



Record plc

Annual results

Year to 31 March 2015

16 June 2015



Disclaimer

IMPORTANT INFORMATION

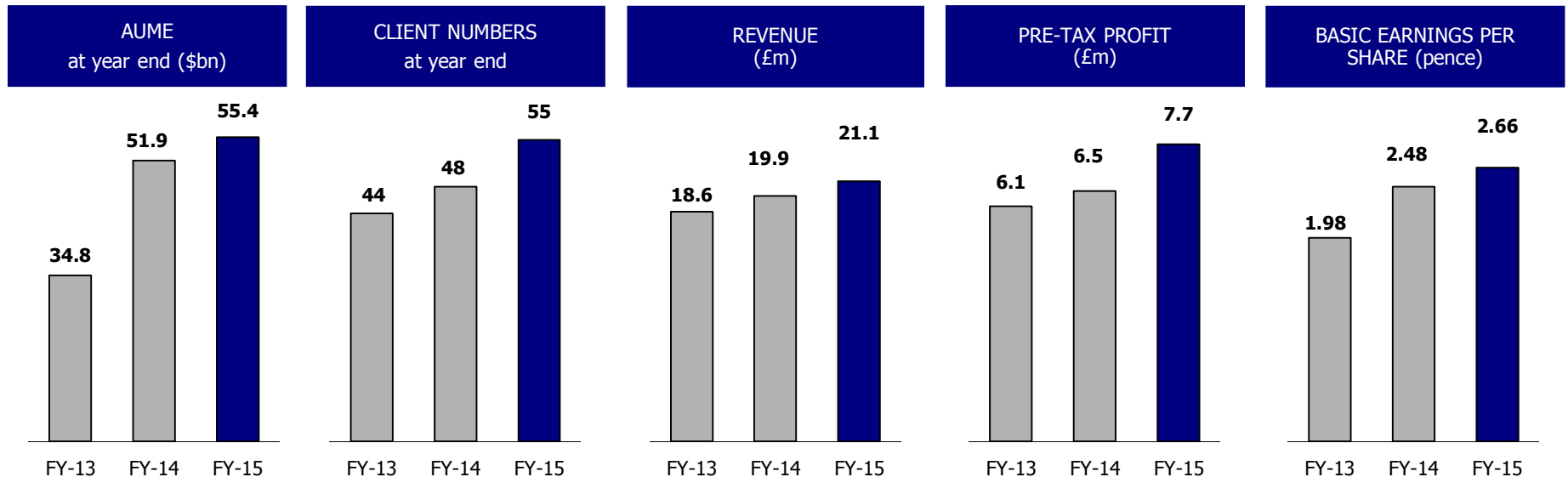
This document does not constitute an offer to sell or an invitation to buy shares in Record plc or any other invitation or inducement to engage in investment activities. Certain statements, beliefs and opinions in this document are forward-looking, which reflect the Company's current expectations and 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.



Second successive year of growth

- Client numbers up 7 to 55
- AUME \$55.4bn at 31 March 2015 (+7%)
- Revenue of £21.1m (up 6% on FY-14)
- Management fees £20.3m (FY-14: £20.3m)
- Operating profit margin of 36% (FY-14: 32%)
- Underlying operating profit margin of 35% (FY-14: 33%)
- Pre-tax profit £7.7m (up 18% on FY-14)
- Underlying pre-tax profit of £7.5m (FY-14: £6.9m)
- Basic EPS 2.66p per share (FY-14: 2.48p per share)
- Final dividend of 0.90p per share, payable on 29 July 2015
- Total dividend in respect of FY-15: 1.65p per share (+10% on FY-14)
- Shareholders' equity £31.9m at 31 March 2015





Business strategy



Current environment

■ New business opportunities

- Focused on our core markets: North America, continental Europe (in particular Switzerland) and the UK
- Renewed interest in Currency for Return strategies, due to:
 - Increasingly divergent behaviour amongst central banks
 - Re-emergence of volatility
- Greater US interest in currency management driven by:
 - Growth in international asset allocations
 - Recent US Dollar appreciation

■ Revenue margins and volumes

- Higher level of new business opportunities has led to increased competitive activity
- The Group continues to seek to differentiate its services in order to preserve revenue margins
- New interest in Multi-Strategy approach, now in its third year

■ Expenditure

- Trend towards higher fixed remuneration in financial services
-



Strategy

- Maintain focus on currency and short-term interest rate management
- Sustained marketing effort in US, UK and Switzerland
- Focus on maintaining client relationships and generating new sales in FY-16
- Deliver diversification benefits from expanded product offering
- Enhancement of Hedging products and Currency for Return products
- Preserving cash



Expanded product offering

■ Current product range

□ Hedging

- Dynamic Hedging First Live Programme 1983
- Passive Hedging First Live Programme 1999

□ Currency for Return

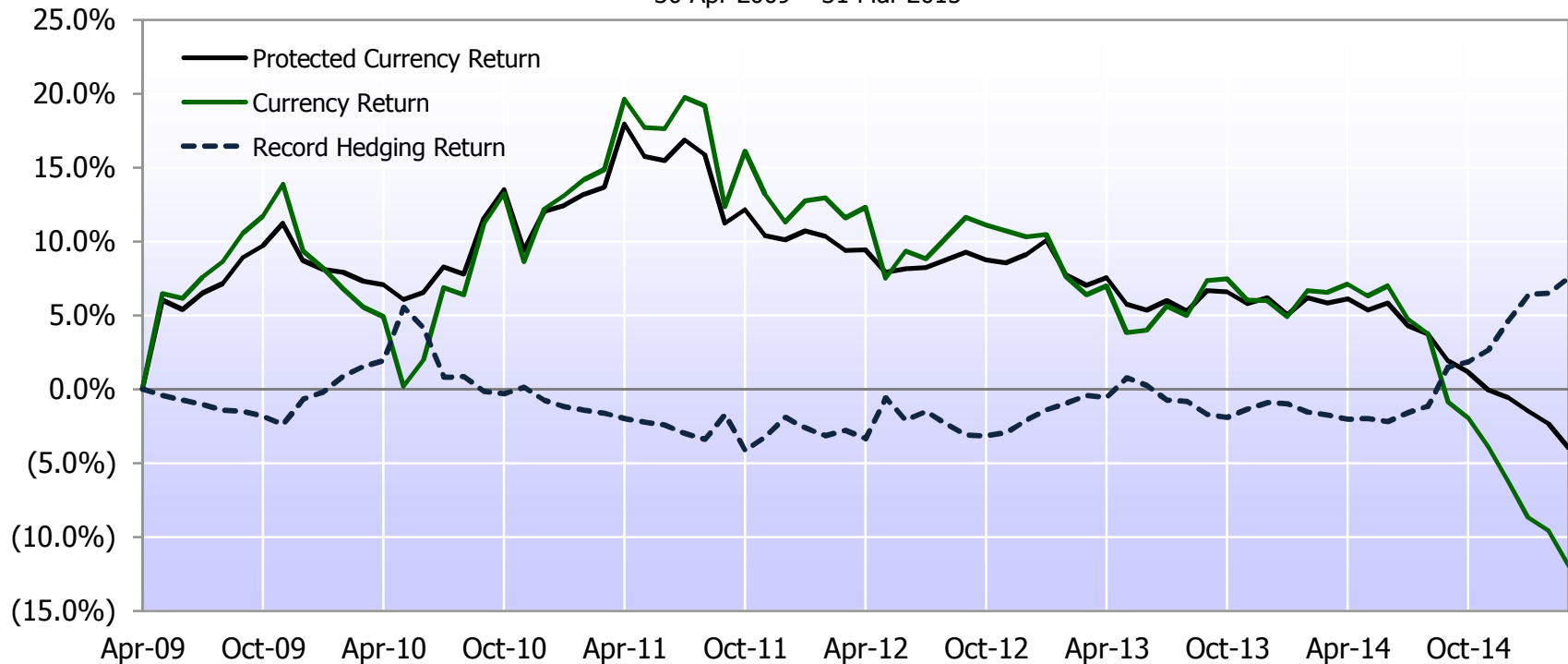
- FRB Alpha First Live Programme February 2003
- FRB Beta First Live Programme September 2009
- Emerging Markets First Live Programme November 2009
- Currency Momentum First Live Programme July 2012
- Currency Value First Live Programme July 2012
- Multi-Strategy First Live Programme July 2012



Product Performance

Performance of a US Dynamic Hedging Client

US Dynamic Hedging Client
30 Apr 2009 – 31 Mar 2015



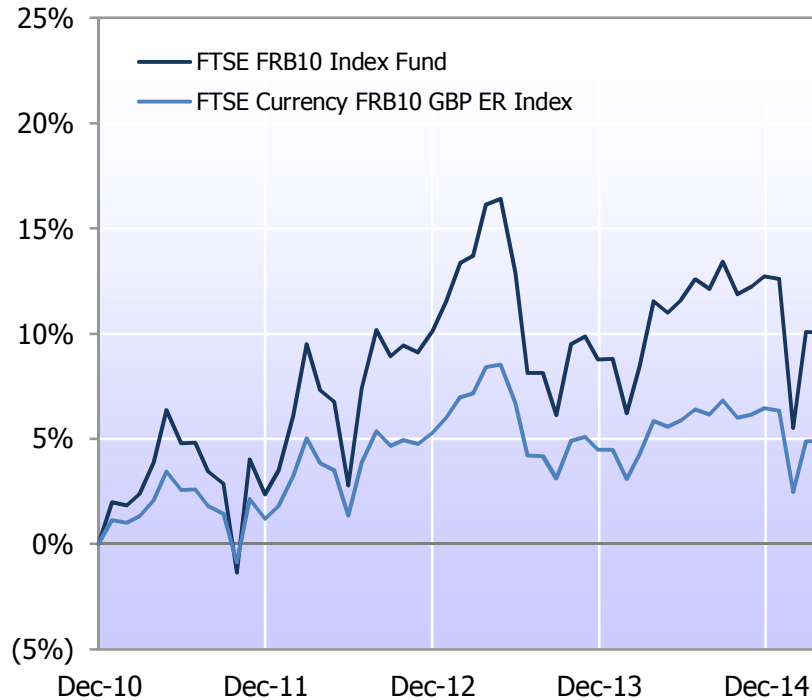
As at 31 Mar 2015	Protected Currency Return	Currency Return	Record Hedging Return
Inception to date (cum.)	(4.0%)	(11.9%)	7.5%
Inception to date (ann.)	(0.7%) p.a.	(2.1%) p.a.	1.2% p.a.

Source: Record Currency Management and WM/Reuters. Protected Currency Return is calculated as the weighted average currency return plus the contribution from hedging. Data is cumulative from 30 Apr 2009 to 31 Mar 2015.



FRB10 Fund and Alpha Composite Performance

Record Currency FTSE FRB10 Index Fund
01 Dec 2010 - 31 Mar 2015



As at 31 Mar 2015	FTSE FRB10 Index Fund (x1.8)
Inception to date (cum.)	10.0%
Inception to date (ann.)	2.2% p.a.

Alpha Composite
31 Jan 2003 - 31 Mar 2015



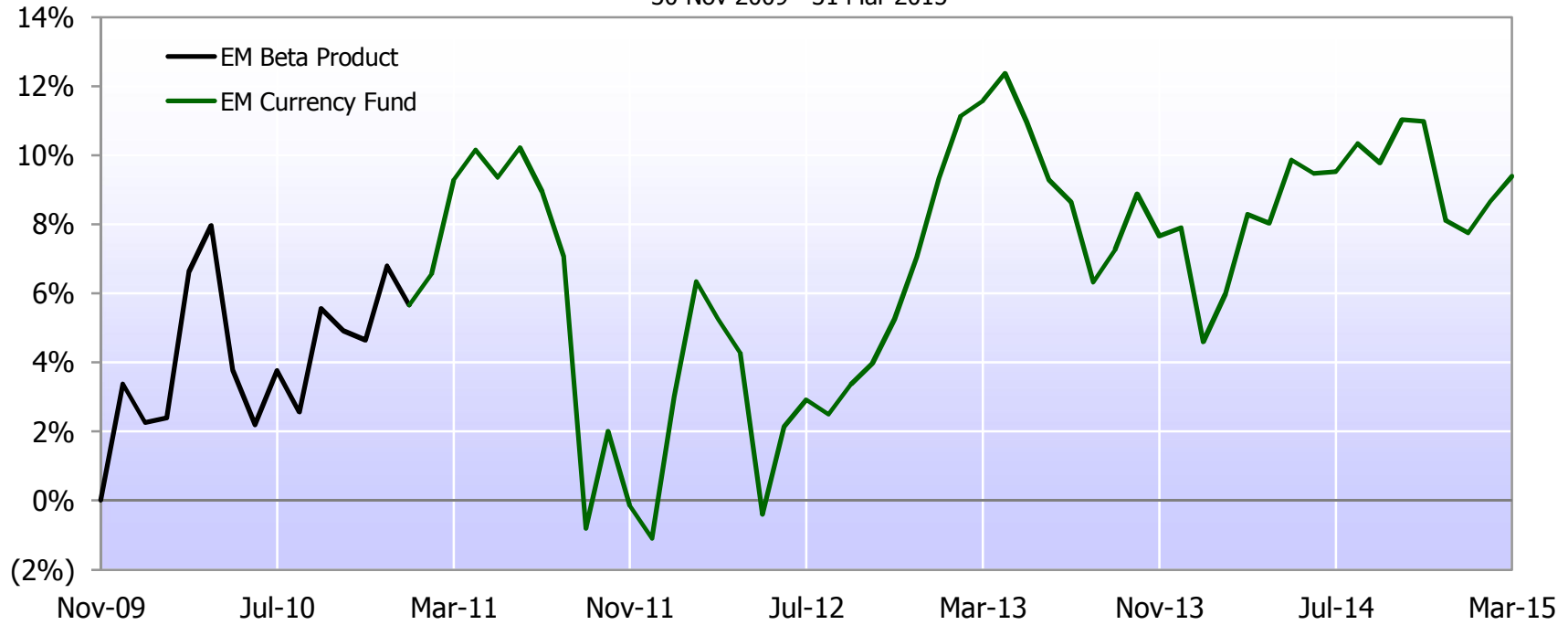
As at 31 Mar 2015	Alpha Composite
Inception to date (cum.)	0.4%
Inception to date (ann.)	0.0% p.a.

Source: Record Currency Management, FTSE International Ltd. Returns to 31 Mar 2015. Returns of all clients in the Alpha composite are weighted in US dollars and scaled to a gearing ratio of one. The volatility of returns will be greater if higher leverage is applied.



Record's Emerging Market Currency Strategy

Record Emerging Market Strategy
30 Nov 2009 - 31 Mar 2015



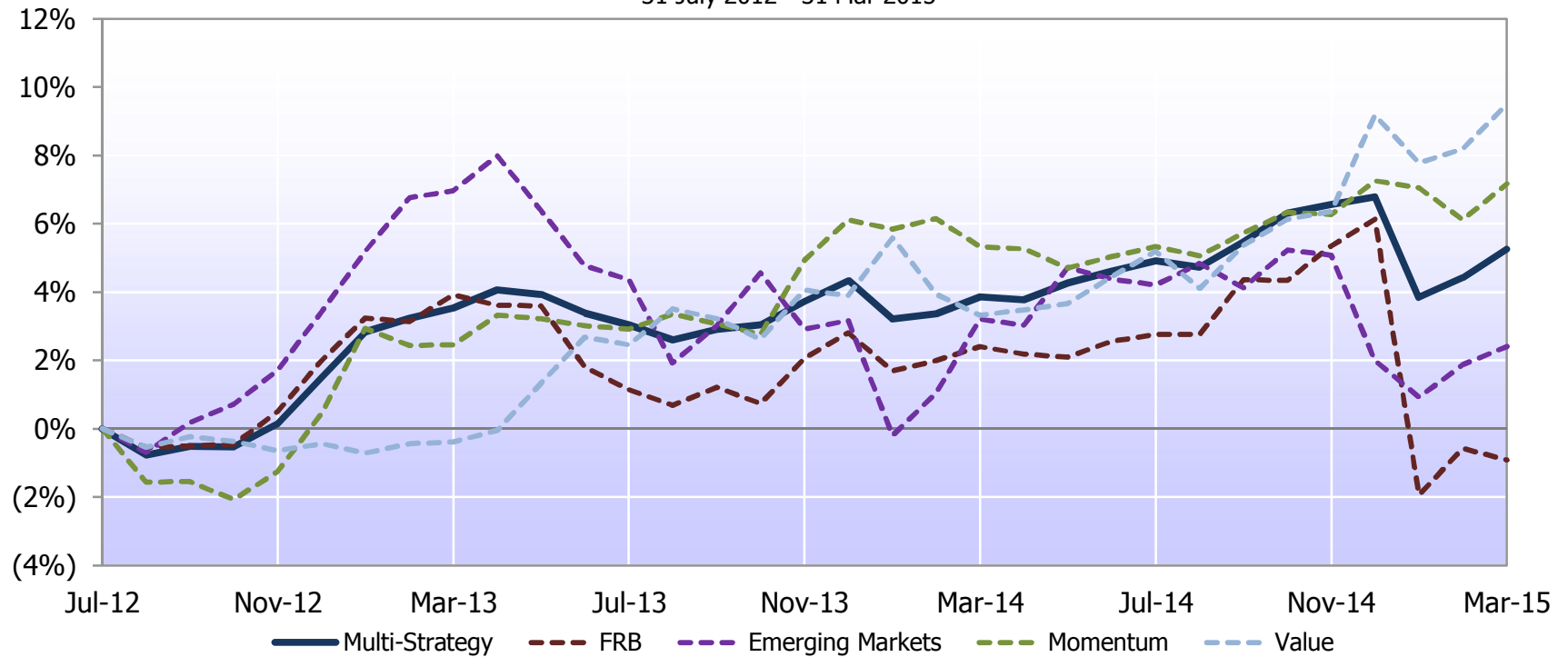
As at 31 Mar 2015	Emerging Market Strategy
Inception to date (cum.)	9.4%
Inception to date (ann.)	1.7% p.a.

Source: Record Currency Management. Total returns based on EM Beta product from 30 Nov 2009 to 31 Dec 2010 and Record EM Currency Fund from 01 Jan 2011 to 31 Mar 2015.



Multi-Strategy Performance

Record Multi-Strategy approach
31 July 2012 - 31 Mar 2015



As at 31 Mar 2015	Multi-Strategy	FRB	Emerging Markets	Momentum	Value	DBCR +*
Inception to date (cum.)	5.2%	(0.9%)	2.4%	7.2%	9.5%	4.3%
Inception to date (ann.)	1.9% p.a.	(0.3%) p.a.	0.9% p.a.	2.6% p.a.	3.5% p.a.	1.6% p.a.

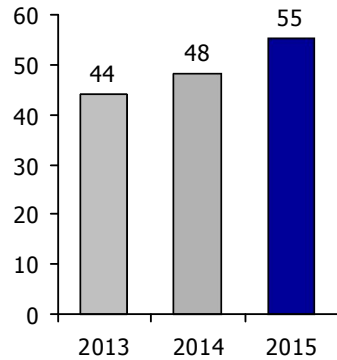
Source: Record Currency Management and Bloomberg. Record Multi-Strategy based on cumulative returns from 31 Jul 2012 to 31 Mar 2015 for a live mandate in CAD base. *Deutsche Bank currency index excess returns converted to CAD: equally weighted strategies in Carry (includes EM currencies), Momentum and Value.



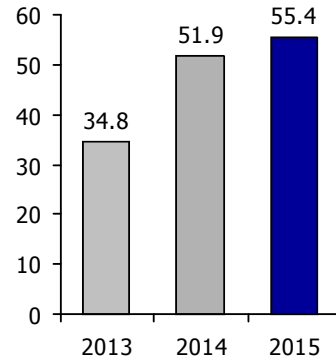
Financial Performance

Financial KPIs – Years ended 31 March

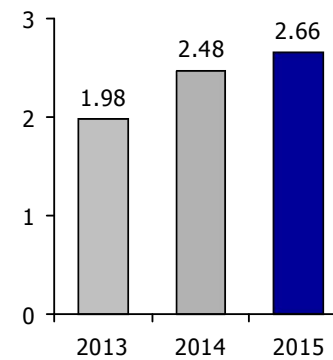
Client numbers



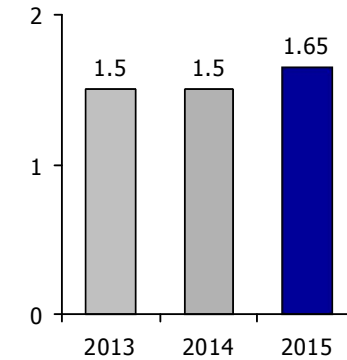
AUME (\$bn)



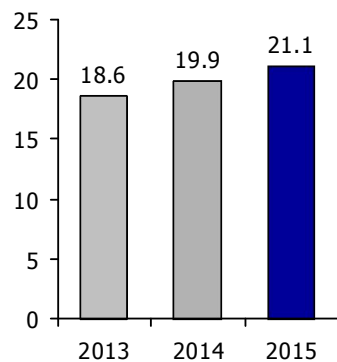
EPS (pence)



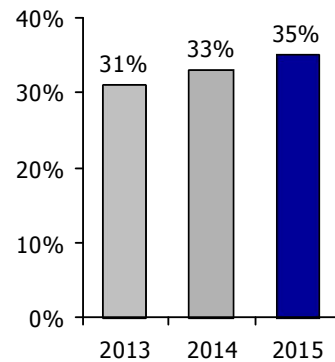
Dividend (pence per share)



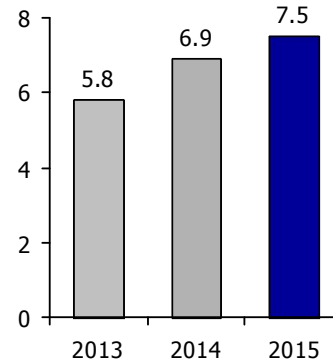
Revenue (£m)



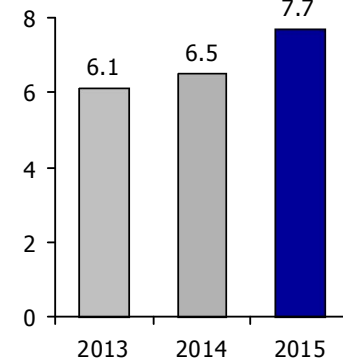
Underlying operating margin



Underlying profit before tax (£m)



Profit before tax (£m)





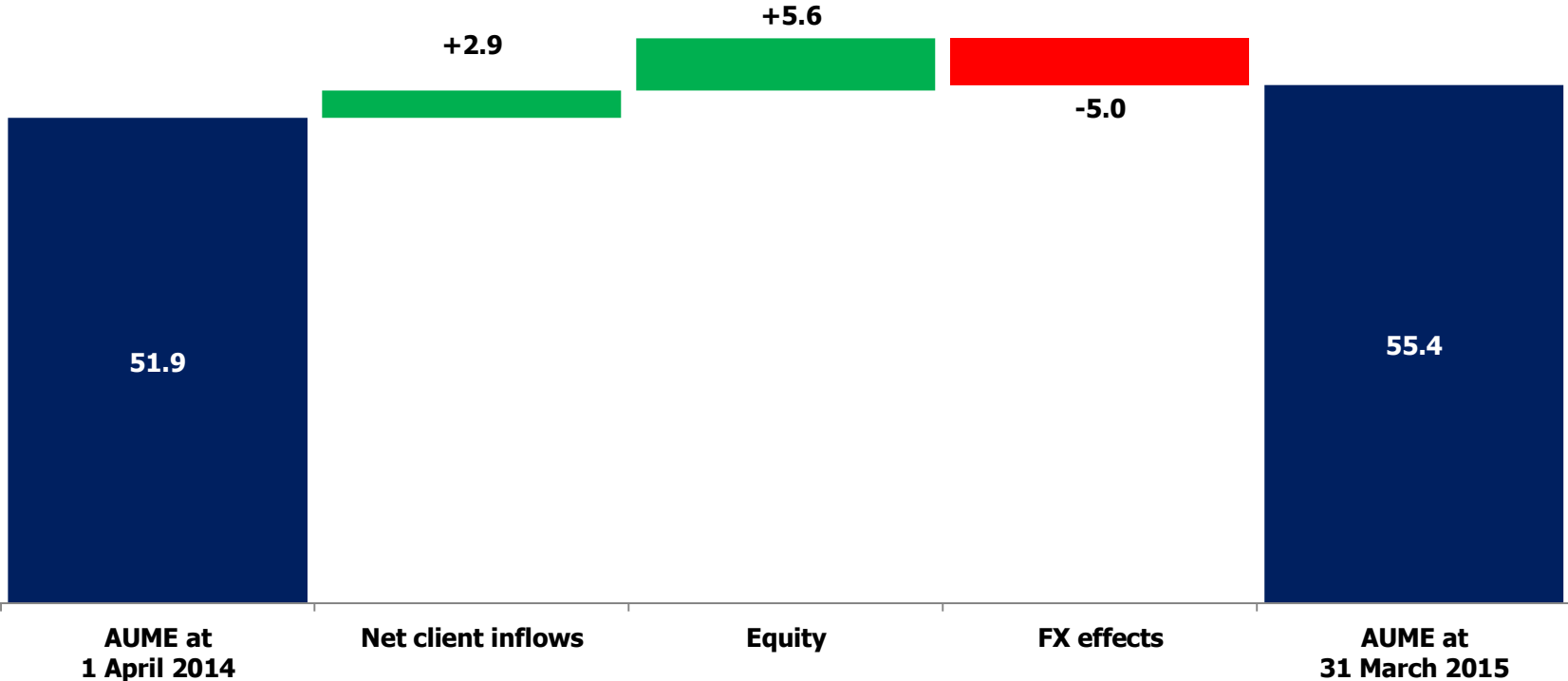
Financials – client numbers

	31 Mar 15	31 Mar 14
Dynamic Hedging	11	12
Passive Hedging	31	28
Hedging	42	40
Currency for Return	17	13
Less clients with >1 product	(4)	(5)
Total	55	48

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

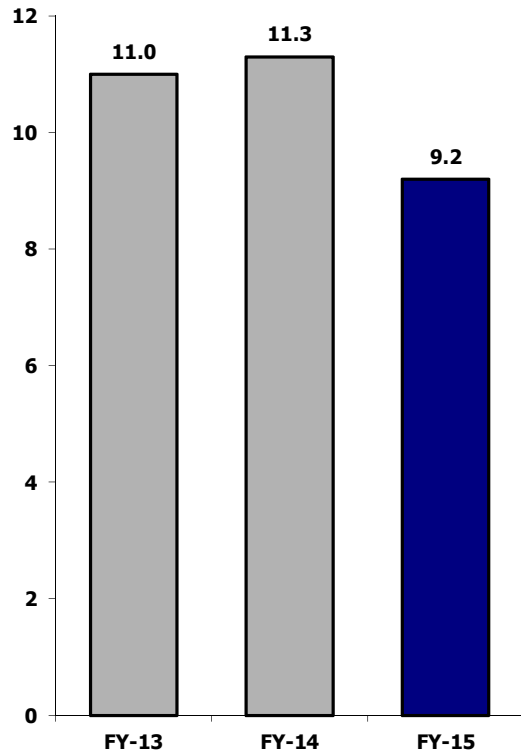
Financials – AUME movement

AUME bridge for the year ended 31 March 2015 (\$bn)

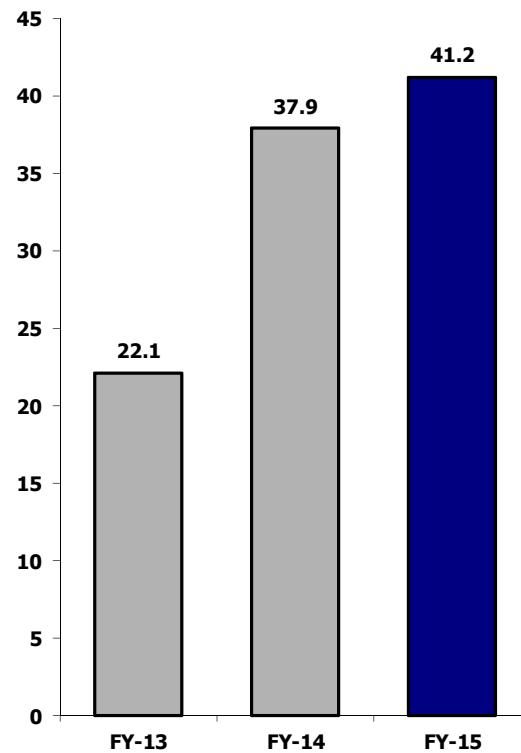


AUME by product at period end

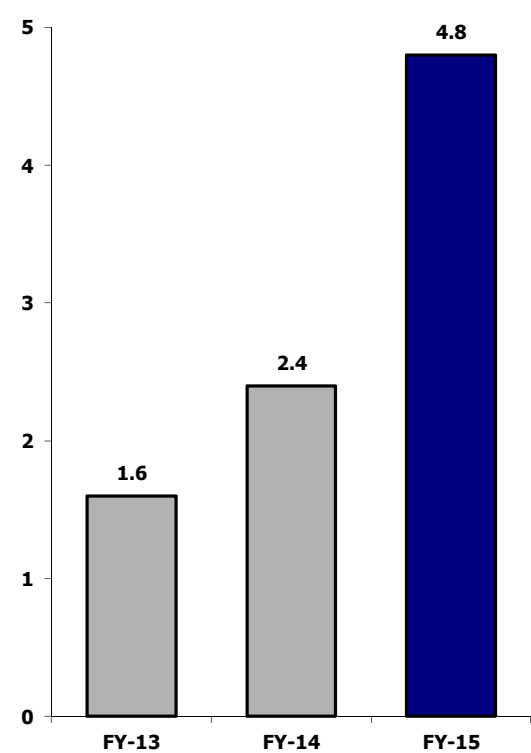
Dynamic Hedging (\$bn)



Passive Hedging (\$bn)



Currency for Return (\$bn)





Hedging mandates – underlying assets

Composition of assets underlying the Hedging mandates

	Equity	Fixed income	Other
Dynamic Hedging	75%	0%	25%
Passive Hedging	33%	55%	12%

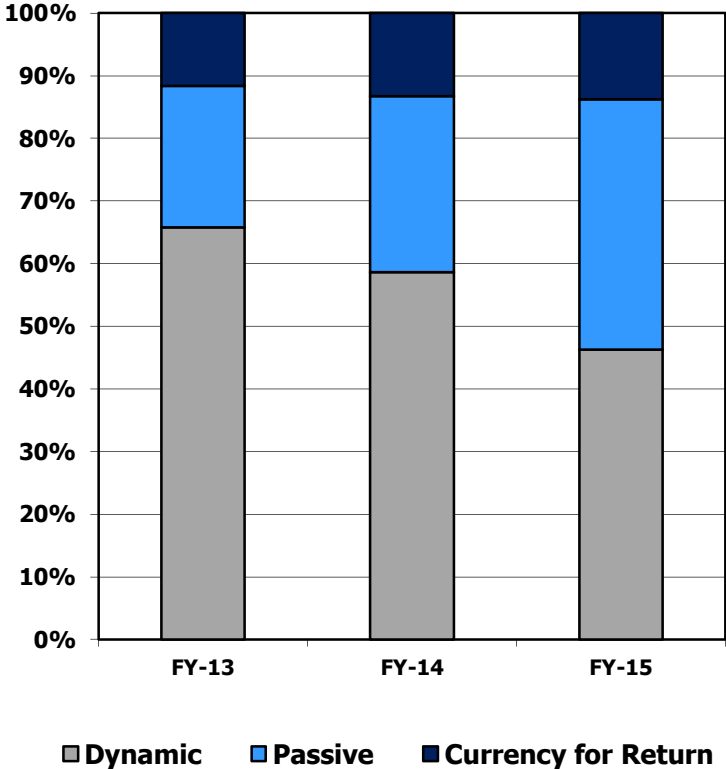


Financials – Average AUME, management fee rates & fees

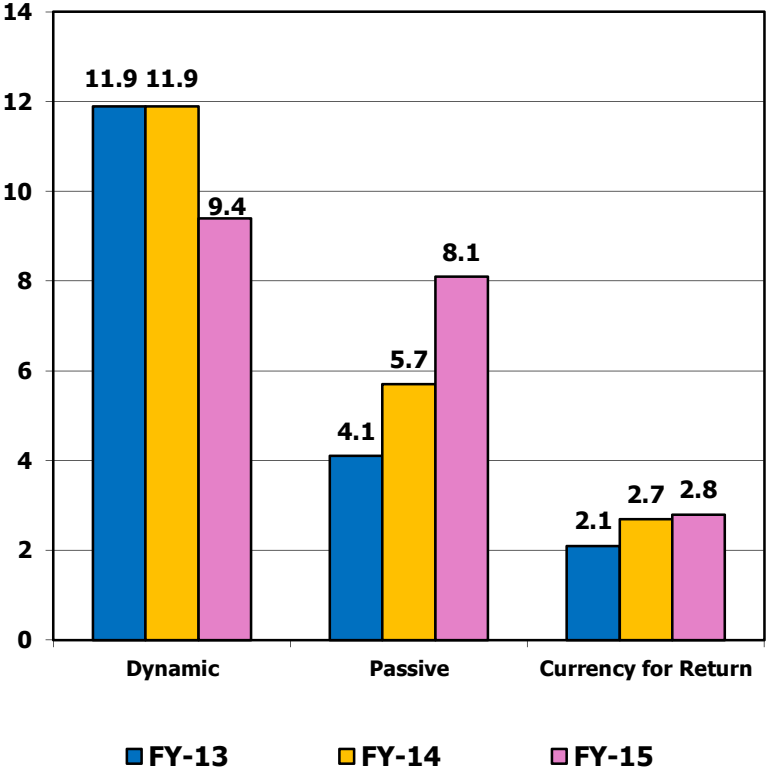
	Av. AUME (\$bn)		Av. mgmt. fee rates (bps)		Mgmt. Fee (£m)	
	FY-15	FY-14	FY-15	FY-14	FY-15	FY-14
Dynamic Hedging	10.2	11.8	15	16	9.4	11.9
Passive Hedging	39.7	27.8	3	3	8.1	5.7
Currency for Return	2.9	2.5	16	17	2.8	2.7
Cash	0.3	0.2	-	-	-	-
Combined	53.1	42.3	6	8	20.3	20.3

Financials – fee analysis

Management fees analysis by product



Management fees by product (£m)



Financials – income statement

	FY-15		FY-14	
	Underlying £m	Consolidated £m	Underlying £m	Consolidated £m
Management fees	20.3	20.3	20.3	20.3
Performance fees	0.5	0.5	-	-
Other income	0.1	0.3	-	(0.4)
Total Income	20.9	21.1	20.3	19.9
Cost of sales	(0.3)	(0.2)	(0.2)	(0.1)
Gross Profit	20.6	20.9	20.1	19.8
Operating costs (excl. variable remuneration)	(10.1)	(10.2)	(10.4)	(10.5)
Variable remuneration	(3.2)	(3.2)	(2.9)	(2.9)
Total expenditure	(13.3)	(13.4)	(13.3)	(13.4)
Operating profit	7.3	7.5	6.8	6.4
Operating Profit Margin	35%	36%	33%	32%
Finance income	0.2	0.2	0.1	0.1
Profit before tax	7.5	7.7	6.9	6.5
Taxation	(1.7)	(1.7)	(1.5)	(1.5)
Profit after tax	5.8	6.0	5.4	5.0



Financials - earnings

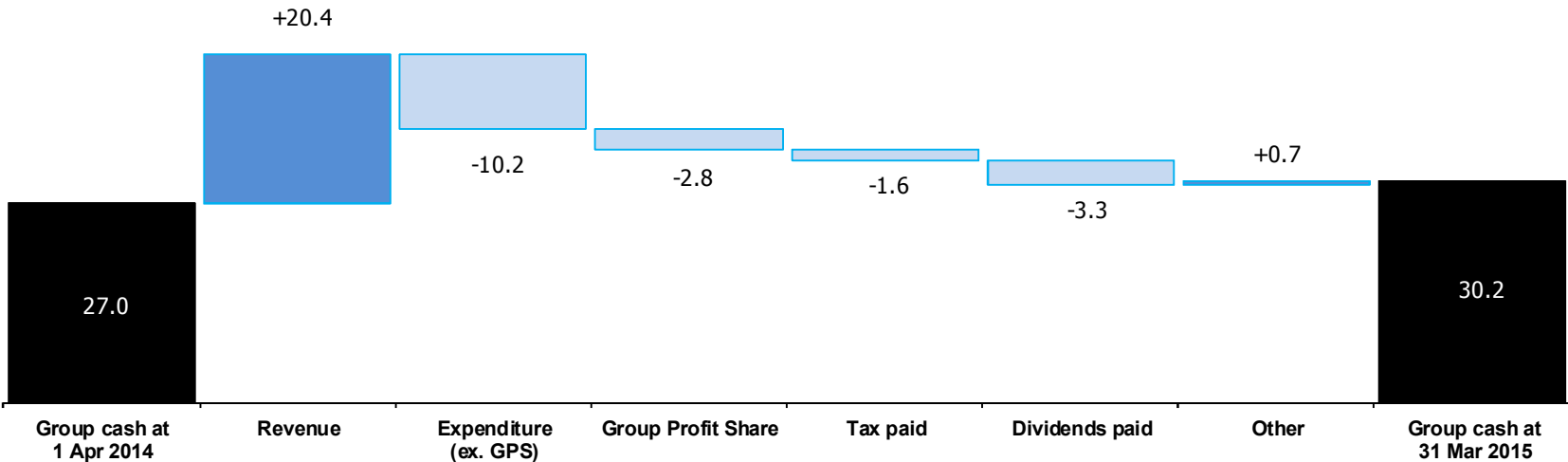
	FY-15	FY-14
	£m	£m
Profit before tax	7.7	6.5
Tax	(1.7)	(1.5)
Profit after tax	6.0	5.0
Profit attributable to the equity holders	5.8	5.4
Profit /loss attributable to Non-controlling interest	0.2	(0.4)
eps – basic	2.66p	2.48p
eps – diluted	2.65p	2.47p
Final / interim dividend per share	1.65p	1.50p
Dividend cover	1.6x	1.7x

Financials – balance sheet

	FY-15 £m	FY-14 £m
Fixed assets	0.7	0.9
Investments	2.6	2.8
Non-current assets	3.3	3.7
Trade debtors and other receivables	6.3	5.6
Derivative financial assets	0.6	0.2
Money market instruments	18.1	15.5
Cash and cash equivalents	12.0	11.5
Current assets	37.0	32.8
Current liabilities	(4.5)	(3.6)
Net assets	35.8	32.9
Equity attributable to owners of the parent	31.9	29.2
Non-controlling interest	3.9	3.7
Total equity	35.8	32.9

Financials - cash

CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2015 (£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 £2.6 million cash outflow as a result of purchasing money market instruments with maturities greater than 3 months.
- Group cash at 31 March 2015 includes £4.5 million held by the seed funds (2014: £3.9 million)



Appendices



Management and Board

Executive Management

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

Non-Executive Directors

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



AUME 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, plus

- **Passive Hedging mandates:**

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

- **Currency for Return mandates:**

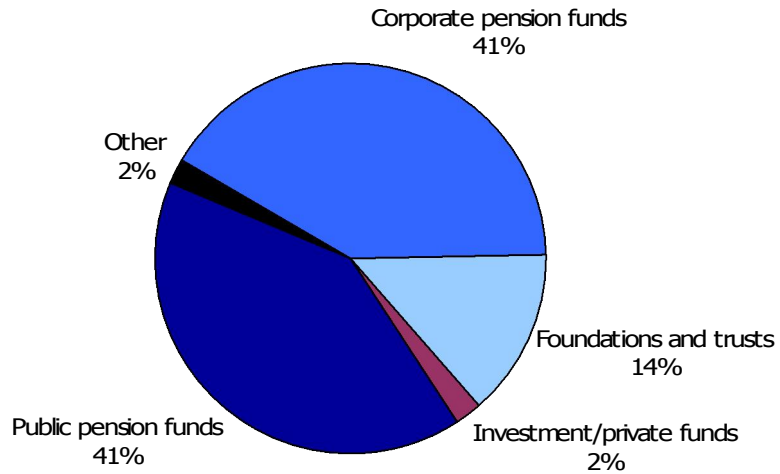
- = the maximum aggregate nominal amount of outstanding forward contracts for each client, plus

- **Cash:**

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

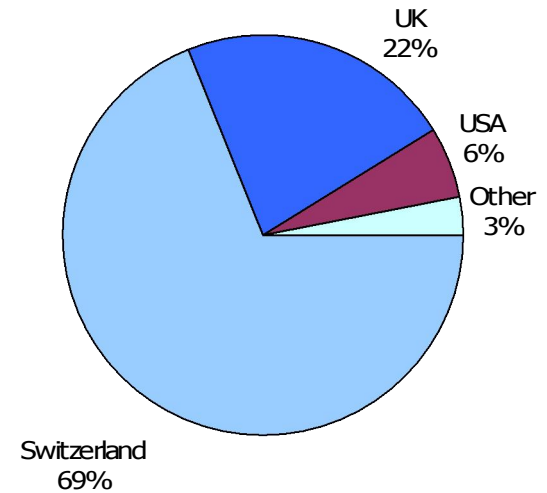
AUME analysis

Split of AUME by client type — 31 March 2015



Total: \$55.4 bn

Split of AUME by country — 31 March 2015



Total: \$55.4 bn

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



Group Profit Share (GPS) and Share Scheme

Group Profit Share Scheme

- **GPS Scheme is split into a 27% Profit Share Pool and a 3% Matching Pool – in line with intention to be 30% of Operating Profit over the medium term**
- **GPS Scheme is shared amongst all staff based on “profit share units”**
- **For all senior employees including Board Directors:**
 - 1/3rd Shares
 - 1/3rd Cash
 - 1/3rd Cash or Shares - shares attract a matching award (funded from the Matching Pool)
 - Shares subject to “lock up” for up to 3 years
- **GPS Scheme rules include claw back provisions**

Share Scheme

- **Share Scheme rules include claw back provisions for options issued to Executive Directors**
- **Options issued during the year to Executive Directors and senior personnel**



Financials – cost analysis

	FY-15	FY-14
	£m	£m
Personnel (excluding Group Profit Share)	6.0	6.1
Non-personnel	4.2	4.4
Expenditure before Group Profit Share	10.2	10.5
Group Profit Share Scheme	3.2	2.9
Total Expenditure	13.4	13.4

Financials – concentration

Largest clients by FY-15 fees

	AUME	Management fees	
	\$bn	£m	%
Clients 1-10	41.1	16.1	79%
Clients 11-20	8.9	2.9	15%
Other clients	5.4	1.3	6%
Total	55.4	20.3	100%