



Record plc
Annual results
Year ended 31 March 2018

15 June 2018

Disclaimer



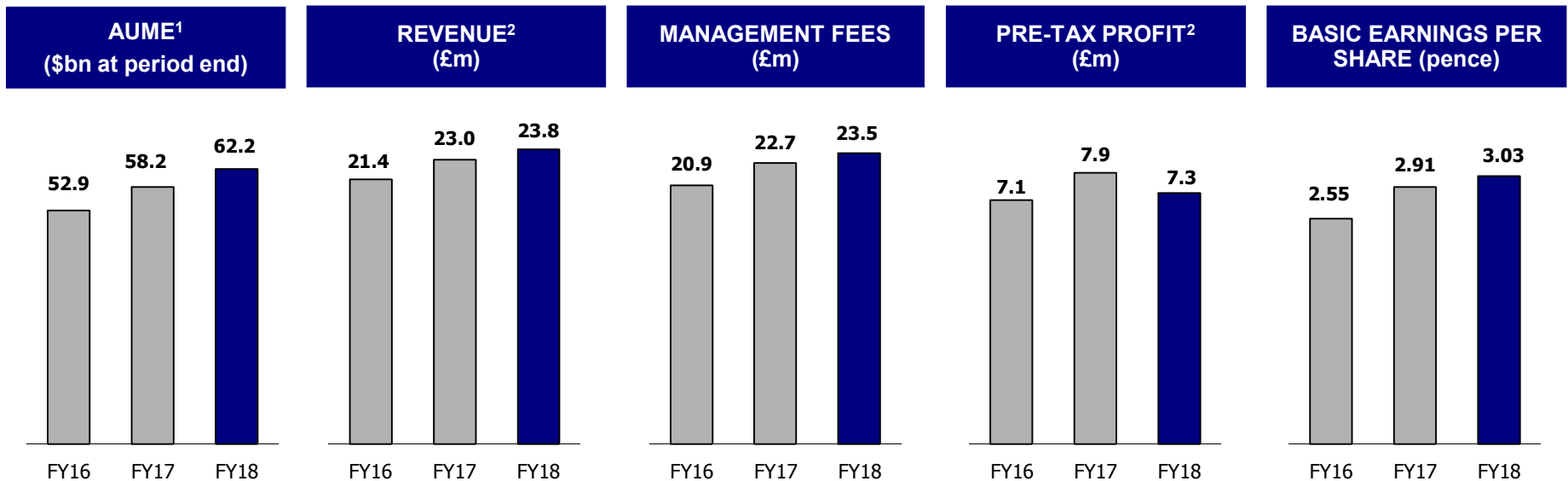
IMPORTANT INFORMATION

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

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

Headlines

- AUME \$62.2bn (\$58.2bn at 31 March 2017)
- Revenue £23.8m (FY17 'restated': £23.0m)
- Management fees £23.5m (FY17: £22.7m)
- Operating profit margin 31% (FY17 'restated' : 34%)
- Pre-tax profit £7.3m (FY17 'restated' : £7.9m)
- Basic EPS 3.03p per share (FY17: 2.91p per share)
- Final dividend 1.15p per share, payable on 1 August 2018
- Special dividend 0.50p per share, payable on 1 August 2018
- Shareholders' equity £26.6m at 31 March 2018
- July 2017: 22.3m shares repurchased via Tender offer for £10m



1 – The definition of AUME is provided on page 29.

2 – Revenue and pre-tax profit data for comparative periods have been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 35-36.

Changes in presentation of accounts

As first disclosed in the results for the six months ended 30 September 2017

Re-presentation of other income

- Non-operating items specifically:
 - Gains or losses on own hedging
 - Gains or losses on seed fund trading
 - Gains or losses on FX conversion
- Formerly presented as “*other income*” within “*revenue*”
- Now presented as “*other income and expenditure*” on face of statement of comprehensive income

■ Restated “operating profit” and restated “profit before tax” are the same as “underlying operating profit” and “underlying profit before tax” in previously published reports

Re-classification of external investment in the seed funds

- Formerly classified as “*non-controlling interest*” in equity
- Now classified as “*financial liabilities*” in current liabilities

■ “*Equity attributable to owners of the parent*” is unchanged

- The “*financial liabilities*” are in no sense debt

	FY-17 (Original)		FY-17 (Restated)
	Underlying £m	Consol. £m	Consol. £m
Total revenue	23.1	23.9	23.0
Cost of sales	(0.5)	(0.3)	(0.3)
Gross profit	22.6	23.6	22.7
Admin. exp.	(14.9)	(15.0)	(15.1)
Other inc. & exp.	-	-	0.1
Operating profit	7.7	8.6	7.7
Finance income	0.2	0.1	0.2
Profit before tax	7.9	8.7	7.9
Taxation	(1.6)	(1.6)	(1.6)
Profit after tax	6.3	7.1	6.3
Attributable to			
Non-controlling interest	n/a	0.8	n/a
Owners of the parent	6.3	6.3	6.3



Agenda

- Business strategy
- Product performance
- Financial performance



Current environment

- Economic, political and market environment continues to provide opportunities to engage with current and potential clients across a broad spectrum of products
- Increased focus on bespoke and differentiated services
 - Particularly in Passive Hedging, and evident across all products
- Multi-Strategy attracting interest
 - Performance and diversification valuable in low return environment
- Broader capabilities in cash and collateral management
- Operating margins affected by additional resource requirements to innovate and enhance products to meet clients' developing needs

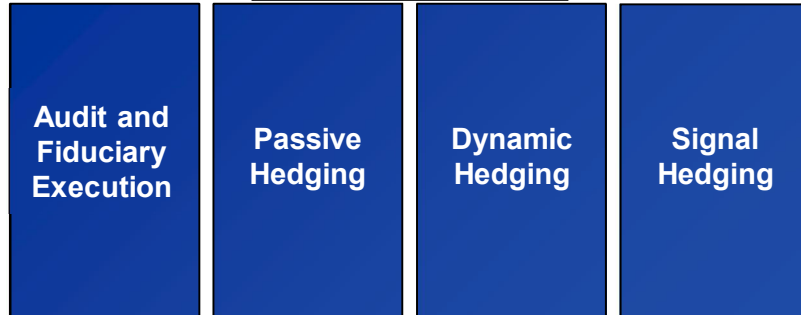


Growth strategy

- Maintain client relationships and generate new sales in FY-19 and beyond
- Focus on offering flexible currency management strategies
 - Tailored offerings help maintain fee rates and act as key differentiator
 - Will require continued investment in systems and people
- Continue to enhance Hedging products and Currency for Return products
 - Increasingly offering complementary collateral and cash management
- Maintain diversity by investment strategy, objectives, client location
- Sustain marketing effort in US, UK and continental Europe, and elsewhere as opportunities arise
 - Offices in New York and Zürich
- Maintain appropriate capital resources in the business

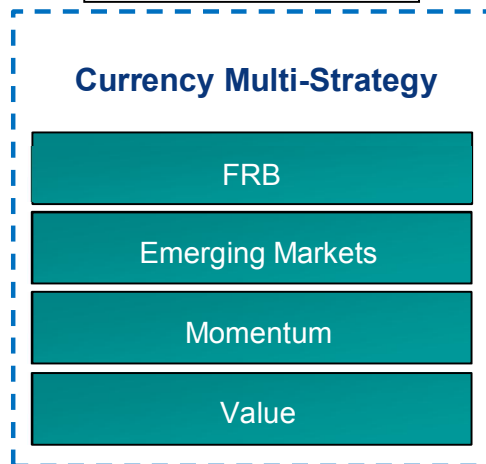
Diverse product offering

Risk management



- Currency hedging
 - Dynamic Hedging – First Live Programme 1983
 - Passive Hedging – First Live Programme 1999
– Enhanced hedging from 2014
 - Signal Hedging – First Live Programme 2016

Currency for return



- Currency for return
 - FRB – First Live Programme 2003
 - Emerging Markets – First Live Programme 2009
 - Momentum – First Live Programme 2012
 - Value – First Live Programme 2012
 - Currency Multi-Strategy – First Live Programme 2012



Agenda

- Business strategy
- Product performance
- Financial performance



Enhanced Passive Hedging

- Reduce cost of hedging through flexibility in implementation, without varying hedge ratio
- Two key areas
 - Direct costs of maintaining hedge
 - Embedded interest rate differential
- Episodic nature of opportunities means higher level of discretionary oversight required
- Total value added relative to a fixed-tenor benchmark for an enhanced Passive Hedging programme for a representative account

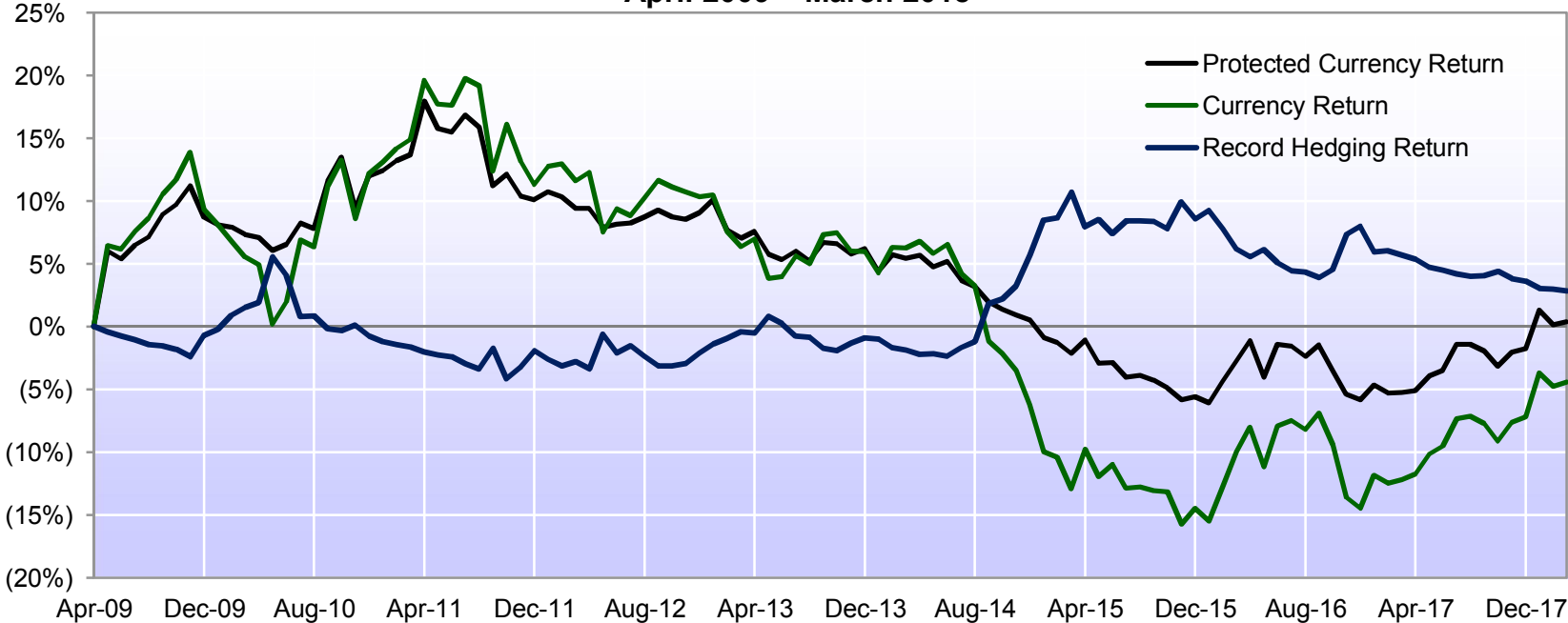
	Return for year to 31 March 2018	Return since inception
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	0.12%	0.14% p.a.

Source: Record Currency Management. Data from October 2014 to March 2018. Live track record based on a fixed-tenor costed benchmark.



Performance of a US Dynamic Hedging client

US Dynamic Hedging Client
April 2009 – March 2018

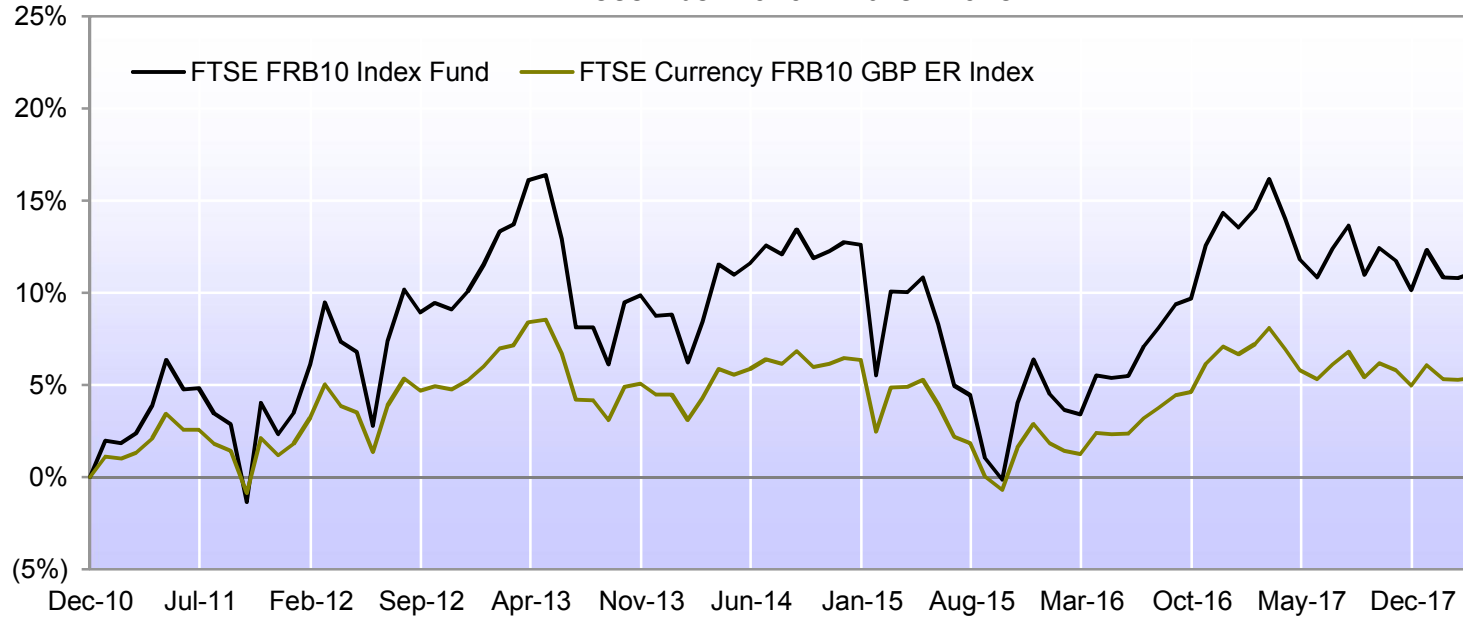


As at March 2018	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	0.39%	(4.41%)	2.82%
Inception to date (ann.)	0.04% p.a.	(0.50%) p.a.	0.31% p.a.

Source: Record Currency Management and WM/Reuters. Protected currency return is calculated as the weighted average currency return plus the contribution from hedging. Performance has been re-scaled to a 0%-100% dynamic range. Data is cumulative from 30 April 2009 to 29 March 2018.

FRB10 fund performance

**Record Currency FTSE FRB10 Index Fund
December 2010 – March 2018**



As at March 2018	FTSE FRB10 Index Fund (x1.8)
Returns (cum.)	11.07%
Returns (ann.)	1.44% p.a.
Volatility	7.04% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 29 March 2018.



Emerging Market Currency strategy performance

**Record Emerging Market Strategy
November 2009 – March 2018**



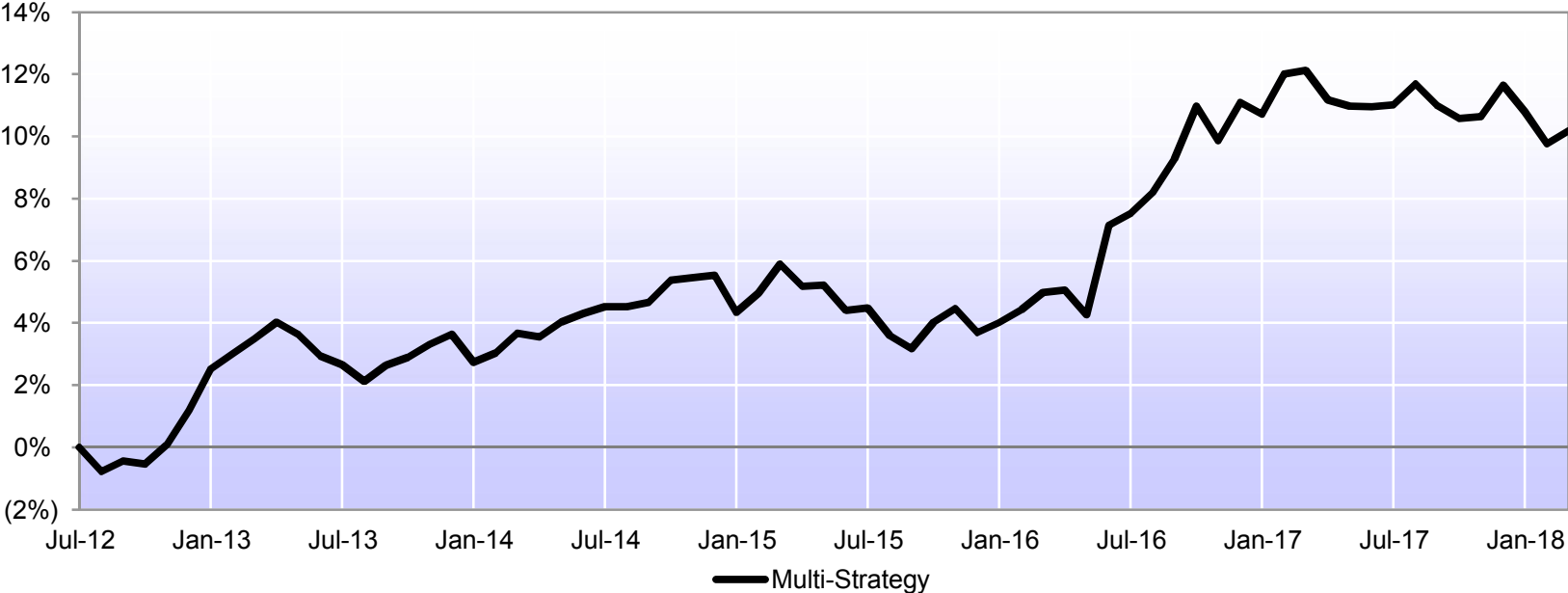
As at March 2018	Emerging Market Strategy
Returns (cum.)	18.67%
Returns (ann.)	2.08% p.a.
Volatility	6.42% p.a.

Source: Record Currency Management. Total returns based on EM Beta Product from 30 November 2009 to 31 December 2010 and Record EM Currency Fund from 1 January 2011 to 29 March 2018.



Multi-Strategy performance

**Record Multi-Strategy approach
July 2012 – March 2018**



As at March 2018	Multi-Strategy	DBCR +*
Returns (cum.)	10.18%	8.20%
Returns (ann.)	1.73% p.a.	1.40% p.a.
Volatility	2.41% p.a.	3.03% p.a.

Source: Record Currency Management and Bloomberg. The performance of the multi-strategy is based on a combination of live and third party index returns for the individual strands from 31 Jul 2012 to 30 Sep 2016. Thereafter, performance is based on live composite returns. Performance has been scaled to a 4% target volatility and is presented in USD. *Deutsche Bank currency index excess returns in USD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.

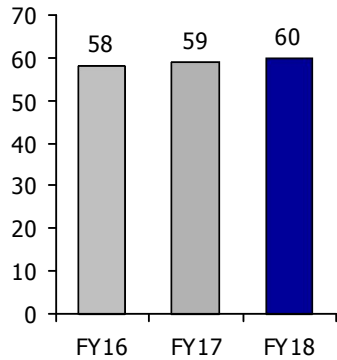


Agenda

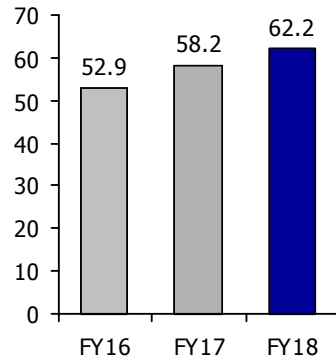
- Business strategy
- Product performance
- Financial performance

Financial KPIs

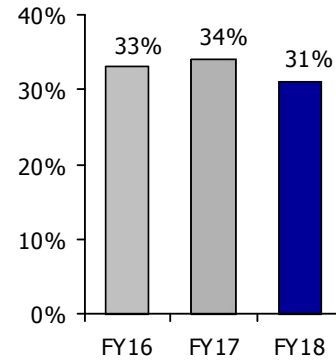
Client numbers



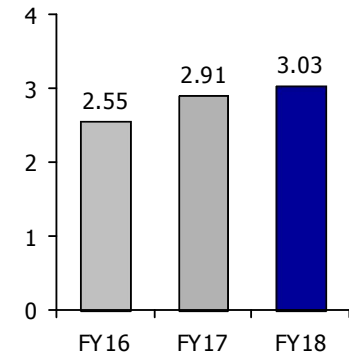
AUME (\$bn)



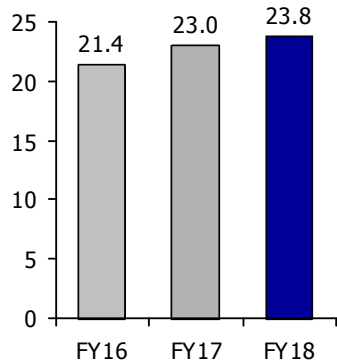
Operating margin¹



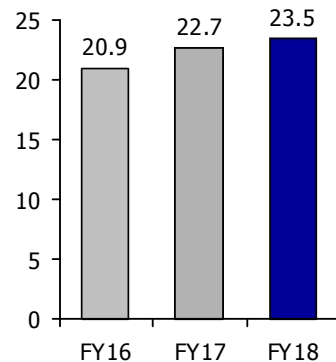
EPS (pence)



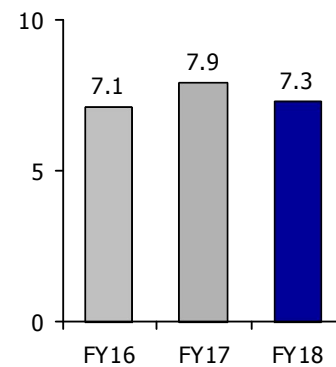
Revenue¹ (£m)



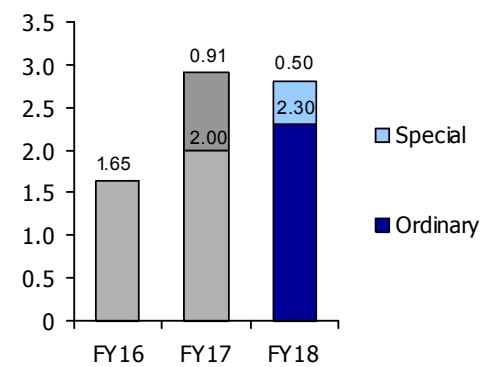
Management fees (£m)



Profit before tax¹ (£m)



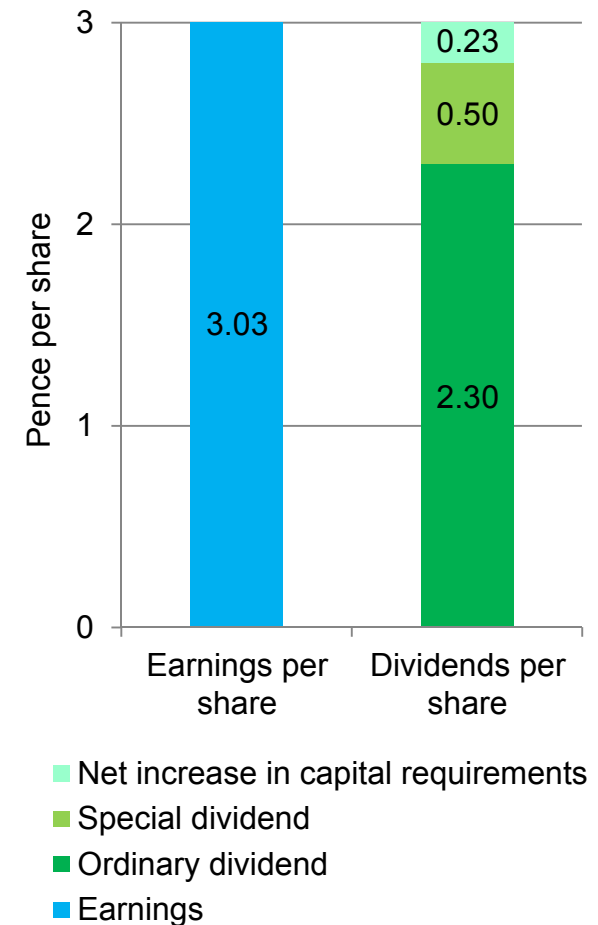
Dividend per share (pence)



1 – Revenue, operating margin and profit before tax data for comparative periods have been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 35-36.

Dividend policy

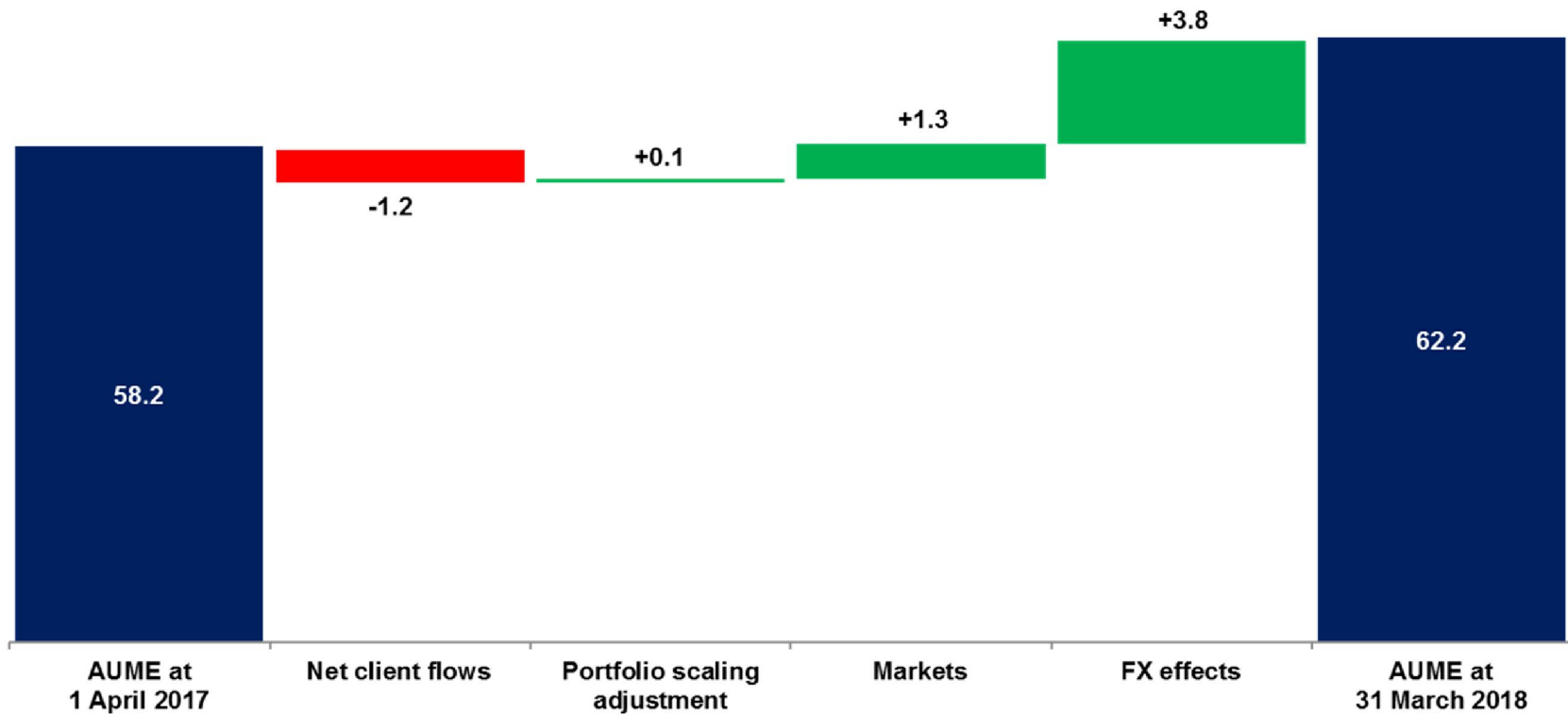
- Announced intention to consider returning at least part of any excess of earnings over ordinary dividends, potentially as special dividends, with FY-16 results
- Interim dividend for H1-18 of 1.15p per share paid in December 2017
- Final ordinary dividend for FY-18 of 1.15 pence per share
 - Total ordinary dividend for FY-18: 2.30 pence per share (FY-17: 2.00 pence per share)
- Special dividend for FY-18 of 0.50 pence per share (FY-17: 0.91 pence per share)
 - Net increase in capital requirements equivalent to 0.23 pence per share
- Dividend policy
 - Progressive ordinary dividend policy
 - Continue considering returning any excess of earnings over sum of ordinary dividends and increased capital requirements, normally as special dividends
 - Continue to consider ordinary dividends and other distributions on a “total distributions” basis



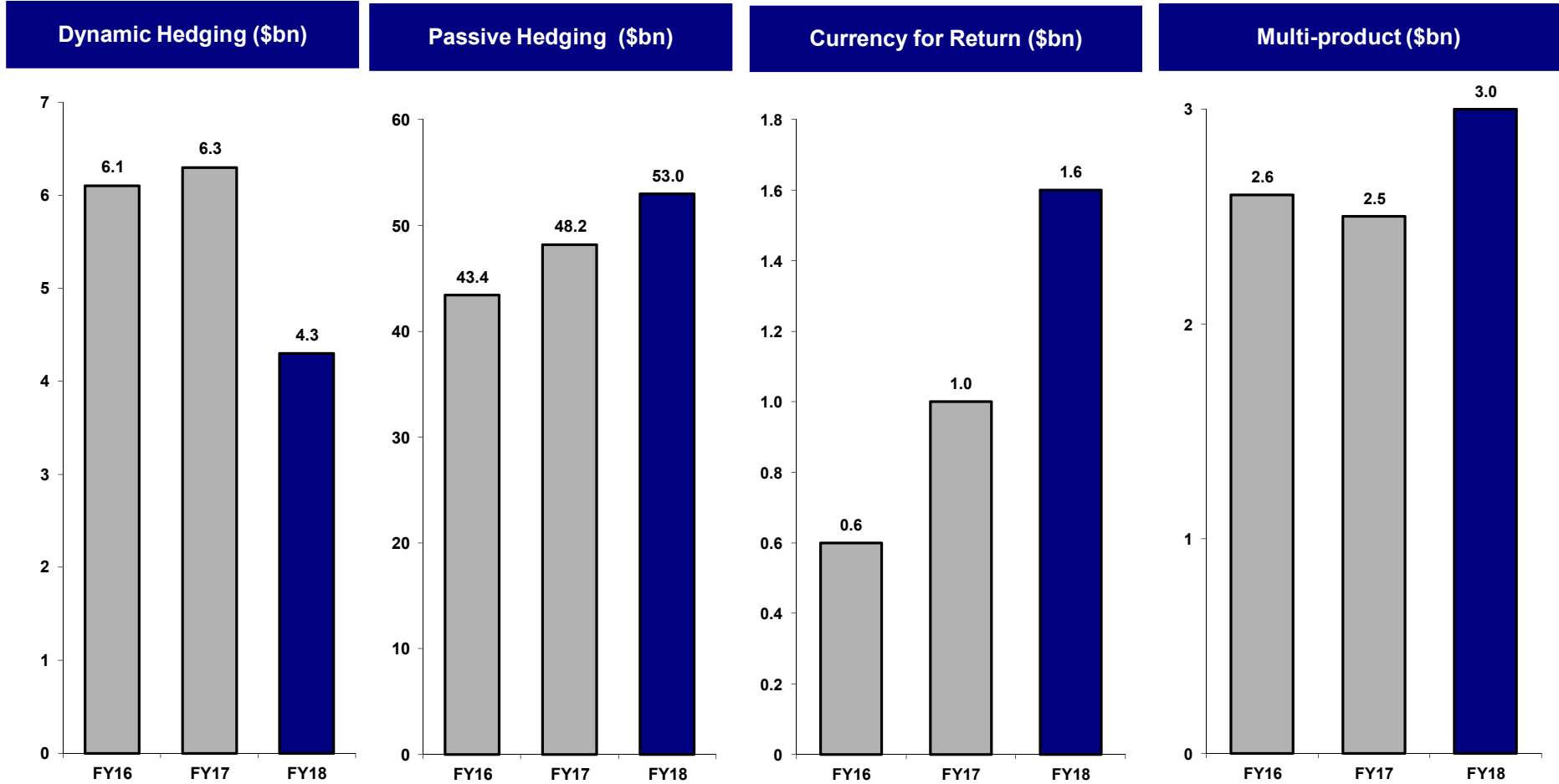
Financials – AUME movement



AUME bridge for the year ended 31 March 2018 (\$bn)



AUME by product at year end



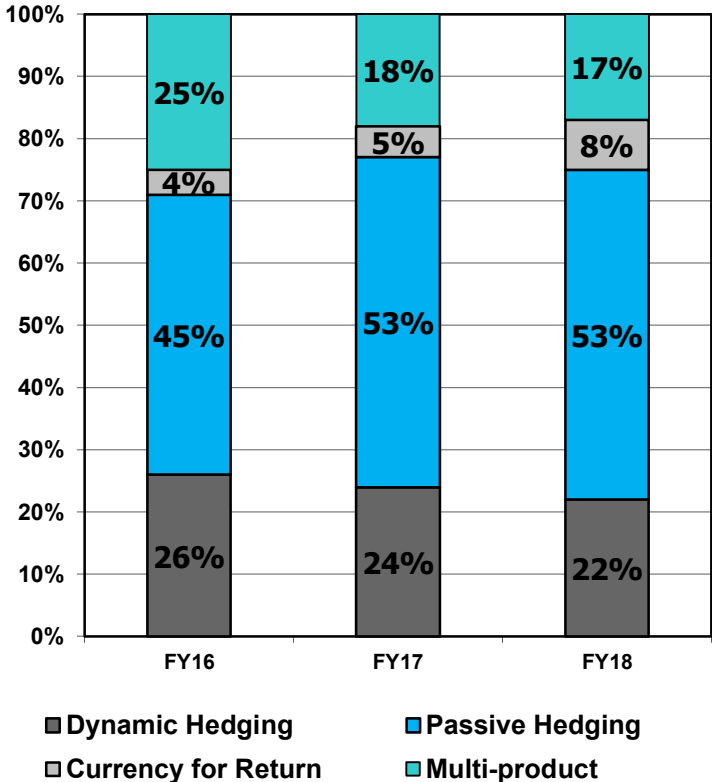


Average AUME, fee rates and fees

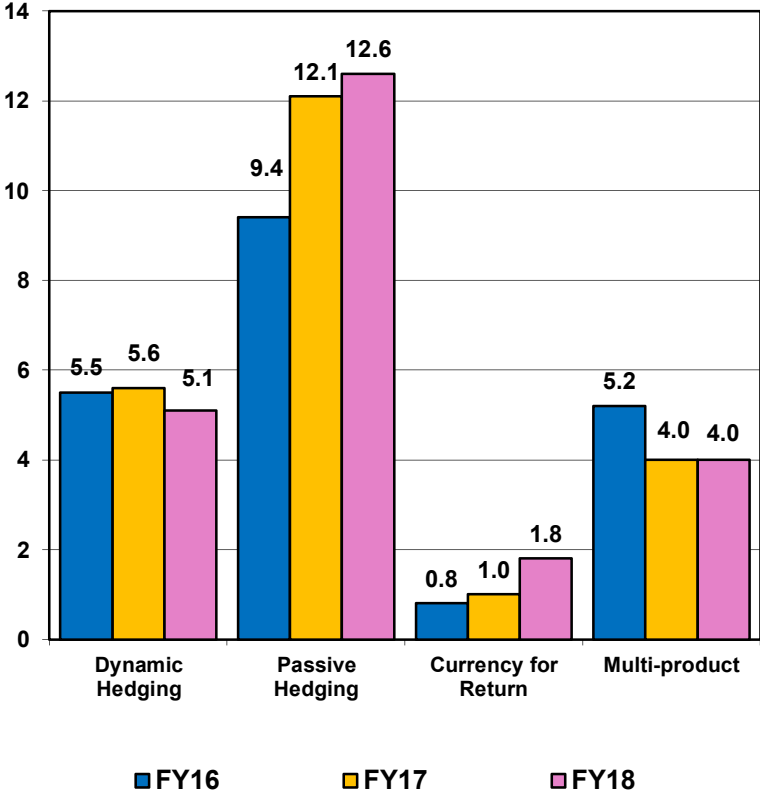
	Average AUME (\$bn)		Average management fee rates (bps)		Management fees (£m)	
	FY-17	FY-18	FY-17	FY-18	FY-17	FY-18
Dynamic Hedging	5.9	4.8	12	14	5.6	5.1
Passive Hedging	45.2	51.7	4	3	12.1	12.6
Currency for Return	0.9	1.5	15	16	1.0	1.8
Multi-product	2.7	2.9	20	18	4.0	4.0

Financials – fee analysis

Management fees analysis by product



Management fees by product (£m)



Financials – cost analysis



	FY17 (restated ¹) £m	FY18 £m
Personnel (excluding Group Profit Share)	7.1	7.9
Non-personnel cost ²	4.7	5.4
Administrative expenditure excluding Group Profit Share	11.8	13.3
Group Profit Share	3.3	3.1
Total administrative expenditure	15.1	16.4
Other income and expenditure	(0.2)	(0.2)
Total expenditure	14.9	16.2

1 – Other income and expenditure and total expenditure data for comparative periods have been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 35-36.

2 – Non-personnel costs for FY18 includes exceptional costs of £0.2m relating to tender offer.



Financials – income statement

	FY17 (restated ¹)	FY18
	£m	£m
Management fees	22.7	23.5
Other currency services income	0.3	0.3
Total revenue	23.0	23.8
Cost of sales	(0.3)	(0.3)
Gross profit	22.7	23.5
Operating costs (excl. variable remuneration)	(11.8)	(13.3)
Variable remuneration	(3.3)	(3.1)
Other income and expenditure	0.2	0.2
Total expenditure	(14.9)	(16.2)
Operating profit	7.8	7.3
Operating Profit Margin	34%	31%
Finance income	0.1	-
Profit before tax	7.9	7.3
Taxation	(1.6)	(1.2)
Profit after tax	6.3	6.1

1 – Data for comparative periods has been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 35-36.

Financials – earnings



	FY17 (restated ¹) £m	FY18 £m
Profit before tax	7.9	7.3
Tax	(1.6)	(1.2)
Profit after tax	6.3	6.1
eps – basic	2.91p	3.03p
eps – diluted	2.90p	2.98p
Total ordinary dividend per share	2.00p	2.30p
Special dividend per share	0.91p	0.50p
Dividend cover (ordinary and special)	1.0x	1.1x

1 – Data for comparative periods have been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 35-36.

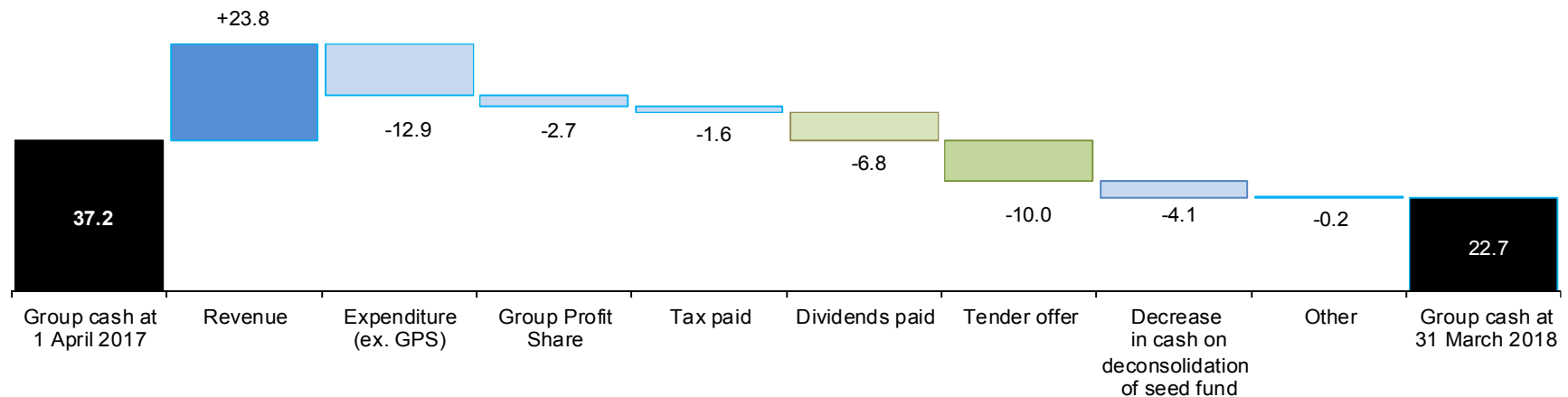
Financials – balance sheet

	FY17 (restated ¹) £m	FY18 £m
Fixed assets	1.1	1.1
Investment in seed fund	-	1.1
Deferred tax assets	0.1	0.1
Non-current assets	1.2	2.3
Trade debtors and other receivables	7.0	6.8
Derivative financial assets	-	0.3
Money market instruments	18.1	10.2
Cash and cash equivalents	19.1	12.5
Current assets	44.2	29.8
Current liabilities	(8.6)	(5.5)
Net assets	36.8	26.6
Total equity	36.8	26.6

1 – Data for comparative periods has been restated. An explanation for the restatement and a reconciliation to previously published data is provided on pages 35-36.

Financials – cash

CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2018 (£m)



- The Group’s cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills with maturities of up to 1 year. Whilst the Group manages and considers all of these instruments as cash, which are subject to its own internal cash management process, not all of these instruments are classified as cash or cash equivalents under IFRS.
- The IFRS classification of these instruments has a material impact on the IFRS cash flow statement which considers the flows relating to cash and cash equivalents only, and indicates a £7.9 million cash inflow as a result of transfers between “cash and cash equivalents” and “money market instruments with maturities greater than 3 months”.
- Group cash at 31 March 2018 includes £5.5 million held by the seed funds (1 April 2017: £8.1 million).



Appendices



Management and Board

Executive management

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

Non-executive Directors

Name	Position	Experience
Neil Record	Chairman	<ul style="list-style-type: none"> Founded Record in 1983, principal shareholder and Chairman ever since Acknowledged as one of the leading figures in the currency investment management industry
David Morrison	Senior Independent Director	<ul style="list-style-type: none"> Founder and Chief Executive of Prospect Investment Management, Director of Be Heard Group plc and Maris Ltd; a Director of several private companies Previously a Non-executive Director of N P Record plc between 1987-1996
Jane Tufnell	Non-Executive Director (independent)	<ul style="list-style-type: none"> Co-founded the investment management firm Ruffer in 1994 Currently Senior Independent Director of The Diverse Income Trust plc and a Non-executive Director of Odyssean Investment Trust plc
Rosemary Hilary	Non-Executive Director (independent)	<ul style="list-style-type: none"> Appointed 1 June 2016. Non-executive Director of Pension Protection Fund, Willis Ltd, Vitality Health and Vitality Life Formerly Chief Audit Officer at TSB and the FCA/FSA; a senior regulator at the FSA and Bank of England
Tim Edwards	Non-Executive Director (independent)	<ul style="list-style-type: none"> Appointed as a Non-executive Director on 21 March 2018 Director of Ervaxx Limited, Chairman of Storm Therapeutic Limited and a Member of the governing Board of Innovate UK. He was previously Chairman of Atopix Therapeutics and Chief Executive Officer of Cellzome Inc.

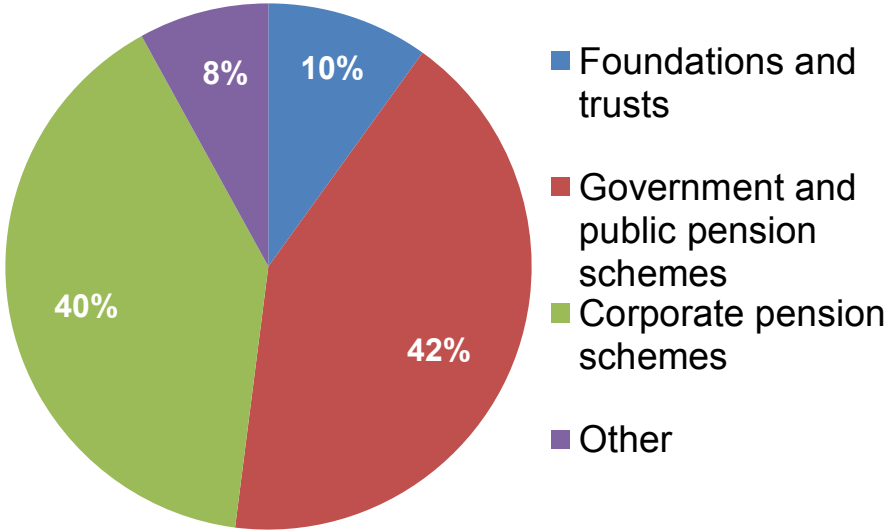


AUME definition

- 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;
 - Passive Hedging mandates:
 - = the aggregate nominal amount of passive hedges actually outstanding in respect of each client;
 - Currency for Return mandates:
 - = the maximum aggregate nominal amount of outstanding forward contracts for each client;
 - Multi-product mandates:
 - = the chargeable mandate size for each client;
 - Cash:
 - = the total set aside by clients and managed and/or "equitised" using futures by Record.
-

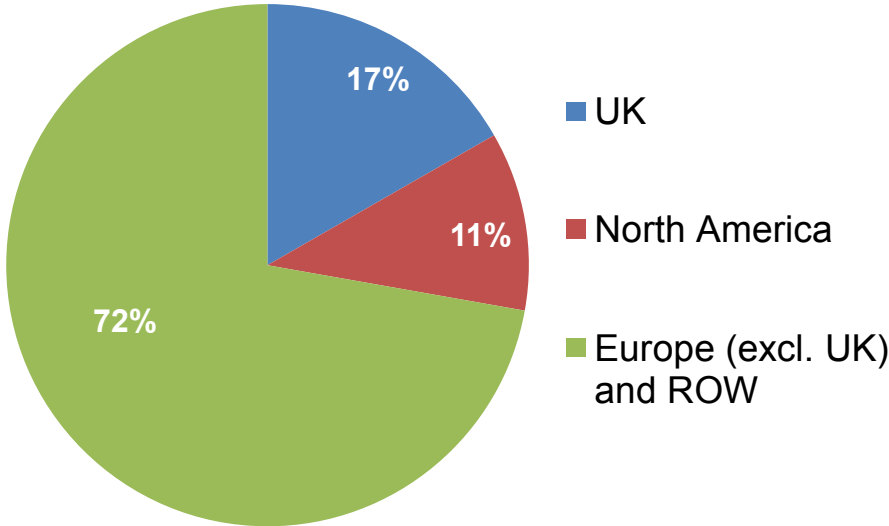
AUME analysis

Split of AUME by client type as at 31 March 2018



Total: \$62.2 bn

Split of AUME by geography as at 31 March 2018



Total: \$62.2 bn

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



Financials – client numbers

	31 Mar 17	31 Mar 18
Dynamic Hedging	6	3
Passive Hedging	41	44
Hedging	47	47
Currency for Return	11	11
Multi-product	2	2
Other	3	2
Less clients with >1 product	(4)	(2)
Total	59	60

Notes: (i) total of client numbers by product type is greater than total client numbers due to some clients having more than one account;
(ii) for pooled funds, client numbers look through pooled funds to individual investor level.

Financials – concentration



Largest clients by FY-18 management fees

	AUME \$bn	Management fees	
		£m	%
Clients 1-10	44.9	17.0	72%
Clients 11-20	11.3	4.0	17%
Other clients	6.0	2.5	11%
Total	62.2	23.5	100%

Hedging mandates – underlying assets



Class of assets underlying hedging mandates as at 31 March 2018

	Equity	Fixed income	Other
Dynamic Hedging	96%	-%	4%
Passive Hedging	29%	42%	29%
Multi-product	-%	-%	100%

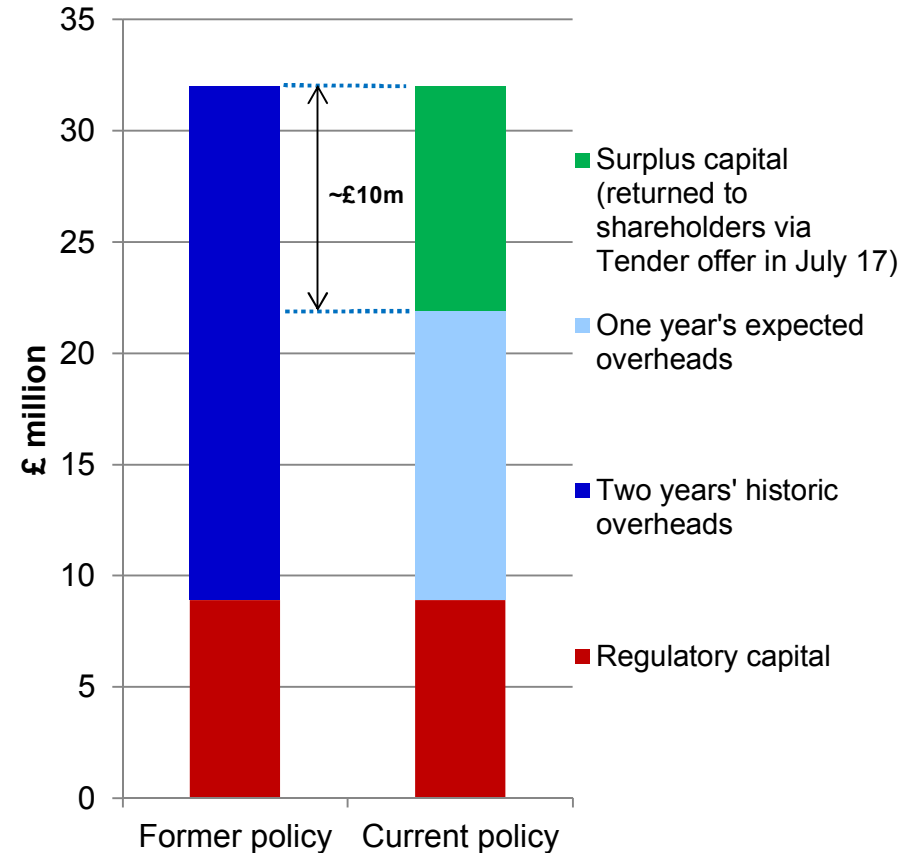
Capital policy

Former policy

- Retain capital broadly equivalent to
 - *Two years' worth of historic* overheads excluding variable remuneration, plus
 - Regulatory capital, plus
 - Working capital requirement, plus
 - Capital for investment in new opportunities

Current policy

- Retain capital broadly equivalent to
 - *One year's worth of estimated future* overheads excluding variable remuneration, plus
 - Regulatory capital, plus
 - Working capital requirement, plus
 - Capital for investment in new opportunities



Restatement of accounts

		Year ended 31 Mar 17 £'000	Year ended 31 Mar 18 £'000
<p>■ The presentation of gains or losses on hedging, gains or losses on trading within the seed funds and gains or losses on foreign exchange conversion have been reclassified from within revenue to other income or expense on the face of the statement of comprehensive income.</p> <p>■ The pro-rata share of the gains or losses derived from the seed funds which are attributable to the external investors in the funds are adjusted within operating profit, as opposed to being included in profit attributable to the non-controlling interest.</p> <p>■ No change in profit attributable to owners of the parent or to earnings per share.</p>	Changes to income statement		
	Historic presentation		
	Revenue	23,928	23,639
	Other income or expense	n/a	n/a
	Operating profit	8,563	6,904
	Profit before tax	8,675	6,960
	Profit attributable to non-controlling interests	819	(368)
	New presentation		
	Revenue	22,952	23,834
	Other income or expense	157	173
	Consisting of:		
	• Gains or losses on DFI and FX conversion	976	(195)
	• Adjustment for gain or loss attributable to external fund investors	(819)	368
Operating profit	7,744	7,272	
Profit before tax	7,856	7,328	
Profit attributable to non-controlling interests	-	-	
Differences			
Revenue	(976)	195	
Other income or expense	157	173	
Consisting of:			
• Gains or losses on DFI and FX conversion	976	(195)	
• Adjustment for gain or loss attributable to external fund investors	(819)	368	
Operating profit	(819)	368	
Profit before tax	(819)	368	
Profit attributable to non-controlling interests	(819)	368	

Restatement of accounts

	As at 31 Mar 17 £'000	As at 31 Mar 18 £'000
<ul style="list-style-type: none"> ■ The net asset value of the investment of external investors in the seed fund has been reclassified. ■ The historic classification was a non-controlling interest in equity. ■ The new classification is a financial liability. ■ There is no change to equity attributable to owners of the parent. 	Changes to balance sheet	
	Historic presentation	
	Financial liabilities	n/a
	Total net assets	29,018
	Non-controlling interests	2,467
	Total equity	29,018
	New presentation	
	Financial liabilities	(2,467)
	Total net assets	26,551
	Non-controlling interests	-
	Total equity	26,551
	Differences	
	Financial liabilities	(2,467)
	Total net assets	(2,467)
	Non-controlling interests	(2,467)
	Total equity	(2,467)