



Record plc

Interim results

Six months to 30 September 2013

15 November 2013



Disclaimer

IMPORTANT INFORMATION

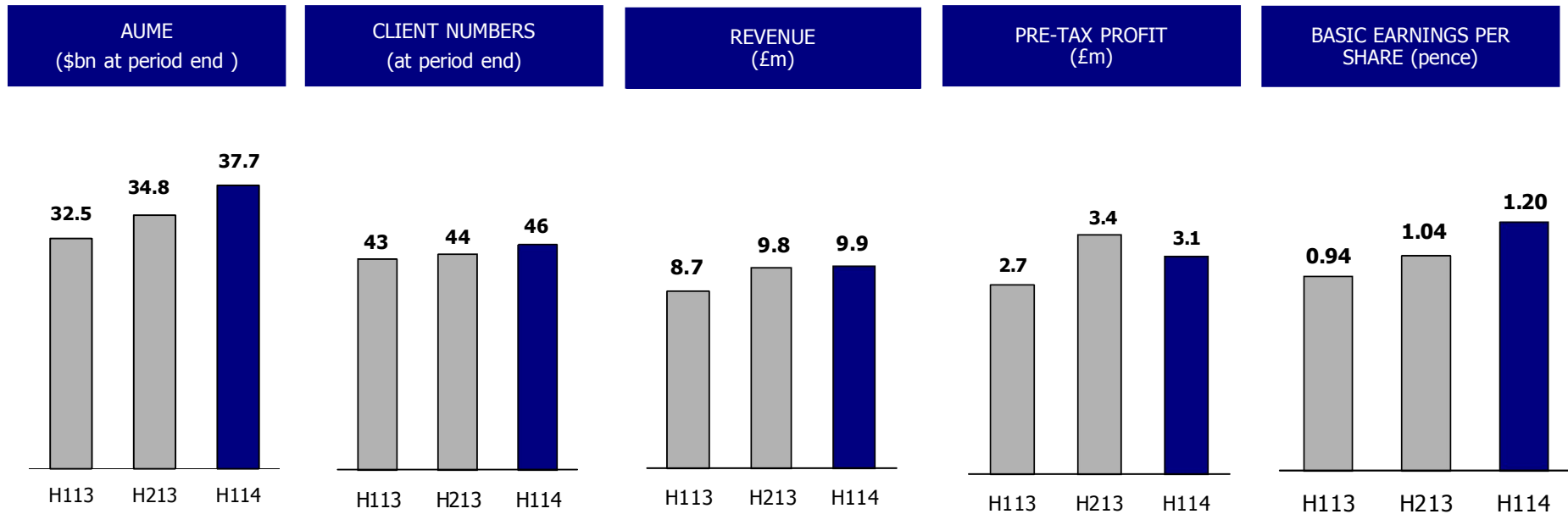
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and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

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



Headlines

- Revenue of £9.9m (up 13% on H113)
- Pre-tax profit £3.1m (up 12% on H113)
- AUME \$37.7bn at 30 September 2013 up 8% in H114
- AUME £23.3bn at 30 September 2013 up 2% in H114
- Shareholders' equity £28.1m at 30 September 2013
- Client numbers up 2 to 46 in H114
- Underlying operating profit margin of 33% (H113: 31%)
- Basic EPS 1.20p per share (H113: 0.94p per share, up 28%)
- Interim dividend of 0.75p per share, payable on 20 December 2013
- Subject to business conditions the Board intends to propose a final dividend of 0.75p
- 2 passive mandates with AUME c\$12bn started since the period end





Business strategy



Outlook

- **The Group is experiencing a higher number of business enquiries and procurement processes than at any time since the banking crisis**
- **The higher level of business opportunities, in particular from the US, has led to increased competitive activity**
- **In order to align fee rates of existing clients with those being offered to new clients it was necessary to amend Dynamic Hedging fee rates, as announced on 7 November**
- **In aligning existing and prospective clients' fee rates, we are pursuing growth in volume that would more than compensate for reduced revenue margins**
- **Benefits confirmed from credibly offering both hedging and return-seeking services**
- **Passive Hedging mandates of c. \$12bn AUME have commenced since the end of the first half year**
- **The Group continues to seek to differentiate its services in order to preserve revenue margins going forward**



Strategy

- **Maintain focus on currency and short-term interest rate management**
- **Sustained marketing effort in US and Switzerland**
- **Focus on continued new sales in FY14**
- **Deliver diversification benefits from expanded product offering**
- **Enhancement of Hedging products**
- **Development of new Currency for Return products**
- **Preserving cash**



Expanded product offering

■ Current products range

□ Hedging

- Dynamic Hedging
- Passive Hedging

□ Currency for Return

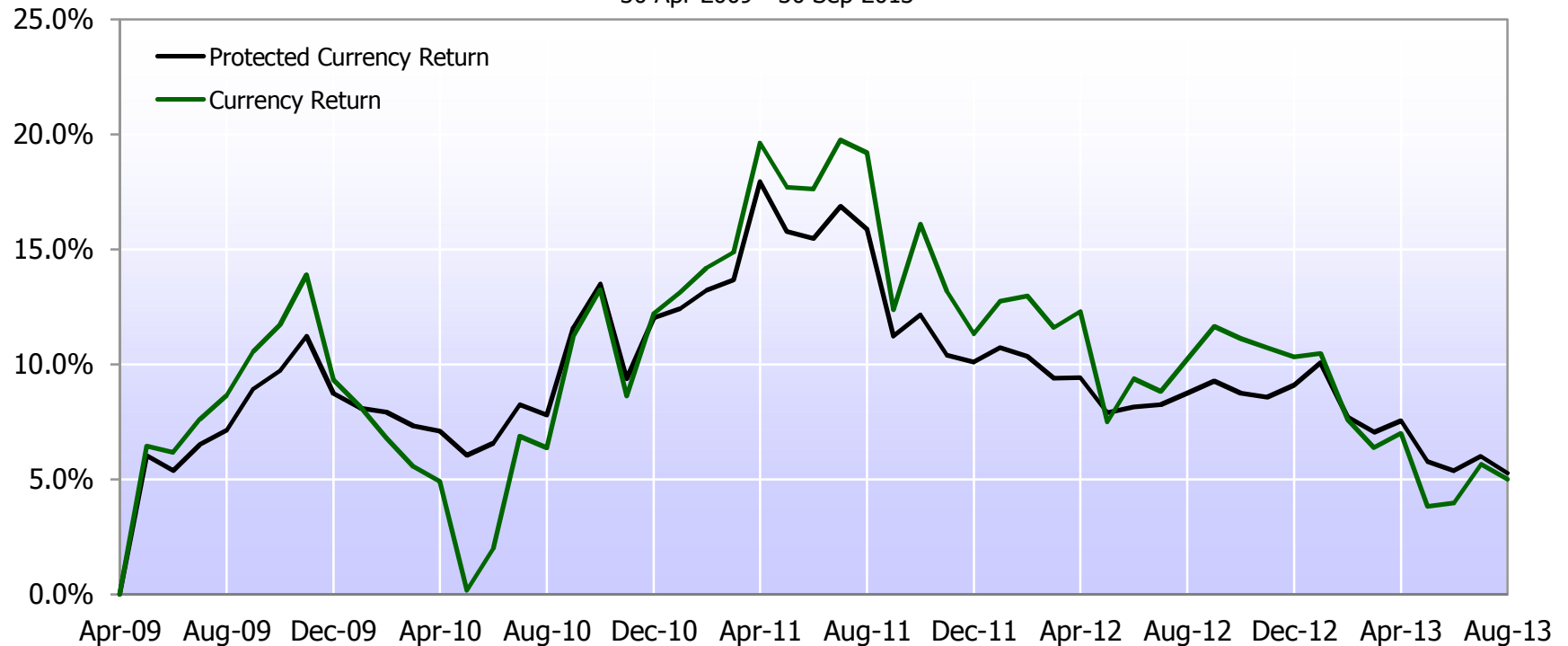
- | | |
|---------------------|-------------------------------------|
| ▪ FRB Alpha | First Live Programme February 2003 |
| ▪ FRB Beta | First Live Programme September 2009 |
| ▪ Emerging Markets | First Live Programme November 2009 |
| ▪ Currency Momentum | First Live Programme July 2012 |
| ▪ Currency Value | First Live Programme July 2012 |
| ▪ Multi-Strategy | First Live Programme July 2012 |



Product Performance

Performance of a US Dynamic Hedging Client

US Dynamic Hedging Client
30 Apr 2009 - 30 Sep 2013



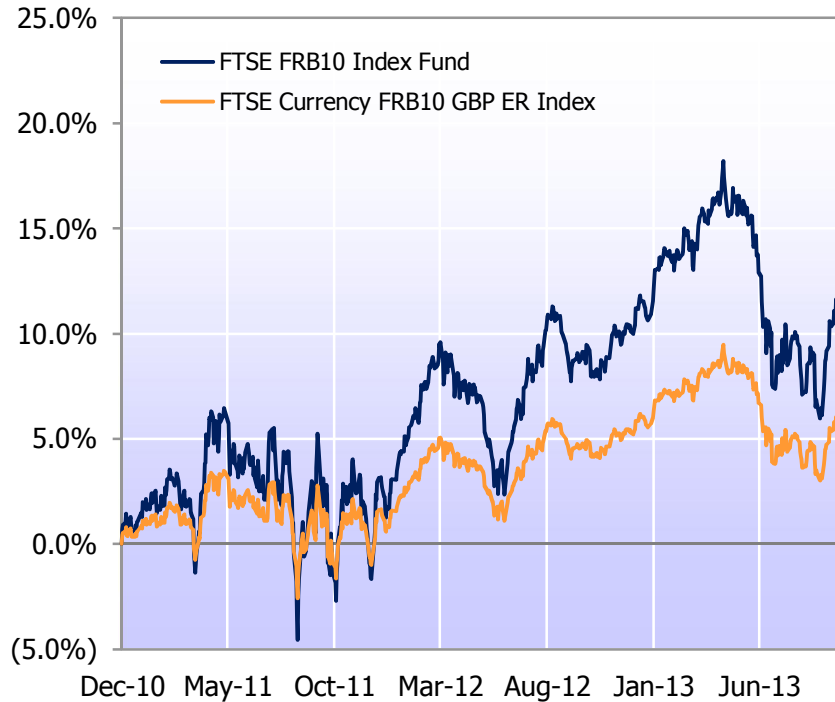
As at 30 Sep 2013	Protected Currency Return	Currency Return
Inception to date (cum.)	6.7%	7.3%
Inception to date (ann.)	1.5% p.a.	1.6% p.a.

Source: Record Currency Management and WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Data is cumulative from 30 Apr 2009 to 30 September 2013.



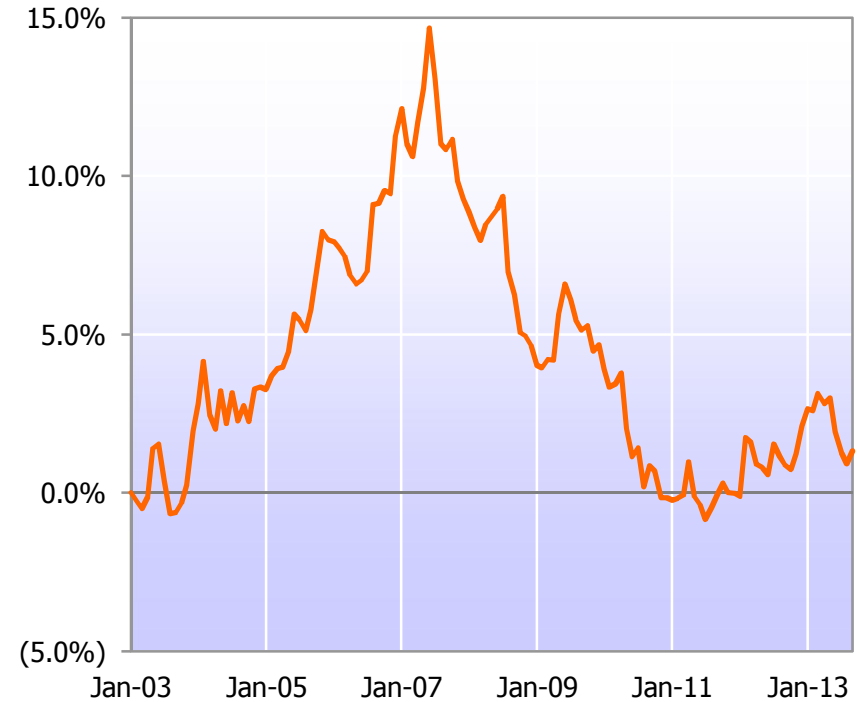
FRB10 Fund and Alpha Composite Performance

Record Currency FTSE FRB10 Index Fund
01 Dec 2010 - 30 Sep 2013



As at 30 Sep 2013	FTSE FRB10 Index Fund (x1.8)
Inception to date (cum.)	9.5%
Inception to date (ann.)	3.3% p.a.

Alpha Composite
31 Jan 2003 - 30 Sep 2013



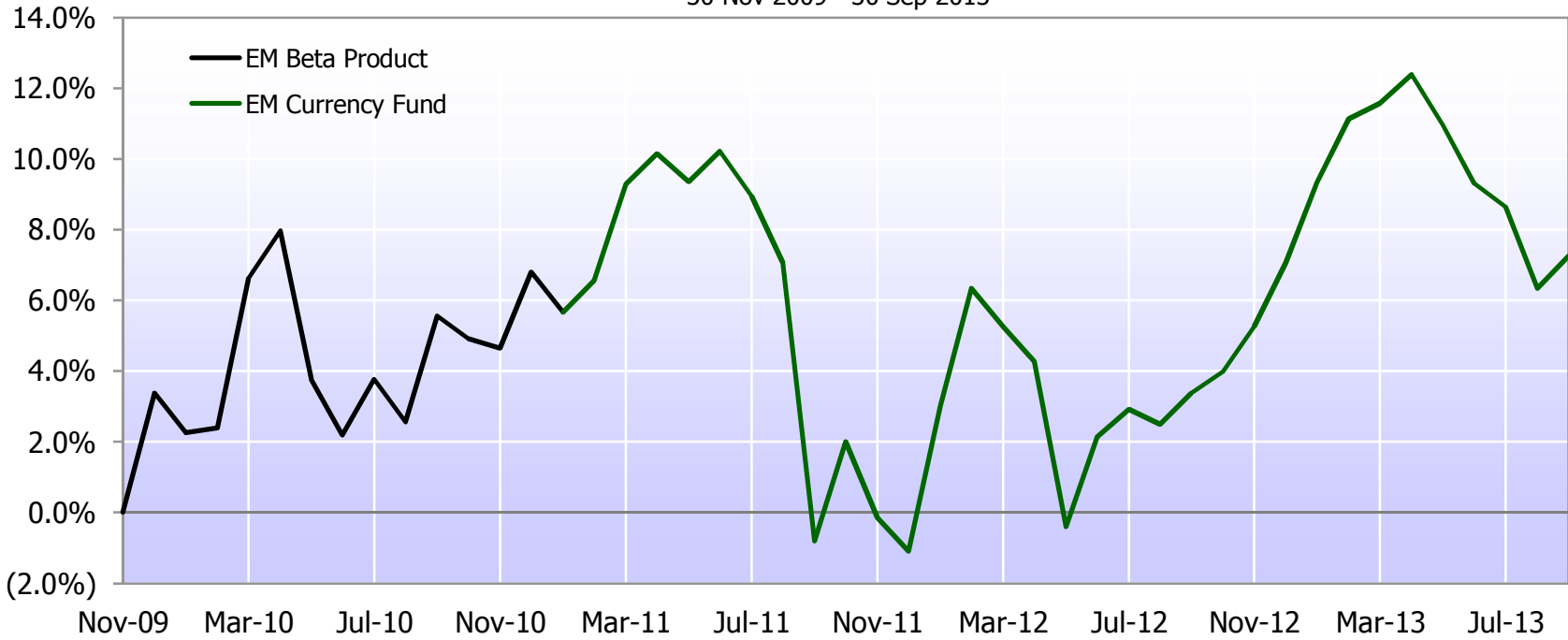
As at 30 Sep 2013	Alpha Composite
Inception to date (cum.)	1.3%
Inception to date (ann.)	0.1% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 30 September 2013. Returns of all clients in the Alpha composite are weighted in US dollars and scaled to a gearing ratio of one. The volatility of returns will be greater if higher leverage is applied.



Record's Emerging Market Currency Strategy

Record Emerging Market Strategy
30 Nov 2009 - 30 Sep 2013



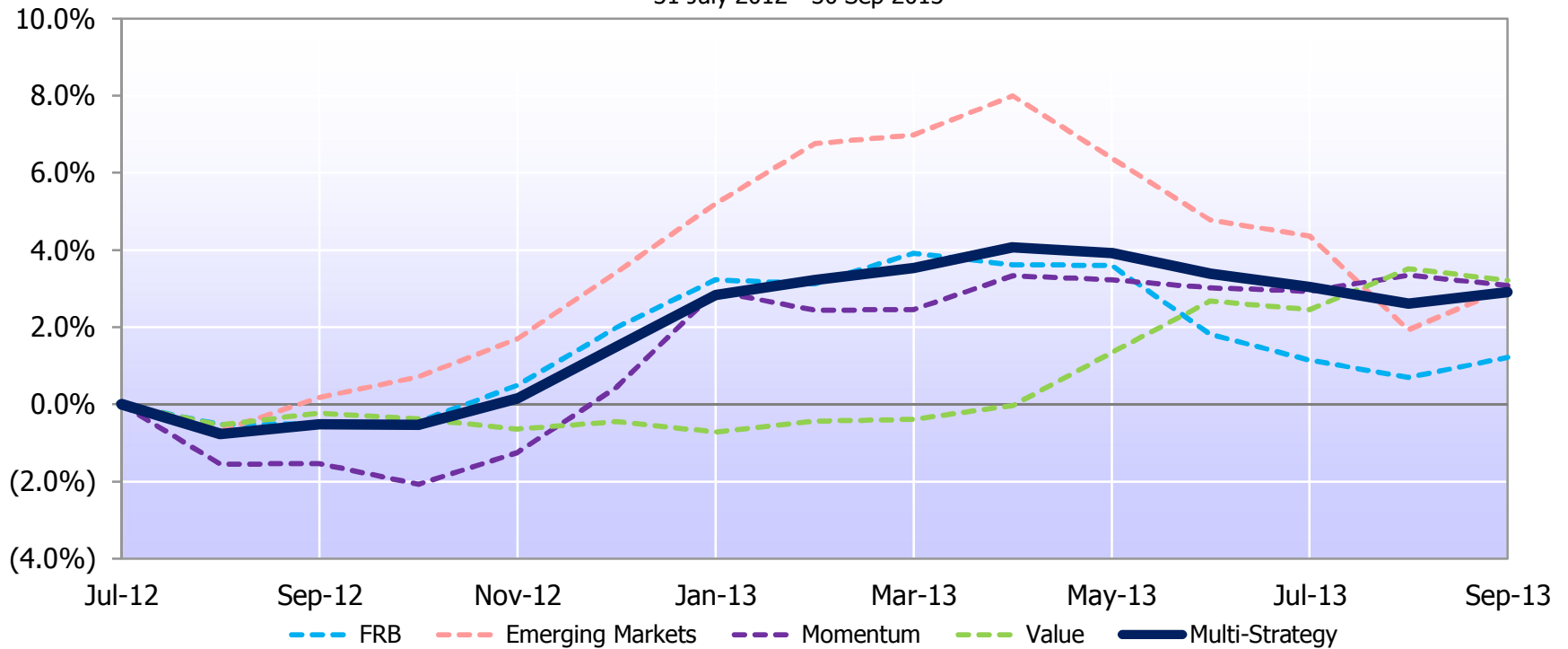
As at 30 Sep 2013	Emerging Market Strategy
Inception to date (cum.)	7.3%
Inception to date (ann.)	1.8% p.a.

Source: Record Currency Management. Total returns based on EM Beta product from 30 Nov 2009 to 31 Dec 2010 and Record EM currency fund from 01 Jan 2011 to 30 September 2013.



Multi-Strategy Performance

Record Multi-Strategy approach
31 July 2012 - 30 Sep 2013



As at 30 Sep 2013	Multi Strat	FRB	Emerging Markets	Momentum	Value	DBCR +*
Inception to date (cum.)	2.9%	1.2%	3.0%	3.1%	3.2%	0.5%
Inception to date (ann.)	2.5% p.a.	1.0% p.a.	2.6% p.a.	2.6% p.a.	2.8% p.a.	0.4% p.a.

Source: Record Currency Management and Bloomberg. Record Multi-Strategy based on cumulative returns from 31 July 2012 to 30 September 2013 for a live mandate in CAD base. *Deutsche Bank currency index excess returns in USD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.

RECORD CURRENCY MANAGEMENT

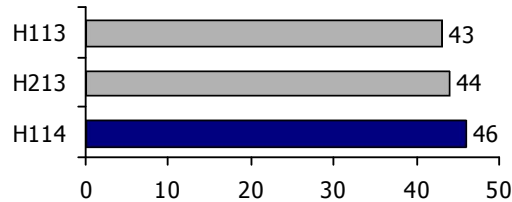


Financial Performance

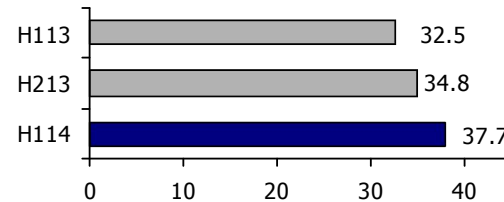


Financial KPIs – Six months ended 30 September

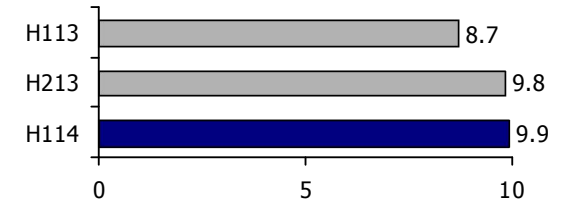
Client numbers at period end



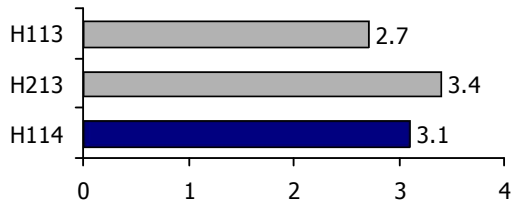
AUME at period end (\$bn)



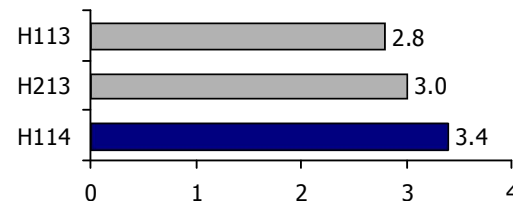
Revenue (£m)



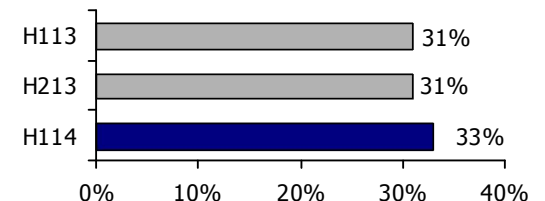
Profit before tax £m



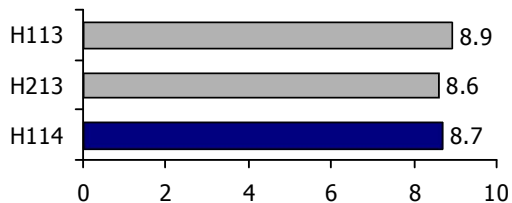
Profit before tax (underlying) £m



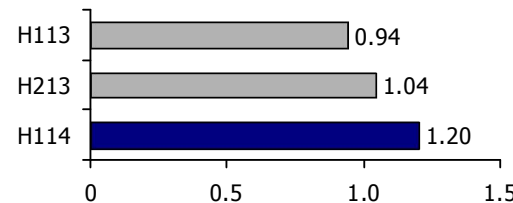
Operating margin (underlying)



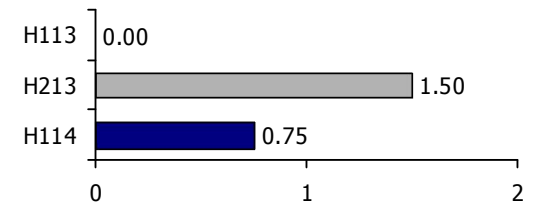
Average management fee rates (bps)



EPS (pence)



Dividend (pence per share)





Financials – client numbers

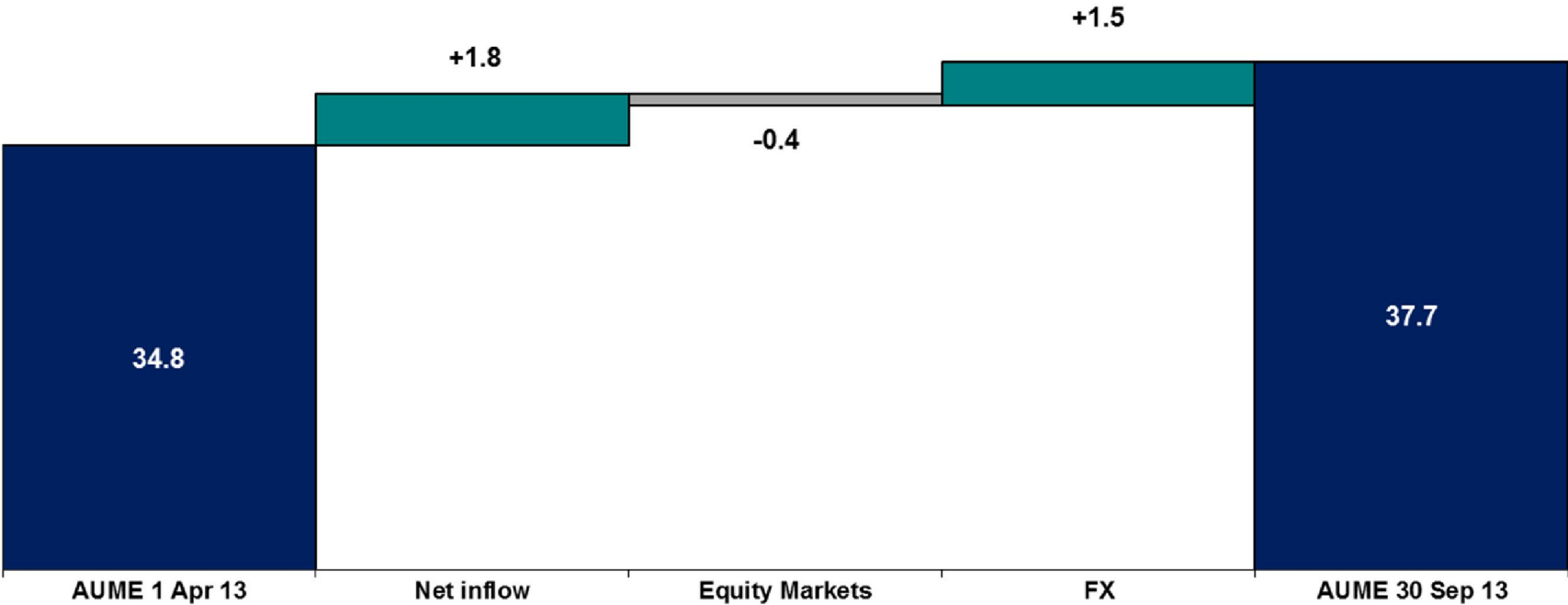
Client numbers

	30 Sep 12	31 Mar 13	30 Sep 13
Dynamic Hedging	9	8	9
Passive Hedging	25	26	26
Hedging	34	34	35
Currency for Return	11	12	15
Other currency management services	2	2	1
Less clients with >1 product	(4)	(4)	(5)
Total	43	44	46

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

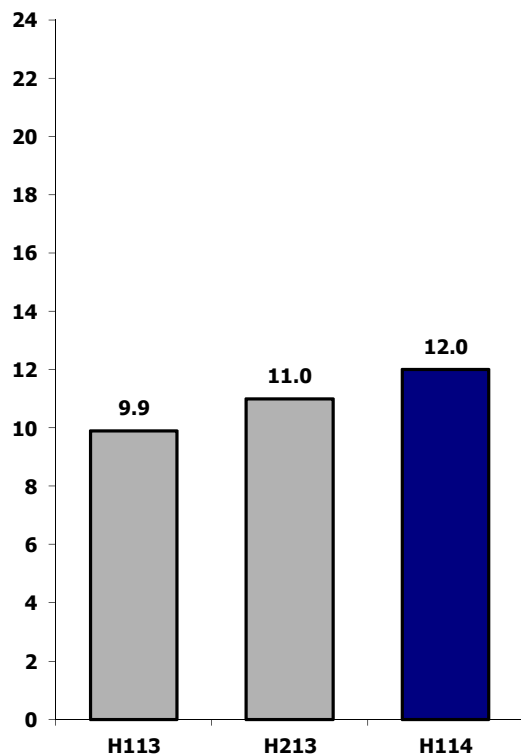
Financials – AUME movement

AUME bridge for the six months ended 30 September 2013 (\$bn)

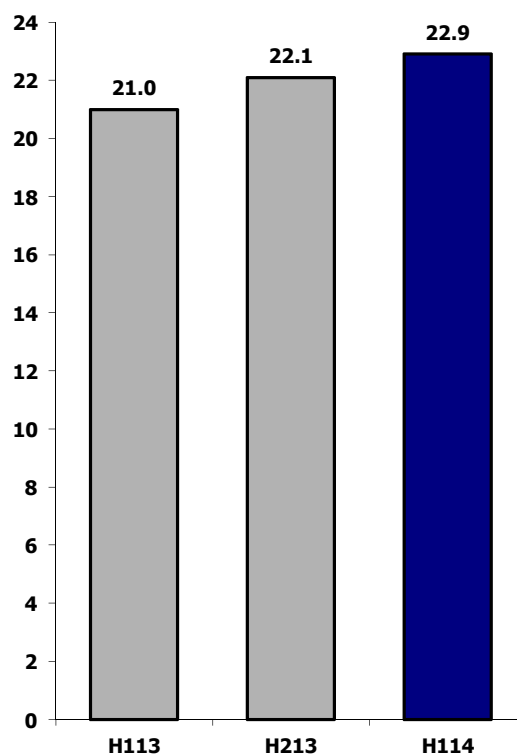


AUME by product at period end

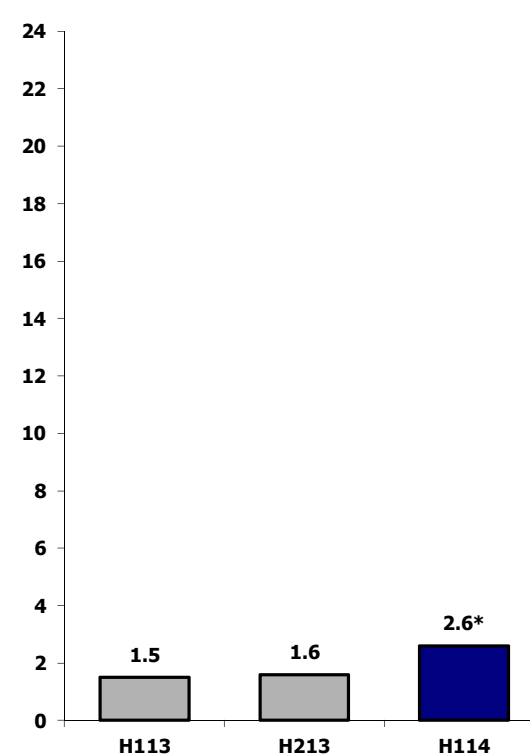
Dynamic Hedging (\$bn)



Passive Hedging (\$bn)



Currency for Return (\$bn)



* Part of the AUME relating to a bespoke hybrid hedging and return-seeking mandate has been reclassified, resulting in a restatement to the AUME data provided in the quarterly trading update released on 18 October 2013. Consequently \$1bn of AUME previously categorised under Dynamic Hedging has been reclassified as Currency for Return AUME, ensuring consistency of approach between AUME classification and the analysis of management fees.

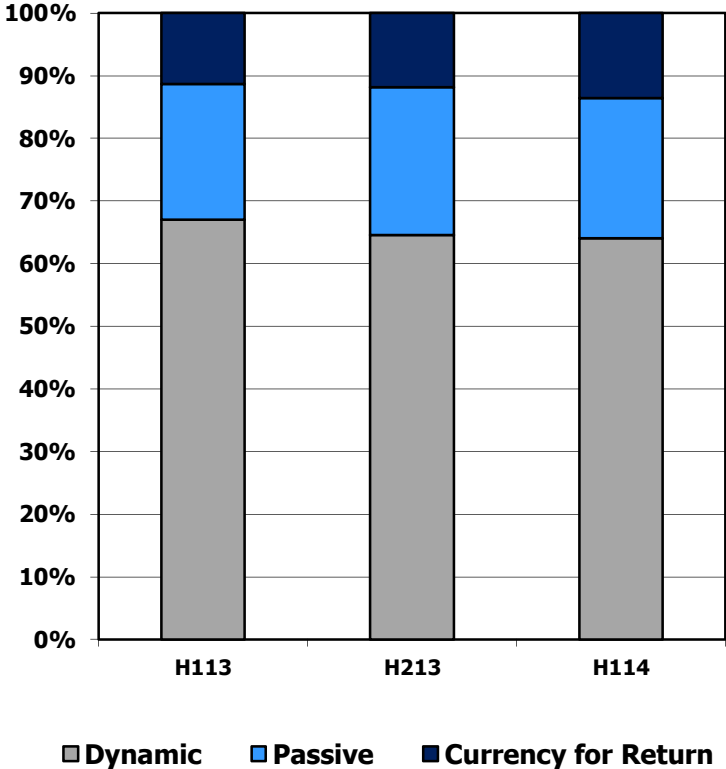


Financials – Average AUME, management fee rates & fees

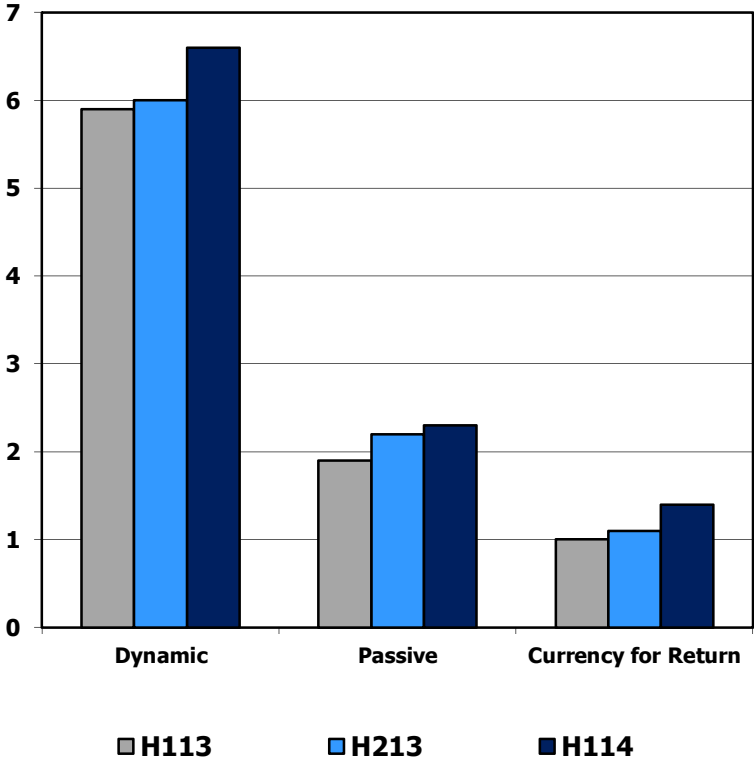
	Year ended 31 March 2013			Six months ended 30 September 2013		
	Av. AUME (\$bn)	Av. mgmt. fee rates (bps)	Mgmt. Fee (£m)	Av. AUME (\$bn)	Av. mgmt. fee rates (bps)	Mgmt. Fee (£m)
Dynamic Hedging	10.0	18	11.9	11.7	18	6.6
Passive Hedging	20.7	3	4.1	22.4	3	2.3
Currency for Return	1.5	22	2.1	2.4	18	1.4
Cash	0.1	-	-	0.2	-	-
Combined average	32.3	9	18.1	36.7	9	10.3

Financials – fee analysis

Management fees analysis by product



Management fees by product (£m)





Financials – income statement

	H113	H213	H114
AUME at period end	\$32.5bn	\$34.8bn	\$37.7bn
Clients at period end	43	44	46
Income:	£m	£m	£m
Management fees	8.8	9.3	10.3
Other income	(0.1)	0.6	(0.4)
Total Income	8.7	9.9	9.9
Cost of sales	(0.1)	(0.2)	(0.1)
Gross Profit	8.6	9.7	9.8
Expenditure:			
Operating costs (excl. variable remuneration)	(4.7)	(5.2)	(5.4)
Variable remuneration	(1.2)	(1.2)	(1.4)
Loss on financial instruments held as part of disposal group	(0.1)	-	-
Total expenditure	(6.0)	(6.4)	(6.8)
Operating profit	2.6	3.3	3.0
Operating Profit Margin	30%	34%	31%
Finance income	0.1	0.1	0.1
Profit before tax	2.7	3.4	3.1



Group profit share

- **Group Profit Share Scheme is split into a 27% Profit Share Pool and a 3% Matching Pool – in line with intention to be 30% of Operating Profit over the medium term**
 - **Any US Sales incentives paid will be accounted for as cost of sales (75% in shares that are subject to 3 year “lock in”)**
 - **The aggregate cost of the Group Profit Share Scheme (including the Matching Pool) and sales incentives would be below the 35% of Operating Profit level in most reasonable scenarios**
 - **Group Profit Share Scheme is shared amongst all staff based on “profit share units”**
 - **For all senior employees including Board Directors:**
 - 1/3rd Shares
 - 1/3rd Cash
 - 1/3rd Cash or Shares - shares attract a matching award (funded from the Matching Pool)
 - Shares subject to “lock up” for up to 3 years
 - **Options grants for employees (not including main Board Directors) was repeated Sept 2013**
 - **Approval given at AGM in July 2013 for main Board Directors in the Share Scheme (i.e. for options)**
-

Financials - earnings

Profit attributable to the equity holders of the Group during the period

	H113	H212	H113
	£m	£m	£m
Profit before tax	2.7	3.4	3.1
Tax	(0.7)	(0.8)	(0.8)
Profit after tax	2.0	2.6	2.3
eps – basic	0.94p	1.04p	1.20p
eps – diluted	0.94p	1.04p	1.19p
Final / interim dividend per share	-	1.50p	0.75p
Dividend cover	1.3x		1.6x

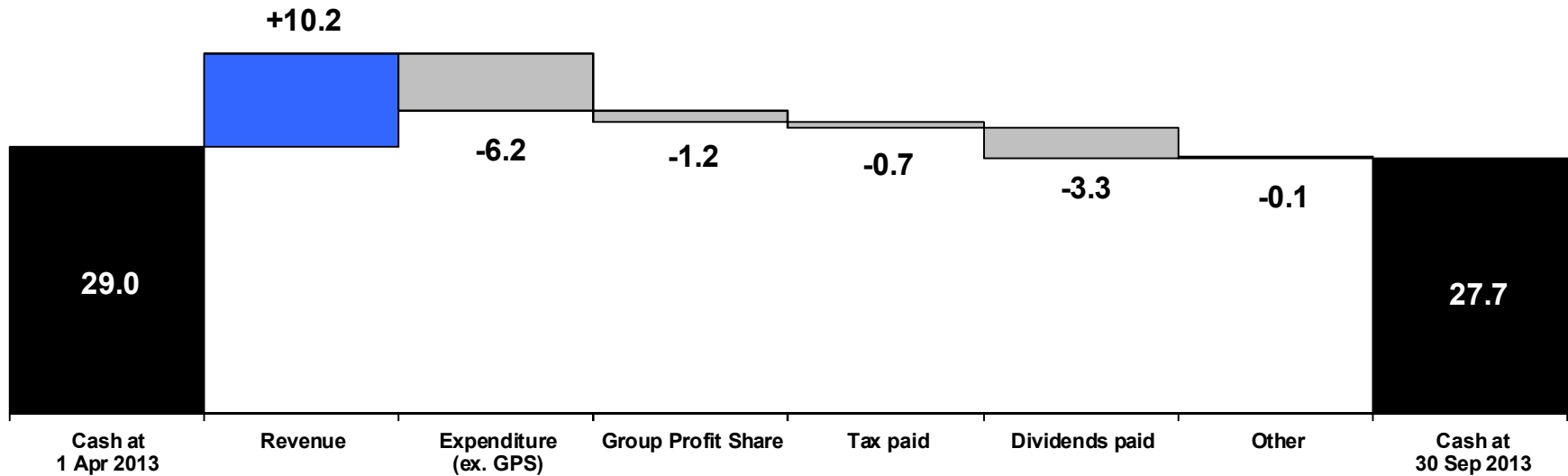
Financials – balance sheet

Balance sheet as at period end

	H113	H213	H114
	£m	£m	£m
Non-current assets	1.2	1.1	2.6
Current assets			
Trade debtors and other receivables	5.9	5.6	5.6
Derivative financial assets	0.1	-	0.1
Money market instruments with maturity > 3 months	-	-	12.2
Cash and cash equivalents	25.6	29.0	15.5
Total current assets	31.6	34.6	33.4
Current liabilities	(3.5)	(3.5)	(3.2)
Net assets	29.3	32.2	32.8
Equity attributable to owners of the parent	26.9	28.6	28.2
Non-controlling interest	2.4	3.6	4.6
Total equity	29.3	32.2	32.8

Financials - cash

CASH BRIDGE FOR THE HALF YEAR ENDED 30 SEPTEMBER 2013 (£m)



- The Group's cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills with maturities of up to 1 year. Whilst the Group manages and considers all of these instruments as cash, which are subject to its own internal cash management process, not all of these instruments are classified as cash or cash equivalents under IFRS.
- The IFRS classification of these instruments has a material impact on the IFRS cash flow statement which indicates a £12,154,198 cash outflow as a result of purchasing money market instruments with maturities greater than 3 months.



Appendices



Management and Board

Executive Management

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

Non-Executive Directors

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

AUME

- **Dynamic Hedging mandates:**

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

- **Passive Hedging mandates:**

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

- **Currency for Return mandates:**

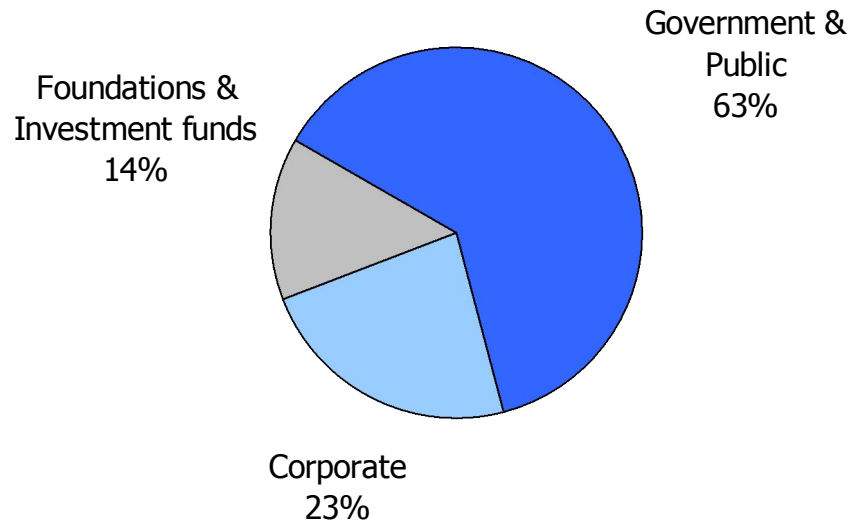
- = the maximum aggregate nominal amount of outstanding forward contracts for each client, plus

- **Cash:**

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

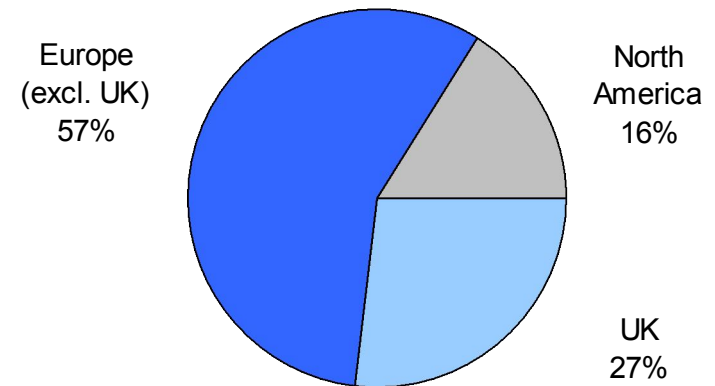
AUME analysis

Split of AUME by client type — 30 September 2013



Total: \$37.7 bn

Split of AUME by country/region — 30 September 2013



Total: \$37.7 bn

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



Financials – cost analysis

Emphasis on good cost control

	H113	H213	H114
	£m	£m	£m
Personnel (excluding Group Profit Share)	3.0	3.0	3.3
Non-personnel cost	1.7	2.2	2.1
Expenditure before Group Profit Share	4.7	5.2	5.4
Group Profit Share Scheme	1.2	1.2	1.4
Total administrative expenditure	5.9	6.4	6.8
Loss on assets held for sale	0.1	-	-
Total Expenditure	6.0	6.4	6.8

Financials – concentration

Largest clients by H114 fees

	AUME	Management fees	
	\$bn	£m	%
Clients 1-10	25.7	8.7	84%
Clients 11-20	8.6	1.3	13%
Other clients	3.4	0.3	3%
Total	37.7	10.3	100%