. As a result, the negative returns from hedging were controlled, allowing gains from foreign currency exposure to be largely preserved.

Record had a number of "live" Currency for Return products in the year. The Active Forward Rate Bias (FRB), and Emerging Market products are active and return seeking in nature, though exploit different market phenomena. The other return seeking products are more passive in nature: the Record Currency – FTSE FRB10 Index Fund, a strategy that tracks the FTSE Currency FRB10 index, and the Momentum and Value strategies. Active FRB, Emerging Market, Momentum and Value also comprise a version of the Currency Multi-Strategy product.

For the Active FRB product, the core investment process – the Trend/Forward Rate Bias strategy – aims to buy selected developed market higher interest rate currencies and sell selected lower interest rate currencies and to manage these positions with a view to controlling downside risk.

Experience

"The FX market is the biggest and most liquid market available. Record has over 30 years of experience in navigating this market and, utilising multiple tools and trade venues, ensuring that best execution is achieved for each client."

Jim Rockall
Head of Trading

Integrity

"Core values of integrity and accountability are embedded throughout the systems and processes, underpinning the strong governance structure and risk-management framework of the Group."

Joel Sleigh
Chief Operating Officer

Client relationships

"There is a genuine desire held throughout the firm to foster deep relationships with our clients in order that we may continue to offer the best possible currency solutions for them and that they may continue to have conviction in us as trusted and knowledgeable advisors in all matters related to currency."

Zahira Habib-Dewji
Senior Client Services Analyst

Product investment performance continued

Historically this investment approach has shown positive returns due to the existence of the Forward Rate Bias and trending movements in selected currency pairs. The year saw negative returns as relatively low interest rate currencies, notably the Swiss Franc and Euro, strengthened, while higher interest rate currencies such as the Australian Dollar were relatively weak. A complementary investment process – the Range Trading strategy – generated a positive return as selected currency pairs tended to mean revert, partially offsetting the underperformance of the Trend/Forward Rate Bias strategy.

Similarly, the Forward Rate Bias Index product produced negative returns as low interest rate currencies appreciated. Record remains committed to our belief that over time currency and in particular the FRB can be a persistent and uncorrelated source of returns for investors, and that the FRB will continue to generate long-term returns.

Record's Emerging Market Currency Fund generated negative returns over the period as emerging market currencies depreciated against a basket of developed market currencies. Concerns over US tapering and possible interest rate rises led to a selloff in emerging market bonds, which impacted demand for EM currencies. The strengthening of the Euro and Sterling over the course of the year also had an adverse effect on the strategy's performance.

Record's only live Multi-Strategy mandate, a combination of Forward Rate Bias, Emerging Market, Momentum and Value strategies, delivered modest positive performance over the period. Gains were led by returns in the Value and Momentum strategies, although these were partially offset by negative returns from the Emerging Markets strand and, to a lesser extent, the FRB strand.

Returns data for Currency for Return strategies
Year to 31 March 2014

Fund name	Gearing	Annual return %	Return since inception % p.a.	Volatility since inception % p.a
FTSE FRB 10 Index Fund[1]	1.8	-3.94	3.33	7.68
Emerging Market Currency Fund[2]	1	-2.95	0.53	7.37
Index/composite returns[3]				
Alpha composite[4]		-1.04	0.18	2.67
FTSE Currency FRB10 GBP Excess return[5]		-2.34	2.58	4.69
Currency Value[6]		3.74	1.99	2.77
Currency Momentum[7]		2.81	3.17	3.38
Record Multi-Strategy[8]		0.29	2.29	2.00

1 FTSE FRB10 Index Fund return data is since inception in December 2010, GBP base.
2 Emerging Market Currency Fund return data is since inception in December 2010, GBP base.
3 All index/composite returns are shown on a gearing 1 basis.
4 Alpha Composite data is since January 2003, USD base.
5 FTSE Currency FRB10 GBP Excess return data is since December 1987, GBP base.
6 Currency Value return data is since inception in July 2012, CAD base.
7 Currency Momentum return data is since inception in July 2012, CAD base.
8 Record Multi-Strategy return data is since inception in July 2012, CAD base.

Gearing

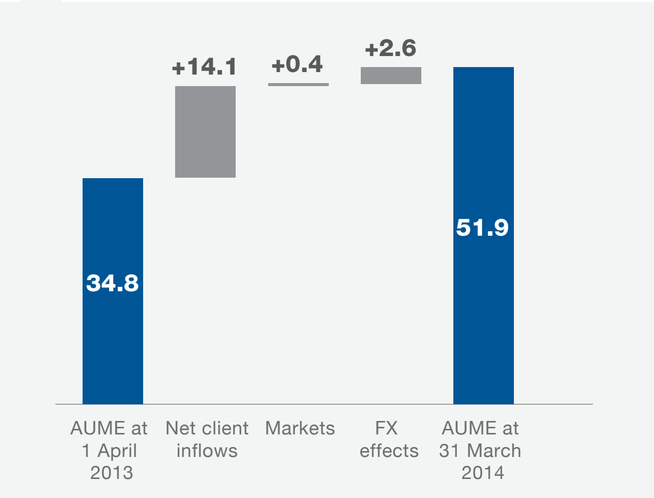
The Currency for Return product group allows clients to pick the level of exposure they desire in their currency programmes. The pooled funds have historically offered clients a range of gearing and target volatility levels. The segregated mandates allow clients to individually pick the level of gearing.

It should be emphasised that in this case "gearing" refers to the multiple of the maximum size of the aggregate forward contracts in the currency programme, to the pooled fund's net assets or the segregated mandate size. This is limited by the willingness of counterparty banks to take exposure to the pooled fund or segregated client. Gearing in this context does not involve borrowing.

AUME development

The Group has seen an aggregate increase in AUME of $17.1bn (+49%) to finish the year at AUME of $51.9bn compared with $34.8bn at the end of the previous year.

AUME development bridge
Year to 31 March 2014 ($bn)



AUME movements result both from factors within Record's control and external factors outside its control. External factors include exchange rates and the underlying asset value (usually equities) on which many segregated mandates are based. External factors accounted for a net increase of $3.0bn in AUME during the year, made up of:

(i) an increase of $0.4bn related to movements in global stock and other markets as many mandate sizes are linked to such markets;

(ii) an increase of $2.6bn due to changes in exchange rates over the period, which affects the conversion of non-US Dollar mandate sizes into US Dollar AUME. This movement does not have an equivalent impact on the Sterling value of fee income.

The Group has seen net inflows of $14.1bn from clients. Inflows from both new and existing clients totalled $18.4bn, and were offset by outflows of $4.3bn.

When expressed in Sterling, AUME increased by £8.2bn (+36%) to finish the year at £31.1bn (2013: £22.9bn). The split of AUME at the year end by base currency was 19% in Sterling, 60% in Swiss Francs, 15% in US Dollars, 5% in Euros and 1% in Canadian Dollars.

Dynamic Hedging AUME increased by 3% to $11.3bn (2013: $11.0bn), due to the combination of net inflows of $0.3bn, and growth in both the value of the underlying assets of $0.5bn plus the impact of movements in exchange rates of $0.5bn. These latter two movements were offset by the reclassification of a bespoke hybrid hedging and return-seeking mandate of $1bn from Dynamic Hedging to Currency for Return during the year.

Since the year end, the Group has announced the loss of a Dynamic Hedging programme with AUME totalling approximately $0.6 billion.

Passive Hedging AUME increased to $37.9bn, a 71% increase in the year (2013: +17%), principally due to the combination of two factors: net inflows of $13.7bn, in addition to movements in exchange rates of $2.1bn.

Record's Currency for Return AUME was reported at $2.4bn (2013: $1.6bn) due principally to the mid-year reclassification of a bespoke hybrid hedging and return-seeking mandate, resulting in a reclassification of $1bn from Dynamic Hedging to Currency for Return. Included in the Currency for Return mandates are a small number of mandates for emerging market currencies totalling $0.8bn (2013: $0.8bn) and a single multi-strategy mandate of $0.3bn.

Product mix

Whilst there were gains in AUME in all of Record's core products, the largest gains were made in Passive Hedging which has had a notable effect on product mix. As a result, Passive Hedging now represents 73% (2013: 63%) of total AUME and Dynamic Hedging 22% (2013: 32%).

The consequence of this shift in the Hedging products is that together Currency for Return and Dynamic Hedging represented 27% of AUME (2013: 37%) being higher margin products compared to Passive Hedging now representing almost three quarters (73%) of total AUME.

At 31 March 2014 Record had 48 clients compared to 44 clients at the end of the prior year, a net gain of 4 clients over the year.

AUME composition by product

	31 Mar 14		31 Mar 13	
	$bn	%	$bn	%
Dynamic Hedging	**11.3**	**22**	11.0	32
Passive Hedging	**37.9**	**73**	22.1	63
Currency for Return	**2.4**	**5**	1.6	5
Cash	**0.3**	**–**	0.1	–
Total	**51.9**	**100**	34.8	100

AUME composition by product and base currency

	Dynamic Hedging		Passive Hedging		Currency for Return	
Base Currency	31 Mar 14	31 Mar 13	31 Mar 14	31 Mar 13	31 Mar 14	31 Mar 13
Sterling	**GBP 2.3bn**	GBP 1.8bn	**GBP 3.6bn**	GBP 3.6bn	**–**	–
US Dollar	**USD 5.9bn**	USD 6.5bn	**USD 0.2bn**	USD 0.1bn	**USD 1.5bn**	USD 0.6bn
Swiss Franc	**CHF 1.4bn**	CHF 1.4bn	**CHF 25.7bn**	CHF 14.1bn	**CHF 0.6bn**	CHF 1.5bn
Euro	**–**	–	**EUR 1.9bn**	EUR 1.4bn	**–**	–
Canadian Dollar	**–**	–	**–**	–	**CAD 0.3bn**	CAD 0.3bn

Infrastructure development

The Group has continued the development of its IT infrastructure during the year with implementation of a system upgrade to its key middle and back office system. This system, originally implemented in full during the previous financial year, is proving to be both flexible and robust. Greater flexibility in terms of the ability to employ new instruments and manage more bespoke products enhances our overall product offering to clients. The system also enhances our capability in ensuring adherence to new regulatory reporting requirements for both the Group and on behalf of our clients.

Financial review

Group revenue for the financial year was £19.9m, an increase of 7% year on year.

Steve Cullen
Chief Financial Officer

Financial review

The increase in revenue reflects the growth in management fees of 12% from £18.1m to £20.3m offset partly by losses on financial instruments employed by the seed funds and consolidated under IFRS.

The overall growth in management fees reflects both a full year's revenue from increases in client numbers and AUME reported last year, bolstered by part year effects of further mandate wins and AUME during this year. The shift in product mix towards the lower-margin Passive Hedging product continued during the year and average fee rates were further reduced by the amendment announced to Dynamic Hedging fee rates offered mid-year to both potential and existing clients.

Total expenditure increased by 8% to £13.4m. The increase was due to an increase of £0.5m in the Group Profit Share cost which is determined by operating profit, and increases in non-personnel costs of £0.5m.

Profit before tax increased by 7% to £6.5m.

Profit and Loss (£m)

	2014	2013
Revenue	**19.9**	18.6
Cost of sales	(0.1)	(0.3)
Gross profit	**19.8**	18.3
Personnel (excluding Group Profit Share Scheme)	(6.1)	(6.0)
Non-personnel cost	(4.4)	(3.9)
Loss on financial instruments held as part of disposal group	–	(0.1)
Total expenditure (excl. Group Profit Share Scheme)	(10.5)	(10.0)
Group Profit Share Scheme	(2.9)	(2.4)
Operating profit	**6.4**	5.9
%	**32%**	32%
Net interest received	**0.1**	0.2
Profit before tax	**6.5**	6.1
Tax	**(1.5)**	(1.5)
Profit after tax	**5.0**	4.6

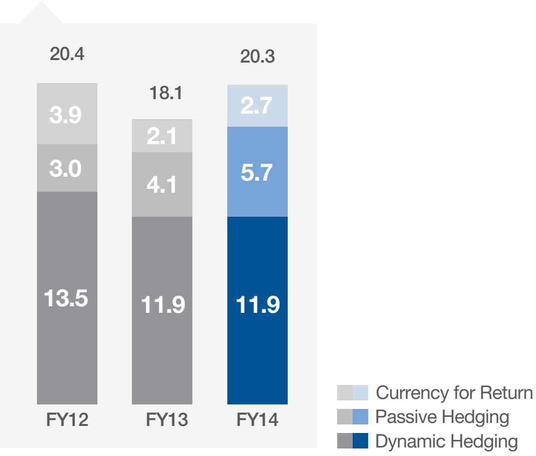
Revenue

Record's revenue is principally management fees earned from the provision of currency management services.

Revenue analysis (£m)

	2014	2013
Management fees	**20.3**	18.1
Other income	**(0.4)**	0.5
Total	**19.9**	18.6

Management fees by product (£m)



Record charges fees to its clients based upon the AUME of the product provided. Both Passive and Dynamic Hedging typically have management fee only arrangements, although some Dynamic Hedging programmes have a performance fee element. Record has historically offered both management fee only, and management fee plus performance fee structures on Currency for Return mandates. Higher performance fee rates usually accompany lower management fee rates and vice versa.

Management fees and performance fees are normally invoiced on a quarterly basis, although Record invoices management fees for some of its larger clients on a monthly basis.

Management fees

Management fee income earned during the year was £20.3m, an increase of 12% on the previous period (2013: £18.1m). Management fees from Passive Hedging grew to £5.7m for the year representing 28% of total fees. Dynamic Hedging fees are unchanged year on year at £11.9m, as additional revenues from new clients have been offset by fee reductions given in the period. Management fees earned from our Currency for Return products increased, primarily from increased participation from existing clients.

Management fees by product (£m)

	2014	2013
Dynamic Hedging	**11.9**	11.9
Passive Hedging	**5.7**	4.1
Currency for Return	**2.7**	2.1
Total	**20.3**	18.1

During the year ended 31 March 2014, there has been an increase in new business enquiries and procurement processes, which has been accompanied by an increase in competitive activity. In order for the Group's Dynamic Hedging product to remain competitive for both new and existing clients, the decision was taken to decrease the fee rates on the Dynamic Hedging product during the year. The resulting reduction in margins on this product is intended to be more than compensated for by growth in volume in the longer term.

Passive Hedging fee rates have remained steady through the period whilst Currency for Return rates have fallen slightly reflecting a change in mix of strategies employed as opposed to a change in actual fee rates for this product.

Average management fee rates by product – (bps)

	2014	2013
Dynamic Hedging	**16**	18
Passive Hedging	**3**	3
Currency for Return	**17**	22

Performance fees

Historically, performance fees have been earned from some Currency for Return and Dynamic Hedging mandates.
There are two active mandates that incorporate a performance fee component which are both Dynamic Hedging mandates. There was no performance fee earned in the year (2013: £nil).

Other income

Other income is principally from gains made on forward foreign exchange contracts employed by the funds seeded by the Group. It also includes gains/losses on hedging revenues denominated in currencies other than Sterling, and other foreign exchange gains/losses.

Expenditure

Operating expenditure

The total operating expenditure of the Group was £13.4m, an increase of £1.0m (8%) during the year ended 31 March 2014. Non-personnel costs increased by £0.5m to £4.4m, as a result of costs linked to senior recruitment, training, consultancy and a full year of amortisation of our recently developed mid- and back-office system. Personnel costs rose marginally by £0.1m, to £6.1m.

Group Profit Share Scheme

The Group operates a Group Profit Share Scheme such that a long-term average of 30% of operating profit before Group Profit Share (GPS) is made available to be awarded to employees. The Remuneration Committee has agreed that for the year ended 31 March 2014, the Group Profit Share Scheme is 30% of pre-GPS operating profit. This represents £2.9m, an increase of £0.5m from the previous financial year. Directors and senior management in Record are required to take a proportion of this remuneration in the form of shares which are subject to lock-up arrangements under the scheme rules.

Under the scheme rules, the intention is to purchase these shares in the market following the announcement of interim and full year financial results.

Operating margin

The operating profit for the year ended 31 March 2014 of £6.4m was 8% higher than the operating profit for the previous financial year (2013: £5.9m). Consolidated operating margin remained at 32% year on year. Underlying[1] operating margin increased to 33% (2013: 31%), excluding the effect of consolidating the seed funds.

Cash flow

The Group's year end cash position was £11.5m (2013: £29.0m). The cash generated from operating activities before tax was £6.7m (2013: £7.2m), with £1.6m paid in taxation and £4.9m paid in dividends. The Group also seeded a new sub-fund under the Dublin-based Record Umbrella Fund structure with £1m of own cash. At the year end, the Group held money market instruments with maturities between 3 and 12 months, worth £15.5m (2013: £nil). These instruments are managed as cash by the group but are not classified as cash under IFRS rules (see the financial statements for more details).

Cash held by the Record Currency – FTSE FRB 10 Index Fund, which was previously included in the consolidated Group's cash balance was deconsolidated during the period as a result of the fund obtaining sufficient external investment such that the Group was no longer required to consolidate the fund on a line-by-line basis. The impact of this deconsolidation was an adjustment to cash of -£1.9m.

Dividends

Shareholders received an interim dividend of 0.75p per share paid on 20 December 2013. The Board recommends paying a final dividend of 0.75p per share, equivalent to £1.6m. This would take the overall dividend to 1.50p per share (dividend paid in respect of year ended 31 March 2013: 1.50p per share).

Subject to shareholder approval, the dividend will be paid on 30 July 2014 to shareholders on the register on 27 June 2014, the ex-dividend date being 25 June 2014. The dividend cover in the year was 1.7 (2013: 1.3).

Financial stability and capital management

The Group's financial position remains strong. Consolidated net assets stood at £32.9m (2013: £32.3m) at the end of the year represented predominantly by assets managed as cash of £27.0m (2013: £29.0m).

The Board's policy is to retain capital (being equivalent to shareholders' funds) within the business sufficient to meet continuing obligations to sustain future growth and to provide a buffer against adverse market conditions. To this end the Group maintains a financial model to assist it in forecasting future capital requirements over a four-year time horizon under various scenarios. Shareholders' funds were £29.2m at 31 March 2014 (2013: £28.6m). The Group has no debt.

Cautionary statement

This annual 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 annual report. Nothing in this annual report should be construed as a profit forecast.

1 The underlying results are those before consolidating the seed funds in full, and reflect the method of internal management reporting and the revenues and costs driving future cashflows of the business.

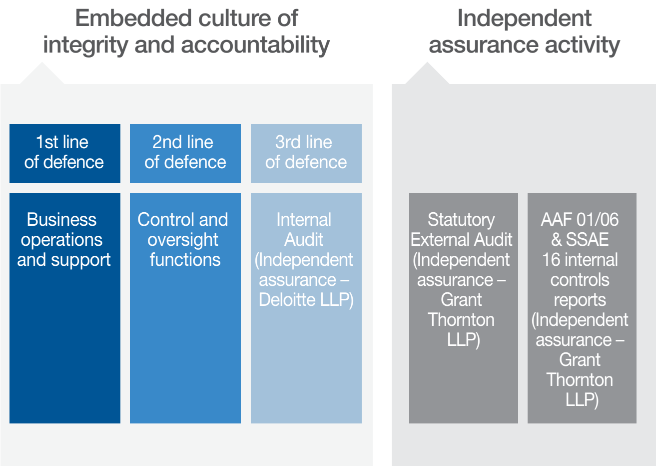
Risk management

The Board has ultimate responsibility for risk and the oversight of the risk management process within the business. Recognising that risk is inherent in all of the Group's business dealings, and in the markets and instruments in which the Group operates, it places a high priority on ensuring that there is a strong risk management culture embedded throughout the Group, and accountability at all levels within the business. Effective risk management and strong internal controls are integral to the Group's business model and are reflected in the risk management framework adopted within the business.

Lines of defence

The Record culture is one of integrity and accountability; core values that are embedded into the control environment surrounding all areas of the business.

The overall risk management framework is underpinned by the three lines of defence and is overseen by the Audit and Risk Committee (ARCom), as delegated by the Board.



Within this framework the first line of defence provides management assurance and rests with line managers within their specific departments, with senior managers responsible for the implementation and maintenance of higher-level controls to ensure adherence to quality standards and regulatory requirements. Functions such as Compliance and Risk, Legal, HR and Finance provide the second line of defence through the drafting, implementation and monitoring of policies and procedures to align with best practice, to ensure compliance and to provide assurance oversight for the Board and ARCom. The third line of defence is performed by Internal Audit which provides independent assurance on the adequacy and effectiveness of the Group's risk management, control and governance processes providing recommendations to improve the control environment.

External independent assurance for shareholders is gained through the annual external audit process run by Grant Thornton UK LLP, with the same firm appointed as reporting accountant for the Group's annual Audit and Assurance (AAF 01/06 and SSAE 16) reports on internal controls.

There are two types of assurance engagements associated with the AAF framework, specifically "reasonable" assurance engagements and "limited" assurance engagements. The Group undertakes the higher standard of "reasonable" assurance engagements.

Risk management framework

Oversight of the risk management framework is governed by various committees as delegated by the Board.

The Audit and Risk Committee provides oversight and independent challenge in relation to internal controls, risk management systems and procedures and external financial reporting.

The Executive Committee is the decision-making body for the day-to-day operation of the business and includes executive board members and other senior personnel.

The Board has delegated authority to the Investment Committee to approve changes to any of the Group's investment processes and to establish and maintain policies for these processes. The committee's membership includes Board members and senior personnel including the Chief Investment Officer, the Chairman, the Chief Executive Officer, the Head of Client Team, the Head of Portfolio Management and the Head of Economic Research and FX Strategy. Investment Committee approval is required prior to implementation of any new or amended investment process or product.

The Board has established a Risk Management Committee which is chaired by the Chief Operating Officer and has the Chief Financial Officer, the Head of Operations, the Head of Trading, the Head of Portfolio Management, the Head of Portfolio Implementation and the Head of Compliance and Risk as members. The Committee reviews existing and new risks, and the nature of any operational incidents with the objective of ensuring that adequate systems and controls are in place to minimise and preferably eliminate such incidents and their impact on both the Group and its clients.

The principal risks faced by the Group fall into a number of distinct categories and the means used to mitigate them are both diverse and relevant to the nature of the risk concerned. The principal risks and the mitigating activities are set out below.

Risk type	Owner
Strategic and business risks The risk that the medium and long-term profitability of the Group could be adversely impacted by the failure to identify and implement the correct strategy.	Delegated to: Record plc Board and Executive Committee
Description of risk	**Mitigation**
These include:	These include:
Any impairment to Record's standing in the currency management markets with investors and investment consultants may result in the loss of AUME and/or fee income.	The Board's lengthy investment management experience.
	Record's risk appetite does not extend to taking either regulatory or reputational risks within the decision making process. Sufficient allocation of resources is provided to enhance prevention of any systemic failures of day to day product implementation that could affect the firm's reputation.
Loss of key personnel could impact on the management of the Group and/or lead to a loss of AUME.	The Group's investment process is steered by an Investment Committee comprising members of Board and senior management and all products are managed on a predominantly systematic process which is not reliant on any individual employee.
	All clients have more than one point of contact to ensure continuity in the client relationship if any one person left.
	The Group considers that its remuneration policy and in particular the operation of the Group Profit Share Scheme promotes key personnel retention and effective risk management.
Concentration risk on single product type; Record's products are all currency management based hence it would be adversely affected by a move away from currency, in particular Dynamic Hedging, by its core client base.	Diversification of investment capabilities across risk-reducing and risk-taking products to reduce single event/product exposure. Evolving product mix within hedging continues to dilute concentration of Dynamic Hedging.
Account concentration; Record has a relatively small number of high value clients. Its largest client generated 25% of revenue in the year ended 31 March 2014. The largest five clients generated 65% of revenue and the largest ten clients generated 82% of revenue in the year ended 31 March 2014.	Record's commitment to client services excellence, the transparency of the investment process and the regular reporting and face to face contact with clients is integral to retention.
Reliance on investment consultants; if a consultant no longer believes that Currency for Return or Dynamic Hedging is suitable for clients and/or a consultant decides not to recommend Record as an investment manager, then this could result in a loss of AUME.	The Group has a dedicated consultant relations manager and devotes considerable senior management time and effort to its relationships with the investment consultancy firms to ensure that developments within the Group and its investment research and processes are understood by these firms.
Changes in the regulatory environment or tax regime making investment in currency less attractive to investors.	Diversification of investment capabilities across risk-reducing and risk-taking products to reduce single event/product exposure.

Risk type	Owner
Intervention risk	Delegated to: Executive Committee
Description of risk	**Mitigation**
These include:	These include:
Intervention by government, government agency or regulatory body such as exchange controls, financial transaction tax, etc. that renders some or all of the Group's products ineffective. Such intervention may arise as an unintended consequence of regulatory reforms targeted elsewhere.	Diversified product range underpinned by a number of different strategies that may not all be impacted by the intervention. Depending on the nature of the intervention, certain product strategies may perform well.
	Experienced management team that are able to respond in a timely manner to adapt the business.
	The Group participates in consultations on proposed regulatory changes, both on its own and through trade bodies. Certain regulatory changes may provide opportunities as well as threats.
57% of AUME and 19% of revenues in the year ended 31 March 2014 derive from Passive Hedging for Swiss pension funds, which are required by regulation to hedge currency risk above a certain threshold – this regulation could be abolished.	The Group seeks to build long-term and close relationships with its clients, which are intended to assist in retaining such mandates even in the event of regulatory change.

Risk type	Owner
Investment risks The risk that long-term investment performance is not delivered, damaging prospects for winning and retaining clients, and putting average management fee margins under pressure.	Delegated to: Investment Committee
Description of risk	**Mitigation**
These include:	These include:
The Group's Dynamic Hedging products seek to vary the hedge ratio of a client's portfolio such that a client benefits from the hedging programme in periods of base currency appreciation and limits the costs in periods of base currency weakness. Prolonged periods of base currency weakness or of range-trading in currency pairs may lead clients to reassess the benefits of the product.	Experienced Investment Committee meets regularly ensuring consistent core investment processes are applied.
	Dedicated currency management research and investment focus.
The Group is paid by its Currency for Return clients to generate positive investment performance over the medium and long term by taking investment risk on their behalf. Any sustained period of poor investment performance reduces the value of AUME in the Group's segregated mandates and pooled funds that could lead to mandate terminations by clients, to loss of confidence in the Group's investment model by clients, potential clients and the investment consultants who advise them.	Experienced Investment Committee meets regularly ensuring consistent core investment processes are applied.
	Dedicated currency management research and investment focus.
	Remuneration policy links senior management's remuneration to long-term performance of the Group.

Risk Management continued

Risk type	Owner
Operational risks Risks in this category are broad in nature and inherent in all businesses. They include the risk that operational flaws result in business losses – through error or fraud, the inability to capitalise on market opportunities, or weaknesses in systems and controls.	Delegated to: Risk Management Committee (RMC)
Description of risk	**Mitigation**
These include:	These include:
The Group is exposed to the risk of failure of its proprietary IT system (ROMP, or Record Overlay Management Programme), Calypso (middle and back office system) and other IT systems, which might prevent the Group's ability to operate.	The Group has developed comprehensive disaster recovery and business contingency plans. These cover scenarios from server failure to destruction of the Group's offices. Alternative office facilities and equipment are available at a disaster recovery provider should the premises be compromised. Disaster recovery procedures are tested on a regular basis at the site of the disaster recovery provider.
	Engagement letters or service level agreements are in place with all key service providers.
Execution and process management; dealing, portfolio, settlement and reporting errors.	Record prepares an annual AAF 01/06 report and SSAE 16 report. The contents of these reports, which have been independently reviewed and tested by Grant Thornton UK LLP, provide assurances of the Group's procedures and controls to mitigate operating risk.
	Each department has established procedures manuals that are available to all members of staff. The adherence to these procedures is checked regularly through the compliance monitoring programme, AAF and SSAE 16 reviews and the internal audit programme.
	Record has an outsourced Internal Audit function that reports independently to the Audit and Risk Committee.
	The Group's investment processes for all products are predominantly systematic and non-discretionary in nature. ROMP prompts trades that are executed by a dedicated trading team without discretion. ROMP therefore controls the trading to ensure that portfolios are within the structure dictated by the investment process.
	A dedicated portfolio management team oversees the investment process and a dedicated and separate Front Office Risk team provides post-trade compliance assurances, including changes to any static data which may impact the behaviour of the systematic processes.
Non-compliance, including monitoring of investment breaches.	Each department has established procedures manuals that are available to all members of staff. The adherence to these procedures is checked regularly through the compliance monitoring programme, AAF and SSAE 16 reviews and the internal audit programme.
	Automated post-trade compliance tests / reports monitor whether programs are running in line with expectations, and identify any potential issues that may need to be resolved in a timely manner.
Record's investment process involves high trading turnover of client positions in both size and volume, therefore it is somewhat reliant on market liquidity.	The Group trades on behalf of clients in currency and related instruments with a large panel of banking counterparties. Currency is a particularly deep and liquid market that has continued to provide sufficient daily liquidity.
Record executes derivative transactions with large banks as the counterparty, on behalf of clients. As an over the counter (OTC) product, these contracts inherently contain a degree of counterparty risk with the counterparty bank. Default by any of these counterparties could indirectly lead to impairment of Record's standing in the currency management markets with investors and investment consultants and thus may result in the loss of AUME and/or fee income.	On a daily basis Record monitors the credit ratings (and other indicators of creditworthiness) of the counterparties Record has dealings with and the RMC maintains an Approved Counterparty List (ACL). Changes are noted against a comprehensive Credit Risk Policy overseen by the RMC that meets at least on a monthly basis. Reallocations of exposures to certain counterparties may follow the daily review in order to ensure a prudent spread of counterparty credit risk.

Risk type	Owner
Treasury risks The risks that management does not appropriately mitigate balance sheet risks or exposures potentially resulting in an adverse impact on the financial performance or position of the Group.	Delegated to: Chief Financial Officer
Description of risk	**Mitigation**
These include:	These include:
More than 70% of Group revenues are denominated in a currency other than Sterling, the Group's functional and reporting currency, yet the Group's cost base is predominantly Sterling based.	The Group hedges its non-Sterling income on a monthly basis from the date that income is accrued until the anticipated date of receipt by using forward fixed rate currency sales contracts.
The Group invests a limited amount of its resources in its own funds (seed capital), exposing it to price risk, credit risk, and foreign exchange risk.	Monthly reporting of all balance sheet exposures to the Executive Committee and Board.
Liquidity management – the Group is exposed to credit risk and interest rate risk in respect of its cash balances.	The Group has adopted a credit risk policy to manage its credit risks, under which it follows clear counterparty diversification and minimum credit rating criteria. Monthly reporting of all balance sheet exposures to the Executive Committee and Board.

Corporate social responsibility

The Board recognises that, through its actions, it has a direct impact upon its employees, the community and the environment.

In conducting its business operations, the Group has a responsibility to its stakeholders and the environment. Our stakeholders, with whom we maintain an ongoing dialogue, include shareholders, clients, employees, regulators, and the local community.

Our approach to corporate social responsibility is built around three key areas:

- Community
- Workplace
- Environment

Community

During the course of the year, the Group made charitable donations totalling £19,847. Our charitable giving is focussed on employee choice, with the Group matching employee donations and sponsorship. We also provide financial assistance to students studying at Balliol College, Oxford through a half-bursary scheme, which provides grants to students who aim to pursue ambitions which will benefit the wider community, for example in medical or charitable fields.

"Following graduation, I aim to set up an ecological restoration scheme around the Sperrins Mountains in Northern Ireland."

James Rainey – recipient of Record Half Bursary

The Group has an established internship programme for students and this year we welcomed interns from Oxford, Cambridge and Cardiff universities. We also run a full bursary scheme with Balliol College, Oxford, which provides grants to the winners of the awards. During the year two individuals at the college received this financial support and following graduation joined Record in the Research and Client Services teams.

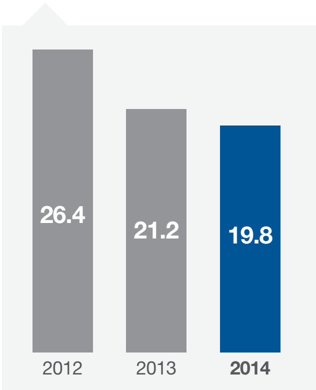
The Group has an active staff-run Charity and Volunteering Committee which is responsible for organising fundraising and volunteering events. Employees are encouraged to participate in an annual volunteering day – this financial year we sent a team of staff to work at a local women's refuge.

This year, we also sent one of our employees to South Africa to participate in a programme called the Huckleberry Initiative which aims to develop the skills of the individual whilst contributing to ethical and charitable causes.

"Participating in the Huckleberry Initiative gave me the opportunity to take a team of students from the UK to rural schools in South Africa. As a team we built a sports ground facility and taught underprivileged children between the ages of three and eighteen across two schools."

Chris Jackson – Head of Information Technology

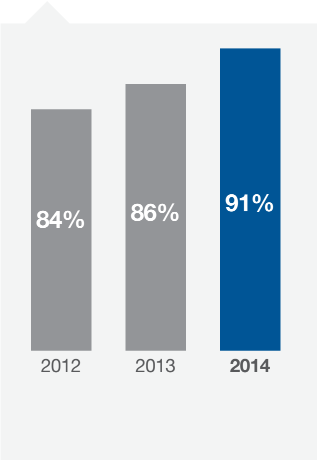
Charitable donations
(£'000)



Human rights

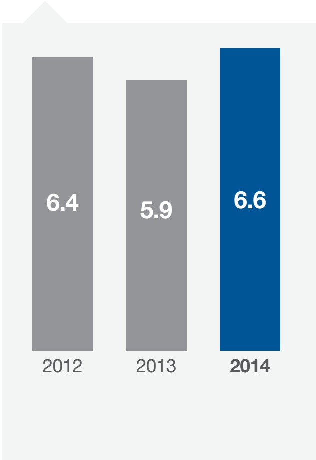
Record complies fully with appropriate human rights legislation in the countries in which it operates.

Staff retention (%)

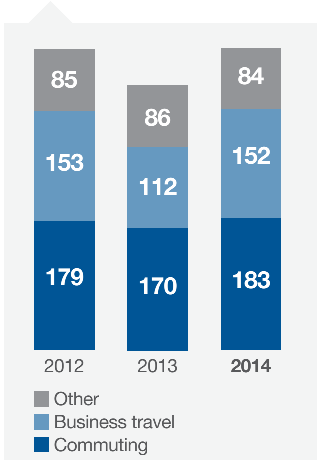


Gross CO_2 emissions by scope (Tonnes)

Gross CO_2 emissions per head (Tonnes)



Gross CO_2 emissions by activity (Tonnes)



Workplace

Record is committed to providing a working environment in which bright, dynamic and committed individuals thrive. We believe that investing in our staff and developing their potential is key to the success of the business and our policies and practices reflect this.

The Group's focus on staff development is demonstrated by our open office environment, in which staff are encouraged to work with different departments and teams as well as having the opportunity to work closely with senior management. All staff are invited to participate in monthly company update meetings which are led by the Chief Executive Officer. The Group also provides study support to employees who wish to pursue relevant professional qualifications.

We strive to incentivise employees by providing them with a happy and vigorous working environment. Employees are encouraged to maintain a healthy work-life balance and the Board has established a staff-run welfare committee which organises fun team-building and other social events enhancing interaction between different departments and different grades within the business.

In addition, the Group provides a number of different benefits to employees including pension, private medical, life insurance, permanent health insurance and subsidised gym membership. All employees are rewarded through the Group Profit Share Scheme and have the opportunity to acquire shares in Record plc through this scheme, as well as through the Record plc Share Incentive Plan.

The Group's objectives include ensuring that all staff are provided with equal opportunities and that the workplace is free of discrimination. The Board aims to ensure that the recruitment process is fair and is carried out objectively, systematically and in line with the requirements of employment law.

The gender diversity within the Group is shown below:

As at 31 March 2014	Female		Male	
Board Directors	1	13%	7	87%
Senior management	2	15%	11	85%
Other staff	17	39%	27	61%
All employees	20	31%	45	69%

Environment

The Group seeks to minimise its carbon footprint through recognising the environmental impact of its activities, reducing that impact through responsible procurement of goods and services, and offsetting its remaining carbon emissions. The Group first assessed its carbon footprint in July 2006, and has offset its carbon emissions since then through investment in renewable energy projects in Brazil, India and China.

The Group's annual emissions[1] (before offset) have been calculated using the WRI/WBCSD greenhouse Gas Protocol. Scope 2 emissions principally relate to electricity and heat and Scope 3 emissions principally relate to travel. Scope 3 emissions accounted for 83% of emissions (2013: 80%).

1 Gross emissions data relates to the calendar year preceding the given financial year end.

The company's strategic report is set out on pages 2 to 31 of the Annual Report.

The Strategic report outlines our performance against our strategic objectives, performance and financial position, as well as our outlook for the future.

The Strategic report was approved by the Board on 16 June 2014 and signed on its behalf by:

James Wood-Collins
Chief Executive Officer

Board of Directors

Neil Record (60)
Chairman

Neil Record founded Record in 1983 and has been its principal shareholder and Executive Chairman since then. Prior to founding Record he was an economist at the Bank of England and worked in the commodity and currency trading department at Mars Inc's UK subsidiary. He is the author of numerous books and articles on currency and other risk management topics and is a frequent speaker at industry conferences and seminars worldwide.

Nomination Committee

James Wood-Collins (42)
Chief Executive Officer

James Wood-Collins joined Record in 2008 as a senior member of the Client Team. He was appointed as Chief Executive Officer in October 2010. He was previously at J.P. Morgan Cazenove where he had been a Managing Director advising financial institutions on M&A, IPOs and related corporate finance transactions.

Cees Schrauwers (67)
Senior Independent Director

Cees Schrauwers became a Non-executive Director of the Company in 2007. Cees has more than 30 years' financial services experience, most recently as Director of Aviva International and Managing Director of CGU Insurance. Prior to this he was Partner with Coopers & Lybrand. Cees was previously the Senior Independent Director of Brit Insurance Holdings plc and Chairman of Drive Assist Holdings Limited. He is Chairman of the Guernsey Financial Services Commission and a Non-executive Director of Scottish Widows Group Limited.

Audit and Risk Committee (Chair)

Nomination Committee

Remuneration Committee

Andrew Sykes (56)
Non-executive Director

Andrew Sykes became a Non-executive Director of the Company in 2007. He was a Director of Schroders plc from 1998 to 2004, having joined Schroders in 1978. He was responsible for Schroders' fixed income businesses (including Treasury and Foreign Exchange) until 2000, and subsequently for private banking and alternative investments, including hedge funds, property, private equity and structured products. He is Chairman of SVG Capital plc and Smith & Williamson Holdings Limited and a Non-executive Director of Gulf International Bank (UK) Limited.

Audit and Risk Committee

Nomination Committee

Remuneration Committee (Chair)

Leslie Hill (58)
Head of Client Team

Leslie Hill joined Record in 1992 and was appointed Head of Sales and Marketing in 1999. Her prior experience includes working at Lloyds Bank and Merrill Lynch where she was Director and Head of Corporate Foreign Exchange Sales worldwide.

Bob Noyen (51)
Chief Investment Officer

Bob Noyen joined Record in 1999 with responsibility for Investment and Research. He has spent 14 years at Record and previously worked as Assistant Treasurer for Minorco (part of Anglo American plc).

Steve Cullen (45)
Chief Financial Officer

Steve Cullen joined Record in October 2003 as Financial Controller, and was promoted to Associate Director of Finance in January 2005. Prior to joining Record, he qualified as a Chartered Accountant in 1994 and gained 15 years of audit experience within practice. Prior to being appointed to the Board, Steve led the Finance team, reporting directly to the Chief Financial Officer, for over 9 years and was part of the internal management team at Record involved in the preparation for admission to trading on the London Stock Exchange in December 2007. Steve was appointed to the Board and made Chief Financial Officer on 15 March 2013.

David Morrison (55)
Non-executive Director

David Morrison was appointed as a Non-executive Director in October 2009. David is founder and Chief Executive of Prospect Investment Management, a venture capital advisory firm established in 1999, which acts on behalf of a small group of investors. He has spent most of his working career in the venture capital world, having started with 3i plc, which was followed by 13 years with Abingworth Management Limited. He has previously been a director of Blueheath Holdings plc, Deutsche Equity Income Trust plc, GW Pharmaceuticals plc and Venture Production plc. He is currently Chairman of Snoozebox Holdings plc, and is also on the Board of PayPoint plc and several private companies with which Prospect is associated.

Audit and Risk Committee

Nomination Committee (Chair)

Remuneration Committee

Directors' report

The Directors present their Annual Report and Accounts for the year ended 31 March 2014. The Company was admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 3 December 2007.

Principal activity and business review

The principal activity of the Group is the provision of currency management services for institutional clients.

A review of Record's business during the financial year ended 31 March 2014, likely future developments and the information which fulfils the business review requirements of the Companies Act is contained in the following sections of the Annual Report, which are incorporated into the Directors' report by reference:

- Chairman's statement on pages 2 to 3;
- Strategy on pages 2 to 15;
- Business review on pages 16 to 31;
- Board of Directors on pages 32 to 33;
- Directors' statement of responsibilities on pages 54; and
- Corporate governance report on pages 36 to 39.

The business review contains information on the main trends and factors likely to affect the future development of the Group. The Directors have considered whether there are any contracts which are essential to the business and have concluded that there are none.

Results and dividends

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 57.

The Directors recommend a final dividend of 0.75p per ordinary share for the year ended 31 March 2014. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 30 July 2014 to shareholders on the register at the close of business on 27 June 2014. The shares will be quoted ex-dividend from 25 June 2014.

The Company paid an interim dividend of 0.75p per share on 20 December 2013 to shareholders on the register on 29 November 2013.

Share capital

The Company has a single class of share capital consisting of ordinary shares of 0.025p each. Each ordinary share is equally eligible to receive dividends and the repayment of capital and represents one vote at a shareholders' meeting. Details of structure and changes in share capital are set out in note 18 to the financial statements.

At its Annual General Meeting in 2013, the Company obtained, subject to certain conditions, shareholder approval to purchase ordinary shares representing not more than ten per cent of its issued capital. This authority will expire on the date of this year's Annual General Meeting.

The Company has not exercised the right to purchase ordinary shares in its capital (including treasury shares) during the year.

Substantial shareholdings

The table below sets out the names of those persons who, insofar as the Company is aware, are interested directly or indirectly in 3% or more of the issued share capital of the Company as at 31 March 2014:

	Number of ordinary 0.025p shares held	Percentage interest
Neil Record	70,980,711	32.06%
Schroder Investment Management	40,310,264	18.21%
Leslie Hill	15,260,789	6.89%
Bob Noyen	8,864,585	4.00%
Mike Timmins	6,905,155	3.12%

Information provided to the Company pursuant to Rule 5 of the Disclosure and Transparency Rules (DTR) is published via RNS, a regulatory information service, and also on the Company's website.

During the period from 11 June 2013 to 16 June 2014 the Company received 2 notifications in accordance with DTR 5 disclosing changes to voting interests in its ordinary share capital as follows: Schroders plc on 4 July 2013 reporting a shareholding of 18.30% at that date and Bob Noyen on 28 November 2013 reporting a shareholding of 4.00% at that date.

Directors

The Directors of the Company who held office during the year and to date are listed on pages 32-33. Directors' remuneration and Directors' interests in Record plc shares are disclosed in the remuneration report.

Restrictions on transfers of shares

Under the terms of the Record plc Group Profit Share Scheme rules, certain employees and Directors of the Company are required to receive a proportion of any award in shares, and may elect to receive a further proportion of their profit share in the form of a share award and receive a final proportion in cash. All ordinary shares which are the subject of share awards are transferred immediately to a nominee. None of these shares is subject to any vesting or forfeiture provisions but all such shares are subject to lock-up arrangements and the individual is entitled to full rights in respect of these shares. No such shares can be sold, transferred or otherwise disposed of without the consent of the Remuneration Committee unless specified anniversary dates have been reached. Further details are disclosed in note 19 of the financial statements.

Dealings in the Company's ordinary shares by persons discharging managerial responsibilities, employees of the Company and, in each case, their connected persons, are subject to the Group's dealing code which adopts the Model Code of the Listing Rules contained in the Financial Conduct Authority's Handbook.

Certain restrictions, customary for a listed company, apply to transfers of ordinary shares in the Company.

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk (managed using financial instruments) and interest rate risk. The Group seeks to minimise potential adverse effects on the Group's financial performance. Further information is contained in note 21 to the accounts.

Annual General Meeting

The 2014 Annual General Meeting of the Company will be held at 10.00am on 24 July 2014 at the Company's registered office: Morgan House, Madeira Walk, Windsor SL4 1EP. Details of the ordinary and special resolutions to be proposed at the Annual General Meeting are given in a Chairman's letter to shareholders and the attached Notice of Annual General Meeting.

Auditor

Grant Thornton UK LLP (the "auditor") has indicated their willingness to continue as auditor, and a resolution will be proposed at the Annual General Meeting to re-appoint them as auditor of the Company in accordance with Section 489 of the Companies Act 2006, and to authorise the Directors to determine their remuneration for the current year.

Related party transactions

Details of related party transactions are set out in note 24 to the financial statements.

Post-reporting date events

As set out in note 27 to the financial statements, there were no post-reporting date events.

Going concern

After making enquiries (including reviewing the Group's financial position, regular cash flow forecasting, and stress testing performed as part of the Internal Capital Adequacy Assessment Process – "ICAAP") the Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Political donations

It is the Group's policy not to make political donations and accordingly no such donations have been made during the period under review.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses, liabilities or expenses incurred by them in relation to the Company or any of its subsidiaries. The Group has appropriate Directors' and Officers' insurance in place.

Approved by the Board and signed on its behalf by:

Joanne Manning
Company Secretary
16 June 2014

Corporate governance report

The Board recognises its responsibility for the effective management of the Group and supports the highest standards of corporate governance.

The Board does not view corporate governance as an isolated exercise in compliance but as a vital activity which aids our desire to achieve long-term growth of the business and to maximise returns for all stakeholders.

The Board has worked hard to ensure that comprehensive corporate governance processes have been introduced to the business and that the importance of accountability, transparency, probity and long-term business sustainability has been disseminated to all staff, contractors and consultants across the Group.

The UK Corporate Governance Code

The Board has adopted the principles established in the UK Corporate Governance Code September 2012 and its previous versions (all referred to as “the Code”) since its Admission to the Official List of the UK Listing Authority in December 2007.

As a non-FTSE 350 company Record plc is classed as a smaller company under the Code. The Group has been in compliance with the Code since Admission, except in particular limited circumstances where the provisions apply specifically to FTSE 350 companies. In all such instances Record plc has reviewed the appropriateness of the provisions to determine whether they should be applied or if departure is justified. Such departures are fully explained below. (The Code is available for inspection at www.frc.org.uk).

This report describes the Group corporate governance arrangements, explaining how it has applied the principles of the Code.

The Board of Directors

Board composition

The Board is headed by Neil Record (Chairman), with three other Non-executive Directors, Cees Schrauwers, being the Senior Independent Director, Andrew Sykes and David Morrison, and four Executive Directors, James Wood-Collins (Chief Executive Officer), Steve Cullen (Chief Financial Officer), Bob Noyen (Chief Investment Officer) and Leslie Hill (Head of Client Team).

The division of responsibilities between Chairman and Chief Executive Officer is clearly established, set out in writing and agreed by the Board. In considering the independence of Non-executive Directors, the Board has taken into consideration the guidance provided by the Code. The Board considers Cees Schrauwers, Andrew Sykes and David Morrison to be independent.

The Board is not comprised of a majority of Non-executive Directors as required by the Code for FTSE 350 companies but it does comply with the Code’s provision for smaller companies to have at least two Non-executive Directors. The Board considers that the existing composition is appropriate but would consider further non-executive appointments to assist the development and growth of the Group should suitable candidates be identified.

The Board has a schedule of matters specifically reserved to it for decision and approval, which includes but is not limited to:

- determining the Group's long-term strategy and objectives;
- significant capital expenditure;
- the Group's annual and interim reports and preliminary announcements;
- setting interim dividend and recommendation of final dividend;
- effectiveness of internal controls;
- authorisation of Directors' conflicts or possible conflicts of interest; and
- communication with shareholders and the stock market.

All Directors have access to independent professional advice, when required, at the Company's expense as well as to the advice and services of the Company Secretary. New Directors appointed to the Board receive advice as to the legal and other duties and obligations arising from the role of a Director of a UK listed company through a full, formal and tailored induction programme. The Company Secretary, under the direction of the Chairman, is responsible for maintaining an adequate continuing education programme, reminding the Directors of their duties and obligations on a regular basis, ensuring good information flow between the Board, its committees and management and assisting with Directors' continuing professional development needs.

Re-election of directors

Under the Code, all directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The Code states that all directors of FTSE 350 companies should be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at the Annual General Meeting thereafter at intervals of no more than three years.

Under the Company's Articles of Association, the minimum number of Directors shall be two and the maximum shall be 12. Directors appointed by the Board must offer themselves for election at the next Annual General Meeting of the Company following appointment but they are not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting. The minimum number of Directors who should retire by rotation is one third.

The Board has reviewed these provisions in the Articles against the recommendations of the Code and has determined that, given the size and structure of the business, the Articles are appropriate and annual re-election is unnecessary.

Conflicts of interest

Under UK company law, a Director must seek authorisation before taking up any position with another company that conflicts, or may possibly conflict, with the Group's interests.

The Articles of Association contain provisions to allow the Directors to authorise situations of potential conflicts of interest so that a Director is not in breach of their duty under company law. The Board is responsible for conducting an annual review of the Conflicts Register and confirming that, where relevant, conflicts have been dealt with appropriately, and that the process for dealing with them is operating efficiently. All existing external appointments for each Director were considered and authorised by the Board in September 2013 as part of this annual review.

Board member diversity

At present the Board has one female member on a board of eight. It is the Board's aim to maintain a diverse mix of skills, experience, knowledge and background across its members to ensure that the Board operates effectively. The Board's opinion is that the current composition of members meets these criteria and is therefore appropriate for the business at the current time. Future succession planning will take into account the benefits of diversity including gender diversity as set out in the Company's Board Diversity Policy. Gender diversity of the workplace is analysed on page 31.

Corporate governance report continued

Board committees

The Board has established the following committees to enable it to execute its duties appropriately:

Nomination Committee

Remuneration Committee

Audit and Risk Committee

The Committees operate on written terms of reference, which are reviewed annually and which are available on the Company's website or on request from the Company Secretary at the registered office address. The Chairman of each Committee reports regularly to the Board.

Nomination Committee

The Nomination Committee is chaired by David Morrison. David is supported on the Committee by the two other Non-executive Directors and the Chairman. The Committee is responsible for reviewing the structure, size and composition of the Board, and for giving full consideration to succession planning for Directors and other senior executives. The Committee is also responsible for identifying and nominating for the Board's approval candidates to fill Board vacancies as and when they arise.

The Committee met on three occasions during the year ended 31 March 2014 and during the year the Committee reviewed the following:

- the current composition of the Board;
- the time commitment required of the Non-executive Directors;
- the extension of the engagement of Cees Schrauwers and Andrew Sykes as Non-executive Directors;
- proposals for the rotation and re-election of Directors at the Annual General Meeting; and
- the Committee's terms of reference and its performance.

There were no new appointments to the Board during the year ended 31 March 2014. It is the intention of the Nomination Committee to focus primarily on succession planning and diversity during 2014/2015 in order to develop a long-term strategy and set key objectives for Board composition going forward.

Remuneration Committee

The remuneration report set out on pages 43 to 53 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Audit and Risk Committee

The Audit and Risk Committee report set out on pages 40 to 42 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Meeting attendance

The Board met six times between 1 April 2013 and 31 March 2014 to review financial performance and to follow the schedule of matters reserved for its decision and approval. Comprehensive Board papers, comprising an agenda and formal reports and briefing documents are sent to Directors in advance of each meeting. Throughout their period in office Directors are regularly informed by senior executives and external advisors on the Group's affairs, including commercial, regulatory, legal, corporate governance and other relevant matters.

Appropriate and timely notice is given of all Board meetings and all Directors receive information in advance so that if they are not able to attend their input can be tabled and taken into consideration. The Board has twice yearly offsite strategy meetings and special meetings as required to address specific issues. Any concerns raised by Directors which are not resolved are recorded in the Board minutes. No such matters were noted during the year ended 31 March 2014

Meetings in the year	Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Total	6	6	8	3
N Record	6/6	n/a	n/a	1/3
C Schrauwers	6/6	6/6	8/8	2/3
A Sykes	6/6	6/6	8/8	2/3
D Morrison	5/6	4/6	5/8	3/3
J Wood-Collins	6/6	n/a	n/a	n/a
S Cullen	6/6	n/a	n/a	n/a
L Hill	6/6	n/a	n/a	n/a
B Noyen	6/6	n/a	n/a	n/a

Performance evaluation

The Board is required by the Code to undertake an annual evaluation of its performance. The Code states that "evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness".

The Code recommends that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The Board agreed that an external evaluation of performance was not necessary at the current time but that the process should be revised from the individual interview format used previously to include a questionnaire to all Board members followed by discussion groups with a mix of non-executive and executive directors present. Members were also invited to approach the Chairman or Company Secretary with any individual concerns or comments they may have.

The questionnaire was tailored to the size and structure of the business and was designed to address the Code evaluation requirements focussing on the following areas:

- Board composition and quality
- Understanding the business and its risks
- Understanding of the business strategy and setting strategy
- Board meetings
- Oversight of the financial planning and reporting process
- Compliance and controls.

In the early part of 2014 all Board members completed a questionnaire and then attended a discussion group session to review Board activities over the previous twelve months. The comments made during this process were recorded by the Company Secretary and collated into a report which documented the observations made and the achievements of the Board during the period under review. The evaluation of the discussions and comments made during the evaluation process identified no serious concerns over the functioning of the Board, its members or its Committees. A number of objectives for Board performance improvement over the short-term have been set.

It is the responsibility of the Chairman and Company Secretary to ensure these initiatives for improvement are implemented over the coming months.

Individual appraisal of each Director's performance is undertaken by the Chief Executive Officer and the Chairman. The Chairman's performance is appraised by the three Non-executive Directors, led by the Senior Independent Director. The outcome of these appraisals in 2014 was positive and all roles were considered to be undertaken successfully.

The work undertaken by the Audit and Risk, Remuneration and Nomination Committees was reviewed by Cees Schrauwers the Senior Independent Director, together with Andrew Sykes and David Morrison to assess each committee's effectiveness during the year, the results of which were reported to the Board by each Committee Chairman. The reviews concluded that the Committees were operating in an effective manner and no concerns were raised.

Internal control and risk management

The Board has overall responsibility for the Group's systems of internal control and the management of significant risks. The Board reviews annually and sets appropriate policies on internal control and has delegated the authority to specific committees and senior personnel to implement and apply those policies.

- The Audit and Risk Committee is a Board Committee that provides oversight and independent challenge in relation to internal control and risk management systems and reviews the form, content and integrity of the Annual Report and Accounts prior to release.
- The Executive Committee – the Board has delegated responsibility for the day to day operation of the business within defined delegated authorities to this Committee.
- The Investment Committee – the Board has delegated to this Committee responsibility for authorising changes to existing investment processes and for approving new investment strategies. The members of the Committee are Directors and senior managers.

The Board seeks ongoing assurance from the Committees and senior management about the effectiveness of the internal controls, which include operational and compliance controls, risk management and the Group's high-level internal control arrangements. Such a system of internal controls is designed to manage, rather than eliminate, risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatements or loss.

Further information on the Group's risk management systems is provided on pages 25 to 29 of the Strategic report.

The Audit and Risk Committee has undertaken a review of the effectiveness of internal controls for the year ended 31 March 2014 and is satisfied that the internal control environment is appropriate (see Internal controls and risk management on page 41).

Financial reporting controls

The Chief Financial Officer is responsible for managing the financial controls framework. The framework requires control owners to perform key preventative and detective controls and follow documented processes to ensure that proper accounting records are maintained and that financial information used by the business is reliable and free from material misstatement.

Investor relations

During the year the Chairman and Directors met and made presentations to institutional investors, analysts and potential shareholders. The Senior Independent Director is also available to meet institutional investors if requested.

The Board and the chairmen of each of the Board Committees will be available to answer questions put to them by shareholders of the Company at the 2014 Annual General Meeting.

Audit and Risk Committee report

The Board relies on the Audit and Risk Committee to provide effective governance over risk management and external financial reporting, to monitor the integrity of the financial statements, to review the internal controls and risk management systems and to report its findings and conclusions to the Board.

This Audit and Risk Committee report sets out the role of the Audit and Risk Committee, its membership and the subjects considered during the year.

Role of the Committee

The Committee is responsible for:

- monitoring the integrity of the Group and Company's financial statements and any other formal announcements relating to the Company's performance;
- reviewing the Group's internal control and risk management procedures;
- reviewing the terms of reference for the Risk Management Committee;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations relating to the appointment, reappointment and removal of the external auditor;
- approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor, and reviewing the effectiveness of the audit process;
- overseeing arrangements by which staff may raise concerns about possible improprieties in matters of financial reporting or other matters; and
- overseeing policy relating to the provision of non-audit services by the external auditor.

The full terms of reference of the Committee comply with the Code and are available on the Group's website or from the Company Secretary at the registered office address. The Committee has direct access to auditors, and receives periodic reports from management and auditors on significant financial reporting issues.

Membership of the Committee

The Committee currently comprises the three Non-executive Directors as detailed below:

- Cees Schrauwers (Chairman since the Committee's inception on 3 December 2007)
- Andrew Sykes (appointed 3 December 2007)
- David Morrison (appointed 14 January 2010)

The Board is satisfied that the members of the Committee have appropriate commercial and financial knowledge and experience to satisfy the provisions of the Code regarding audit committee membership.

The composition of the Audit and Risk Committee has exceeded the Code provision for smaller companies requiring at least two independent Non-executive Directors throughout the year.

Committee activities

The Committee met on six occasions during the year ending 31 March 2014, being four quarterly meetings plus two additional meetings ahead of results announcements. All the meetings were also attended by the Head of Compliance and Risk, the Chief Financial Officer and the Chief Operating Officer. The internal audit partner attended six meetings and the external audit partner attended two meetings. Two further meetings have been held since the year end.

On one occasion the Committee met with the Group's auditor with no executive management present, providing an opportunity for the external auditor to raise matters of concern in confidence if so required.

The Committee discharged its responsibilities under the terms of reference by the following actions:

- reviewing the draft Risk Appetite statement in detail, and recommending the statement for approval by the Board;
- maintaining a high level 'Risk Map' to ensure that key risks are identified and addressed;
- reviewing the form, content and integrity of financial information prior to release, including the Annual and Interim Reports, and each of the Interim Management Statements;
- reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems;
- receiving regular reports from the Head of Compliance and Risk in relation to the Group's compliance with relevant regulation, and risk management developments;
- considering both the revised ICAAP and Pillar 3 disclosures prior to their recommendation for acceptance by the Board;
- receiving and reviewing internal audit reports, discussing their findings and management's responses;
- evaluating the performance of the internal auditor during the engagement period;
- reviewing the independence of the Group's external auditor and the nature of non-audit services supplied by the auditor;
- reviewing the external auditor's audit strategy and concluding report for the 2014 financial statements; and
- evaluating the performance of the external auditor and making recommendations to the Board for a resolution to be put to the shareholders to approve the re-appointment of the external auditor.

During the year the Audit and Risk Committee Chairman met separately with the key people involved in the Company's governance, including the Board Chairman, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the internal audit lead partner to obtain updates and insights into business activities.

The Chairman of the Audit and Risk Committee reported regularly to the Board on the Committee's activities, identifying any matters in which the Committee considered that action was required, and made recommendations on the steps to be taken.

Financial reporting

During the year, the Committee has considered the significant financial and regulatory reporting issues and judgments made in connection with the financial statements and the appropriateness of accounting policies. In particular, the Committee considered management reports providing an assessment of the internal controls environment and going concern, and the auditor's report on the financial statements. The Committee has also reviewed the narrative statements in the report and accounts to ensure that they were reasonable and consistent with the reported results.

The Committee was satisfied with the content of the Annual Report and confirmed there were no significant issues or concerns to be addressed and that it was fair, balanced and understandable, and therefore unanimously recommended that the Annual Report be approved by the Board.

Internal controls and risk management

A significant part of the work of the Committee is providing oversight and independent challenge to the internal controls and risk management systems of the Group. In respect of this duty, the Committee (with the assistance of management) has developed and maintained a high level "Risk Map" which identifies key risk areas that may impact the Group.

The Risk Map is used by the Committee to ensure that material risk areas are identified, considered and addressed by the Committee.

The Committee has reviewed and evaluated the system of internal controls and risk management operated within the Group, and is satisfied that the internal control environment is appropriate. The Committee reviews the level of additional assurance required on an annual basis.

Internal audit

The Internal Audit function undertakes a programme of reviews as determined by the Committee, reporting the results together with its advice and recommendations to the Committee. The Internal Audit function is currently provided under an outsourcing contract by Deloitte LLP – this arrangement is subject to periodic review. Deloitte LLP was appointed as internal auditor (effective 14 May 2010) reporting directly to the Committee. The Committee and its internal auditor develop an annual audit plan to ensure that the audit work performed focusses on key risks. The plan continues to be reviewed on a periodic basis to ensure that it is adapted to any changes in the Group's risk profile.

The Committee has received regular reports on the internal audit findings and the programme of reviews at each of its meetings during the course of the year. The Committee has reviewed the findings and recommendations made and has ensured that any issues arising are resolved in an efficient and timely manner.

The Committee is satisfied with the internal audit work conducted by Deloitte and the coverage and standard of the reports produced. The Committee is content that sufficient and appropriate resources are dedicated to the Internal Audit function and this has been reported to and noted by the Board.

Audit and Risk Committee report continued

External audit

The Audit and Risk Committee places great importance on the quality and effectiveness of the external audit process. Grant Thornton UK LLP ("Grant Thornton") is currently engaged to perform the external audit function and has been retained in this role since the Company was admitted to the Official list of the UK Listing Authority in December 2007.

Each year, at the conclusion of the audit, the Committee evaluates the performance of the external auditors. In 2014 this assessment included a questionnaire completed by the Audit and Risk Committee members and senior management within the Finance Team which was used as a basis for a review discussion. The questionnaire focussed on the following areas:

- the audit team;
- audit planning, scope and risk identification;
- communications by the auditor;
- auditor's independence and objectivity; and
- formal reporting.

There were no significant adverse findings from the 2014 evaluation and the Committee concluded that Grant Thornton continued to provide an external audit service which is appropriate for the Group given its size and structure.

The senior audit partner has now overseen five annual external audit cycles for the Group and so in accordance with the Accounting Practices Board guidelines will step down from this role this year. The Committee has liaised with Grant Thornton regarding his replacement and is content that the individual proposed by Grant Thornton is suitably experienced to assume the role of senior audit partner going forward.

External auditor independence

The Audit and Risk Committee has considered the level and nature of non-audit services provided by the external auditor, Grant Thornton. The Audit and Risk Committee operates a policy covering the commissioning of non-audit services provided by the external auditor, to avoid the ongoing independence and objectivity of the external auditor becoming compromised.

This policy restricts the nature and value of non-audit services that can be provided by the external auditor in line with current guidance. Certain permitted services such as tax compliance services and producing the annual internal controls assurance report are pre-approved by the Committee as part of the annual budget process, whilst other non-recurring services are approved by the Committee on an ad hoc basis.

The Committee is satisfied that the external auditor maintains independence and objectivity and has recommended to the Board that a resolution be put to shareholders for the re-appointment of the auditor at the Annual General Meeting of the Company.

A breakdown of the fees paid to Grant Thornton is provided in Note 4 to the financial statements.

Committee evaluation

A review of Committee effectiveness was undertaken internally overseen by the Chairman of the Committee in April 2014. The review was based on discussions with Board members, the internal audit partner and the external audit partner in addition to a benchmarking exercise against best practice. The conclusion was that the Committee was effective in carrying out its duties.

Annual General Meeting

The Chairman of the Audit and Risk Committee will be available to answer any questions relating to the Committee and its activities at the Annual General Meeting.

Approved by the Committee and signed on its behalf by:

Cees Schrauwers
Audit and Risk Committee Chairman
16 June 2014

Remuneration report

We have presented the remuneration report for the year to 31 March 2014 in accordance with the new regulations governing the disclosure and approval of directors' remuneration.

Remuneration Committee Chairman's summary statement

Our remuneration policy supports both our business strategy and company philosophy and is designed to act in the interests of all our key stakeholders: our clients, shareholders, employees and regulators. Our Company's culture, governance and risk management processes underpin our principles of reward, which are designed to support the creation of long-term shareholder value, and are aligned with providing the best possible client service.

Our remuneration structure links reward with performance in a transparent way so that our colleagues are incentivised to work as a team to deliver sustained business and investment performance consistent with the company's strategic goals. We aim to attract, motivate and retain high calibre executives with the abilities, skills and experience to deliver the Company's strategy over the long term, and our remuneration structure has been developed to achieve those goals.

The vast majority of our colleagues are shareholders and have a personal and vested interest in the long-term success of Record plc through equity ownership and the majority of the shares in Record are currently owned by employees. Whilst this position may diminish over time, a significant proportion of the shares in Record plc will, for the foreseeable future, continue to be owned by employees.

Our remuneration policy is designed to foster alignment between the interests of senior management and shareholders. The Group Profit Share Scheme for Directors therefore requires at least one third of any variable remuneration to be taken as shares, locked up for a period of three years, with the ability for the Director to elect up to two thirds of any award made to be in shares, with the elected shares attracting a further element of matching.

In addition, the Record Group Share Scheme provides the opportunity for Executive Directors to be awarded share options, subject to defined limits, to enhance their ability to acquire an appropriate level of equity ownership.

We have built our remuneration philosophy over a number of years and communicated it carefully to shareholders. We are not proposing any major changes to our remuneration structure for this year, but we have amended our Group Profit Share Scheme to include claw back provisions similar to those already included within the Share Scheme. These claw back provisions will apply to awards under the Group Profit Share Scheme made after 1 July 2014.

It remains the Group's policy to link the value of profit share to the Group's profitability. The Group Profit Share Scheme pool value for the year ending 31 March 2014 is 30% of pre-Profit Share EBIT (to include employers NI), although the Committee has the discretion to vary this amount between 25% and 35% in any individual year, with the intention being to maintain a medium-term average of 30% of pre-Profit Share EBIT.

Salary changes have been made for Executive Directors this year for the first time since 2008 in line with the general level of increase that has been awarded to all staff.

It remains our policy to discuss any significant proposed changes to the Group's remuneration structure with key external shareholders in advance of any implementation.

Our policy is set out below and will be submitted to shareholders for approval at the AGM on 24 July 2014.

Andrew Sykes
Remuneration Committee Chairman
16 June 2014

Directors' remuneration policy

Policy overview

The remuneration policy will be submitted to shareholders for approval by ordinary resolution at the AGM on 24 July 2014.

The policy will therefore be effective, subject to obtaining shareholder approval, from 24 July 2014.

The policy begins with an outline of the remuneration structures and is followed by the Executive Director and Non-executive Director remuneration policy tables.

Group Profit Share Scheme

Record operates a Group Profit Share Scheme ("the Scheme"), which allocates a profit share pool to be distributed between all employees of the Group. The Remuneration Committee has the discretion to vary the quantum of the Scheme between 25% and 35% of operating profits, with the intention of maintaining an average level of 30% of operating profits over the medium term.

The Scheme is split into two separate pools, one of which is the Group Profit Share Pool and the other of which is the Matching Pool. The intention continues to be to maintain the Scheme at 30% of operating profits over the medium term and it is intended that the Group Profit Share Pool operates at 27% and the Matching Pool operates at 3% of operating profits.

Since 2007 30% of operating profit has been distributed to employees each year under the Scheme. Since last year the Scheme has operated at 27% for the Group Profit Share Pool and 3% for the Matching pool as intended. The continuation of the Scheme remaining at 30% of operating profits has created a transparent and predictable link between variable compensation and profitability, and has aligned the interests of employees with those of our shareholders.

The Group Profit Share Scheme is payable through a combination of profit share payments in cash and share-based payments. The allocation of the profit share pool for Executive Directors is determined by the Remuneration Committee and for all other employees is delegated to management. The Group Profit Share Scheme is discretionary and employees do not have a contractual right to receive awards. In addition, all payments made to Executive Directors and other Code Staff (those in Significant Influence Functions) are subject to Remuneration Committee approval and no payments are made automatically. Payments are awarded after input from the Head of Compliance and Risk, who reports any legal or compliance issues that relate to individuals who are in line to receive awards under the Scheme. Any issues would also be monitored through compliance and risk reports at Audit and Risk Committee and Board meetings.

To ensure that the interests of management and shareholders are aligned, Directors and Code staff are required to take a proportion (initially a third) of their Profit Share in shares rather than cash, subject to a three-year "lock up" period. These shares are released from lock up in three equal tranches no sooner than the first, second and third anniversary of the Profit Share payment date. Additionally, Directors and Code Staff are offered the opportunity to elect for up to a further third of their Profit Share to be paid in shares which will attract "matching" shares and will also include a "lock up" for three years. The remaining amount will be paid in cash.

Whilst the Group recognises that increasing assets under management is a key priority it is felt that the Group Profit Share Scheme together with the sales-based incentive for our Sales Executive in the US form the right combination of incentives. The sum of the Group Profit Share Scheme (including the matching share element) and sales incentives is expected to remain between 25% and 35% of operating profit in most reasonable scenarios, and the Remuneration Committee will continue to monitor this.

The Record plc Share Scheme

The Record plc Share scheme (the "Share Scheme") was adopted by the Company initially on 1 August 2008 to allow deferred share awards to be granted to new senior employees but has more recently been used to award share options to employees of Record plc or its subsidiaries. The Share Scheme was amended in 2011 to include the ability to grant HMRC approved options ("Approved Options") under Part 2 of the Share Scheme alongside Part 1 which allows for the grant of unapproved options ("Unapproved Options"). In 2013 the Share Scheme was further amended to allow Board Directors to participate.

Under the Share Scheme rules the exercise price per share of Approved Options must be no lower than the market value of a share on the dealing day immediately preceding the date of grant. 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 Unapproved Options, which may be granted with any exercise price (including nil), but have recently been granted at market-value similarly to the Approved Options.

The Remuneration Committee retains the power to grant options under the Share Scheme, and granted options to a Board Director during the year, although it can and has delegated to management the task of identifying suitable recipients of options and the number of shares to be put under option for those below Board level.

The terms of options for Executive Directors differ to those for all other staff. For Executive Directors, the Remuneration Committee will limit the value of shares over which an option is granted to any Director in any year to a maximum of 200% of that Director's salary for that year. All Executive Director option awards will be subject to a performance condition based on Record's annual EPS growth. One third of the award will vest on each of the third, fourth and fifth anniversary of the date of grant, subject to an EPS hurdle, with 25% of each tranche vesting if profit growth over the three years prior to the anniversary in question is at least RPI plus 4% per annum, increasing on a stepped basis to 100% vesting if profit growth exceeds RPI plus 13% per annum over the same period.

For staff below Executive Director, Approved Options become exercisable on the fourth anniversary of grant subject to the employee remaining in employment with the Group and to the extent a performance condition based on the Company's total shareholder return in comparison with a relevant peer group has been met. Unapproved Options each become exercisable in four equal tranches 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 personal performance conditions have been satisfied.

The Remuneration Committee retains the ability to vary or waive existing performance targets where, in its absolute discretion, it considers the target has become unfair or impractical or to take account of exceptional circumstances.

It is of great importance for the long-term success of the business that the Group retains and motivates its key employees, and that they are incentivised over the longer term in a manner which aligns their interests with shareholders. It is therefore the intention of the Group to continue to use the Share Scheme for Executive Directors and staff. In total the size of the Share Scheme will be limited to 2% per annum of the market capitalisation of Record plc (being approximately 4.4 million shares). Of this total the Remuneration Committee will be able to award up to 1% as options to Directors and up to 1% to staff.

Claw back provisions

The Group Profit Share Scheme rules contain claw back provisions which allow for the repayment of profit share payments in the event of a material breach of contract, material misconduct or a re-statement of accounts which would have led to a reduction in any prior Profit Share award.

Unapproved Options granted under the Share Scheme for Executive Directors are also subject to claw back provisions in addition to the performance conditions set by the Remuneration Committee.

Source and funding of shares

Share awards under the Group Profit Share Scheme are covered wherever possible through market purchases by the Trustee of the Employee Benefit Trust ("EBT") rather than through the issue of new shares, and this has been the case since the inception of the Scheme in 2007. It remains our intention to continue to operate in this manner in order to minimise potential dilution of shareholders' interests.

Options under the Share Scheme are also not normally satisfied by the issue of new shares, in order to minimise potential dilution. The Company provides funds to the trustee of the Company's EBT to allow it to purchase shares in the market with which to satisfy options. The number of shares purchased by the Group to hedge the award of options is based on an appropriate hedge ratio at each grant date, as calculated by management and approved by the Remuneration Committee.

Accounting treatment

The Share Scheme is accounted for in accordance with IFRS 2 (share based payments) and is not part of the Group Profit Share costs.

SIP

The Group operates a HMRC approved Share Incentive Plan (SIP) which is offered to all staff, including Executive Directors, who are able to buy shares from pre-tax salary up to a defined HMRC limit (£1,500 worth of shares in the financial year ended 31 March 2014). To encourage employee share ownership the Group matches any shares purchased through this scheme at a rate of 50%, although staff will only receive the full benefit of the matched shares if they remain with the Group for three years. To qualify for full tax benefits, these shares must be left in the SIP for five years.

How the views of shareholders are taken into account

The Remuneration Committee takes into account shareholder views received in relation to resolutions to be considered at the AGM each year. The Committee values shareholder feedback when forming remuneration policy and any material proposed changes to Executive Directors' remuneration will be discussed in advance with major institutional shareholders.

Considering the views of employees

When determining Executive Director remuneration arrangements the Committee takes into account pay conditions throughout the Group to ensure that the structure and quantum of Executive Directors' pay remains appropriate in this context.

The Committee does not consider that it is appropriate to consult directly with colleagues when developing the Directors' remuneration policy. A significant proportion of our colleagues are shareholders so are able to express their views in the same way as other shareholders.

Executive Directors remuneration policy

The remuneration structure for the Executive Directors is designed to incentivise the delivery of sustained performance consistent with the Group's strategic goals and appropriate risk management, and to reward success in doing so.

The Executive Directors play key roles in the management of the Group, whilst also having hands-on responsibility for major client relationships and portfolio management. The Group's remuneration policy and structure are designed to reflect these combined roles.

The Group's remuneration policy for Executive Directors is to provide a base salary and participation in the Group Profit Share Scheme and the Group Share Scheme, seeking to give a high proportion of the total annual remuneration in the form of variable compensation, which is directly linked to the profitability of the Group.

Remuneration of Executive Directors is determined within the limits of the Company's Articles of Association whilst remuneration of the Non-executive Directors is determined by the Board, on the recommendation of the Chairman.

Remuneration report continued

Executive Directors remuneration policy continued

The table below sets out the remuneration policy for Executive Directors which shareholders are asked to approve at the 2014 AGM. The key elements of the remuneration policy for Non-executive Directors are set out separately.

Element, purpose and link to strategy	Operation, performance measures, deferral and claw back	Further information
Base salary To pay a salary that reflects the role, responsibilities, experience and knowledge of the individual, ensuring that the salary paid is competitive with other employers in our industry.	Salaries are paid monthly through the payroll and reviewed annually by the Remuneration Committee. Any review will take into account market rates, business performance and individual contribution. There is no prescribed maximum salary. However, increases are expected to normally be in line with the typical level of increase awarded across the Group, except under certain circumstances such as: • a new Executive Director is appointed at lower than typical market salary to allow for growth in the role – larger increases in salary may be awarded to position salary closer to market levels as experience increases. • higher increases may be awarded to reflect an increase in responsibilities or promotion. • where there has been a significant change in market practice.	Executive Directors' salaries are reviewed annually but historically have been adjusted infrequently. Salary increases of 3% have been awarded in line with the general level of increase for all staff from 1 April 2014 but this has been the first increase since 2008. In 2011 there was a salary decrease of 10% for all Executive Directors.
Benefits To provide a benefit package that provides for the wellbeing of our colleagues.	Executive Directors receive a range of benefits including, but not limited to, private medical insurance, permanent health insurance, life assurance, personal accident insurance and annual holiday. There is no maximum level of benefit – the overall level of benefits will depend on the cost of providing individual items and on the individual's circumstances.	There is the option to exchange medical insurance for the cash equivalent for all staff, including Executive Directors. Benefit schemes are reviewed on an annual basis to ensure that the costs and service of the schemes are appropriate.
Pension To provide an appropriate retirement income	Executive Directors are entitled to join the Group Personal Pension Scheme. This is a defined contribution plan to which the Group makes contributions of up to 13% of each Director's salary which can be paid into the Group Personal Pension Scheme, taken as cash or a combination of the two. A core contribution of 3% employer contributions will be paid into the Director's scheme unless they have exceeded the lifetime allowance and a further 10% can be paid as employer's pension contributions, taken as cash or a combination of the two. The Group also matches any contributions made by a Director up to a further 2.5%, depending on the level of flexible and personal contributions made by the Director.	Executive Directors can choose to take employer pension contributions as taxable salary if they can no longer make contributions due to the lifetime allowance conditions.
Group Profit Share To reward individual and collective performance, aid retention and to align interests with those of our shareholders.	The Group Profit Share Scheme is based on pre-tax profitability of the business for the financial year. Executive Directors are eligible to participate in the Group Profit Share Scheme, together with all staff. The Remuneration Committee sets the quantum of the Scheme with the intention of maintaining this at an average of 30% of operating profits. The allocation of the Profit Share pool is determined by the Remuneration Committee for Executive Directors and is based on the role and performance of the individual Director. Whilst the profit share pool has a limit based on the profitability of the Group and range stated above, there is no individual maximum entitlement set within this limit. Executive Directors are required to take one third of their payment in shares subject to a three year lock up and in addition are offered the opportunity for up to a further third of the Profit Share to be paid in shares which will attract matching shares and will also include a lock up for three years. The remaining amount will be paid in cash. Claw back provisions are in place in the event of adverse restatement of accounts or material misconduct, at the discretion of the Remuneration Committee.	The profit share scheme range is capped at 25% to 35% of operating profits with the intention of this being an average of 30%. Key features of the scheme may be amended to the advantage of Executive Directors only with prior shareholder consent.
Share Scheme To incentivise long-term performance, aid long-term retention and to align interests with those of our shareholders.	Executive Directors are eligible to participate in the Record plc Share Scheme as are all staff. The Share Scheme allows the Remuneration Committee to grant options over up to 2% of the market capitalisation of Record plc (being approximately 4.4 million shares) per annum. Of this total 1% (approximately 2.2 million shares) can be made to Executive Directors. Any share options awarded are subject to a performance condition based on Record's annual EPS growth with vesting proportions directly related to this growth. Claw back provisions are in place for Unapproved Options should there be any restatement of accounts or breach of contract, at the discretion of the Remuneration Committee.	The Remuneration Committee limit the value of shares over which an option is granted to any Director in any year to a maximum of 200% of that Director's salary for that year. Key features of the scheme may be amended to the advantage of Executive Directors only with prior shareholder consent.
Share Incentive Plan	The Group has an HMRC-approved Share Incentive Plan (SIP). Executive Directors are able to buy shares from pre-tax salary up to an HMRC approved limit (£1,500 for the financial year ended 31 March 2014), which is matched at a rate of 50%.	

Remuneration Policy for the Chairman and Non-executive Directors

The table below sets out the remuneration policy for the Chairman and Non-executive Directors.

Element	Operation, performance measures, deferral and claw back	Further information
Salary/Fees To pay a salary / fee that reflects the role, responsibilities, time, experience and knowledge of the individual, ensuring that the salary / fee paid is competitive with other employers in our industry.	Salaries and fees are reviewed annually. Any review will take into account market rates, business performance and individual contribution. Whilst there is no prescribed maximum salary / fee, increases are expected to normally be in line with the typical level of increase awarded across the Group. Salaries and fees in the year were: Chairman: £70,000 Senior Independent Director: £67,500 Non-executive Directors: £36,000 Salaries and fees have been reviewed for the new financial year. The Chairman's salary will remain the same and the Non-executive Directors fees will increase by 3% in line with Executive Directors and all other staff.	The Chairman's salary is recommended by the Remuneration Committee and approved by the Board. The Chairman does not participate in the Group Profit Share Scheme nor the Share Scheme. The Non-executive Directors' fees are approved by the Board and they do not participate in the Group Profit Share Scheme nor the Share Scheme
Benefits To provide a benefit package that provides for the wellbeing of our colleagues.	The Chairman receives benefits in the same manner as an Executive Director, which includes, but is not limited to, private medical insurance, permanent health insurance, life assurance, personal accident insurance and annual holiday.	The Non-executive Directors do not receive any additional benefits although the Board may introduce additional benefits if it is considered appropriate to do so. The Company reimburses the Chairman and Non-executive Directors for reasonable expenses incurred in performing their duties.
Pension To provide an appropriate retirement income	The Chairman is entitled to join the Group Personal Pension Scheme. Group policy allows any employee over the age of 55 who has taken early retirement according to tax legislation rules to have their standard employer pension contributions paid as additional taxable salary but forego the Group matching contribution. In accordance with this policy, the Chairman receives additional salary equivalent to the standard pension contributions that would normally be paid.	The Non-executive Directors do not receive pension benefits.
Share Incentive Plan	The Chairman and the Non-executive Directors do not participate in the SIP scheme.	

Differences in remuneration policy for Executive Directors compared to other employees

There are no differences to the remuneration structures in which Executive Directors and employees can participate, those being base salary, benefits, pension, Group Profit Share Scheme and the Share Scheme. There are, however, different requirements for share deferral within the Group Profit Share Scheme and different performance conditions and claw back provisions for any share awards between Executive Directors and other employees.

Approach to remuneration for new Executive Directors

On the recruitment of a new Executive Director the level of fixed remuneration will be appropriate to the candidate's skills and experience and the responsibility that they will be undertaking. New Executive Directors would be eligible to join the Group Profit Share Scheme and would be eligible to be considered for the Record Share Scheme as deemed appropriate by the Remuneration Committee.

The Remuneration Committee recognises that a new Executive Director may forfeit remuneration as a result of leaving a previous employer and the Committee will consider mitigating that loss or part of that loss by making an award in addition to the remuneration outlined above. The Committee will consider any relevant factors including any performance conditions attached to any previous incentive arrangements and the likelihood of these conditions being met and will take reasonable steps to ensure that any payment is at an appropriate level.

When recruiting a new Non-executive Director, fees will be in line with the prevailing fee schedule paid to other Board members and Non-executive Directors at that time.

Service contracts and loss of office payment policy

All Executive Directors have service agreements with effect from 15 November 2007, with the exception of James Wood-Collins, who has a service agreement dated 1 October 2010 to reflect his promotion to Chief Executive Officer and Steve Cullen who has a service agreement dated 15 March 2013 to reflect his promotion to Chief Financial Officer. None of the service agreements is for a fixed term and all include provisions for termination on six months' notice by either party. Service agreements do not contain any contractual entitlement to receive bonuses, nor to participate in the Group Profit Share Scheme or the Group Share Scheme, nor to receive any fixed provision for termination compensation.

Non-executive Directors are appointed for an initial three-year period. Their continued engagement is subject to the Company's Articles relating to the retirement of Directors by rotation.

The terms and conditions of appointment of the Executive Directors and Non-executive Directors are available for inspection at the Company's registered office.

When an Executive Director leaves the Group, the Remuneration Committee will review the circumstances and apply the appropriate treatment. Any payments that are made will be in line with contractual entitlements and statutory requirements only. Where applicable the broad aim in making termination payments is to avoid rewarding poor performance.

Salary and benefits will continue to be paid throughout the notice period although the Committee has the discretion to make a payment in lieu of notice.

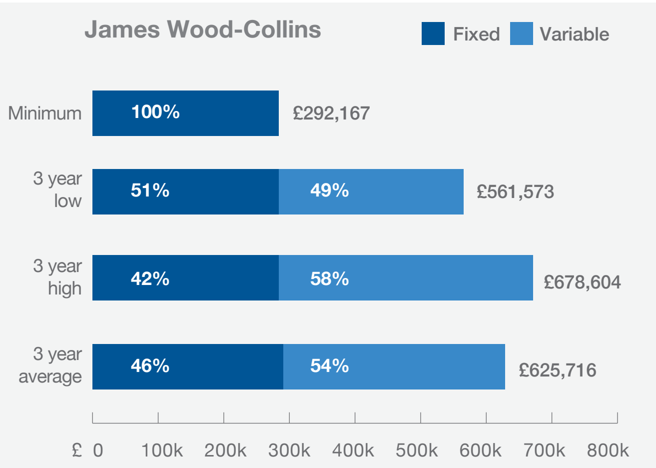
The treatment of payments for the Group Profit Share Scheme and the Share Scheme will be in accordance with the relevant scheme rules at the time the Director leaves.

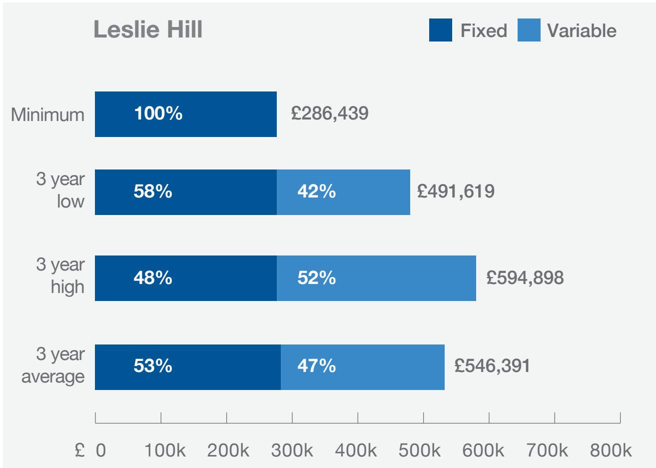
Details of service contracts for Directors who are subject to re-election at the forthcoming AGM are as follows:

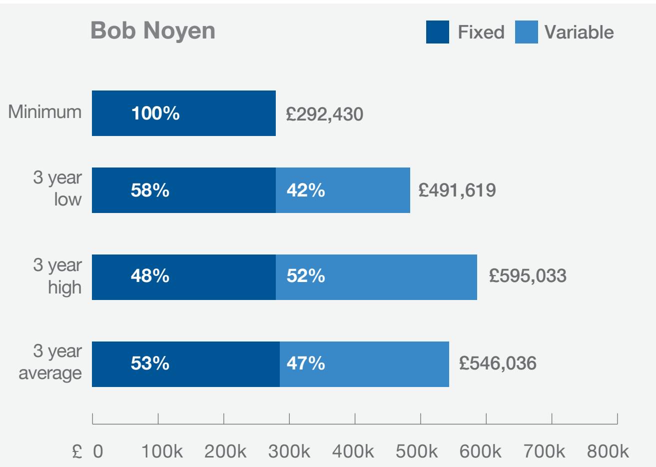
Contract	Notice date	Expiry/ period	Review date
Executive Directors			
Leslie Hill	15/11/07	6 months	Rolling
Bob Noyen	15/11/07	6 months	Rolling
Non-Executive Directors			
Cees Schrauwers	15/11/07	—	15/11/16

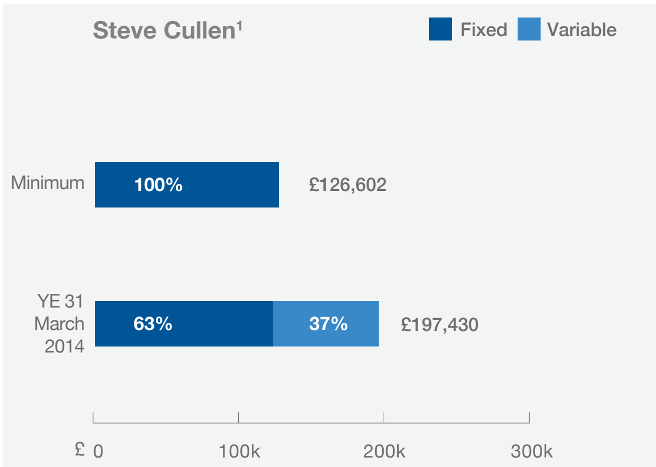
Remuneration illustrations

The charts below show the lowest, highest and average remuneration for the Executive Directors over the past three years. Fixed remuneration is comprised of salary, pension contributions, other benefits and any cash alternative. Variable remuneration is Group Profit Share cash and share payments. As variable remuneration is not capped at the individual level, we have used the three year average, highest and lowest remuneration as an indication of the Executive Director's earnings potential. Future remuneration will be determined based on profitability and performance as described in the Remuneration policy.









1 Steve Cullen was appointed to the Board on 15 March 2013. Consequently the "3 year high" and "3 year average" figures are not relevant for the purposes of the above representation. The figures for the previous incumbent and joint CFO/COO, Paul Sheriff, have not been used since the roles and related remuneration packages are not deemed comparable for the purposes of this table.

Compliance with the FCA Remuneration Code

The Committee regularly reviews its remuneration policies to ensure compliance with the principles of the Remuneration Code of the UK financial services regulator, as applicable to Record. The remuneration policy is designed to be consistent with the prudent management of risk, and the sustained, long-term performance of the Group. The Chief Financial Officer and the Head of Compliance and Risk are involved in reviewing the remuneration policy and practice to ensure that it is aligned with sound risk management, and keep the Committee informed of the firm's risk profile so that this can be taken into account in remuneration decisions.

Annual report on remuneration

This part of the report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and relevant sections of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 49 to 53 has been audited where required under the regulations and indicated as audited information where applicable.

Directors' remuneration as a single figure (audited information)

The remuneration of the Directors for the year ended 31 March 2014 is detailed below together with their remuneration for the previous year.

Year ended 31 March 2014	Salaries and fees £	Taxable benefits[1] £	Short-term incentive (GPS–cash) £	Short-term incentive (GPS–shares)[2] £	Share options £	Pensions[3] £	Other cash payments £	**Total £**
Executive Directors								
James Wood-Collins	245,000	623	103,694	291,312	—	37,975	—	**678,604**
Leslie Hill	245,000	—	207,371	103,686	—	38,841	—	**594,898**
Bob Noyen	245,000	1,001	207,371	103,686	—	37,975	—	**595,033**
Steve Cullen	105,000	1,733	19,828	53,472	—	17,397	—	**197,430**
Non-executive Directors and Chairman								
Neil Record[4]	61,564	866	—	—	—	8,003	—	**70,433**
Cees Schrauwers	67,500	—	—	—	—	—	—	**67,500**
Andrew Sykes	36,000	—	—	—	—	—	—	**36,000**
David Morrison	36,000	—	—	—	—	—	—	**36,000**
Total	**1,041,064**	**4,223**	**538,264**	**552,156**	—	**140,191**	**—**	**2,275,898**

1 This value also includes matching shares on SIP.
2 There are no performance conditions attached to short-term incentives. The shares vest immediately but are subject to lock up restrictions and are calculated based on the overall profitability of the Group.
3 This includes payments made in lieu of pension contributions.
4 Neil Record had a period of unpaid leave during the year.

Year ended 31 March 2013	Salaries and fees £	Taxable benefits £	Short-term incentive (GPS–cash) £	Short-term incentive (GPS–shares) £	Share options £	Pensions[1] £	Other cash payments £	**Total £**
Executive Directors								
James Wood-Collins	245,000	627	96,075	181,896	9,150[2]	37,975	—	**570,723**
Leslie Hill	245,000	—	138,515	69,258	—	38,846	—	**491,619**
Bob Noyen	245,000	871	138,515	69,258	—	37,975	—	**491,619**
Steve Cullen[3]	4,583	67	632	201	—	710	—	**6,193**
Former Executive Directors								
Paul Sheriff[4] (resigned 15 March 2013)	234,949	1,621	91,341	139,291	—	55,405	2,827	**525,434**
Non-executive Directors and Chairman								
Neil Record	113,750	871	—	—	—	14,787	—	**129,408**
Cees Schrauwers	67,500	—	—	—	—	—	—	**67,500**
Andrew Sykes	36,000	—	—	—	—	—	—	**36,000**
David Morrison	36,000	—	—	—	—	—	—	**36,000**
Total	**1,227,782**	**4,057**	**465,078**	**459,904**	**9,150**	**185,698**	**2,827**	**2,354,496**

1 This includes payments made in lieu of pension contributions.
2 100% of the award vested. This award was made prior to his appointment as an Executive Director.
3 Steve Cullen was promoted to Executive Director on 15 March 2013.
4 Loss of office. Paul Sheriff ceased to be a Director with effect from 15 March 2013. In addition to the figures shown above, a termination payment was made based upon contractual terms and in accordance with statutory provisions totalling £198,865. The payment of £2,827 was in lieu of outstanding holiday. Awards due under the Group Profit Share scheme for the period up to cessation vested in June 2013.

Pensions (audited information)

The Executive Directors and the Chairman are entitled to join the Group Personal Pension scheme. This is a defined contribution plan, to which the Group makes contributions up to 13% of each Director's salary which can be paid into the Group Personal Pension Scheme, taken as cash or a combination of the two. The Group also matches any contributions made by the Director up to a further 2.5% depending on the level of flexible and personal contributions made by the Director.

The employer pension contributions for the financial years ending 2013 and 2014 are detailed in the tables on page 49.

Directors' share options and share awards (audited information)

James Wood-Collins was the only Executive Director to be awarded share options during the financial year ended 31 March 2014. He was awarded options over 1,400,000 shares on 18 November 2013 under the Unapproved Option scheme and in accordance with the scheme rules for Executive Directors.

Steve Cullen was granted options during the previous year under the Approved Option scheme and prior to his appointment to the Board of Directors.

The table below sets out details of Executive Directors' outstanding share option awards (which may vest in future years subject to continued service and performance conditions).

	Date of grant	Options granted	Exercised in year	Market price on exercise	Exercise price	Earliest exercise	Latest exercise	Status of performance
James Wood-Collins	18/11/2013	1,400,000	—	—	30.00p	18/11/2016	17/11/2019	Not currently applicable
Steve Cullen	18/12/2012	75,000	—	—	30.98p	18/12/2016	17/12/2017	Not currently applicable

The value of shares over which the award of Unapproved Options made in the year to James Wood-Collins was £420,000, based on the exercise price of £0.30 per share which equated to the market share price upon grant. None of the awards will vest if only the minimum level of performance is achieved.

The percentage of awards vesting for grants made in the year under the Unapproved Option scheme is based on Record's 3 year average EPS growth as follows:

Record's 3 year average EPS growth	Percentage of shares subject to the Award which vest
>RPI Growth + 13%	100%
>RPI Growth + 10%, = <RPI + 13%	75%
>RPI Growth + 7%, = <RPI + 10%	50%
>RPI Growth + 4%, = <RPI + 7%	25%
=<RPI Growth + 4%	0%

A principal strategic objective of the business is to create shareholder value for our investors over the long term. The Board considers this to be delivered by consistent growth in earnings of the business, and the performance measurements used in the determination of the number of awards which ultimately vest under the scheme rules reflect this.

The percentage of awards vesting for grants previously made under the Approved Option scheme to Steve Cullen is based on the median total shareholder return ("TSR") as measured against the FTSE 350 General Financial – Price Index. The performance target table is given below. None of the awards will vest if only the lowest level of performance is achieved.

Percentage by which Record's TSR is below the media 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%

Group Profit Shares in lock up (audited information)

The table below shows Directors' interests in ordinary shares arising from the deferred element of annual bonus awards.

	Interest in restricted share awards at 1 April 2013	Restricted awards during year	Restrictions released during year	Interest in restricted shares at 31 March 2014
James Wood-Collins	1,180,824	386,366	(294,458)	1,272,732
Leslie Hill	253,078	127,440	(101,770)	278,748
Bob Noyen	253,078	140,714	(101,770)	292,022
Steve Cullen	58,026	44,446	(35,299)	67,173

Directors' share interests (audited information)

The tables below shows Directors share interests[1] for the last two financial years, including shares held by connected persons.

2014	Shares held without restrictions	GPS shares subject to restrictions[2]	Total shares held	Share options (not vested)	Total share interests
Executive Directors					
James Wood-Collins	803,839	1,272,732	2,076,571	1,400,000	**3,476,571**
Leslie Hill	14,982,041	278,748	15,260,789	—	**15,260,789**
Bob Noyen	8,572,563	292,022	8,864,585	—	**8,864,585**
Steve Cullen	752,094	67,173	819,267	75,000	**894,267**
Non-executive Directors and Chairman					
Neil Record	70,980,711	—	70,980,711	—	**70,980,711**
Cees Schrauwers	230,000	—	230,000	—	**230,000**
Andrew Sykes	25,000	—	25,000	—	**25,000**
David Morrison	—	—	—	—	**—**
Total	**96,346,248**	**1,910,675**	**98,256,923**	**1,475,000**	**99,731,923**

1 There is no requirement or guideline for a Director to own a specified shareholding.
2 Under the rules of the Group profit Share Scheme, shares awarded to Directors are subject to lock up restrictions for between one and three years from the award date.

2013	Shares held without restrictions	GPS shares subject to restrictions[1]	Total shares held	Share options (not vested)	Total share interests
Executive Directors					
James Wood-Collins	509,381	1,180,824	1,690,205	—	**1,690,205**
Leslie Hill	14,880,271	253,078	15,133,349	—	**15,133,349**
Bob Noyen	8,470,793	253,078	8,723,871	—	**8,723,871**
Steve Cullen	710,034	58,026	768,060	75,000	**843,060**
Non-executive Directors and Chairman					
Neil Record	71,171,043	—	71,171,043	—	**71,171,043**
Cees Schrauwers	130,000	—	130,000	—	**130,000**
Andrew Sykes	25,000	—	25,000	—	**25,000**
David Morrison	—	—	—	—	**—**
Total	**95,896,522**	**1,745,006**	**97,641,528**	**75,000**	**97,716,528**

1 Under the rules of the Group Profit Share Scheme, shares awarded to Directors are subject to lock up restrictions for between one and three years from the award date.

Base salary changes for the Executive Directors

Executive Directors have received no pay increases during the past five years and salaries were reduced in the financial year ending March 2012 by 10%. This year salaries have been reviewed by the Remuneration Committee and a salary increase of 3% has taken effect from 1 April 2014 in line with a 3% increase for staff. Non-executive Directors will also receive a 3% increase although the Chairman's salary will remain the same.

These changes in salaries are detailed in the table below.

	Salary from 1 April 2013 to 31 March 2014 £	Salary from 1 April 2014 £	Increase
Neil Record	70,000	70,000	0%
James Wood-Collins	245,000	252,350	3%
Leslie Hill	245,000	252,350	3%
Bob Noyen	245,000	252,350	3%
Steve Cullen	105,000	108,150	3%

Total remuneration of Chief Executive (audited information)

The total remuneration of the Chief Executive since 2010 is shown in the following table. The total remuneration figure includes the annual profit share payment. There is no maximum value that could be paid during each year.

	Year ending 31 March				
	2010 £	2011 £	2012 £	2013 £	2014 £
James Wood-Collins	n/a	547,939	655,343	570,723	678,604
Neil Record	906,567	444,240	n/a	n/a	n/a

Neil Record relinquished the role of Chief Executive and James Wood-Collins was appointed Chief Executive on 1 October 2010.

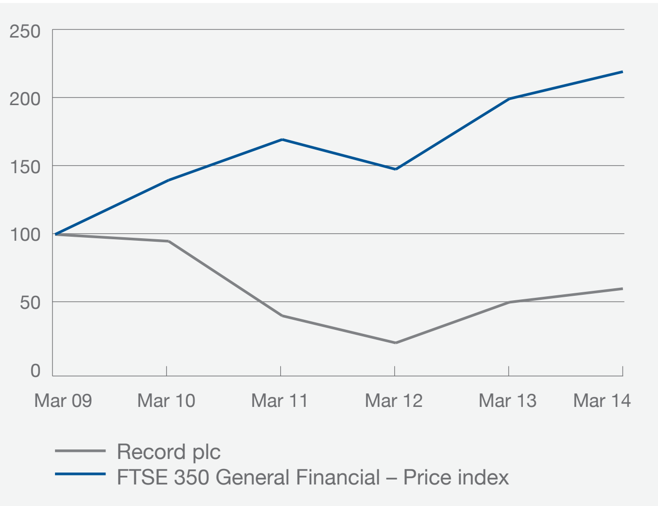
Percentage change in the remuneration of the Chief Executive (audited information)

The following table shows the percentage change in the base salary, benefits and annual bonus of the Chief Executive between the year ended March 2014 and the previous financial year compared to the average for all employees of the Group.

% change in:	Chief Executive	Average for all employees
Base salary	No change	+3%[1]
Benefits	No change	No change
Total annual bonus	+42%	+27%

1 There was a general 3% salary increase for staff during the previous year, although there were also additional discretionary increases for promotions and increases in responsibility.

Total Shareholder Return performance graph

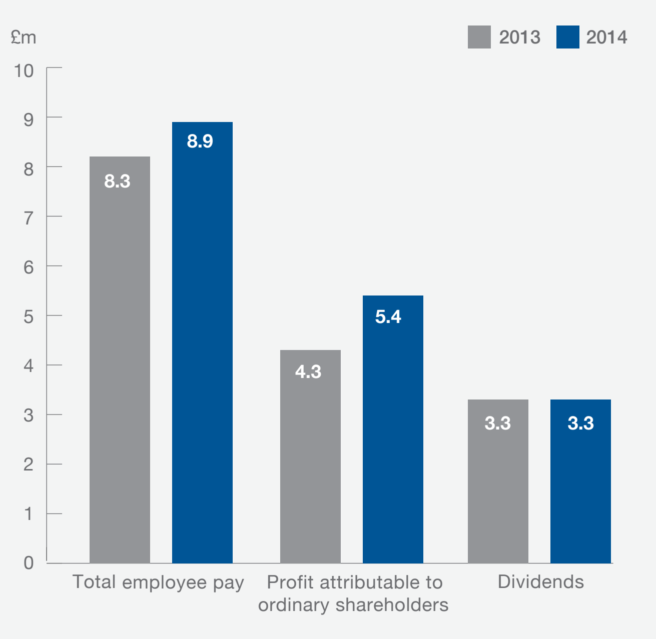


The graph shows the Group's Total Shareholder Return compared with the FTSE 350 – General Financial Index, and shows the change in the theoretical value of £100 invested in Record plc on 31 March 2009 compared to £100 invested in the FTSE 350 – General Financial Index. The FTSE 350 – General Financial Index has been chosen because the index is a widely accepted performance comparison for small quoted financial services UK companies.

The market price of the Company's shares as at 31 March 2014 was 42.0p. The highest closing share price during the financial year was 44.5p. The lowest closing share price during the financial year was 27.4p.

Relative importance of the spend on pay

The following table shows the year-on-year movement in total remuneration of all employees, compared to the level of dividends paid and declared on ordinary shares.



Dividends are represented in the table above as follows:

2013: Final dividend of 1.50p per share paid in July 2013 with respect to the year ended 31 March 2013.

2014: Interim dividend paid in December 2013 (0.75p per share) and final dividend proposed (0.75p per share) with respect to the year ended 31 March 2014 (total 1.50p per share).

Meetings and attendance

The Remuneration Committee is chaired by Andrew Sykes, and he is supported by two independent Non-executive Directors, Cees Schrauwers and David Morrison. All members served on the Committee throughout the year.

The Committee operates under formal terms of reference which are reviewed annually and held eight meetings during the year. Attendance at the meetings is shown in the table:

	Maximum possible attendance	Meetings attended
Andrew Sykes	8	8
Cees Schrauwers	8	8
David Morrison	8	5

The Chief Financial Officer, Chief Executive Officer and Chairman may attend meetings by invitation and assist the Committee in its deliberations, except when their personal remuneration is discussed. No Directors are involved in deciding their own remuneration. The Committee also received advice from the Head of HR who acts as Secretary to the Committee.

External advisors

The Group participated in a survey conducted by McLagan and received information regarding market rates of pay for staff. McLagan did not provide any direct advice to the Remuneration Committee. The Group paid £14,940 in fees for this information.

External directorships

With the approval of the Board in each case, and subject to the requirements of the Group, Executive Directors may accept a limited number of external appointments.

Statement of voting at the Annual General Meeting (audited information)

At the AGM held on 25 July 2013, the resolution seeking approval of the remuneration report received the following votes:

	Total number of votes	% of votes cast
For	115,687,900	99.98
Against	23,582	00.02
Total votes cast	115,711,482	100
Votes withheld	0	0

Approval

This Directors' remuneration report, including both the Directors' Remuneration Policy and the Annual Report on Remuneration has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Andrew Sykes
Chairman of the Remuneration Committee
16 June 2014

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report and Directors' report, the Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- ensure that IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable.

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.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board by:

Neil Record
Chairman
16 June 2014

Steve Cullen
Chief Financial Officer

Independent auditor's report

to the Members of Record plc

We have audited the financial statements of Record plc for the year ended 31 March 2014 which comprise the consolidated and company statements of financial position, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out opposite, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Auditor commentary

An overview of the scope of our audit

Our audit scope included a full audit of the financial statements of the parent company, Record plc, and its subsidiary undertakings (together 'the Group').

In establishing the overall approach to the Group, we determined the scope of work that needed to be performed at the subsidiary undertakings level by us, as the group engagement team. We determined the level of our involvement needed in respect of these reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We identified and concentrated our resources on areas of higher risk, which included those areas of concern to the directors. We evaluated certain controls over key financial systems identified as part of our risk assessment. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements on the financial statements and in forming our opinion. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy for the Group, we determined materiality for the Group financial statements as a whole to be £315,000, which is approximately 5% of adjusted pre-tax profit. We use adjusted pre-tax profit to exclude the effect of volatility (for example, separately disclosed adjusting items) from our determination. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 60% of planning materiality, namely £189,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our materiality of £315,000 for the Group financial statements as whole. For the financial information of the individual subsidiary undertakings, we set our materiality based on a proportion of group materiality appropriate to the relative scales of each of the reporting units.

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £15,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the Group financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Revenue recognition

Revenue is recognised as the fair value of the consideration in respect of professional services provided during the year. Management fees are calculated as a percentage of assets under management equivalents. Where the performance of clients' assets exceeds defined benchmarks by an agreed level of outperformance over a set time period, performance fees are received. In determining the timing of revenue to be recognised in accordance with IAS 18 'Revenue', management fees are accrued on a daily basis and performance fees are recognised when earned. We identified revenue as a significant risk requiring special audit consideration due to the large monetary amounts and high volume of transactions involved as well as being an area highly susceptible to fraudulent financial reporting.

Our audit work included, but was not restricted to, assessing whether the stated accounting policy conforms with IAS 18 and testing a sample of revenue recognised in accordance with that policy; obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy and the internal controls over that process. We tested the operating effectiveness of key controls in this area, combined with substantive work on a sample of fees raised back to supporting documentation and we reviewed client contracts with performance fee clauses to ensure performance fees have been captured and calculated accordingly.

Management override of financial control

Under ISAs (UK & Ireland), for all of our audits we are required to consider the risk of management override of financial controls. Due to the unpredictable nature of this risk we are required to assess it as a significant risk requiring special audit consideration. Our audit work included, but was not restricted to, specific procedures relating to this risk that are required by ISA(UK & Ireland) 240 'The Auditors Responsibilities relating to Fraud in an Audit of Financial Statements'. This included tests of journal entries, the evaluation of judgements and assumptions in management's estimates and review of significant transactions outside the normal course of business. In particular, our work on revenue recognition addressed key aspects of ISA 240.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Other reporting responsibilities

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 36 to 39 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that were communicated to the Audit and Risk Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules, we are required to review:

- the directors' statement, set out on pages 34 and 35, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Grant Thornton UK LLP.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

16 June 2014

Consolidated statement of comprehensive income

Year ended 31 March

	Note	2014 £'000	2013 £'000
Revenue	3	**19,922**	18,552
Cost of sales		**(86)**	(221)
Gross profit		**19,836**	18,331
Administrative expenses		**(13,412)**	(12,343)
Loss on financial instruments held as part of disposal group		**–**	(68)
Operating profit	4	**6,424**	5,920
Finance income		**113**	158
Profit before tax		**6,537**	6,078
Taxation	6	**(1,494)**	(1,450)
Profit after tax and total comprehensive income for the year		**5,043**	4,628
Profit and total comprehensive income for the year attributable to:			
Non-controlling interests		**(364)**	294
Owners of the parent		**5,407**	4,334
Earnings per share for profit attributable to the equity holders of the Group during the year (expressed in pence per share)			
Basic earnings per share	7	**2.48p**	1.98p
Diluted earnings per share	7	**2.47p**	1.98p

The notes on pages 64 to 86 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March

	Note	2014 £'000	2013 £'000
Non-current assets			
Property, plant and equipment	10	**86**	140
Intangible assets	11	**734**	963
Investments	12	**2,754**	—
Deferred tax assets	13	**158**	5
		3,732	1,108
Current assets			
Trade and other receivables	14	**5,646**	5,569
Derivative financial assets	15	**198**	43
Money market instruments with maturity > 3 months	16	**15,488**	—
Cash and cash equivalents	16	**11,503**	29,025
Total current assets		**32,835**	34,637
Total assets		**36,567**	35,745
Current liabilities			
Trade and other payables	17	**(2,706)**	(2,672)
Corporation tax liabilities	17	**(832)**	(760)
Derivative financial liabilities	15	**(122)**	(25)
Total current liabilities		**(3,660)**	(3,457)
Total net assets		**32,907**	32,288
Equity			
Issued share capital	18	**55**	55
Share premium account		**1,838**	1,838
Capital redemption reserve		**20**	20
Retained earnings		**27,327**	26,729
Equity attributable to owners of the parent		**29,240**	28,642
Non-controlling interest	20	**3,667**	3,646
Total equity		**32,907**	32,288

Approved by the Board on 16 June 2014 and signed on its behalf by:

Neil Record
Chairman

Steve Cullen
Chief Financial Officer

The notes on pages 64 to 86 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Year ended 31 March 2014

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
As at 1 April 2013	55	1,838	20	26,729	28,642	3,646	32,288
Profit and total comprehensive income for the year	—	—	—	5,407	5,407	(364)	5,043
Dividends paid	—	—	—	(4,898)	(4,898)	—	(4,898)
Own shares purchased by EBT	—	—	—	(171)	(171)	—	(171)
Release of shares held by EBT	—	—	—	104	104	—	104
Issue of units in funds to non-controlling interests	—	—	—	—	—	1,198	1,198
Divestment of non-controlling interest	—	—	—	—	—	(813)	(813)
Share option reserve movement	—	—	—	156	156	—	156
As at 31 March 2014	**55**	**1,838**	**20**	**27,327**	**29,240**	**3,667**	**32,907**

Year ended 31 March 2013

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
As at 1 April 2012	55	1,809	20	24,469	26,353	2,263	28,616
Profit and total comprehensive income for the year	—	—	—	4,334	4,334	294	4,628
Dividends paid	—	—	—	(1,645)	(1,645)	—	(1,645)
Own shares purchased by EBT	—	—	—	(686)	(686)	—	(686)
Release of shares held by EBT	—	29	—	197	226	—	226
Issue of units in funds to non-controlling interests	—	—	—	—	—	1,089	1,089
Share option reserve movement	—	—	—	60	60	—	60
As at 31 March 2013	55	1,838	20	26,729	28,642	3,646	32,288

The notes on pages 64 to 86 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 March

	Note	2014 £'000	2013 £'000
Operating profit		**6,424**	5,920
Adjustments for:			
Profit on disposal of property, plant and equipment		**(1)**	—
Depreciation of property, plant and equipment	10	**79**	106
Amortisation of intangible assets	11	**229**	177
Share option expense		**156**	60
Release of shares previously held by EBT		**—**	226
		6,887	6,489
Changes in working capital			
Increase in receivables		**(68)**	(485)
Increase in payables		**29**	173
(Increase)/decrease in other financial assets		**(231)**	1,065
Increase/(decrease) in other financial liabilities		**121**	(23)
Cash inflow from operating activities		**6,738**	7,219
Corporation taxes paid		**(1,571)**	(1,610)
Net cash inflow from operating activities		**5,167**	5,609
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment		**1**	—
Purchase of property, plant and equipment		**(25)**	(63)
Purchase of securities		**(1,114)**	—
Purchase of money market instruments with maturity > 3 months	16	**(15,488)**	—
Decrease in cash due to accounting treatment of funds previously consolidated on line by line basis	16	**(1,877)**	—
Interest received		**102**	149
Net cash (outflow)/inflow from investing activities		**(18,401)**	86
Cash flow from financing activities			
Cash inflow from issue of units in funds		**677**	1,089
Exercise of share options		**104**	—
Purchase of own shares		**(171)**	(686)
Dividends paid to equity shareholders		**(4,898)**	(1,645)
Cash outflow from financing activities		**(4,288)**	(1,242)
Net (decrease)/increase in cash and cash equivalents in the year		**(17,522)**	4,453
Cash and cash equivalents at the beginning of the year		**29,025**	24,572
Cash and cash equivalents at the end of the year		**11,503**	29,025
Closing cash and cash equivalents consists of:			
Cash		**1,476**	1,863
Cash equivalents		**10,027**	27,162
Cash and cash equivalents		**11,503**	29,025

The notes on pages 64 to 86 are an integral part of these consolidated financial statements.

Company statement of financial position

As at 31 March

	Note	2014 £'000	2013 £'000
Non-current assets			
Investments	12	**3,378**	2,364
		3,378	2,364
Current assets			
Trade and other receivables	14	**146**	1,663
Cash and cash equivalents	16	**34**	1,001
Total current assets		**180**	2,664
Total assets		**3,558**	5,028
Current liabilities			
Trade and other payables	17	**(452)**	(1,717)
Corporation tax liabilities	17	**–**	(25)
Total current liabilities		**(452)**	(1,742)
Total net assets		**3,106**	3,286
Equity			
Issued share capital	18	**55**	55
Share premium account		**1,809**	1,809
Capital redemption reserve		**20**	20
Retained earnings		**1,222**	1,402
Total equity		**3,106**	3,286

Approved by the Board on 16 June 2014 and signed on its behalf by:

Neil Record
Chairman

Steve Cullen
Chief Financial Officer

The notes on pages 64 to 86 are an integral part of these consolidated financial statements.

Company statement of changes in equity

Year ended 31 March 2014

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2013	55	1,809	20	1,402	3,286
Profit and total comprehensive income for the year	—	—	—	4,562	4,562
Dividends paid	—	—	—	(4,898)	(4,898)
Share option reserve movement	—	—	—	156	156
As at 31 March 2014	**55**	**1,809**	**20**	**1,222**	**3,106**

Year ended 31 March 2013

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2012	55	1,809	20	1,443	3,327
Profit and total comprehensive income for the year	—	—	—	1,544	1,544
Dividends paid	—	—	—	(1,645)	(1,645)
Share option reserve movement	—	—	—	60	60
As at 31 March 2013	55	1,809	20	1,402	3,286

The notes on pages 64 to 86 are an integral part of these consolidated financial statements.

Company statement of cash flows

Year ended 31 March

	2014 £'000	2013 £'000
Operating (loss)/profit	**(345)**	90
Changes in working capital		
Decrease/(increase) in receivables	**1,515**	(468)
(Decrease)/increase in payables	**(1,265)**	769
(Increase)/decrease in other financial assets	**(858)**	763
Cash (outflow)/inflow from operating activities	**(953)**	1,154
Corporation taxes paid	**(24)**	—
Net cash (outflow)/inflow from operating activities	**(977)**	1,154
Cash flow from investing activities		
Dividends received	**4,900**	1,465
Interest received	**8**	11
Net cash inflow from investing activities	**4,908**	1,476
Cash flow from financing activities		
Dividends paid to equity shareholders	**(4,898)**	(1,645)
Cash outflow from financing activities	**(4,898)**	(1,645)
Net (decrease)/increase in cash and cash equivalents in the year	**(967)**	985
Cash and cash equivalents at the beginning of the year	**1,001**	16
Cash and cash equivalents at the end of the year	**34**	1,001
Closing cash and cash equivalents consists of:		
Cash	**34**	1
Cash equivalents	**—**	1,000
Cash and cash equivalents	**34**	1,001

The notes on pages 64 to 86 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 March 2014

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 increase the clarity of 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 the 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 International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union as at 31 March 2014. 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 are going concerns. 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 with 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

A number of amendments to existing standards and interpretations have been issued, some of which were mandatory for periods beginning 1 April 2013, with the remaining becoming effective in future periods. The new standards and amendments to existing standards effective for the year to 31 March 2014 have not had a material impact on the financial statements of Record plc, but the application of IFRS 13 has resulted in additional disclosures for financial instruments (refer to note 22).

New standards and interpretations

IFRS 9 “Financial Instruments” has yet to be endorsed by the EU and replaces the classification and measurement models for financial instruments in IAS 39 with two classification categories, amortised cost and fair value. No other standards or interpretations issued but not yet effective 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 entities controlled by the Company (its subsidiaries) drawn up to 31 March 2014. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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.

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. The Group has ‘de facto’ control over this special purpose entity. This trust is fully consolidated within the accounts.

The Group has investments in three funds. These funds are held by Record plc and represent seed capital investments by the Group. If the Group is in a position to be able to control a fund by virtue of holding a majority of units in the fund, then the fund is consolidated within the Group accounts. Such funds are consolidated either on a line by line basis, or if it 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.

The accounts of subsidiary undertakings, which are prepared using uniform accounting policies, are coterminous with those of the Company apart from those of the seeded funds which have accounting reference dates of 30 September. The consolidated accounts incorporate the financial performance of the seeded funds in the year ended 31 March 2014 and the financial position of the seeded funds as at 31 March 2014.

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 total comprehensive income for the year includes a profit of £4,561,908 attributable to the Company (2013: £1,543,196).

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 also the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the parent company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). 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 profit or loss.

(d) 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.

(e) 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.

(f) 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.

2. Critical accounting estimates and judgements

The estimates and associated assumptions are based on historical experience and various other factors 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. 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. Note 19 covers the assumptions made in calculating the fair value of share options offered by the Group to its employees. The Directors have judged that the Group does not bear substantially all the risks and rewards of ownership of its leasehold premises and therefore accounts for the leases as operating leases as described in note 23.

3. Revenue

Revenue recognition

Revenue is recognised in profit or loss when the amount of revenue can be measured reliably; it is probable that economic benefits will flow to the entity; the stage of completion can be measured reliably; and the costs incurred and costs to complete the transaction can be measured reliably also.

Management fees are accrued on a daily basis based upon the assets under management equivalents (AUME). The Group is entitled to earn performance fees from some clients where the performance of the clients' mandates exceeds defined benchmarks by an agreed level of outperformance over a set time period. Performance fees are recognised at the end of each contractual performance period as this is the first point at which the fee amount can be estimated reliably and it is probable that the fee will be received.

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.

3. Revenue continued

(a) Product revenues

The Group has split its currency management revenues by product. Revenue attributable to the non-controlling interests' ("NCI") holding in seed funds and other income arises mainly from gains/losses on derivative financial instruments. No performance fees were earned in either of the reported periods.

Revenue by product type	2014 £'000	2013 £'000
Management fees		
Dynamic Hedging	**11,872**	11,834
Passive Hedging	**5,728**	4,093
Currency for Return	**2,671**	2,134
Total management fee income	**20,271**	18,061
Revenue attributable to NCI holding in seed funds	**(344)**	454
Other income	**(5)**	37
Total revenue	**19,922**	18,552

(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	2014 £'000	2013 £'000
Management fee income		
UK	**5,141**	4,628
US	**5,769**	6,631
Switzerland	**6,893**	5,688
Other	**2,468**	1,114
Total management fee income	**20,271**	18,061
Revenue attributable to NCI holding in seed funds	**(344)**	454
Other income	**(5)**	37
Total revenue	**19,922**	18,552

Revenue attributable to NCI holding in seed funds and other income are not analysed by geographical region.

All of the Group's tangible non-current assets are located in the UK.

(c) Major clients

During the year ended 31 March 2014, two clients individually accounted for more than 10% of the Group's revenue during the year. The two largest clients generated revenues of £4.9m and £2.4m in the period (2013: two largest clients generated revenues of £5.6m and £2.0m).

4. Operating profit

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

	2014 £'000	2013 £'000
Staff costs	**8,911**	8,311
Depreciation of property, plant and equipment	**80**	106
Amortisation of intangibles	**230**	177
Auditor fees		
Fees payable to the Group's auditor for the audit of the Company's annual accounts	**36**	34
The audit of the Group's subsidiaries, pursuant to legislation	**39**	42
Other services pursuant to legislation	**62**	58
Other services relating to taxation	**12**	10
Operating lease rentals: Land and buildings	**231**	227
(Gains)/losses on forward FX contracts held to hedge cash flow	**(173)**	82
Other exchange losses/(gains)	**326**	(102)

5. Staff costs

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

	2014	2013
Client Team	10	8
Research	10	9
Portfolio Management	9	8
Trading	5	5
Operations	4	4
Reporting Services	6	8
Systems	4	4
Finance, Human Resources and Legal	6	7
Administration	1	1
Compliance	2	1
Corporate	9	9
Annual average	**66**	64

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

	2014 £'000	2013 £'000
Wages and salaries	6,273	5,987
Social security costs	905	815
Pension costs	412	450
Other employment benefit costs	1,321	1,059
Aggregate staff costs	**8,911**	8,311

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

6. 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:

	2014 £'000	2013 £'000
Profit before taxation	6,537	6,078
Taxation at the standard rate of tax in the UK of 23% (2013: 24%)	1,504	1,459
Tax effects of:		
Other disallowable expenses and non-taxable income	68	17
Capital allowances for the period lower than depreciation	24	6
Lower tax rates on subsidiary undertakings	(42)	24
Adjustments recognised in current year in relation to the current tax of prior years	(18)	24
Other temporary differences	(42)	(80)
Total tax expense	**1,494**	1,450

The standard rate of corporation tax in the UK for the year was 23% (2013: 24%). 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 2014 was £1,493,615 (2013: £1,450,457) which was 22.9% of profit before tax (2013: 23.9%).

7. 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.

	2014	2013
Weighted average number of shares used in calculation of basic earnings per share	**217,778,666**	218,867,407
Effect of potential dilutive ordinary shares – share options	**893,900**	273,830
Weighted average number of shares used in calculation of diluted earnings per share	**218,672,566**	219,141,237

	pence	pence
Basic earnings per share	**2.48**	1.98
Diluted earnings per share	**2.47**	1.98

The potential dilutive shares relate to the share options granted in respect of the Group's Share Scheme (see note 19). There were share options and deferred share awards in place at the beginning of the period over 4,120,000 shares. During the year 325,000 options were exercised, and a further 400,000 share options were forfeited. The Group granted 3,560,000 share options with a potentially dilutive effect during the year.

8. 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 2014 totalled £4,897,875 (2.25p per share) which comprised a final dividend in respect of the year ended 31 March 2013 of £3,263,625 (1.5p per share) and an interim dividend for the year ended 31 March 2014 of £1,634,250 (0.75p per share). The dividends paid during the year ended 31 March 2013 totalled £1,645,143 (0.75p per share) being the final dividend paid in respect of the year ended 31 March 2012.

The final dividend proposed in respect of the year ended 31 March 2014 is 0.75p per share.

9. 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 has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

The pension cost charge represents contributions payable by the Group to the funds and amounted to £412,357 (2013: £449,915).

10. 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.

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

2014	**Leasehold improvements £'000**	**Computer equipment £'000**	**Fixtures and fittings £'000**	**Total £'000**
Cost				
At 1 April 2013	534	721	270	1,525
Additions	—	22	3	25
Disposals	—	(22)	(1)	(23)
At 31 March 2014	**534**	**721**	**272**	**1,527**
Depreciation				
At 1 April 2013	534	582	269	1,385
Charge for the year	—	77	2	79
Disposals	—	(22)	(1)	(23)
At 31 March 2014	**534**	**637**	**270**	**1,441**
Net book amounts				
At 31 March 2014	**—**	**84**	**2**	**86**
At 1 April 2013	—	139	1	140

2013	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2012	534	716	269	1,519
Additions	—	62	1	63
Disposals	—	(57)	—	(57)
At 31 March 2013	534	721	270	1,525
Depreciation				
At 1 April 2012	534	537	265	1,336
Charge for the year	—	102	4	106
Disposals	—	(57)	—	(57)
At 31 March 2013	534	582	269	1,385
Net book amounts				
At 31 March 2013	—	139	1	140
At 1 April 2012	—	179	4	183

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 – 5 years

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

The Group's intangible assets comprise the capitalised cost of software development only. The carrying amounts can be analysed as follows:

2014	Software £'000	Total £'000
Cost		
At 1 April 2013	1,150	1,150
Additions	—	—
Disposals	—	—
At 31 March 2014	**1,150**	**1,150**
Amortisation		
At 1 April 2013	187	187
Charge for the year	229	229
Disposals	—	—
At 31 March 2014	**416**	**416**
Net book amounts		
At 31 March 2014	**734**	**734**
At 1 April 2013	963	963

2013	Software £'000	Total £'000
Cost		
At 1 April 2012	1,150	1,150
Additions	—	—
Disposals	—	—
At 31 March 2013	1,150	1,150
Amortisation		
At 1 April 2012	10	10
Charge for the year	177	177
Disposals	—	—
At 31 March 2013	187	187
Net book amounts		
At 31 March 2013	963	963
At 1 April 2012	1,140	1,140

Intangible assets are comprised of the capitalised development costs of the Group's middle and back office system which was completed in June 2012 and has an estimated useful economic life of five years. The annual contractual commitment for the maintenance and support of software is £136,071 (2013: £132,494). All amortisation charges are included within administrative expenses.

12. Investments

Group

The Group holds certain securities through its seeded fund vehicles. These securities are designated as fair value through profit and loss and the fair value is determined by reference to quoted market prices. Investments in funds which are not consolidated on a line by line basis are designated as fair value through profit or loss.

Investment	2014 £'000	2013 £'000
Record Currency FTSE FRB10 Index Fund	**1,120**	—
US government treasury inflation protected securities ("TIPS")	**1,634**	—
	2,754	—

The Record Currency FTSE FRB10 Index Fund was consolidated into the Group accounts on a line by line basis until 28 February 2014. After this date the Group ceased to control the fund as a result of a significant investment in the fund by an external investor. There was no gain or loss arising on the transaction. The Group ceased to consolidate the fund from this time, and its own investment in the fund is now measured at fair value.

Company

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. Investments in funds are measured at fair value through profit or loss.

	2014 £'000	2013 £'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 (Jersey) Limited	**—**	25
Record Fund Management Limited	**—**	—
N P Record Trustees Limited	**—**	—
Total investment in subsidiaries (at cost)	**30**	55
Capitalised investment in respect of share-based payments		
Record Currency Management (US) Inc.	**66**	49
Record Group Services Limited	**184**	46
Total capitalised investment in respect of share-based payments	**250**	95
Total investment in subsidiaries	**280**	150

Particulars of subsidiary undertakings

Name	Nature of business
Record Currency Management Limited	Currency management services (FCA registered)
Record Group Services Limited	Management services to other Group undertakings
Record Portfolio Management Limited	Dormant
Record Currency Management (US) Inc.	US advisory service company (SEC and CFTC registered)
Record Currency Management (Jersey) Limited	Dissolved 21 November 2013
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. Record Currency Management (US) Inc. is incorporated in Delaware, Record Currency Management (Jersey) Limited was incorporated in Jersey until dissolution in November 2013, and all other subsidiaries are registered in England and Wales.

12. Investments continued

Investment in funds

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

The Group has retained control of the Record Currency Emerging Market Currency Fund through the period, and it remains consolidated in full, on a line by line basis in the Group's accounts. The Group ceased to control the Record Currency FTSE FRB10 Index Fund from 1 March 2014 and no longer consolidates this fund on a line by line basis.

The Company made a further investment in the Record Currency Global Alpha Fund in May 2013. This fund is consolidated in full, on a line by line basis.

All three fund investments are presented in investments in the Company statement of financial position.

Investment in funds	2014 £'000	2013 £'000
Record Currency FTSE FRB10 Index Fund	**1,120**	1,166
Record Currency Emerging Market Currency Fund	**1,017**	1,048
Record Currency Global Alpha Fund	**961**	—
	3,098	2,214

13. 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 nor taxable profit or loss, is not recognised.

	2014 £'000	2013 £'000
Profit and loss account movement arising during the year	**153**	20
Asset/(Liability) brought forward	**5**	(15)
Asset carried forward	**158**	5

The provision for deferred taxation consists of the tax effect of temporary differences in respect of:

	2014 £'000	2013 £'000
Deferred tax allowance on unvested share options	**159**	30
Excess of taxation allowances over depreciation on fixed assets	**(1)**	(25)
	158	5

At the year end the Group had deferred tax assets of £157,908 (2013: £5,316). At the year end there were share options not exercised with an intrinsic value for tax purposes of £755,687 (2013: £143,094). 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.

14. Trade and other receivables

Trade and other receivables are stated at their 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. Individual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of trade receivables is presented within "other expenses".

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Trade receivables	**4,431**	4,825	**—**	—
Amounts due from Group undertaking	**—**	—	**146**	1,661
Accrued income	**518**	—	**—**	—
Other receivables	**51**	40	**—**	2
Prepayments	**646**	704	**—**	—
	5,646	5,569	**146**	1,663

All amounts are short-term. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment; no such indicators were noted. The Group has not renegotiated the terms of any of receivables in the year ended 31 March 2014. The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2013: £nil).

15. 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 sales denominated in foreign currencies, and additionally uses both foreign exchange options and forward foreign exchange contracts in order to achieve a return within its seeded investment 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 revenue.

Derivative financial assets	**2014 £'000**	2013 £'000
Forward foreign exchange contracts held to hedge cash flow	**7**	—
Forward foreign exchange contracts held for trading	**153**	43
Foreign exchange options held for trading	**38**	—
Total derivative financial assets	**198**	43

Derivative financial liabilities	**2014 £'000**	2013 £'000
Forward foreign exchange contracts held to hedge cash flow	**(3)**	(25)
Forward foreign exchange contracts held for trading	**(33)**	—
Short foreign exchange option positions held for trading	**(86)**	—
Total derivative financial liabilities	**(122)**	(25)

Derivative financial instruments held to hedge cash flow

At 31 March 2014 there were outstanding contracts with a principal value of £3,198,193 (31 March 2013: £2,875,764) 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 2014. The Group does not apply hedge accounting.

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

Derivative financial instruments held to hedge cash flow	**2014 £'000**	2013 £'000
Net gain/(loss) on forward foreign exchange contracts at fair value through profit or loss	**173**	(82)

15. Derivative financial assets and liabilities continued

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 foreign exchange contracts in order to achieve a return. The Record Currency Global Alpha Fund uses a variety of instruments including forward foreign exchange contracts, options and futures in order to achieve a return.

All derivative financial instruments held by the Record Currency Global Alpha Fund and the Record Currency Emerging Market Currency Fund were classified as held for trading throughout the period. The derivative financial instruments held by the Record Currency FTSE FRB10 Index Fund were classified as held for trading until the fund was deconsolidated from the Group on 1 March 2014.

At 31 March 2014 there were outstanding contracts with a principal value of £26,387,218 (31 March 2013: £13,893,809).

The net gain or loss on derivative financial instruments held for trading is as follows:

Derivative financial instruments held for trading	2014 £'000	2013 £'000
Net (loss)/gain on forward foreign exchange contracts and foreign exchange options at fair value through profit or loss	**(283)**	454

16. 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 deposit 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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank deposits with maturities > 3 months	**14,989**	—	**—**	—
Treasury bills with maturity > 3 months	**499**	—	**—**	—
Money market instruments with maturities > 3 months	**15,488**	—	**—**	—
Cash	**1,476**	1,863	**34**	1
Bank deposits with maturities <= 3 months	**10,027**	27,162	**—**	1,000
Cash and cash equivalents	**11,503**	29,025	**34**	1,001
Total assets managed as cash	**26,991**	29,025	**34**	1,001

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash and cash equivalents – Sterling	**10,827**	28,529	**34**	1,001
Cash and cash equivalents – other currencies	**676**	496	**—**	—
	11,503	29,025	**34**	1,001

Since 31 December 2011, the Group cash and cash equivalents balance has incorporated the cash held by the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund (refer to note 12 for explanation of accounting treatment). At 31 March 2014, the Group no longer had control over the FTSE FRB10 Index Fund and therefore there has been a decrease in cash arising from the deconsolidation of £1,876,718. In May 2013 Record plc seeded the Global Alpha Fund with an investment of £1,000,000 and at 31 March 2014 the Group had control over this fund. Therefore the cash and cash equivalents held by the Global Alpha Fund have been incorporated above. As at 31 March 2014, the cash and cash equivalents held by the seed funds over which the Group had control totalled £3,434,805 (31 March 2013: £5,863,175) and the money market instruments with maturities > 3 months held by these funds were £499,179 (31 March 2013: £Nil).

17. 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.

Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Trade payables	**304**	277	**—**	—
Amounts owed to Group undertaking	**—**	—	**447**	1,717
Other payables	**1**	1	**5**	—
Other tax and social security	**304**	285	**—**	—
Accruals	**2,097**	2,109	**—**	—
	2,706	2,672	**452**	1,717

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

Current tax liabilities

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Corporation tax	**832**	760	**—**	25

18. 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.

	2014		2013	
	£'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	**55**	**221,380,800**	55	221,380,800

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 2012	2,028,432
Adjustment for net purchases by EBT	1,777,376
Record plc shares held by EBT as at 31 March 2013	3,805,808
Adjustment for net purchases by EBT	68,175
Record plc shares held by EBT as at 31 March 2014	**3,873,983**

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 19.

19. Share-based payments

During the year ended 31 March 2014 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.

The Group fulfils its obligations arising from both schemes 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 awarded to the profit share pool between 25% and 35% of operating profits, with the intention of maintaining an average level of 30% of operating profits over the medium term. 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.

If an individual elects to receive Additional Shares, the Group simultaneously awards a Matching Share value amount using a multiple decided by the Remuneration Committee. The multiple is dependent on the level of seniority of the employee. The number of shares is determined by the post-tax cash attributed to Earned Shares plus Additional Shares plus Matching Shares divided by the aggregate market value achieved on the purchase of all such shares in the market. Shares awarded under the Profit Share Scheme do not include any vesting restrictions but rather restrictions over subsequent sale and transfer. All shares the subject of share awards vest immediately and are transferred to a nominee allowing the individual to retain full rights in respect of the shares purchased. These shares cannot be sold, transferred or otherwise disposed of without the consent of the Remuneration Committee except as follows:

- Earned shares – one third on each anniversary of the Profit Share Payment date; and
- Additional or Matching shares - the third anniversary of the Profit Share Payment date for Directors and senior employees and the second anniversary of the Profit Share Payment date for all other employees.

The Group Profit Share Scheme rules contain claw back 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.

Shares awarded under this scheme are purchased in the market.

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. The fair value amounts for the options issued since listing on the London Stock Exchange were determined using quoted share prices.

The Record plc Share Scheme (the "Share Scheme") was adopted by the Company on 1 August 2008 and was initially created to allow deferred share awards to be granted to new senior employees.

During 2011, the Share Scheme was amended to include the ability to grant HMRC approved options ("Approved Options") to employees of Record plc or its subsidiaries whilst retaining the ability to grant unapproved options ("Unapproved Options"). The exercise price per share of Approved Options must be no lower than the market value of a share on the dealing day immediately preceding the date of grant. 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 may be granted with any exercise price (including nil), but have recently been granted with a market-value exercise price in the same way as for the Approved Options.

Options over an aggregate of 3,560,000 shares were granted under the Share Scheme during the year (2013: 2,220,000), of which 2,945,000 shares were made subject to Unapproved Options (2013: 410,000) and 615,000 to Approved Options (2013: 1,810,000). All options were granted with an exercise price per share equal to the share price prevailing at the time of grant. The Approved Options become exercisable on the fourth anniversary of grant, subject to the employee remaining in employment with the Group and to the extent a performance condition based on the Company's total shareholder return in comparison with a relevant peer group has been met. The Unapproved Options issued on 27 September 2013 each become exercisable in four equal tranches 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 personal performance conditions have been satisfied. The Unapproved Options issued on 18 November 2013 to the Chief Executive Officer, James Wood-Collins, 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 personal performance conditions have been satisfied.

Options without performance conditions are valued using the Black-Scholes method, options with performance conditions are valued using a risk-neutral Monte Carlo valuation. Expected volatilities used are based on historic volatilities.

The Group share-based payment expense in respect of the Share Scheme was £155,625 in the year ended 31 March 2014 (2013: 60,311).

Outstanding share options

At 31 March 2014, the total number of ordinary shares of 0.025p outstanding under Record plc share compensation schemes was 6,955,000 (2013: 4,120,000). These deferred share awards and options are over issued shares, a proportion of which are hedged by shares held in an Employee Benefit Trust. Details of outstanding share options and deferred shares awarded to employees are set out below:

Date of grant	At 1 April 2013	Granted	Exercised	Lapsed	**At 31 March 2014**	Earliest vesting date	Latest vesting date*	Exercise price
08/08/11	1,000,000	—	(250,000)	—	**750,000**	08/08/13	08/08/15	£0.3180
08/08/11	300,000	—	(75,000)	—	**225,000**	08/08/13	08/08/15	£0.3225
02/12/11	600,000	—	—	—	**600,000**	02/12/15	02/12/15	£0.1440
18/12/12	1,810,000	—	—	(195,000)	**1,615,000**	18/12/16	18/12/16	£0.3098
18/12/12	410,000	—	—	(205,000)	**205,000**	18/12/13	18/12/16	£0.3098
27/09/13	—	615,000	—	—	**615,000**	27/09/17	27/09/17	£0.3085
27/09/13	—	1,545,000	—	—	**1,545,000**	27/09/14	27/09/17	£0.3085
18/11/13	—	1,400,000	—	—	**1,400,000**	18/11/16	18/11/18	£0.3000
Total options	4,120,000	3,560,000	(325,000)	(400,000)	**6,955,000**			
Weighted average exercise price of options	£0.29	£0.31	£0.32	£0.31	**£0.29**			

* Note that under the terms of the deeds of grants, options are exercisable for a specified period of time following the vesting date.

During the year 325,000 options granted on 8 August 2011 were exercised. The share price at date of exercise was £0.37. At 31 March 2014 a total of 376,250 options had vested and were exercisable.

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

	Ordinary shares held as at	
	31 March 2014	31 March 2013
Record plc Group Profit Share Scheme (interest in restricted share awards)		
James Wood-Collins	**1,272,732**	1,180,824
Leslie Hill	**278,748**	253,078
Bob Noyen	**292,022**	253,078
Steve Cullen	**67,173**	58,026
Record plc Share Scheme (interest in unvested share options)		
James Wood-Collins	**1,400,000**	—
Steve Cullen	**75,000**	75,000

19. Share-based payments continued

Performance measures

The Approved Option scheme includes certain performance criteria. At vesting date, a percentage of the total options granted will vest according to the median total shareholder return (TSR) as measured against the FTSE 350 General Financial – Price Index. 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%

The Unapproved Option scheme relating to grants of options to board directors includes certain performance criteria and claw back provisions. At vesting date, a percentage of the total options granted will vest according to the average growth in Earnings Per Share (EPS) over a three year period, as follows:

Record's 3 year average EPS growth	Percentage of shares subject to the Award which vest
>RPI Growth + 13%	100%
>RPI Growth + 10%, = <RPI + 13%	75%
>RPI Growth + 7%, = <RPI + 10%	50%
>RPI Growth + 4%, = <RPI + 7%	25%
=<RPI Growth + 4%	0%

These Unapproved Options are subject to claw back provisions allowing 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 claw back provisions allow the Group to take various steps until the claw back 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.

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 31,143 free shares to employees. The expense charged in respect of the SIP was £10,865 in the year ended 31 March 2014 (2013: £7,408).

20. Non-controlling interest

Record plc has made investments in a number of funds where it is in a position to be able to control those funds by virtue of the size of its holding. Non-controlling interests occur when Record plc is not the only investor in the fund. The non-controlling interest is measured at cost plus movement in value of the third party investment in the fund.

Record has seeded three funds which have been active during the year ended 31 March 2014.

The Record Currency – Emerging Market Currency Fund was considered to be under control of the Group through holding a majority interest throughout the period and the Record Currency-Global Alpha Fund was considered to be under control of the Group through holding a majority interests from its inception (in May 2013) onwards.

The mark to market value of the units held by other investors in these funds represents the only non-controlling interests in the Group.

The Record Currency – FTSE FRB10 Index Fund was considered to be under control of the Group from the beginning of the period until 28 February 2014, when new external investment meant that Record no longer held a majority interest.

Mark to market value of external holding in seeded funds consolidated into the accounts of the Record Group	2014 £'000	2013 £'000
Record Currency – FTSE FRB10 Index Fund	—	871
Record Currency – Emerging Market Currency Fund	2,488	2,775
Record Currency – Global Alpha Fund	1,179	—
	3,667	3,646

21. 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, 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 and interest rate 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 seeded funds, and balances due to/from Group undertakings. 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.

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

Financial assets at 31 March	2014 £'000	2013 £'000
Investment in Record Currency – FTSE FRB10 Index fund	1,120	—
Securities (TIPS)	1,634	—
Trade receivables	4,431	4,825
Accrued income	518	—
Other receivables	51	40
Other financial assets at fair value through profit or loss	198	43
Money market instruments with maturities > 3 months	15,488	—
Cash and cash equivalents	11,503	29,025
	34,943	33,933

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 2014	Carrying amount £'000	Neither impaired nor past due £'000	0-3 months past due £'000	More than 3 months past due £'000
Trade receivables	4,431	4,226	205	—
Accrued income	518	518	—	—
	4,949	4,744	205	—
		96%	4%	0%

At 31 March 2013	Carrying amount £'000	Neither impaired nor past due £'000	0-3 months past due £'000	More than 3 months past due £'000
Trade receivables	4,825	4,751	74	—
		98%	2%	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 until the reporting date.

21. Financial risk management continued

Credit risk continued

The application of this policy generally results in debts between 0-3 months overdue not being provided for unless individual circumstances indicate that a debt is impaired.

Trade receivables are made up of 42 debtors' balances (2013: 36). The largest individual debtor corresponds to 20% of the total balance (2013: 31%). Debtor days, based on the generally accepted calculation of debtor days, is 80 days (2013: 95). This reflects the quarterly billing cycle used by the Group for the vast majority of its fees. As at 31 March 2014 only 4% of debt was overdue (2013: 2%) and the Directors consider this to be fully recoverable. 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 24 days (2013: 21 days).

Contractual maturity analysis for financial liabilities:

At 31 March 2014	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 and other payables	**305**	**305**	**—**	**—**
Accruals	**2,097**	**146**	**1,080**	**871**
Derivative financial liabilities	**122**	**110**	**8**	**4**

At 31 March 2013	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 and other payables	278	278	—	—
Accruals	2,109	449	810	850
Derivative financial liabilities	25	—	25	—

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 used 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.

Interest rate profiles

At 31 March 2014	Fixed rate £'000	Floating rate £'000	No interest rate £'000	Total £'000
Financial assets				
Investment in Record Currency – FTSE FRB10 Index fund	—	—	1,120	1,120
Securities (TIPS)	—	1,634	—	1,634
Trade receivables	—	—	4,431	4,431
Accrued income	—	—	518	518
Other receivables	—	—	51	51
Derivative financial assets at fair value through profit or loss	—	—	198	198
Money market instruments with maturities > 3 months	15,488	—	—	15,488
Cash and cash equivalents	10,027	1,476	—	11,503
Total financial assets	**25,515**	**3,110**	**6,318**	**34,943**
Financial liabilities				
Trade and other payables	—	—	(305)	(305)
Accruals	—	—	(2,097)	(2,097)
Derivative financial liabilities at fair value through profit or loss	—	—	(122)	(122)
Total financial liabilities	**—**	**—**	**(2,524)**	**(2,524)**

At 31 March 2013	Fixed rate £'000	Floating rate £'000	No interest rate £'000	Total £'000
Financial assets				
Trade receivables	—	—	4,825	4,825
Other receivables	—	—	40	40
Derivative financial assets at fair value	—	—	43	43
Cash and cash equivalents	27,162	1,863	—	29,025
Total financial assets	27,162	1,863	4,908	33,933
Financial liabilities				
Trade and other payables	—	—	(278)	(278)
Accruals	—	—	(2,109)	(2,109)
Derivative financial liabilities at fair value through profit or loss	—	—	(25)	(25)
Total financial liabilities	—	—	(2,412)	(2,412)

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 fair value of the forward foreign exchange contracts held to hedge cash flow at 31 March 2014 was a net asset of £3,317 (2013: liability of £24,610). Gains on the forward foreign exchange contracts were £172,978 in the year (2013: loss of £82,288). The future transactions relating to the forward foreign exchange contracts are expected to occur within the next three months. Changes in the fair values of forward foreign exchange contracts are recognised directly in profit or loss.

The Group is exposed to foreign currency risks on sales and cash holdings that are denominated in a currency other than Sterling. The principal currencies giving rise to this risk are the US Dollar, the Swiss Franc, the Euro and the Canadian Dollar.

In the year ended 31 March 2014, the Group invoiced the following amounts in currencies other than Sterling:

	Local currency value '000	**Value in reporting currency £'000**
US Dollar (USD)	12,783	7,954
Swiss Franc (CHF)	8,342	5,712
Canadian Dollar (CAD)	660	386
Euro (EUR)	736	620
Total		**14,672**

The value of revenues for the year ended 31 March 2014 that were denominated in currencies other than Sterling was £14.7 million (74% of total revenues). For the year ended 31 March 2013: £13.5 million (73% of total revenues).

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

Foreign currency risk – sensitivity analysis

The Group has considered the sensitivity to exchange rate movements by considering the impact on those revenues and costs denominated in foreign currencies as experienced in the given period. The sensitivity analyses below do not consider the impact of exchange rate movements on the underlying portfolios of our clients which would affect the quantum of fees earned.

	Impact on Profit After Tax for the year ended 31 March		Impact on Total Equity as at 31 March	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
10% weakening in the £/$ exchange rate	**520**	618	**520**	618
10% strengthening in the £/$ exchange rate	**(520)**	(618)	**(520)**	(618)
10% weakening in the £/CHF exchange rate	**295**	355	**295**	355
10% strengthening in the £/CHF exchange rate	**(295)**	(355)	**(295)**	(355)

21. Financial risk management continued

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 both on a historical basis and market expectations for future movement. When applied to the average Sterling/USD exchange rate of \$1.56/£ this would result in a weakened exchange rate of \$1.42/£ and a strengthened exchange rate of \$1.74/£.

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 both on a historical basis and market expectations for future movement. When applied to the average Sterling/CHF exchange rate of CHF1.46/£ this would result in a weakened exchange rate of CHF1.33/£ and a strengthened exchange rate of CHF1.62/£.

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.

FTSE FRB10 Index Fund

The Group seeded a product in December 2010, which is a fund that tracks the FTSE Currency FRB10 Index by holding a portfolio of developed market currency deliverable forward exchange contracts. As Record plc exerted control over the fund from inception until 28 February 2014, it was consolidated into the Group's primary statements until 28 February 2014. The net assets of the fund at 31 March 2013 were £2,037,488. Since 1 March 2014 the Group has not exerted control over the fund, and has therefore recognised its holding in the fund as an investment. The fair value of the Group's investment at 31 March 2014 was £1,120,400. The Group has provided the following data in respect of sensitivity to this product:

	Impact on Profit After Tax for the year ended 31 March		Impact on Total Equity as at 31 March	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
10% depreciation in the FTSE Currency FRB10 Index	**(60)**	(124)	**(60)**	(124)
10% appreciation in the FTSE Currency FRB10 Index	**60**	124	**60**	124

The impact of a change to the index of 10% has been selected as this is considered reasonable given the current level of the index and the volatility observed on a historical basis and expectations for future movement.

Emerging Market Currency Fund

The Group seeded a product in December 2010 called the Emerging Market Currency Fund, which manages a portfolio of emerging market currency deliverable forward exchange contracts and emerging market currency non-deliverable forward exchange contracts in order to achieve a return. As Record plc exerts control over the fund, it has been consolidated into the Group's primary statements. The net assets of the fund at 31 March 2014 were £3,505,641 (2013: £3,823,603). The Group has provided the following data in respect of sensitivity to this product:

	Impact on Profit After Tax for the year ended 31 March		Impact on Total Equity as at 31 March	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
10% depreciation in the Emerging Market portfolio	**(418)**	(468)	**(418)**	(468)
10% appreciation in the Emerging Market portfolio	**418**	468	**418**	468

The impact of a change to the portfolio value of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and expectations for future movement in emerging markets.

Global Alpha Fund

The Group seeded a product in May 2013 called the Global Alpha Fund, which manages a portfolio of derivative financial instruments including forward exchange contracts, options and futures in order to achieve a return. As Record plc exerts control over the fund, it has been consolidated into the Group's primary statements. The net assets of the fund at 31 March 2014 were £2,138,582 (2013: £nil). The Group has provided the following data in respect of sensitivity to this product:

	Impact on Profit After Tax for the year ended 31 March		Impact on Total Equity as at 31 March	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
18% depreciation in the Global Alpha portfolio	**(184)**	N/a	**(184)**	N/a
18% appreciation in the Global Alpha portfolio	**184**	N/a	**184**	N/a

The impact of a change to the portfolio value of 18% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and expectations for future movement (the target maximum annual drawdown rate is 18%).

22. 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:

	2014 £'000	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Financial assets at fair value through profit or loss				
TIPS	1,634	1,634	—	—
Investment in seed fund	1,120	1,120	—	—
Forward foreign exchange contracts used for seed funds	153	—	153	—
Options used for seed funds	38	—	38	—
Forward foreign exchange contracts used for hedging	7	—	7	—
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for seed funds	(33)	—	(33)	—
Options used for seed funds	(86)	—	(86)	—
Forward foreign exchange contracts used for hedging	(3)	—	(3)	—
	2,830	**2,754**	**76**	**—**

	2013 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts used for seed funds	43	—	43	—
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for hedging	(25)	—	(25)	—
	18	—	18	—

There have been no transfers between levels in the reporting period (2013: none).

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

Both forward foreign exchange contracts and options are 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.

22. Fair value measurement continued

Categories of financial instrument

At 31 March 2014	Note	Loans and Receivables £'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
Securities (TIPS)	12	—	—	1,634	—
Investment in Record Currency – FTSE FRB10 Index Fund	12	—	—	1,120	—
Trade and other receivables (excludes prepayments)	14	5,000	—	—	—
Money market instruments with maturities > 3 months	16	15,488	—	—	—
Cash and cash equivalents	16	11,503	—	—	—
Derivative financial assets at fair value through profit or loss	15	—	—	198	—
Current trade and other payables	17	—	(305)	—	—
Accruals	17	—	(2,097)	—	—
Derivative financial liabilities at fair value through profit or loss	15	—	—	—	(122)
		31,991	**(2,402)**	**2,952**	**(122)**

At 31 March 2013	Note	Loans and Receivables £'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)	14	4,865	—	—	—
Cash and cash equivalents	16	29,025	—	—	—
Other financial instruments at fair value through profit or loss	15	—	—	43	(25)
Current trade and other payables	17	—	(278)	—	—
Accruals	17	—	(2,109)	—	—
		33,890	(2,387)	43	(25)

23. Operating lease commitments

Leases in which substantially all the risks and rewards are retained by the lessor are classified as operating leases. Payments made under these operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to profit or loss on a straight line basis over the lease term.

On 25 January 2006, the Group signed a lease on new premises at Morgan House, Madeira Walk, Windsor, Berkshire. This lease expires on 19 June 2016. The annual commitment under this lease is £229,710 (2013: £229,710).

The Group has considered the risks and rewards of ownership of the leased property, and considers that they remain with the lessor; consequently, this lease is recognised as an operating lease.

At 31 March 2014 the Group had commitments under non-cancellable operating leases relating to land and buildings as set out below:

	2014 £'000	2013 £'000
Not later than one year	**230**	230
Later than one year and not later than five years	**287**	517
	517	747

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24. 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 12, which includes a description of the nature of their business.

	2014 £'000	2013 £'000
Amounts due from subsidiaries	**146**	1,661
Amounts due to subsidiaries	**(447)**	(1,717)
Interest received from subsidiaries on intercompany loan balances	**5**	9
Net dividends received from subsidiaries	**4,900**	1,465

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 (2013: £nil). During the year, as a result of the dissolution of Record Currency Management (Jersey) Limited, Record plc wrote off an intercompany loan balance due from Record Currency Management (Jersey) Limited with a total of £228,530. No other expense has been recognised during the period in respect of bad or doubtful debts due from related parties (2013: £nil).

Transactions with seeded 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 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 the fund is considered to be a related party.

Record Currency – Global Alpha Fund and Record Currency – Emerging Market Currency Fund are both related parties on this basis. The only transaction between the Company and these two funds during the year was the initial seed investment of £1 million into the Record Currency – Global Alpha Fund. Similarly, the Record Currency – FTSE FRB10 Index Fund was a related party until Record plc ceased to have the majority interest as a result of a significant external investment into the fund which diluted Record plc's holding; there was no transaction between the Company and this fund during the year.

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

	2014 £'000	2013 £'000
Short-term employee benefits	**3,651**	3,435
Post-employment benefits	**263**	289
Share-based payments	**1,052**	901
Dividends	**2,504**	873
	7,470	5,498

Directors' remuneration

	2014 £'000	2013 £'000
Emoluments[1] (excluding pension contribution)	**2,136**	2,159
Gains made on exercise of share options	**—**	9
Pension contribution[2]	**140**	186
Aggregate emoluments of the Directors	**2,276**	2,354

During the year, four Directors of the Company (2013: five) participated in the Group Personal Pension Plan, a defined contribution scheme.

1 Excludes termination payments made to Paul Sheriff.
2 This includes payments made in lieu of pension contributions.

25. 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 its 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.

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 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 Business Review.

26. Ultimate controlling party

As at 31 March 2014 the Company had no ultimate controlling party, nor at 31 March 2013.

27. Post reporting date events

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

Five year summary

Year ended 31 March	2010 £'000	2011 £'000	2012 £'000	2013 £'000	**2014 £'000**
Management fees	33,244	28,139	20,436	18,061	**20,271**
Performance fees	224	—	—	—	**—**
Other revenue	(44)	57	99	491	**(349)**
Revenue	33,424	28,196	20,535	18,552	**19,922**
Cost of sales	—	(102)	(252)	(221)	**(86)**
Gross profit	33,424	28,094	20,283	18,331	**19,836**
Operating expenses	(17,032)	(15,741)	(13,729)	(12,411)	**(13,412)**
Operating profit	16,392	12,353	6,554	5,920	**6,424**
Net interest	220	184	155	158	**113**
Profit before taxation	16,612	12,537	6,709	6,078	**6,537**
Taxation	(4,707)	(3,603)	(1,803)	(1,450)	**(1,494)**
Profit after taxation	11,905	8,934	4,906	4,628	**5,043**
Total comprehensive income for the year attributable to owners of the parent	11,905	8,907	4,913	4,334	**5,407**
Basic EPS (pence)	5.39	4.03	2.23	1.98	**2.48**

Information for shareholders

Record plc

Registered in England and Wales
Company No. 1927640

Registered office

Morgan House
Madeira Walk
Windsor
Berkshire SL4 1EP
United Kingdom

Tel: +44 (0)1753 852 222
Fax: +44 (0)1753 852 224

Principal UK trading subsidiaries

Record Currency Management Limited

Registered in England and Wales
Company No. 1710736

Record Group Services Limited

Registered in England and Wales
Company No. 1927639

Further information on Record plc can be found on the Group's website: www.recordcm.com

Dates for 2014 dividend

Ex-dividend date	25 June 2014
Record date	27 June 2014
Annual General Meeting	24 July 2014
Final dividend payment date	30 July 2014

Registrar

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Further information about the Registrar is available on its website www.capitaregistrars.com

Definitions

Admission	Admission to the Official List of and to trading on the London Stock Exchange's main market for listed securities
Articles	The articles of association of the Company
AUME	Assets under management equivalents
bps	Basis point = 100th of a per cent
Board	Company's Board of Directors
Companies Acts	Every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company
Company	Record plc
$ or Dollars	All references to Dollars or $ symbol are to the currency of the US unless stated otherwise
EPS	Earnings per share
EU	European Union
FRB	Forward Rate Bias
Group or Record	The Company and/or any one of its subsidiary undertakings
IAS	International Accounting Standards
IFRS or IFRSs	International Financial Reporting Standards
IPO	Initial Public Offering
London Stock Exchange	London Stock Exchange plc
Official List	The official list of the Financial Conduct Authority
Statement of financial position	IFRS term equivalent to balance sheet
US	United States of America

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