



Record plc

## PRESS RELEASE

17 November 2009

### INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Record plc, the specialist currency investment manager, today announces its unaudited interim results, for the six months ended 30 September 2009.

#### Financial highlights:

- AuME<sup>1</sup> \$36.0bn up 14% during the six months to 30 September 2009
- Profit before tax was £8.2m (six months to 30 September 2008: £15.0m)
- Management fee income for the six months to 30 September 2009 fell to £16.1m (six months to 30 September 2008: £24.6m)
- Average management fee rates of 14.8 bps for the six months to 30 September 2009 (six months to 30 September 2008: 17.8 bps)
- Basic EPS of 2.68 pence (six months to 30 September 2008: 4.86 pence)
- Interim dividend of 2.0p/share payable in December 2009 and a further interim dividend of 2.0p/share payable in March 2010 (2.43p/share paid December 2008)
- Subject to business conditions, intention to keep the total dividend payable unchanged in the current financial year at 4.59p/share
- Shareholders' equity increased to £28.3m (30 September 2008: £24.0m) and included £27.1m cash (30 September 2008: £26.8m)

#### Operating highlights:

- Alpha composite return of 0.9% for six months to 30 September 2009 (year to 31 March 2009 -3.5%)
- Client numbers stabilised over last six months at 118 (121 at 31 March 2009)
- Two US active hedging mandates commenced in the first six months and accounted for \$7.6bn of AuME at 30 September 2009

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

- Co-operation agreement with FTSE and the launch of the FTSE Currency Forward Rate Bias Index Series 'FRB 5' from 21 September 2009

Commenting on the results Neil Record, Chairman and Chief Executive Officer of Record plc, said:

"The financial performance of the business in delivering pre tax profits of £8.2m for the half year with both revenue and profit being marginally higher in the second quarter than the first quarter is satisfactory in the circumstances.

The highlight of the first six months was the signing and commencement of the two large US Active Hedging mandates. As a result of these two mandates, and the changes in Absolute Return mandates, we enter the second half of the financial year with Active Hedging now representing half our income.

Investment performance was positive overall for the six months with Alpha Composite (being one times geared) generating a return of 0.89% compared to a negative return of -3.49% for the twelve months to 31 March 2009. For cash plus, being seven times geared, this equated to a positive return of 5.42%.

We are pleased to have entered a co-operation agreement with FTSE and the launch of the FTSE Currency Forward Rate Bias Index Series 'FRB 5' from 21 September 2009. We see this as a significant milestone in currency becoming more widely accepted as an asset class. We have launched and invested in an index tracking fund to track the FRB 5 index and intend to offer this to clients in 2010.

Overall, I believe the Group is well placed to benefit from its strong market position when investors seek currency exposure as part of their investment or risk management strategies."

#### Analyst briefing

There will be a presentation for analysts at 9.30am on Tuesday 17 November 2009 at the offices of JPMorgan Cazenove Limited at 20 Moorgate London EC2R 6DA. A copy of the presentation will be made available on the Group's website at [www.recordcm.com](http://www.recordcm.com).

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# RECORD PLC

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 UNAUDITED

	Unaudited Six months ended 30-Sep-09 £'000	Unaudited Six months ended 30-Sep-08 £'000	Audited Year ended 31-Mar-09 £'000
<b>Revenue</b>			
Management fees	16,122	24,638	45,561
Performance fees	220	664	1,436
Other income	50	(4)	(201)
<b>Total revenue</b>	<b>16,392</b>	<b>25,298</b>	<b>46,796</b>
Cost of sales	-	(10)	(11)
<b>Gross profit</b>	<b>16,392</b>	<b>25,288</b>	<b>46,785</b>
Administrative expenses	(8,346)	(10,873)	(20,928)
<b>Operating profit</b>	<b>8,046</b>	<b>14,415</b>	<b>25,857</b>
Finance income	136	562	917
Finance costs	-	(4)	(5)
<b>Profit before tax</b>	<b>8,182</b>	<b>14,973</b>	<b>26,769</b>
Taxation	(2,261)	(4,240)	(7,494)
<b>Profit after tax</b>	<b>5,921</b>	<b>10,733</b>	<b>19,275</b>
Other comprehensive income, net of tax	-	-	-
<b>Total comprehensive income</b>	<b>5,921</b>	<b>10,733</b>	<b>19,275</b>
Basic earnings per share	2.68p	4.86p	8.73p
Diluted earnings per share	2.68p	4.85p	8.72p
Dividends paid (£'000)	4,767	4,778	10,142

**RECORD PLC****GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009  
UNAUDITED**

	<b>Unaudited As at 30-Sep-09 £'000</b>	Unaudited As at 30-Sep-08 £'000	Audited As at 31-Mar-09 £'000
<b>Non-current assets</b>			
Property, plant and equipment	<b>292</b>	518	368
Deferred tax assets	<b>173</b>	78	146
	<b>465</b>	596	514
<b>Current assets</b>			
Trade and other receivables	<b>8,335</b>	9,705	7,742
Cash and cash equivalents	<b>27,120</b>	26,824	29,798
	<b>35,455</b>	36,529	37,540
<b>Current liabilities</b>			
Trade and other payables	<b>(4,692)</b>	(7,979)	(7,076)
Corporation tax liabilities	<b>(2,810)</b>	(5,075)	(3,774)
Derivative financial liabilities	<b>(82)</b>	(69)	(13)
	<b>(7,584)</b>	(13,123)	(10,863)
<b>Net current assets</b>	<b>27,871</b>	23,406	26,677
<b>Total net assets</b>	<b>28,336</b>	24,002	27,191
<b>Equity</b>			
Issued share capital	<b>55</b>	55	55
Share premium account	<b>1,809</b>	1,809	1,809
Capital redemption reserve	<b>20</b>	20	20
Retained earnings	<b>26,452</b>	22,118	25,307
<b>Total equity</b>	<b>28,336</b>	24,002	27,191

# Chairman and Chief Executive Officer's statement

## Introduction

I am pleased to present Record plc's second interim report since the Company was admitted to trading on the London Stock Exchange's main market for listed securities in December 2007.

## Highlights of the period

The six months to 30 September 2009 have continued to be varied and challenging. The addition of two significant US Active Hedging mandates has significantly increased diversification between Absolute Return and Hedging with the business moving towards an even split of income across these products. Whilst investment performance of our Absolute Return products recovered during the six months generating overall positive returns, there were significant net outflows during the period.

The banking sector has recovered from the near collapse of the financial system following the failure of Lehman Brothers in September 2008. The growing confidence in the solvency and liquidity of the world's major banks has resulted in a return to more normal operating conditions in the forward foreign exchange markets. This has improved the execution of our currency investment process.

Our agreement with FTSE to develop and market a series of currency indices is a very significant development in the move to currency being recognised as an asset class in its own right. The launch of a manager-independent index will add credibility to the case for investing in currency. The first index, the FTSE Currency FRB (Forward Rate Bias) 5, represents an index that is readily available as an investment opportunity and is a 'beta' return stream equivalent to the equity beta. An index tracking product has been developed and is currently being trialled with an investment of £1m from the Group. It is intended to launch the product to clients in 2010.

The emerging markets are a significant market opportunity for the Group and it is intended to launch a series of currency products to exploit this. A first product has been developed and has been seeded with a £1m investment from the Group.

Assets under Management Equivalents ('AuME') grew to \$36.0bn at 30 September 2009, compared to \$31.5bn at 31 March 2009. The largest component of the increase was the net inflow into Active Hedging of \$5.6bn. Net client outflows in Absolute Return contributed \$4.9bn to the net reduction over the six-month period. Foreign exchange movements accounted for a \$3.2bn increase and strong equity market performance accounted for a \$1.9bn increase in mandate sizes. The number of clients stabilised in the six months at 118 (121 at 31 March 2009).

Management fees decreased to £16.1m for the six months to 30 September 2009, a decrease of 34.6% compared to the six months to 30 September 2008. Given prior valuation levels (or 'high water marks') achieved, performance fees earned in the period were modest. Hence profit before tax for the period was significantly less (45.4%) than for the equivalent period in the prior year.

The operating margin, at 49.1%, was also less than that achieved in the six months to 30 September 2008 (57.0%) although the decline was less marked than that in revenues. This reflects the flexibility in our cost base, not least due to Record's Group Profit Share (GPS) scheme which sets aggregate profit share at an average 30% of pre-GPS operating profit.

The Board has decided to change the dividend payment dates for the current financial year. For the year ending 31 March 2010, two interim dividend payments will be made, one in

December 2009 and one in March 2010 and a final dividend will be proposed for approval at the Annual General Meeting. Subject to business conditions, the Board currently intends to keep the overall dividend unchanged at 4.59p per share for the year.

An interim dividend of 2.0p per share will be paid on 22 December 2009 and a further interim dividend of 2.0p per share will be paid on 16 March 2010.

From 1 October 2009, the Board was strengthened with the addition of two Non-executive Directors, David Morrison and Jeremy Palmer. David brings particular expertise in the management of generation change in growing businesses, and Jeremy has a wide experience in the banking and wealth management sectors. We are pleased to welcome David and Jeremy to the Board.

As announced in the Annual Report and Accounts, Peter Wakefield, the Chief Operating Officer, left the Group on 28 August 2009. Peter spent ten years at Record and was instrumental in the development of the pooled funds and the IPO. I would like to thank Peter for the substantial contribution he has made to the business over those ten years. The responsibilities of the Chief Operating Officer have been split between the Chief Financial Officer and the Chief Investment Officer.

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

### **Investment performance**

Investment performance of our Absolute Return products varied dramatically between the first three months of the period and the second three months.

The first quarter (April-June 2009) saw a strong recovery of confidence in the investment markets in general, and 'investment' (high interest) currencies in particular. Since one of the principal drivers of Record's Absolute Return product is the Forward Rate Bias (the 'carry' trade), this resulted in a strong performance of this product. The 'gearing one' return of our 'alpha composite' was 2.3%, and this translated to a 17.8% return in the quarter for our highest geared (7x) fund – Cash Plus.

The second quarter of the period (July-September 2009) saw continued strength in the equity markets, but this did not flow through to a continuation of a recovery in the carry trade returns. This meant that we suffered a modest negative return in the quarter (of -1.4%), which translated into a negative return of -10.5% in the Cash Plus fund.

The lower volatility, the narrower bid-offer spreads, and a fall in the correlation between currency and equity markets (which has dominated the last two years) should ultimately feed through to better performance, and a resumption of the longer-term positive excess return that our investment process has delivered in the past.

At the time of writing, ultra-loose monetary policy still dominates almost all of the major economies in our developed market currency universe. History and economic logic tells us that this extreme policy position will only survive while private sector demand remains heavily depressed. Once private sector demand picks up, we will see a resumption of more normal monetary conditions, and indeed we may see tight policies emerge to counter the very high fiscal deficits prevalent in most major economies. This may bring particular opportunities for our Absolute Return product.

In summary, investment performance over the six months has been much more normal than hitherto, and we continue to have a very high level of confidence in the principles underlying our Absolute Return products and in our proven ability to out-perform 'naive' exploitation of the forward rate bias. We have no intention of making any fundamental changes to our investment process, and based on our understanding of the currency markets and our twenty

five years of experience, we are confident that our investment returns in the long term will match our own expectations and those of our clients.

### **Strategy, growth plans and outlook**

The significant movements in exchange rates over the last year have caused investors to re-examine their strategy for managing exchange rate exposure. For example, UK investors in international equities employing passive hedging mandates have experienced painful cash flow consequences. Similar investors who were unhedged are examining how they protect the currency gains. Record's business is well placed to be a beneficiary.

The return of positive investment performance has improved the retention of Absolute Return clients. If this trend continues then it would be reasonable to expect investment consultants and clients to consider allocating additional funding to this investment strategy. However, in the short term there may be further Absolute Return outflows.

In the medium to long term, the 'asset class project' has now commenced with the launch of the first currency index in conjunction with FTSE. The development of products to track the FTSE indices has the potential to result in significant inflow of investment into the currency universe. The first fund is now being trialled internally with the intention to launch this externally in 2010.

In addition to the asset class project, we continue to pursue opportunities in emerging markets. The first product has been developed and is now being trialled internally. It is anticipated that a product will be marketed to clients in 2010.

In order to position Record to benefit from developments in the currency market, the Group has continued to recruit talented individuals, enhance its processes and invest in systems infrastructure. In particular, the Group is currently in the process of replacing its back office system that will result in increased capital expenditure in the next twelve months.

When investors choose to allocate new money to currency management, or to reduce risk from existing currency exposures, we continue to believe that Record is well-placed to win a significant proportion of this business.

**Neil Record**

**Chairman and Chief Executive Officer**

**16 November 2009**

# Interim Management Review

## Business overview

The first half of the financial year has seen AuME increase and client numbers stabilise when compared to the preceding six months. At 30 September 2009 Record had 118 clients which compares with 121 clients at 31 March 2009. The Group's core distribution strategy is to continue to focus on its investment consultant relationships, supplemented by direct marketing by the in-house client team.

The first six months has seen the addition of two significant Active Hedging mandates but a continuation of the reduction in Absolute Return mandates, most notably for segregated accounts.

## Investment performance

The core investment process used within the pooled funds, the Trend/Forward Rate Bias (FRB) strategy, relies on the tendency of higher interest rate currencies to outperform lower interest rate currencies over the long term. The period from April to September 2009 was a period of 'two halves'. During the first three months high interest rate currencies outperformed low interest rate currencies and the Trend/FRB strategy produced strong positive results. During July, August and September the high interest rate currencies (most notably Sterling) underperformed, which resulted in negative performance. The overall performance during the half year period was positive.

The Range Trading strategy, which runs in parallel with the Trend/FRB strategy, relies on certain currency pairs trading in a narrow range to each other, and has the advantage of being generally uncorrelated to the return from the Trend/FRB strategy. Performance of the Range Trading strategy was positive over the period.

Market conditions during the period have improved with the levels of volatility declining and bid-offer spreads contracting. Overall we believe that the core contributors to the return will be as prevalent over the foreseeable future as they have been over most of the past thirty years. Once the FRB reasserts itself in the foreign exchange markets, we are confident that investment performance will improve.

Annual Returns of Record Umbrella Currency Funds; six months to 30 September 2009			
<i>Fund Name</i>	<i>Gearing</i>	<i>Annual Return %</i>	<i>Volatility since inception % p.a.</i>
Cash Plus	7	5.4%	20.4%
Equity Plus	6	36.0%	28.6%
US Cash Plus	7	10.5%	21.3%
US Equity Plus	6	29.4%	25.4%
Euro 1	3.5	2.5%	10.7%
Sterling 10	2.5	0.7%	6.9%
Sterling 20	5	(1.2%)	10.9%
Alpha composite	1	0.9%	2.9%
FTSE Currency FRB 5 USD Excess return <sup>2*</sup>	1	(2.2%)	N/A
Global Equities* (S&P 500)	N/A	32.5%	N/A

\*Included for comparison.

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<sup>2</sup> Source :FTSE



### Client development

Client numbers decreased marginally to 118 at 30 September 2009 (121 at 31 March 2009). Two US clients have commenced significant Active Hedging mandates in the period with combined AuME of \$7.6bn at 30 September 2009. This is anticipated to grow over the next 3 months to \$7.9bn.

### AuME analysis

As previously noted, the Group's Assets under Management Equivalents ('AuME') was \$36.0bn at 30 September 2009, an increase of \$4.5bn during the six month period.

AuME Movement in the six months to 30 September 2009	
	US\$ billion
<b>AuME at 31 March 2009</b>	<b>\$31.5</b>
Net client inflows/(outflows)	(\$1.1)
Investment performance impact	\$0.5
Equity market impact	\$1.9
Foreign exchange impact	\$3.2
<b>AuME at 30 September 2009</b>	<b>\$36.0</b>

### Net client flows

During the six months to 30 September 2009 net client outflows were \$1.1bn, with gains in Active Hedging being offset principally by reductions in segregated Absolute Return and Passive Hedging.

### Investment performance

Positive investment performance during the period contributed \$0.5bn of the increase in AuME since investment returns are compounded on a geared basis into the AuME of the pooled funds managed by Record.

### Stock and other market performance

Record's AuME is also affected by movements in stock and other market levels because substantially all the Passive and Active Hedging, and some of the Absolute Return mandates are linked to stock and other market levels. Market performance had a positive impact, increasing AuME in the six months to 30 September 2009 by \$1.9bn.

### Forex

The foreign exchange impact of expressing non-US\$ AuME in US\$ was the most significant factor. 73% of the Group's AuME is non-US\$ denominated and expressing this in US\$ accounted for \$3.2bn of the increase in AuME reported for the period.

## AuME composition

The factors determining the movements in AuME also impact its composition. At 30 September 2009 Absolute Return AuME represented 28.3% of total AuME, which was split between segregated (11.7% of total AuME) and pooled mandates (16.6% of total AuME). This is down from 50.4% at 30 September 2008 and 42.5% at 31 March 2009. The corresponding gain was in Active Hedging, which increased in absolute and relative terms to \$11.1bn and 30.8% of total AuME at 30 September 2009.

AuME by product expressed in US Dollars						
AuME \$ billions	30 Sep 09		30 Sep 08		31 Mar 09	
Absolute Return - segregated	4.2	11.7%	12.0	25.1%	8.3	26.3%
Absolute Return - pooled	6.0	16.6%	12.1	25.3%	5.1	16.2%
Sub-Total Absolute Return	10.2	28.3%	24.1	50.4%	13.4	42.5%
Active Hedging	11.1	30.8%	5.9	12.3%	4.0	12.7%
Passive Hedging	13.4	37.2%	15.1	31.7%	13.0	41.3%
Cash	1.3	3.7%	2.7	5.6%	1.1	3.5%
<b>Total</b>	<b>36.0</b>	<b>100%</b>	<b>47.8</b>	<b>100%</b>	<b>31.5</b>	<b>100%</b>

AuME by product expressed in Sterling						
AuME £ billions	30 Sep 09		30 Sep 08		31 Mar 09	
Absolute Return - segregated	2.6	11.7%	6.7	25.1%	5.8	26.3%
Absolute Return - pooled	3.8	16.6%	6.8	25.3%	3.5	16.2%
Sub-Total Absolute Return	6.4	28.3%	13.5	50.4%	9.3	42.5%
Active Hedging	6.9	30.8%	3.3	12.3%	2.8	12.7%
Passive Hedging	8.4	37.2%	8.5	31.7%	9.1	41.3%
Cash	0.8	3.7%	1.5	5.6%	0.8	3.5%
<b>Total</b>	<b>22.5</b>	<b>100%</b>	<b>26.8</b>	<b>100%</b>	<b>22.0</b>	<b>100%</b>

The AuME composition has also changed in terms of the underlying base currencies. As a result of the commencement of two significant US Active Hedging mandates, US Dollar is the base currency for 26.9% of total AuME at 30 September 2009 (31 March 2009: 15.2%). Sterling is still the most significant base currency making up 40.1% of total AuME at 30 September 2009 (31 March 2009: 44.1%).

AuME by base currency and product								
Base currency billions	Absolute Return Segregated		Absolute Return Pooled		Active Hedging		Passive Hedging	
	Sep 09	Mar 09	Sep 09	Mar 09	Sep 09	Mar 09	Sep 09	Mar 09
Sterling	£1.5	£2.2	£3.4	£3.2	£0.9	£0.3	£2.9	£3.6
US Dollar	US\$0.8	US\$3.3	-	-	US\$8.9	US\$1.3	-	US\$0.2
Swiss Franc	SFr 0.6	SFr 1.7	-	-	SFr 0.8	SFr 2.6	SFr 8.0	SFr 7.8
Euro	-	-	€0.4	€0.3	-	-	€0.7	€0.6
Canadian Dollar	C\$0.5	C\$0.5	-	-	-	-	-	-
<b>Total</b>	<b>US\$4.2</b>	<b>US\$8.3</b>	<b>US\$5.9</b>	<b>US\$5.0</b>	<b>US\$11.1</b>	<b>US\$4.0</b>	<b>US\$13.5</b>	<b>US\$13.0</b>

## Product development

As highlighted in the Chairman and Chief Executive Officer's statement, Record entered into a co-operation agreement with FTSE to develop a series of currency indices. This is seen as a significant development for currency as this is believed to be the first manager-independent index to capture the pure 'beta'. The first index, the 'FTSE Currency FRB 5 Index', was launched on 21 September 2009 with further indices anticipated in due course. An index tracking product has been developed to mirror the index returns and is currently being trialled. Record plc invested £1m into the fund on 1 October 2009. Following an initial trial period it is currently anticipated that this product will be made available to clients in 2010.

The first emerging market product has also been developed and was seeded with a £1m investment from the Group on 5 November 2009. It is intended to offer this product to clients in 2010, following the trial period. It is believed that this will be the first of a series of products in emerging markets.

The seed capital for both products will be redeemed once the products have reached a sufficient size.

## Revenue

Management fee income for the six months to 30 September 2009 was £16.1m, which was 34.6% lower than for the six months to 30 September 2008 (£24.6m). Absolute Return products generated lower management fees and both Passive Hedging and Active Hedging generated higher management fees during the six months to 30 September 2009. In the six months to 30 September 2009 Absolute Return generated 56.9% of the management fee income, with Active Hedging generating 36.7%.

Management fees by product – (£m)			
Product	HY 30 Sep 09	HY 30 Sep 08	FY 31 Mar 09
Absolute Return:- segregated	4.6	9.2	18.3
- pooled	4.6	12.1	19.7
Absolute Return - combined	<b>9.2</b>	<b>21.3</b>	<b>38.0</b>
Active Hedging	5.9	2.7	6.1
Passive Hedging	1.0	0.6	1.5
<b>Total management fee income</b>	<b>16.1</b>	<b>24.6</b>	<b>45.6</b>

A significant factor in the reduced management fee income reported for the six months to 30 September 2009, is that the average management fee rate achieved during the six months to September 2009 was lower for Absolute Return, particularly pooled clients, than for the same six month period in 2008. Average management fees for both Passive Hedging and Active Hedging increased during the six months to 30 September 2009.

The average fee rates achieved for both segregated and pooled Absolute Return mandates decreased to 25.7bps and 24.4bps respectively (26.3bps and 31.4bps respectively for the six months to 30 September 2008). The average Active Hedging management fee rate increased to 23.1bps (six months to 30 September 2008: 20.6bps).

Record typically offers all Absolute 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. The fee combinations are structured so that Record is indifferent between them in the medium-term. Those Absolute Return pooled fund clients that had chosen to pay only management

fees have been offered, from April 2009, the option to move to management plus performance fees comprising a management fee approximately 45% lower than the previous arrangement together with a 'high water mark' at inception of the mandate. The majority of eligible clients have taken up this offer and this explains the significant reduction in management fee rates experienced in the six months to 30 September 2009.

<b>Average management fee rates by product – (bps*)</b>			
<b>Product</b>	<b>HY 30 Sep 09</b>	<b>HY 30 Sep 08</b>	<b>FY 31 Mar 09</b>
Absolute Return:- segregated	25.7	26.3	27.2
- pooled	24.4	31.4	29.8
Absolute Return - combined	<b>25.0</b>	<b>29.0</b>	<b>28.5</b>
Active Hedging	<b>23.1</b>	<b>20.6</b>	<b>20.6</b>
Passive Hedging	<b>2.4</b>	<b>1.4</b>	<b>1.7</b>
<b>Composite average fee rate</b>	<b>14.8</b>	<b>17.8</b>	<b>17.1</b>

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

Performance fees earned during the six months to 30 September 2009 were £0.2m compared with £0.7m during the same period to 30 September 2008. A fuller explanation of the market conditions and the implication for the investment performance of our Absolute Return product is given in the Chairman & CEO's statement. A further factor in explaining performance fees is that our performance fee structures are subject to a 'high water mark' clause that states that cumulative performance, typically since inception of the mandate, must be above the previous high point on which performance fees were charged before performance fees are charged again.

### **Expenditure**

Expenditure in the six months to 30 September 2009 fell £2.6m to £8.3m from £10.9m in the six months to 30 September 2008. The reduction was primarily in the Group Profit Share (GPS) scheme which was 30% of pre-GPS operating profit in the period.

<b>Expenditure</b>			
	<b>HY 30 Sep 09</b>	<b>HY 30 Sep 08</b>	<b>FY 31 Mar 09</b>
Personnel costs	<b>3.1</b>	<b>2.6</b>	<b>5.6</b>
Non-personnel costs	<b>1.7</b>	<b>2.1</b>	<b>4.2</b>
<b>Sub-total expenditure</b>	<b>4.8</b>	<b>4.7</b>	<b>9.8</b>
Group Profit Share	<b>3.5</b>	<b>6.2</b>	<b>11.1</b>
<b>Total expenditure</b>	<b>8.3</b>	<b>10.9</b>	<b>20.9</b>

Looking forward, the Group is currently in the process of replacing its back office systems and it is anticipated that this will result in a small increase in system costs.

### **Operating margins**

The operating profit for the six months to 30 September 2009 of £8.0m (49.1%) reflects the lower management fee income and lack of performance fees in 2009 and compares with the operating profit of £14.4m (57.0%) for the same period in 2008. The reduction in management fees of £8.5m compares with the reduction of £6.4m in operating profit.

## **Operating cash flow**

The Group generated £5.8m of net cash flow from operating activities during the six months ended 30 September 2009 (six months ended 30 September 2008: £14.9m). Taxation paid during the period was £3.8m compared with £6.3m for the six months to 30 September 2008. On 5 August 2009 the Group paid a final dividend of 2.16p per share in respect of the six month period ended 31 March 2009. This equated to a distribution to shareholders of £4.8m.

The Board's intention is to retain sufficient capital within the business to meet continuing obligations, sustain future growth and to provide a buffer against adverse market conditions. The Group has no debt to repay or service. Shareholders' funds were £28.3m at 30 September 2009 (30 September 2008: £24.0m).

## **Dividends**

Subject to business conditions, the Group currently intends to maintain the dividend at 4.59p per share for the financial year ending 31 March 2010, recognising that this is an affordable dividend in the current environment that maintains balance sheet strength. The Group will pay an interim dividend of 2.0p per share in December 2009, a further interim dividend of 2.0p per share in March 2010 and anticipates proposing a final dividend of 0.59p per share for approval at the Annual General Meeting.

The Group will pay an interim dividend of 2.0p per share in respect of the six months ended 30 September 2009. The dividend will be paid on 22 December 2009 to shareholders on the register on 27 November 2009. The dividend payment will equate to a distribution of £4.4m in total and will leave approximately £23.6m of cash on the balance sheet which is significantly higher than necessary to satisfy the financial resources and liquidity requirements of the FSA and represents over two years of current overhead cover.

A further interim dividend of 2.0p per share will be paid on 16 March 2010 to shareholders on the register on 19 February 2010.

## **Principal risks and uncertainties**

The principal risks and uncertainties documented in the Annual Report and Accounts for the year ended 31 March 2009 are still relevant to Record.

In addition to these risks, the proportion of management fee income concentrated on the top ten clients has increased from 40.4% at 31 March 2009 to 54.0% at 30 September 2009. Whilst there have been changes to the composition of the top ten clients, the new US Active Hedging mandates have been largely responsible for this increased concentration.

The proportion of revenue earned in foreign currency has also increased in the period from 44.4% for the year ended 31 March 2009 to 52.6% for the six months ended 30 September 2009. The Group hedges the invoiced foreign exchange transaction risk using forward currency contracts.

Although the growth of the Active Hedging product has diversified the Group's product base, the level of AuME and fee income is dependent on currency values, performance of underlying assets (typically international equities) and the clients' investment strategies.

**Cautionary statement**

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

# Statement of Directors' responsibilities

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

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

Neil Record  
Chairman and Chief Executive Officer

16 November 2009

Paul Sheriff  
Chief Financial Officer

16 November 2009

# Independent review report to Record plc

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement, consolidated statement of changes in equity and the related notes. We have read the other information contained in the half yearly financial report which comprises only the financial highlights, Chairman and Chief Executive Officer's statement, interim management review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

## Our responsibility

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
London  
16 November 2009



# RECORD PLC

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 UNAUDITED

	Note	Unaudited Six months ended 30-Sep-09 £'000	Unaudited Six months ended 30-Sep-08 £'000	Audited Year ended 31-Mar-09 £'000
<b>Revenue</b>	3			
Management fees		16,122	24,638	45,561
Performance fees		220	664	1,436
Other income		50	(4)	(201)
<b>Total revenue</b>		<b>16,392</b>	25,298	46,796
Cost of sales		-	(10)	(11)
<b>Gross profit</b>		<b>16,392</b>	25,288	46,785
Administrative expenses		(8,346)	(10,873)	(20,928)
<b>Operating profit</b>		<b>8,046</b>	14,415	25,857
Finance income		136	562	917
Finance costs		-	(4)	(5)
<b>Profit before tax</b>		<b>8,182</b>	14,973	26,769
Taxation		(2,261)	(4,240)	(7,494)
<b>Profit after tax</b>		<b>5,921</b>	10,733	19,275
Other comprehensive income, net of tax		-	-	-
<b>Total comprehensive income</b>		<b>5,921</b>	10,733	19,275
Basic earnings per share	6	2.68p	4.86p	8.73p
Diluted earnings per share	6	2.68p	4.85p	8.72p
Dividends paid (£'000)	9	4,767	4,778	10,142

**RECORD PLC**

**GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009  
UNAUDITED**

	Note	Unaudited As at 30-Sep-09 £'000	Unaudited As at 30-Sep-08 £'000	Audited As at 31-Mar-09 £'000
<b>Non-current assets</b>				
Property, plant and equipment		292	518	368
Deferred tax assets		173	78	146
		<b>465</b>	<b>596</b>	<b>514</b>
<b>Current assets</b>				
Trade and other receivables	7	8,335	9,705	7,742
Cash and cash equivalents		27,120	26,824	29,798
		<b>35,455</b>	<b>36,529</b>	<b>37,540</b>
<b>Current liabilities</b>				
Trade and other payables		(4,692)	(7,979)	(7,076)
Corporation tax liabilities		(2,810)	(5,075)	(3,774)
Derivative financial liabilities		(82)	(69)	(13)
		<b>(7,584)</b>	<b>(13,123)</b>	<b>(10,863)</b>
<b>Net current assets</b>		<b>27,871</b>	<b>23,406</b>	<b>26,677</b>
<b>Total net assets</b>		<b>28,336</b>	<b>24,002</b>	<b>27,191</b>
<b>Equity</b>				
Issued share capital	8	55	55	55
Share premium account		1,809	1,809	1,809
Capital redemption reserve		20	20	20
Retained earnings		26,452	22,118	25,307
<b>Total equity</b>		<b>28,336</b>	<b>24,002</b>	<b>27,191</b>

# RECORD PLC

## GROUP CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2009 UNAUDITED

	Unaudited Six months ended 30-Sep-09 £'000	Unaudited Six months ended 30-Sep-08 £'000	Audited Year ended 31-Mar-09 £'000
Profit after tax	5,921	10,733	19,275
Adjustments for:			
Corporation tax	2,261	4,240	7,494
Finance income	(136)	(562)	(917)
Finance expense	-	4	5
Depreciation of property, plant and equipment	128	178	363
	8,174	14,593	26,220
Changes in working capital			
(Increase)/decrease in receivables	(600)	(820)	1,038
Increase/(decrease) in payables	(1,806)	1,070	(27)
Increase/(decrease) in other financial liabilities	69	46	(11)
<b>Cash flows from operating activities</b>	<b>5,837</b>	<b>14,889</b>	<b>27,220</b>
Interest paid	-	(4)	(5)
Income tax paid	(3,788)	(6,337)	(10,176)
<b>Net cash inflow from operating activities</b>	<b>2,049</b>	<b>8,548</b>	<b>17,039</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(52)	(85)	(120)
Interest received	144	594	1,054
<b>Net cash flows from investing activities</b>	<b>92</b>	<b>509</b>	<b>934</b>
<b>Cash outflow from financing activities</b>			
Purchase of EBT	(52)	-	(578)
Dividends paid to equity shareholders	(4,767)	(4,778)	(10,142)
<b>Net cash outflow from financing activities</b>	<b>(4,819)</b>	<b>(4,778)</b>	<b>(10,720)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(2,678)</b>	<b>4,279</b>	<b>7,253</b>
Cash and cash equivalents at beginning of period	29,798	22,545	22,545
<b>Cash and cash equivalents at the period end</b>	<b>27,120</b>	<b>26,824</b>	<b>29,798</b>

**RECORD PLC**

**GROUP STATEMENT OF CHANGE IN EQUITY  
UNAUDITED**

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000	£'000	£'000
<b>As at 1 April 2008</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>16,665</b>	<b>18,549</b>
Profit and total comprehensive income for the period	-	-	-	10,733	10,733
Dividends paid	-	-	-	(4,778)	(4,778)
Own shares held by EBT	-	-	-	(502)	(502)
<b>As at 30 September 2008</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>22,118</b>	<b>24,002</b>
Profit and total comprehensive income for the period	-	-	-	8,542	8,542
Employee share options	-	-	-	88	88
Dividends paid	-	-	-	(5,364)	(5,364)
Own shares held by EBT	-	-	-	(77)	(77)
<b>As at 31 March 2009</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>25,307</b>	<b>27,191</b>
Profit and total comprehensive income for the period	-	-	-	5,921	5,921
Employee share options	-	-	-	43	43
Dividends paid	-	-	-	(4,767)	(4,767)
Own shares held by EBT	-	-	-	(52)	(52)
<b>As at 30 September 2009</b>	<b>55</b>	<b>1,809</b>	<b>20</b>	<b>26,452</b>	<b>28,336</b>

# Notes to the accounts

For the six months ended 30 September 2009

## 1 Basis of preparation

The financial information for the year ended 31 March 2009 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2009 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006. The financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed financial statements should be read in conjunction with the Group's Annual Report for the year ended 31 March 2009, which have been prepared in accordance with IFRSs as adopted by the European Union. The Annual Report for the year ended 31 March 2009 is available on the Group's website.

## 2 Significant accounting policies

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

The accounting policies presentation and methods of computation applied in the interim financial statements are consistent with those applied in the financial statements for the year ended 31 March 2009, except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating segments.

## 3 Segmental analysis

The Directors consider that the Group's services comprise one operating segment (being the provision of currency management services) and that it operates in a market that is not bound by geographical constraints.

The Group provides the Directors with additional revenue information by product. It is unable to allocate costs, assets and liabilities by product and on that basis, the Directors consider that the group has only one segment.

The Group sub-divides the single operating segment into two currency management products being 'Hedging' and 'Absolute Return' and reports its performance between two fee structures being 'management fees' and 'performance fees'. Revenue information analysing the aforementioned products is presented below:

### (a) Product class

The Group's main trading activities can be split between currency management and other Group activities including consultancy.

	Six months ended 30-Sep-09	Six months ended 30-Sep-08	Year ended 31-Mar-09
	£'000	£'000	£'000
Currency management income			
Active hedging			
Management fees	5,921	2,687	6,065
Performance fees	-	60	831
Passive hedging			
Management fees	1,026	616	1,547
Absolute Return segregated funds			
Management fees	4,577	9,175	18,261
Performance fees	-	-	-
Absolute Return pooled funds			
Management fees	4,598	12,160	19,688
Performance fees	220	604	605
	<b>16,342</b>	<b>25,302</b>	<b>46,997</b>

Other revenues	50	(4)	(201)
	<b>16,392</b>	25,298	46,796

(b) Geographical regions served

The geographical analysis of revenue is based on the domicile of the client. 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.

	Six months ended 30-Sep-09 £'000	Six months ended 30-Sep-08 £'000	Year ended 31-Mar-09 £'000
Currency management income			
US and Canada	4,320	2,447	5,193
UK	7,766	16,028	27,388
Other European	3,598	4,584	9,249
ROW	658	2,243	5,167
	<b>16,342</b>	25,302	46,997
Other Group activities	50	(4)	(201)
	<b>16,392</b>	25,298	46,796

#### 4 Share-based payments

The Group issues share awards to employees. Share options issued under the Flotation Bonus Scheme and the Group Profit Share 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 options at grant date less the cash forfeited in order to receive the share options. The debt component is charged to profit and loss over the period in which the award is earned, the equity component is charged to profit and loss over the vesting period of the option.

The Group has also issued nil cost options over a total of £400,000 worth of issued shares to two senior employees. The fair value of these options is charged to profit and loss over the vesting period of the options.

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

The fair value amounts for the options issued were determined using quoted share prices.

#### 5 Own shares

The Record plc Employee Benefit Trust (EBT) was formed under a Trust Deed dated 19 December 2007 to hold shares acquired under share awards made to employees. A total of 168,287 ordinary shares were acquired on 21 December 2007 under the Record plc Flotation Bonus Scheme by the Trust, a further 282,926 shares have been purchased under the Record plc Group Profit Share scheme and 383,531 shares were purchased in respect of nil cost options awarded to two senior employees. A total of 96,632 share options have vested. The EBT continues to hold 783,112 shares at 30 September 2009. 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.

#### 6 Earnings per share

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

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

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

	Six months ended 30-Sep-09	Six months ended 30-Sep-08	Year ended 31-Mar-09
Weighted average number of shares used in calculation of basic earnings per share	220,668,098	221,069,397	220,878,796
Effect of potential dilution - share options	416,830	89,212	246,472
<b>Weighted average number of shares used in calculation of diluted earnings per share</b>	<b>221,084,928</b>	<b>221,158,609</b>	<b>221,125,268</b>
	pence	pence	pence
Basic earnings per share	2.68	4.86	8.73
Diluted earnings per share	2.68	4.85	8.72

The potential dilutive shares relate to the share options granted in respect of the Group's three incentive schemes i.e. the Group Profit Share scheme, the Flotation Bonus Scheme and the Share Scheme. There were 696,972 share options in place at the beginning of the period, 41,320 were exercised during the year. In June 2009, the Group granted a further 82,460 share options with a potentially dilutive effect.

#### 7 Trade and other receivables

Other receivables as at 30 September 2009 included £1m held by Northern Trust (the Custodian of the Record Umbrella Fund) which was subsequently subscribed into the newly created Carry 250 fund on 1 October 2009. The Carry 250 fund is a sub-fund of the Record Umbrella Fund. The subscription is seed capital for the sub-fund which is expected to be redeemed in the near future once the sub-fund reaches a sufficient size.

#### 8 Called up share capital

	As at 30 September 2009		As at 30 September 2008		As at 31 March 2009	
	£'000	Number	£'000	Number	£'000	Number
Authorised						
Ordinary shares of 0.025p each	100	400,000,000	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	55	221,380,800
Changes to the authorised and issued share capital						
			£'000		Number	
Ordinary shares of 0.025p each as at 1 April 2008			55		221,212,513	
Adjustment for own shares held by EBT			–		(480,328)	
As at 30 September 2008			55		220,732,185	
Adjustment for additional own shares held by EBT			–		(48,357)	
As at 31 March 2009			55		220,683,828	
Adjustment for additional own shares held by EBT			–		(41,140)	
As at 30 September 2009			55		220,642,688	

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 30 September 2009, the EBT held 738,112 ordinary shares of 0.025p in Record plc (30 September 2008: 648,615; 31 March 2009: 696,972).

#### 9 Dividends

The dividends paid by the Group during the six months ended 30 September 2009 totalled £4,766,771 (2.16p per share) in respect of the year ended 31 March 2009. The dividends paid in the year ended 31 March 2009 totalled £10,141,982 (4.59p per share). This included a final dividend of £4,778,190 (2.16p per share) paid in respect of the year ended 31 March 2008 and an interim dividend of £5,363,792 (2.43p per share) paid on 30 December 2008.

#### 10 Related party transactions

The Group considers parties to be related if one party has the ability to control the other party or

exercise significant influence over the other party in making financial or operational decisions.

The compensation for the key management personnel who are considered to be related parties is as follows:

	Six months ended 30-Sep-09	Six months ended 30-Sep-08	Year ended 31-Mar-09
	£'000	£'000	£'000
Short-term employee benefits	3,925	5,457	10,947
Post-employment benefits	175	160	319
Share-based payment benefits	82	-	149
	4,182	5,617	11,415

#### Transactions with subsidiaries

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, are shown below:

	Six months ended 30-Sep-09	Six months ended 30-Sep-08	Year ended 31-Mar-09
	£'000	£'000	£'000
Liabilities settled by subsidiary on behalf of parent	-	-	19
Net dividends received	4,782	4,530	9,930
	£'000	£'000	£'000
Amounts due to subsidiaries	1,028	10	28

#### 11 Post balance sheet events

There are no post balance sheet events for the period since 30 September 2009.



# 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](http://www.recordcm.com)

**Registrar**

Capita Registrars Limited  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
West Yorkshire  
HD8 0GA

Further information about the Registrar is available on their website [www.capitaregistrars.com](http://www.capitaregistrars.com)