RECORD

# Modernisation and diversification… building on our strong core

**Record plc**

Interim Report 2021

Six months ended
30 September 2021

## About us

# Our purpose: to deliver innovative, thought leading and practical solutions to the needs of currency market users and investors, while maintaining independence and integrity.

We are an independent, specialist currency and derivatives manager with over 38 years of experience which has allowed us to develop a deep and fundamental understanding of the risk and reward opportunities within those markets. Record plc has a premium listing on the Main Market of the London Stock Exchange.

*Signatory of:*

# Our highlights

## AUME[1] at period end

**$84.1bn**

H1-21[2]: $65.9bn, FY-21: $80.1bn

## Earnings per share

**2.08p**

H1-21: 1.10p, FY-21: 2.75p

## Client numbers at period end

**89**

H1-21: 74, FY-21: 89

## Revenue

**£16.3m**

H1-21: £11.8m, FY-21: £25.4m

## Profit before tax

**£5.2m**

H1-21: £2.6m, FY-21: £6.2m

## Ordinary dividend per share

**1.80p**

H1-21: 1.15p, FY-21: 2.30p

## Contents



1. As a currency and derivatives manager, Record manages only the impact of foreign exchange and not the underlying assets, therefore its "assets under management" ("AUM") 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").
2. H1-21 indicates the six-month period to 30 September 2020. H2-21 indicates the six-month period to 31 March 2021. FY-21 indicates the financial year ended 31 March 2021.

# Chief Executive Officer's statement

## We continue with our inexorable move to a more technologically agile and diversified business.

**Leslie Hill**
Chief Executive Officer

We are expanding our offering to clients and yet remaining a go-to provider for currency and derivative products and solutions. We will always have currency as our core competence, in all its forms, but as you will see reading below we are branching out, as promised. This is a critical part of our future success.

### Progress against strategy

Our EM Sustainable Finance Fund, launched with our client UBS in June of this year, continues to develop its Frontier Currency and Sustainable Bond portfolios and interest in the area is growing. Our total current Frontier and EM currency portfolio stands at $3.3 billion and we are starting to engage with other clients who need help with innovative solutions in this area, in the realms of both debt and currency.

Our European business, particularly in Germany, continues to grow and our first material German Dynamic Hedging mandate started this summer. We set up our German subsidiary, Record Asset Management GmbH with offices in Frankfurt, in the final calendar quarter of 2020 and applied for a BaFin licence earlier this year. Our Head of Sales Dr Jan Witte is spearheading these efforts, supported by a growing European team based out of Zurich, Amsterdam and Frankfurt.

Most promisingly, we anticipate launching a Luxembourg-based Municipal Loan Fund with Universal-Investment as Fund Manager by the end of the financial year; this fund will combine European Municipal Loans managed by our Fixed Income and Derivatives teams with European trade receivables provided by our collaboration partners Siegfried and VTeam. This new development will expand our range of products and further increase the scalability and diversification of our revenue sources.

### Modernisation

This work continues at a strong but measured pace, with initiatives to build a robust and secure data storage warehouse and enhanced FX execution capabilities engaging our growing in-house team and working in conjunction with subject matter experts. This is all part of bringing the latest technology and design approaches into the heart of our business, definitely a journey not a "destination" but one that I am confident will continue to yield new revenue sources through new offerings, as well as cost savings by continuing to deliver efficiencies. The house is not finished and we are working away covered in dust with all the windows open, but we have a good architect and a great building team whom we try and give all the TLC they need to make the place a home that all our clients, old and new, want to visit, and never leave.

**AUME at period end**

**$84.1bn**

H1-21: $65.9bn, FY-21: $80.1bn

**+5%**

## Succession

We have made some new appointments and promotions in the last year, and plan to give more opportunity to our young talent. The addition of our London office will help to continue to attract and retain talent, while retaining some of our most experienced directors as consultants during the transition to ensure stability and resilience. This is one of the best parts of my job, getting the right people in the right jobs and then supporting and mentoring them, although to be fair they teach me just as much.

We also continue to award equity options through our JSOP and share option schemes and these are proving popular with staff. In our recent appointments, Matt Hotson and Krystyna Nowak, we have two new Non-executive Directors who are bringing a very interesting strategic dynamic to the Board, and this will be very helpful to me going forward.

## Financial results and dividends

The benefits of our change in strategy are now starting to be reflected in our financial performance. Our push for diversification into higher-margin and more scalable products and revenue streams has increased revenue by 38% and almost doubled our pre-tax profits, with our operating profit margin increasing to 32% from 22% versus the same period last year. Further financial information can be found in the Financial review on pages 9 to 11.

Notwithstanding the challenges arising from both covid-19 and our change in strategy over the last 18 months, neither our capital management policy nor our dividend policy has changed. The Board continues to remain confident in the ability of the business to deliver on its planned strategy and to achieve further growth, and has decided to pay an increased interim dividend of 1.80 pence per share (HY21: 1.15 pence per share) on 30 December 2021 to shareholders on the register at 3 December 2021.

## Outlook

I am very aware of the need for revitalisation, evolution and change while we keep what is so good about us; our special expertise, our integrity and our experienced staff. The marriage of old and new is a delicate and subtle art but one that, as we get it right, and I believe we are, will yield exciting growth and development avenues for us in the future. We are very much at the start of what we can accomplish.

**Leslie Hill**
Chief Executive Officer

22 November 2021

# Interim management review

## The launch of the EM Sustainable Finance Fund was a milestone in our strategic transition towards modernisation and growth.

### Market review

The six months to 30 September 2021 were characterised by a more auspicious covid-19 outlook as efforts to keep economies open were generally more successful than the six months prior. The period began on less positive footing as the highly transmissible Delta variant became widespread, however high inoculation rates combined with management strategies – rather than "covid-zero" policies – generally saw economic activity and mobility continue to recover and global transmission rates moderated towards the end of the period.

In spite of the progress made towards exiting the pandemic, global economic reflation slowed in pace on account of both the winding down of government support measures and supply chain issues. Investor attention instead turned towards the prospect of a more protracted period of elevated inflation rates. Reopening demand was unmatched by supply across a range of production factors including labour, energy commodities and finished goods due to supply chain disruptions. These factors combined to create a "perfect storm" of commodity price increases, with energy prices rising significantly through the period, and in particular natural gas more than doubled in price.

Central banks had the challenge of calibrating policy in response to the uncertain outlook. Initially thought to be "transitory" in nature, sticky inflation rates and rising commodity prices began to drive market-based measures of short-term inflation expectations higher. The Federal Reserve ("Fed") carefully communicated policy intentions over the period, indicating with increasing confidence that tapering of asset purchases would be appropriate towards the end of the year. The Fed remained reluctant to raise rates this year, with the Fed dot-plot suggesting 2022 was more appropriate. At the same time, EM central banks – especially those of commodity exporters – began decisive rate hiking cycles to arrest inflation pressures.

Global risk sentiment was broadly supported up to September, likely helped along by still exceptionally easy financial conditions. Market appetite shrank towards the end of the period over concerns around China's Evergrande's solvency, the European energy crisis, and fears over the US debt ceiling. Furthermore, a series of Chinese regulatory crackdowns pressured equity markets. Currency moves during the period were driven by the interplay of shifts in risk sentiment, relative covid-19 outlooks, inflation surprises, and the perceived reaction function of central banks. The US dollar declined during the first two months of the period before appreciating in the remaining months and ended the period around 1% up on a trade-weighted basis.

### Operating review

As the impact of the pandemic on our business now starts to recede, during the last six months we have begun to see the signs of growth and renewed interest from clients in innovation, especially in the area of sustainable investment. We are working closely in collaboration with our preferred partners to develop innovative solutions, whilst continuing to invest in our people and infrastructure, more information for which is given below.

#### Our clients

Record's strong institutional client base responded robustly to the pandemic, maintaining their strategic hedging programmes in almost all cases. As lockdowns have lifted in most jurisdictions, the business of investing has returned to normal with appetite amongst clients to pick up new projects previously put to one side during the height of the pandemic. Two key themes continue to dominate investors' focus: adding yield and increasing sustainability. Record's efforts have therefore been focused on helping our clients achieve these goals in a number of ways. One highlight of the half year was the launch of the Record EM Sustainable Finance Fund. This fund not only solves a number of challenges for our leading global wealth manager partner, including the ability to offer innovation in sustainable investments via exposure to EM local currencies, but has received widespread interest both from existing and new clients.

Other asset managers are also feeling the return of allocators to the market and we are seeing redoubled interest from alternative managers in bespoke hedging solutions as clients search globally for yield, as well as alternative investments in sustainable finance. Finally, we are seeing the appetite for yield in a number of bespoke projects which combine Record's expertise with that of best-in-class third parties in order to help our clients maximise their returns in the challenging investment environment. As always, the strength of our relationships and the trust our clients place in us is at the heart of all that we do from cutting edge innovation to efficient and reliable implementation.

## Our people

Having successfully navigated through the most critical stages of the pandemic, we have proved that it's possible to have employees working remotely without any diminution in client service levels, security or productivity. Consequently, and looking ahead to the future, we are now able to offer a much broader degree of flexibility to employees with respect to where and how they work. Not only does this enhance the work-life balance of our employees and hence their general wellbeing and mental health, it is another "tool in the box" for attracting and retaining our talented employees. Notwithstanding the above, the importance of continuing to provide high-quality office space to reinforce the benefits of collaborative working, training and social interaction is not underestimated. In this respect, we recently opened a new office in London and plan to downsize our Windsor headquarters upon cessation of the lease in September 2022, which gives further choice to our employees as to how best utilise their time working, for example with clients, working alone or working in collaboration with each other. We believe that offering such a balance and choice both in work patterns and location will serve to increase overall productivity and employee retention, in addition to helping to attract new talent to the business.

## Our technology and operations

As the UK government's lockdown measures have eased, Record has successfully continued working from home, with business continuity fully maintained throughout the period. We are now supporting flexible working across the business, including remote working, office-based, or hybrid working patterns enabled for all staff. Remote access systems and security controls have continued to be enhanced in line with this, as well as further investment in IT hardware as required. This new normal has therefore become the foundation for us from which to further automate existing manual tasks, explore new technologies and processes, and invest in modern software development projects.

## Our governance and oversight

A comprehensive review of our governance structure is currently underway. This will ensure that we have the most appropriate structure to support the strategy, and to continue to provide the relevant level of control and oversight across all of the Group companies aligned with the expected future growth of the Group. In the meantime, our governance, risk and management reporting framework continues to function as expected. Meetings on the whole take place in the office, with some hybrid meetings allowing participants to dial in remotely.

## Our business model and profitability

Our existing hedging products and client base continue to provide a robust core of revenue upon which to build, and we continue to work hard in maintaining our strong relationships and the highest levels of client service in this regard. However, in order to deliver the growth and longevity demanded by our change in strategy, it is also necessary to provide innovative and scalable products, using technology to ensure efficiency of delivery, to increase margins and to maximise profitability.

Following our transitional year in FY-21, as expected we are now starting to see the financial impact from our focus on product diversification into innovative and higher-margin products flow through to our revenue and ultimate profitability. In comparison to the same period last year (six months ended 30 September 2020: H1-21), our revenue has increased by 38% and we've doubled our operating profit, whilst our operating margin has increased from 22% to 32% over the same period. Further financial information is given in the Financial review section on pages 9 to 11.

## Brexit

As part of our Brexit strategy, the Group has already established a German subsidiary and its application to BaFin for regulatory approval is on track. Whilst Brexit has not impacted our ability to service our existing EU27 client base, it has somewhat constrained our ability to market a small number of our products to potential EU27 clients, which we anticipate being fully mitigated once formal authorisation from BaFin is confirmed.

# Interim management review continued

## Operating review continued

### Product investment performance

#### Hedging

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

#### Passive Hedging

Record has developed and runs an enhanced Passive Hedging service, which aims to reduce the cost of hedging by introducing additional flexibility into the implementation of currency hedges without changing the hedge ratio. While the investment process is partly systematic, the episodic nature of many opportunities exploited by the strategy means it requires a higher level of discretionary oversight than has historically been associated with Passive Hedging.

Since the aggressive central bank interventions seen in 2020 in response to the covid-19 pandemic, we have continued to observe large and consistent levels of government stimulus into global markets. This has introduced large amounts of cash liquidity into markets, and has caused FX forward pricing to remain very stable. In light of this lack of volatility, discretionary decisions have favoured running programmes closer to their benchmarks for extended periods during the year, as the opportunities to add value have been limited. FX transaction costs have been at historically low levels, with bank dealers preferring to compete for market share through competitive pricing.

| | **Half-year return** | Return since inception |
|---|---|---|
| Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark | **(0.01%)** | 0.08% p.a. |

#### Dynamic Hedging

During the period, US-based Dynamic Hedging clients experienced a strengthening of the US dollar against developed market currencies. The Dynamic Hedging programmes responded as expected and hedge ratios were adjusted systematically in response to currency movements; however, hedging returns in the programmes were marginally negative, due to elevated costs associated with varying hedge ratios.

| | **Half-year return** | Return since inception |
|---|---|---|
| Value added by Dynamic Hedging programme | **(0.08%)** | 0.43% p.a. |

### Currency for Return

Record's Currency for Return suite of products includes both discretionary and systematic investment styles. The Record EM Sustainable Finance Fund uses a more discretionary approach, whilst the Currency Multi-Strategy product is a more systematic offering combining five individual strategies.

#### Record EM Sustainable Finance Fund

The new Record EM Sustainable Finance Fund, launched on 28 June 2021, is a result of the strategic partnership between Record and UBS Wealth Management. The Fund aims to stabilise currencies in developing economies, improve the flow of development finance and enhance financing projects in illiquid markets. The strategy targets positive sustainability outcomes across a multidimensional investment process, whereby it trades liquid and illiquid EM currencies designed to help stabilise exchange rates and to absorb currency risk, and invests in an underlay of sustainable development bonds issued by multilateral development banks with strong development operations in emerging economies. Furthermore, an active engagement strategy with counterparty banks encourages improvements in areas of ESG.

Although returning -0.32% for the half year to 30 September 2021, the Record EM Sustainable Finance Fund performed well when compared to major market EM sovereign bond indices. The overweight exposures in the currencies of some economies in Eastern Europe, and Central and Eastern Asia, contributed positively to the outperformance in the period. Exposure to currencies in Latin America performed poorly in the period following growing local political and fiscal uncertainties, inflationary pressures, concerns over a slowdown in global growth, in particular in China, and volatile commodity prices. The return of shorting a diversified basket of developed market currencies to fund the long exposures in emerging market currencies also added positively to the outperformance.

The USD-denominated bonds in the portfolio closed slightly weaker on the back of increasing yields in the US market as the Fed indicated that tapering could start as early as November 2021 amid rising price pressures and strong growth momentum.

| | **Half-year return** | Return since inception |
|---|---|---|
| Record EMSF Fund USD Share Class | **(0.32%)** | (0.32%) |
| GBI EM Global Diversified[1] | **(3.56%)** | (3.56%) |

## Multi-Strategy

Record's Currency Multi-Strategy product combines a number of diversified return streams, which include:

- Forward Rate Bias ("FRB", also known as Carry) and Emerging Market ("EM") strategies which are founded on market risk premia and as such perform more strongly in "risk on" environments; and
- Momentum, Value and Range-Trading strategies which are more behavioural in nature, and as a result are less risk sensitive.

Currency Multi-Strategy returned positively during the period which was largely driven by outperformance in the EM and Value modules. Widening EM-DM rate differentials and a supportive cyclical backdrop created tailwinds for EM currencies in the period. Value returned positively on the back of short exposures in Australia where lagging vaccination efforts weighed on economic activity and the rate outlook. The Momentum strand detracted from returns due to reversal of multi-month trends in the period.

| Index/composite returns | **Half-year return %** | Return since inception % p.a. | Volatility since inception % p.a. |
|---|---|---|---|
| Record Multi-Strategy Composite[2] | **1.69%** | 1.00% | 3.13% |

## Scaling

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

It should be emphasised that in this case "scaling" refers to the multiple of the aggregate notional value of forward contracts in the currency programme, to the segregated mandate size or the pooled fund's net assets. This is limited by the willingness of counterparty banks to take exposure to the segregated client or pooled fund. The AUME of those mandates where scaling or a volatility target is selected is represented in Record's AUME at the scaled value of the mandate, as opposed to the segregated mandate size or the pooled fund's net assets.

## AUME development

AUME increased over the period by 5% to $84.1 billion in US dollar terms, and increased in sterling terms by 7% to £62.4 billion. Total net inflows for the period were $1.9 billion, of which $1.6 billion arose from new client mandates.

The AUME movement over the six-month period is analysed as follows:

### AUME movement analysis in the six months to 30 September 2021

| | $bn |
|---|---|
| AUME at 1 April 2021 | 80.1 |
| Net client flows | 1.9 |
| Equity and other market impact | 1.8 |
| Foreign exchange impact and mandate volatility scaling | 0.3 |
| **AUME at 30 September 2021** | **84.1** |

1. Source: J.P. Morgan.
2. Record Multi-Strategy Composite return data is since inception in July 2012, showing excess returns data gross of fees in USD base and scaled to a 4% target volatility.

# Interim management review continued

## Operating review continued

### Product mix

The product mix has remained broadly constant when compared to the year end. However, the change in mix across the hedging products means the higher-margin Dynamic Hedging AUME now accounts for 12% of total AUME versus only 5% when compared to the same period last year, as shown in the table below.

AUME composition by product

| | 30 Sep 21 | | 30 Sep 20 | | 31 Mar 21 | |
|---|---|---|---|---|---|---|
| | $bn | % | $bn | % | $bn | % |
| Passive Hedging | **63.0** | **76** | 55.6 | 85 | 61.5 | 77 |
| Dynamic Hedging | **10.3** | **12** | 3.2 | 5 | 9.3 | 12 |
| Currency for Return | **5.4** | **6** | 3.4 | 5 | 3.9 | 5 |
| Multi-product | **5.2** | **6** | 3.5 | 5 | 5.2 | 6 |
| Cash and other | **0.2** | **—** | 0.2 | — | 0.2 | 0 |
| **Total** | **84.1** | **100** | 65.9 | 100 | 80.1 | 100 |

### Equity and other market performance

Record's AUME is affected by movements in equity and other markets because Passive and Dynamic Hedging mandates, and some of the Multi-product mandates, are linked to equity holdings or other asset types such as bonds or real estate.

Additional details on the composition of assets underlying the Hedging and Multi-product mandates are provided below to help illustrate more clearly the impact of equity and fixed income market movements on these mandate sizes.

Class of assets underlying mandates by product as at 30 September 2021

| | Equity % | Fixed income % | Other % |
|---|---|---|---|
| Passive Hedging | 30 | 34 | 36 |
| Dynamic Hedging | 91 | — | 9 |
| Multi-product | — | — | 100 |

### Forex

Approximately 79% of the Group's AUME is non-US dollar denominated. Therefore, foreign exchange movements may have an impact on AUME when expressing non-US dollar AUME in US dollars, although this movement does not have an equivalent impact on the sterling value of fee income. Exchange rate movements decreased AUME by $0.2 billion in the period and changes to mandate volatility targeting increased AUME by $0.5 billion.

### Client numbers

Client numbers remained at 89 the same as the financial year end 2021, and have increased by +15 when compared to the same period last year (H1-21: 74).

## Financial review

As expected, the benefits from the implementation of the new strategy in FY-21 are now being seen more fully in financial terms with increases in revenue, profits, operating margin and earnings. The Group continues to work on developing new and innovative investment products with its chosen partners, whilst maintaining its focus on the modernisation of systems and processes.

### Overview

Operating profit for the period of £5.2 million was £2.6 million higher than the equivalent period last year and £1.6 million higher than H2-21. Total revenue increased by 38% to £16.3 million (H1-21: £11.8 million) and by 20% versus H2-21 (£13.6 million).

Operating expenses, excluding variable remuneration, increased by 3% to £7.9 million. Variable remuneration increased to £2.8 million (H1-21: £1.3 million), with the operating profit margin increasing to 32% (H1-21: 22%) and profit before tax doubling to £5.2 million (H1-21: £2.6 million).

### Revenue

Total revenue increased by 38% to £16.3 million over the equivalent period last year (H1-21: £11.8 million) and by 20% compared to the second half of last year (H2-21: £13.6 million) reflecting the full impact of the higher AUME at the start of the period plus net inflows of $1.9 billion over the six months.

No performance fees were earned in the period (H1-21: £nil and H2-21: £0.1 million). Passive Hedging management fees of £5.8 million were £0.2 million lower than the equivalent period last year (H1-21: £6.0 million) and £0.4 million higher compared to the second half of last year (H2-21: £5.4 million).

Dynamic Hedging management fees of £4.8 million were £2.9 million higher than H1-21 and £1.0 million higher than H2-21 predominantly due to the new material mandate win announced in September 2020.

Currency for Return management fees of £2.1 million are £1.2 million higher than the same period last year (H1-21: £0.9 million) and £1.0 million higher than the second half of last year predominantly due to inflows of $1.0 billion over the period mainly arising from the launch of the EM Sustainable Finance Fund in the period.

Management fees of £3.4 million from the Multi-product category are £1.0 million higher than the same period last year (H1-21: £2.4 million) and in line with the second half of last year (H2-21: £3.5 million).

The £0.4 million decrease in other currency services income to £0.2 million (H1-21: £0.6 million) reflects a reclassification of income to Multi-product in H2-21 last year.

# Interim management review continued

## Financial review continued

### Revenue continued

Revenue analysis (£m)

| | Six months ended 30 Sep 21 | Six months ended 30 Sep 20 | Year ended 31 Mar 21 |
|---|---|---|---|
| **Management fees** | | | |
| Passive Hedging | **5.8** | 6.0 | 11.4 |
| Dynamic Hedging | **4.8** | 1.9 | 5.6 |
| Currency for Return | **2.1** | 0.9 | 2.0 |
| Multi-product | **3.4** | 2.4 | 5.9 |
| **Total management fees** | **16.1** | 11.2 | 24.9 |
| **Performance fees** | **—** | — | 0.1 |
| Other investment services income | **0.2** | 0.6 | 0.4 |
| **Total revenue** | **16.3** | 11.8 | 25.4 |

Other investment services income consists of fees from ancillary investment management services.

Average management fee rates by product (bps p.a.)

The average management fee rates have remained broadly constant over the six months ended 30 September 2021 with the exception of an increase in the Currency for Return average management fee rate for the period as a result of the inclusion of the higher-margin EM Sustainable Finance Fund from launch in June 2021.

### Expenditure

Expenditure analysis (£m)

| | Six months ended 30 Sep 21 | Six months ended 30 Sep 20 | Year ended 31 Mar 21 |
|---|---|---|---|
| Personnel costs | **5.0** | 5.0 | 10.3 |
| Non-personnel costs | **2.9** | 2.7 | 5.4 |
| **Administrative expenditure excluding Group Profit Share** | **7.9** | 7.7 | 15.7 |
| Group Profit Share | **2.8** | 1.3 | 3.2 |
| **Total administrative expenditure** | **10.7** | 9.0 | 18.9 |
| Other income and expenditure | **0.3** | — | — |
| **Total expenditure** | **11.0** | 9.0 | 18.9 |

In line with our strategy to modernise the business, we continue to invest in new technology and systems, and to plan for succession. Total administrative expenditure for the period of £10.7 million increased by £1.7 million compared with the equivalent prior year period (H1-21: £9.0 million) and increased by £0.8 million versus the second half of last year (H2-21: £9.9 million).

Personnel costs of £5.0 million excluding Group Profit Share ("GPS") were in line with the first half of last year, and fell by £0.3 million compared to the second half, reflecting the decrease in some one-off restructuring payments made before the year end.

As expected, non-personnel costs for the period of £2.9 million were £0.2 million higher than the equivalent period last year. This reflects the increased investment by the business in the provision of external technical expertise and consultancy linked to the modernisation of our systems and technology.

### Group Profit Share ("GPS") Scheme

The cost of the GPS Scheme is £2.8 million for the period, increasing in line with operating profit. The GPS cost is calculated as 35% of operating profits, which is within the previously established range of 25% to 35% of pre-GPS operating profit. For the equivalent period last year, the GPS equated to 33% and was 34% for the full year.

### Cash flow

The Group generated £6.0 million of cash from operating activities after tax during the period (H1-21: £2.6 million). Taxation paid during the period fell to £0.3 million compared to £0.8 million for the same period last year.

During the period an investment of £0.7 million in impact bonds matured and was reinvested before period end.

During the period the company purchased 4 million of its own shares for £3.4 million to be held by the Employee Benefit Trust to cover future obligations relating to the Record share schemes.

The Group paid dividends totalling £3.1 million in the period (H1-21: £3.1 million), more information for which is given in note 5 to the financial statements.

### Dividends and capital

In line with the Board's capital and dividend policy, the Group will pay an interim dividend of 1.80 pence per share in respect of the six-month period, equating to a distribution of £3.4 million, following which the business will retain cash and money market instruments on the balance sheet which are significantly in excess of financial resource requirements required for regulatory purposes.

The Group has no debt and its capital and dividend policy aims to ensure continued balance sheet strength for the Group. Shareholders' funds were £25.2 million at 30 September 2021 (H1-21: £25.7 million).

## Principal risks and uncertainties

The principal risks currently facing the Group and those that we anticipate the Group will be exposed to in the short term remain the same as those outlined in the Annual Report 2021.

These risks are:

- strategic risk – the risk of failure to deliver strategy;
- business risk – including concentration risk, margin compression risk, people and employment risk and the risk of regulatory change;
- operational risk – including technology and information security risk and the risk associated with the operational control environment; and
- investment risk – including the risk of product underperformance and market liquidity risk.

### 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 interim financial report is the responsibility of the Directors, who confirm that to the best of their knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 – "Interim Financial Reporting"; and
- the Interim management review includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Annual Report 2021 that could do so. Related party transactions are disclosed in note 10.

The Directors of Record plc are listed on the Record plc website at **www.recordcm.com/en/about-us/our-people/board-of-directors/**

**Neil Record**
Chairman

**Steve Cullen**
Chief Financial Officer

22 November 2021

# 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 2021 which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

## 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 Financial Reporting Council 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 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 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**BDO LLP**
Chartered Accountants
London

22 November 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated statement of comprehensive income

Six months ended 30 September 2021

| | Note | Unaudited Six months ended 30 Sep 21 £'000 | Unaudited Six months ended 30 Sep 20 £'000 | Audited Year ended 31 Mar 21 £'000 |
|---|---|---|---|---|
| **Revenue** | 3 | **16,333** | 11,838 | 25,412 |
| Cost of sales | | **(206)** | (213) | (399) |
| **Gross profit** | | **16,127** | 11,625 | 25,013 |
| Administrative expenses | | **(10,713)** | (9,016) | (18,934) |
| Other income or expense | | **(264)** | (36) | 41 |
| **Operating profit** | | **5,150** | 2,573 | 6,120 |
| Finance income | | **21** | 42 | 71 |
| Finance expense | | **(17)** | (22) | (38) |
| **Profit before tax** | | **5,154** | 2,593 | 6,153 |
| Taxation | | **(1,156)** | (449) | (802) |
| **Profit after tax** | | **3,998** | 2,144 | 5,351 |
| **Total comprehensive income for the period** | | **3,998** | 2,144 | 5,351 |
| **Profit and total comprehensive income for the period attributable to** | | | | |
| Owners of the parent | | **3,998** | 2,151 | 5,351 |
| Non-controlling interests | 11 | **—** | (7) | — |
| | | **3,998** | 2,144 | 5,351 |
| **Earnings per share for the period (expressed in pence per share)** | | | | |
| Basic earnings per share | 4 | **2.08p** | 1.10p | 2.75p |
| Diluted earnings per share | 4 | **2.01p** | 1.10p | 2.73p |

The notes on pages 18 to 24 are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

As at 30 September 2021

| | Note | Unaudited As at 30 Sep 21 £'000 | Unaudited As at 30 Sep 20 £'000 | Audited As at 31 Mar 21 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | **318** | 449 | 420 |
| Right-of-use assets | | **440** | 931 | 684 |
| Property, plant and equipment | | **510** | 686 | 683 |
| Investments | 6 | **3,178** | 2,759 | 3,046 |
| Deferred tax assets | | **508** | – | 320 |
| **Total non-current assets** | | **4,954** | 4,825 | 5,153 |
| **Current assets** | | | | |
| Trade and other receivables | | **8,794** | 7,276 | 8,006 |
| Derivative financial assets | 8 | **–** | 158 | 260 |
| Money market instruments with maturities > 3 months | 7 | **5,875** | 12,491 | 12,932 |
| Cash and cash equivalents | 7 | **11,408** | 6,848 | 6,847 |
| **Total current assets** | | **26,077** | 26,773 | 28,045 |
| **Total assets** | | **31,031** | 31,598 | 33,198 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(3,919)** | (2,422) | (3,426) |
| Corporation tax liabilities | | **(959)** | (349) | (315) |
| Provisions | | **(200)** | – | – |
| Lease liabilities | | **(372)** | (526) | (539) |
| Financial liabilities | 6 | **–** | (1,800) | (1,696) |
| Derivative financial liabilities | 8 | **(270)** | (35) | (16) |
| **Total current liabilities** | | **(5,720)** | (5,132) | (5,992) |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | | **(77)** | (30) | (108) |
| Provisions | | **–** | (200) | (200) |
| Lease liabilities | | **–** | (377) | (99) |
| **Total non-current liabilities** | | **(77)** | (607) | (407) |
| **Total net assets** | | **25,234** | 25,859 | 26,799 |
| **Equity** | | | | |
| Issued share capital | 9 | **50** | 50 | 50 |
| Share premium account | | **3,008** | 2,289 | 2,418 |
| Capital redemption reserve | | **26** | 26 | 26 |
| Retained earnings | | **22,150** | 23,369 | 24,305 |
| **Equity attributable to owners of the parent** | | **25,234** | 25,734 | 26,799 |
| Non-controlling interests | 11 | **–** | 125 | – |
| **Total equity** | | **25,234** | 25,859 | 26,799 |

Approved by the Board on 22 November 2021 and signed on its behalf by:

**Neil Record**
Chairman

**Steve Cullen**
Chief Financial Officer

The notes on pages 18 to 24 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

Six months ended 30 September 2021

| Unaudited | Note | Called-up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Equity attributable to owners of the parent £'000 | Non-controlling interests £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|---|
| **As at 1 April 2020** | | 50 | 2,259 | 26 | 25,694 | 28,029 | 132 | 28,161 |
| **Profit and total comprehensive income for the period** | | — | — | — | 2,151 | 2,151 | (7) | 2,144 |
| Dividends paid | 5 | — | — | — | (3,068) | (3,068) | — | (3,068) |
| Own shares acquired by EBT | | — | — | — | (1,589) | (1,589) | — | (1,589) |
| Release of shares held by EBT | | — | 30 | — | 419 | 449 | — | 449 |
| Share-based payment reserve movement | | — | — | — | (238) | (238) | — | (238) |
| **Transactions with shareholders** | | — | 30 | — | (4,476) | (4,446) | — | (4,446) |
| **As at 30 September 2020** | | 50 | 2,289 | 26 | 23,369 | 25,734 | 125 | 25,859 |
| **Profit and total comprehensive income for the period** | | — | — | — | 3,200 | 3,200 | (125) | 3,075 |
| Dividends paid | 5 | — | — | — | (2,222) | (2,222) | — | (2,222) |
| Trade Record sale | | — | — | — | 32 | 32 | — | 32 |
| Own shares acquired by EBT | | — | — | — | (749) | (749) | — | (749) |
| Release of shares held by EBT | | — | 129 | — | 574 | 703 | — | 703 |
| Share-based payment reserve movement | | — | — | — | 101 | 101 | — | 101 |
| **Transactions with shareholders** | | — | 129 | — | (2,296) | (2,167) | — | (2,167) |
| **As at 31 March 2021** | | 50 | 2,418 | 26 | 24,305 | 26,799 | — | 26,799 |
| **Profit and total comprehensive income for the period** | | **—** | **—** | **—** | **3,998** | **3,998** | **—** | **3,998** |
| Dividends paid | 5 | **—** | **—** | **—** | **(3,089)** | **(3,089)** | **—** | **(3,089)** |
| Own shares acquired by EBT | | **—** | **—** | **—** | **(3,828)** | **(3,828)** | **—** | **(3,828)** |
| Release of shares held by EBT | | **—** | **590** | **—** | **661** | **1,251** | **—** | **1,251** |
| Share-based payment reserve movement | | **—** | **—** | **—** | **103** | **103** | **—** | **103** |
| **Transactions with shareholders** | | **—** | **590** | **—** | **(6,153)** | **(5,563)** | **—** | **(5,563)** |
| **As at 30 September 2021** | | **50** | **3,008** | **26** | **22,150** | **25,234** | **—** | **25,234** |

The notes on pages 18 to 24 are an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

Six months ended 30 September 2021

| | Note | Unaudited Six months ended 30 Sep 21 £'000 | Unaudited Six months ended 30 Sep 20 £'000 | Audited Year ended 31 Mar 21 £'000 |
|---|---|---|---|---|
| **Profit after tax** | | **3,998** | 2,144 | 5,351 |
| **Adjustments for non-cash movements** | | | | |
| Depreciation of right-of-use assets | | **245** | 246 | 490 |
| Depreciation of property, plant and equipment | | **175** | 144 | 298 |
| Amortisation of intangible assets | | **102** | 83 | 168 |
| Share-based payments | | **155** | 322 | 486 |
| Other non-cash movements | | **806** | (804) | (492) |
| Finance income | | **(21)** | (42) | (71) |
| Finance expense | | **17** | 22 | 38 |
| Tax expense | | **1,156** | 449 | 802 |
| **Change in working capital** | | | | |
| (Increase)/decrease in receivables | | **(788)** | 1,421 | 696 |
| Increase/(decrease) on payables | | **494** | (588) | 417 |
| **Net cash inflow from operating activities** | | **6,339** | 3,397 | 8,183 |
| Corporation tax paid | | **(303)** | (756) | (1,385) |
| **Net cash inflow from operating activities** | | **6,036** | 2,641 | 6,798 |
| | | | | |
| Purchase of intangible software | | **—** | (62) | (189) |
| Purchase of property, plant and equipment | | **(2)** | (79) | (230) |
| Purchase of investments | | **(782)** | (411) | (881) |
| Sale/(purchase) of money market instruments with maturity > 3 months | | **7,056** | (4,533) | (4,973) |
| (Redemption) of units in funds | | **(1,808)** | (354) | (335) |
| Redemption of bonds | | **724** | — | — |
| Investment in subsidiaries | | **—** | — | (23) |
| Sale of Trade Record shares | | **—** | — | 120 |
| Interest received | | **21** | 47 | 71 |
| **Net cash inflow/(outflow) from investing activities** | | **5,209** | (5,392) | (6,440) |
| **Cash flow from financing activities** | | | | |
| Lease repayments | | **(267)** | (258) | (522) |
| Lease interest payments | | **(11)** | (22) | (38) |
| Purchase of own shares | | **(3,355)** | (1,492) | (1,808) |
| Dividends paid to equity shareholders | 5 | **(3,089)** | (3,068) | (5,290) |
| **Cash outflow from financing activities** | | **(6,722)** | (4,840) | (7,658) |
| **Net increase/(decrease) in cash and cash equivalents in the period** | | **4,523** | (7,591) | (7,300) |
| Effect of exchange rate changes | | **38** | 145 | (147) |
| **Cash and cash equivalents at the beginning of the period** | | **6,847** | 14,294 | 14,294 |
| **Cash and cash equivalents at the end of the period** | | **11,408** | 6,848 | 6,847 |
| Closing cash and cash equivalents consists of: | | | | |
| Cash | 7 | **4,576** | 6,334 | 2,372 |
| Cash equivalents | 7 | **6,832** | 514 | 4,475 |
| **Cash and cash equivalents** | 7 | **11,408** | 6,848 | 6,847 |

The notes on pages 18 to 24 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

For the six months ended 30 September 2021

These consolidated financial statements exclude disclosures that are immaterial and judged to be unnecessary to understand our results and financial position.

## 1. Basis of preparation

The condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 — "Interim Financial Reporting". The financial information 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 2021 were prepared in accordance with IFRS and have been delivered to 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 accounting policies for recognition, measurement, consolidation and presentation as set out in the Group's Annual Report for the year ended 31 March 2021 have been applied in the preparation of the IFRS condensed consolidated half-year financial information.

### Application of new standards

There have been no new or amended standards adopted in the financial year beginning 1 April 2021 which have a material impact on the Group or any company within the Group.

### Impacts of covid-19 during the period

The Chief Executive Officer's statement and Operating review sections of this Interim Report provide information as to the broader effects of covid-19 on the Group's financial results, its operations and prospects. The Group has given due consideration as to the impact of uncertainty arising from covid-19 related factors on the production of the interim financial statements.

### Going concern

As part of the Directors' consideration of the appropriateness of adopting the going concern basis for the preparation of the interim financial statements, the Directors have assessed whether the Group can meet its obligations as they fall due and can continue to meet its solvency requirements over a period of at least twelve months from the approval of this report.

The Board has considered financial projections which demonstrate the ability of the Group to withstand market shocks in a range of scenarios, including very severe ones.

In assessing the appropriateness of the going concern basis, the Board considered base case liquidity and solvency projections that incorporated an estimated view of the potential economic downturn that is anticipated to be experienced due to the impacts of covid-19. In addition, a more onerous economic downturn was also modelled. The projections demonstrated that excess capital would remain in the Group under both scenarios, supporting cash generation in the going concern period.

As a result of the above assessment, the Directors do not currently foresee any material uncertainties relating to events or conditions that may be relevant to the next 12 months, and are satisfied that all mandatory outgoings can be met over the going concern period, and consider it appropriate to adopt the going concern basis in the preparation of these interim financial statements.

### Consolidation

The accounting policies adopted in these interim financial statements are identical to those adopted in the Group's most recent annual financial statements for the year ended 31 March 2021.

The consolidated financial information contained within the financial statements incorporates financial statements of the Group and entities controlled by the Group (its subsidiaries) drawn up to 30 September 2021. 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 Company controls an entity, but does not own all the share capital of that entity, the interests of the other shareholders are stated within equity as non-controlling interests or within current liabilities as financial liabilities depending on the characteristic of the investment, being the proportionate share of the fair value of identifiable net assets on date of acquisition plus the share of changes in equity since the date of consolidation.

An Employee Benefit Trust ("EBT") has been established for the purposes of satisfying certain share-based awards. The Group has "de facto" control over this entity. This trust is fully consolidated within the financial statements (see note 10 for further details).

During the period, the Group had investments in two funds, which it was in a position to control. These fund investments are held by Record plc and represent seed capital investments by the Group. The funds controlled by the Group have been consolidated on a line-by-line basis from the time that the Group gained control over the fund until termination (see Note 6 for further information).

## 2. Critical accounting estimates and judgements

The estimates and judgements applied in the interim financial statements are consistent with those applied in the financial statements for the year ended 31 March 2021.

## 3. Revenue

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of currency management services. Our revenue typically arises from charging management fees or performance fees and both are accounted for in accordance with IFRS 15 – "Revenue from Contracts with Customers".

Management fees are recorded on a monthly basis as the underlying currency management service occurs. There are no other performance obligations. Management fees are calculated as an agreed percentage of the Assets Under Management Equivalents ("AUME") denominated in the client's chosen base currency. The percentage varies depending on the nature of services and the level of AUME. Management fees are typically invoiced to the customer quarterly with receivables recognised for unpaid invoices.

The Group is entitled to earn performance fees from some clients where the performance of the clients' mandates exceeds defined benchmarks over a set time period, and are recognised when the fee amount can be estimated reliably and it is highly probable that it will not be subject to significant reversal.

Performance fee revenues are not considered to be highly probable until the end of a contractual performance period and therefore are not recognised until they crystallise, at which time they are payable by the client and are not subject to any clawback provisions. There are no other performance obligations or services provided which suggest these have been earned either before or after crystallisation date.

### a) Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers, with management fees analysed by product. Other investment services income includes fees from signal hedging and fiduciary execution.

| Revenue by product type | **Six months ended 30 Sep 21 £'000** | Six months ended 30 Sep 20 £'000 | Year ended 31 Mar 21 £'000 |
|---|---|---|---|
| **Management fees** | | | |
| Passive Hedging | **5,802** | 6,027 | 11,377 |
| Dynamic Hedging | **4,783** | 1,889 | 5,623 |
| Currency for Return | **2,077** | 937 | 2,005 |
| Multi-product | **3,446** | 2,379 | 5,873 |
| **Total management fee income** | **16,108** | 11,232 | 24,878 |
| Performance fee income | **—** | — | 81 |
| Other investment services income | **225** | 606 | 453 |
| **Total revenue** | **16,333** | 11,838 | 25,412 |

### b) Geographical analysis

The geographical analysis of revenue is based on the destination i.e. the location of the client to whom the services are provided.

| Revenue by geographical region | **Six months ended 30 Sep 21 £'000** | Six months ended 30 Sep 20 £'000 | Year ended 31 Mar 21 £'000 |
|---|---|---|---|
| UK | **1,158** | 1,151 | 2,322 |
| Europe (excluding UK and Switzerland) | **4,740** | 1,622 | 3,223 |
| US | **5,437** | 3,273 | 8,619 |
| Switzerland | **4,401** | 4,800 | 9,097 |
| Other | **597** | 992 | 2,151 |
| **Total revenue** | **16,333** | 11,838 | 25,412 |

# Notes to the consolidated financial statements continued

For the six months ended 30 September 2021

## 4. Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period 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 financial period used in the basic and diluted earnings per share calculations.

| | **Six months ended 30 Sep 21 £'000** | Six months ended 30 Sep 20 £'000 | Year ended 31 Mar 21 £'000 |
|---|---|---|---|
| Weighted average number of shares used in calculation | **192,250,212** | 195,664,074 | 194,461,787 |
| Effect of potential dilutive ordinary shares – share options | **7,075,489** | 426,382 | 1,705,089 |
| Weighted average number of shares used in calculation | **199,325,701** | 196,090,456 | 196,166,876 |
| Basic earnings per share | **2.08p** | 1.10p | 2.75p |
| Diluted earnings per share | **2.01p** | 1.10p | 2.73p |

The potential dilutive shares relate to the share options and Joint Share Ownership Plan ("JSOP") awards granted in respect of the Group's Share Scheme. At the beginning of the period there were 11,844,421 share options and 2,500,000 JSOP awards outstanding. During the six-month period 3,747,500 share options and 32,500 JSOP awards were granted. During the period 586,375 share options were exercised and 593,750 JSOP awards vested. No JSOP awards lapsed in the period and 34,500 share options lapsed in the period.

As at 30 September 2021, there were share options in place over 14,971,046 shares and 1,938,750 JSOP awards.

## 5. Dividends

The dividends paid during the six months ended 30 September 2021 totalled £3,089,258 (1.60 pence per share), being a final ordinary dividend in respect of the year ended 31 March 2021 of 1.15 pence per share and a special dividend of 0.45 pence per share. An interim dividend of £2,222,171 (1.15 pence per share) was paid in the six months ended 31 March 2021 thus the full ordinary dividend in respect of the year ended 31 March 2021 was 2.75 pence per share.

The dividends paid during the six months ended 30 September 2020 totalled £3,068,153 (1.56 pence per share), being a final ordinary dividend in respect of the year ended 31 March 2020 of 1.15 pence per share and a special dividend of 0.41 pence per share. An interim dividend of £2,268,389 (1.15 pence per share) was paid in the six months ended 31 March 2020, thus the full ordinary dividend in respect of the year ended 31 March 2020 was 2.71 pence per share.

The interim dividend declared in respect of the six months ended 30 September 2021 is 1.80 pence per share.

## 6. Accounting for investments

Funds have been consolidated on a line-by-line basis where the Group has determined that a controlling interest exists through an investment holding in the fund, in accordance with IFRS 10 – "Consolidated Financial Statements". Otherwise, investments in funds are measured at fair value through profit or loss.

Record held seed investments in two funds which have been active during the period until their termination in June 2021. The Group controlled both the Record Currency – Strategy Development Fund and the Record – Currency Multi-Strategy Fund throughout this period and the comparative periods, and both were consolidated in full, on a line-by-line basis, in the Group's financial statements throughout these periods up until termination.

### Investments

| | As at 30 Sep 21 £'000 | As at 30 Sep 20 £'000 | As at 31 Mar 21 £'000 |
|---|---|---|---|
| Impact bonds | **2,234** | 2,365 | 2,199 |
| Investment in funds | **944** | 394 | 847 |
| **Investments** | **3,178** | 2,759 | 3,046 |

### Financial liabilities

Record plc has made investments in a number of seed funds where it is in a position to be able to control those funds by virtue of the size of its holding. When Record plc is not the only investor in such funds and the external investment instrument does not meet the definition of an equity instrument under IAS 32 then the instrument is classified as a financial liability. Since unitholders have the right to cancel units at any time in return for cash, these are considered puttable instruments under IAS 32 and are therefore deemed to represent financial liabilities as opposed to equity. The financial liabilities are measured at cost plus movement in value of the third party investment in the fund.

The Record – Currency Multi-Strategy Fund and the Record Currency – Strategy Development Fund were considered to be under control of the Group as the combined holding of Record plc and its Directors constituted a majority interest in the comparative periods, and also in this period until termination in June 2021.

The mark-to-market value of units held by investors in these funds other than Record plc are shown as financial liabilities in the Group financial statements, in accordance with IFRS.

### Mark-to-market value of external holding in seed funds included in the accounts of the Record Group

| | As at 30 Sep 21 £'000 | As at 30 Sep 20 £'000 | As at 31 Mar 21 £'000 |
|---|---|---|---|
| Record – Currency Multi-Strategy Fund | **–** | 1,800 | 1,696 |
| **Financial liabilities** | **–** | 1,800 | 1,696 |

The financial liabilities relate only to the fair value of the external investors' holding in the seed funds, and should not be construed as debt.

## 7. Cash management

The Group's cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills with maturities of up to one year. We note that not all of these instruments are classified as cash or cash equivalents under IFRS.

IFRS defines cash and cash equivalents as cash in hand, on demand and collateral deposits held with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Moreover, instruments can only generally be classified as cash and cash equivalents where they are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

In the Group's judgement, bank deposits and treasury bills with maturities in excess of three months do not meet the definition of short-term or highly liquid and are held for purposes other than meeting short-term commitments. In accordance with IFRS, these instruments are not categorised as cash or cash equivalents and are disclosed as money market instruments with maturities greater than three months.

# Notes to the consolidated financial statements continued

For the six months ended 30 September 2021

## 7. Cash management continued

The table below summarises the instruments managed by the Group as cash, and their IFRS classification:

| Assets managed as cash | As at 30 Sep 21 £'000 | As at 30 Sep 20 £'000 | As at 31 Mar 21 £'000 |
|---|---|---|---|
| Bank deposits with maturities > 3 months | **5,875** | 11,246 | 12,932 |
| Treasury bills with maturities > 3 months | **—** | 1,245 | — |
| **Money market instruments with maturities > 3 months** | **5,875** | 12,491 | 12,932 |
| Cash | **4,576** | 6,334 | 2,372 |
| Bank deposits with maturities <= 3 months | **6,832** | 514 | 4,475 |
| **Cash and cash equivalents** | **11,408** | 6,848 | 6,847 |
| **Total assets managed as cash** | **17,283** | 19,339 | 19,779 |

## 8. Fair value measurement for derivative financial instruments

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 based on the significance of inputs used in measuring their fair value. The hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

| As at 30 September 2021 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Impact bonds | **2,234** | **2,234** | **—** | **—** |
| Other securities | **944** | **888** | **—** | **56** |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Forward foreign exchange contracts used for hedging | **(270)** | **—** | **(270)** | **—** |
| **Total** | **2,908** | **3,122** | **(270)** | **56** |

| As at 30 September 2020 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Impact bonds | 2,365 | 2,365 | — | — |
| Other securities | 394 | 394 | — | — |
| Forward foreign exchange contracts used for seed funds | 41 | — | 41 | — |
| Foreign exchange options used for seed funds | 5 | — | 5 | — |
| Forward foreign exchange contracts used for hedging | 112 | — | 112 | — |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Forward foreign exchange contracts used for seed funds | (35) | — | (35) | — |
| **Total** | 2,882 | 2,759 | 123 | — |

| As at 31 March 2021 | Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Impact bonds | 2,199 | 2,199 | — | — |
| Forward foreign exchange contracts used by seed funds | 215 | — | 215 | — |
| Foreign exchange options used by seed funds | 45 | — | 45 | — |
| **Financial liabilities at fair value through profit or loss** | | | | |
| Forward foreign exchange contracts used for hedging | — | — | — | — |
| Forward foreign exchange contracts used by seed funds | (16) | — | (16) | — |
| **Total** | 2,443 | 2,199 | 244 | — |

There have been no transfers between levels in any of the reported periods.

### Basis for classification of financial instruments within the fair value hierarchy

Forward foreign exchange contracts are classified as Level 2. The fair value of forward foreign exchange contracts is established using interpolation of observable market data rather than a quoted price.

Options are classified as Level 3. The fair value of an option is established using a Black-Scholes model.

## 9. Called-up share capital

The share capital of Record plc consists only of fully paid ordinary shares with a par value of 0.025 pence. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

| | **Unaudited as at 30 Sep 21** | | Unaudited as at 30 Sep 20 | | Audited as at 31 Mar 21 | |
|---|---|---|---|---|---|---|
| | **£'000** | **Number** | £'000 | Number | £'000 | Number |
| **Authorised** | | | | | | |
| Ordinary shares of 0.025 pence each | **100** | **400,000,000** | 100 | 400,000,000 | 100 | 400,000,000 |
| **Called up, allotted and fully paid** | | | | | | |
| Ordinary shares of 0.025 pence each | **50** | **199,054,325** | 50 | 199,054,325 | 50 | 199,054,325 |

### Movement in Record plc shares held by the Record plc Employee Benefit Trust ("EBT")

The EBT was formed to hold shares acquired under the Record plc share-based compensation plans. Under IFRS the EBT is considered to be under de facto control of the Group, and has therefore been consolidated into the Group financial statements.

Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group statement of comprehensive income. Any such gains or losses are recognised directly in equity.

| | Number |
|---|---|
| **Record plc shares held by EBT as at 31 March 2020** | **3,219,387** |
| Net change in holding of own shares by EBT in period | 3,071,133 |
| **Record plc shares held by EBT as at 30 September 2020** | **6,290,520** |
| Net change in holding of own shares by EBT in period | 6,137 |
| **Record plc shares held by EBT as at 31 March 2021** | **6,296,657** |
| Net change in holding of own shares by EBT in period | 3,105,777 |
| **Record plc shares held by EBT as at 30 September 2021** | **9,402,434** |

The EBT holds shares in Record plc which are used to meet the Group's obligations to employees under the Group Profit Share Scheme and the Record plc Share Scheme. Own shares are recorded at cost and are deducted from retained earnings.

# Notes to the consolidated financial statements continued

For the six months ended 30 September 2021

## 10. Related parties

Related parties of the Group include key management personnel, close family members of key management personnel, subsidiaries, the EBT and the seed funds. There has been no change in related parties from those disclosed in the Annual Report 2021.

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

### Key management personnel

The compensation given to key management personnel is as follows:

| | **Six months ended 30 Sep 21 £'000** | Six months ended 30 Sep 20 £'000 | Year ended 31 Mar 21 £'000 |
|---|---|---|---|
| Short-term employee benefits | **3,825** | 2,809 | 6,214 |
| Post-employment benefits | **156** | 178 | 309 |
| Share-based payments | **926** | 389 | 949 |
| | **4,907** | 3,376 | 7,472 |

The dividends paid to key management personnel in the six months ended 30 September 2021 totalled £1,434,256 (six months ended 30 September 2020: £1,598,335; year ended 31 March 2021: £3,028,563).

## 11. Non-controlling interest

From time to time, Record plc may make an investment in an entity where it is in a position to be able to control the entity. Non-controlling interests occur when Record plc is not the only investor in the entity. The non-controlling interest is measured at cost plus the share of profit or loss of the third party investment in the entity.

### Investment in Trade Record Ltd

On 21 December 2020, Record plc disposed of its entire shareholding in the ordinary share capital of Trade Record Ltd.

In accordance with IFRS 10, the financial results of Trade Record Ltd were consolidated on a line-by-line basis within the financial statements of the Group up until disposal.

| | **Six months ended 30 Sep 21 £'000** | Six months ended 30 Sep 20 £'000 | Year ended 31 Mar 21 £'000 |
|---|---|---|---|
| Non-controlling interest in Trade Record Ltd | **–** | 125 | – |

## 12. Post reporting date events

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

# Information for shareholders

## Record plc

Record plc is a public limited company incorporated in the UK.

Registered in England and Wales
Company No. 1927640

## Registered office

Morgan House
Madeira Walk
Windsor
Berkshire
SL4 1EP
United Kingdom

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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

Both principal UK trading subsidiaries are based in Windsor.

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

## Dates for 2021 interim dividend

| | |
|---|---|
| Ex-dividend date | 2 December 2021 |
| Record date | 3 December 2021 |
| Interim dividend payment date | 30 December 2021 |

## Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Further information about the Registrar is available on their website:
**www.linkgroup.eu**

## AUME definition

The basis for measuring AUME differs for each product and is detailed below:

- Passive Hedging mandates – the aggregate nominal amount of passive hedges actually outstanding in respect of each client;
- Dynamic Hedging mandates – total amount of clients' investment portfolios denominated in liquid foreign currencies, and hence capable (under the terms of the relevant mandate) of being hedged;
- Currency for Return mandates – the maximum aggregate nominal amount of outstanding forward contracts for segregated clients, or the Net Asset Value where Record acts as Investment Manager to a Fund;
- Multi-product mandates – the chargeable mandate size for each client; and
- Cash – the total set aside by clients and managed by Record.

# Visit us online

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