

The logo for Record plc, featuring the word "RECORD" in white, uppercase, sans-serif font. A stylized graphic element, consisting of two overlapping circles and a diagonal line, is positioned behind the text. The logo is set against a dark blue square background.

RECORD

Record plc
Annual Report & Accounts 2012

Currency management

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

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Headlines

General risk aversion in financial markets continues to drive interest in risk-reducing hedging products

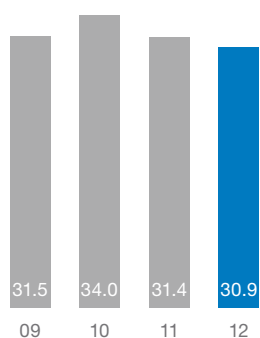
Assets under Management Equivalents¹ 'AuME' broadly unchanged at \$30.9bn / £19.3bn (\$31.4bn / £19.6bn at 31 March 2011)

Client numbers fell by 5 to 41

Revenue reduced by 27%, resulting in profit before tax reduced by 46%

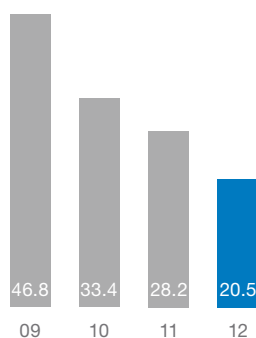
Strong balance sheet maintained with no external debt and £24.6m cash

AuME at year end (\$bn)



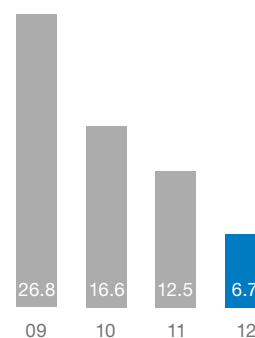
\$30.9bn

Revenue (£m)



£20.5m

Profit before tax (£m)



£6.7m

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

Group Overview

The Group, founded 29 years ago, has a leading position in managing currency for institutional clients. The Group has a long and strong track record for its Dynamic and Passive currency hedging products, and has established itself both in the eyes of clients and their investment consultants as a respected specialist in this sector.

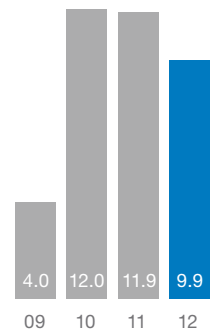
Currency for Return comprises six strategies, being active forward rate bias, forward rate bias index tracking, emerging markets, value, momentum and Euro Stress. Historically this has mainly comprised the active forward rate bias product that has had challenging investment performance over the last four years, although emerging market strategies now comprise a significant proportion of this.

Dynamic Hedging

These mandates have the reduction of exposure to currency risk as their principal objective and generating value as a secondary objective. Value is generated entirely through the asymmetric reduction of pre-existing currency risk.

\$9.9bn

AuME at year end (\$bn)

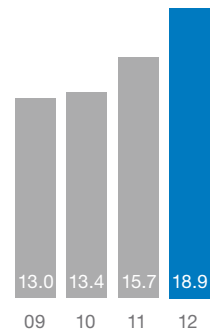


Passive Hedging

These mandates have the reduction of exposure to currency risk as their sole objective. They require execution expertise rather than investment judgement or skill.

\$18.9bn

AuME at year end (\$bn)

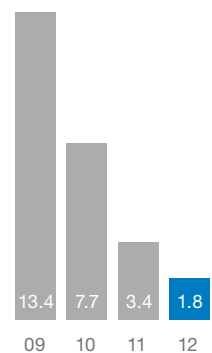


Currency for Return

These mandates have the generation of investment return as their principal objective. They have no hedging (i.e. reducing existing currency risk) objective.

\$1.8bn

AuME at year end (\$bn)



Financial highlights

| | 2012 | 2011 |
|---|-----------------|----------|
| AuME | \$30.9bn | \$31.4bn |
| Management fees | £20.4m | £28.1m |
| Operating margin | 32% | 44% |
| Earnings per share (basic) | 2.23p | 4.03p |
| Dividend per share in respect of the period | 1.50p | 4.59p |

Investment strategy

The Group's products are governed by the following principles:

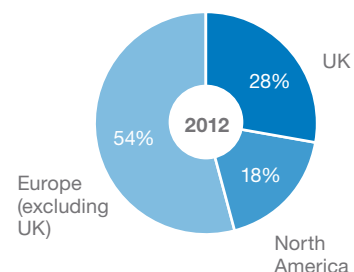
- Over-riding focus on the client's objectives;
- Strong, fundamental research directed towards the structural behaviour of the market's participants;
- Long-standing products have systematic investment processes; and
- Avoidance of 'gurus' or personality-based investment decision making

Distribution

The Group's distribution strategy is to focus on investment consultant relationships, as well as direct marketing by the in-house client team.

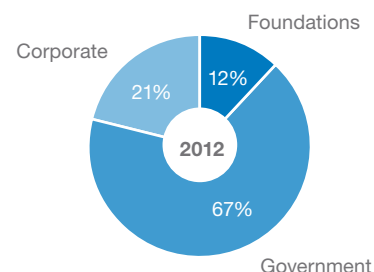
AuME by client location

31 March 2012 (%)



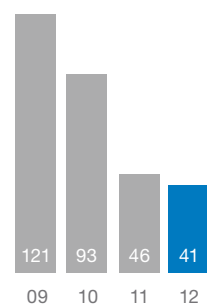
AuME by client type

31 March 2012 (%)



Client numbers

As at 31 March



Chairman's Statement

Overall, hedging represented 80% of our revenue for the year ended 31 March 2012 compared with only 18% of revenue for the year ended 31 March 2009. This shows the considerable change in business mix and challenges the business has faced over the last three years.



Neil Record
Chairman

The year to 31 March 2012 has seen both revenues and profitability continue to decline as a result of the changing mix in our business to lower revenue and lower margin hedging products. Whilst overall Assets under Management Equivalents 'AuME' have remained broadly similar to the prior period, the proportion of lower revenue Passive Hedging has increased, offset by falling assets in Dynamic Hedging and Currency for Return products.

The Group is focussed on marketing and selling our expertise to potential clients and progress has been made over the period. The recruitment of a US sales executive has resulted in a substantial increase in marketing activity with potential US clients. We believe that the benefits of this local approach to selling in the US will become evident in the coming years. Similarly in Europe, we have a sales executive in Continental Europe, including Switzerland, where we have had recent success in Passive Hedging.

Over the last couple of years we have expanded the product range considerably and are now able to offer a suite of hedging and return seeking products to both existing and prospective clients. The product offering is now well developed and whilst we continue to look for new and innovative products we anticipate a period of slower product introduction.

Market conditions have remained unstable with the continuation of monetary intervention across the developed world, particularly in the US, the Eurozone and the UK. This has led to a difficult environment, particularly for our forward rate bias strategies. Market conditions have also been less favourable for Dynamic Hedging where certain major currency pairs have traded within relatively narrow ranges during the period as opposed to following strong trending behaviour.

Overall, hedging represented 80% of our revenue for the year ended 31 March 2012 compared with only 18% of revenue for the year ended 31 March 2009. This shows the considerable change in business mix and the challenges the business has faced over the last three years.

Financial performance

The financial performance of the Group saw management fees decrease to £20.4m for the year to 31 March 2012, a decline of 27% compared to the year ended 31 March 2011.

The operating margin, at 32%, was also less than that achieved in the year to 31 March 2011 (44%). As a result of declining profitability, measures are being taken to reduce costs. However, the extent of cost savings that can be implemented is constrained by our need to maintain an appropriate level of support for investment processes and client services. The largest reduction in cost is due to the variable nature of remuneration, whereby the Group Profit Share 'GPS' which is set at an average of 30% of pre-GPS operating profit has reduced in line with profit.

Overall, profit before tax was £6.7m and earnings per share was 2.23p per share. The proposed final dividend is 0.75p per share, which together with the interim dividend, means the total dividend for the year is 1.50p per share. When compared with earning per share of 2.23p, the dividend was 1.5 times covered during the period.

For the current financial year, the Board's current intention, subject to business conditions, is to retain the overall dividend payable at 1.50p per share. In setting the dividend, the Board will be mindful of achieving a level which it expects to be covered by earnings. The Board will defer the interim dividend that would ordinarily have been paid in December 2012 until the final dividend for the year ending 31 March 2013.

Shareholder funds were reduced at the end of the current financial year, principally due to the prior year's final dividend being paid in the period. Overall shareholder funds reduced by 9% to £26.4m. Cash balances were £24.6m, broadly unchanged in the period. The Group has a regulatory capital surplus and has cash reserves equivalent to approximately eighteen months operating costs and no debt.

Aligned incentives

The Group is a people led business and in order to generate revenues from clients and ultimately profits for shareholders, the Group needs to be able to attract and retain talented individuals. Such individuals are typically highly mobile and are highly sought after in a competitive employment market for their skills. To incentivise and motivate these individuals, Record operates a profit share scheme. Since the IPO in 2007, the Board has maintained a scheme which distributes 30% of operating profits over the medium term between all employees of the Group. This profit share is similar to that operated by many investment management businesses, and we believe that it is essential if we are to build a sustainable business for the benefit of shareholders. This aligns the interests of shareholders and employees given that the profit share moves in line with returns to

shareholders and further that senior executives are required to take a proportion of this remuneration in the form of shares. In line with the overall Group's performance, the size of the profit share pool has fallen by 75% from that of three years ago, compared to a fall of 74% in earnings per share and a fall of 84% in the share price (based on 31 March 2012 closing price) over the same period.

Whilst we see no reason to fundamentally change the scheme, we will be making a small number of changes to the scheme for the 2012/13 financial year in order to make the scheme more transparent for employees. The intention is to maintain the overall scheme at 30% of operating profits over the medium term distributed between all employees of the Group. The scheme is being separated into two pools, being the Group Profit Share Scheme and a Matching Scheme. The intention is to operate the Group Profit Share Scheme and Matching Scheme at 27% and 3% respectively of pre-GPS operating profits. The Matching Scheme will operate in a similar manner to the current scheme, albeit with the funding being explicitly separate from the 'core' Profit Share Scheme.

In order to recruit at an appropriate level in the US, it was necessary to offer a sales-based incentive to our new US sales executive. The Board considers that it is appropriate to treat this cost as a cost of sale for the current financial year. When combined with the Group Profit Share Scheme and Matching Scheme, it is expected that all payments will remain below 35% of operating profit in most reasonable scenarios.

In response to the continuing decline in financial performance of the Group, each member of the Board took a voluntary ten per cent reduction in base salary from 1 December 2011. From a personal perspective, since the appointment of James Wood-Collins as CEO in October 2010, I have no longer participated in the Group Profit Share scheme. I have also offered to take a more substantial cut in salary from July 2012 to a level commensurate with a non-Executive Chairman. However, I will continue to devote substantially all my time to Record and its clients through this difficult phase for the business. Further details are contained in the Remuneration Report.

Group strategy and outlook

The broadening of the product suite is now well advanced and the priority is to reverse the decline in revenue and profitability through the acquisition of new clients. Passive and Dynamic Hedging present the most likely short-term opportunities in the US, UK and Switzerland. The sales and marketing effort is being targeted at those opportunities where there is a higher likelihood of success in the short term.

For the Currency for Return products, we expect the most likely short-term success to be in the emerging market product as the product will complete a three-year live track record in the current financial year. This is seen as a milestone in gaining acceptance for the product, particularly with investment consultants.

In the medium term, the success of one or more of the Currency for Return products is likely to drive growth.



Neil Record
Chairman

11 June 2012

Chief Executive Officer's Statement

Having delivered broader product diversification over the last couple of years, the Group is now focussed on the marketing and sales effort to acquire new clients alongside servicing our existing clients.



James Wood-Collins
Chief Executive Officer

As highlighted in the Chairman's statement, overall AuME have remained broadly stable when compared to the prior year. Passive Hedging AuME have continued to grow. Continued stress in the banking sector and increasing recognition of the benefits of an independent expert mean that our Passive Hedging expertise is being seen as valuable by clients. Whilst both Dynamic Hedging and Currency for Return AuME have fallen, these are for distinct reasons: Dynamic Hedging reflects client-specific decisions, whereas Currency for Return has suffered a market-wide cyclical decline. It is disappointing not to have made more progress with new Dynamic Hedging sales but it is anticipated that the benefit of continued marketing and communication to both consultants and potential clients will become evident in the future. The market for Currency for Return products remains subdued in this 'risk averse' phase of the economic cycle.

The Currency for Return offering has been enhanced through the addition of a multi-strategy approach that offers value and momentum strategies in addition to the established forward rate bias and emerging market strategies. Whilst marketing and selling a return seeking strategy is difficult in a 'risk averse' period, for those clients seeking to make a return from currency the product offering is now a comprehensive and compelling proposition. Furthermore the multi-strategy approach can be used as a flexible 'overlay' to help clients achieve a variety of investment objectives.

During the year we recruited a US sales executive which has resulted in a noticeable increase in the number of prospective meetings that have been held in the US and the level of client and consultant feedback on product development. In the current financial year we will see how these initial client and consultant interactions progress and will be in a better position to judge the likely investor appetite and timing for our products in this market.

The Group's principal products have had another mixed year with Dynamic Hedging seeing a reduction, Passive Hedging seeing an increase and Currency for Return continuing the trend over recent years of seeing significant reductions as detailed below:

Dynamic Hedging is our longest-standing product, with continuous client track records since 1985. AuME saw a decline, falling to \$9.9bn at 31 March 2012 (2011: \$11.9bn). The change in AuME principally relates to the loss of the second largest US

Dynamic Hedging mandate in the year partially offset by the addition of a UK local authority mandate. Income from Dynamic Hedging accounted for 66% of the Group revenue for the year ended 31 March 2012 (2011: 62%).

Passive Hedging, at \$18.9bn (2011: \$15.7bn), accounts for 61% of AuME at 31 March 2012, and 15% of Group revenue in the year. We believe that our product offering has a number of differentiating features and continue to see a renewed interest in the product, particularly in Switzerland, the UK and Continental Europe.

Currency for Return, comprises all the return seeking strategies, totalling \$1.8bn at 31 March 2012 (2011: \$3.4bn). The two largest components are the forward rate bias strategy (\$1.0bn) and emerging market strategies (\$0.8bn). In early April 2012, the largest remaining investor in the Active FRB pooled fund (Cash Plus) redeemed its investment. This led to the closure of the fund, with other investors either redeeming or switching into other pooled funds. Record continues to offer pooled funds in FRB Index, Emerging Market and Euro Stress strategies, as well as segregated Active FRB mandates that maintain this product's live track record.

Investment performance

The twelve months to 31 March 2012 have seen notably distinct regimes of market sentiment. The "risk on-risk off" phenomenon, in which assets historically regarded as diversified have shown much higher correlations, emerged during the financial crisis and has persisted through the year. This phenomenon has seen assets perceived as offering expected long-term positive returns in exchange for the assumption of risk by the holder (exemplified by equities) perform positively in "risk on" environments and underperform in "risk off" environments. By contrast assets perceived as offering "safe haven" characteristics in turbulent environments (exemplified by certain Government bonds) perform positively in "risk off" environments and underperform in "risk on" environments. Whilst to some extent certain assets have always exhibited this behaviour, what has been novel and unwelcome throughout this period is this behaviour becoming established as the norm for investment opportunities, rather than the exception, and the highly correlated performance seen across "risk on" or "risk off" assets respectively,

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regardless of their underlying nature. It remains to be seen how permanent a feature of the investment landscape this phenomenon becomes.

In broad terms, the first four months of the year (April through July) were favourable for risk assets; the next five (August through December) experienced higher levels of risk aversion and volatility in financial markets, and the last quarter (January through March) saw some return to risk appetite.

These regimes of market sentiment affect our various products in different ways. In general terms, hedging can be neither "risk on" nor "risk off", as it is dependent on the investor's base currency. The US Dollar characteristically performs well as a "safe haven" in "risk off" environments (although this needn't be the case when the US economy is itself the source of concern, as was the case in the summer of 2010). Whilst this behaviour persists, hedging for US Dollar clients can be cash-flow positive in "risk-off" environments. Sterling by contrast typically performs better in "risk on" environments – hence a geographically-diversified range of hedging business can provide some diversification of exposure to risk sentiment.

Dynamic Hedging's ability to outperform Passive Hedging is dependent on trending, rather than any measure of risk appetite. Trending has been less prevalent throughout the year than has been the case historically, with certain major currency pairs trading within relatively narrow ranges.

Our longer-established return seeking strategies, the forward rate bias and emerging market currency strategies, are founded in market risk premia, and as such perform more strongly in "risk on" environments. By contrast, value and momentum strategies are founded in 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 precisely this diversification of response to risk sentiment that makes us enthusiastic about the multi-strategy approach.

Finally, the Euro Stress Fund, launched in May 2011, is intended to have an inverse relationship with a specific risk factor, namely that of perceived stress in the Eurozone. This is achieved through a tactical and non-systematic approach predominantly

implemented through options and option-like positions established at relatively low cost in periods of low perceived stress, which then increase in value as perceived Eurozone stress rises. The optionality in the fund's holdings offers investors the prospects of an outsized pay-off, with constrained downside.

The year ended 31 March 2012 has therefore seen performance in line with expectations in Dynamic Hedging. Net performance over the year in Currency for Return strategies has depended on the extent to which the balance between "risk on" and "risk off" environments has affected each strategy, such that forward rate bias strategies have generally performed positively, and the systematic emerging market strategy delivered aggregate negative performance over the year.

Product development

The last three years has seen the product offering expand from three strategies at the IPO to the current range of eight strategies, as well as the ability to construct multi-strategy products. This diversification, particularly in the return seeking strategies, now gives the Group a comprehensive range of currency strategies that can be offered to both existing and new clients. Whilst research continues into areas where we believe there are further opportunities, it is anticipated that the product offering will expand at a slower rate in the coming years.

In hedging, work continues on enhancements to the product offering in areas such as trading, counterparty management and changes to the hedging programs where appropriate. The ability to tailor hedging mandates to a client's specific requirements is seen as becoming increasingly important.

The addition of both value and momentum to return seeking strategies gives the Group the opportunity to combine four currency return streams (carry, momentum, value and emerging markets) in different weightings for individual clients based on their risk and return objectives. Over time a range of multi-strategy products could be envisaged that combine these return streams in differing weightings that appeal to particular market segments. Applying the multi-strategy approach as an 'overlay' can help clients achieve a variety of investment objectives such as duration matching and risk budget optimisation.

In the coming financial year, the emerging market product will pass a 'live' three-year track record. This is a key step to gaining momentum in the institutional market place where the running of 'live' money is beneficial. Whilst sales success will depend on investment performance since inception, it is hoped that progress can be made in this strategy in the coming years.

We continue to assess the investment strategy of the Euro Stress Fund in light of the steps taken by Eurozone authorities, such as the European Central Bank's Long Term Refinancing Operations, to introduce more market stability.

Marketing and distribution

The Group's sales and marketing resources are concentrated on the UK, Europe (in particular Switzerland) and North America. Whilst this does not preclude other geographical opportunities, the Group is less pro-active in these markets.

In the UK, the marketing and distribution is to both pension schemes and also to investment consultants. The UK market has been characterised by almost no activity in Currency for Return and a small number of Request for Proposals (RFPs) for Dynamic Hedging during the year. The Group was successful in securing one mandate for Dynamic Hedging in the middle of 2011 in a more competitive environment. It is too early to ascertain the likely level of demand in the coming financial year and any future mandates will attract an increasing level of competition. Demand for Currency for Return is likely to remain subdued in the current financial year but there are likely to be further opportunities in Passive Hedging.

In Europe, in particular Switzerland, we have seen an increasing level of interest for Passive Hedging. The Group has a strong position in this marketplace, having secured a number of large schemes in recent years. From the start of the current financial year, the Group has a sales executive in Switzerland who had previously been working for the Group in the UK. The Group believes there are further opportunities in this market and that we are well positioned to capitalise on these opportunities.

In the US, the local sales executive has been very active in talking to pension plans and investment consultants that were previously less well-known or unknown to the Group. Whilst US pension plans have previously chosen mainly not to hedge

their currency exposure nor to seek a return from currency, currency issues are becoming more important with an increasing level of international exposure aided by the well publicised issues with the Euro. Against this backdrop, it is hoped that sales progress can be made in the coming years. It remains to be seen how quickly sales can be built in the US but the level of demand for the Group's products should become clearer as the current financial year progresses.

In Canada, the Group undertakes marketing to institutional investors and pension plans, largely through the UK-based team. Opportunities over the medium term are expected in both Hedging and Currency for Return products.



James Wood-Collins
Chief Executive Officer

11 June 2012

Passive Hedging

at \$18.9bn (2011: \$15.7bn), accounts for 61% of AuME at 31 March 2012, and 15% of Group revenue in the year. We believe that our product offering has a number of differentiating features and continue to see a renewed interest in the product, particularly in Switzerland, the UK and Continental Europe.



“Having well established operational controls and procedures is key to providing our clients an excellent service.”

Shaesta Wahedally
Operations

Business Review

The twelve months to 31 March 2012 saw AuME broadly unchanged with hedging representing 93% of AuME and 80% of revenue. Currency for Return products continued to see a decline in AuME representing 6% of AuME and 19% of revenue. Dynamic Hedging continued to perform in line with client expectations. Investment performance for the Active Forward Rate Bias and Forward Rate Bias Index products was positive in the year.

Introduction

The Business Review is a review of the business by management. Its purpose is to provide shareholders with a summary, setting out the business objectives of the Group, the Board's strategy to achieve those objectives, the risks faced, the regulatory and operating environment and the key performance indicators (KPIs) used to measure performance.

This review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 and it forms part of the Directors' Report. The Company's auditor is required to report on whether the information given in the Directors' Report and Business Review is consistent with the financial statements.

Overview

The twelve months to 31 March 2012 saw increasing AuME for Passive Hedging and declining AuME for Dynamic Hedging and Currency for Return. Overall, hedging represented 80% of revenue with Dynamic Hedging representing 66% of revenue. The Group saw broadly stable AuME with decreases in client numbers, revenue and operating profit. The balance sheet of the Group remains strong with substantial cash and capital resources available to the Group.

“Record's Research and Investment Strategy Team is committed to delivering quality currency products and investment solutions that meet our clients' needs and objectives.”

Diana Ples
Research



KPIs

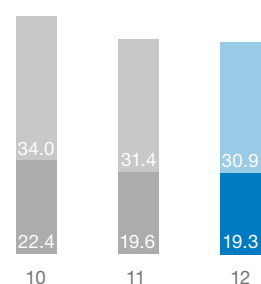
The Board and Executive Committee use a number of key performance indicators (KPIs) to monitor the performance of the Group. A three-year history of these KPIs is shown below.

AuME at 31 March

AuME were broadly stable at \$30.9bn or £19.3bn at the year end. Passive Hedging AuME grew by 20% offset by reductions in Currency for Return of 47% and Dynamic Hedging of 17%.

AuME 31 March

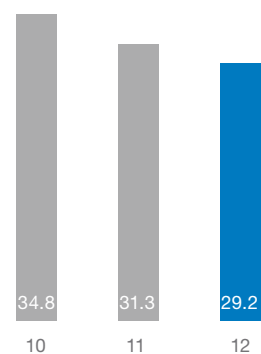
AuME (\$bn)
AuME (£bn)



Average AuME

Average AuME decreased by 7% to \$29.2bn during the year.

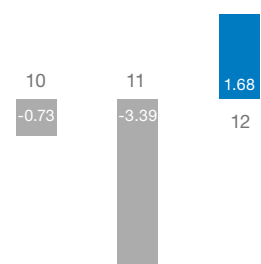
Average AuME Year ended 31 March (\$bn)



Currency Alpha Composite ¹

The excess return of our segregated Alpha Composite, expressed as a percentage of underlying assets on an ungeared basis, was 1.68%.

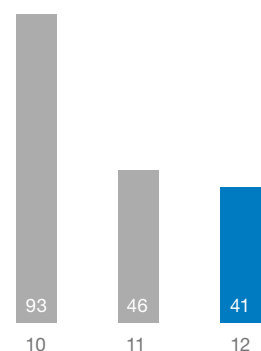
Currency Alpha Composite Year ended 31 March (%)



Client numbers

Client numbers: this represents the number of separate legal entities that have invested in a Record fund or appointed Record directly as an investment manager. Each entity may have more than one mandate. The number of clients at 31 March 2012 was 41, a fall of 5 over the year.

Client Numbers 31 March

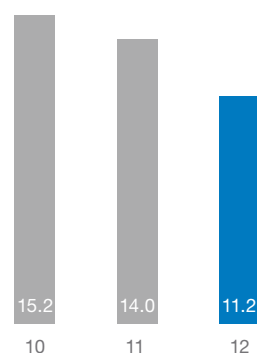


Average management fee rates

The blended average management fee rate fell from 14.0bps to 11.2bps due to two factors: change in product mix due to both growth of the Passive Hedging product (which has a lower average management fee rate) and the further decline in Currency for Return, and a reduced average Dynamic Hedging management fee rate due to fee changes that took effect during the year.

Average management fee rates

Year ended 31 March (bps)

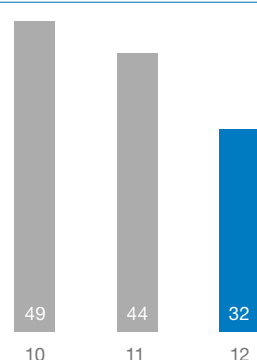


Operating profit margin

A combination of reduced management fees, offset by reduced profit share cost resulted in an operating profit margin of 32% for the year to 31 March 2012.

Operating profit margin

Year ended 31 March (%)

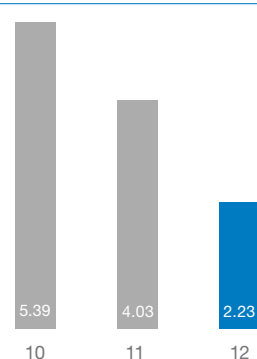


Basic earnings per share

The decrease in operating profit margin is reflected in the fall in the Group's earnings per share to 2.23p per share.

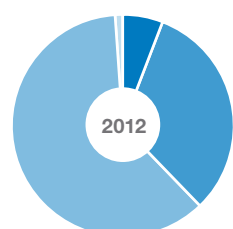
Basic earnings per share

Year ended 31 March (pence)



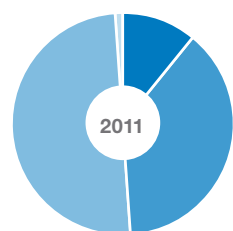
1 Currency Alpha Composite – an investment return track record generated by the aggregation of all standard segregated track records for Record's Active Forward Rate Bias Currency for Return product. The Currency Alpha Composite is asset weighted, based on AuME for each account. Currency Alpha Composite is shown as a KPI for completeness although given the size of the Currency for Return mandates it is no longer seen as a key KPI and will not be included in subsequent years.

AuME by product
31 March 2012 (%)



| | |
|-----------------------|-----|
| ■ Currency for Return | 6% |
| ■ Dynamic Hedging | 32% |
| ■ Passive Hedging | 61% |
| ■ Cash | 1% |

AuME by product
31 March 2011 (%)



| | |
|-----------------------|-----|
| ■ Currency for Return | 11% |
| ■ Dynamic Hedging | 38% |
| ■ Passive Hedging | 50% |
| ■ Cash | 1% |

Product review Investment performance

Our hedging products are 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. However, the rapid pace at which the market changed from one environment to the other meant that over the year risk management costs built up in excess of long-term expectations. As a consequence, clients experienced negative overall returns from their hedging programmes, as the risk management costs more than offset the hedging profits.

US investors saw gains from currency in the first quarter as the US Dollar weakened, leading to higher US Dollar valuations for foreign currency investments. Record's Dynamic Hedging product performed well in this period, maintaining low hedge ratios and allowing the majority of foreign currency gains to translate into strong US Dollar performance. In the subsequent period however the US Dollar appreciated, taking an uneven path to finish the year stronger. This uneven path required larger and more frequent adjustments to hedge ratios, leading Record's risk management process to generate costs which more than offset hedging gains from a strengthening US Dollar.

UK investors saw a comparable return profile, as Sterling took a volatile path to strengthen modestly against foreign currencies. Risk management costs similarly offset hedging gains, adding to currency underperformance seen in Sterling terms as weakening foreign currencies led to less favourable Sterling valuations for international assets.

Record had four 'live' Currency for Return products in the year. The Active Forward Rate Bias (FRB), Emerging Market and Euro Stress Fund products are active and return seeking in nature, though exploit different market phenomena. The fourth return seeking product, the Forward Rate Bias Index product (Record FTSE FRB10 Index Fund) is a passive return seeking strategy that tracks the FTSE Currency FRB10 index.

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. Historically this investment approach has shown positive returns due to the existence of the Forward Rate Bias and trending movements in selected currency pairs, although in the period since the beginning of the credit crunch the returns from the Forward Rate Bias have been negative. The year saw positive returns however, as relatively low interest rate currencies, particularly the Japanese Yen, weakened in the final quarter of the period. A complementary investment process – the Range Trading strategy – consistently added to returns as selected currency pairs mean reverted, generating outperformance.

Protected currency return for a US Dynamic Hedging client



Source: Record Currency Management, WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Data is cumulative from 30 April 2009



“An important part of understanding and delivering on clients’ requirements is in building strong long-term relationships with their investment consultants.”

Claire Gilmour
Client Team

Annual returns of Record Umbrella Currency Funds for the year to 31 March 2012

| Fund Name | Gearing | Annual return % | Volatility since inception % p.a. ¹ |
|---------------------------------------|---------|-----------------|--|
| Cash Plus | 7 | 3.38% | 19.60% |
| FTSE FRB 10 Index ² | 1.8 | 3.32% | 7.94% |
| Emerging Market Currency ³ | 1 | (3.69%) | 9.12% |
| Euro Stress | 1 | (8.86%) | n/a |

| Index/composite returns | Annual return % | Volatility since inception % p.a. |
|--|-----------------|-----------------------------------|
| Alpha composite | 1.68% | 2.78% |
| FTSE Currency FRB5 GBP Excess return | (3.18%) | 5.83% |
| FTSE Currency FRB10 GBP Excess return | 1.72% | 4.73% ⁴ |
| Global Equities (S&P 500) ⁵ | 6.23% | 14.86% ⁶ |

- 1 No volatility data is provided for products with less than 12 months historic data
- 2 FTSE FRB10 Index Fund return data is since inception in December 2010.
- 3 Emerging Market Currency Fund return data is since inception in December 2010
- 4 Inception date is 31 December 1987
- 5 For comparison only
- 6 Since December 1987

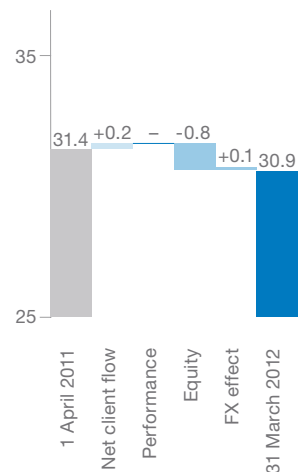
Similarly, the Forward Rate Bias Index product added value as high interest rate currencies appreciated. Record remains committed to our belief that over time currency and in particular the FRB can be a persistent and uncorrelated source of returns for investors, and that the FRB will continue to generate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

Euro area concerns dominated investment sentiment over the period, and as fears surrounding repayment of Greek sovereign debt and possible contagion to other areas of the Eurozone periphery escalated, levels of global risk aversion rose. This risk aversion led to the broad underperformance of emerging market currencies in the middle of the year, and to negative returns in Record’s Emerging Market Currency Fund over the year. However, the easing of debt crisis concerns following the European Central Bank’s decision to support the banking sector via its long-term refinancing operations (LTRO) and the landmark restructuring of Greek debt, combined with rising commodity prices – supportive of ‘commodity currencies’ – and improving US economic data generated positive performance in the final quarter.

Record believes that as a result of the 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. We therefore 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.

Record’s Euro Stress Fund aims to add value in the event of rising levels of financial stress within the Euro area. The product performed as expected over the period, responding to developments in the debt crisis, and ultimately underperforming over the partial year to 31 March 2012 as banking sector and sovereign debt concerns eased. Underperformance resulted primarily from declining interest rates on German and Italian debt, and a decrease in the value of currency options as levels of implied volatility dropped towards the end of the year.

AuME development bridge Year to 31 March 2012 (\$bn)



“Research is at the forefront of the thinking behind both the design of Record’s new strategies and the improvement of existing products.”

James MacKenzie-Smith
Research



AuME composition by product and base currency

| Base currency | Currency for Return – Segregated | | Currency for Return – Pooled | | Dynamic Hedging | | Passive Hedging | |
|--------------------------------|----------------------------------|------------------|------------------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | 31 Mar 12 | 31 Mar 11 | 31 Mar 12 | 31 Mar 11 | 31 Mar 12 | 31 Mar 11 | 31 Mar 12 | 31 Mar 11 |
| Sterling | – | GBP 0.3bn | GBP 0.2bn | GBP 0.8bn | GBP 1.7bn | GBP 1.2bn | GBP 3.4bn | GBP 3.6bn |
| US Dollar | USD 0.7bn | USD 1.0bn | – | – | USD 5.9bn | USD 8.9bn | – | – |
| Swiss Franc | CHF 0.5bn | CHF 0.5bn | – | – | CHF 1.2bn | CHF 1.0bn | CHF 11.6bn | CHF 7.9bn |
| Euro | – | – | – | – | – | – | EUR 0.6bn | EUR 1.0bn |
| Canadian Dollar | CAD 0.2bn | CAD 0.2bn | – | – | – | – | – | – |
| Total AuME (US Dollars) | USD 1.4bn | USD 2.2bn | USD 0.4bn | USD 1.2bn | USD 9.9bn | USD 11.9bn | USD 18.9bn | USD 15.7bn |

Gearing

The Currency for Return product group allows clients to pick the level of exposure they desire in the FX currency programmes. The pooled funds have historically offered clients a range of gearing and target volatility levels with either Sterling or US Dollars as the base currency. 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 broadly stable AuME of \$30.9bn at the year end compared with \$31.4bn at the end of the previous year.

AuME movements result from both factors within Record’s control and external factors. External factors include exchange rates and the underlying asset value (usually equities) on which hedging mandates are based. External factors accounted for a decrease of \$0.7bn in AuME during the year.

The Group has seen net inflows of \$0.2bn from clients. Inflows from both new and existing clients totalled \$8.6bn, and were offset by outflows of \$8.4bn. Other movements included:

- (i) a fall of \$0.8bn related to movements in global stock and other markets as many mandate sizes are linked to such markets;
- (ii) an increase of \$0.1bn due to changes in exchange rates over the period, which affects the conversion of non-US Dollar mandate sizes into US Dollar AuME. This does not have an equivalent impact on the Sterling value of fee income; and
- (iii) investment performance in the Group’s pooled funds, which is compounded on a geared basis into the AuME of those funds, had no net impact on AuME in the period.

Of these movements, (i) and (ii) are outside the control of the Group. In future periods, the Group will not separately report movements due to investment performance given the overall size of the pooled funds.

When expressed in Sterling, AuME were broadly stable at £19.3bn (2011: £19.6bn). The split of AuME at the year end by base currency was 28% in Sterling, 47% in Swiss Francs, 21% in US Dollars, 2% in Canadian Dollars and 2% in Euros.

Dynamic Hedging mandates saw a decrease of 17% to \$9.9bn (2011: \$11.9bn). This is mainly the result of a large US client terminating their mandate in November 2011 offset by the addition of a UK client in mid 2011.



AuME composition by product (\$bn)

| | 31 March 12 | | 31 March 11 | |
|----------------------------------|-------------|-------------|-------------|-------------|
| | \$bn | % | \$bn | % |
| Currency for Return – segregated | 1.4 | 5% | 2.2 | 7% |
| Currency for Return – pooled | 0.4 | 1% | 1.2 | 4% |
| Sub-Total Currency for Return | 1.8 | 6% | 3.4 | 11% |
| Dynamic Hedging | 9.9 | 32% | 11.9 | 38% |
| Passive Hedging | 18.9 | 61% | 15.7 | 50% |
| Cash | 0.3 | 1% | 0.4 | 1% |
| Total | 30.9 | 100% | 31.4 | 100% |

AuME composition by product (£bn)

| | 31 March 12 | | 31 March 11 | |
|----------------------------------|-------------|-------------|-------------|-------------|
| | £bn | % | £bn | % |
| Currency for Return – segregated | 0.9 | 5% | 1.4 | 7% |
| Currency for Return – pooled | 0.2 | 1% | 0.8 | 4% |
| Sub-Total Currency for Return | 1.1 | 6% | 2.2 | 11% |
| Dynamic Hedging | 6.2 | 32% | 7.4 | 38% |
| Passive Hedging | 11.8 | 61% | 9.8 | 50% |
| Cash | 0.2 | 1% | 0.2 | 1% |
| Total | 19.3 | 100% | 19.6 | 100% |

Passive Hedging AuME increased by \$3.2bn, a 20% increase in the year. This increase was principally due to the combination of two factors: net inflows of \$2.9bn, and a growth of \$0.2bn in value of the underlying assets, typically international equities, that the hedging programme is established to hedge against. A number of mandates are linked to overall programmes under which an additional Currency for Return or Dynamic Hedging mandate incorporates an element of Passive Hedging.

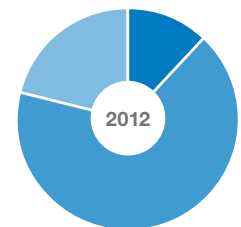
Record's Currency for Return products are offered on either a segregated mandate basis or through pooled funds, where clients subscribe for units in funds for which Record is the distributor and investment manager. Segregated Currency for Return AuME fell to \$1.4bn (2011: \$2.2bn) due principally to the net outflows which totalled \$0.7bn. Included in the segregated Currency for Return mandates are a small number of mandates for emerging market currencies totalling \$0.8bn (2011: \$1.1bn). Record's pooled funds experienced significant outflows with AuME falling to \$0.4bn (2011: \$1.2bn).

In April 2012 the largest investor in the remaining Active Forward Rate Bias pooled fund redeemed their investment and as a result the fund has been closed down. In subsequent periods Currency for Return will be reported as one category.

Product mix

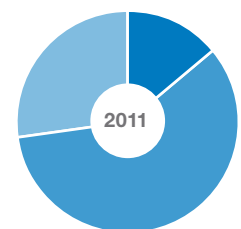
The Group's product mix has continued to change over the period due to the AuME movements described above. Hedging AuME have grown to 93% of AuME (2011: 88%), as a result of the growth of the Passive Hedging product, which accounts for 61% of AuME (2011: 50%). Together Currency for Return and Dynamic Hedging represent 38% of AuME (2011: 49%) being higher margin products compared to Passive Hedging. Dynamic Hedging mandates made up 32% of AuME (2011: 38%). Currency for Return pooled funds made up 1% of AuME (2011: 4%) and Currency for Return segregated funds 5% of AuME (2011: 7%). As a result of the decline in the size of the pooled funds, the Group will in future periods report on Currency for Return as an overall category and not separately report on the size of the pooled funds.

AuME by client type
31 March 2012 (%)



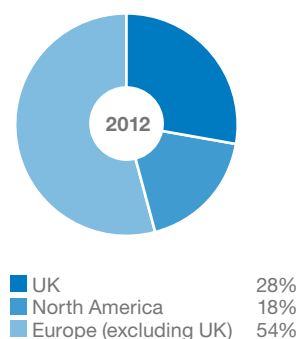
■ Foundations 12%
■ Government 67%
■ Corporate 21%

AuME by client type
31 March 2011 (%)

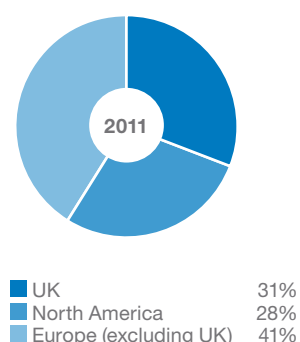


■ Foundations 14%
■ Government 59%
■ Corporate 27%

AuME by client location
31 March 2012 (%)



AuME by client location
31 March 2011 (%)



At 31 March 2012 Record had 41 clients. The Group has gained a small number of new clients in the year but overall experienced a net loss of 5 clients.

Strategy

The strategy of the Group remains largely unchanged even in the current period of strain in financial markets:

- To focus on delivering sales from the expanded product range;
- To deliver diversification benefits from the expanded product offering;
- To increase focus on the US and Switzerland through dedicated sales resource;
- To exploit opportunities for hedging (Dynamic and Passive) products in the current market environment;
- To continue to research and enhance our existing products within currency management, including multi-strategy products;
- To promote sustainable currency strategies and develop a manager-independent asset class – currency 'beta';
- To maintain and grow Currency for Return, including emerging market currencies; and
- To continue investment in people and infrastructure.

Market development

Currency Solutions

Currency solutions potentially encompass a wide range of activities. This ranges from clients seeking to be educated about currency exposure and solutions through to bespoke and tailored solutions for clients. We continue to engage with existing and prospective clients as a result of currency issues becoming more important, particularly in the US and Switzerland. The sales and marketing initiatives being undertaken by the US sales executive could lead to a number of potentially interesting opportunities for tailored client solutions to their specific currency objectives.

Hedging opportunities

The continuing volatility in exchange rates combined with a period of uncertainty for the Euro has caused investors to think about their strategy for managing exchange rate exposure, particularly in the US and Switzerland. In the US, exposure to international assets continues to increase combined with nervousness over the plight of the Euro. In Switzerland we have

seen a renewed interest in Passive Hedging partially due to the interventions that have taken place in the foreign exchange markets. Hedging now represents 93% of AuME and 80% of revenue.

Passive Hedging

We have seen heightened interest in our Passive Hedging product since 2010 and this has resulted in AuME for this product growing every year since 2009. Clients have been attracted to Record by our expertise in delivering tailored hedging programmes, because we offer independent trading relationships and by our ability to manage bank counterparty exposure on behalf of clients.

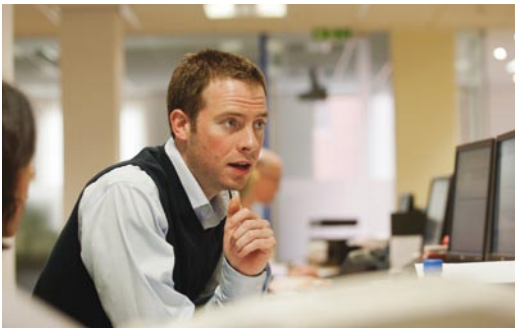
Dynamic Hedging

Record's Dynamic Hedging programme is an attractive alternative to Passive Hedging that seeks to protect clients when a client's base currency is strong and limit the costs when the base currency is weak. However, the product requires a level of confidence in Record together with a high level of understanding from the investment consultants, investment managers and trustees of a scheme. The level of interest in this product, particularly in the UK, has risen during the past twelve months and there have been a number of formal tendering processes that Record has participated in, securing one new mandate during the year. This increased level of interest has attracted a higher level of competition from existing and new entrants to the UK market. Whilst it is clearly beneficial to have a higher take up of the product, the increasing level of competition presents additional challenges. In the US we continue to market and promote the benefits of Dynamic Hedging as part of the US sales initiative.

The product itself has continued to perform in line with expectations during this period, although with higher risk management costs for clients in both the UK and US, as described in the Investment Performance section of the Business Review.

Currency for Return opportunities

Following a period of product development, Record currently has a suite of six Currency for Return strategies being Active FRB, FRB Index, Emerging Markets, Value, Momentum and Euro Stress. 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



“A flexible and open-minded approach to process implementation and working methods ensures the business can rapidly adapt to change”

Giles Butler
Operations

conditions. Record is able to offer many of these products in either a segregated or pooled fund offering.

At 31 March 2012, Currency for Return AuME principally comprised \$1.0bn for the Active FRB and \$0.8bn for Emerging Markets. The FRB Index and Euro Stress funds comprised mainly Record seed capital.

Active FRB

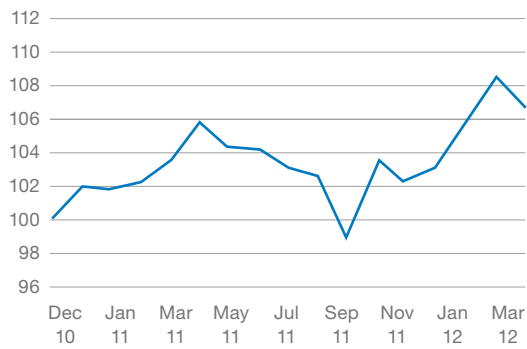
Record's established Active FRB strategy saw a year of positive performance. However, the longer term period of negative performance has seen continued outflows over the period and this has culminated in the closure of the last remaining pooled fund running this strategy in April 2012.

The product comprised \$0.6bn in segregated accounts and \$0.4bn in pooled funds at 31 March 2012. Following the closure of the last remaining pooled fund running this strategy, the product continues to be offered to segregated accounts. The strategy experienced positive investment performance during the year that contrasted with the negative performance over the preceding three years.

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 second 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 £1m in December 2010. This product also had positive performance during the year and cumulative performance since December 2010 of 7.32%. It is envisaged that a return to more normal monetary policy conditions and a sustained period of positive performance are the precursors to material client demand for this product.

FTSE FRB10 Index Fund performance since inception¹



Emerging Market

Record recognises that emerging market currencies offer investors an opportunity to either seek to make a return from emerging market currencies or seek to separate the underlying overseas domestic asset performance (typically equities or bonds) from the currency effect. Record currently has a small number of segregated accounts, totalling \$0.8bn of AuME for which an emerging market currency option portfolio and an emerging market currency strategy are implemented. Additionally, a pooled fund product was launched in December 2010 and seeded with a £1m investment from Record.

The Emerging Market currency strategy is approaching three years since 'live' money was invested and had positive performance of 5.25% from inception to 31 March 2012. Being able to demonstrate a three-year track record is seen as important by investment consultants in gaining acceptance of a new product.

¹ Source: Northern Trust Administration Services

Emerging market currency excess returns²



Euro Stress

During the year, Record launched a Jersey-based fund that is positioned to generate a return in periods of strain on the European currency union. Record seeded the fund with a £1m investment. In a year in which the Euro has experienced periods of stress and periods of relative calm, the performance of the fund has tracked these sentiments. Whilst the fund initially did well towards the end of 2011, this performance reversed in the first quarter of 2012. This fund is more discretionary in style, and its investment strategy will be kept under review in light of the steps taken by Eurozone authorities to introduce more market stability.

Currency Momentum

Momentum in currency is the tendency of the spot rate to appreciate after a prior appreciation, and to depreciate after a prior 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 a momentum strategy would seek 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 fair 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.

Product development

Record has now expanded the product offering since IPO from three strategies to eight strategies, including four of the popular systematic Currency for Return strategies in FX, namely: “carry”; “value”; “momentum”; and “emerging markets”. Having completed this product diversification the focus has shifted to refining the current products and offering multi-strategy products.

People management

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 the right people 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 declined during the year as a result of allowing natural attrition to reduce headcount in certain departments. Headcount at 31 March 2012 was 65 (2011: 70).

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 Profit Share Scheme promotes the acquisition of equity in the Company by staff, improving both motivation and retention.

Board and management succession

The Board of Directors has remained unchanged through the year.

² Source: Record Currency Management Limited

Infrastructure development

Record is in the final stages of implementing a new middle and back office system. The system has been thoroughly tested and has been run in parallel with the existing infrastructure since the start of 2012. It is envisaged that the system will go live in the coming months and should deliver the benefits that were intended at the outset of the project for new instruments, deploying new products and portfolios, and delivering an improved level of client service.

Risk management

The Board recognises that risk is inherent in all of its business dealings, and in the markets and instruments in which the Group operates. It therefore places a high priority on ensuring that there is a strong risk management culture within the Group. Effective risk management and strong internal controls are central to the Group's business model and during the year the Group has made further progress in developing this framework.

The Audit and Risk Committee was established to provide oversight and independent challenge in relation to internal control and risk management systems and procedures. The Head of Compliance is responsible for ensuring compliance with appropriate legal and other regulatory standards, and for internal risk review of operational processes. Additionally, Deloitte LLP performed a number of pieces of assurance work in respect of Record's internal controls during the year.

The Board has established a Risk Management Committee which is chaired by the Chief Financial Officer/Chief Operating Officer and has the Head of Operations, the Head of Trading, the Head of Reporting Services, the Head of Portfolio Management, the Head of Portfolio Implementation and the Head of Compliance 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. Further details are provided in the Corporate Governance section.

The Group appointed Grant Thornton UK LLP as the reporting accountant for its Audit and Assurance (AAF 01/06 and SAS 70) reports. 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 continued

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 means used to mitigate them are set out below:

| Risk type/owner | Description of risk | Mitigation |
|---|--|---|
| 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 | 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. Loss of key personnel; could impact on the management of the Group and/or lead to a loss of AuME. 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. Account concentration; Record has a relatively small number of high value clients. Its largest client generated 29% of revenue in the year ended 31 March 2012. The largest five clients generated 60% of revenue and the largest ten clients generated 81% of revenue in the year ended 31 March 2012. 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 no longer believes that Record is a recommended investment manager, then this could result in a loss of AuME. Changes in the regulatory environment or tax regime making investment in currency less attractive to investors. | These include: 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. The Group's investment process is steered by an Investment Committee of five, and for all products except the Euro Stress Fund is managed on a day to day basis by a systematic process which is not reliant on any individual employee. The Euro Stress Fund is managed by a group of investment executives. All clients have two points 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. Diversification of investment capabilities across risk-reducing and risk-taking products to reduce single event/product exposure. 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. The Group 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. Diversification of investment capabilities across risk-reducing and risk-taking products to reduce single event/product exposure. |
| Market dislocation risk Delegated to: Executive Committee | 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. | These include: 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. |
| Investment risks The risk that long-term investment outperformance is not delivered, damaging prospects for winning and retaining clients, and putting average management fee margins under pressure. Delegated to: Investment Committee | These include: 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 pooled funds and segregated mandates 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. 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 re-assess the benefits of the product. | These include: Experienced Investment Committee meets frequently 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. Experienced Investment Committee meets frequently ensuring consistent core investment processes are applied. Dedicated currency management research and investment focus. |

| Risk type/owner | Description of risk | Mitigation |
|--|--|---|
| <p>Operational risks</p> <p>Risks in this category are broad in nature and inherent in all businesses.</p> <p>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.</p> <p>Delegated to: Risk Management Committee</p> | <p>These include:</p> <p>The Group is exposed to the risk of failure of its proprietary IT system (ROMP, or Record Overlay Management Programme) and/or other IT systems.</p> <p>Execution and process management; dealing, portfolio, settlement and reporting errors.</p> <p>Non-compliance, including monitoring of investment breaches.</p> <p>Record's investment process involves high daily trading turnover of client positions in both size and volume, therefore it can be said to be reliant on market liquidity.</p> <p>Record exposes clients to derivative transactions with large banks as the counterparty. As an over the counter (OTC) product, these contracts inherently contain a degree of counterparty risk with the counterparty bank.</p> | <p>These include:</p> <p>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.</p> <p>Engagement letters or service level agreements are in place with all significant service providers.</p> <p>Record prepares an annual AAF 01/06 report and SAS 70 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.</p> <p>Record has an outsourced Internal Audit function that reports independently to the Audit and Risk Committee.</p> <p>The Group's investment processes for all products except the Euro Stress fund are at the day to day level 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 provides post-trade compliance assurances.</p> <p>Each department has established procedures manuals that are available to all members of staff. The adherence to these procedures is checked through the compliance monitoring programme, AAF and SAS 70 reviews and the internal audit programme.</p> <p>Each department has established procedures manuals that are available to all members of staff. The adherence to these procedures is checked through the compliance monitoring programme, AAF and SAS 70 reviews and the internal audit programme.</p> <p>The Group trades on behalf of clients in currency and other products with a large panel of banking counterparties. Currency is a particularly liquid market that has continued to provide sufficient daily liquidity.</p> <p>On a daily basis Record monitors the credit ratings (and other indicators of creditworthiness) of the counterparties Record has dealings with. Changes are noted against a comprehensive Credit Risk Policy that is overseen by an established Risk Management Committee that meets 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.</p> |
| <p>Treasury risks</p> <p>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.</p> <p>Delegated to: Chief Financial Officer</p> | <p>These include:</p> <p>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.</p> <p>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.</p> <p>Liquidity management - the Group is exposed to credit risk and interest rate risk in respect of its cash balances.</p> | <p>These include:</p> <p>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.</p> <p>Monthly reporting of all balance sheet exposures to the Executive Committee and Board.</p> <p>The Group has adopted a credit risk policy to manage its credit risks, under which it keeps its cash on deposit with at least two high street UK banks at any one time.</p> <p>Monthly reporting of all balance sheet exposures to the Executive Committee and Board.</p> |

Revenue
3 year history (£m)



Management fees
3 year history (£m)



Financial review

Total revenue decreased by 27% to £20.5m, principally due to the reduction in management fees. This is greater than the marginal reduction in average AuME during the year of 7% due to the business mix changing to include a higher percentage of Passive Hedging that attracts lower fees. Total expenditure decreased by 13% to £13.7m through a reduction in the Group Profit Share cost. Profit before tax decreased by 46% to £6.7m.

Profit and Loss (£m)

Year ended 31 March

| | 2012 | 2011 |
|--|-------------|-------------|
| Management fees | 20.4 | 28.1 |
| Performance fees | – | – |
| Other revenue | 0.1 | 0.1 |
| Total revenue | 20.5 | 28.2 |
| Cost of sales | (0.2) | (0.1) |
| Gross profit | 20.3 | 28.1 |
| Personnel (excluding Group Profit Share Scheme) | (6.4) | (6.1) |
| Non-personnel cost | (4.2) | (4.3) |
| Loss on financial instruments held as part of disposal group | (0.3) | – |
| Total expenditure (excl. Group Profit Share Scheme) | (10.9) | (10.4) |
| Group Profit Share Scheme | (2.8) | (5.3) |
| Operating profit | 6.6 | 12.4 |
| % | 32% | 44% |
| Net interest received | 0.1 | 0.1 |
| Profit before tax | 6.7 | 12.5 |
| Tax | (1.8) | (3.6) |
| Profit after tax | 4.9 | 8.9 |

Fees

In the year ended 31 March 2012, the loss of a significant Dynamic Hedging client, continued decline of our Active FRB Currency for Return product and renegotiation of fee rates with our largest client, led to total fee income decreasing to £20.4m.

Management fees by product (bps)

| | 2012 | 2011 |
|----------------------------------|-------------|-------------|
| Currency for Return – segregated | 26.1 | 28.3 |
| Currency for Return – pooled | 18.4 | 23.4 |
| Currency for Return – average | 23.8 | 26.1 |
| Dynamic Hedging | 20.0 | 23.9 |
| Passive Hedging | 3.1 | 2.9 |
| Weighted average | 11.2 | 14.0 |

Record charges fees to its clients based upon the AuME of the product provided. Both Passive and Dynamic Hedging typically have fixed fee arrangements. Record has historically offered all Currency for Return clients the choice of paying an asset-based management fee only or the alternative of management fee plus performance fee. Higher performance fee rates usually accompany lower management fee rates and vice versa. Following the closure of the remaining Active FRB pooled fund in April 2012, there are no remaining Currency for Return clients with a performance fee component. Record charges similar fees for both segregated and pooled Currency for Return mandates.

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.

“I’m here to help clients navigate the choppy waters that the currency markets present – both in terms of managing risk and looking for return opportunities”

Ian Harrison
Client Team



Total fee analysis (£m)

| | 2012 | 2011 |
|--------------|-------------|-------------|
| Management | 20.4 | 28.1 |
| Performance | – | – |
| Other | 0.1 | 0.1 |
| Total | 20.5 | 28.2 |

Management fees

Management fee income during the year was £20.4m (2011: £28.1m). The table below shows growth in Passive Hedging, with management fee income attributable to Passive Hedging of £3.0m, up 11% in the period. Management fees for Dynamic Hedging of £13.5m, were down 23% and in Currency for Return management fees were £3.9m, down 51%.

Management fees by product (£m)

| | 2012 | 2011 |
|----------------------------------|-------------|-------------|
| Currency for Return – segregated | 3.0 | 4.8 |
| Currency for Return – pooled | 0.9 | 3.1 |
| Sub-Total Currency for Return | 3.9 | 7.9 |
| Dynamic Hedging | 13.5 | 17.5 |
| Passive Hedging | 3.0 | 2.7 |
| Total | 20.4 | 28.1 |

Performance fees

There were no performance fees earned in the year (2011: £nil). Performance fee structures have historically been earned in Currency for Return mandates. Following closure of the Cash Plus Fund in April 2012, there are no active mandates for Currency for Return that incorporate a performance fee component. There is one Dynamic Hedging mandate that has the potential to earn performance fees.

Other income

Other income includes gains/losses on hedging revenues denominated in currencies other than Sterling, and foreign exchange gains, in addition to revenues from activities other than currency management.

Group Profit Share Scheme

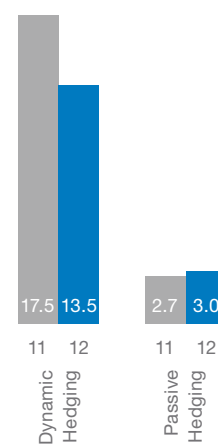
The Group operates a Group Profit Share Scheme such that a long-term average of 30% of operating profit before Group Profit Share (GPS) is made available to be awarded to employees. The Remuneration Committee has recommended that for the year ended 31 March 2012, the Group Profit Share Scheme is 30% of pre-GPS operating profit. For the year ended 31 March 2012, this represents £2.8m, a reduction of £2.5m from the previous financial year. This represents a year on year decrease of 47% compared with a 27% year on year decrease in revenue.

Directors and senior management in Record plc are required to take a proportion of this remuneration in the form of shares subject to lock-up arrangements.

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

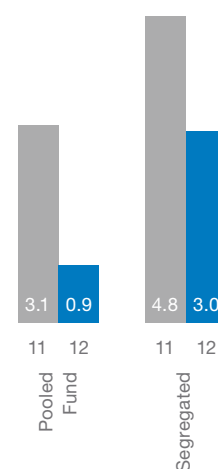
Management Fees – Hedging

Year to 31 March (£m)



Management Fees – Currency for Return

Year to 31 March (£m)





“We continuously analyse and develop our methods of execution in order to get the best prices for our clients.”

Bhavesh Trivedi
Trading

Operating margin

The operating profit for the year ended 31 March 2012 of £6.6m was 47% lower than the operating profit for the previous financial year (2011: £12.4m). The Group achieved an operating profit margin of 32% for the year ended 31 March 2012 (44% in 2011).

During the year ended 31 March 2012, total operating expenditure of the Group decreased by 13% to £13.7m. This results from a £2.5m reduction in the Group Profit Share Scheme and a £0.1m decrease in non-personnel costs offset by a £0.3m increase in personnel costs, and a £0.3m loss on financial instruments held as a disposal group. Group Profit Share (GPS) decreased in line with the reduction in Operating profit (pre-GPS).

The Group has taken steps to control its cost base as revenues have continued to decline in the second half of the year. The Group has seen the number of employees reduce by 7% in the year and the benefit of this reduction together with reductions in Board members' salaries of 10% from 1 December 2011 will be evident in the current financial year. Steps have also been taken to reduce non-personnel costs, although this is likely to be offset by higher system costs following the implementation of the new middle and back office system.

Cash flow

The Group's ability to generate cash has remained good, with a year end cash position of £24.6m (31 March 2011: £24.7m). The year on year change is principally due to the dividend payment in respect of the prior year offset by the consolidation of the cash positions within the seed capital funds that had previously been categorised as assets held for sale (+£4.0m). Cash generated from operating activities before tax was £5.0m, with £2.7m paid in taxation and £7.4m paid in dividends.

Dividends

Shareholders received an interim dividend of 0.75p per share paid on 20 December 2011. 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 2011: 4.59p per share). This represents a 67% payment of profits after tax for the year ended 31 March 2012.

Subject to shareholder approval, the dividend will be paid on 1 August 2012 to shareholders on the register on 22 June 2012, the ex-dividend date being 20 June 2012. The dividend cover in the year was 1.5 (2011: 0.9).

Capital management

The Board's policy is to retain capital (being equivalent to shareholders' funds) within the business sufficient to meet continuing obligations, sustain future growth and to provide a buffer against adverse market conditions. To this end the Group has developed a financial model to assist it in forecasting future capital requirements over a four-year time horizon under various scenarios. Shareholders' funds were £26.4m at 31 March 2012 (2011: £29.1m). The Group has no debt.

Regulatory environment and regulatory capital

Record Currency Management Limited (RCML) is authorised and regulated in the UK by the Financial Services Authority. RCML is registered as an Investment Adviser with the Securities and Exchange Commission in the United States. RCML is an Exempt International Adviser with the Ontario Securities Commission in the State of Ontario, Canada and is registered as exempt with the Australian Securities & Investment Commission. RCML is approved by the Irish Financial Services Regulator to act as promoter and investment manager to Irish authorised collective investment schemes. The Group has a Jersey-based management company, Record Currency Management (Jersey) Limited, authorised by the Jersey Financial Services Commission to manage Expert Funds.

The Group has one UK regulated entity, RCML, on behalf of which half-yearly capital adequacy returns are filed. RCML held surplus capital resources relative to its requirements at all times during the period under review. The Group is also subject to consolidated regulatory capital requirements, whereby the Board is required to assess the degree of risk across the business, and hold sufficient capital within the Group against it.

The Group has an active risk-based approach to monitoring and managing risks used for reviewing and amending its Internal Capital Adequacy Assessment Process (ICAAP).

The Board is satisfied that the Group is adequately capitalised to continue its operations effectively given the considerable balance sheet resources maintained by the Group. At 31 March 2012, Record had Tier 1 capital of £26.3m. Further information regarding the Group's capital adequacy status can be found in the Group's Pillar 3 disclosure, which is available on our website at www.recordcm.com.

Outlook – The new financial year

The Group is focussed on its sales and marketing initiatives which seek to reverse the decline in AuME over recent years. Sales activity is focussed on pursuing those prospects that present an immediate opportunity for one of Record's products and in the short term the most attractive opportunities are likely to be in hedging, particularly Passive Hedging in Switzerland and Dynamic Hedging in the US. The UK market is likely to continue to see a small number of opportunities in the short term.

Currency for Return is likely to see a period of subdued demand, particularly for the FRB strategies where a return to more normal monetary policy conditions and a sustained period of positive returns is seen as a precursor to clients re-considering this investment strategy.

The live track record of the Emerging Market strategy reaches its three-year anniversary in November 2012. Providing the performance track record remains attractive it is hoped that progress can be made with this strategy over the coming years.

The Group continues to market the newer products, being Euro Stress, Momentum, Value and Multi-Strategy both directly to clients and indirectly via investment consultants.

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.

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. Its 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:

- Workplace
- Environment
- Community

The Group monitors the following KPIs to assess its progress within each of these three areas:

| Workplace | Our staff turnover. | We are focussed on recruiting and retaining high-calibre staff from a variety of backgrounds throughout the company. | <p>Staff turnover (%) Year ended 31 March</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Staff turnover (%)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>10</td> </tr> <tr> <td>11</td> <td>11</td> </tr> <tr> <td>12</td> <td>16</td> </tr> </tbody> </table> | Year | Staff turnover (%) | 10 | 10 | 11 | 11 | 12 | 16 |
|--------------------|--|---|---|------|---|----|------|----|------|----|------|
| Year | Staff turnover (%) | | | | | | | | | | |
| 10 | 10 | | | | | | | | | | |
| 11 | 11 | | | | | | | | | | |
| 12 | 16 | | | | | | | | | | |
| Environment | Our CO₂ output. | We are committed to carbon neutrality and as such offset our CO ₂ emissions. Growth in our emissions has been driven largely by the growth in international sales effort. | <p>CO₂ emissions per head (Tonnes)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>CO₂ emissions per head (Tonnes)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>5.0</td> </tr> <tr> <td>11</td> <td>8.9</td> </tr> <tr> <td>12</td> <td>9.9</td> </tr> </tbody> </table> | Year | CO ₂ emissions per head (Tonnes) | 10 | 5.0 | 11 | 8.9 | 12 | 9.9 |
| Year | CO ₂ emissions per head (Tonnes) | | | | | | | | | | |
| 10 | 5.0 | | | | | | | | | | |
| 11 | 8.9 | | | | | | | | | | |
| 12 | 9.9 | | | | | | | | | | |
| Community | The Group's financial contributions to charitable causes during the year. | 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. | <p>Charitable donations (£'000) Year ended 31 March</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Charitable donations (£'000)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>16.7</td> </tr> <tr> <td>11</td> <td>20.5</td> </tr> <tr> <td>12</td> <td>26.4</td> </tr> </tbody> </table> | Year | Charitable donations (£'000) | 10 | 16.7 | 11 | 20.5 | 12 | 26.4 |
| Year | Charitable donations (£'000) | | | | | | | | | | |
| 10 | 16.7 | | | | | | | | | | |
| 11 | 20.5 | | | | | | | | | | |
| 12 | 26.4 | | | | | | | | | | |

Workplace

The Group policy is to provide a working environment in which people feel confident that they will be treated with respect and dignity. A key objective is to ensure equal opportunities, fairness of treatment, work-life balance and the elimination of all forms of discrimination in the workplace. The Board's aim is to ensure that recruitment practices are effective, efficient, and fair, and that the Group's recruitment process is carried out objectively, systematically and in line with the requirements of employment law. This policy applies to all stages of the recruitment and selection process, as well as throughout individuals' employment.

The Group is committed to providing and maintaining a safe and healthy working environment for all employees and others. New employees receive health and safety information on their induction, and the Group's health and safety policies are available to all employees on the Group intranet.

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 through investment in renewable energy projects in Brazil, India and China.

Community

The Group has an active Charity and Volunteering Committee which is responsible for selecting and organising charitable activities. This committee is staff-run and seeks opportunities that enable the Group and its employees to contribute to the community by either volunteering time or fundraising for charitable causes.

During the course of the year, the Group made charitable donations totalling £26,353, primarily through our half-bursary scheme with Balliol College, Oxford. Financial donations were also made through the Group's matching scheme, which commits the Group to match employee donations and sponsorship raised to charitable causes. We are members of Business in the Community and last year sent a team of volunteers to work on a charitable farm in our local community, which works with children and adults who have special needs and disabilities. During the year, a number of employees volunteered at a local school, teaching maths and reading on a weekly basis. Volunteers also attended a local Age Concern centre in order to help with the Christmas party.

In addition to the half-bursary scheme, the Group also runs a full bursary scheme with Balliol College, Oxford, which provides a grant to the winner of the award. During the year two individuals at the college received this financial support.

Board of Directors

| | | |
|---|---|---|
| | 1 | 2 |
| 3 | 4 | 5 |
| 6 | 7 | 8 |

- 1 Neil Record
- 2 James Wood-Collins
- 3 Cees Schrauwers
- 4 Andrew Sykes
- 5 Leslie Hill
- 6 Bob Noyen
- 7 Paul Sheriff
- 8 David Morrison



Neil Record (58)

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.

Nom

James Wood-Collins (40)

Chief Executive Officer

James Wood-Collins joined Record in 2008 as a senior member of the Client Services 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 (64)

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.

Aud (Chair) Nom Rem

Andrew Sykes (54)

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 a Non-executive Director of Smith & Williamson Holdings Limited, Gulf International Bank (UK) Limited and SVG Capital plc, Chairman of Schroder Real Estate Investment Trust Limited and Absolute Return Trust Limited.

Aud Nom Rem (Chair)

David Morrison (53)

Non-executive Director

David Morrison was appointed as 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 and is currently on the Board of PayPoint plc and several private companies with which Prospect is associated.

Aud Nom (Chair) Rem

Leslie Hill (56)

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 (49)

Chief Investment Officer

Bob Noyen joined Record in 1999 with responsibility for Investment and Research. He has spent 13 years at Record and previously worked as Assistant Treasurer for Minorco (part of Anglo American plc).

Paul Sheriff (42)

Chief Financial Officer and Chief Operating Officer

Paul Sheriff joined the board on 1 December 2008 as Chief Financial Officer and was also appointed Chief Operating Officer with effect from 1 October 2010. He was previously Group Finance Director for Arbutnot Banking Group plc and prior to this he was Commercial Finance Director of the Prudential's UK and European business. He has also spent five years in private equity and qualified as a Chartered Accountant with Arthur Andersen.

Key to membership of Board Committees

Aud Audit and Risk Committee
Rem Remuneration Committee
Nom Nomination Committee
(Chair) Committee Chairman

The Directors present their Annual Report and Accounts for the year ended 31 March 2012. 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 2012, likely future developments and the information which fulfils the business review requirements is contained in the following sections of the Annual Report, which are incorporated into the Directors' Report by reference:

- Chairman's Statement on pages 04 to 05;
- Chief Executive Officer's Statement on pages 06 to 09;
- Business Review on pages 10 to 27;
- Corporate Social Responsibility Report on pages 28 to 29; and
- Corporate Governance Report on pages 35 to 37.

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 48.

The Directors recommend a final dividend of 0.75p per ordinary share for the year ended 31 March 2012. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 1 August 2012 to shareholders on the register at the close of business on 22 June 2012. The shares will be quoted ex-dividend from 20 June 2012.

The Company paid an interim dividend of 0.75p per share on 20 December 2011 to shareholders on the register on 2 December 2011.

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 represent one vote at a shareholders' meeting. Details of structure and changes in share capital are set out in note 20 to the financial statements.

At its Annual General Meeting in 2011, 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 2012:

| | Number of ordinary 0.025p shares held | Percentage interest |
|--------------------------------|---------------------------------------|---------------------|
| Neil Record | 71,171,043 | 32.15% |
| Cazenove Capital Management | 18,346,315 | 8.29% |
| Leslie Hill | 14,984,736 | 6.77% |
| Schroder Investment Management | 13,746,155 | 6.21% |
| Bob Noyen | 8,575,258 | 3.87% |
| Mike Timmins | 7,005,155 | 3.16% |

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 14 June 2011 to 11 June 2012 the Company did not receive any notifications of voting interests in its ordinary share capital in accordance with DTR 5.

Directors

The Directors of the Company who held office during the year and to date were:

Neil Record (Chairman)
Cees Schrauwers*
Andrew Sykes*
David Morrison*
James Wood-Collins
Leslie Hill
Bob Noyen
Paul Sheriff

* Non-executive Director

Directors' remuneration, and Directors' interests in Record plc shares are disclosed in the Remuneration Report.

Restrictions on transfers of shares

Each of the Executive Directors and all other employee shareholders (including the shareholding spouses of certain employee shareholders) who held ordinary shares at the time of Admission were, subject to certain exceptions, restricted by lock-up arrangements from selling, or otherwise disposing of their shareholding in the period immediately following Admission. The restriction was lifted in respect of one third of the person's holding on 28 November 2009, being the second anniversary of admission, the restriction on a further third was lifted on 28 November 2010, and the restriction on the final third was lifted on 28 November 2011.

In March 2008 there were a series of transfers of ordinary shares by persons subject to lock-up arrangements pursuant to exemptions contained in the Underwriting Agreement. In each case, the transferee entered into a lock-up deed dated 26 March 2008, the terms of which were substantially the same as the Admission lock-up arrangements described above.

The Record plc Group Bonus Scheme was amended with the approval of a general meeting of the Company's members on 30 July 2009 and became the Record plc Group Profit Share Scheme. Under the terms of the 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 are subject to any vesting or forfeiture provisions but are subject to lock-up arrangements and the individual is entitled to full rights in respect of the shares purchased. 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 21 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 Services 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 24 to the accounts.

Annual General Meeting

The 2012 Annual General Meeting of the Company will be held at 10.00 a.m. on 26 July 2012 at the Company's registered offices 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 attached Notice of Annual General Meeting.

Auditors

Grant Thornton UK LLP have indicated their willingness to continue as auditor, and resolutions will be proposed at the Annual General Meeting to re-appoint them as auditor of the Company in accordance with Section 490 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 27 to the financial statements.

Post-reporting date events

As set out in note 30 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.

Charitable and political donations

The Group made donations of £26,353 to charitable causes during the year ended 31 March 2012 (2011: £20,526). The Group makes charitable donations to match the individual fundraising efforts of its employees. It is the Group's policy not to make political donations.

Credit payment policy

The Group's policy is to pay suppliers within 30 days of receipt of invoice. As at 31 March 2012, the amount owed to suppliers was equivalent to 16 days average purchases from suppliers (2011: 22 days).

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.

Approved by the Board and signed on its behalf by:



J Manning
Company Secretary

11 June 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the 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 prepared 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 auditors are aware of that information.

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 my 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 management 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

11 June 2012



Paul Sheriff
Chief Financial Officer
and Chief Operating Officer

11 June 2012

The Board recognises its responsibility for the effective management of the Group and supports the highest standards of corporate governance. 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 Board has adopted the principles established in the UK Corporate Governance Code and its previous version (both 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 Company’s corporate governance arrangements, explaining how it has applied the principles of the Code.

The Board of Directors

As at 31 March 2012, the Board of Directors comprised five Executive Directors and three Non-executive Directors. The Board is headed by Neil Record (Chairman), with three Non-executive Directors, Cees Schrauwers, being the Senior Independent Director, Andrew Sykes and David Morrison, and the other Executive Directors, James Wood-Collins (Chief Executive Officer), Paul Sheriff (Chief Financial Officer and Chief Operating 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 Company should suitable candidates be identified.

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

- determining the Group’s long-term strategy and objectives;
- significant capital expenditure;
- development of new products, and new geographic areas of distribution;
- 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
- communications 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 will 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.

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. A Director appointed by the Board must offer himself for election at the next Annual General Meeting of the Company following his appointment but he is 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 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.

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 Company’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 his/her duty under company law. All existing external appointments for each Director were considered and authorised by the Board in September 2011. 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.

The Company has the appropriate Directors and Officers' insurance in place.

Board committees

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

- Audit and Risk Committee
- Nomination Committee
- Remuneration 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.

Audit and Risk Committee

The Audit and Risk Committee Report set out on pages 38 to 39 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Remuneration Committee

The Remuneration Report set out on pages 40 to 46 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Nomination Committee

The Nomination Committee is chaired by David Morrison. David is supported on the Committee by the two other Non-executive Directors and Neil Record.

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 two occasions during the year ended 31 March 2012 and during the year the activities of the Committee have included reviewing Neil Record's role as Chairman, proposals for the rotation and re-election of Directors at the Annual General Meeting, and reviewing its terms of reference.

Attendance

The Board met six times between 1 April 2011 and 31 March 2012 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 papers 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 regular bi-monthly 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.

Meetings in the year

| | Board | Audit & Risk Committee | Remuneration Committee | Nomination Committee |
|----------------|-------|---------------------------|---------------------------|-------------------------|
| Total | 6 | 6 | 10 | 2 |
| N Record | 6/6 | n/a | n/a | 0/2 |
| C Schrauwers | 6/6 | 6/6 | 10/10 | 2/2 |
| A Sykes | 6/6 | 6/6 | 10/10 | 2/2 |
| D Morrison | 5/6 | 6/6 | 9/10 | 2/2 |
| L Hill | 5/6 | n/a | n/a | n/a |
| B Noyen | 6/6 | n/a | n/a | n/a |
| P Sheriff | 6/6 | n/a | n/a | n/a |
| J Wood-Collins | 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 also recommends that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years.

The Board has now carried out its fourth assessment of its own performance and that of the principal committees to identify where improvements can be made. The Board agreed that an external evaluation of performance was not necessary at the current time and that the process used in previous years remained appropriate. The evaluation was carried out by the Chairman who held discussion sessions with each of the Record plc Directors during which the Directors were asked to comment on the performance of the Board over the previous twelve months and performance was considered by reference to the objectives of the Board and its committees. The Company Secretary was present at these meetings to record the comments made. The Chairman gave his own comments during a discussion with the Senior Independent Director.

The evaluation of the discussions and comments made during the process identified no serious concerns over the functioning of the Board, its members or its committees.

During the year, the Non-executive Directors met together without the Chairman present, under the chairmanship of the Senior Independent Director, to appraise (taking into account the Executive Directors' views) the performance of the Chairman. The outcome of the appraisal was positive and the role was considered to be undertaken successfully by Neil Record.

The work undertaken by the Audit and Risk, Remuneration and Nomination Committees was reviewed by the Senior Independent Director Cees Schrauwers, 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, since Admission, 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 Reports and Accounts prior to release.
- The Executive Committee – the Board has delegated to this Committee responsibility for the day to day operation of the business within defined delegated authorities.
- 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 on-going 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 22 to 23 of the Business Review.

The Audit and Risk Committee has undertaken a review of the effectiveness of internal controls for the year ended 31 March 2012 and is satisfied that the internal control environment is appropriate (see 'Internal controls and risk management' on page 39).

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 2012 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 Company'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 three Non-executive Directors as detailed below.

- Cees Schrauwens (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.

The Committee met six times during the year – four quarterly meetings plus two additional meetings ahead of results announcements. All meetings were attended by the joint Chief Financial Officer and Chief Operating Officer, the Financial Controller and the Director of Compliance. The Internal Audit partner attended five meetings and the external audit partner attended four meetings.

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 2012 and two further meetings have been held since the year end. On one occasion the Committee met with the Group's auditors 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 Director of Compliance 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 2012 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 reappointment of the external auditor.

Particular attention was given to monitoring how the Company controlled counterparty risk and the introduction of a new middle and back office system.

Counterparty risk management

The Committee has reviewed the credit risk policy, and the counterparty management process to ensure that Record's procedures reflect recent changes in the banking environment. The credit risk policy has subsequently been revised to improve counterparty risk management in extreme market conditions.

System implementation

The Committee has reviewed the implementation of the new middle and back office system in order to ensure that the risks associated with its installation are restricted to an acceptable level. The Committee has commissioned Internal Audit reviews to assess project governance, project management and project lifecycle risks, and also to assess the business' readiness for go-live. The Committee has ensured that the recommendations made have been addressed effectively and in a timely manner.

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

Internal controls and risk management

A significant part of the work of the Committee is in 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 arrangement 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 developed a three-year audit plan to ensure that the audit work performed focuses on key risks. The three-year plan continues to be reviewed on a periodic basis to ensure that the plan is adapted to any changes in the Group's risk profile.

The Committee has received regular reports on its findings and programme of reviews at each of its meetings during the course of the year.

The Committee has reviewed the findings and recommendations made by the internal audit function, and has ensured that these findings are resolved with speed and diligence.

External auditor independence

The Audit and Risk Committee has considered the level and nature of non-audit services provided by the external auditor. 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 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.

Committee evaluation

A review of Committee effectiveness was undertaken internally by the Chairman of the Committee in April 2012. The review was based on discussions with all Board members, the internal audit partner and the external audit partner and concluded that the Committee was effective in carrying out its duties.

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

Approved by the Committee and signed on its behalf by:



Cees Schrauwers

Audit and Risk Committee Chairman

11 June 2012

This report has been prepared on behalf of the Board in accordance with Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code. This report sets out the Company's remuneration policy and gives details of the compensation of the Directors for the year ended 31 March 2012.

Remuneration Committee

The Remuneration Committee is chaired by Andrew Sykes who is supported by Cees Schrauwers and David Morrison.

The Board considers that Andrew Sykes, Cees Schrauwers and David Morrison are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Remuneration Committee meets as often as required to discharge its duties and met ten times during the year ended 31 March 2012. The Executive Chairman, the Chief Executive Officer, the joint Chief Operating and Chief Financial Officer and the Human Resources Director attended all or part of the meetings at the invitation of the Committee but no Director takes part in the determination of their own remuneration.

The Remuneration Committee is responsible for agreeing the remuneration policy for the Group, including the Group Profit Share Scheme, share incentive plans and the principles for salary awards and performance related pay. The Committee considers these factors when determining Directors' remuneration.

The Committee determines and agrees with the Board the policy for the remuneration of the Executive Chairman, the Chief Executive Officer and the other Executive Directors, and within these terms the Committee determines their individual remuneration packages including pension rights and compensation payments. The Committee is also responsible for recommending and monitoring the structure of remuneration for the senior management and in particular those who have been identified as 'Code Staff' under the FSA Remuneration Code, with a view to aligning remuneration and risk management appropriately.

Remuneration policy

The remuneration structures for the Executive Directors are 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, while 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 seeks 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. At least a third of this variable compensation is awarded as share-based payments, in order to reward and incentivise long-term profits growth, and the shares awarded are required to be held for up to three years.

Executive Directors receive a salary and participate in the Group Profit Share Scheme, the objectives and terms of which are explained below. On 1 December 2011 all Board members agreed to reduce their salaries by 10% in response to the declining financial performance of the Group.

The Executive Chairman, Neil Record, has volunteered to take an additional reduction in his salary, which will be substantially reduced to £70,000 with effect from July 2012. Neil previously withdrew from the Group Profit Share Scheme in October 2010 when he took the role of Chairman of the Group and there will be no change to this. Neil will continue to devote substantially all his time to Record and its clients through this difficult phase for the business.

Remuneration of Non-executive Directors is determined by the Chairman and the Executive Directors within the limits of the Company's Articles of Association. Remuneration for the Non-executive Directors reflects the time commitment and responsibility of the role and does not include any component of variable remuneration or share options.

Service contracts

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 Paul Sheriff who has a service agreement dated 27 June 2008, when he joined the Group. 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, nor to receive any fixed provision for termination compensation. Where applicable the broad aim in making termination payments is to avoid rewarding poor performance.

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 Non-executive Directors are available for inspection at the Company's registered office.

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

| | Contract date | Notice period | Expiry/ review date |
|--------------------------------|---------------|---------------|---------------------|
| Executive Directors | | | |
| Leslie Hill (re-election) | 15/11/07 | 6 months | Rolling |
| Non-executive Directors | | | |
| Cees Schrauwens (re-election) | 15/11/07 | – | 15/11/13 |
| David Morrison (re-election) | 01/10/09 | – | 01/10/12 |

Risk management

The Group has a prudent approach to risk management and meets the required standards of a Tier 4 firm under the FSA Remuneration Code. In accordance with the Remuneration Code the Group has a Remuneration Policy Statement and has defined a Remuneration Code Staff List. The Remuneration Policy promotes effective risk management and incentivises sustained long-term value creation consistent with the company's strategic goals and does not encourage excessive short-term risk taking. All staff defined as Code Staff are required to take a significant proportion of variable remuneration in share-based payments that are required to be held for up to three years.

Salaries

The Group's policy is to pay salaries which are competitive with other employers in our industry. A salary benchmarking exercise to establish the market position is carried out on a regular basis and this information contributes to the Group remuneration policy and any subsequent pay reviews. However, in the light of the recent financial performance of the Group it was decided that this year there would be no pay increases given to staff as well as the reduction in salaries for Board members noted above.

Variable compensation

At the time of the IPO in 2007 Record introduced a Group Profit Share Scheme, which allocated 30% of operating profits to a profit share pool to be distributed between all employees of the Group. In 2009 the Remuneration Committee was given the discretion to vary the quantum of the Group Profit Share 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.

Since 2007 30% of operating profit has been distributed to employees each year under the Scheme. This 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 recent decline in the Group's financial performance has meant that the Group Profit Share pool has reduced in line with performance, and payments to individual Directors and staff have reduced accordingly. The quantum of the profit share pool has fallen by 75% over the past three years, in line with the decline of 74% in earnings per share and a fall of 83% in the share price (based on 31 March 2012 closing price) over the same period. This link, coupled with the share element of variable compensation, provides a clear motivation for Executive Directors and employees to grow the business and improve the financial position of the Group. It is the Group's intention to maintain this remuneration structure, with some small changes as noted below.

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 in that employees do not have a contractual right to receive awards. In addition, all payments made to Code Staff (including, but not restricted to Executive Directors and other Executive Committee members) are subject to Remuneration Committee approval and no payments are made automatically. Payments are awarded after input from the Compliance Officer, 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'. These shares may be sold in three equal tranches on the first, second and third anniversary of the Profit Share payment date. Additionally, Directors and Code Staff are offered the opportunity for up to a further third of the Profit Share to be available for a share matching scheme that will also include a 'lock up' for three years. The remaining amount will be paid in cash. The cost of the matching scheme is borne within the overall Group Profit Share Scheme.

The Group is making two changes to variable compensation in the current financial year, being an operational change to the Group Profit Share Scheme that does not affect overall payments to participants and the introduction of sales-related payments as a cost of sales.

For the current financial year a change will be made to the way that the share matching element of the Group Profit Share Scheme operates. The Scheme will be split into two separate pools, one of which is the Group Profit Share Scheme and the other of which is the Matching Scheme. The intention is to maintain the scheme at 30% of operating profits over the medium term and so it is intended that the Group Profit Share Scheme operates at 27% and the Matching Scheme operates at 3% of operating profits. The reason for this change is to make the scheme more transparent for participants. There will be no change to the mechanism of the Group Profit Share Scheme save for the separation of the pools. In conjunction with this change, the number of matching shares distributed will be adjusted such that the total value of all matching shares provided in the relevant financial period is equal to 3% of operating profits. Whether the number of matching shares provided to any one participant is higher or lower than before this change will depend on the number of participants who elect for matching shares. This is a change to the operation of the scheme and not a change to the returns available to shareholders.

The Group recognises that increasing funds under management is a key priority. In order to incentivise the appropriate individuals to achieve this objective, the Group has introduced a sales-based incentive as part of the remuneration structure for our recently recruited Sales Executive in the US. This individual operates in a different market and conditions in that market mean that a sales-based incentive arrangement is required in order to be competitive. The Remuneration Committee believe it is in the best interests of the Group that this cost will be treated as a cost of sale. Sales-related payments will be 75% in the form of share-based payments, where the shares are required to be held for a minimum of three years.

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.

Share Scheme

The Record plc 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 the year ended 31 March 2009, share awards with an aggregate value at grant of £400,000 were issued to two senior employees under the scheme. The shares are available to the employee after the vesting period for nil consideration upon exercise. The shares vest in three equal tranches on the second, third and fourth anniversary of appointment. Awards lapse on cessation of employment, subject to the Remuneration Committee's discretion to permit good leavers to exercise their awards. The rights to acquire shares were issued under nil cost option agreements.

The Directors are not entitled to participate in the Share Scheme. However, James Wood-Collins received a deferred share award upon joining the Group and prior to his appointment as Chief Executive Officer. Further details for this award are contained under Directors' interests in Record plc share awards below. No other Directors had any interests in the Share Scheme at the beginning, during, nor at the end of the period.

During the past financial year, the Record plc Share Scheme was amended to include the ability to grant HMRC-approved options under a separate section of the Share Scheme (the Approved scheme). The Approved Scheme enables the Group to provide HMRC-approved awards to employees of Record plc or its subsidiaries. Under the Approved Scheme, awards must be in the form of options with an exercise price equal to 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 for the Unapproved Scheme. Awards under the Unapproved Scheme may be granted with any exercise price, but have recently been granted with a market-value exercise price in the same way as the approved awards.

This Record plc Share Scheme was used to grant options to a group of individuals below the Board, who have been assessed as having particular skills and potential to contribute significantly to the business in the future. A total of 2,000,000 options over shares were granted under the Share Scheme during the year of which 1,400,000 were granted under the Unapproved Scheme and 600,000 under the Approved Scheme. A total of 100,000 of the options over shares under the Unapproved scheme lapsed during the year. All options were granted at a strike price set at the share price prevailing at the time of grant. The options over shares under the Approved Scheme vest in full on the fourth anniversary of grant and are subject to a performance condition based on the total shareholder return value in comparison with a relevant peer group. One quarter of the Unapproved options vest each year over the next four years providing the employee has remained in employment at each vesting date and has satisfied certain personal performance conditions. The scheme is accounted for in accordance with IFRS 2 (share based payments) and is not part of the Group Profit Share Scheme costs. At the time of grant the Group funded the Group's employee benefit trust to purchase in the market such number of shares as would be required to satisfy the exercise of the options in full.

Against the background of difficult trading conditions, it remains of great importance for the long-term success of the business that it retains and motivates its key employees. The Group intends to operate the Record plc Share Scheme such that options over up to 1% of the market capitalisation of Record plc (being approximately 2.2 million shares) can be granted under the scheme in the current financial year. The Share Scheme will be used to incentivise and retain key staff in the business (below the Board) and the Remuneration Committee retains the power to grant options or allow the purchase of options.

Delivery of share awards

Share awards under the Group Profit Share Scheme are covered wherever possible through market purchases, not through the issue of new shares, and this remains our intention for the future in order to avoid dilution. Awards under the Share Scheme must be satisfied with market purchase shares.

Share Incentive Plan

The Group plans to introduce an HMRC-approved Share Incentive Plan 'SIP' for the current financial year. The SIP will be offered to all staff, including Directors, who will be able to buy up to £1,500 worth of shares per year from pre-tax salary. To encourage employee share ownership the Group will match 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.

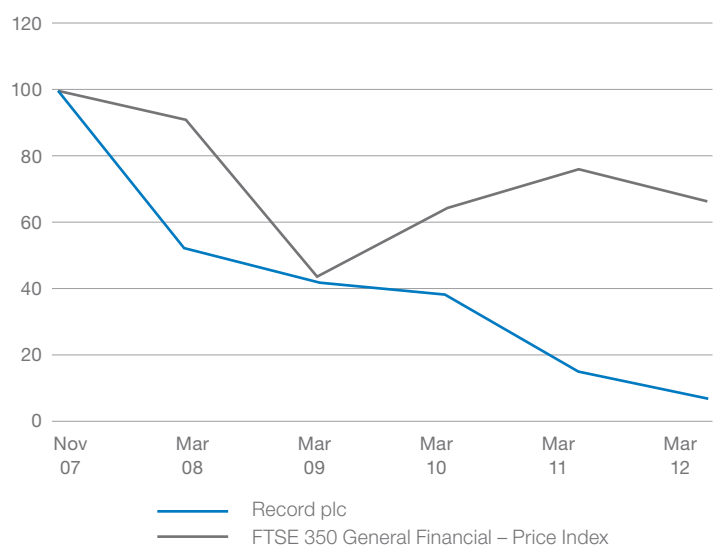
Pension

The Group contributes to a defined contribution Group Pension Plan ('GPP'). The Group makes initial contributions into the GPP at a predetermined level depending on the seniority of the employee (the 'Group's Initial Contribution'). No employee contribution is necessary to benefit from the Group's Initial Contribution. From the start of the financial year more flexibility was given to employees, who now have a choice of how they wish to receive the balance of their full entitlement to Group contributions in excess of the Group's Initial Contribution (the 'Group's Flexible Contribution'). The employee can elect to receive the Group's Flexible Contribution wholly in cash, as pension or as a combination of both.

Employees can also make a personal contribution to their GPP and the Group will match this up to a maximum of 3% of salary (the 'Group's Additional Contribution').

Any employee over the age of 55 and who has taken early retirement according to tax legislation rules can have their standard contributions paid as additional taxable salary if they would prefer, but forego the Group matching contribution.

Total Shareholder Return performance graph



The above graph shows the Company's Total Shareholder Return compared with the FTSE 350 – General Financial Index, and shows the change in the theoretical value of £100 invested in the Company's shares as at Admission on 3 December 2007 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 2012 was £0.10. The highest closing share price during the financial year was £0.3475. The lowest closing share price during the financial year was £0.10.

Directors' interests in Record plc ordinary shares

| | Ordinary shares held at | |
|---------------------------------|-------------------------|------------------|
| | 31 March 2012 | 31 March 2011 |
| Executive Directors | | |
| Neil Record | 71,171,043 | 71,171,043 |
| James Wood-Collins ¹ | 1,443,668 | 498,066 |
| Leslie Hill ² | 14,984,736 | 14,828,039 |
| Bob Noyen ² | 8,575,258 | 8,418,561 |
| Paul Sheriff ³ | 852,037 | 445,109 |
| Non-executive Directors | | |
| Cees Schrauwens ⁴ | 130,000 | 100,000 |
| Andrew Sykes | 25,000 | 25,000 |
| David Morrison | – | – |

1 Includes interest in Record plc shares acquired under the Group Profit Share Scheme and vested under the Share Scheme as detailed in Directors interests in Record plc share awards.

2 Includes interest in Record plc shares acquired under the Group Profit Share Scheme as detailed in Directors interests in Record plc share awards.

3 Includes interest in Record plc shares acquired under the Group Profit Share Scheme as detailed in Directors interests in Record plc share awards, and shares held by the Director's spouse.

4 Includes shares held by the Director's spouse.

All interests are beneficial except the interest of Neil Record which includes a non-beneficial interest of 190,332 ordinary shares (2011: 190,332 ordinary shares) held as trustee.

There have been no changes to Director's interests between 31 March 2012 and 11 June 2012.

Audited information
Directors' remuneration

The remuneration of the Directors listed by individual Director is as follows:

| | Salaries and fees £ | Other cash payments ¹ £ | Benefits £ | Profit Share Share-based payments £ | Profit Share Cash-based payments £ | Year ended 31 March 2012 £ | Year ended 31 March 2011 £ |
|---------------------------------|---------------------------|--|---------------|--|---|----------------------------------|----------------------------------|
| Executive Directors | | | | | | | |
| Neil Record ² | 263,150 | 34,209 | 817 | – | – | 298,176 | 567,699 |
| James Wood-Collins ³ | 263,150 | 8,167 | 588 | 201,810 | 130,634 | 604,349 | 511,035 |
| Leslie Hill | 263,150 | 8,167 | – | 82,997 | 165,720 | 520,034 | 782,750 |
| Bob Noyen | 263,150 | – | 817 | 82,997 | 165,743 | 512,707 | 718,734 |
| Paul Sheriff | 263,150 | – | 817 | 124,237 | 144,957 | 533,161 | 727,805 |
| Non-executive Directors | | | | | | | |
| Cees Schrauwens | 72,500 | – | – | – | – | 72,500 | 75,000 |
| Andrew Sykes | 38,667 | – | – | – | – | 38,667 | 40,000 |
| David Morrison | 38,667 | – | – | – | – | 38,667 | 40,000 |
| Total | 1,465,584 | 50,543 | 3,039 | 492,041 | 607,054 | 2,618,261 | 3,463,023 |

¹ Other cash payments comprise cash allowances in lieu of pension contributions.

² Neil Record relinquished the joint role of Chief Executive Officer and Chairman with effect from 1 October 2010, remaining as Executive Chairman.

³ James Wood-Collins was appointed Chief Executive Officer with effect from 1 October 2010. Remuneration from 1 April 2009 to 30 September 2010 is excluded from the comparative figures. Gains made on the exercise of share options which were granted prior to his appointment as CEO are shown in Directors' Interests in Record plc share options table below.

The breakdown of fixed and variable remuneration by individual Director over the last two years is as follows:

| | Year ended 31 March 2012 | | | Year ended 31 March 2011 | | |
|--------------------------------|--------------------------|--------------------------|-----------------------|--------------------------|--------------------------|-----------------------|
| | Fixed Remuneration | Variable Remuneration | Total Remuneration | Fixed Remuneration | Variable Remuneration | Total Remuneration |
| Executive Directors | | | | | | |
| Neil Record | 298,176 | – | 298,176 | 287,933 | 279,766 | 567,699 |
| James Wood-Collins | 271,905 | 332,444 | 604,349 | 143,804 | 367,231 | 511,035 |
| Leslie Hill | 271,317 | 248,717 | 520,034 | 272,225 | 510,525 | 782,750 |
| Bob Noyen | 263,967 | 248,740 | 512,707 | 250,627 | 468,107 | 718,734 |
| Paul Sheriff | 263,967 | 269,194 | 533,161 | 247,678 | 480,127 | 727,805 |
| Non-executive Directors | | | | | | |
| Cees Schrauwens | 72,500 | – | 72,500 | 75,000 | – | 75,000 |
| Andrew Sykes | 38,667 | – | 38,667 | 40,000 | – | 40,000 |
| David Morrison | 38,667 | – | 38,667 | 40,000 | – | 40,000 |
| Total | 1,519,166 | 1,099,095 | 2,618,261 | 1,357,267 | 2,105,756 | 3,463,023 |

Pensions

Executive Directors 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 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. There is no mandatory requirement for Executive Directors to contribute. The contributions disclosed in the table below exclude any personal contributions made by a Director.

| | Year ended 31 March 2012 £ | Year ended 31 March 2011 £ |
|--------------------|-------------------------------------|-------------------------------------|
| James Wood-Collins | 32,622 | 10,800 |
| Leslie Hill | 32,622 | 42,195 |
| Bob Noyen | 38,747 | 38,679 |
| Paul Sheriff | 41,515 | 34,100 |
| Total | 145,506 | 125,774 |

Directors share options and share awards

No Director was awarded any share options during the financial year ended 31 March 2012.

The only Director to hold or exercise any share options during the financial year was James Wood-Collins. The grant of these share options was made upon his joining the Group, prior to his appointment to the Board of Directors and in accordance with the rules of the Record plc Share Scheme.

Directors' interests in Record plc share options

| | Interest in unvested share options | | | |
|---|------------------------------------|-------------------|-------------------------|---------------------|
| | At 1 April 2011 | Shares awarded | Vested and exercised | At 31 March 2012 |
| Record plc Share Scheme ¹ | | | | |
| Executive Director | | | | |
| James Wood-Collins | 113,496 | – | (56,748) | 56,748 |

1 The shares are available to the Director after the vesting period for nil consideration upon exercise. A total of 170,245 shares were awarded to the employee upon joining the Group in August 2008. A total of 56,748 shares were exercised in August 2011 when the market share price was £0.32 per share. The remaining balance of 56,748 shares will vest in August 2012. The vesting of shares is subject to continued employment with the Group. The vested shares are included in Directors' interests in Record plc ordinary shares.

In the year, the gain made by James Wood-Collins on exercise of options over 56,748 shares was £18,372 (2011: gain of £26,104 on exercise of options over 56,749 shares).

Directors' interests in Record plc share awards

| | Interest in restricted share awards | | | |
|--|-------------------------------------|-----------------------------|--------------------------|---------------------|
| | At 1 April 2011 | Awards with restrictions | Restrictions released | At 31 March 2012 |
| Record plc Group Profit Share Scheme ² | | | | |
| Executive Directors | | | | |
| James Wood-Collins | 369,403 | 922,465 | (62,188) | 1,229,680 |
| Leslie Hill | – | 156,697 | – | 156,697 |
| Bob Noyen | – | 156,697 | – | 156,697 |
| Paul Sheriff ³ | 445,109 | 406,928 | (75,127) | 776,910 |

2 The shares are held via a nominee and were acquired on behalf of the Director as beneficial owner under the terms of the scheme rules. These shares cannot be sold, transferred or otherwise disposed of ('Sold') without the consent of the Remuneration Committee except as given in the scheme rules, which place restrictions on the 'Sale' of shares until the first, second and third anniversary from the Profit Share payment date. None of the shares are subject to any vesting or forfeiture provisions and the beneficial owner is entitled to full rights and rewards of ownership subject to the restrictions on 'Sale'. The shares are included in Directors' interests in Record plc ordinary shares.

3 As permitted by the scheme rules, these shares are held in the names of the Director's spouse.

Approved by the Board and signed on its behalf by:



Andrew Sykes
Chairman of the Remuneration Committee

11 June 2012

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 2012 which comprise the Group statement of comprehensive income, the Group and parent Company statement of financial position, the Group and parent Company statements of changes in equity, the Group and parent Company statements of cash flow, 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 Directors' Responsibilities Statement set out on page 34, 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2012 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.

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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared 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 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.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 33, 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; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.



Marcus Swales

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

11 June 2012

Consolidated statement of comprehensive income

Year ended 31 March

| | Note | 2012 £'000 | 2011 £'000 |
|---|------|-----------------|---------------|
| Revenue | 3 | 20,535 | 28,196 |
| Cost of sales | | (252) | (102) |
| Gross profit | | 20,283 | 28,094 |
| Administrative expenses | | (13,430) | (15,740) |
| Loss on financial instruments held as part of disposal group | 18 | (299) | (1) |
| Operating profit | 4 | 6,554 | 12,353 |
| Finance income | 6 | 155 | 184 |
| Profit before tax | | 6,709 | 12,537 |
| Taxation | 7 | (1,803) | (3,603) |
| Profit after tax | | 4,906 | 8,934 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 4,906 | 8,934 |
| Profit and total comprehensive income for the year attributable to: | | | |
| Non-controlling interests | | (7) | 27 |
| Owners of the parent | | 4,913 | 8,907 |
| Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in pence per share) | | | |
| Basic earnings per share | 8 | 2.23p | 4.03p |
| Diluted earnings per share | 8 | 2.23p | 4.03p |

The notes on pages 55 to 84 are an integral part of these consolidated financial statements

Consolidated statement of financial position

As at 31 March

| | Note | 2012 £'000 | 2011 £'000 |
|--|------|----------------|---------------|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 183 | 227 |
| Intangible assets | 12 | 1,140 | 1,085 |
| Deferred tax assets | 14 | – | 70 |
| | | 1,323 | 1,382 |
| Current assets | | | |
| Trade and other receivables | 15 | 5,070 | 6,904 |
| Derivative financial assets | 16 | 33 | – |
| Cash and cash equivalents | 17 | 24,572 | 24,728 |
| | | 29,675 | 31,632 |
| Current assets held for sale (disposal group) | 18 | 1,075 | 3,022 |
| Total current assets | | 30,750 | 34,654 |
| Total assets | | 32,073 | 36,036 |
| Current liabilities | | | |
| Trade and other payables | 19 | (2,494) | (4,089) |
| Corporation tax liabilities | 19 | (900) | (1,837) |
| Derivative financial liabilities | 19 | (48) | (12) |
| | | (3,442) | (5,938) |
| Deferred tax liabilities | 14 | (15) | – |
| Total net assets | | 28,616 | 30,098 |
| Equity | | | |
| Issued share capital | 20 | 55 | 55 |
| Share premium account | | 1,809 | 1,809 |
| Capital redemption reserve | 22 | 20 | 20 |
| Retained earnings | | 24,469 | 27,262 |
| Equity attributable to owners of the parent | | 26,353 | 29,146 |
| Non-controlling interest | 23 | 2,263 | 952 |
| Total equity | | 28,616 | 30,098 |

Approved by the Board on 11 June 2012 and signed on its behalf by:



Neil Record
Chairman



Paul Sheriff
Chief Financial Officer and
Chief Operating Officer

The notes on pages 55 to 84 are an integral part of these consolidated financial statements

Company statement of financial position

As at 31 March

| | Note | 2012 £'000 | 2011 £'000 |
|--|------|---------------|---------------|
| Non-current assets | | | |
| Investments | 13 | 2,156 | 30 |
| | | 2,156 | 30 |
| Current assets | | | |
| Trade and other receivables | 15 | 1,192 | – |
| Cash and cash equivalents | 17 | 16 | 50 |
| | | 1,208 | 50 |
| Current assets held for sale (disposal group) | 18 | 911 | 2,070 |
| Total current assets | | 2,119 | 2,120 |
| Total assets | | 4,275 | 2,150 |
| Current liabilities | | | |
| Trade and other payables | 19 | (948) | (10) |
| Corporation tax liabilities | 19 | – | – |
| | | (948) | (10) |
| Total net assets | | 3,327 | 2,140 |
| Equity | | | |
| Issued share capital | 20 | 55 | 55 |
| Share premium account | | 1,809 | 1,809 |
| Capital redemption reserve | 22 | 20 | 20 |
| Retained earnings | | 1,443 | 256 |
| Total equity | | 3,327 | 2,140 |

Approved by the Board on 11 June 2012 and signed on its behalf by:



Neil Record
Chairman



Paul Sheriff
Chief Financial Officer and
Chief Operating Officer

The notes on pages 55 to 84 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

| | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Non- controlling interest £'000 | Total shareholders' equity £'000 |
|--|--|--------------------------------------|---|-------------------------------|--|---|
| 2012 | | | | | | |
| As at 1 April 2011 | 55 | 1,809 | 20 | 27,262 | 952 | 30,098 |
| Dividends paid | – | – | – | (7,371) | – | (7,371) |
| Own shares held by EBT | – | – | – | (534) | – | (534) |
| Issue of units in funds to non-controlling interests | – | – | – | – | 1,318 | 1,318 |
| Share-based payments | – | – | – | 199 | – | 199 |
| Transactions with owners | – | – | – | (7,706) | 1,318 | (6,388) |
| Profit and total comprehensive income for the year | – | – | – | 4,913 | (7) | 4,906 |
| As at 31 March 2012 | 55 | 1,809 | 20 | 24,469 | 2,263 | 28,616 |
| 2011 | | | | | | |
| As at 1 April 2010 | 55 | 1,809 | 20 | 23,816 | – | 25,700 |
| Dividends paid | – | – | – | (5,723) | – | (5,723) |
| Issue of units in funds to non-controlling interests | – | – | – | – | 925 | 925 |
| Share-based payments | – | – | – | 262 | – | 262 |
| Transactions with owners | – | – | – | (5,461) | 925 | (4,536) |
| Profit and total comprehensive income for the year | – | – | – | 8,907 | 27 | 8,934 |
| As at 31 March 2011 | 55 | 1,809 | 20 | 27,262 | 952 | 30,098 |

The notes on pages 55 to 84 are an integral part of these consolidated financial statements

Company statement of changes in equity

| | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Total shareholders' equity £'000 |
|--|--|--------------------------------------|---|-------------------------------|---|
| 2012 | | | | | |
| As at 1 April 2011 | 55 | 1,809 | 20 | 256 | 2,140 |
| Dividends paid | – | – | – | (7,371) | (7,371) |
| Employee share options | – | – | – | 34 | 34 |
| Transactions with owners | – | – | – | (7,337) | (7,337) |
| Profit and total comprehensive income for the year | – | – | – | 8,524 | 8,524 |
| As at 31 March 2012 | 55 | 1,809 | 20 | 1,443 | 3,327 |
| 2011 | | | | | |
| As at 1 April 2010 | 55 | 1,809 | 20 | 199 | 2,083 |
| Dividends paid | – | – | – | (5,723) | (5,723) |
| Transactions with owners | – | – | – | (5,723) | (5,723) |
| Profit and total comprehensive income for the year | – | – | – | 5,780 | 5,780 |
| As at 31 March 2011 | 55 | 1,809 | 20 | 256 | 2,140 |

The notes on pages 55 to 84 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

Year ended 31 March

| | Note | 2012 £'000 | 2011 £'000 |
|--|------|----------------|---------------|
| Profit after tax | | 4,906 | 8,934 |
| Adjustments for: | | | |
| Corporation tax | | 1,803 | 3,603 |
| Finance income | | (155) | (184) |
| Depreciation of property, plant and equipment | | 96 | 191 |
| Amortisation of intangible assets | | 10 | – |
| Share-based payments expense | | 199 | 262 |
| | | 6,859 | 12,806 |
| Changes in working capital | | | |
| Decrease in receivables | | 1,831 | 1,418 |
| (Decrease)/Increase in payables | | (1,594) | 214 |
| Increase in other financial assets | 18 | (2,082) | (1,985) |
| Increase/(Decrease) in other financial liabilities | | 35 | (136) |
| Cash inflow from operating activities | | 5,049 | 12,317 |
| Corporation taxes paid | | (2,656) | (4,076) |
| Net cash inflow from operating activities | | 2,393 | 8,241 |
| Cash flow from investing activities | | | |
| Purchase of property, plant and equipment | | (52) | (85) |
| Purchase of intangible assets | | (65) | (679) |
| Interest received | | 158 | 188 |
| Net cash inflow/(outflow) from investing activities | | 41 | (576) |
| Cash flow from financing activities | | | |
| Cash inflow from issue of units in funds | | 1,318 | 925 |
| Purchase of treasury shares | | (534) | – |
| Dividends paid to equity shareholders | | (7,371) | (5,723) |
| Cash outflow from financing activities | | (6,587) | (4,798) |
| Net (decrease)/increase in cash and cash equivalents in the year (prior to increase in cash due to accounting treatment of assets previously presented as disposal group) | | (4,153) | 2,867 |
| Increase in cash due to accounting treatment of assets previously presented as disposal group | 17 | 3,997 | – |
| Net (decrease)/increase in cash and cash equivalents in the year | | (156) | 2,867 |
| Cash and cash equivalents at the beginning of the year | | 24,728 | 21,861 |
| Cash and cash equivalents at the end of the year | | 24,572 | 24,728 |
| Closing cash and cash equivalents consists of: | | | |
| Cash | | 4,669 | 772 |
| Cash equivalents | | 19,903 | 23,956 |
| Cash and cash equivalents | | 24,572 | 24,728 |

The notes on pages 55 to 84 are an integral part of these consolidated financial statements

Company statement of cash flows

Year ended 31 March

| | 2012 £'000 | 2011 £'000 |
|--|----------------|----------------|
| Loss after tax | (86) | (22) |
| Adjustments for: | | |
| Corporation tax | – | – |
| Finance income | (5) | (4) |
| Share-based payments expense | 34 | – |
| | (57) | (26) |
| Changes in working capital | | |
| Increase in other financial assets | (967) | (1,032) |
| Increase in receivables | (1,192) | – |
| Increase/(Decrease) in payables | 938 | (37) |
| Cash outflow from operating activities | (1,278) | (1,095) |
| Corporation taxes paid | – | (15) |
| Net cash outflow from operating activities | (1,278) | (1,110) |
| Cash flow from investing activities | | |
| Dividends received | 8,610 | 5,802 |
| Interest received | 5 | 4 |
| Net cash inflow from investing activities | 8,615 | 5,806 |
| Cash flow from financing activities | | |
| Dividends paid to equity shareholders | (7,371) | (5,723) |
| Cash outflow from financing activities | (7,371) | (5,723) |
| Net decrease in cash and cash equivalents in the year | (34) | (1,027) |
| Cash and cash equivalents at the beginning of the year | 50 | 1,077 |
| Cash and cash equivalents at the end of the year | 16 | 50 |
| Closing cash and cash equivalents consists of: | | |
| Cash | 16 | 50 |

The notes on pages 55 to 84 are an integral part of these consolidated financial statements

Notes to the accounts

For the year ended 31 March 2012

1 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out 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 2012. The financial statements have been prepared on a historical cost basis, modified to include fair valuation of derivative financial instruments.

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 2011, with the remaining becoming effective in future periods. The new standards and amendments to existing standards effective for the year to 31 March 2012 that have had an impact, and have been adopted by Record plc, related only to disclosure enhancements arising from the 2010 Annual Improvements.

New standards and interpretations

Other new or revised standards and interpretations issued but not yet effective include those listed below, but none of them are expected to have a significant impact of the financial statements of Record plc:

- IFRS 9 – ‘Financial Instruments’
- IFRS 7 – ‘Financial Instruments: Disclosures’ – Amendments enhancing disclosures about transfers of financial assets
- IAS 12 – ‘Income Taxes’ – Limited scope amendment (recovery of underlying assets)
- IFRS 10 – ‘Consolidated financial statements’
- IFRS 11 – ‘Joint Arrangements’
- IFRS 12 – ‘Disclosure of Interests in Other Entities’
- IFRS 13 – ‘Fair value measurement’

- IAS 27 – ‘Separate Financial Statements’
- IAS 28 – ‘Investments in Joint Ventures and Associates’
- IAS 1 – ‘Presentation of 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 2012. 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 a number of funds where it is currently in a position to be able to control those funds. These funds are held by Record plc and represent seed capital investments by the Group. The funds are consolidated either on a line by line basis, or if they meet the definition of a current asset held for sale (disposal group), they are classified and accounted for on that basis.

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 2012 and the financial position of the seeded funds as at 31 March 2012.

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 £8,523,904 attributable to the Company (2011: £5,780,963).

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

Notes to the accounts

For the year ended 31 March 2012

continued

1 Accounting policies continued

(c) Segment reporting

The Group provides its 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, and on this basis, the Directors consider that the Group has only one segment. The Group reports its revenues by product and by two fee structures being 'management fees' and 'performance fees'. Revenue analysis is presented in note 3.

(d) 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 remeasurement of monetary items at year end exchange rates are recognised in profit or loss.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts which are accounted for as financial assets/liabilities at fair value through profit or loss (see note 1(q) Financial instruments). The Group does not apply hedge accounting.

(e) 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 Equivalent (AuME). The Group is entitled to earn performance fees from a number of clients where the performance of the clients' assets exceeds defined benchmarks by an agreed level of outperformance over a set time period. Performance fees are recognised when the fee amount can be estimated reliably and it is probable that the fee will be received.

(f) Retirement benefits

The Group operates defined contribution pension plans for the benefit of certain employees. The Group makes contributions to independently administered plans, such contributions being recognised as an expense when they fall due. The Group has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

(g) Share-based payments

The Group issues share awards to employees. Deferred share awards issued under the Group Bonus Scheme are classified as share-based payments with cash alternatives under IFRS 2. The fair value of the debt component of the amounts payable to the employee is calculated as the cash amount 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 vesting period of the award.

All other awards have been classified as equity-settled under IFRS 2. 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 IFRS2 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. All current awards have been valued using the Black-Scholes 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. Further details on the share-based compensation plans are included in note 21.

(h) Leases

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.

(i) Dividend distribution

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

(j) Property, plant and equipment

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.

- Computer equipment – 2-5 years
- Fixtures and fittings – 4 years
- Leasehold improvements – period from acquisition to next rent review

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.

(k) 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.

(l) 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. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

(m) Cash and cash equivalents

Cash and cash equivalents comprise 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.

(n) Deferred taxation

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.

(o) Assets classified as held for sale (disposal groups)

When the Group intends to sell a disposal group, and if sale within twelve months is highly probable, the disposal group is classified as 'held for sale' and presented separately in the statement of financial position.

A disposal group classified as 'held for sale' is measured at the lower of its carrying amount immediately prior to the classification as 'held for sale' and its fair value less costs to sell. Gains and losses are recognised through profit or loss.

As at 31 March 2012, the Group's held for sale assets are limited to seed capital in the Euro Stress Fund. As at 31 March 2011 the Group's held for sale assets were comprised of seed capital in the FTSE FRB10 Index Fund and the Emerging Market Currency Fund.

(p) Trade and other payables

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.

(q) 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.

Notes to the accounts

For the year ended 31 March 2012

continued

1 Accounting policies continued

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables; and
- Financial assets at fair value through profit or loss.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

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'.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried at fair value with gains or losses recognised through profit or loss.

Derivative financial liabilities

Derivatives are initially recognised at cost on the date on which the contract is entered into unless 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.

(r) Impairment of assets

The Group typically assesses annually whether there is any indication that any of its assets have been impaired. 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.

In the case of the Group's current assets held for sale (disposal group), which are seed investments in funds, the Group assesses whether the assets have been impaired on a monthly basis by performing a mark to market exercise.

(s) Taxation

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.

(t) Own shares

The Record plc Employee Benefit Trust (EBT) was formed to hold shares acquired under the Record plc share-based compensation plans. A total of 2,028,432 (2011: 304,964) ordinary shares were held in the EBT at the reporting date. 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. The EBT is consolidated in the Group financial statements.

Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group statement of comprehensive income. Further information regarding the Record plc share-based compensation plans and relevant transactions made during the year are included in note 21.

(u) Group and Company reserves

The share premium account records the difference between the nominal value of shares issued and the value of the consideration received. The use of the share premium account is governed by the Companies Act 2006.

Where shares have been redeemed or purchased wholly out of the Company's profits, the Companies Act 2006 requires a transfer to the capital redemption reserve equal to the amount by which the Company's issued share capital is diminished. Furthermore the provisions of the Act relating to a reduction of the Company's share capital apply as if the capital redemption reserve were paid up share capital of the Company.

(v) Non-controlling interests

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 the fair value of the third party investment in the fund.

(w) 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 18 describes the assumptions made in classifying its seed investment in new funds as assets held for sale. Note 21 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 26.

Notes to the accounts

For the year ended 31 March 2012

continued

3 Revenue

(a) Segmental analysis

The Directors, who together are the entity's Chief Operating Decision Maker, consider that its services comprise one operating segment (being the provision of currency management services) and that it operates in a market that is not bound by geographical constraints. The Directors receive revenue analysis disaggregated by product, whilst operating costs are presented on an aggregated basis because this reflects the unified basis in which the products are marketed, delivered and supported.

(b) Product revenues

The Group has split its currency management revenues by product and fee type. The Currency for Return product is delivered through both segregated mandates and a pooled fund structure. Revenues from the seeded fund products (Euro Stress Fund, Emerging Market Currency Fund and FTSE FRB10 Index Fund) are not material and have been included in the Currency for Return pooled funds revenues. Other Group activities include consultancy.

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Fees | | |
| Dynamic Hedging | | |
| Management fees | 13,536 | 17,539 |
| Performance fees | – | – |
| Passive Hedging | | |
| Management fees | 2,989 | 2,718 |
| Currency for Return segregated funds | | |
| Management fees | 3,002 | 4,771 |
| Performance fees | – | – |
| Currency for Return pooled funds | | |
| Management fees | 909 | 3,111 |
| Performance fees | – | – |
| Total management fee and performance fee income | 20,436 | 28,139 |
| Other Group activities | 99 | 57 |
| Total | 20,535 | 28,196 |

(c) 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. All assets of the Group are located in the UK.

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

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Income by geographical region | | |
| Fees | | |
| UK | 5,627 | 8,440 |
| US | 8,886 | 13,604 |
| Switzerland | 5,288 | 5,343 |
| Other | 635 | 752 |
| Total management fee and performance fee income | 20,436 | 28,139 |
| Other Group activities | 99 | 57 |
| Total | 20,535 | 28,196 |

(d) Major clients

During the year ended 31 March 2012, £6.0m (29%) of the Group's revenue was accounted for by a single client. No other clients accounted for more than 10% of the Group's revenue during the year.

4 Operating profit

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

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Staff costs | 9,247 | 11,437 |
| Depreciation of property, plant and equipment | 96 | 191 |
| Amortisation of intangibles | 10 | – |
| <i>Auditor fees</i> | | |
| Fees payable to the Group's auditor for the audit of the Company's annual accounts | 34 | 34 |
| The audit of the Group's subsidiaries, pursuant to legislation | 38 | 35 |
| Other services pursuant to legislation | 48 | 40 |
| Other services relating to taxation | 6 | 12 |
| Operating lease rentals: Land and buildings | 214 | 202 |
| Exchange gains on hedging activities | (68) | (263) |
| Other exchange losses | 191 | 245 |

5 Staff costs

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

| | 2012 | 2011 |
|------------------------------------|------|------|
| Client Team | 10 | 11 |
| Research | 6 | 6 |
| Portfolio Management | 12 | 11 |
| Trading | 5 | 5 |
| Operations | 6 | 6 |
| Reporting Services | 6 | 7 |
| Systems | 4 | 6 |
| Finance, Human Resources and Legal | 7 | 7 |
| Administration | 1 | 2 |
| Compliance | 2 | 2 |
| Corporate | 9 | 9 |
| Annual Average | 68 | 72 |

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

| | 2012 £'000 | 2011 £'000 |
|-------------------------------------|---------------|---------------|
| Wages and salaries | 6,499 | 7,947 |
| Social security costs | 953 | 1,226 |
| Pension costs | 508 | 470 |
| Equity-settled share-based payments | 1,287 | 1,794 |
| Aggregate payroll costs | 9,247 | 11,437 |

Notes to the accounts

For the year ended 31 March 2012

continued

6 Finance income

| | 2012 £'000 | 2011 £'000 |
|---------------------------------|---------------|---------------|
| Interest on short-term deposits | 155 | 184 |

7 Taxation – Group

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

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Profit before taxation | 6,709 | 12,537 |
| Taxation at the standard rate of tax in the UK of 26% (2011: 28%) | 1,744 | 3,510 |
| Tax effects of: | | |
| Other disallowable expenses and non-taxable income | 23 | 18 |
| Capital allowances for the period (higher)/lower than depreciation | (76) | 9 |
| Lower tax rates on UK subsidiary undertakings | 34 | (8) |
| Adjustments recognised in current year in relation to the current tax of prior years | (9) | 2 |
| Other temporary differences | 87 | 72 |
| Total tax expense | 1,803 | 3,603 |

At the year end the Group had deferred tax liabilities of £15,438 (2011: deferred tax assets of £69,615). At the balance sheet date there were share options not exercised with an intrinsic value for tax purposes of £14,128 (2011: £70,904). The Group will be entitled to a corporation tax deduction in respect of the difference between the exercise price and the strike price upon the vesting of these options.

The standard rate of corporation tax in the UK is 26% (2011: 28%). 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 2012 was £1,803,237 (2011: £3,603,466) which was 26.9% of profit before tax (2011: 28.8%).

8 Earnings per share

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

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

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

| | 2012 | 2011 |
|---|--------------------|-------------|
| Weighted average number of shares used in calculation of basic earnings per share | 220,100,209 | 220,965,275 |
| Effect of dilutive potential ordinary shares – share options | 240,779 | 306,347 |
| Weighted average number of shares used in calculation of diluted earnings per share | 220,340,988 | 221,271,622 |
| | pence | pence |
| Basic earnings per share | 2.23 | 4.03 |
| Diluted earnings per share | 2.23 | 4.03 |

The potential dilutive shares relate to the share options granted in respect of the Group's Share Scheme. There were share options and deferred share awards in place at the beginning of the period over 304,964 shares. During the year options were exercised, or share awards vested, over 176,532 shares. The Group granted a net 1,900,000 share options with a potentially dilutive effect during the year.

9 Dividends

The dividends paid by the Group during the year ended 31 March 2012 totalled £7,371,007 (3.34p per share), of which £1,645,143 (0.75p per share) was the interim dividend paid in respect of the year ended 31 March 2012 and £5,725,864 (2.59p per share) was the final dividend paid in respect of the year ended 31 March 2011. The dividends paid during the year ended 31 March 2011 totalled £5,722,996 (2.59p per share), of which £4,420,307 (2.00p per share) was the interim dividend paid in respect of the year ended 31 March 2011 and £1,302,689 (0.59p per share) was the final dividend paid in respect of the year ended 31 March 2010.

A final dividend proposed in respect of the year ended 31 March 2012 is 0.75p per share.

10 Retirement benefit obligations

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £507,940 (2011: £470,667).

11 Property, plant and equipment – Group

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

| 2012 | Leasehold improvements £'000 | Computer equipment £'000 | Fixtures and fittings £'000 | Total £'000 |
|-------------------------|------------------------------------|--------------------------------|-----------------------------------|----------------|
| Cost | | | | |
| At 1 April 2011 | 534 | 887 | 279 | 1,700 |
| Additions | – | 51 | 1 | 52 |
| Disposals | – | (222) | (11) | (233) |
| At 31 March 2012 | 534 | 716 | 269 | 1,519 |
| Depreciation | | | | |
| At 1 April 2011 | 534 | 676 | 263 | 1,473 |
| Charge for the year | – | 83 | 13 | 96 |
| Disposals | – | (222) | (11) | (233) |
| At 31 March 2012 | 534 | 537 | 265 | 1,336 |
| Net book amounts | | | | |
| At 31 March 2012 | – | 179 | 4 | 183 |
| At 1 April 2011 | – | 211 | 16 | 227 |

Notes to the accounts

For the year ended 31 March 2012

continued

11 Property, plant and equipment – Group continued

| 2011 | Leasehold improvements £'000 | Computer equipment £'000 | Fixtures and fittings £'000 | Total £'000 |
|-------------------------|---------------------------------|-----------------------------|--------------------------------|----------------|
| Cost | | | | |
| At 1 April 2010 | 529 | 682 | 278 | 1,489 |
| Additions | 5 | 79 | 1 | 85 |
| Disposals | – | (3) | – | (3) |
| Transfers | – | 129 | – | 129 |
| At 31 March 2011 | 534 | 887 | 279 | 1,700 |
| Depreciation | | | | |
| At 1 April 2010 | 430 | 623 | 231 | 1,284 |
| Charge for the year | 104 | 55 | 32 | 191 |
| Disposals | – | (2) | – | (2) |
| At 31 March 2011 | 534 | 676 | 263 | 1,473 |
| Net book amounts | | | | |
| At 31 March 2011 | – | 211 | 16 | 227 |
| At 1 April 2010 | 99 | 59 | 47 | 205 |

The Company has no property, plant and equipment as at 31 March 2012 (2011: nil).

12 Intangible assets

The Group's intangible assets comprise acquired software only. The carrying amounts can be analysed as follows:

| 2012 | Software £'000 | Total £'000 |
|-------------------------|-------------------|----------------|
| Cost | | |
| At 1 April 2011 | 1,085 | 1,085 |
| Additions | 65 | 65 |
| Disposals | – | – |
| At 31 March 2012 | 1,150 | 1,150 |
| Amortisation | | |
| At 1 April 2011 | – | – |
| Charge for the year | 10 | 10 |
| Disposals | – | – |
| At 31 March 2012 | 10 | 10 |
| Net book amounts | | |
| At 31 March 2012 | 1,140 | 1,140 |
| At 1 April 2011 | 1,085 | 1,085 |

| 2011 | Software £'000 | Total £'000 |
|-------------------------|-------------------|----------------|
| Cost | | |
| At 1 April 2010 | 535 | 535 |
| Additions | 679 | 679 |
| Disposals | – | – |
| Transfers | (129) | (129) |
| At 31 March 2011 | 1,085 | 1,085 |
| Amortisation | | |
| At 1 April 2010 | – | – |
| Charge for the year | – | – |
| Disposals | – | – |
| At 31 March 2011 | – | – |
| Net book amounts | | |
| At 31 March 2011 | 1,085 | 1,085 |
| At 31 March 2010 | 535 | 535 |

As at 31 March 2012 the Group was in the final stages of implementation of a new back office software project. Amortisation of the capitalised development costs will commence from the date that the project is completed (expected in the current financial year). The estimated useful economic life of the completed software is five years. The annual contractual commitment for the maintenance and support of software is £120,000. All amortisation charges are included within administrative expenses.

13 Investments

| Company | 31 March 2012 £'000 | 31 March 2011 £'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) | 55 | 30 |
| Capitalised investment in respect of share-based payments | | |
| Record Currency Management (US) Inc | 24 | – |
| Record Group Services Limited | 10 | – |
| Total capitalised investment in respect of share-based payments | 34 | – |
| Total investment in subsidiaries | 89 | 30 |

Notes to the accounts

For the year ended 31 March 2012

continued

13 Investments continued

Particulars of subsidiary undertakings

| Name | Nature of Business |
|---|---|
| Record Currency Management Limited | Currency management services |
| Record Group Services Limited | Management services to other Group undertakings |
| Record Portfolio Management Limited | Dormant |
| Record Currency Management (US) Inc | US service company |
| Record Currency Management (Jersey) Limited | Management company for Jersey-based fund |
| Record Fund Management Limited | Dormant |
| N P Record Trustees Limited | 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 the USA, Record Currency Management (Jersey) Limited is incorporated in Jersey, and all other subsidiaries are incorporated in the UK.

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. These were both accounted for as a disposal group held for sale in accordance with its accounting policy defined in note 1(o). In both cases, the Group still retains control over each of the funds twelve months after the original investment. Consequently both funds ceased to be classified as held for sale and are now consolidated in full, on a line by line basis, and shown presented in investments in the Company. As at 31 March 2011, the carrying value of these funds was included in current assets held for sale (disposal group) see note 18.

| Investment in funds | 31 March 2012 £'000 |
|---|---------------------------|
| Record Currency FTSE FRB10 Index Fund | 1,078 |
| Record Currency Emerging Market Currency Fund | 989 |
| | 2,067 |

14 Deferred taxation – Group

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|--|---------------------------|---------------------------|
| Profit and loss account movement arising during the year | (85) | (73) |
| Asset brought forward | 70 | 143 |
| (Liability)/Asset carried forward | (15) | 70 |

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

| | 31 March 2012 £'000 | 31 March 2011 £'000 |
|---|---------------------------|---------------------------|
| Deferred tax allowance on unvested share options | 4 | 18 |
| Excess of taxation allowances over depreciation on fixed assets | (19) | 52 |
| | (15) | 70 |

At the year end the Group had deferred net tax liabilities of £15,438 (2011: deferred net tax assets of £69,615) including provision for share options not exercised with an intrinsic value for tax purposes of £14,128 (2011: £70,904). 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 other unprovided deferred taxation.

15 Trade and other receivables

| | Group | | Company | |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Trade receivables | 4,268 | 6,264 | – | – |
| Amounts due from Group undertaking | – | – | 1,188 | – |
| Other receivables | 216 | 4 | – | – |
| Prepayments | 586 | 636 | 4 | – |
| | 5,070 | 6,904 | 1,192 | – |

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 carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2011: £nil).

16 Derivative financial assets

The Group uses forward exchange contracts to reduce the risk associated with sales denominated in foreign currencies. At 31 March 2012 there were outstanding contracts with a principal value of £2,685,811 (2011: £4,361,326) 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 2012. Further detail including sensitivity analysis on the fair value of outstanding contracts is contained in note 24.

| | Group | |
|------------------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Forward foreign exchange contracts | 33 | – |

As at 31 March 2012, the forward foreign exchange contracts used to hedge revenues denominated in foreign currencies were presented as derivative financial liabilities (see note 19).

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

| | Group | |
|---|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Net gain on fair value through profit or loss | 68 | 263 |

17 Cash and cash equivalents

| | Group | | Company | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Cash and cash equivalents – Sterling | 24,459 | 24,691 | 16 | 50 |
| Cash and cash equivalents – other currencies | 113 | 37 | – | – |
| | 24,572 | 24,728 | 16 | 50 |

The Group holds short-term deposits that are made for varying periods, depending on the cash requirements of the Group. These deposits earn interest at market short-term deposit rates. The Group has unrestricted access to these deposits which meet the definition of a cash equivalent.

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17 Cash and cash equivalents continued

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 18 for explanation of accounting treatment). As at 31 March 2012, the cash held by these two funds totalled £4,241,817 (the increase in cash arising from consolidating these two funds on a line by line basis with effect from 31 December 2011 was £3,996,678).

18 Current assets held for sale (disposal group)

From time to time, the Group injects capital into funds operated by the Group to trial new products (seed capital). If the Group is able to exercise control over such a seeded fund by holding a majority interest (whether the majority interest is held by Record plc alone, or by combining the interests of Record plc and its Directors), then such funds are considered to be under control of the Group and as such the fund becomes a subsidiary of the Group in accordance with SIC-12 and IAS 27.

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

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

In May 2011, the Group invested £1,000,000 in the Record Currency – Euro Stress Fund, the only other investor in the fund is Neil Record, a Director of Record plc. At the year end the Group retained control over this fund and continues to actively market units in the fund to external investors and intends to redeem its own investment. The investment in the fund is classified as being a disposal group held for sale.

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

| | Group | | Company | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Seed capital classified as being a disposal group held for sale | 1,075 | 3,022 | 911 | 2,070 |

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

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

| | Group | | Company | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Net loss on financial instruments held as part of disposal group | 299 | 1 | 91 | 28 |

The net loss on financial instruments held as part of disposal group suffered by the Group includes a loss of £7,406 attributable to non-controlling interests.

19 Current liabilities

Amounts falling due within one year

| | Group | | Company | |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Trade payables | 196 | 580 | – | – |
| Amounts owed to Group undertaking | – | – | 948 | 10 |
| Other payables | 135 | 279 | – | – |
| Other tax and social security | 319 | 364 | – | – |
| Accruals and deferred income | 1,844 | 2,866 | – | – |
| | 2,494 | 4,089 | 948 | 10 |

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

Current tax liabilities

| | Group | | Company | |
|-----------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Corporation tax | 900 | 1,837 | – | – |

Derivative financial liabilities

Two of the funds seeded by Record (the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund), use forward exchange contracts in order to achieve a return. The Record Currency – Euro Stress Fund uses a variety of instruments including forward exchange contracts in order to achieve a return. The forward exchange contracts held by the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund are classified as financial assets held for trading. At 31 March 2012 there were outstanding contracts with a principal value of £9,112,251 (at 31 March 2011 all outstanding contracts held by the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund were presented within Current assets held for sale). The fair value of the contracts was calculated using the market forward contract rates prevailing at the period end date. The instruments held by the Record Currency – Euro Stress Fund are presented within Current assets held for sale (see note 18). Further detail including sensitivity analysis on the fair value of outstanding contracts is contained in note 24.

| | Group | | Company | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Forward foreign exchange contracts held for trading | 48 | – | – | – |

The net gain on forward exchange contracts at fair value is included in other income. The net gain on financial assets is as follows:

| | Group | | Company | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Net gain on forward exchange contracts at fair value through profit or loss | 197 | 2 | – | 2 |

The Group uses forward exchange contracts to reduce the risk associated with sales denominated in foreign currencies.

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19 Current liabilities continued

| | Group | | Company | |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2012 £'000 | 31 March 2011 £'000 | 31 March 2012 £'000 | 31 March 2011 £'000 |
| Forward foreign exchange contracts | - | 12 | - | - |

As at 31 March 2012, the forward foreign exchange contracts used to hedge revenues denominated in foreign currencies were presented as derivative financial assets (see note 16).

20 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.

| | 2012 | | 2011 | |
|---|-------|-------------|-------|-------------|
| | £'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 |

Changes to the issued share capital

| | £'000 | Number |
|---------------------------------------|-----------|--------------------|
| Ordinary shares of 0.025p each | 55 | 221,380,800 |
| Adjustment for own shares held by EBT | - | (586,068) |
| As at 31 March 2010 | 55 | 220,794,732 |
| Adjustment for own shares held by EBT | - | 281,104 |
| As at 31 March 2011 | 55 | 221,075,836 |
| Adjustment for own shares held by EBT | - | (1,723,468) |
| As at 31 March 2012 | 55 | 219,352,368 |

The Group has established an Employee Benefit Trust (EBT) to hold shares to be used to meet future liabilities relating to the Group's 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. As at 31 March 2012, the EBT held 2,028,432 ordinary shares of 0.025p in Record plc (2011: 304,964).

21 Share-based payments

During the year ended 31 March 2012 the Group has managed the following share-based compensation plans:

The Record plc Group Bonus Scheme

The Record plc Group Bonus Scheme (GBS) was adopted by the company on 1 November 2007. On 30 July 2009 it was amended and became the Record plc Group Profit Share Scheme. Under the terms of the scheme rules, certain employees of the company could elect to receive a proportion of their bonus in the form of a deferred share award. The number of shares was calculated based on the residual bonus divided by the market value of the shares at grant date. The shares were available to the employee after the vesting period for nil consideration upon exercise. The Group simultaneously granted additional rights to acquire shares ('bonus' shares; equal to 20% of the shares elected for) to those same employees. Elected shares vested in two equal tranches on each of the first and second anniversary of the date of grant and bonus shares vested in full only after two years. The vesting of the shares was subject to continued employment or having left as a good leaver. The final vesting of shares under this scheme occurred in June 2011 and this scheme is now ceased.

The Record plc Group Profit Share Scheme

The Record plc Group Bonus Scheme (GBS) was amended with the approval of a general meeting of the Company's members on 30 July 2009 and became the Record plc Group Profit Share Scheme (PSS). Under the original terms of the PSS rules, employees and Directors of the company could elect to receive a proportion of their profit share in the form of a share award, with the exception of certain employees and Directors deemed significant shareholders who had to receive their profit share in cash. During the year, the scheme was modified such that all senior managers irrespective of their shareholding in the Company are now required to receive at least one third of their profit share in the form of shares. 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 for Directors and senior employees was 1.0 and either 0.5 or 0.2 for other employees depending on the level of seniority within that group. 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. All shares the subject of share awards are transferred immediately to a nominee. None of these shares are subject to any vesting or forfeiture provisions and the individual is entitled to full rights in respect of the shares purchased. No such shares can 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 Record plc Share Scheme

The Record plc Share Scheme was adopted by the company on 1 August 2008. During the year ended 31 March 2009 two new senior employees were granted deferred share awards upon appointment. The number of shares for each employee was calculated based on £200,000 divided by the market price of one Record plc ordinary share on the day of appointment (or on the first business day after a close period, if the appointment occurred within a close period). The shares are available to the employee after the vesting period for nil consideration upon exercise. The shares vest equally on the second, third and fourth anniversary of appointment. The vesting of the shares is subject to continued employment (or at the Remuneration Committee's discretion, having become a good leaver). The rights to acquire the shares are issued under nil cost option agreements.

During the year the Share Scheme was amended to incorporate both an Approved and an Unapproved Option Scheme. The Approved scheme enables the Group to provide tax-approved awards to employees of Record plc or its subsidiaries and each participant may be granted approved options over shares with a total market value of up to £30,000 on the date of grant. Awards under both schemes are in the form of options with an exercise price equal to the market value of a share on the date of grant.

The Group issued a total of 2,000,000 options during the year under the Share Scheme. Of these, 1,400,000 were under the Unapproved Scheme and 600,000 were under the Approved Scheme. A total of 100,000 of the Unapproved options issued lapsed prior to the year end. All options were granted at a strike price set at the share price prevailing at the time of grant. The options over shares under the Approved Scheme vest in full on the fourth anniversary of grant and are subject to a performance condition based on the total shareholder return value in comparison with a relevant peer group. One quarter of the Unapproved options vest each year over the next four years providing the employee has remained in employment at each vesting date.

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21 Share-based payments continued

Share-based payment transactions with cash alternatives

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

Equity-settled share-based payments

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

At 31 March 2012, the total number of ordinary shares of 0.025p outstanding under Record plc share compensation schemes was 2,028,432 (2011: 304,964). These deferred share awards and options are over issued shares held in an Employee Benefit Trust. Details of outstanding share options and deferred shares awarded to employees are set out below:

Outstanding share options

| Date of grant | At 1 April 2011 | Granted | Lapsed | Exercised | At 31 March 2012 | Exercise/ vesting date: From | Exercise/ vesting date: To | Exercise price |
|---|-----------------|------------------|------------------|------------------|------------------|------------------------------|----------------------------|----------------|
| Record plc Share Scheme | | | | | | | | |
| 04/08/08 | 113,496 | – | – | (56,748) | 56,748 | 04/08/2010 | 04/08/2012 | £0.00 |
| 01/09/08 | 143,368 | – | – | (71,684) | 71,684 | 01/09/2010 | 01/09/2012 | £0.00 |
| 08/08/11 | – | 1,000,000 | – | – | 1,000,000 | 08/08/2012 | 08/08/2015 | £0.318 |
| 08/08/11 | – | 400,000 | (100,000) | – | 300,000 | 08/08/2012 | 08/08/2015 | £0.3225 |
| 02/12/11 | – | 600,000 | – | – | 600,000 | – | 02/12/2015 | £0.144 |
| Total options | 256,864 | 2,000,000 | (100,000) | (128,432) | 2,028,432 | | | |
| Weighted average exercise price of options | £nil | £0.27 | £0.32 | £nil | £0.25 | | | |

During the year shares vested on 4 August 2011 and 1 September 2011; the second anniversary of the respective scheme above. The share price at each vesting date was £0.32 and £0.30 per share respectively.

Outstanding deferred share awards

| Date of grant | At 1 April 2011 | Granted | Vested | At 31 March 2012 | Vesting date: From | Vesting date: To |
|--------------------------------------|-----------------|----------|-----------------|------------------|--------------------|------------------|
| Record plc Group Bonus Scheme | | | | | | |
| 30/06/09 | 48,100 | – | (48,100) | – | 30/06/2010 | 30/06/2011 |
| Total deferred share awards | 48,100 | – | (48,100) | – | | |

During the year shares vested on 30 June 2011. This was the final vesting of shares under this scheme which is now ceased. The share price on vesting date was £0.33 per share.

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

| | Ordinary shares held as at 31 March 2012 | 31 March 2011 |
|---|--|------------------|
| Record plc Group Profit Share Scheme (interest in restricted share awards) | | |
| James Wood-Collins | 1,229,680 | 369,403 |
| Leslie Hill | 156,697 | – |
| Bob Noyen | 156,697 | – |
| Paul Sheriff * | 776,910 | 445,109 |
| Record plc Share Scheme (interest in unvested share options) | | |
| James Wood-Collins | 56,748 | 113,496 |

* As permitted by the scheme rules, these shares are held in the name of the Director's spouse.

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 Option which vests |
|--|----------------------------------|
| 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% |

22 Capital redemption reserve

The Group has previously bought in a total of 202,072 ordinary shares of 10p for cancellation. The buy-ins occurred in five tranches, all occurring prior to the share split which occurred before admission to the official list of the UK listing authority. The cost of the buy-ins was taken directly to retained earnings. The nominal value of the shares was taken to a capital redemption reserve.

23 Non-controlling interest

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

All three of these funds are considered to be under control of the Group through majority interests.

As at 31 March 2012 the mark to market value of non-controlling interests in Record Currency Emerging Market Currency Fund was £1,572,076 (2011: £510,250), the mark to market value of non-controlling interests in Record Currency FTSE FRB10 Index Fund was £527,652 (2011: £442,004), and the mark to market value of non-controlling interests in Record Currency – Euro Stress Fund was £163,093 (2011: £nil).

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24 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, cash and cash equivalents and investments in seed products. 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 and therefore separate disclosures for the Company have not been included.

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.

Credit risk

Record plc's Risk Management Committee has established a credit risk policy to ensure that it only trades with counterparties that meet requirements consistent with the Group's agreed risk appetite. 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 invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity no greater than three months. To reduce the risk of counterparty default the Group deposits the rest of its surplus funds in approved high quality banks; the financial institutions involved have high credit ratings assigned by international credit agencies. The Group operates a policy of restricting its exposure to any single bank to a maximum of £10m.

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

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Financial assets at 31 March | | |
| Trade receivables | 4,268 | 6,264 |
| Other receivables | 216 | 4 |
| Held for sale financial assets (disposal group) | 1,075 | 3,022 |
| Other financial assets at fair value through profit or loss | 33 | – |
| Cash and cash equivalents | 24,572 | 24,728 |
| | 30,164 | 34,018 |

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 financial assets by due date:

| | Carrying amount £'000 | Neither impaired nor past due £'000 | 0-3 months past due £'000 | More than 3 months past due £'000 |
|--------------------------|-----------------------------|--|---------------------------------|--|
| At 31 March 2012 | | | | |
| Trade receivables | 4,268 | 4,182 | 86 | – |
| | | | | |
| At 31 March 2011 | | | | |
| Trade receivables | 6,264 | 6,270 | – | (6) |

The Group allows an average debtor payment period of 30 days after 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. 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 37 debtors' balances (2011: 39). The largest individual debtor corresponds to 33% of the total balance (2011: 37%). The average age of these debtors, based on the generally accepted calculation of debtor days, is 76 days (2011: 81) although this ignores the quarterly billing cycle used by the group for the vast majority of its fees. Historically these debtors have always paid balances when due. 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. 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 16 days (2011: 22 days).

Contractual maturity analysis for financial liabilities:

| | Carrying amount £'000 | Due or due in less than 1 month £'000 | Due between 1 to 3 months £'000 | Due between 3 months to 1 year £'000 |
|----------------------------------|--------------------------|---|--|---|
| At 31 March 2012 | | | | |
| Trade and other payables | 331 | 331 | – | – |
| Accruals | 1,844 | 685 | 1,123 | 36 |
| Derivative financial liabilities | 48 | 26 | 22 | – |
| At 31 March 2011 | | | | |
| Trade and other payables | 859 | 859 | – | – |
| Accruals | 2,866 | 501 | 2,329 | 36 |
| Derivative financial liabilities | 12 | 12 | – | – |

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 trade receivables 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.

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24 Financial risk management continued

Interest rate exposure

| | Fixed rate £'000 | Floating rate £'000 | Not directly exposed to interest rate risk £'000 | Total £'000 |
|--|---------------------|------------------------|--|----------------|
| At 31 March 2012 | | | | |
| Financial assets | | | | |
| Trade and other receivables | – | – | 4,484 | 4,484 |
| Financial assets at fair value | – | – | 1,108 | 1,108 |
| Cash and cash equivalents | 21,232 | 3,340 | – | 24,572 |
| Total financial assets | 21,232 | 3,340 | 5,592 | 30,164 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | – | – | (48) | (48) |
| Trade and other payables | – | – | (331) | (331) |
| Accruals | – | – | (1,844) | (1,844) |
| Total financial liabilities | – | – | (2,223) | (2,223) |

| | Fixed rate £'000 | Floating rate £'000 | Not directly exposed to interest rate risk £'000 | Total £'000 |
|--|---------------------|------------------------|--|----------------|
| At 31 March 2011 | | | | |
| Financial assets | | | | |
| Trade and other receivables | – | – | 6,268 | 6,268 |
| Financial assets at fair value | – | – | 3,022 | 3,022 |
| Cash and cash equivalents | 23,956 | 772 | – | 24,728 |
| Total financial assets | 23,956 | 772 | 9,290 | 34,018 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | – | – | (12) | (12) |
| Trade and other payables | – | – | (859) | (859) |
| Accruals | – | – | (2,866) | (2,866) |
| Total financial liabilities | – | – | (3,737) | (3,737) |

Interest rate sensitivity analysis

| | Carrying amount £'000 | Average interest rate % | If interest rates were 0.5% higher | | If interest rates were 0.5% lower | |
|---------------------------|--------------------------|----------------------------|--|---------------------------------|--|---------------------------------|
| | | | Impact on Profit After Tax for the year £'000 | Impact on Total Equity £'000 | Impact on Profit After Tax for the year £'000 | Impact on Total Equity £'000 |
| At 31 March 2012 | | | | | | |
| Cash and cash equivalents | 24,572 | 0.76 | 75 | 75 | (75) | (75) |
| At 31 March 2011 | | | | | | |
| Cash and cash equivalents | 24,728 | 0.77 | 109 | 109 | (109) | (109) |

The average rate is calculated as the weighted average effective interest rate. The tables above show the level of profit after tax and equity if interest rates had been 0.5% higher or lower with all other variables held constant. A sensitivity of 0.5% has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

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 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 contracts at 31 March 2012 was an asset of £33,175 (2011: liability of £12,434). Gains on the forward exchange contracts were £68,023 in the year (2011: gain of £262,849). The future transactions related to the forward exchange contracts are expected to occur within the next three months. Changes in the fair values of forward 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 primarily the US Dollar, the Swiss Franc, the Euro and the Canadian Dollar.

In the year ended 31 March 2012, the Group invoiced the following amounts in currencies other than Sterling:

| | Local currency value '000 | Value in reporting currency £'000 |
|-------------------------|------------------------------------|--|
| US Dollar (USD) | 16,602 | 10,518 |
| Swiss Franc (CHF) | 5,267 | 3,733 |
| Canadian Dollar (CAD) | 625 | 394 |
| Euro (EUR) | 207 | 179 |
| Australian Dollar (AUD) | 25 | 16 |
| Total | | 14,840 |

The value of revenues for the year ended 31 March 2012 that were denominated in currencies other than Sterling was £14.8 million (72% of total revenues). For the year ended 31 March 2011: £19.8m (70% 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

| | Impact on Profit After Tax for the year ended 31 March | | Impact on Total Equity as at 31 March | |
|--|--|---------------|---|---------------|
| | 2012 £'000 | 2011 £'000 | 2012 £'000 | 2011 £'000 |
| 10% weakening in the £/\$ exchange rate | 778 | 1,517 | 778 | 1,517 |
| 10% strengthening in the £/\$ exchange rate | (778) | (1,517) | (778) | (1,517) |
| 10% weakening in the £/CHF exchange rate | 276 | 384 | 276 | 384 |
| 10% strengthening in the £/CHF exchange rate | (276) | (384) | (276) | (384) |
| 10% weakening in the £/CAD\$ exchange rate | 29 | 40 | 29 | 40 |
| 10% strengthening in the £/CAD\$ exchange rate | (29) | (40) | (29) | (40) |
| 10% weakening in the £/€ exchange rate | 13 | 39 | 13 | 39 |
| 10% strengthening in the £/€ exchange rate | (13) | (39) | (13) | (39) |

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 \$1.578/£ this would result in a weakened exchange rate of \$1.435/£ and a strengthened exchange rate of \$1.754/£. This range is considered reasonable given the historic changes that have been observed.

Notes to the accounts

For the year ended 31 March 2012

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24 Financial risk management continued

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 CHF1.411/£ this would result in a weakened exchange rate of CHF1.283/£ and a strengthened exchange rate of CHF1.568/£. This range is considered reasonable given the historic changes that have been observed.

Sterling/Canadian 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/CAD exchange rate of CAD\$1.586/£ this would result in a weakened exchange rate of CAD\$1.442/£ and a strengthened exchange rate of CAD\$1.763/£. This range is considered reasonable given the historic changes that have been observed.

Sterling/Euro 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/Euro exchange rate of €1.156/£ this would result in a weakened exchange rate of €1.051/£ and a strengthened exchange rate of €1.285/£. This range is considered reasonable given the historic changes that have been observed.

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 exerts significant control over the fund, it has been consolidated into the Group's primary statements. The net assets of the fund at 31 March 2012 were £1,605,646 (2011: Investment recognised as asset held for sale of £1,485,369). 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 2012 £'000 | Impact on Profit After Tax for the year ended 31 March 2011 £'000 | Impact on Total Equity as at 31 March 2012 £'000 | Impact on Total Equity as at 31 March 2011 £'000 |
|---|--|--|--|--|
| 10% depreciation in the FTSE Currency FRB10 Index | (119) | (267) | (119) | (267) |
| 10% appreciation in the FTSE Currency FRB10 Index | 119 | 267 | 119 | 267 |

The impact of a change to the index 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.

Emerging markets currencies

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 significant control over the fund, it has been consolidated into the Group's primary statements. The net assets of the fund at 31 March 2012 were £2,561,091 (2011: Investment recognised as asset held for sale of £1,537,178). 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 2012 £'000 | Impact on Profit After Tax for the year ended 31 March 2011 £'000 | Impact on Total Equity as at 31 March 2012 £'000 | Impact on Total Equity as at 31 March 2011 £'000 |
|---|--|--|--|--|
| 20% depreciation in the Emerging Market portfolio | (379) | (307) | (379) | (307) |
| 20% appreciation in the Emerging Market portfolio | 379 | 307 | 379 | 307 |

The impact of a change to the portfolio value of 20% 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.

Euro Stress Fund

The Group has seeded a new fund, the Euro Stress Fund, which allocates spending across a range of liquid financial instruments, with a view to taking advantage of both risks which have not been fully priced-in by the market and the wide range of views in the market concerning the viability of the Euro. The value of the Group's investment as at 31 March 2012 was £1,074,509. The investment is recognised as an asset held for sale and as such, all gains and losses are recognised through profit or loss. The Group has provided the following data in respect of sensitivity to this product trial. As the product trial started in June 2011, no comparative data is provided.

| | Impact on Profit After Tax for the year ended 31 March 2012 £'000 | Impact on Total Equity as at 31 March 2012 £'000 |
|---|--|--|
| 20% depreciation in the Euro Stress portfolio | (159) | (159) |
| 20% appreciation in the Euro Stress portfolio | 159 | 159 |

The impact of a change to the portfolio value of 20% 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 the underlying instruments which make up the Euro Stress portfolio.

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For the year ended 31 March 2012

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25 Additional financial instruments disclosures

Financial instruments measured at fair value

IFRS 7 (Improving Disclosures about Financial Instruments), requires the Group to present certain information about financial instruments measured at fair value in the statement of financial position.

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 significant 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:

| | Note | 2012 £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|------|---------------|------------------|------------------|------------------|
| Financial instruments at fair value through profit or loss | | | | | |
| Forward foreign exchange contracts used for seeded funds | a | (48) | – | (48) | – |
| Forward foreign exchange contracts used for hedging | a | 33 | – | 33 | – |
| Assets held for sale (disposal group) | b | 1,075 | – | 1,075 | – |
| | | 1,060 | – | 1,060 | – |

| | Note | 2011 £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|------|---------------|------------------|------------------|------------------|
| Financial instruments at fair value through profit or loss | | | | | |
| Forward foreign exchange contracts used for hedging | a | (12) | – | (12) | – |
| Assets held for sale (disposal group) | b | 3,022 | – | 3,022 | – |
| | | 3,010 | – | 3,010 | – |

There have been no transfers between levels in the reporting period (2011: none).

Basis for classification of financial instruments within the fair value hierarchy

(a) Forward foreign exchange contracts

Forward foreign exchange contracts are classified as level 2. Although these instruments are traded on an active market, the fair value of forward foreign exchange contracts is established using interpolation of observable market data rather than from a quoted price. All forward foreign exchange contracts are strictly short-term in duration.

(b) Held for sale investments

Record plc has invested in two new funds, the Record Currency – FTSE FRB10 Index Fund which is priced daily and the Record Currency Emerging Market Fund which is priced fortnightly. However, the funds are not actively traded and, according to the Directors' interpretation of the standard, the investments in the funds are most appropriately categorised as level 2.

Classes and fair value of financial instruments

| | 2012 | | 2011 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Carrying value £'000 | Fair value £'000 | Carrying value £'000 | Fair value £'000 |
| Financial assets | | | | |
| Assets held for sale | 1,075 | 1,075 | 3,022 | 3,022 |
| Derivative financial instruments at fair value through profit or loss | 33 | 33 | – | – |
| Cash and cash equivalents | 24,572 | 24,572 | 24,728 | 24,728 |
| | | | | |
| | 2012 | | 2011 | |
| | Carrying value £'000 | Fair value £'000 | Carrying value £'000 | Fair value £'000 |
| Financial liabilities | | | | |
| Derivative financial instruments at fair value through profit or loss | 48 | 48 | 12 | 12 |

It is the Directors' opinion that the carrying value of trade receivables and trade payables approximates to their fair value.

Categories of financial instrument

| | Note | Loans and receivables £'000 | Financial liabilities measured at amortised cost £'000 | Assets at fair value through profit or loss £'000 | Derivatives used for hedging £'000 | Held for sale £'000 |
|--|--------|-----------------------------------|--|---|---|---------------------------|
| At 31 March 2012 | | | | | | |
| Disposal group | 18 | – | – | – | – | 1,075 |
| Trade and other receivables (excludes prepayments) | 15 | 4,484 | – | – | – | – |
| Cash and cash equivalents | 17 | 24,572 | – | – | – | – |
| Other financial instruments at fair value through profit or loss | 16, 19 | – | – | (48) | 33 | – |
| Current trade and other payables | 19 | – | (331) | – | – | – |
| Accruals | 19 | – | (1,844) | – | – | – |
| | | 29,056 | (2,175) | (48) | 33 | 1,075 |
| | | | | | | |
| | Note | Loans and receivables £'000 | Financial liabilities measured at amortised cost £'000 | Assets at fair value through profit or loss £'000 | Derivatives used for hedging £'000 | Held for sale £'000 |
| At 31 March 2011 | | | | | | |
| Disposal group | 18 | – | – | – | – | 3,022 |
| Trade and other receivables (excludes prepayments) | 15 | 6,268 | – | – | – | – |
| Cash and cash equivalents | 17 | 24,728 | – | – | – | – |
| Other financial instruments at fair value through profit or loss | 19 | – | – | – | (12) | – |
| Current trade and other payables | 19 | – | (859) | – | – | – |
| Accruals | 19 | – | (2,866) | – | – | – |
| | | 30,996 | (3,725) | – | (12) | 3,022 |

Notes to the accounts

For the year ended 31 March 2012

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26 Operating lease commitments

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 (2011: £229,710). The Group's lease on the premises at 32 Peascod Street, Windsor, Berkshire which expired in December 2011, had a commitment of £86,000 per annum (2011: £86,000). Those premises were sublet at the same rate from May 2006 until termination.

At 31 March 2012 the Group had commitments under non-cancellable operating leases relating to land and buildings as set out below:

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Not later than one year | 230 | 237 |
| Later than one year and not later than five years | 747 | 919 |
| Later than five years | – | 57 |
| | 977 | 1,213 |

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting dates:

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Not later than one year | – | 65 |
| Later than one year and not later than five years | – | – |
| | – | 65 |

27 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 13, which includes a description of the nature of their business.

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Amounts due from subsidiaries | 654 | – |
| Amounts due to subsidiaries | 948 | 10 |
| Interest received from subsidiaries on intercompany loan balances | 5 | – |
| Net dividends received from subsidiaries | 8,610 | 5,723 |

Transactions with Record Currency Fund – Euro Stress

Record plc, together with Mr N. P. Record who is a related party, are invested in the Record Currency Fund – Euro Stress. Record plc and Mr N. P. Record hold all the issued units in the fund. Record plc therefore exerts a significant influence over the Record Currency Fund – Euro Stress, so it is considered to be a related party to Record plc and its subsidiaries. Details of transactions between the Company and Record Currency Fund – Euro Stress are shown below:

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Investment in Record Currency Fund – Euro Stress at cost | 1,000 | – |

Amounts owed to and by related parties are unsecured, interest-free and have no fixed terms of repayment. The balances will be settled in cash. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding, and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties.

Transactions with Record Currency – FTSE FRB10 Index Fund

Record plc, together with Mr N.P. Record who is a related party, hold all the issued units in the Record Currency – FTSE FRB10 Index Fund. As Record plc therefore exerts a significant influence over the Record Currency – FTSE FRB10 Index Fund, it is considered to be a related party to Record plc and its subsidiaries. Details of transactions between the Company and Record Currency – FTSE FRB10 Index Fund are shown below:

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Investment in Record Currency – FTSE FRB10 Index Fund at cost | 1,004 | 1,004 |

Transactions with Record Currency – Emerging Market Currency Fund

Record plc, together with Mr N. P. Record, Mr B. Noyen and Mrs L. Hill who are related parties, hold the majority of the issued units in the Record Currency – Emerging Market Currency Fund. As Record plc therefore exerts a significant influence over the Record Currency – Emerging Market Currency Fund, it is considered to be a related party to Record plc and its subsidiaries. Details of transactions between the Company and Record Currency – Emerging Market Currency Fund are shown below:

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Investment in Record Currency – Emerging Market Currency Fund at cost | 1,000 | 1,000 |

Group

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

The compensation given to key management personnel is as follows:

| | 2012 £'000 | 2011 £'000 |
|------------------------------|---------------|---------------|
| Short-term employee benefits | 4,007 | 4,953 |
| Post-employment benefits | 342 | 296 |
| Share-based payments | 1,057 | 1,654 |
| Dividends | 3,792 | 2,907 |
| | 9,198 | 9,810 |

Directors' remuneration

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Aggregate emoluments of the Directors | | |
| Emoluments (excluding pension contribution) | 2,618 | 3,463 |
| Gains made on exercise of share options | 18 | 26 |
| Pension contribution | 146 | 126 |

During the year, four Directors of the Company (2011: four) participated in the Group Personal Pension Plan, a defined contribution scheme.

Notes to the accounts

For the year ended 31 March 2012

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28 Ultimate controlling party

As at 31 March 2012 the Company had no ultimate controlling party, nor at 31 March 2011.

29 Capital management

The Company's objectives when managing capital are (i) to safeguard the Company'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 Services Authority (FSA).

The Company sets the amount of capital in proportion to risk. The Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Company 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 FSA. Our regulatory capital requirements are in accordance with FSA 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 on page 26.

30 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 (Audited) | 2008 £'000 | 2009 £'000 | 2010 £'000 | 2011 £'000 | 2012 £'000 |
|---|----------------|---------------|---------------|---------------|-----------------|
| Management fees | 43,987 | 45,561 | 33,244 | 28,139 | 20,436 |
| Performance fees | 22,160 | 1,436 | 224 | – | – |
| Other revenue | 82 | (201) | (44) | 57 | 99 |
| Revenue | 66,229 | 46,796 | 33,424 | 28,196 | 20,535 |
| Cost of sales | (296) | (11) | – | (102) | (252) |
| Gross profit | 65,933 | 46,785 | 33,424 | 28,094 | 20,283 |
| Operating expenses | (25,374) | (20,928) | (17,032) | (15,741) | (13,729) |
| Operating profit | 40,559 | 25,857 | 16,392 | 12,353 | 6,554 |
| IPO | (1,293) | – | – | – | – |
| Profit before interest and taxation | 39,266 | 25,857 | 16,392 | 12,353 | 6,554 |
| Net interest | 1,127 | 912 | 220 | 184 | 155 |
| Profit before taxation | 40,393 | 26,769 | 16,612 | 12,537 | 6,709 |
| Taxation | (12,480) | (7,494) | (4,707) | (3,603) | (1,803) |
| Profit after taxation | 27,913 | 19,275 | 11,905 | 8,934 | 4,906 |
| Total comprehensive income for the year attributable to owners of the parent | 27,913 | 19,275 | 11,905 | 8,907 | 4,913 |
| Basic EPS (pence) | 12.65 | 8.73 | 5.39 | 4.03 | 2.23 |

EPS is calculated on the basis that the shareholdings from 1 April 2007 onwards reflect the number of shares that would have been held if the share split had been applied to both ordinary shares and 'A' ordinary shares prior to 31 March 2007.

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 2012 dividend

| | |
|-----------------------------|---------------|
| Ex-dividend date | 20 June 2012 |
| Record date | 22 June 2012 |
| Annual General Meeting | 26 July 2012 |
| Final dividend payment date | 1 August 2012 |

Registrar

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

Further information about the Registrar is available on their 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 |
| 'EBIT' | Earnings before interest and taxation |
| '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 Services Authority |
| 'Statement of Financial Position' | IFRS term equivalent to balance sheet |
| 'Underwriting Agreement' | The underwriting agreement made between, inter alia, the Company and JPMorgan Cazenove Limited dated 28 November 2007 |
| 'US' | United States of America |

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For your notes

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