

Record plc
Annual Report & Accounts 2013

Currency management



Record plc

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

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Headlines

Assets under management equivalents¹ “AUME” increased to \$34.8bn / £22.9bn

Client numbers increased by 3 to 44

First live multi-strategy currency mandate commenced during the year

Revenue fell 9% to £18.6m

Product mix was stable through the year

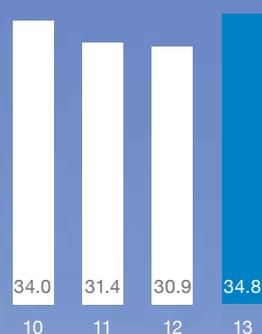
Operating margin maintained at 32% through success of cost reduction programme

Profit before tax of £6.1m

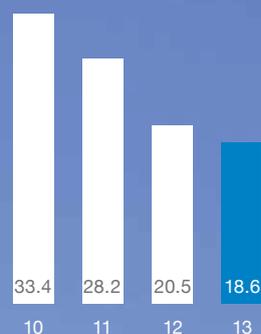
Strong balance sheet maintained with no external debt and £29.0m cash

¹ As a currency manager Record manages only the impact of foreign exchange and not the underlying assets, therefore its “assets under management” are notional rather than real. To distinguish this from the AUM of conventional asset managers, Record uses the concept of assets under management equivalents ‘AUME’ and by convention this is quoted in US dollars.

AUME at year end (\$bn)



Revenue (£m)



Profit before tax (£m)



\$34.8bn

£18.6m

£6.1m

Group overview

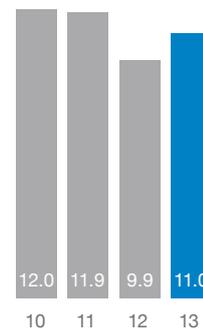
The Group, founded 30 years ago, has a leading position in managing currency for institutional clients. The Group has a long and strong track record for its Dynamic and Passive currency hedging products and has established itself both in the eyes of clients and their investment consultants as a respected specialist in this sector.

Dynamic Hedging

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

\$11.0bn

AUME at year end (\$bn)

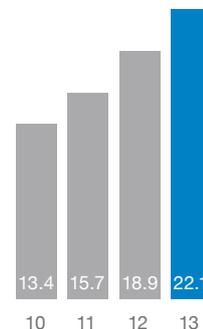


Passive Hedging

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

\$22.1bn

AUME at year end (\$bn)

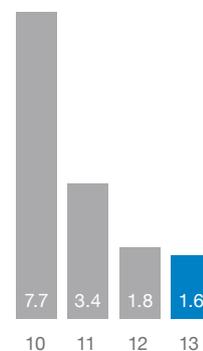


Currency for Return

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

\$1.6bn

AUME at year end (\$bn)



Currency for Return comprises five strategies, being active forward rate bias, forward rate bias index tracking, emerging markets, value, and momentum. We also offer a multi-strategy approach which employs a combination of these strategies to meet an individual client's needs.

During the year, the Group's Emerging Market product reached the third anniversary of its live track record, which is seen as important by investment consultants in gaining acceptance of a new product. The Emerging Market product has achieved a cumulative performance since inception of +11.6%. The Group also started its first live multi-strategy mandate during the year, which incorporated the first live value and momentum strategies.

Financial highlights

	2013	2012
AUME at year end	\$34.8bn	\$30.9bn
Revenue	£18.6m	£20.5m
Management fees	£18.1m	£20.4m
Operating margin	32%	32%
Earnings per share (basic)	1.98p	2.23p
Dividend per share in respect of the period	1.50p	1.50p

Investment strategy

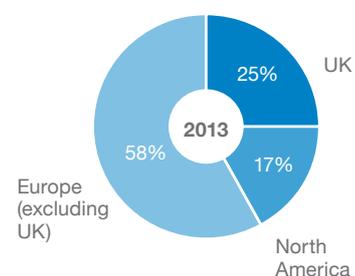
The Group's products are governed by the following principles:

- Over-riding focus on the client's objectives;
- Strong, fundamental research directed towards the structural behaviour of the currency markets;
- Long-standing products have systematic investment processes; and
- Team-based approach to investment decision making.

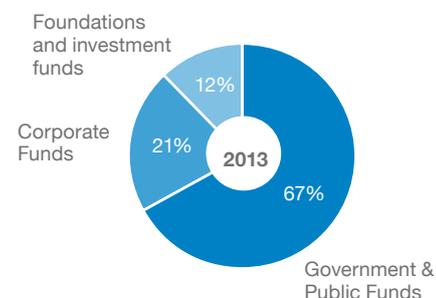
Distribution

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

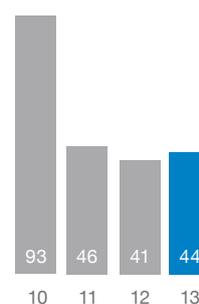
AUME by client location
31 March 2013



AUME by client type
31 March 2013



Client numbers
As at 31 March



Chairman's statement

The year to 31 March 2013 has seen growth in two important measures of the business for the first time in five years: growth in assets under management equivalents and growth in client numbers.



Overview

Although we have maintained broad stability in our fee rates in our main product lines, this year has seen the full effect of the change in the product mix towards currency hedging and away from currency for return. Within currency hedging, we have also seen stronger growth in passive products. This has meant that our blended fee rate has fallen. This evolution of the product mix has led to the higher-fee currency for return products now representing just 5% of total AUME compared to 43% of total AUME in the year ended 31 March 2009. In contrast, hedging AUME has increased from 54% to 95% of total AUME over the same period. As a result of this change in product mix, the average composite management fee rate has decreased from 17.1bps to 8.8bps, giving an indication of the challenges the business has faced over this extended period, and the pressure exerted on overall profit and revenues as a result.

During the year the external environment began to show some more benign features, particularly in the second half. In many ways, this reflected the more generally benign equity and credit markets over the period. The marked weakness of the Japanese Yen in the second half of the financial year, in particular, was positive for both our hedging and our currency for return products. However, the firm is cognisant that financial recovery may be temporary or fragile given the vulnerable state of many developed economies' public finances, and the extreme tensions within the Eurozone.

The resulting good performance for our currency for return products; in particular our emerging market currency product (which has now reached its third anniversary) has piqued interest amongst institutional and wealth management investors. Record managed to secure its first multi-strategy currency mandate during the year from an institutional investor – adding a further product offering to the investor marketplace.

Financial highlights

Against this backdrop Record's total revenues have fallen by 9% to £18.6 million, achieving an overall profit before tax of £6.1 million, down 9% on the year to 31 March 2012. The business has mitigated this fall in revenue in part through the success of a cost reduction programme initiated in November 2011 and the operating profit margin has remained at 32% for the year. The net client AUME inflows for the year were positive at +\$1.9 billion (2012: +\$0.2 billion) and AUME ended the year at \$34.8 billion (2012: \$30.9 billion), an increase of 13%.

Dividend

As indicated in the interim report, the Board is recommending a final dividend of 1.50p per share, payable on 31 July 2013 to shareholders on the register at 21 June 2013. The total dividend in respect of the year ended 31 March 2013 of 1.50p per share is unchanged on the previous year.

For the current financial year, the Board's intention, subject to business conditions, is to retain the overall dividend payable at 1.50p per share, which the Board would expect to be payable equally in respect of an interim and final dividend, in line with prior financial periods. In setting the dividend, the Board will be mindful of achieving a level which it expects to be covered by earnings.

Group strategy

During the risk-averse response to the financial crisis, we identified our hedging products as offering the most likely source of growth in AUME in the short term. Consequently marketing effort and resource were mainly focussed on maintaining and growing the assets in these products. This strategy, while facing a continuing difficult sales environment, succeeded in growing our AUME in both Dynamic and Passive Hedging during the year. As already mentioned, we now also have a three-year track record for our Emerging Market currency product and a live multi-strategy mandate, both of which we believe fit particular niches of investment demand among larger, mainly institutional, investors. We are now planning for these two products to receive a greater proportion of our marketing and sales effort in the coming year.

The cost reduction programme initiated in November 2011 resulted in an overall reduction in costs of £0.9m and allowed us to control and maintain our operating margin. Whilst the business will remain cost-conscious going forward, further significant cost savings are constrained by the need to maintain an appropriate level of support for investment processes and client services.

Board and senior management

Following the management reorganisation announced by the business in November 2012, our joint Chief Financial Officer and Chief Operating Officer, Paul Sheriff, left the Company on 15 March 2013 after more than four years on the Board. Paul made an important contribution to the Group over this period, including leading the implementation of a new middle and back office system, and developing the Group's corporate governance and risk framework. On behalf of the Board, I would like to thank Paul for his valuable contribution to the business during this period.

Steve Cullen, previously the Group's Financial Controller for almost 10 years, succeeded Paul on the Board as Chief Financial Officer on 15 March 2013 and Joel Sleight was appointed Chief Operating Officer on the same date. Joel has been with Record for 17 years, and has served as a member of the Executive Committee since 2012. I would like to congratulate Joel on his promotion, and welcome Steve to the Board.

I would also like to take this opportunity to thank all of the Group's management and staff for their continued hard work and commitment throughout the year.

Outlook

As mentioned above, the Group has been through a prolonged period of change in its product mix, reflecting the outflows of AUME from its long-standing currency for return product (based around the Forward Rate Bias) and inflows into the hedging products. During this period, the business has broadened and adapted its suite of products, updated its infrastructure and increased its distribution channels in markets identified as showing good potential for growth.

As well as standard product offerings, clients are now also interested in more flexible and bespoke solutions. In a competitive environment where the importance of differentiating ourselves and our products is becoming ever more pronounced, we have already started to see the benefits of such investment through increased dialogue with clients and consultants, particularly regarding 'added-value' Hedging products and services, and more flexible multi-strategy solutions and instruments to fulfil individual client's currency requirements. We are well placed to take advantage of such opportunities as they arise.

Since the year end, the Group has announced the start of a combined passive and dynamic hedging programme with AUME of approximately \$1.7 billion and its selection for a significant passive hedging mandate (subject to contract), both of which reflect our ability to offer flexible solutions to suit individual client requirements.



Neil Record
Chairman

10 June 2013



Chief Executive Officer's statement

Having stabilised the Group's product mix and operating margin, and grown client numbers and AUME over the year, the Group has now established a firm foundation from which to grow.

Market overview

The market factors that are most relevant to the Group's performance over the year include continued monetary intervention across developed markets, in particular the United States, the United Kingdom and most recently Japan; the on-going pattern of fluctuating market sentiment and risk appetite; and the tentative re-emergence of trending, at least in some currency pairs, towards the end of the year.

Interest rates remained low across developed market currencies, and central banks continued quantitative easing policies, throughout the year. In particular, the United States Federal Reserve launched a new, open-ended quantitative easing programme in September 2012, and the Bank of Japan launched a series of aggressive measures in the first quarter of 2013.

The three distinct phases of market sentiment most relevant to the Group's business revolve around the perception of crisis across the Eurozone. This ranged from heightened anxiety through until the end of July 2012, when a pledge from European Central Bank President Mario Draghi "to do whatever it takes to preserve the Euro" established a turning point, and a strong rally in "risk assets". This enthusiasm continued into 2013, until first the inconclusive outcome of the Italian elections and then the Cyprus bail-out reminded the market that the decisions taken in 2012 have yet to be implemented. Risk appetite appears healthy at the start of the new financial year, despite profound concerns regarding the fundamental outlook for developed economies.

The latter half of the financial year has also seen the welcome, although tentative, re-emergence of trending in certain currency pairs – i.e. continued and pronounced movements in one direction over a period of time, in contrast to trading within a relatively narrow range. The Japanese Yen has demonstrated this most clearly, with a marked depreciation since September 2012 first in anticipation, then in response to aggressive policy measures from a new prime minister and Bank of Japan governor.

Investment performance

Investment performance across the Group's products reflects their respective characteristics in the light of prevailing market conditions. Dynamic Hedging, which is neither intrinsically "risk on" nor "risk off", has benefited in the latter part of the financial year from the re-emergence of trending, as well as strengthening of base currencies such as the US Dollar and Pound Sterling against exposure currencies such as the Japanese Yen and the Euro.

Both the Emerging Market strategy and the FRB Index strategy, as exemplified by the FTSE Currency FRB10 Index, performed strongly during the year, in both cases reflecting the divergent interest rate environment between the "major" G5 developed market currencies and either emerging market or other developed market currencies respectively, as well as the bias towards a "risk on" environment over the year as a whole.

Record's first live multi-strategy mandate, which combines Active Forward Rate Bias, emerging markets, value, and momentum, was launched in the second quarter. Whilst the eight months from inception to 31 March 2013 is too short a period from which to draw firm conclusions, investment performance to year-end has been encouraging, with three out of four strategies contributing positively, and some benefits of diversification evident amongst these strategies.

Asset flows

AUME increased by 13% through the year to \$34.8 billion. This was due principally to significant new Passive Hedging mandate wins, only marginally offset by client losses, driving net inflows of \$1.9 billion. External factors (e.g. equity and other market movements and the impact of exchange rates over the period) also contributed +\$2.0 billion.

Strategic progress

The Group has continued to develop its product offering, its sales and marketing capability, and its operational infrastructure.

With respect to product development, the Group has continued to invest in enhancing its longer-established products, particularly Hedging, as well as in further developing the new Currency for Return strategies. Within Passive Hedging in particular, the increasing level of new business interest seen in the second half of the financial year has been accompanied by increased competition, particularly from providers of more basic hedging services at significantly reduced fees. As a premium provider with a long history of bringing intellectual capital to solve clients' problems, the Group's response to this has been to seek to maintain fee rates through product enhancement.

With respect to Currency for Return strategies, the launch in the second quarter of the Group's first multi-strategy mandate was an important milestone. Research and development work continues in respect of enhancing individual strategies, as well as the approaches by which they are combined.

The Group's sales and marketing efforts continue to target those markets which we believe offer the greatest potential for our products – namely institutional investors in Switzerland, the United Kingdom, and in North America. In the United States, we have increased our local presence through the transfer of a member of our research team to Record's Atlanta office. In all geographies, we will continue to ensure that the resources focussed on each market are appropriate for the available opportunities.

The Group also continues to explore new markets which we believe may offer attractive opportunities, whether in adjacent client segments, such as the private wealth management market, or in new client geographies.

Our operational infrastructure also took a significant step forward during the year, with the completion of a long-term project to introduce a new, industry-standard, multi-asset class middle and back office system. This system gives the Group the flexibility to use a much wider range of fixed income and derivative instruments, to continue to offer innovative and value-adding currency management services.

Throughout the financial year we have paid close attention to costs, balancing our investment in the opportunities we see, with maintaining adequate profitability for the Group. This has been reflected in a reduction in the Group's administrative expenses, enabling us to maintain the Group's operating margin at 32%, in line with the prior period.

Outlook

The Group's strategic initiatives in recent years have focussed both on keeping current client mandates and generating sales of new mandates, in order to grow revenues and profits.

The most active area for formal new business procurement processes continues to be Passive Hedging in Switzerland, where we are seeking to capitalise on our long-established client franchise and local sales presence, in order to respond to investors' concerns about hedging implementation.

In the United States, we continue to focus on helping pension plans and investment consultants understand their currency risk, which in many cases has not been managed historically, and understand the range of strategies available to manage and exploit currency risk and opportunities. In a market with less-established currency management activity, the pace of progress is necessarily less certain, but the opportunities afforded by the world's largest savings market merit the resources the Group devotes to it.

The United Kingdom continues to be a key market for the Group, albeit one that attracts significant competition for the relatively few mandates available.

Across each of our markets, two forces are making themselves felt. Decision-making processes are typically extended beyond that which has historically prevailed, resulting in a slower rate of new client acquisition. This can likely be attributed to increased due diligence requirements, and a prevailing sense of caution.

Competitive pressures are also being felt across our markets. In some products, such as Passive Hedging, the Group's response has been to seek to maintain fee rates through product enhancement, such as offering a higher level of client service and more bespoke client features. This requires more input from our skilled and committed colleagues, which in turn makes this business less scalable, with lower operating leverage.

In summary, we continue to be confident in the range of opportunities open to the Group, and in the work we have undertaken to best position ourselves to take advantage of these. Our environment will continue to evolve and change, and I am confident that the range of skills and capabilities we have built up will prove adept at responding to these changes.

James Wood-Collins
Chief Executive Officer

10 June 2013

Strategy

Our goals are to be a leading currency manager, to fulfil client expectations by delivering outstanding service and to create shareholder value over the long term.

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Objective

Innovation

To be at the forefront of innovation in institutional currency management

Clients

To build long-term 'Trusted Advisor' relationships with our clients

Growth

To increase assets under management

Profitability

To operate a scalable and profitable business model

Achievable by

Developing a product range to address the full spectrum of currency opportunities and issues

Investing in fundamental research to develop innovative currency solutions

Developing Currency as a manager independent asset class (Currency "Beta") and educating the investor community in opportunities for exploiting currency markets

Embedding a client-focussed culture across the Group and providing the highest quality of service

Meeting or exceeding clients' performance expectations

Identifying and exploiting market opportunities

Investing in infrastructure to improve flexibility of products, increase client service and reduce risk

Controlling operating costs and growing operating margins

Recruiting, developing and retaining talented and motivated people

Aligning interests of shareholders and employees through share plans and variable remuneration policy

“Our ability to innovate and provide tailored currency solutions places us in a strong position to take advantage of new market opportunities.”

Javier Corominas
Head of Economic Research and FX Strategy



Key performance indicators

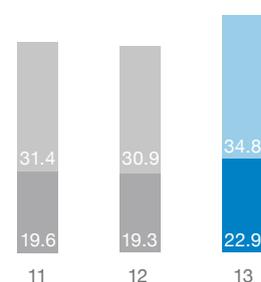
The Board and Executive Committee use a number of key performance indicators (KPIs) to monitor the performance of the Group. A three-year history of these KPIs is shown below.

AUME at 31 March

AUME increased by \$3.9bn (+13%) during the year, standing at \$34.8bn at the year end. When presented in Sterling, AUME increased by 19% to £22.9bn. Passive and Dynamic Hedging AUME grew by 17% and 11% respectively. Currency for Return AUME reduced by 11%.

AUME 31 March

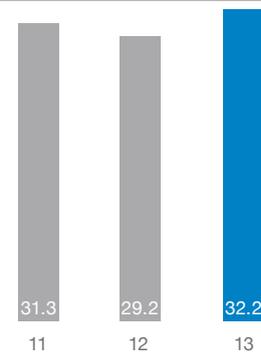
■ AUME (\$bn)
■ AUME (£bn)



Average AUME

Average AUME increased by 10% to \$32.2bn during the year.

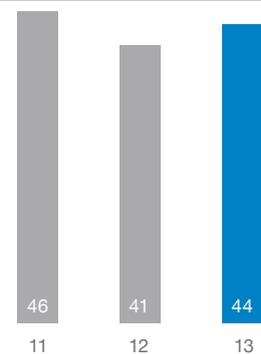
Average AUME Year ended 31 March (\$bn)



Client numbers

Client numbers: this represents the number of separate legal entities that have invested in a Record fund or appointed Record directly as an investment manager. Each entity may have more than one mandate. The number of clients at 31 March 2013 was 44, a net increase of 3 over the year.

Client Numbers 31 March

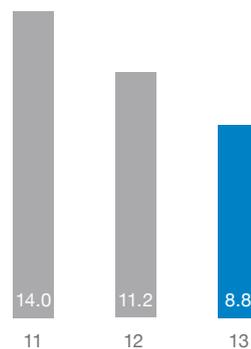


Average management fee rates

The blended average management fee rate fell from 11.2 bps to 8.8 bps due mainly to the change in product mix due to both growth of the Passive Hedging product (which has a lower average management fee rate) and the further decline in Currency for Return.

Average management fee rates

Year ended 31 March (bps)

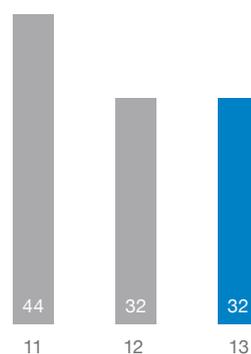


Operating profit margin

Record's successful cost reduction programme offset the fall in revenue, so the operating profit margin is maintained at last year's level of 32%.

Operating profit margin

Year ended 31 March (%)

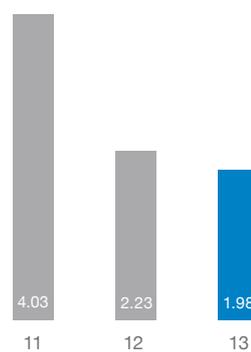


Basic earnings per share

The Group's earnings per share fell to 1.98 pence per share.

Basic earnings per share

Year ended 31 March (pence)



Business model

The Group was founded in 1983 and this year celebrates 30 years of providing currency management services to institutional investors. The Group has established itself as a respected specialist in this sector both in the eyes of clients and their investment consultants.

The Group's one operating segment is that of Currency Management services. The Group employs over 60 employees and its operations are performed and controlled centrally from its Head Office based in Windsor, UK.

Products

The Group's suite of products is split into two main categories: Currency Hedging and Currency for Return products.

Currency Hedging comprises Passive Hedging and Dynamic Hedging.

Currency for Return includes a range of five Currency for Return strategies being Active FRB, FRB Index, Emerging Market, Value and Momentum and these strategies can be offered in either a segregated or pooled fund structure. Additionally Record is able to offer combinations of these strategies under a multi-strategy approach that seeks to vary the allocation to these strategies either on a fixed basis or according to market conditions.

Currency Hedging: AUME \$33.1 billion

Our hedging products are predominantly systematic in nature. The effectiveness of each of the client mandates is assessed regularly and adjustments are made when necessary in order to respond to changing market conditions. Record has the expertise to deliver tailored hedging programmes to suit the currency needs of our clients. In a competitive market place, this is seen as becoming increasingly important and our work continues in differentiating our hedging products through enhancements to the product offerings.

Passive Hedging: AUME \$22.1 billion

These mandates have the reduction of exposure to currency risk as their sole objective. They require execution expertise rather than investment judgement or skill. In addition to this execution expertise, clients have been attracted to Record's Passive product offering for our experience and expertise in managing bank counterparty exposure on their behalf, our ability to offer independent trading relationships and our continued innovation with respect to instruments and strategies.

Dynamic Hedging: AUME \$11.0 billion

Record's Dynamic Hedging programme is an attractive alternative to Passive Hedging since these mandates have the reduction of exposure to currency risk as their principal objective and generating value as a secondary objective. The Dynamic Hedging product seeks to allow our clients to benefit from foreign currency strength while protecting them from foreign currency weakness relative to their own base currency. Value is generated entirely through the asymmetric reduction of pre-existing currency risk. Dynamic Hedging's ability to outperform Passive Hedging is dependent on trending in currency markets, rather than any measure of risk appetite.

Currency for Return: AUME \$1.6 billion

Our Currency for Return strategies have the generation of investment return as their principal objective.

Record's longer-established return-seeking strategies, the forward rate bias (FRB) and emerging market currency strategies, are founded on market risk premia and as such perform more strongly in 'risk on' environments. By contrast, value and momentum strategies are founded on market inefficiencies which are more behavioural in nature. As such they are less risk-sensitive, with value strategy returns relatively insensitive to risk sentiment and momentum strategy returns potentially inversely correlated to risk sentiment. It is this diversification of response to risk sentiment that makes the multi-strategy approach an attractive alternative for generating a return from currency for potential clients. Furthermore, the multi-strategy approach can be used as a flexible 'overlay' to help clients achieve a variety of investment objectives.

Active FRB – FY13 performance +1.50%

The core investment process, the Trend/FRB strategy aims to generate return by buying selected developed market higher interest rate currencies and selling selected lower interest rate currencies and managing these positions with a view to controlling downside risk.

FRB Index – FY13 performance +8.20% (fund)

One of Record's medium to long-term aims is to develop currency as an asset class in its own right. The 'asset class project', which started in 2009, saw the launch of a second currency index, the FTSE Currency FRB10 Index, in December 2010. Record launched a pooled fund, the Record Currency FTSE FRB10 Index Fund, to track this FTSE index and invested £1m in December 2010. It is envisaged that a return to more normal monetary policy conditions and a sustained period of positive performance are the precursors to material client demand for this product.

Emerging Market Currency – FY13 performance +6.01% (fund)

Record recognises that emerging market currencies offer investors an opportunity to either seek to make a return from such currencies or seek to separate the currency effect from the underlying overseas domestic asset performance (typically equities or bonds). Record believes that as a result of convergence in the levels of economic output between emerging and developed markets, emerging market currencies appreciate over time. This currency appreciation has historically been a significant contributor of returns to (developed market) holders of emerging market assets including equities and bonds. Consequently we regard emerging market currency strategies as an attractive route through which to implement emerging market local currency debt strategies, offering substantially the same elements of return, with significant implementation benefits including cost, flexibility and security.

This convergence-driven return opportunity combined with the Forward Rate Bias from selection based on interest rate differentials and discretionary risk management, is expected to result in long-term positive performance of the strategy.

During the year, the Emerging Market currency strategy passed the three year milestone since 'live' money was invested, with a positive performance of 11.58% since inception. The three year positive track-record is seen as important by investment consultants in gaining acceptance of a new product.

Currency Value – FY13 performance -0.39% (since August 2012)

Research suggests that purchasing power parity (PPP) valuation models have been relatively good predictors of the long-term direction of spot movements. For example, if a currency deviates too much from its equilibrium value (as indicated by PPP), then this deviation will be corrected. The more significant the deviation, the more pressure on the exchange rate to revert to equilibrium value and, consequently, the more rapid the reversion. Currency value strategies exploit this insight, buying currencies that are undervalued relative to PPP and selling currencies that appear overvalued.

Currency Momentum – FY13 performance +2.45% (since August 2012)

This strategy exploits the tendency of the spot rate to appreciate after a prior appreciation, and to depreciate after a previous depreciation. This market inefficiency has persisted across different currencies and it is present in other asset classes, such as equities. Currency is commonly thought of as trending and the momentum strategy seeks to make a return from this phenomenon.

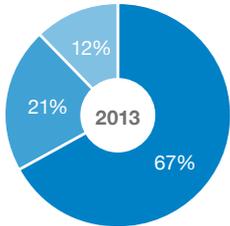
Multi-strategy – FY13 performance +3.54% (since August 2012)

The multi-strategy approach can be applied as an 'overlay' to help clients achieve a variety of investment objectives. Record has the ability to combine four currency return streams (carry, momentum, value and emerging markets) in different weightings that appeal to particular market segments. Record's first multi-strategy currency mandate was launched during the year and marks an important strategic step for the Group.

Further information on product investment performance is given in the Operating Review section.

AUME by client type

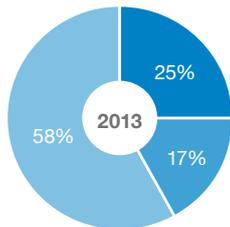
31 March 2013 (%)



- Government and public funds
- Corporate funds
- Foundations and investment funds

AUME by client location

31 March 2013 (%)



- UK
- North America
- Europe (excluding UK)

Distribution and clients

The Group's sales and marketing activities are organised to ensure that our resources are deployed where opportunities have been identified as giving the most likelihood of future success. To this end, sales and marketing are primarily focussed on the UK, North America and Switzerland with additional activity in continental Europe.

In addition to a full-time sales and marketing team based in the UK headquarters, the Group also has a sales representative based in Switzerland and a sales executive based in the US.

We distribute through both direct sales to institutional and private wealth clients, and through local and global investment consultants. By working closely with the investment consultants we can promote currency as an asset class and identify new opportunities as the currency landscape changes.

Our products are delivered both through segregated mandates and also pooled fund structures to suit individual client requirements.

Infrastructure

The Group's investment function, comprising portfolio implementation, trading and research, is almost entirely based at the Head Office in Windsor, UK.

All of the Group's operational and support functions are based at the headquarters in Windsor and include information technology, operations, risk management, compliance, finance, legal and human resources.

The Group has a US sales executive who is based in Atlanta with one member of the research team.

During the year the Group completed its key infrastructure development project, which was the implementation of a new middle and back office system at its headquarters in Windsor. The new system has already increased the Group's capability to both manage a wider variety of instruments and to deploy new products and portfolios cost effectively and will help deliver an improved level of client service in the long term.

Effective risk management and strong internal controls are key aspects of the Group's business model. The Group recognises the inherent risk associated in its business dealings, including the markets and instruments in which it operates. Effective risk management is central to being able to operate effectively and is reflected in the strong internal control culture embedded within the organisation.

Clients
Public DB pension funds
Corporate DB pension funds
Corporations
Foundations and Trusts
Private wealth funds

Located in
UK
Switzerland
US
Canada
Germany
Netherlands

“Building long-term relationships with investment consultants and maintaining communication with them about our products and services is an important part of our continued success and our ability to deliver quality services for our clients.”

Diana Ples
Investment Consultant Relations Manager



Business Review

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Market review

The market factors that are most relevant to the Group's performance over the twelve months to 31 March 2013 include continued monetary intervention across developed markets, in particular the United States, the United Kingdom and most recently Japan; the on-going pattern of alternating periods of risk aversion and risk appetite across markets; and the tentative re-emergence of trending, at least in some currency pairs, towards the end of the year.

Monetary intervention

Interest rates remained low across developed market currencies, and central banks continued quantitative easing policies, throughout the year. In particular, the United States Federal Reserve launched a new, open-ended quantitative easing programme in September 2012, under which it committed to purchase an additional \$40 billion of mortgage-backed securities each month, as well as signalling its expectation that the federal funds interest rate would be maintained at "exceptionally low levels" at least through to mid 2015. The Bank of England similarly continued its asset purchase programme, authorising purchases of a further £50 billion of assets in July 2012, to bring the total purchased to £375 billion.

The European Central Bank also purchased assets, principally government bonds, from Eurozone banks, albeit with the stated objective of supporting the banks and indirectly the sovereign borrowers, rather than expanding the monetary base. Most recently, the Bank of Japan launched a series of new, aggressive measures in the first quarter of 2013, including explicit targets to double the monetary base, achieve a 2% inflation target within two years, and increased asset purchases and flexibility.

The effect of such measures on broad economic conditions including growth, employment and inflation continues to be uncertain and widely debated. Their impact on currency markets is more evident – although the suppression of interest rates and hence interest rate differentials between major developed market currencies has continued, forward rate bias, or "carry" returns were positive. This was because market participants priced in real-term effects of changes in macroeconomic policies (most notably in Japan) and took advantage of the higher rates prevailing amongst other developed market currencies such as the Australian and New Zealand Dollars.

More broadly, such policies are perceived to present a depreciation threat to currencies, by the very expansion of the monetary base. This depreciation risk has raised fears of "currency wars", by which economies would compete to devalue their currencies and thereby gain a export-oriented competitive advantage over their trading partners. To date, such monetary expansion has been justified as representing "domestic stimulus" rather than "currency warfare" – it remains to be seen if this can be maintained.



“The significant government intervention in Japan and the subsequent Yen volatility has led to opportunities for our return-seeking products. Currency wars have continued to play a major role in the FX market movements.”

Jim Rockall
Head of Trading

In an environment where such policies are widely pursued amongst major currencies, allied with other central bank actions such as the Swiss National Bank's direct intervention to cap the value of the Swiss Franc, it is impossible for all developed market currencies simultaneously to depreciate against each other. Instead exchange rate movements reflect, amongst other things, the market's assessment from time to time of each central bank's commitment to further quantitative easing, relative to that of other monetary authorities. As at the start of the new financial year, the Bank of Japan seems to be regarded as the most resolute, with the Federal Reserve potentially the first to suspend or rein in monetary expansion.

Sentiment and risk appetite

The three distinct phases of market sentiment most relevant to the Group's business revolve around the perception of crisis across the Eurozone. The financial year began in April 2012 with a heightened sense of crisis, most evidently focussed on the possibility of one or more peripheral countries leaving the Eurozone. In this environment, Neil Record being named as one of five finalists for the Wolfson Economics Prize, which challenged the world's brightest economists to prepare a contingency plan for a break-up of the Eurozone, brought welcome attention to the Group's understanding of the issues.

This "risk off" sentiment broadly persisted until the end of July 2012, with a speech in which European Central Bank President Mario Draghi pledged "to do whatever it takes to preserve the Euro" being seen as the turning point. Subsequent to this, the market's confidence in the Eurozone authorities' ability and willingness to act, allied with continued liquidity inflows from quantitative easing worldwide, resulted in a strong rally in "risk assets".

This enthusiasm continued into 2013, until first the inconclusive outcome of the Italian elections in February, followed by the Cyprus bail-out in March, reminded the market that the decisions taken in 2012 have yet to be implemented.

The impact of fluctuating sentiment and risk appetite has been amplified by the continuation throughout much of the year of the "risk on, risk off" phenomenon. In brief, this phenomenon has seen increased correlations amongst assets and instruments, with those offering expected long-term positive returns in exchange for the assumption of risk performing well in "risk on" environments, and those perceived as offering "safe haven" characteristics performing well in "risk off" environments.

Amongst the Group's return-seeking strategies, forward rate bias and emerging market strategies characteristically perform more strongly in "risk on" environments, whilst value and momentum strategies are less risk-sensitive, illustrating the benefits of the multi-strategy approach.

Whilst hedging as such is neither "risk on" nor "risk off", this is not necessarily true of investors' base currencies. In particular, since the financial crisis, the US Dollar and Japanese Yen have re-asserted their "safe haven" status, typically performing well in "risk off" environments (when equities for example underperform), whilst the Euro and to a lesser extent Pound Sterling have performed better in "risk on" environments. Whilst this heightened correlation – whether positive or negative – between equity and currency movements persists, it will subtly alter arguments around currency hedging, such that the rationale for a US Dollar investor to hedge the (correlated) currency risk overlaid on international equities has strengthened, whilst that for a Euro investor has weakened.

As at the start of the new financial year, risk appetite appears healthy, despite profound concerns regarding the fundamental outlook for developed economies. There has also been debate as to whether the "risk on, risk off" phenomenon itself has run its course. Divergent economic performance among the major developed economies has resulted in correlations weakening, but in the Group's view it is too soon to call an end to this phenomenon.

Trending

The latter half of the financial year has also seen the welcome, although tentative, re-emergence of trending in certain currency pairs – i.e. continued and pronounced movements in one direction over a period of time. This behaviour seemed to have been suppressed, or at least altered, in the range-trading environment that prevailed through much of 2011 and the first half of 2012.

The Japanese Yen has demonstrated the re-emergence of trending most clearly. Since the September 2012 election of Shinzo Abe as the Prime Minister of Japan, and accelerating with the first meeting of the Bank of Japan's monetary policy committee under new Governor Haruhiko Kuroda shortly after the end of the Group's financial year, the Japanese Yen has been on a firm downwards trend, weakening more than 20% against the US Dollar. Since the Group's (non-Japanese) hedging clients will be short Yen in their hedging programmes, and each of the forward rate bias, emerging markets and momentum strategies are short Yen, on its own this has been a rewarding move for the Group's clients.

More broadly the re-emergence, at least on a qualified basis, of trending is welcome as trending is the source of Dynamic Hedging's long-term outperformance over Passive Hedging. Trending is also the pattern of behaviour exploited in Record's momentum strategies.

Annual returns of Currency for Return products for the year to 31 March 2013

Fund Name	Gearing	Annual Return %	Volatility since inception % p.a. ¹
FTSE FRB 10 Index Fund ²	1.8	8.20%	7.50%
Emerging Market Currency ³	1	6.01%	8.04%
Index /composite returns		Annual Return %	Volatility since inception % p.a.
Alpha composite ⁴		1.50%	2.70%
FTSE Currency FRB10 GBP Excess return		4.38%	4.70%
Record multi-strategy (since Aug-2012)		3.54%	N/A

- 1 No volatility data is provided for products with less than 12 months historic data
- 2 FTSE FRB10 Index Fund return data is since inception in December 2010.
- 3 Emerging Market Currency Fund return data is since inception in December 2010
- 4 An investment return track record generated by the aggregation of all the standard segregated track records for Record's Active Forward Rate Bias Currency for Return product. The Currency Alpha Composite is asset weighted, based on AUME for each account.

Operating review

Product investment performance

Our hedging products are predominantly systematic in nature. The effectiveness of each of the client mandates is assessed regularly and adjustments are made when necessary in order to respond to changing market conditions or to bring the risk profile of the hedging mandate in line with the client's risk tolerance.

The performance of our Dynamic Hedging product depends on how the foreign currencies change in value relative to the base currency of a client. During the last year, mandates for our US and UK-based Dynamic Hedging clients performed as expected in terms of allowing clients to benefit from periods of strengthening foreign currencies, whilst being protected against periods of weakening foreign currencies.

UK investors saw gains from currency over the year as Sterling weakened, leading to higher base valuations for foreign currency investments. UK-based Dynamic Hedging programmes progressively lowered hedge ratios over the year in response to Sterling weakness; this resulted in hedging delivering only a modest negative return, allowing the majority of the gains from foreign currency exposure to be preserved.

Conversely, US investors saw losses from currency on international exposures when valuing positions in US Dollars, as foreign currencies weakened. Record's Dynamic Hedging product generated high hedge ratios to capture US Dollar strength, leading to positive returns from hedging, in turn helping to offset losses from international currency exposure.

Record had five 'live' Currency for Return strategies in the year. The Active Forward Rate Bias (FRB), and Emerging Market strategies are both active and return-seeking in nature, although they exploit different market phenomena. The third, fourth and fifth return-seeking strategies are more passive in nature: the Record FTSE FRB10 Index Fund, a strategy that tracks the FTSE Currency FRB10 index, and the value and momentum strategies. Any combination of these Currency for Return strategies may be combined within a multi-strategy mandate.

For the Active FRB strategy, the core investment process – the Trend/Forward Rate Bias strategy – aims to buy selected developed market higher interest rate currencies and sell selected lower interest rate currencies and to manage these positions with a view to controlling downside risk. Historically this investment approach has shown positive returns due to the existence of the Forward Rate Bias and trending movements in selected currency pairs. The year saw positive returns as relatively low interest rate currencies, particularly the Japanese Yen, weakened. A complementary investment process – the Range Trading strategy – generated a negative return as selected currency pairs failed to mean revert, partially offsetting the positive performance of the Trend/Forward Rate Bias strategy.

FTSE FRB10 Index Fund performance since inception¹

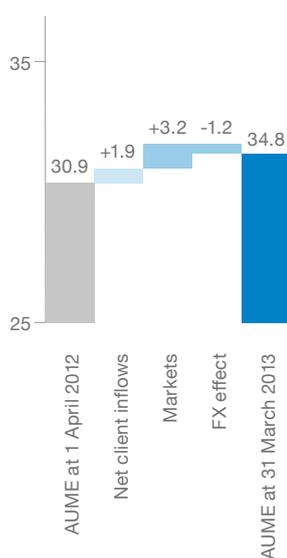


Similarly, the Forward Rate Bias Index strategy added value as high interest rate currencies appreciated. Record remains committed to the belief that over time currency and in particular the FRB can be a persistent and uncorrelated source of returns for investors, and that the FRB will continue to generate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

AUME composition by product and base currency

Base Currency	Dynamic Hedging		Passive Hedging		Currency for Return	
	31 Mar 13	31 Mar 12	31 Mar 13	31 Mar 12	31 Mar 13	31 Mar 12
Sterling	GBP 1.8bn	GBP 1.7bn	GBP 3.6bn	GBP 3.4bn	–	GBP 0.2bn
US Dollar	USD 6.5bn	USD 5.9bn	USD 0.1bn	–	USD 0.6bn	USD 0.7bn
Swiss Franc	CHF 1.4bn	CHF 1.2bn	CHF 14.1bn	CHF 11.6bn	CHF 0.6bn	CHF 0.5bn
Euro	–	–	EUR 1.4bn	EUR 0.6bn	–	–
Canadian Dollar	–	–	–	–	CAD 0.3bn	CAD 0.2bn
Total AUME (US Dollars)	USD 11.0bn	USD 9.9bn	USD 22.1bn	USD 18.9bn	USD 1.6bn	USD 1.8bn

AUME development bridge Year to 31 March 2013 (\$bn)



Record's Emerging Market Currency Fund generated positive returns over the period as emerging market currencies appreciated against a basket of developed market currencies. A perceived reduction in the risk of outright crises in the Eurozone area and signs of growth emerging from the US combined to provide a platform for emerging market currency appreciation. This was compounded by actions in Japan to weaken the Yen, further boosting programme returns.

Emerging market currency excess returns



Record's only live multi-strategy mandate outperformed over the period. Gains were led by returns in the emerging market strand, with positive contributions from the FRB and momentum strategies. Modest negative returns from the value strand had a small offsetting impact on performance.

Record's Euro Stress Fund was terminated during the year. The decision to close the Fund came about following the ECB's announcement of a "fully effective backstop" through unlimited bond purchases, supportive verdicts from the German Constitutional Court and the Dutch electorate, and the resumption of QE 3 by the Federal Reserve which brought about a rally in risk assets and the Euro itself. While we continue to share widespread doubts about the ultimate viability of the single currency, coordinated actions within the Eurozone have arrested immediate concerns of further decline, and lessened the opportunity to capitalise on such concerns through currency markets.

Gearing

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

It should be emphasised that in this case 'gearing' refers to the multiple of the maximum size of the aggregate forward contracts in the currency programme, to the pooled fund's net assets or the segregated mandate size. This is limited by the willingness of counterparty banks to take exposure to the pooled fund or segregated client. Gearing in this context does not involve borrowing.

AUME development

The Group has seen an aggregate increase in AUME of \$3.9bn (+13%) to finish the year at AUME of \$34.8bn compared with \$30.9bn at the end of the previous year.

AUME movements result both from factors within Record's control and external factors outside its control. External factors include exchange rates and the underlying asset value (usually equities) on which many segregated mandates are based. External factors accounted for a net increase of \$2.0bn in AUME during the year, made up of:

- (i) an increase of \$3.2bn related to movements in global stock and other markets as many mandate sizes are linked to such markets;
- (ii) a fall of \$1.2bn due to changes in exchange rates over the period, which affects the conversion of non-US Dollar mandate sizes into US Dollar AUME. This movement does not have an equivalent impact on the Sterling value of fee income.

The Group has seen net inflows of \$1.9bn from clients. Inflows from both new and existing clients totalled \$5.1bn, and were offset by outflows of \$3.2bn.

AUME composition by product (US\$)

	31 Mar 13		31 Mar 12	
	\$bn	%	\$bn	%
Dynamic Hedging	11.0	32%	9.9	32%
Passive Hedging	22.1	63%	18.9	61%
Currency for Return	1.6	5%	1.8	6%
Cash	0.1	–%	0.3	1%
Total	34.8	100%	30.9	100%

AUME composition by product (£)

	31 Mar 13		31 Mar 12	
	£bn	%	£bn	%
Dynamic Hedging	7.3	32%	6.2	32%
Passive Hedging	14.6	63%	11.8	61%
Currency for Return	1.0	5%	1.1	6%
Cash	–	–%	0.2	1%
Total	22.9	100%	19.3	100%

When expressed in Sterling, AUME increased by £3.6bn (+19%) to finish the year at £22.9bn (2012: £19.3bn). The split of AUME at the year end by base currency was 25% in Sterling, 49% in Swiss Francs, 20% in US Dollars, 5% in Euros and 1% in Canadian Dollars.

Dynamic Hedging AUME increased by 11% to \$11.0bn (2012: \$9.9bn), which was mainly the result of growth in value of the underlying assets.

Since the year end, the Group has announced the start of a new combined passive and dynamic hedging programme for a UK-based client with AUME totalling approximately \$1.7 billion, including a performance fee element.

As in 2012, Passive Hedging AUME increased by \$3.2bn, a 17% increase in the year (2012: 20%). This increase was principally due to the combination of two factors: net inflows of \$2.0bn, and a growth of \$2.1bn in value of the underlying assets, typically international equities and bonds, offset by movements in exchange rates of \$0.9bn.

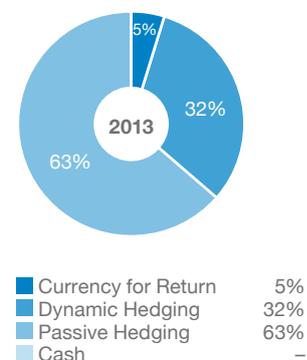
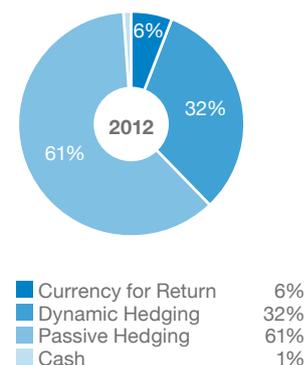
Record's Currency for Return AUME fell to \$1.6bn (2012: \$1.8bn) due principally to the net outflows which totalled \$0.3bn. Included in the Currency for Return mandates are a small number of mandates for emerging market currencies totalling \$0.8bn (2012: \$0.8bn) and a single multi-strategy mandate of \$0.3bn, which started in the year.

Product mix

The Group's product mix has shown a period of stability following a prolonged period of change. Over the last four years, Currency for Return AUME as a proportion of total AUME has decreased from 43% to 5%, as a result of the challenging environment for the Active FRB product, and consequent outflows. Conversely both Passive and Dynamic Hedging have seen increases in AUME over the same period of 70% and 175% respectively.

During the year, Hedging grew to 95% of AUME (2012: 93%), as a result of the growth of the Passive Hedging product, which accounted for 63% of AUME (2012: 61%), and the stability of the Dynamic Hedging product which accounted for 32% of AUME (2012: 32%). Together Currency for Return and Dynamic Hedging represented 37% of AUME (2012: 38%) being higher margin products compared to Passive Hedging. Currency for Return AUME represented 5% of AUME (2012: 6%) at the end of the year for the reasons stated above.

At 31 March 2013 Record had 44 clients, a net gain of 3 clients over the year.

AUME by product
31 March 2013 (%)**AUME by product**
31 March 2012 (%)

People management

Record's success depends on its ability to attract, retain and motivate highly talented staff.

Recruitment

The recruitment process is carefully structured to ensure that the right people are recruited into the Group. This continues with a comprehensive induction programme for all new joiners to allow them to adapt to the specialist environment within Record.

The Group has continued to recruit very selectively throughout the year in order to maintain a flexible, scalable platform for future growth. The number of employees in the Group remained broadly stable, and headcount at 31 March 2013 was 64 (2012: 65).

Staff retention and motivation

An effective performance review and objective setting process, personal development planning including the development of career paths, together with our open and involving office culture, are all key priorities in the development and retention of our staff. In addition, the Group Share Scheme, the Group Profit Share Scheme and the Group Share Incentive Plan (SIP) promote the acquisition of equity in the Company by staff, improving motivation and retention, as well as aligning employees' interests with those of our clients and shareholders.

Board and management succession

Following the announcement on 16 November 2012 of the management reorganisation replacing the combined role of Chief Financial Officer and Chief Operating Officer, Paul Sheriff resigned from this role on 15 March 2013. Steve Cullen was appointed to the Board as Chief Financial Officer, having previously held the position of Group Financial Controller for over nine years. Joel Sleigh was appointed Chief Operating Officer having held senior management positions within the Group since 1999, and he has been a member of the Executive Committee since 2012. Both appointments were with effect from 15 March 2013.

Infrastructure development

During the year the Group completed its key infrastructure development project, which was the implementation of a new middle and back office system. The new system has already increased the Group's capability both to manage a wider variety of instruments and to deploy new products and portfolios cost effectively and it will help deliver an improved level of client service.

Financial review

Total revenue for the financial year decreased by 9% to £18.6m, principally due to the reduction in management fees. This fall is despite the increase in average AUME during the year of 10%, and is broadly a consequence of the full year effect of changes in our client base reported in 2012 i.e. the loss of our second largest client in November 2011, and the closure of the remaining Active FRB pooled fund in April 2012. These year-on-year reductions in revenue were partially offset by the continued growth in Passive Hedging revenue of 37% since last year.

Total expenditure decreased by 9% to £12.4m as a result of a programme of cost control measures, and a fall in the Group Profit Share cost which is determined by operating profit.

Profit before tax decreased by 9% to £6.1m.

Profit and loss (£m)

Year ended 31 March	2013	2012
Revenue	18.6	20.5
Cost of sales	(0.3)	(0.2)
Gross profit	18.3	20.3
Personnel (excluding Group Profit Share Scheme)	(6.0)	(6.4)
Non-personnel cost	(3.9)	(4.2)
Loss on financial instruments held as part of disposal group	(0.1)	(0.3)
Total expenditure (excl. Group Profit Share Scheme)	(10.0)	(10.9)
Group Profit Share Scheme	(2.4)	(2.8)
Operating profit	5.9	6.6
%	32%	32%
Net interest received	0.2	0.1
Profit before tax	6.1	6.7
Tax	(1.5)	(1.8)
Profit after tax	4.6	4.9

“Our new middle and back office system has enabled us to increase flexibility in product design while reducing bespoke software development and timescales. As the system is an exception-based Straight Through Processing (STP) system, we have been able to reduce operational risk and achieve significant efficiency gains in trade lifecycle management.”

Chris Jackson
Head of Information Systems



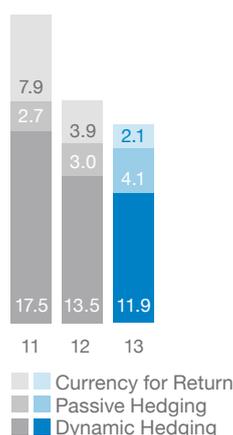
Revenue

3 year history (£m)



Management Fees by Product

Year to 31 March (£m)



Revenue

Management fees continued to make up the majority (97%) of the Group's revenue. Management fees for the year ended 31 March 2013 fell by 11% to £18.1m.

Revenue analysis (£m)

	2013	2012
Management fees	18.1	20.4
Performance fees	–	–
Other	0.5	0.1
Total	18.6	20.5

Record charges fees to its clients based upon the AUME of the product provided. Both Passive and Dynamic Hedging typically have management fee only arrangements, although the Group has recently commenced a combined passive and dynamic hedging programme with a performance fee element. Record has historically offered both management fee only, and management fee plus performance fee structures on Currency for Return mandates. Higher performance fee rates usually accompany lower management fee rates and vice versa.

Management fees and performance fees are normally invoiced on a quarterly basis, although Record invoices management fees for some of its larger clients on a monthly basis.

Management fees

Aggregate management fee income during the year was £18.1m (2012: £20.4m). The fall in Currency for Return fees of £1.8m (46%) was due to the continued decline of our Active FRB pooled fund product, whilst the decrease in Dynamic Hedging fees of £1.6m (12%) was mostly due to a full year's impact of the loss of a significant client in the previous financial year. The Passive Hedging product continued to grow strongly to £4.1m, up 37% in the period.

Management fees by product (£m)

	2013	2012
Dynamic Hedging	11.9	13.5
Passive Hedging	4.1	3.0
Currency for Return	2.1	3.9
Total	18.1	20.4

The blended average management fee rate fell to 8.8bps (2012: 11.2bps). Despite the product mix stabilising year on year, the decrease in the blended average management fee rate was due mainly to the increase in the average AUME attributable to the lower margin Passive Hedging product which accounted for 23% of management fees in the period (2012:15%). Slight declines in the management fee rates achieved on the higher margin products (i.e. Dynamic Hedging and Currency for Return) also contributed to the fall in the blended average management fee rate.

Average management fee rates by product – (bps)

	2013	2012
Dynamic Hedging	18.5	20.0
Passive Hedging	3.1	3.1
Currency for Return	22.1	23.8
Weighted average	8.8	11.2

Performance fees

There was no performance fee earned in the year (2012: £nil). Performance fees have historically been earned from some Currency for Return and Dynamic Hedging mandates. Since the closure of the Cash Plus Fund in April 2012, there are only two active mandates that incorporate a performance fee component which are both Dynamic Hedging mandates.

Other income

Other income is principally from gains made on forward foreign exchange contracts employed by the funds seeded by the Group. It also includes gains/losses on hedging revenues denominated in currencies other than Sterling, and other foreign exchange gains/losses.

Expenditure

Operating Expenditure

The total operating expenditure of the Group decreased by £1.3m (9%) to £12.4m during the year ended 31 March 2013. Personnel costs fell by £0.4m including a full year impact of the 10% reduction in Board members' salaries made from 1 December 2011 and non-personnel costs fell by £0.3m. Losses on financial instruments held as a disposal group fell to £0.1m in the year (2012: £0.3m).

Group Profit Share Scheme

The Group operates a Group Profit Share Scheme such that a long-term average of 30% of operating profit before Group Profit Share (GPS) is made available to be awarded to employees. The Remuneration Committee has agreed that for the year ended 31 March 2013, the Group Profit Share Scheme is 30% of pre-GPS operating profit. This represents £2.4m, a reduction of £0.4m from the previous financial year. Directors and senior management in Record are required to take a proportion of this remuneration in the form of shares subject to lock-up arrangements. Under the scheme rules, the intention is to purchase these shares in the market following the announcement of interim and full year financial results.

Operating margin

The operating profit for the year ended 31 March 2013 of £5.9m was 11% lower than the operating profit for the previous financial year (2012: £6.6m). Despite this, the Group maintained an operating profit margin of 32% for the year ended 31 March 2013 (32% in 2012), as the result of the cost reduction measures initiated in the previous financial year continuing into this financial year and partially offsetting the fall in revenue.

Cash flow

The Group's year end cash position was £29.0m (2012: £24.6m). Cash generated from operating activities before tax was £7.2m (2012: £5.0), with £1.6m paid in taxation and £1.6m paid in dividends.

Dividends

During the year, the decision was taken to defer the interim dividend payment with the intention to retain the overall dividend payable at 1.50p per share, subject to business conditions.

The Board recommends paying a final dividend of 1.50p per share (dividend paid in respect of year ended 31 March 2012: 1.50p per share), equivalent to £3.3m. This represents a 76% payment of profits after tax attributable to owners of the parent for the year ended 31 March 2013.

Subject to shareholder approval, the dividend will be paid on 31 July 2013 to shareholders on the register on 21 June 2013, the ex-dividend date being 19 June 2013. The dividend cover in the year was 1.3 times (2012: 1.5).

Capital management

The Board's policy is to retain capital (being equivalent to shareholders' funds) within the business sufficient to meet continuing obligations, sustain future growth and to provide a buffer against adverse market conditions. To this end the Group maintains a financial model to assist it in forecasting future capital requirements over a four-year time horizon under various scenarios. Shareholders' funds were £28.6m at 31 March 2013 (2012: £26.4m). The Group has no debt.

Cautionary statement

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

Risk management and regulation

Record Currency Management Limited (RCML) is authorised and regulated in the UK by the Financial Conduct Authority (FSA prior to 1 April 2013). In the United States, RCML is registered as an Investment Adviser with the Securities and Exchange Commission and as a Commodity Trading Adviser (swaps only) with the Commodity Futures Trading Commission. RCML is an Exempt International Adviser with the Ontario Securities Commission in the State of Ontario, Canada and is registered as exempt with the Australian Securities & Investment Commission. RCML is approved by the Irish Central Bank to act as promoter and investment manager to Irish authorised collective investment schemes. The Group has a Jersey-based management company, Record Currency Management (Jersey) Limited, authorised by the Jersey Financial Services Commission to manage Expert Funds.

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

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

The Board is satisfied that the Group is adequately capitalised to continue its operations effectively given the considerable balance sheet resources maintained by the Group. At 31 March 2013, Record had Tier 1 capital of £27.7m. Further information regarding the Group's capital adequacy status can be found in the Group's Pillar 3 disclosure, which is available on our website at www.recordcm.com.

Risk management

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

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

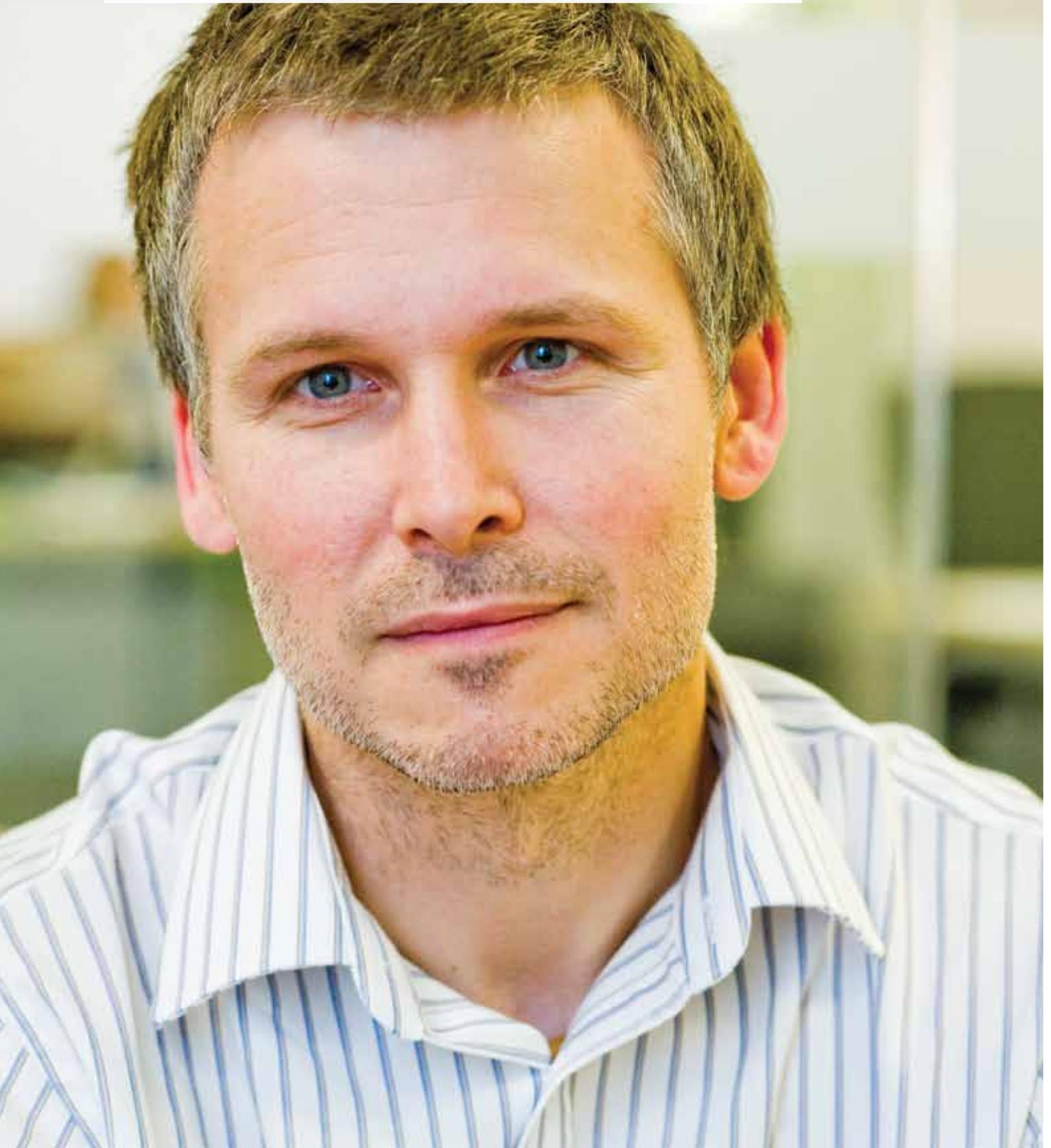
The Board has established a Risk Management Committee which is chaired by the Chief Operating Officer and has the Chief Financial Officer, the Head of Operations, the Head of Trading, the Head of Portfolio Management, the Head of Portfolio Implementation and the Head of Compliance and Risk as members. The Committee reviews existing and new risks, and the nature of any operational incidents with the objective of ensuring that adequate systems and controls are in place to minimise and preferably eliminate such incidents and their impact on both the Group and its clients.

The Group appointed Grant Thornton UK LLP as the reporting accountant for its Audit and Assurance (AAF 01/06 and SSAE 16) reports. There are two types of assurance engagements associated with the AAF framework, specifically 'reasonable' assurance engagements and 'limited' assurance engagements. The Group undertakes the higher standard of 'reasonable' assurance engagements.

The principal risks faced by the Group fall into a number of distinct categories and the means used to mitigate them are both diverse and relevant to the nature of the risk concerned. The principal risks and the mitigating activities are set out overleaf.

“The Risk Management Committee drives initiatives to mitigate risks firm-wide; to identify and understand the risks, and then build strong operational processes with robust controls.”

Joel Sleight
Chief Operating Officer



Risk management and regulation

The principal risks faced by the Group fall into a number of distinct categories and the means used to mitigate them are both diverse and relevant to the nature of the risk concerned.

Risk type/owner	Description of risk	Mitigation
Strategic and business risks The risk that the medium and long-term profitability of the Group could be adversely impacted by the failure to identify and implement the correct strategy. Delegated to: Record plc Board and Executive Committee	These include: Any impairment to Record's standing in the currency management markets with investors and investment consultants may result in the loss of AUME and/or fee income.	These include: The Board's lengthy investment management experience. Record's risk appetite does not extend to taking either regulatory or reputational risks within the decision making process. Sufficient allocation of resources is provided to enhance prevention of any systemic failures of day to day product implementation that could affect the firm's reputation.
	Loss of key personnel could impact on the management of the Group and/or lead to a loss of AUME.	The Group's investment process is steered by an Investment Committee of six, and all products are managed on a predominantly systematic process which is not reliant on any individual employee. All clients have two points of contact to ensure continuity in the client relationship if any one person left. The Group considers that its remuneration policy and in particular the operation of the Group Profit Share Scheme promotes key personnel retention and effective risk management.
	Concentration risk on single product type; Record's products are all currency management based hence it would be adversely affected by a move away from currency, in particular Dynamic Hedging, by its core client base.	Diversification of investment capabilities across risk-reducing and risk-taking products to reduce single event/product exposure.
	Account concentration; Record has a relatively small number of high value clients. Its largest client generated 30% of revenue in the year ended 31 March 2013. The largest five clients generated 66% of revenue and the largest ten clients generated 84% of revenue in the year ended 31 March 2013.	Record's commitment to client services excellence, the transparency of the investment process and the regular reporting and face to face contact with clients is integral to retention.
	Reliance on investment consultants; if a consultant no longer believes that Currency for Return or Dynamic Hedging is suitable for clients and/or a consultant no longer believes that Record is a recommended investment manager, then this could result in a loss of AUME.	The Group devotes considerable senior management time and effort to its relationships with the investment consultancy firms to ensure that developments within the Group and its investment research and processes are understood by these firms.
	Changes in the regulatory environment or tax regime making investment in currency less attractive to investors.	Diversification of investment capabilities across risk-reducing and risk-taking products to reduce single event/product exposure.
	Market dislocation risk Delegated to: Executive Committee	These include: Intervention by government, government agency or regulatory body such as exchange controls, financial transaction tax, etc. that renders some or all of the Group's products ineffective.

Risk type/owner	Description of risk	Mitigation
<p>Investment risks</p> <p>The risk that long-term investment performance is not delivered, damaging prospects for winning and retaining clients, and putting average management fee margins under pressure.</p> <p>Delegated to: Investment Committee</p>	<p>These include:</p> <p>The Group's Dynamic Hedging products seek to vary the hedge ratio of a client's portfolio such that a client benefits from the hedging programme in periods of base currency appreciation and limits the costs in periods of base currency weakness. Prolonged periods of base currency weakness or of range-trading in currency pairs may lead clients to re-assess the benefits of the product.</p> <p>The Group is paid by its Currency for Return clients to generate positive investment performance over the medium and long term by taking investment risk on their behalf. Any sustained period of poor investment performance reduces the value of AUME in the Group's pooled funds and segregated mandates that could lead to mandate terminations by clients, to loss of confidence in the Group's investment model by clients, potential clients and the investment consultants who advise them.</p>	<p>These include:</p> <p>Experienced Investment Committee meets regularly ensuring consistent core investment processes are applied.</p> <p>Dedicated currency management research and investment focus.</p> <p>Experienced Investment Committee meets regularly ensuring consistent core investment processes are applied.</p> <p>Dedicated currency management research and investment focus.</p> <p>Remuneration policy links senior management's remuneration to long-term performance of the Group.</p>
<p>Operational risks</p> <p>Risks in this category are broad in nature and inherent in all businesses.</p> <p>They include the risk that operational flaws result in business losses – through error or fraud, the inability to capitalise on market opportunities, or weaknesses in systems and controls.</p> <p>Delegated to: Risk Management Committee</p>	<p>These include:</p> <p>The Group is exposed to the risk of failure of its proprietary IT system (ROMP, or Record Overlay Management Programme), Calypso (back office system) and other IT systems, which might prevent the Group's ability to operate.</p> <p>Execution and process management; dealing, portfolio, settlement and reporting errors.</p>	<p>These include:</p> <p>The Group has developed comprehensive disaster recovery and business contingency plans. These cover scenarios from server failure to destruction of the Group's offices. Alternative office facilities and equipment are available at a disaster recovery provider should the premises be compromised. Disaster recovery procedures are tested on a regular basis at the site of the disaster recovery provider.</p> <p>Engagement letters or service level agreements are in place with all significant service providers.</p> <p>Record prepares an annual AAF 01/06 report and SSAE 16 report. The contents of these reports, which have been independently reviewed and tested by Grant Thornton UK LLP, provide assurances of the Group's procedures and controls to mitigate operating risk.</p> <p>Record has an outsourced Internal Audit function that reports independently to the Audit and Risk Committee.</p> <p>The Group's investment processes for all products are predominantly systematic and non-discretionary in nature. ROMP prompts trades that are executed by a dedicated trading team without discretion. ROMP therefore controls the trading to ensure that portfolios are within the structure dictated by the investment process.</p> <p>A dedicated portfolio management team oversees the investment process and provides post-trade compliance assurances, including changes to any static data which may impact the behaviour of the systematic processes.</p> <p>Each department has established procedures manuals that are available to all members of staff. The adherence to these procedures is checked through the compliance monitoring programme, AAF and SSAE 16 reviews and the internal audit programme.</p>

Risk type/owner	Description of risk	Mitigation
<p>Operational risks <i>Continued</i></p> <p>Risks in this category are broad in nature and inherent in all businesses.</p> <p>They include the risk that operational flaws result in business losses – through error or fraud, the inability to capitalise on market opportunities, or weaknesses in systems and controls.</p> <p>Delegated to: Risk Management Committee</p>	<p>These include:</p> <p>Non-compliance, including monitoring of investment breaches.</p> <p>Record's investment process involves high trading turnover of client positions in both size and volume, therefore it can be said to be reliant on market liquidity.</p> <p>Record executes derivative transactions with large banks as counterparties on behalf of clients. As an over the counter (OTC) product, these contracts inherently contain a degree of counterparty risk with the counterparty bank. Default by any of these counterparties could indirectly lead to impairment of Record's standing in the currency management markets with investors and investment consultants and thus may result in the loss of AUME and/or fee income.</p>	<p>These include:</p> <p>Automated post-trade compliance tests / reports monitor whether programs are running in line with expectations, and identify any potential issues that may need to be resolved.</p> <p>Each department has established procedures manuals that are available to all members of staff. The adherence to these procedures is checked through the compliance monitoring programme, AAF and SSAE 16 reviews and the internal audit programme.</p> <p>The Group trades on behalf of clients in currency and other products with a large panel of banking counterparties. Currency is a particularly liquid market that has continued to provide sufficient daily liquidity.</p> <p>On a daily basis Record monitors the credit ratings (and other indicators of creditworthiness) of the counterparties Record has dealings with. Changes are noted against a comprehensive Credit Risk Policy that is overseen by an established Risk Management Committee that meets at least on a monthly basis. Reallocations of exposures to certain counterparties may follow the daily review in order to ensure a prudent spread of counterparty credit risk.</p>
<p>Treasury risks</p> <p>The risks that management does not appropriately mitigate balance sheet risks or exposures potentially resulting in an adverse impact on the financial performance or position of the Group.</p> <p>Delegated to: Chief Financial Officer</p>	<p>These include:</p> <p>More than 70% of Group revenues are denominated in a currency other than Sterling, the Group's functional and reporting currency, yet the Group's cost base is predominantly Sterling based.</p> <p>The Group invests a limited amount of its resources in its own funds (seed capital), exposing it to price risk, credit risk, and foreign exchange risk.</p> <p>Liquidity management - the Group is exposed to credit risk and interest rate risk in respect of its cash balances.</p>	<p>These include:</p> <p>The Group hedges its non-Sterling income on a monthly basis from the date that income is accrued until the anticipated date of receipt by using forward fixed rate currency sales contracts.</p> <p>Monthly reporting of all balance sheet exposures to the Executive Committee and Board.</p> <p>The Group has adopted a credit risk policy to manage its credit risks, under which it follows clear counterparty diversification and minimum credit rating criteria.</p> <p>Monthly reporting of all balance sheet exposures to the Executive Committee and Board.</p>

“Strong controls, monitoring systems and oversight are essential in ensuring that portfolios are running in accordance with our clients’ requirements.”

Sandeep Prashar
Head of Front Office Risk Management



Corporate Social Responsibility

The Board recognises that, through its actions, it has a direct impact upon its employees, the community and the environment.

In conducting its business operations, the Group has a responsibility to its stakeholders and the environment. Its stakeholders, with whom we maintain an on-going dialogue, include shareholders, clients, employees, regulators, and the local community.

Our approach to corporate social responsibility is built around three key areas:

- Workplace
- Environment
- Community

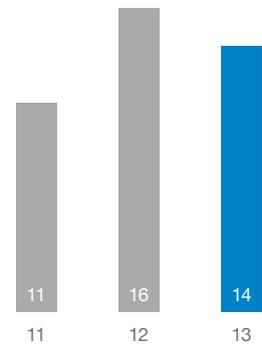
The Group monitors the following KPIs to assess its progress within each of these three areas:

Workplace

Our staff turnover

Our aims are to recruit and retain high-calibre staff from a variety of backgrounds throughout the Group

Staff turnover (%)
Year ended 31 March

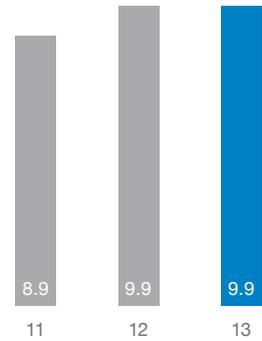


Environment

The CO₂ output of our Group

We are committed to carbon neutrality and as such offset our CO₂ emissions

CO₂ emissions per head (Tonnes)

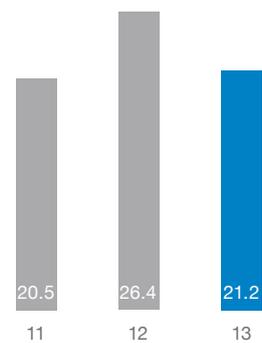


Community

The Group's financial contributions to charitable causes during the year

Our charitable giving is driven by employee choice, with the Group matching employee donations and sponsorship. We also provide financial assistance to students studying at Balliol College, Oxford through a half-bursary scheme

Charitable donations (£'000)
Year ended 31 March



Workplace

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

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

Environment

The Group seeks to minimise its carbon footprint through recognising the environmental impact of its activities, reducing that impact through responsible procurement of goods and services, and offsetting its remaining carbon emissions. The Group first assessed its carbon footprint in July 2006, and has offset its carbon emissions through investment in renewable energy projects in Brazil, India and China.

Community

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

During the course of the year, the Group made charitable donations totalling £21,220, primarily through our half-bursary scheme with Balliol College, Oxford. The Group actively encourages staff to participate in charitable fundraising through its commitment to matching employee donations and sponsorship. During the year the Group sent a team of volunteers to work on a charitable farm in the local community, which works with children and adults who have special needs and disabilities.

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

Board of Directors

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

1	2
3	4
5	6
7	8



Neil Record (59)**Chairman**

Neil Record founded Record in 1983 and has been its principal shareholder and Executive Chairman since then. Prior to founding Record he was an economist at the Bank of England and worked in the commodity and currency trading department at Mars Inc's UK subsidiary. He is the author of numerous books and articles on currency and other risk management topics and is a frequent speaker at industry conferences and seminars worldwide.

[Nom](#)

James Wood-Collins (41)**Chief Executive Officer**

James Wood-Collins joined Record in 2008 as a senior member of the Client Team. He was appointed as Chief Executive Officer in October 2010. He was previously at J.P. Morgan Cazenove where he had been a Managing Director advising financial institutions on M&A, IPOs and related corporate finance transactions.

Cees Schrauwers (65)**Senior Independent Director**

Cees Schrauwers became a Non-executive Director of the Company in 2007. Cees has more than 30 years' financial services experience, most recently as Director of Aviva International and Managing Director of CGU Insurance. Prior to this he was Partner with Coopers & Lybrand. Cees was previously the Senior Independent Director of Brit Insurance Holdings plc and Chairman of Drive Assist Holdings Limited. He is Chairman of the Guernsey Financial Services Commission and a Non-executive Director of Scottish Widows Group Limited.

[Aud \(Chair\) Nom Rem](#)

Andrew Sykes (55)**Non-executive Director**

Andrew Sykes became a Non-executive Director of the Company in 2007. He was a Director of Schroders plc from 1998 to 2004, having joined Schroders in 1978. He was responsible for Schroders' fixed income businesses (including Treasury and Foreign Exchange) until 2000, and subsequently for private banking and alternative investments, including hedge funds, property, private equity and structured products. He is Chairman of SVG Capital plc, Schroder Real Estate Investment Trust Limited and Absolute Return Trust Limited, Deputy Chairman of Smith & Williamson Holdings Limited and a Non-executive Director of Gulf International Bank (UK) Limited and MBIA UK Insurance Limited.

[Aud Nom Rem \(Chair\)](#)

Leslie Hill (57)**Head of Client Team**

Leslie Hill joined Record in 1992 and was appointed Head of Sales and Marketing in 1999. Her prior experience includes working at Lloyds Bank and Merrill Lynch where she was Director and Head of Corporate Foreign Exchange Sales worldwide.

Bob Noyen (50)**Chief Investment Officer**

Bob Noyen joined Record in 1999 with responsibility for Investment and Research. He has spent 14 years at Record and previously worked as Assistant Treasurer for Minorco (part of Anglo American plc).

Steve Cullen (44)**Chief Financial Officer**

Steve Cullen joined Record in October 2003 as Financial Controller, and was promoted to Associate Director of Finance in January 2005. Prior to joining Record, he qualified as a Chartered Accountant in 1994 and gained 15 years of audit experience within practice. Prior to being appointed to the Board, Steve led the Finance team, reporting directly to the Chief Financial Officer, for over 9 years and was part of the internal management team at Record involved in the preparation for admission to trading on the London Stock Exchange in December 2007. Steve was appointed to the Board and made Chief Financial Officer on 15 March 2013.

David Morrison (54)**Non-executive Director**

David Morrison was appointed as a Non-executive Director in October 2009. David is founder and Chief Executive of Prospect Investment Management, a venture capital advisory firm established in 1999, which acts on behalf of a small group of investors. He has spent most of his working career in the venture capital world, having started with 3i plc, which was followed by 13 years with Abingworth Management Limited. He has previously been a director of Blueheath Holdings plc, Deutsche Equity Income Trust plc, GW Pharmaceuticals plc and Venture Production plc. He is currently Chairman of Snoozebox Holdings plc, and is also on the Board of PayPoint plc and several private companies with which Prospect is associated.

[Aud Nom \(Chair\) Rem](#)

Key to membership of Board Committees

[Aud](#) Audit and Risk Committee
[Rem](#) Remuneration Committee
[Nom](#) Nomination Committee
[\(Chair\)](#) Committee Chairman

Directors' report

The Directors present their Annual Report and Accounts for the year ended 31 March 2013. The Company was admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 3 December 2007.

Principal activity and business review

The principal activity of the Group is the provision of currency management services for institutional clients.

A review of Record's business during the financial year ended 31 March 2013, likely future developments and the information which fulfils the business review requirements is contained in the following sections of the Annual Report, which are incorporated into the Directors' report by reference:

- Chairman's statement on pages 4 to 5;
- Chief Executive Officer's statement on pages 6 to 7;
- Strategy and Business model on pages 8 to 14;
- Business review on pages 16 to 33;
- Corporate governance report on pages 39 to 41.

The Business review contains information on the main trends and factors likely to affect the future development of the Group. The Directors have considered whether there are any contracts which are essential to the business and have concluded that there are none.

Results and dividends

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 52.

The Directors recommend a final dividend of 1.50p per ordinary share for the year ended 31 March 2013. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 31 July 2013 to shareholders on the register at the close of business on 21 June 2013. The shares will be quoted ex-dividend from 19 June 2013.

The Company did not pay an interim dividend during the year under review.

Between 1 July 2008 and 31 August 2012, the Company paid dividends amounting to £38.5m. Although the Company had sufficient distributable reserves to make each dividend payment, the relevant interim accounts reflecting these profits were not prepared and filed at the appropriate time with the Registrar of Companies as required by the Companies Acts 1985 and 2006. Consequently payment of these dividends, including £1.645m paid in the year to 31 March 2013, did not comply with the technical requirements of the Companies Acts 1985 and 2006. The Company will put a resolution to the shareholders at the forthcoming AGM for their approval to take steps to address this situation. These accounts have been drawn up on the basis that the infringements referred to above will, from an accounting perspective, be regularised by the actions to be proposed to the shareholders at the forthcoming AGM. The proposals do not affect the results of the Group for the year to 31 March 2013,

its net assets at 31 March 2013, nor its ability to pay future dividends. Going forward, as a matter of good governance and to reflect the adequacy of distributable reserves, interim accounts will be filed with the Registrar of Companies before dividend payments are made.

Share capital

The Company has a single class of share capital consisting of ordinary shares of 0.025p each. Each ordinary share is equally eligible to receive dividends and the repayment of capital and represents one vote at a shareholders' meeting. Details of structure and changes in share capital are set out in note 20 to the financial statements.

At its Annual General Meeting in 2012, the Company obtained, subject to certain conditions, shareholder approval to purchase ordinary shares representing not more than ten per cent of its issued capital. This authority will expire on the date of this year's Annual General Meeting.

The Company has not exercised the right to purchase ordinary shares in its capital (including treasury shares) during the year.

Substantial shareholdings

The table below sets out the names of those persons who, insofar as the Company is aware, are interested directly or indirectly in 3% or more of the issued share capital of the Company as at 31 March 2013:

	Number of ordinary 0.025p shares held	Percentage interest
Neil Record	71,171,043	32.15%
Schroder Investment Management	19,672,489	8.89%
Cazenove Capital Management	18,846,315	8.51%
Leslie Hill	15,133,349	6.84%
Bob Noyen	8,723,871	3.94%
Miton Capital Partners	8,433,750	3.81%
Mike Timmins	6,955,155	3.14%

Information provided to the Company pursuant to Rule 5 of the Disclosure and Transparency Rules (DTR) is published via RNS, a regulatory information service, and also on the Company's website.

During the period from 12 June 2012 to 10 June 2013 the Company received two notifications in accordance with DTR 5 disclosing changes to voting interests in its ordinary share capital as follows: Schroders plc on 11 December 2012 reporting a shareholding of 5.04% at that date and Cazenove Capital Management Limited on 22 April 2013 reporting a shareholding of 11.92% at that date.

Directors

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

Neil Record (Chairman)
 Cees Schrauwers*
 Andrew Sykes*
 David Morrison*
 James Wood-Collins
 Leslie Hill
 Bob Noyen
 Paul Sheriff (resigned 15 March 2013)
 Steve Cullen (appointed 15 March 2013)

*Non-executive Director

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

Restrictions on transfers of shares

Under the terms of the Record plc Group Profit Share Scheme rules, certain employees and Directors of the Company are required to receive a proportion of any award in shares, and may elect to receive a further proportion of their profit share in the form of a share award and receive a final proportion in cash. All ordinary shares which are the subject of share awards are transferred immediately to a nominee. None of these shares are subject to any vesting or forfeiture provisions but are subject to lock-up arrangements and the individual is entitled to full rights in respect of the shares purchased. No such shares can be sold, transferred or otherwise disposed of without the consent of the Remuneration Committee unless specified anniversary dates have been reached. Further details are disclosed in note 21 of the financial statements.

Dealings in the Company's ordinary shares by persons discharging managerial responsibilities, employees of the Company and, in each case, their connected persons, are subject to the Group's dealing code which adopts the Model Code of the Listing Rules contained in the Financial Conduct Authority's Handbook.

Certain restrictions, customary for a listed company, apply to transfers of ordinary shares in the Company.

Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk (managed using financial instruments) and interest rate risk. The Group seeks to minimise potential adverse effects on the Group's financial performance. Further information is contained in note 23 to the accounts.

Annual General Meeting

The 2013 Annual General Meeting of the Company will be held at 10.00 a.m. on 25 July 2013 at the Company's registered offices Morgan House, Madeira Walk, Windsor SL4 1EP. Details of the ordinary and special resolutions to be proposed at the Annual General Meeting are given in a Chairman's letter to shareholders and the attached Notice of Annual General Meeting.

Auditors

Grant Thornton UK LLP have indicated their willingness to continue as auditor, and a resolution will be proposed at the Annual General Meeting to re-appoint them as auditor of the Company in accordance with Section 489 of the Companies Act 2006, and to authorise the Directors to determine their remuneration for the current year.

Related party transactions

Details of related party transactions are set out in note 26 to the financial statements.

Post-reporting date events

As set out in note 29 to the financial statements, there were no post-reporting date events.

Going concern

After making enquiries (including reviewing the Group's financial position, regular cash flow forecasting, and stress testing performed as part of the Internal Capital Adequacy Assessment Process – 'ICAAP') the Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Charitable and political donations

The Group made donations of £21,220 to charitable causes during the year ended 31 March 2013 (2012: £26,353). The Group makes charitable donations to match the individual fundraising efforts of its employees. It is the Group's policy not to make political donations.

Creditor payment policy

The Group's policy is to pay suppliers within 30 days of receipt of invoice. As at 31 March 2013, the amount owed to suppliers was equivalent to 21 days average purchases from suppliers (2012: 16 days).

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's Articles of Association, in respect of all losses, liabilities or expenses incurred by them in relation to the Company or any of its subsidiaries.

Approved by the Board and signed on its behalf by:



J Manning

Company Secretary

10 June 2013

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board by:



Neil Record
Chairman

10 June 2013



Steve Cullen
Chief Financial Officer

10 June 2013

Corporate governance report

The Board recognises its responsibility for the effective management of the Group and supports the highest standards of corporate governance.

The Board has worked hard to ensure that comprehensive corporate governance processes have been introduced to the business and that the importance of accountability, transparency, probity and long-term business sustainability has been disseminated to all staff, contractors and consultants across the Group.

The Board has adopted the principles established in the UK Corporate Governance Code June 2010 and its previous version (both referred to as “the Code”) since its Admission to the Official List of the UK Listing Authority in December 2007. As a non-FTSE 350 company Record plc is classed as a smaller company under the Code. The Group has been in compliance with the Code since Admission, except in particular limited circumstances where the provisions apply specifically to FTSE 350 companies. In all such instances Record plc has reviewed the appropriateness of the provisions to determine whether they should be applied or if departure is justified. Such departures are fully explained below. (The Code is available for inspection at www.frc.org.uk).

This report describes the Group corporate governance arrangements, explaining how it has applied the principles of the Code.

The Board of Directors

As at 31 March 2013, the Board of Directors comprised five Executive Directors and three Non-executive Directors. The Board is headed by Neil Record (Chairman), with three Non-executive Directors, Cees Schrauwers, being the Senior Independent Director, Andrew Sykes and David Morrison, and the other Executive Directors, James Wood-Collins (Chief Executive Officer), Steve Cullen (Chief Financial Officer), Bob Noyen (Chief Investment Officer) and Leslie Hill (Head of Client Team). Steve Cullen was appointed on 15 March 2013 following the resignation of Paul Sheriff on the same date.

The division of responsibilities between Chairman and Chief Executive Officer is clearly established, set out in writing and agreed by the Board. In considering the independence of Non-executive Directors, the Board has taken into consideration the guidance provided by the Code. The Board considers Cees Schrauwers, Andrew Sykes and David Morrison to be independent.

The Board is not comprised of a majority of Non-executive Directors as required by the Code for FTSE 350 companies but it does comply with the Code’s provision for smaller companies to have at least two Non-executive Directors. The Board considers that the existing composition is appropriate but would consider further non-executive appointments to assist the development and growth of the Group should suitable candidates be identified.

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

- determining the Group’s long-term strategy and objectives;
- significant capital expenditure;
- the Group’s annual and interim reports and preliminary announcements;
- setting interim dividend and recommendation of final dividend;
- effectiveness of internal controls;
- authorisation of Directors’ conflicts or possible conflicts of interest; and
- communications with shareholders and the stock market.

All Directors have access to independent professional advice, when required, at the Company’s expense as well as to the advice and services of the Company Secretary. New Directors appointed to the Board will receive advice as to the legal and other duties and obligations arising from the role of a Director of a UK listed company through a full, formal and tailored induction programme. The Company Secretary, under the direction of the Chairman, is responsible for maintaining an adequate continuing education programme, reminding the Directors of their duties and obligations on a regular basis, ensuring good information flow between the Board, its committees and management and assisting with Directors’ continuing professional development needs.

Under the Code, all directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The Code states that all directors of FTSE 350 companies should be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at the Annual General Meeting thereafter at intervals of no more than three years.

Corporate governance report

Continued

Under the Company's Articles of Association, the minimum number of Directors shall be two and the maximum shall be 12. A Director appointed by the Board must offer himself for election at the next Annual General Meeting of the Company following his appointment but he is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting. The minimum number of Directors who should retire by rotation is one third.

The Board has reviewed these provisions in the Articles against the recommendations of the Code and has determined that, given the size and structure of the business, the Articles are appropriate and annual re-election is unnecessary.

Under UK company law, a Director must seek authorisation before taking up any position with another company that conflicts, or may possibly conflict, with the Group's interests.

The Articles of Association contain provisions to allow the Directors to authorise situations of potential conflicts of interest so that a Director is not in breach of his/her duty under company law. All existing external appointments for each Director were considered and authorised by the Board in September 2012. Steve Cullen's external appointments were considered and approved at the time of his appointment. The Board is responsible for conducting an annual review of the Conflicts Register and confirming that, where relevant, conflicts have been dealt with appropriately, and that the process for dealing with them is operating efficiently.

The Group has appropriate Directors' and Officers' insurance in place.

Board committees

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

- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee

The Committees operate on written terms of reference, which are reviewed annually and which are available on the Company's website or on request from the Company Secretary at the registered office address. The Chairman of each Committee reports regularly to the Board.

Audit and Risk Committee

The Audit and Risk Committee report set out on pages 42 to 43 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Nomination Committee

The Nomination Committee is chaired by David Morrison. David is supported on the Committee by the two other Non-executive Directors and Neil Record. The Committee is responsible for reviewing the structure, size and composition of the Board, and for giving full consideration to succession planning for Directors and other senior executives. The Committee is also responsible for identifying and nominating for the Board's approval candidates to fill Board vacancies as and when they arise.

The Committee met on five occasions during the year ended 31 March 2013 and during the year the activities of the Committee have included redefining the combined CFO/COO role and the selection of the new CFO and COO, reviewing Neil Record's role as Chairman, proposals for the rotation and re-election of Directors at the Annual General Meeting, and reviewing its terms of reference and performance.

Remuneration Committee

The remuneration report set out on pages 44 to 50 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Attendance

The Board met six times between 1 April 2012 and 31 March 2013 to review financial performance and to follow the schedule of matters reserved for its decision and approval. Comprehensive Board papers, comprising an agenda and formal reports and briefing papers are sent to Directors in advance of each meeting. Throughout their period in office Directors are regularly informed by senior executives and external advisors on the Group's affairs, including commercial, regulatory, legal, corporate governance and other relevant matters.

Appropriate and timely notice is given of all Board meetings and all Directors receive information in advance so that if they are not able to attend their input can be tabled and taken into consideration. The Board has twice yearly offsite strategy meetings and special meetings as required to address specific issues. Any concerns raised by Directors which are not resolved are recorded in the Board minutes.

Meetings in the year

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Total	6	6	8	5
N Record	6/6	N/a	N/a	3/5
C Schrauwers	6/6	6/6	8/8	5/5
A Sykes	6/6	6/6	8/8	5/5
D Morrison	5/6	6/6	7/8	3/5
J Wood-Collins	6/6	N/a	N/a	N/a
L Hill	5/6	N/a	N/a	N/a
B Noyen	6/6	N/a	N/a	N/a
P Sheriff *	5/5	N/a	N/a	N/a
S Cullen **	1/1	N/a	N/a	N/a

* To 15 March 2013

** From 15 March 2013

Performance evaluation

The Board is required by the Code to undertake an annual evaluation of its performance. The Code also recommends that evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years.

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

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

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

The work undertaken by the Audit and Risk, Remuneration and Nomination Committees was reviewed by Cees Schrauwers the Senior Independent Director, together with Andrew Sykes and David Morrison to assess each committee's effectiveness during the year, the results of which were reported to the Board by each Committee

Chairman. The reviews concluded that the Committees were operating in an effective manner and no concerns were raised.

Internal control and risk management

The Board has overall responsibility for the Group's systems of internal control and the management of significant risks. The Board reviews annually and sets appropriate policies on internal control and has, since Admission, delegated the authority to specific committees and senior personnel to implement and apply those policies.

- The Audit and Risk Committee is a Board Committee that provides oversight and independent challenge in relation to internal control and risk management systems and reviews the form, content and integrity of the Annual Report and Accounts prior to release.
- The Executive Committee – the Board has delegated to this Committee responsibility for the day to day operation of the business within defined delegated authorities.
- The Investment Committee – the Board has delegated to this Committee responsibility for authorising changes to existing investment processes and for approving new investment strategies. The members of the Committee are Directors and senior managers.

The Board seeks on-going assurance from the Committees and senior management about the effectiveness of the internal controls, which include operational and compliance controls, risk management and the Group's high-level internal control arrangements. Such a system of internal controls is designed to manage, rather than eliminate, risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatements or loss.

Further information on the Group's risk management systems is provided on pages 26 to 31 of the Business Review.

The Audit and Risk Committee has undertaken a review of the effectiveness of internal controls for the year ended 31 March 2013 and is satisfied that the internal control environment is appropriate (see 'Internal controls and risk management' on page 43).

Investor relations

During the year the Chairman and Directors met and made presentations to institutional investors, analysts and potential shareholders. The Senior Independent Director is also available to meet institutional investors if requested.

The Board and the chairmen of each of the Board Committees will be available to answer questions put to them by shareholders of the Company at the 2013 Annual General Meeting.

Audit and Risk Committee report

The Board relies on the Audit and Risk Committee to provide effective governance over risk management and external financial reporting, to monitor the integrity of the financial statements, to review the internal controls and risk management systems and to report its findings and conclusions to the Board.

This Audit and Risk Committee report sets out the role of the Audit and Risk Committee, its membership and the subjects considered during the year.

Role of the Committee

The Committee is responsible for:

- monitoring the integrity of the Group and Company's financial statements and any other formal announcements relating to the Company's performance;
- reviewing the Group's internal control and risk management procedures;
- reviewing the terms of reference for the Risk Management Committee;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations relating to the appointment, reappointment and removal of the external auditor;
- approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor, and reviewing the effectiveness of the audit process;
- overseeing arrangements by which staff may raise concerns about possible improprieties in matters of financial reporting or other matters; and
- overseeing policy relating to the provision of non-audit services by the external auditor.

The full terms of reference of the Committee comply with the Code and are available on the Group's website or from the Company Secretary at the registered office address. The Committee has direct access to auditors, and receives periodic reports from management and auditors on significant financial reporting issues.

Membership of the Committee

The Committee currently comprises three Non-executive Directors as detailed below:

- Cees Schrauwers (Chairman since the Committee's inception on 3 December 2007)
- Andrew Sykes (appointed 3 December 2007)
- David Morrison (appointed 14 January 2010)

The Board is satisfied that the members of the Committee have appropriate commercial and financial knowledge and experience to satisfy the provisions of the Code.

All meetings during the year were attended by the Head of Compliance and Risk, the former joint Chief Financial Officer and Chief Operating Officer, and the Financial Controller. The internal audit partner attended six meetings and the external audit partner attended two meetings.

The composition of the Audit and Risk Committee has exceeded the Code provision for smaller companies requiring at least two independent Non-executive Directors throughout the year.

Committee activities

The Committee met on six occasions during the year ended 31 March 2013, being four quarterly meetings and two additional meetings ahead of results announcements. Two further meetings have been held since the year end.

On one occasion the Committee met with the Group's auditor with no executive management present, providing an opportunity for the external auditor to raise matters of concern in confidence if so required.

The Committee discharged its responsibilities under the terms of reference by the following actions:

- reviewing the draft Risk Appetite statement in detail, and recommending the statement for approval by the Board;
- maintaining a high level 'Risk Map' to ensure that key risks are identified and addressed;
- reviewing the form, content and integrity of financial information prior to release, including the Annual and Interim Reports, and each of the Interim Management Statements;
- reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems;

- receiving regular reports from the Head of Compliance and Risk in relation to the Group's compliance with relevant regulation, and risk management developments;
- considering both the revised ICAAP and Pillar 3 disclosures prior to their recommendation for acceptance by the Board;
- receiving and reviewing internal audit reports, discussing their findings and management's responses;
- evaluating the performance of the internal auditor during the engagement period;
- reviewing the independence of the Group's external auditor and the nature of non-audit services supplied by the auditor;
- reviewing the external auditor's audit strategy and concluding report for the 2013 financial statements; and
- evaluating the performance of the external auditor and making recommendations to the Board for a resolution to be put to the shareholders to approve the re-appointment of the external auditor.

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

Internal controls and risk management

A significant part of the work of the Committee is in providing oversight and independent challenge to the internal controls and risk management systems of the Group. In respect of this duty, the Committee (with the assistance of management) has developed and maintained a high level 'Risk Map' which identifies key risk areas that may impact the Group.

The Risk Map is used by the Committee to ensure that material risk areas are identified, considered and addressed by the Committee.

The Committee has reviewed and evaluated the system of internal controls and risk management operated within the Group, and is satisfied that the internal control environment is appropriate. The Committee reviews the level of additional assurance required on an annual basis.

Internal audit

The Internal Audit function undertakes a programme of reviews as determined by the Committee, reporting the results together with its advice and recommendations to the Committee. The Internal Audit function is currently provided under an outsourcing arrangement by Deloitte LLP – this arrangement is subject to periodic review. Deloitte LLP was appointed as internal auditor (effective 14 May 2010) reporting directly to the Committee. The Committee and its internal

auditor developed an annual audit plan to ensure that the audit work performed focusses on key risks. The plan continues to be reviewed on a periodic basis to ensure that it is adapted to any changes in the Group's risk profile.

The Committee has received regular reports on the internal audit findings and the programme of reviews at each of its meetings during the course of the year. The Committee has reviewed the findings and recommendations made and has ensured that these findings are resolved in an efficient, timely manner.

External auditor independence

The Audit and Risk Committee has considered the level and nature of non-audit services provided by the external auditor. The Audit and Risk Committee operates a policy covering the commissioning of non-audit services provided by the external auditor, to avoid the on-going independence and objectivity of the external auditor becoming compromised.

This policy restricts the nature and value of non-audit services that can be provided by the external auditor in line with current guidance. Certain permitted services are pre-approved by the Committee as part of the annual budget process, whilst other non-recurring services are approved by the Committee on an ad hoc basis.

The Committee is satisfied that the external auditor maintains independence and objectivity and has recommended to the Board that a resolution be put to shareholders for the re-appointment of the auditor at the Annual General Meeting of the Company.

Committee evaluation

A review of Committee effectiveness was undertaken internally by the Chairman of the Committee in April 2013. The review was based on discussions with all Board members, the internal audit partner and the external audit partner and concluded that the Committee was effective in carrying out its duties.

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

Approved by the Committee and signed on its behalf by:



Cees Schrauwers

Audit and Risk Committee Chairman

10 June 2013

Remuneration report

This report has been prepared on behalf of the Board in accordance with Schedule 8 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code. This report sets out the Group's remuneration policy and gives details of the compensation of the Directors for the year ended 31 March 2013.

Remuneration Committee

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

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

The Remuneration Committee meets as often as required to discharge its duties and met eight times during the year ended 31 March 2013. The Executive Chairman, the Chief Executive Officer, the Human Resources Director and the former joint Chief Operating and Chief Financial Officer attended all or part of the meetings at the invitation of the Committee but no Director takes part in the determination of their own remuneration.

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

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

Remuneration policy

The remuneration structures for the Executive Directors are designed to incentivise the delivery of sustained performance consistent with the Group's strategic goals and appropriate risk management, and to reward success in doing so.

The Executive Directors play key roles in the management of the Group, while also having hands-on responsibility for major client relationships and portfolio management. The Group's remuneration policy and structure are designed to reflect these combined roles.

The Group's remuneration policy for Executive Directors is to provide a base salary and participation in the Group Profit Share Scheme, seeking to give a high proportion of the total annual remuneration in the form of variable compensation, which is directly linked to the profitability of the Group. At least a third of this variable compensation is awarded as share-based payments, in order to reward and incentivise long-term growth in profitability, and the shares awarded are required to be held for up to three years.

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

Service contracts

All Executive Directors have service agreements with effect from 15 November 2007, with the exception of James Wood-Collins, who has a service agreement dated 1 October 2010 to reflect his promotion to Chief Executive Officer and Steve Cullen who has a service agreement dated 15 March 2013 to reflect his promotion to Chief Financial Officer. None of the service agreements is for a fixed term and all include provisions for termination on six months' notice by either party. Service agreements do not contain any contractual entitlement to receive bonuses, nor to participate in the Group Profit Share Scheme, nor to receive any fixed provision for termination compensation. Where applicable the broad aim in making termination payments is to avoid rewarding poor performance.

Non-executive Directors are appointed for an initial three-year period. Their continued engagement is subject to the Company's Articles relating to the retirement of Directors by rotation. The terms and conditions of appointment of the Non-executive Directors are available for inspection at the Company's registered office.

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

	Contract date	Notice period	Expiry/ review date
Executive Directors			
Neil Record	15/11/07	6 months	Rolling
James Wood-Collins	01/10/10	6 months	Rolling
Non-executive Directors			
Andrew Sykes	15/11/07	–	15/11/13

Management Changes

Following the management reorganisation announced on 16 November 2012, Paul Sheriff left Record's employment and ceased to be a Director of Record plc with effect from 15 March 2013. A termination payment was made based upon his contractual terms and in accordance with statutory provisions and the payments made are summarised in the Directors' remuneration table. As part of the leaving terms the Remuneration Committee agreed that any shares under the Group Profit Share Scheme would be released from the 'lock up' provisions upon the termination of Paul Sheriff's employment.

Steve Cullen was appointed the new Chief Financial Officer with effect from 15 March 2013 and his remuneration was agreed by the Remuneration Committee in accordance with the remuneration structure for Executive Directors.

Risk management

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

Salaries

The Group's policy is to pay salaries which are competitive with other employers in our industry. A salary benchmarking exercise to establish the market position is carried out on a regular basis and this information contributes to the Group remuneration policy and any subsequent pay reviews. During the previous year no pay increases were given to staff and there was a reduction in salaries for Board members. This year there will be a standard pay review applied to staff but Board members will see no change to their salary.

Variable compensation

Record operates a Group Profit Share Scheme ("the Scheme"), which allocates a profit share pool to be distributed between all employees of the Group. The Remuneration Committee has the discretion to vary the quantum of the Scheme between 25% and 35% of operating profits, with the intention of maintaining an average level of 30% of operating profits over the medium term.

The Scheme is split into two separate pools, one of which is the Group Profit Share Pool and the other of which is the Matching Pool. The intention continues to be to maintain the Scheme at 30% of operating profits over the medium term and so it is intended that the Group Profit Share Pool operates at 27% and the Matching Pool operates at 3% of operating profits.

Since 2007 30% of operating profit has been distributed to employees each year under the Scheme. This year the Scheme operated at 27% for the Group Profit Share Pool and 3% for the Matching Pool as intended. The continuation of the Scheme remaining at 30% of operating profits has created a transparent and predictable link between variable compensation and profitability, and has aligned the interests of employees with those of our shareholders.

Despite the growth in AUME and clients and the stability shown in maintaining the operating margin, the Scheme has fallen in line with profits and revenue for the year. The quantum of the Scheme has fallen by 61% over the past three years in line with performance and the decline of 63% in earnings per share and a fall of 46% in the share price (based on 31 March 2013 closing price) over the same period. This link, coupled with the share element of variable compensation, provides a clear motivation for Executive Directors and employees to grow the business and improve the financial position of the Group. It is the Group's intention to maintain this remuneration structure but to also use the Record Share Scheme to incentivise Directors and staff which is explained further below.

The Group Profit Share Scheme is payable through a combination of profit share payments in cash and share-based payments. The allocation of the profit share pool for Executive Directors is determined by the Remuneration Committee and for all other employees is delegated to management. The Group Profit Share Scheme is discretionary in that employees do not have a contractual right to receive awards. In addition, all payments made to Code Staff (including, but not restricted to Executive Directors and other Executive Committee members) are subject to Remuneration Committee approval and no payments are made automatically. Payments are awarded after input from the Head of Compliance and Risk, who reports any legal or compliance issues that relate to individuals who are in line to receive awards under the scheme. Any issues would also be monitored through compliance and risk reports at Audit and Risk Committee and Board meetings.

To ensure that the interests of management and shareholders are aligned, Directors and Code Staff are required to take a proportion (initially a third) of their Profit Share in shares rather than cash, subject to a three-year 'lock up'. These shares may be sold in three equal tranches on the first, second and third anniversary of the Profit Share payment date. Additionally, Directors and Code Staff are offered the opportunity for up to a further third of the Profit Share to be available in matching shares that will also include a 'lock up' for three years. The remaining amount will be paid in cash.

Whilst the Group recognises that increasing assets under management is a key priority it is felt that the Group Profit Share Scheme together with the sales-based incentive for our Sales Executive in the US form the right remuneration structure to incentivise sales. The sum of the Group Profit Share Scheme

Remuneration report

Continued

(including the matching share element) and sales incentives is expected to remain between 25% and 35% of operating profit in most reasonable scenarios, and the Remuneration Committee will continue to monitor this.

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

The Record plc Share Scheme

Background

The Record plc Share Scheme (the "Share Scheme") was adopted by the Company on 1 August 2008 and was initially created to allow deferred share awards to be granted to new senior employees. During the year ended 31 March 2009, awards in the form of tax-unapproved options ("Unapproved Options") over shares with an aggregate value at grant of £400,000 were granted to two senior employees under the Share Scheme. The options became exercisable for nil consideration in three equal tranches on the second, third and fourth anniversary of the date of grant. The options became fully vested this year.

During 2011, the Share Scheme was amended to include the ability to grant HMRC approved options ("Approved Options") to employees of Record plc or its subsidiaries under a new Part 2 of the Share Scheme. Unapproved Options may still be granted under the existing unapproved part of the Share Scheme. The exercise price per share of Approved Options must be no lower than the market value of a share on the dealing day immediately preceding the date of grant. Each participant may be granted Approved Options over shares with a total market value of up to £30,000 on the date of grant. There is no such limit on the value of Unapproved Options. Unapproved Options may be granted with any exercise price (including nil), but have recently been granted with a market-value exercise price in the same way as the Approved Options.

The Remuneration Committee retains the power to grant options under the Share Scheme. During the previous year, options were granted to a small group of individuals below Board level who had been assessed as having particular skills and potential to contribute significantly to the business in the future.

This year, it was decided to grant options to a wider group of staff below Board level, to both incentivise and retain key individuals over the long term. The Remuneration Committee delegated the task of identifying suitable recipients of options and the number of shares to be put under option for those individuals to management.

Options over an aggregate of 2,220,000 shares were granted under the Share Scheme during the year, of which 410,000 shares were made subject to Unapproved Options and 1,810,000 to Approved Options. All options were granted with an exercise price per share equal to the share price prevailing at the time of grant. The Approved Options become exercisable on the fourth anniversary of grant, subject to the employee remaining in employment with the Group and to the extent a performance condition based on the Company's total shareholder return in comparison with a relevant peer group has been met. The Unapproved Options each become exercisable in four equal tranches on the first, second, third and fourth anniversary of the date of grant, subject to the employee being in employment with the Group at the relevant vesting date and to the extent personal performance conditions have been satisfied.

Proposed Amendments to the Share Scheme

The Directors are not currently entitled to participate in the Share Scheme (the grant of an Approved Option to Steve Cullen during the year was prior to his appointment as Chief Financial Officer – further details are contained under the section headed Directors' Interests in Record plc Shares below). No other Directors had any interests under the Share Scheme at the beginning, during, nor at the end of the period.

Against the background of the stabilisation of the Company's financial performance, it remains of great importance for the long-term success of the business that it retains and motivates its key employees. It is therefore the intention of the Group to increase the size of the Share Scheme from the current quantum of 1% of the market capitalisation of Record plc (being approximately 2.2 million shares) to 2% (4.4 million shares) and to seek shareholder approval to include Board members as potential participants. If the Share Scheme is extended to permit Directors to participate, the Remuneration Committee will limit the value of shares over which an option is granted to any Director in any year to a maximum of 200% of that Director's salary for that year.

Subject to the Share Scheme being extended to permit Directors to participate, the Remuneration Committee intends to grant an option under the Share Scheme to the CEO, James Wood-Collins, over 1.5 million shares, with an exercise price per share equal to the market value of a share on the date the option is granted. The option will be subject to a performance condition based on Record's annual EPS growth. One third of the award will vest on each of the third, fourth and fifth anniversary of the date of grant, subject to an EPS hurdle, with 25% of each tranche vesting if profit growth over the three years prior to the anniversary in question is at least RPI plus 4% per annum, increasing on a stepped basis to 100% vesting if profit growth exceeds RPI plus 13% per annum over the same period.

The option will be subject to claw back provisions linked to the future behaviour of Mr Wood-Collins or if any subsequent amendment becomes necessary to the firm's financial performance following prior assessment of the performance conditions by the Remuneration Committee.

There are no plans to offer share options to any executive members of the Board other than the Chief Executive this year but the Remuneration Committee will review participation on an annual basis and will have the ability to set different performance conditions for subsequent awards.

Source and funding of shares

Options under the Share Scheme cannot be satisfied with new issue shares. The Company therefore funds the trustee of the Company's EBT to purchase shares in the market with which to satisfy options. There is therefore no dilution of shareholders' interests as a result of the proposed amendments or the grant of the options to James Wood-Collins. To date, the Group has funded the Group's employee benefit trust at the time of grant to purchase in the market such number of shares as would be required to satisfy the exercise of the significant majority of the options. In future, the number of shares purchased to hedge the award of options will be based on an appropriate hedge ratio at each grant date, as calculated by management and approved by the Remuneration Committee.

Accounting treatment

The Share Scheme is accounted for in accordance with IFRS 2 (share based payments) and is not part of the Group Profit Share Scheme costs.

Share Incentive Plan

The Group introduced an HMRC-approved Share Incentive Plan 'SIP' during the financial year. The SIP was offered to all staff, including Directors, who were able to buy up to £1,500 worth of shares per year from pre-tax salary. To encourage employee share ownership the Group matches any shares purchased through this scheme at a rate of 50%, although staff will only receive the full benefit of the matched shares if they remain with the Group for three years. There are no plans to make any changes to the SIP scheme this year.

Pension

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

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

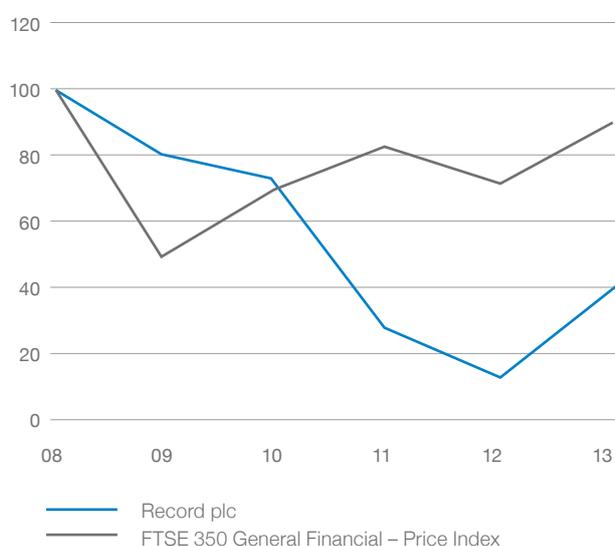
Any employee over the age of 55 and who has taken early retirement according to tax legislation rules can have their standard contributions paid as additional taxable salary if they would prefer, but forego the Group matching contribution.

The Group has been informed that the staging date for automatic enrolment will be 1 July 2014 and the Group will ensure that it meets its statutory obligations at that time.

Remuneration report

Continued

Total Shareholder Return performance graph



The above graph shows the Group's Total Shareholder Return compared with the FTSE 350 – General Financial Index, and shows the change in the theoretical value of £100 invested in Record plc on 31 March 2008 compared to £100 invested in the FTSE 350 – General Financial Index. The FTSE 350 – General Financial Index has been chosen because the index is a widely accepted performance comparison for small quoted financial services UK companies.

The market price of the Company's shares as at 31 March 2013 was 32.50p. The highest closing share price during the financial year was 35.25p. The lowest closing share price during the financial year was 9.75p.

Directors' interests in Record plc ordinary shares

	Ordinary shares held as at 31 March 2013	31 March 2012
Executive Directors		
Neil Record	71,171,043	71,171,043
James Wood-Collins ¹	1,690,205	1,443,668
Leslie Hill ²	15,133,349	14,984,736
Bob Noyen ²	8,723,871	8,575,258
Steve Cullen ³	768,060	740,680
Non-executive Directors		
Cees Schrauwers ⁴	130,000	130,000
Andrew Sykes	25,000	25,000
David Morrison	–	–

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

All interests are beneficial except the interest of Neil Record which includes a non-beneficial interest of 190,332 ordinary shares (2012: 190,332 ordinary shares) held as trustee.

There have been no changes to Director's interests between 31 March 2013 and 10 June 2013, other than the acquisition of 1,176 shares by Steve Cullen through the Group's Share Incentive Plan.

Audited information Directors' remuneration

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

	Salaries and fees	Other cash payments ¹	Benefits	Profit Share Share-based payments	Profit Share Cash-based payments	Other payments	Year ended 31 March 2013	Year ended 31 March 2012
	£	£	£	£	£	£	£	£
Executive Directors								
Neil Record	113,750	14,787	871	–	–	–	129,408	298,176
James Wood-Collins ²	245,000	24,500	627	181,896	96,075	–	548,098	604,349
Leslie Hill	245,000	25,371	–	69,258	138,515	–	478,144	520,034
Bob Noyen	245,000	–	871	69,258	138,515	–	453,644	512,707
Steve Cullen ³	4,583	–	67	201	632	–	5,483	N/A
Former Executive Director								
Paul Sheriff ⁴ (resigned 15 March 2013)	234,949	2,827	1,621	139,291	91,341	198,865	668,894	533,161
Non-executive Directors								
Cees Schraauwers	67,500	–	–	–	–	–	67,500	72,500
Andrew Sykes	36,000	–	–	–	–	–	36,000	38,667
David Morrison	36,000	–	–	–	–	–	36,000	38,667
Total	1,227,782	67,485	4,057	459,904	465,078	198,865	2,423,171	2,618,261

1 Other cash payments comprise cash allowances in lieu of either pension contributions or holiday entitlement.

2 Gains made on the exercise of share options which were granted prior to his appointment as CEO are shown in the Directors' Interests in Record plc share options table below.

3 Steve Cullen was appointed Chief Financial Officer on 15 March 2013. The table above discloses his remuneration from the date of appointment to 31 March 2013 only.

4 Paul Sheriff ceased to be a Director with effect from 15 March 2013. A termination payment was made based upon contractual terms and in accordance with statutory provisions totalling £198,865.

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

	Year ended 31 March 2013			Year ended 31 March 2012		
	Fixed Remuneration	Variable Remuneration	Total Remuneration	Fixed Remuneration	Variable Remuneration	Total Remuneration
Executive Directors						
Neil Record	129,408	–	129,408	298,176	–	298,176
James Wood-Collins	270,127	277,971	548,098	271,905	332,444	604,349
Leslie Hill	270,371	207,773	478,144	271,317	248,717	520,034
Bob Noyen	245,871	207,773	453,644	263,967	248,740	512,707
Steve Cullen ¹	4,650	833	5,483	N/A	N/A	N/A
Former Executive Director						
Paul Sheriff ² (resigned 15 March 2013)	366,824	302,070	668,894	263,967	269,194	533,161
Non-executive Directors						
Cees Schraauwers	67,500	–	67,500	72,500	–	72,500
Andrew Sykes	36,000	–	36,000	38,667	–	38,667
David Morrison	36,000	–	36,000	38,667	–	38,667
Total	1,426,751	996,420	2,423,171	1,519,166	1,099,095	2,618,261

1 Steve Cullen was appointed Chief Financial Officer on 15 March 2013. The table above discloses his remuneration from the date of appointment to 31 March 2013 only.

2 Paul Sheriff ceased to be a director with effect from 15 March 2013.

Remuneration report

Continued

Pensions

Executive Directors are entitled to join the Group Personal Pension Scheme. This is a defined contribution plan, to which the Group makes contributions up to 13% of each Director's salary which can be paid into the Group Personal Pension Scheme, taken as cash or a combination of the two. The Group also matches any contributions made by the Director up to a further 2.5%, depending on the level of flexible and personal contributions made by the Director. There is no mandatory requirement for Executive Directors to contribute. The contributions disclosed in the table below exclude any personal contributions made by a Director.

	Year ended 31 March 2013	Year ended 31 March 2012
Executive Directors		
James Wood-Collins	13,475	32,622
Leslie Hill	13,475	32,622
Bob Noyen	37,975	38,747
Steve Cullen ¹	710	–
Former Executive Director		
Paul Sheriff ² (resigned 15 March 2013)	55,405	41,515
Total	121,040	145,506

Directors share options and share awards

No Director was awarded any share options during the financial year ended 31 March 2013.

The only Director to exercise any share options during the financial year was James Wood-Collins. The grant of these share options was made upon his joining the Group, prior to his appointment to the Board of Directors. Steve Cullen was granted options during the year under the Approved option scheme and prior to his appointment to the Board of Directors. Both option grants were in accordance with the rules of the Record plc Share Scheme.

- 1 Steve Cullen was appointed Chief Financial Officer on 15 March 2013. The table above discloses the pension contributions made by the Company on his behalf from the date of appointment to 31 March 2013 only.
- 2 Paul Sheriff ceased to be a Director with effect from 15 March 2013. A pension payment was made based upon contractual terms upon termination totalling £18,988 and is included in the table of pension contributions above.
- 3 The shares are available to the Director after the vesting period for nil consideration upon exercise. A total of 170,245 shares were awarded to the employee upon joining the Group in August 2008. The brought forward balance of 56,748 options vested in August 2012 when the market share price was £0.16 per share. The vested shares are included in Directors' interests in Record plc ordinary shares.

Directors' interests in Record plc share options

Record plc Share Scheme

	Interest in unvested share options			
	At 1 April 2012	Options granted	Vested and Exercised	At 31 March 2013
Executive Directors				
James Wood-Collins ³	56,748	–	(56,748)	–
Steve Cullen ⁴	–	75,000	–	75,000

In the year, the gain made by James Wood-Collins on exercise of options over 56,748 shares was £9,150 (2012: gain of £18,372 on exercise of options over 56,748 shares).

Directors' interests in Record plc share awards

Record plc Group Profit Share Scheme

	Interest in restricted share awards			
	At 1 April 2012	Awards with restrictions ⁵	Restrictions released	At 31 March 2013
Executive Directors				
James Wood-Collins	1,229,680	218,777	(267,633)	1,180,824
Leslie Hill	156,697	148,613	(52,232)	253,078
Bob Noyen	156,697	148,613	(52,232)	253,078
Steve Cullen	50,097	22,727	(14,798)	58,026
Former Executive Director				
Paul Sheriff ⁶	776,910	219,715	(996,625)	–

Approved by the Board and signed on its behalf by:



Andrew Sykes

Chairman of the Remuneration Committee

10 June 2013

- 4 The options were granted under the Approved option scheme prior to appointment to the Board of Directors. The options are subject to performance conditions.
- 5 The shares are held via a nominee and are acquired on behalf of the Director as beneficial owner under the terms of the scheme rules. These shares cannot be sold, transferred or otherwise disposed of ('Sold') without the consent of the Remuneration Committee except as given in the scheme rules, which place restrictions on the 'Sale' of shares until the first, second and third anniversary from the Profit Share payment date. None of the shares are subject to any vesting or forfeiture provisions and the beneficial owner is entitled to full rights and rewards of ownership subject to the restrictions on 'Sale'. The shares are included in Directors' interests in Record plc ordinary shares.
- 6 The Remuneration Committee approved the release of all share restrictions under the scheme rules upon cessation of Paul Sheriff's employment on 15 March 2013.

Independent auditor's report to the Members of Record plc

We have audited the financial statements of Record plc for the year ended 31 March 2013 which comprise the Group statement of comprehensive income, the Group and parent Company statement of financial position, the Group and parent Company statements of changes in equity, the Group and parent Company statements of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 37, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Grant Thornton UK LLP

Marcus Swales

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

10 June 2013

Consolidated statement of comprehensive income

Year ended 31 March

	Note	2013 £'000	2012 £'000
Revenue	3	18,552	20,535
Cost of sales		(221)	(252)
Gross profit		18,331	20,283
Administrative expenses		(12,343)	(13,430)
Loss on financial instruments held as part of disposal group	18	(68)	(299)
Operating profit	4	5,920	6,554
Finance income	6	158	155
Profit before tax		6,078	6,709
Taxation	7	(1,450)	(1,803)
Profit after tax and total comprehensive income for the year		4,628	4,906
Profit and total comprehensive income for the year attributable to:			
Non-controlling interests		294	(7)
Owners of the parent		4,334	4,913
Earnings per share for profit attributable to the equity holders of the Group during the year (expressed in pence per share)			
Basic earnings per share	8	1.98p	2.23p
Diluted earnings per share	8	1.98p	2.23p

The notes on pages 59 to 85 are an integral part of these consolidated financial statements

Consolidated statement of financial position

As at 31 March

	Note	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	11	140	183
Intangible assets	12	963	1,140
Deferred tax assets	14	5	–
		1,108	1,323
Current assets			
Trade and other receivables	15	5,569	5,070
Derivative financial assets	16	43	33
Cash and cash equivalents	17	29,025	24,572
		34,637	29,675
Current assets held for sale (disposal group)	18	–	1,075
Total current assets		34,637	30,750
Total assets		35,745	32,073
Current liabilities			
Trade and other payables	19	(2,672)	(2,494)
Corporation tax liabilities	19	(760)	(900)
Derivative financial liabilities	16	(25)	(48)
		(3,457)	(3,442)
Deferred tax liabilities	14	–	(15)
Total net assets		32,288	28,616
Equity			
Issued share capital	20	55	55
Share premium account		1,838	1,809
Capital redemption reserve		20	20
Retained earnings		26,729	24,469
Equity attributable to owners of the parent		28,642	26,353
Non-controlling interest	22	3,646	2,263
Total equity		32,288	28,616

Approved by the Board on 10 June 2013 and signed on its behalf by:



Neil Record
Chairman



Steve Cullen
Chief Financial Officer

The notes on pages 59 to 85 are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Non- controlling interest £'000	Total equity £'000
As at 1 April 2012	55	1,809	20	24,469	2,263	28,616
Dividends paid	–	–	–	(1,645)	–	(1,645)
Own shares purchased by EBT	–	–	–	(686)	–	(686)
Share awards vesting	–	–	–	135	–	135
Release of shares held by EBT	–	29	–	62	–	91
Issue of units in funds to non-controlling interests	–	–	–	–	1,089	1,089
Transactions with owners	–	29	–	(2,134)	1,089	(1,016)
Profit and total comprehensive income for the year	–	–	–	4,334	294	4,628
Share option reserve movement	–	–	–	60	–	60
As at 31 March 2013	55	1,838	20	26,729	3,646	32,288

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Non- controlling interest £'000	Total equity £'000
As at 1 April 2011	55	1,809	20	27,262	952	30,098
Dividends paid	–	–	–	(7,371)	–	(7,371)
Own shares purchased by EBT	–	–	–	(534)	–	(534)
Share awards vesting	–	–	–	165	–	165
Issue of units in funds to non-controlling interests	–	–	–	–	1,318	1,318
Transactions with owners	–	–	–	(7,740)	1,318	(6,422)
Profit and total comprehensive income for the year	–	–	–	4,913	(7)	4,906
Share option reserve movement	–	–	–	34	–	34
As at 31 March 2012	55	1,809	20	24,469	2,263	28,616

The notes on pages 59 to 85 are an integral part of these consolidated financial statements

Consolidated statement of cash flows

Year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Operating profit		5,920	6,554
Adjustments for:			
Depreciation of property, plant and equipment	11	106	96
Amortisation of intangible assets	12	177	10
Share option expense		60	34
Release of shares previously held by EBT		226	165
		6,489	6,859
Changes in working capital			
(Increase)/Decrease in receivables		(485)	1,831
Increase/(Decrease) in payables		173	(1,594)
Decrease/(Increase) in other financial assets		1,065	(2,082)
(Decrease)/Increase in other financial liabilities		(23)	35
Cash inflow from operating activities		7,219	5,049
Corporation taxes paid		(1,610)	(2,656)
Net cash inflow from operating activities		5,609	2,393
Cash flow from investing activities			
Purchase of property, plant and equipment		(63)	(52)
Purchase of intangible assets		–	(65)
Interest received		149	158
Net cash inflow/(outflow) from investing activities		86	41
Cash flow from financing activities			
Cash inflow from issue of units in funds		1,089	1,318
Purchase of own shares		(686)	(534)
Dividends paid to equity shareholders		(1,645)	(7,371)
Cash outflow from financing activities		(1,242)	(6,587)
Net increase/(decrease) in cash and cash equivalents in the year (prior to increase in cash due to accounting treatment of assets previously presented as disposal group)		4,453	(4,153)
Increase in cash due to accounting treatment of assets previously presented as disposal group	17	–	3,997
Net increase/(decrease) in cash and cash equivalents in the year		4,453	(156)
Cash and cash equivalents at the beginning of the year		24,572	24,728
Cash and cash equivalents at the end of the year		29,025	24,572
Closing cash and cash equivalents consists of:			
Cash		1,863	4,669
Cash equivalents		27,162	19,903
Cash and cash equivalents		29,025	24,572

The notes on pages 59 to 85 are an integral part of these consolidated financial statements

Company statement of financial position

As at 31 March

	Note	2013 £'000	2012 £'000
Non-current assets			
Investments	13	2,364	2,156
		2,364	2,156
Current assets			
Trade and other receivables	15	1,663	1,192
Cash and cash equivalents	17	1,001	16
		2,664	1,208
Current assets held for sale (disposal group)	18	–	911
Total current assets		2,664	2,119
Total assets		5,028	4,275
Current liabilities			
Trade and other payables	19	(1,717)	(948)
Corporation tax liabilities	19	(25)	–
		(1,742)	(948)
Total net assets		3,286	3,327
Equity			
Issued share capital	20	55	55
Share premium account		1,809	1,809
Capital redemption reserve		20	20
Retained earnings		1,402	1,443
Total equity		3,286	3,327

Approved by the Board on 10 June 2013 and signed on its behalf by:



Neil Record
Chairman



Steve Cullen
Chief Financial Officer

The notes on pages 59 to 85 are an integral part of these consolidated financial statements

Company statement of changes in equity

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2012	55	1,809	20	1,443	3,327
Dividends paid	–	–	–	(1,645)	(1,645)
Employee share options	–	–	–	60	60
Transactions with owners	–	–	–	(1,585)	(1,585)
Profit and total comprehensive income for the year	–	–	–	1,544	1,544
As at 31 March 2013	55	1,809	20	1,402	3,286

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

The notes on pages 59 to 85 are an integral part of these consolidated financial statements

Company statement of cash flows

Year ended 31 March

	2013 £'000	2012 £'000
Operating profit/(loss)	90	(91)
Changes in working capital		
Increase in receivables	(468)	(1,192)
Increase in payables	769	938
Decrease/(Increase) in other financial assets	763	(933)
Cash inflow/(outflow) from operating activities	1,154	(1,278)
Corporation taxes paid	–	–
Net cash inflow/(outflow) from operating activities	1,154	(1,278)
Cash flow from investing activities		
Dividends received	1,465	8,610
Interest received	11	5
Net cash inflow from investing activities	1,476	8,615
Cash flow from financing activities		
Dividends paid to equity shareholders	(1,645)	(7,371)
Cash outflow from financing activities	(1,645)	(7,371)
Net increase/(decrease) in cash and cash equivalents in the year	985	(34)
Cash and cash equivalents at the beginning of the year	16	50
Cash and cash equivalents at the end of the year	1,001	16
Closing cash and cash equivalents consists of:		
Cash	1	16
Cash equivalents	1,000	–
Cash and cash equivalents	1,001	16

The notes on pages 59 to 85 are an integral part of these consolidated financial statements

Notes to the financial statements

For the year ended 31 March 2013

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

1. Accounting policies

In order to increase the clarity of the notes to the financial statements, we have moved accounting policy descriptions to the beginning of the relevant note where appropriate, and they are shown in blue text.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out in the notes below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(a) Accounting convention

Basis of preparation

The Group and Company have prepared their financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union as at 31 March 2013. The financial statements have been prepared on a historical cost basis, modified to include fair valuation of derivative financial instruments.

The preparation of financial statements in accordance with the recognition and measurement principles with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The bases for management judgements, estimates and assumptions are discussed further in note 2.

Impact of new accounting standards

A number of amendments to existing standards and interpretations have been issued, some of which were mandatory for periods beginning 1 April 2012, with the remaining becoming effective in future periods. The new standards and amendments to existing standards effective for the year to 31 March 2013 have not had a material impact on the financial statements of Record plc.

New standards and interpretations

New or revised standards and interpretations issued but not yet effective include those listed below:

- IFRS 7 (Amendment) – ‘Disclosures – Offsetting Financial Assets and Financial Liabilities’
- IFRS 10 – ‘Consolidated financial statements’
- IFRS 12 – ‘Disclosure of Interests in Other Entities’
- IFRS 13 – ‘Fair value measurement’

The impact of these new and revised standards is expected to be limited to further disclosure enhancements in the financial statements of Record plc.

(b) Basis of consolidation

The consolidated financial information contained within the financial statements incorporates financial statements of the Company and entities controlled by the Company (its subsidiaries) drawn up to 31 March 2013. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group controls an entity, but does not own all the share capital of that entity, the interest of the other shareholders’ non-controlling interests is stated within equity at the non-controlling interests’ proportion of the fair value of the recognised assets and liabilities.

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. The Group has ‘de facto’ control over this special purpose entity. This trust is fully consolidated within the accounts.

Notes to the financial statements

For the year ended 31 March 2013

Continued

1. Accounting policies continued

The Group has investments in a number of funds where it is currently in a position to be able to control those funds. These funds are held by Record plc and represent seed capital investments by the Group. The funds are consolidated either on a line by line basis, or if they meet the definition of a disposal group held for sale they are classified and accounted for on that basis.

The accounts of subsidiary undertakings, which are prepared using uniform accounting policies, are coterminous with those of the Company apart from those of the seeded funds which have accounting reference dates of 30 September. The consolidated accounts incorporate the financial performance of the seeded funds in the year ended 31 March 2013 and the financial position of the seeded funds as at 31 March 2013.

The Company is taking advantage of the exemption under the Companies Act 2006 s408(1) not to present its individual statement of comprehensive income and related notes that form part of the financial statements. The Group total comprehensive income for the year includes a profit of £1,543,196 attributable to the Company (2012: £8,523,904).

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

(c) Foreign currencies

The financial statements are presented in Sterling (£), which is also the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the parent company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year end exchange rates are recognised in profit or loss.

(d) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(e) Impairment of assets

The Group assesses whether there is any indication that any of its assets have been impaired at least annually. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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

(f) Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

2. Critical accounting estimates and judgements

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Note 18 describes the assumptions made in classifying the Group's seed investment in new funds as assets held for sale. Note 21 covers the assumptions made in calculating the fair value of share options offered by the Group to its employees. The Directors have judged that the Group does not bear substantially all the risks and rewards of ownership of its leasehold premises and therefore accounts for the leases as operating leases as described in note 25.

3. Revenue

Revenue recognition

Revenue is recognised in profit or loss when the amount of revenue can be measured reliably; it is probable that economic benefits will flow to the entity; the stage of completion can be measured reliably; and the costs incurred and costs to complete the transaction can be measured reliably also.

Management fees are accrued on a daily basis based upon the assets under management equivalents (AUME). The Group is entitled to earn performance fees from some clients where the performance of the clients' mandates exceeds defined benchmarks by an agreed level of outperformance over a set time period. Performance fees are recognised at the end of each contractual performance period as this is the first point at which the fee amount can be estimated reliably and it is probable that the fee will be received.

Segmental analysis

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

(a) Product revenues

The Group has split its currency management revenues by product. Other Group activities include consultancy and gains/losses on derivative financial instruments. There were no performance fees earned in either of the reported periods.

Revenue by product type	2013 £'000	2012 £'000
Management fees		
Dynamic Hedging	11,834	13,536
Passive Hedging	4,093	2,989
Currency for Return	2,134	3,911
Total management fee income	18,061	20,436
Other Group activities	491	99
Total revenue	18,552	20,535

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For the year ended 31 March 2013

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3. Revenue continued

(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. All turnover originated in the UK.

Revenue by geographical region	2013 £'000	2012 £'000
Management fee income		
UK	4,628	5,627
US	6,631	8,886
Switzerland	5,688	5,288
Other	1,114	635
Total management fee income	18,061	20,436
Other Group activities	491	99
Total revenue	18,552	20,535

Other Group activities are not analysed by geographical region.

(c) Major clients

During the year ended 31 March 2013, two clients individually accounted for more than 10% of the Group's revenue during the year. The two largest clients generated revenues of £5.6m and £2.0m in the period (2012: one client accounted for £6.0m).

4. Operating profit

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

	2013 £'000	2012 £'000
Staff costs	8,311	9,247
Depreciation of property, plant and equipment	106	96
Amortisation of intangibles	177	10
<i>Auditor fees</i>		
Fees payable to the Group's auditor for the audit of the Company's annual accounts	34	34
The audit of the Group's subsidiaries, pursuant to legislation	42	38
Other services pursuant to legislation	58	48
Other services relating to taxation	10	6
Operating lease rentals: Land and buildings	227	214
Exchange losses/(gains) on hedging activities	82	(68)
Other exchange (gains)/losses	(102)	191

5. Staff costs

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

	2013	2012
Client Team	8	10
Research	9	6
Portfolio Management	8	12
Trading	5	5
Operations	4	6
Reporting Services	8	6
Systems	4	4
Finance, Human Resources and Legal	7	7
Administration	1	1
Compliance	1	2
Corporate	9	9
Annual Average	64	68

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

	2013 £'000	2012 £'000
Wages and salaries	5,987	6,499
Social security costs	815	953
Pension costs	450	508
Other employment benefit costs	1,059	1,287
Aggregate staff costs	8,311	9,247

Other employment benefit costs include share-based payments, share option costs, and costs relating to the Record plc Share Incentive Plan.

6. Finance income

	2013 £'000	2012 £'000
Interest on short-term deposits	158	155

7. Taxation – Group

Current tax is the tax currently payable based on taxable profit for the year. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

	2013 £'000	2012 £'000
Profit before taxation	6,078	6,709
Taxation at the standard rate of tax in the UK of 24% (2012: 26%)	1,459	1,744
Tax effects of:		
Other disallowable expenses and non-taxable income	17	23
Capital allowances for the period (higher)/lower than depreciation	6	(76)
Lower tax rates on UK subsidiary undertakings	24	34
Adjustments recognised in current year in relation to the current tax of prior years	24	(9)
Other temporary differences	(80)	87
Total tax expense	1,450	1,803

The standard rate of corporation tax in the UK is 24% (2012: 26%). A full corporation tax computation is prepared at the year end. The actual charge as a percentage of the profit before tax may differ from the underlying tax rate. Differences typically arise as a result of capital allowances differing from depreciation charged, and certain types of expenditure not being deductible for tax purposes, other differences may also arise.

The tax charge for the year ended 31 March 2013 was £1,450,457 (2012: £1,803,237) which was 23.9% of profit before tax (2012: 26.9%).

8. Earnings per share

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

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

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8. Earnings per share continued

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

	2013	2012
Weighted average number of shares used in calculation of basic earnings per share	218,867,407	220,100,209
Effect of dilutive potential ordinary shares – share options	273,830	240,779
Weighted average number of shares used in calculation of diluted earnings per share	219,141,237	220,340,988
	pence	pence
Basic earnings per share	1.98	2.23
Diluted earnings per share	1.98	2.23

The potential dilutive shares relate to the share options granted in respect of the Group's Share Scheme (see note 21). There were share options and deferred share awards in place at the beginning of the period over 2,028,432 shares. During the year options were exercised, or share awards vested, over 128,432 shares. The Group granted 2,220,000 share options with a potentially dilutive effect during the year.

9. Dividends

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

The dividend paid by the Group during the year ended 31 March 2013 totalled £1,645,143 (0.75p per share) which was the final dividend paid in respect of the year ended 31 March 2012. The dividends paid during the year ended 31 March 2012 totalled £7,371,007 (3.34p per share), of which £1,645,143 (0.75p per share) was the interim dividend paid in respect of the year ended 31 March 2012 and £5,725,864 (2.59p per share) was the final dividend paid in respect of the year ended 31 March 2011.

The final dividend proposed in respect of the year ended 31 March 2013 is 1.50p per share.

Between 1 July 2008 and 31 August 2012, the Company paid dividends amounting to £38.5m. Although the Company had sufficient distributable reserves to make each dividend payment, the relevant interim accounts reflecting these profits were not prepared and filed at the appropriate time with the Registrar of Companies as required by the Companies Acts 1985 and 2006. Consequently payment of these dividends, including £1.645m paid in the year to 31 March 2013, did not comply with the technical requirements of the Companies Acts 1985 and 2006. The Company will put a resolution to the shareholders at the forthcoming AGM for their approval to take steps to address this situation. These accounts have been drawn up on the basis that the infringements referred to above will, from an accounting perspective, be regularised by the actions to be proposed to the shareholders at the forthcoming AGM. The proposals do not affect the results of the Group for the year to 31 March 2013, its net assets at 31 March 2013, nor its ability to pay future dividends. Going forward, as a matter of good governance and to reflect the adequacy of distributable reserves, interim accounts will be filed with the Registrar of Companies before dividend payments are made.

10. Retirement benefit obligations

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

The pension cost charge represents contributions payable by the Group to the funds and amounted to £449,915 (2012: £507,940).

11. Property, plant and equipment – Group

All property, plant and equipment assets are stated at cost less accumulated depreciation. Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight line basis over the estimated useful life.

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

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted if appropriate. Gains or losses on disposal are included in profit or loss.

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

	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
2013				
Cost				
At 1 April 2012	534	716	269	1,519
Additions	–	62	1	63
Disposals	–	(57)	–	(57)
At 31 March 2013	534	721	270	1,525
Depreciation				
At 1 April 2012	534	537	265	1,336
Charge for the year	–	102	4	106
Disposals	–	(57)	–	(57)
At 31 March 2013	534	582	269	1,385
Net book amounts				
At 31 March 2013	–	139	1	140
At 1 April 2012	–	179	4	183
	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
2012				
Cost				
At 1 April 2011	534	887	279	1,700
Additions	–	51	1	52
Disposals	–	(222)	(11)	(233)
At 31 March 2012	534	716	269	1,519
Depreciation				
At 1 April 2011	534	676	263	1,473
Charge for the year	–	83	13	96
Disposals	–	(222)	(11)	(233)
At 31 March 2012	534	537	265	1,336
Net book amounts				
At 31 March 2012	–	179	4	183
At 1 April 2011	–	211	16	227

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12. Intangible assets

Intangible assets are shown at historical cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Amortisation is included within operating expenses in the statement of comprehensive income. Intangible assets are amortised from the date they are available for use. Useful lives are as follows:

- Software – 5 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

The Group's intangible assets comprise the capitalised cost of software development only. The carrying amounts can be analysed as follows:

2013	Software £'000	Total £'000
Cost		
At 1 April 2012	1,150	1,150
Additions	–	–
Disposals	–	–
At 31 March 2013	1,150	1,150
Amortisation		
At 1 April 2012	10	10
Charge for the year	177	177
Disposals	–	–
At 31 March 2013	187	187
Net book amounts		
At 31 March 2013	963	963
At 1 April 2012	1,140	1,140
2012		
Cost		
At 1 April 2011	1,085	1,085
Additions	65	65
Disposals	–	–
At 31 March 2012	1,150	1,150
Amortisation		
At 1 April 2011	–	–
Charge for the year	10	10
Disposals	–	–
At 31 March 2012	10	10
Net book amounts		
At 31 March 2012	1,140	1,140
At 1 April 2011	1,085	1,085

During the period, the Group completed the implementation of its new back office software. Amortisation of the capitalised development costs commenced from July 2012. The estimated useful economic life of the completed software is five years. The annual contractual commitment for the maintenance and support of software is £132,494 (2012: £129,262). All amortisation charges are included within administrative expenses.

13. Investments

Investments in subsidiaries are shown at cost less impairment losses. The capitalised investment in respect of share-based payments offered by subsidiaries is equal to the cumulative fair value of the amounts payable to employees recognised as an expense by the subsidiary. Investments in funds are recognised at net assets plus movement in value.

Company	2013 £'000	2012 £'000
Investment in subsidiaries (at cost)		
Record Currency Management Limited	10	10
Record Group Services Limited	10	10
Record Portfolio Management Limited	10	10
Record Currency Management (US) Inc	–	–
Record Currency Management (Jersey) Limited	25	25
Record Fund Management Limited	–	–
N P Record Trustees Limited	–	–
Total investment in subsidiaries (at cost)	55	55
Capitalised investment in respect of share-based payments		
Record Currency Management (US) Inc	49	24
Record Group Services Limited	46	10
Total capitalised investment in respect of share-based payments	95	34
Total investment in subsidiaries	150	89

Particulars of subsidiary undertakings

Name	Nature of Business
Record Currency Management Limited	Currency management services
Record Group Services Limited	Management services to other Group undertakings
Record Portfolio Management Limited	Dormant
Record Currency Management (US) Inc	US service company
Record Currency Management (Jersey) Limited	Jersey-based management company
Record Fund Management Limited	Dormant
N P Record Trustees Limited	Trust company

The Group's interest in the equity capital of subsidiary undertakings is 100% of the ordinary share capital in all cases. Record Currency Management (US) Inc is incorporated in the USA, Record Currency Management (Jersey) Limited is incorporated in Jersey, and all other subsidiaries are registered in England and Wales.

Investment in funds

In December 2010, the Company invested in the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund. Initially, these were both accounted for as a disposal group held for sale in accordance with its accounting policy defined in note 18. In both cases, the Group still retained control over each of the funds twelve months after making the original investment. Consequently both funds ceased to be classified as held for sale and are now consolidated in full, on a line by line basis, and are presented in investments in the Company statement of financial position.

Investment in funds	2013 £'000	2012 £'000
Record Currency FTSE FRB10 Index Fund	1,166	1,078
Record Currency Emerging Market Currency Fund	1,048	989
	2,214	2,067

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14. Deferred taxation – Group

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

A deferred tax liability is generally recognised for all taxable temporary differences.

Deferred tax assets or liabilities arising on goodwill are not recognised but are however recognised on separately identifiable intangible assets. Deferred tax arising on the initial recognition of an asset or liability, other than a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss, is not recognised.

	2013 £'000	2012 £'000
Profit and loss account movement arising during the year	20	(85)
(Liability)/Asset brought forward	(15)	70
Asset/(Liability) carried forward	5	(15)

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

	2013 £'000	2012 £'000
Deferred tax allowance on unvested share options	30	4
Excess of taxation allowances over depreciation on fixed assets	(25)	(19)
	5	(15)

At the year end the Group had deferred tax assets of £5,316 (2012: deferred tax liabilities of £15,438). At the year end there were share options not exercised with an intrinsic value for tax purposes of £143,094 (2012: £14,128). On exercise the Group will be entitled to a corporation tax deduction in respect of the difference between the exercise price and the strike price. There is no other unprovided deferred taxation.

15. Trade and other receivables

Trade and other receivables are stated at their original invoice value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Individual receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of trade receivables is presented within 'other expenses'.

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade receivables	4,825	4,268	–	–
Amounts due from Group undertaking	–	–	1,661	1,188
Other receivables	40	216	2	–
Prepayments	704	586	–	4
	5,569	5,070	1,663	1,192

All amounts are short-term. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment; no such indicators were noted. The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2012: £nil).

16. Derivative financial assets and liabilities

Financial assets held at fair value through profit or loss

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

Derivative financial liabilities

Derivatives are initially recognised at cost on the date on which the contract is entered into unless fair value at acquisition is different to cost, in which case fair value is recognised. Subsequently they are measured at fair value with gains and losses recognised in profit or loss. Transaction costs are immediately recognised in profit or loss.

The Group holds derivative financial instruments for two purposes. The Group uses forward exchange contracts to reduce the risk associated with sales denominated in foreign currencies, and also in order to achieve a return within its seeded investment funds. The instruments are recognised at fair value. The fair value of the contracts is calculated using the market forward contract rates prevailing at the period end date. The net gain or loss on forward foreign exchange contracts at fair value is included within revenue from other group activities.

	2013 £'000	2012 £'000
Derivative financial assets		
Forward foreign exchange contracts held to hedge cash flow	–	33
Forward foreign exchange contracts held for trading	43	–
Total derivative financial assets	43	33

	2013 £'000	2012 £'000
Derivative financial liabilities		
Forward foreign exchange contracts held to hedge cash flow	(25)	–
Forward foreign exchange contracts held for trading	–	(48)
Total derivative financial liabilities	(25)	(48)

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16. Derivative financial assets and liabilities continued

Derivative financial instruments held to hedge cash flow

At 31 March 2013 there were outstanding contracts with a principal value of £2,875,764 (31 March 2012: £2,685,811) for the sale of foreign currencies in the normal course of business. The fair value of the contracts is calculated using the market forward contract rates prevailing at 31 March 2013.

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

	2013 £'000	2012 £'000
Derivative financial instruments held to hedge cash flow		
Net (loss)/gain on forward foreign exchange contracts at fair value through profit or loss	(82)	68

Derivative financial instruments held for trading

Two of the funds seeded by Record (the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund), use forward foreign exchange contracts in order to achieve a return. The Record Currency – Euro Stress Fund used a variety of instruments including forward foreign exchange contracts in order to achieve a return. The forward foreign exchange contracts held by the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund are classified as financial assets held for trading. At 31 March 2013 there were outstanding contracts with a principal value of £13,893,809 (31 March 2012: £9,112,251). The instruments held by the Record Currency – Euro Stress Fund were presented within Current assets held for sale (see note 18).

The net gain on forward foreign exchange contracts held for trading is as follows:

	2013 £'000	2012 £'000
Derivative financial instruments held for trading		
Net gain on forward foreign exchange contracts at fair value through profit or loss	454	197

17. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, on demand and collateral deposits held with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash and cash equivalents – Sterling	28,529	24,459	1,001	16
Cash and cash equivalents – other currencies	496	113	–	–
	29,025	24,572	1,001	16

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

Since 31 December 2011, the Group cash and cash equivalents balance has incorporated the cash held by the Record Currency FTSE FRB10 Index Fund and the Record Currency Emerging Market Currency Fund (refer to note 18 for explanation of accounting treatment). As at 31 March 2013, the cash held by these two funds totalled £5,863,175 (31 March 2012: £4,241,817). The increase in cash arising from consolidating these two funds on a line by line basis with effect from 31 December 2011 was £3,996,678.

18. Current assets held for sale (disposal group)

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

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

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

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

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

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

In May 2011, the Group invested £1,000,000 in the Record Currency – Euro Stress Fund, the only other investor in the fund was Neil Record, a Director of Record plc. The Group retained control over this fund from its inception, through to its liquidation in September 2012. The investment in the fund was classified as being a disposal group held for sale.

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Seed capital classified as being a disposal group held for sale	–	1,075	–	911

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

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

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Net loss on financial instruments held as part of disposal group	68	299	57	91

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19. Current liabilities

Trade and other payables are stated at their original invoice value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

Amounts falling due within one year

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	277	196	–	–
Amounts owed to Group undertaking	–	–	1,717	948
Other payables	1	135	–	–
Other tax and social security	285	319	–	–
Accruals and deferred income	2,109	1,844	–	–
	2,672	2,494	1,717	948

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

Current tax liabilities

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Corporation tax	760	900	25	–

20. Called up share capital

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

	2013		2012	
	£'000	Number	£'000	Number
Authorised				
Ordinary shares of 0.025p each	100	400,000,000	100	400,000,000
Called up, allotted and fully paid				
Ordinary shares of 0.025p each	55	221,380,800	55	221,380,800

Changes to the issued share capital

	£'000	Number
Ordinary shares of 0.025p each	55	221,380,800
Adjustment for net purchases and sales held by EBT	–	(304,964)
As at 31 March 2011	55	221,075,836
Adjustment for net purchases and sales held by EBT	–	(1,723,468)
As at 31 March 2012	55	219,352,368
Adjustment for net purchases and sales held by EBT	–	(1,777,376)
As at 31 March 2013	55	217,574,992

The Record plc Employee Benefit Trust (EBT) was formed to hold shares acquired under the Record plc share-based compensation plans. A total of 3,805,808 (2012: 2,028,432) ordinary shares were held in the EBT at the reporting date. The holding of the EBT comprises own shares that have not vested unconditionally to employees of the Group. Own shares are recorded at cost and are deducted from retained earnings. 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. Further information regarding the Record plc share-based compensation plans and relevant transactions made during the year are included in note 21.

21. Share-based payments

During the year ended 31 March 2013 the Group has managed the following share-based compensation plans:

- a) The **Group Profit Share Scheme**: deferred share awards issued under this scheme are classified as share-based payments with cash alternatives under IFRS 2.
- b) The **Record plc Share Scheme**: share options issued under this scheme are classified as equity-settled share-based payments under IFRS 2.

a) The Group Profit Share Scheme

Share-based payments with cash alternatives

These transactions are compound financial instruments, which include a debt element and a cash element. The fair value of the debt component of the amounts payable to the employee is calculated as the cash amount offered to the employee at grant date and the fair value of the equity component of the amounts payable to the employee is calculated as the market value of the share award at grant date less the cash forfeited in order to receive the share award. The debt component is charged to profit or loss over the period in which the award is earned and remeasured at fair value at each reporting date, the equity component is charged to profit or loss over the vesting period of the award.

The Group Profit Share Scheme allocates a proportion of operating profits to a profit share pool to be distributed between all employees of the Group. The Remuneration Committee has the discretion to vary the proportion awarded to the profit share pool between 25% and 35% of operating profits, with the intention of maintaining an average level of 30% of operating profits over the medium term. Directors and senior employees receive one third of their profit share in cash, one third in shares ('Earned Shares') and may elect to receive the final third as cash only or to allocate some, or all, of the amount for the purchase of Additional Shares. Other employees receive two thirds of their profit share in cash and may elect to receive the final third as cash only or to allocate some, or all, of the amount for the purchase of Additional Shares.

If an individual elects to receive Additional Shares, the Group simultaneously awards a Matching Share value amount using a multiple decided by the Remuneration Committee. The multiple is dependent on the level of seniority of the employee. The number of shares is determined by the post-tax cash attributed to Earned Shares plus Additional Shares plus Matching Shares divided by the aggregate market value achieved on the purchase of all such shares in the market. All shares the subject of share awards are transferred immediately to a nominee. None of these shares are subject to any vesting or forfeiture provisions and the individual is entitled to full rights in respect of the shares purchased. No such shares can be sold, transferred or otherwise disposed of without the consent of the Remuneration Committee except as follows:

- Earned shares – one third on each anniversary of the Profit Share Payment date; and
- Additional or Matching shares – the third anniversary of the Profit Share Payment date for Directors and senior employees and the second anniversary of the Profit Share Payment date for all other employees.

Shares awarded under the Profit Share Scheme do not include any vesting restrictions but rather restrictions over subsequent sale and transfer, as described above. The full amount of cash and shares awarded under the scheme are charged to the profit or loss over the period in which the awards are earned.

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21. Share-based payments continued

b) The Record plc Share Scheme

Equity-settled share-based payments

The fair value of the amounts payable to employees under these awards is recognised as an expense over the vesting period of the award, with a corresponding increase in equity. All such awards made by the Group involve the parent company granting rights to its equity instruments to employees of its subsidiary. Consequently the subsidiary measures the services received from its employees in accordance with the above classification under IFRS2 and recognises a corresponding increase in equity as a contribution from the parent. The parent has the obligation to settle the transaction with the subsidiary's employees and therefore recognises an increase in its investment in the subsidiary and a corresponding increase in equity.

The fair value of options granted is measured at grant date using an appropriate valuation model. All awards are valued using an appropriate valuation model, taking into account the terms and conditions upon which the instruments were granted. The fair value amounts for the options issued since listing on the London Stock Exchange were determined using quoted share prices.

The Record plc Share Scheme (the "Share Scheme") was adopted by the Company on 1 August 2008 and was initially created to allow deferred share awards to be granted to new senior employees. During the year ended 31 March 2009, awards in the form of tax-unapproved options ("Unapproved Options") over shares with an aggregate value at grant of £400,000 were granted to two senior employees under the Share Scheme. The options became exercisable for nil consideration in three equal tranches on the second, third and fourth anniversary of the date of grant. The options became fully vested this year.

During 2011, the Share Scheme was amended to include the ability to grant HMRC approved options ("Approved Options") to employees of Record plc or its subsidiaries under a new Part 2 of the Share Scheme. Unapproved Options may still be granted under the existing unapproved part of the Share Scheme. The exercise price per share of Approved Options must be no lower than the market value of a share on the dealing day immediately preceding the date of grant. Each participant may be granted Approved Options over shares with a total market value of up to £30,000 on the date of grant. There is no such limit on the value of Unapproved Options. Unapproved Options may be granted with any exercise price (including nil), but have recently been granted with a market-value exercise price in the same way as the Approved Options.

Options over an aggregate of 2,220,000 shares were granted under the Share Scheme during the year, of which 410,000 shares were made subject to Unapproved Options and 1,810,000 to Approved Options. All options were granted with an exercise price per share equal to the share price prevailing at the time of grant. The Approved Options become exercisable on the fourth anniversary of grant, subject to the employee remaining in employment with the Group and to the extent a performance condition based on the Company's total shareholder return in comparison with a relevant peer group has been met. The Unapproved Options each become exercisable in four equal tranches on the first, second, third and fourth anniversary of the date of grant, subject to the employee being in employment with the Group at the relevant vesting date and to the extent personal performance conditions have been satisfied.

Outstanding share options

At 31 March 2013, the total number of ordinary shares of 0.025p outstanding under Record plc share compensation schemes was 4,120,000 (2012: 2,028,432). These deferred share awards and options are over issued shares held in an Employee Benefit Trust. Details of outstanding share options and deferred shares awarded to employees are set out below:

Date of grant	At 1 April 2012	Granted	Exercised	At 31 March 2013	Exercise / vesting date		Exercise price
					From	To	
4/08/08	56,748	–	(56,748)	–	4/08/10	4/08/12	£0.00
1/09/08	71,684	–	(71,684)	–	1/09/10	1/09/12	£0.00
8/08/11	1,000,000	–	–	1,000,000	8/08/12	8/08/15	£0.3180
8/08/11	300,000	–	–	300,000	8/08/12	8/08/15	£0.3225
2/12/11	600,000	–	–	600,000	2/12/15	2/12/15	£0.1440
18/12/12	–	1,810,000	–	1,810,000	18/12/13	18/12/16	£0.3098
18/12/12	–	410,000	–	410,000	18/12/16	18/12/16	£0.3098
Total options	2,028,432	2,220,000	(128,432)	4,120,000			
Weighted average exercise price of options							
	£0.25	£0.31	£nil	£0.29			

During the year, shares vested on 4 August 2012 and 1 September 2012; the fourth anniversary of the respective schemes above. The share price at each vesting date was £0.16 and £0.17 per share respectively.

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

	Ordinary shares held as at	
	31 March 2013	31 March 2012
Record plc Group Profit Share Scheme (interest in restricted share awards)		
James Wood-Collins	1,180,824	1,229,680
Leslie Hill	253,078	156,697
Bob Noyen	253,078	156,697
Steve Cullen*	58,026	50,097
Paul Sheriff **	–	776,910
Record plc Share Scheme (interest in unvested share options)		
James Wood-Collins	–	56,748

* Steve Cullen was appointed Chief Financial Officer on 15 March 2013.

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

Notes to the financial statements

For the year ended 31 March 2013

Continued

21. Share-based payments continued

Performance measures

The Approved Option Scheme includes certain performance criteria. At vesting date, a percentage of the total options granted will vest according to the median Total Shareholder Return (TSR) as measured against the FTSE 350 General Financial – Price Index. The performance target table is given below:

Percentage by which Record's TSR is below the median TSR performance of the Index	Percentage of option which vests
Equal to or above the median TSR performance	100%
Equal to or above 75% of the median TSR performance	75%
Equal to or above 50% of the median TSR performance	50%
Below 50% of the median TSR performance	0%

The Record plc Share Incentive Plan

During the year, the Group started the Record plc Share Incentive Plan (SIP), to encourage more widespread ownership of Record plc shares by employees. The scheme is a tax-approved scheme offering attractive tax savings for employees retaining their shares in the scheme over the medium to long term.

As an incentive to employees, the Group matches every two shares bought by employees with a free matching share. During the year, the Group awarded 24,935 free shares to employees.

22. Non-controlling interest

Record plc has made investments in a number of funds where it is in a position to be able to control those funds by virtue of the size of its holding. Non-controlling interests occur when Record plc is not the only investor in the fund. The non-controlling interest is measured at cost plus movement in value of the third party investment in the fund.

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

The two existing funds are considered to be under control of the Group through majority interests. The Record Currency – Euro Stress Fund was considered to be under control of the Group throughout its existence.

Mark to market value of external holding in seeded funds consolidated into the accounts of the Record Group

	2013 £'000	2012 £'000
Record Currency – FTSE FRB10 Index Fund	871	528
Record Currency – Emerging Market Currency Fund	2,775	1,572
Record Currency – Euro Stress Fund	–	163
Total	3,646	2,263

23. Financial risk management

The Group's current activities result in the following financial risks and management responses to those risks in order to minimise any resulting adverse effects on the Group's financial performance.

Objectives, policies and processes for managing risk and the methods used to measure the risk

Financial assets principally comprise trade receivables, cash and cash equivalents and derivative financial assets. Financial liabilities comprise trade and other payables and derivative financial liabilities. The main risks arising from financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk each of which is discussed in further detail below.

The Group monitors and mitigates financial risk on a consolidated basis. The Group has implemented a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk is directed by the Board and reviewed by the Audit and Risk Committee.

The Company's material financial instruments are investments in the seeded funds and balances due to/from Group undertakings. The Company's financial risk is managed as part of the Group financial risk management process and therefore separate disclosures for the Company have not been provided.

Credit risk

Record plc's Risk Management Committee has established a credit risk policy to ensure that it only trades with counterparties that meet requirements consistent with the Group's agreed risk appetite. The Chief Financial Officer is responsible for reviewing the Group's credit exposure and ensuring that any credit concerns are raised to the Risk Management Committee and that action is taken to mitigate these risks.

The Group invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity no greater than three months. To reduce the risk of counterparty default the Group deposits the rest of its surplus funds in approved high quality banks; the financial institutions involved have high credit ratings assigned by international credit agencies. The Group operates a policy of restricting its exposure to any single bank to a maximum of £10m. All banking counterparties used to hold Group cash have a credit rating equivalent to A3 (Moody's) or better.

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

	2013 £'000	2012 £'000
Financial assets at 31 March		
Trade receivables	4,825	4,268
Other receivables	40	216
Held for sale financial assets (disposal group)	–	1,075
Other financial assets at fair value through profit or loss	43	33
Cash and cash equivalents	29,025	24,572
	33,933	30,164

Notes to the financial statements

For the year ended 31 March 2013

Continued

23. Financial risk management continued

The debtors' age analysis is also evaluated on a regular basis for potential doubtful debts. It is management's opinion that no provision for doubtful debts is required. The table below is an analysis of financial assets by due date:

	Carrying amount £'000	Neither impaired nor past due £'000	0-3 months past due £'000	More than 3 months past due £'000
At 31 March 2013				
Trade receivables	4,825	4,751	74	–
		98%	2%	0%
At 31 March 2012				
Trade receivables	4,268	4,182	86	–
		98%	2%	0%

The Group offers standard credit terms of 30 days from invoice date. It is the Group's policy to assess debtors for recoverability on an individual basis and to make a provision where it is considered necessary. In assessing recoverability the Group takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in debts between 0-3 months overdue not being provided for unless individual circumstances indicate that a debt is impaired.

Trade receivables are made up of 36 debtors' balances (2012: 37). The largest individual debtor corresponds to 31% of the total balance (2012: 33%). Debtor days, based on the generally accepted calculation of debtor days, is 95 days (2012: 76). This reflects the quarterly billing cycle used by the Group for the vast majority of its fees. As at 31 March 2013 only 2% of debt was overdue (2012: 2%) and the Directors consider this to be fully recoverable. No debtors' balances have been renegotiated during the year or in the prior year.

Liquidity risk

The Group is exposed to liquidity risk, namely that it may be unable to meet its payment obligations as they fall due. The Group maintains sufficient cash and marketable securities to be able to meet all such obligations. Management review cash flow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet the future working capital requirements and to take advantage of business opportunities. The average creditor payment period is 21 days (2012: 16 days).

Contractual maturity analysis for financial liabilities:

	Carrying amount £'000	Due or due in less than 1 month £'000	Due between 1 and 3 months £'000	Due between 3 months and 1 year £'000
At 31 March 2013				
Trade and other payables	278	278	–	–
Accruals	2,109	449	810	850
Derivative financial liabilities	25	–	25	–
At 31 March 2012				
Trade and other payables	331	331	–	–
Accruals	1,844	685	1,123	36
Derivative financial liabilities	48	26	22	–

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities used by the Group. Interest bearing assets comprise trade receivables and cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and the Group does not therefore incur interest on overdue balances.

Interest rate exposure

	Fixed rate £'000	Floating rate £'000	Not directly exposed to interest rate risk £'000	Total £'000
At 31 March 2013				
Financial assets				
Trade and other receivables	–	–	4,865	4,865
Financial assets at fair value	–	–	43	43
Cash and cash equivalents	27,162	1,863	–	29,025
Total financial assets	27,162	1,863	4,908	33,933

Financial liabilities

Financial liabilities at fair value through profit or loss	–	–	(25)	(25)
Trade and other payables	–	–	(278)	(278)
Accruals	–	–	(2,109)	(2,109)
Total financial liabilities	–	–	(2,412)	(2,412)

	Fixed rate £'000	Floating rate £'000	Not directly exposed to interest rate risk £'000	Total £'000
At 31 March 2012				
Financial assets				
Trade and other receivables	–	–	4,484	4,484
Financial assets at fair value	–	–	1,108	1,108
Cash and cash equivalents	21,232	3,340	–	24,572
Total financial assets	21,232	3,340	5,592	30,164

Financial liabilities

Financial liabilities at fair value through profit or loss	–	–	(48)	(48)
Trade and other payables	–	–	(331)	(331)
Accruals	–	–	(1,844)	(1,844)
Total financial liabilities	–	–	(2,223)	(2,223)

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group makes use of forward exchange contracts to manage the risk relating to future transactions in accordance with the Group's risk management policy. The fair value of the forward contracts at 31 March 2013 was a liability of £24,610 (2012: asset of £33,175). Losses on the forward exchange contracts were £82,288 in the year (2012: gain of £68,023). The future transactions related to the forward exchange contracts are expected to occur within the next three months. Changes in the fair values of forward exchange contracts are recognised directly in profit or loss.

The Group is exposed to foreign currency risks on sales and cash holdings that are denominated in a currency other than Sterling. The principal currencies giving rise to this risk are primarily the US Dollar, the Swiss Franc, the Euro and the Canadian Dollar.

Notes to the financial statements

For the year ended 31 March 2013

Continued

23. Financial risk management continued

In the year ended 31 March 2013, the Group invoiced the following amounts in currencies other than Sterling:

	Local currency value '000	Value in reporting currency £'000
US Dollar (USD)	12,849	8,134
Swiss Franc (CHF)	6,917	4,671
Canadian Dollar (CAD)	648	409
Euro (EUR)	310	256
Australian Dollar (AUD)	17	11
Total		13,481

The value of revenues for the year ended 31 March 2013 that were denominated in currencies other than Sterling was £13.5 million (73% of total revenues). For the year ended 31 March 2012: £14.8 million (72% of total revenues).

Record plc's policy is to reduce the risk associated with the Company's sales denominated in foreign currencies by using forward fixed rate currency sales contracts, taking into account any forecast foreign currency cash flows.

Foreign currency risk – sensitivity analysis

	Impact on Profit After Tax for the year ended 31 March		Impact on Total Equity as at 31 March	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
10% weakening in the £/\$ exchange rate	618	778	618	778
10% strengthening in the £/\$ exchange rate	(618)	(778)	(618)	(778)
10% weakening in the £/CHF exchange rate	355	276	355	276
10% strengthening in the £/CHF exchange rate	(355)	(276)	(355)	(276)

Sterling/US Dollar exchange rate

The impact of a change of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movement. When applied to the average Sterling/USD exchange rate of \$1.58/£ this would result in a weakened exchange rate of \$1.44/£ and a strengthened exchange rate of \$1.75/£.

Sterling/Swiss Franc exchange rate

The impact of a change of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movement. When applied to the average Sterling/CHF exchange rate of CHF1.48/£ this would result in a weakened exchange rate of CHF1.34/£ and a strengthened exchange rate of CHF1.65/£.

Sensitivity analyses have not been disclosed for other currencies as any reasonable range of change in exchange rate would not have a material impact on profit or equity.

FTSE FRB10 Index Fund

The Group seeded a product in December 2010, which is a fund that tracks the FTSE Currency FRB10 Index by holding a portfolio of developed market currency deliverable forward exchange contracts. As Record plc exerts significant control over the fund, it has been consolidated into the Group's primary statements. The net assets of the fund at 31 March 2013 were £2,037,488 (2012: £1,605,646). The Group has provided the following data in respect of sensitivity to this product.

	Impact on Profit After Tax for the year ended 31 March		Impact on Total Equity as at 31 March	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
10% depreciation in the FTSE Currency FRB10 Index	(124)	(119)	(124)	(119)
10% appreciation in the FTSE Currency FRB10 Index	124	119	124	119

The impact of a change to the index of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movement.

Emerging Market Currency Fund

The Group seeded a product in December 2010 called the Emerging Market Currency Fund, which manages a portfolio of emerging market currency deliverable forward exchange contracts and emerging market currency non-deliverable forward exchange contracts in order to achieve a return. As Record plc exerts significant control over the fund, it has been consolidated into the Group's primary statements. The net assets of the fund at 31 March 2013 were £3,823,603 (2012: £2,561,091). The Group has provided the following data in respect of sensitivity to this product.

	Impact on Profit After Tax for the year ended 31 March		Impact on Total Equity as at 31 March	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
20% depreciation in the Emerging Market portfolio	(514)	(379)	(514)	(379)
20% appreciation in the Emerging Market portfolio	514	379	514	379

The impact of a change to the portfolio value of 20% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and expectations for future movement in emerging markets.

24. Additional financial instruments disclosures

Financial instruments measured at fair value

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

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

Notes to the financial statements

For the year ended 31 March 2013

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24. Additional financial instruments disclosures continued

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

	2013 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial instruments at fair value through profit or loss				
Forward foreign exchange contracts used for seeded funds	43	–	43	–
Forward foreign exchange contracts used for hedging	(25)	–	(25)	–
	18	–	18	–

	2012 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial instruments at fair value through profit or loss				
Forward foreign exchange contracts used for seeded funds	(48)	–	(48)	–
Forward foreign exchange contracts used for hedging	33	–	33	–
	(15)	–	(15)	–

There have been no transfers between levels in the reporting period (2012: none).

Basis for classification of financial instruments within the fair value hierarchy

Forward foreign exchange contracts

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

Classes and fair value of financial instruments

Financial assets

	At 31 March 2013		At 31 March 2012	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Derivative financial instruments at fair value through profit or loss	43	43	33	33
Cash and cash equivalents	29,025	29,025	24,572	24,572

Financial liabilities

	At 31 March 2013		At 31 March 2012	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Derivative financial instruments at fair value through profit or loss	25	25	48	48

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

Categories of financial instrument

	Note	Loans and Receivables £'000	Financial liabilities measured at amortised cost £'000	Assets at fair value through profit or loss £'000	Liabilities at fair value through profit or loss £'000
At 31 March 2013					
Trade and other receivables (excludes prepayments)	15	4,865	–	–	–
Cash and cash equivalents	17	29,025	–	–	–
Other financial instruments at fair value through profit or loss	16, 18	–	–	43	(25)
Current trade and other payables	19	–	(278)	–	–
Accruals	19	–	(2,109)	–	–
		33,890	(2,387)	43	(25)
At 31 March 2012					
Trade and other receivables (excludes prepayments)	15	4,484	–	–	–
Cash and cash equivalents	17	24,572	–	–	–
Other financial instruments at fair value through profit or loss	16, 18	–	–	33	(48)
Current trade and other payables	19	–	(331)	–	–
Accruals	19	–	(1,844)	–	–
		29,056	(2,175)	33	(48)

The Company does not hold financial instruments that require further disclosure under IFRS 7.

25. Operating lease commitments

Leases in which substantially all the risks and rewards are retained by the lessor are classified as operating leases. Payments made under these operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to profit or loss on a straight line basis over the lease term.

On 25 January 2006, the Group signed a lease on new premises at Morgan House, Madeira Walk, Windsor, Berkshire. This lease expires on 19 June 2016. The annual commitment under this lease is £229,710 (2012: £229,710).

The Group has considered the risks and rewards of ownership of the leased property, and considers that they remain with the lessor, consequently, this lease is recognised as an operating lease.

At 31 March 2013 the Group had commitments under non-cancellable operating leases relating to land and buildings as set out below:

	2013 £'000	2012 £'000
Not later than one year	230	230
Later than one year and not later than five years	517	747
	747	977

Notes to the financial statements

For the year ended 31 March 2013

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26. Related parties transactions

Company

Details of transactions between the Company and other Group undertakings, which are related parties of the Company, are shown below:

Transactions with subsidiaries

The Company's subsidiary undertakings are listed in note 13, which includes a description of the nature of their business.

	2013 £'000	2012 £'000
Amounts due from subsidiaries	1,661	1,188
Amounts due to subsidiaries	(1,717)	(948)
Interest received from subsidiaries on intercompany loan balances	9	5
Net dividends received from subsidiaries	1,465	8,610

Amounts owed to and by related parties will be settled in cash. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding (2012: nil), and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties (2012: nil).

Transactions with seeded funds

From time to time, the Group injects capital into funds operated by the Group to trial new products (seed capital). If the Group is able to exercise control over such a seeded fund by holding a majority interest (whether the majority interest is held by Record plc alone, or by combining the interests of Record plc and its Directors), then the fund is considered to be a related party.

Record Currency – FTSE FRB10 Index Fund and Record Currency – Emerging Market Currency Fund are both related parties on this basis, but there were no transactions between the Company and these funds during the year. Similarly, the Record Currency Fund – Euro Stress was a related party until its liquidation in September 2012. Record plc received £854,213 on liquidation of its holding in the fund.

Group

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

The compensation given to key management personnel is as follows:

	2013 £'000	2012 £'000
Short-term employee benefits	3,435	4,007
Post-employment benefits	289	342
Share-based payments	901	1,057
Dividends	873	3,792
	5,498	9,198

Directors' remuneration

	2013 £'000	2012 £'000
Aggregate emoluments of the Directors		
Emoluments (excluding pension contribution)	2,423	2,618
Gains made on exercise of share options	9	18
Pension contribution	121	146

During the year, five Directors of the Company (2012: four) participated in the Group Personal Pension Plan, a defined contribution scheme.

27. Capital management

The Group's objectives when managing capital are (i) to safeguard the Group's ability to continue as a going concern, (ii) to provide an adequate return to its shareholders, and (iii) to meet regulatory capital requirements set by the UK Financial Conduct Authority (previously the Financial Services Authority).

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Group had no debt in the current or prior financial year and consequently does not calculate a debt-to-adjusted capital ratio.

For regulatory capital purposes Record plc is subject to consolidated financial supervision by the Financial Conduct Authority (FCA). Our regulatory capital requirements are in accordance with FCA rules consistent with the Capital Requirements Directive. Our financial resources have exceeded our financial resource requirements (regulatory capital requirements) at all times during the year. Further information is provided in the Business Review.

28. Ultimate controlling party

As at 31 March 2013 the Company had no ultimate controlling party, nor at 31 March 2012.

29. Post reporting date events

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

Five year summary

Year ended 31 March (Audited)	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Management fees	45,561	33,244	28,139	20,436	18,061
Performance fees	1,436	224	–	–	–
Other revenue	(201)	(44)	57	99	491
Revenue	46,796	33,424	28,196	20,535	18,552
Cost of sales	(11)	–	(102)	(252)	(221)
Gross profit	46,785	33,424	28,094	20,283	18,331
Operating expenses	(20,928)	(17,032)	(15,741)	(13,729)	(12,411)
Operating profit	25,857	16,392	12,353	6,554	5,920
Net interest	912	220	184	155	158
Profit before taxation	26,769	16,612	12,537	6,709	6,078
Taxation	(7,494)	(4,707)	(3,603)	(1,803)	(1,450)
Profit after taxation	19,275	11,905	8,934	4,906	4,628
Total comprehensive income for the year attributable to owners of the parent	19,275	11,905	8,907	4,913	4,334
Basic EPS (pence)	8.73	5.39	4.03	2.23	1.98

Information for shareholders

Record plc

Registered in England and Wales
Company No. 1927640

Registered office

Morgan House
Madeira Walk
Windsor
Berkshire
SL4 1EP
United Kingdom
Tel: +44 (0)1753 852 222
Fax: +44 (0)1753 852 224

Principal UK trading subsidiaries

Record Currency Management Limited

Registered in England and Wales
Company No. 1710736

Record Group Services Limited

Registered in England and Wales
Company No. 1927639

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

Dates for 2013 dividend

Ex-dividend date	19 June 2013
Record date	21 June 2013
Annual General Meeting	25 July 2013
Final dividend payment date	31 July 2013

Registrar

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

Further information about the Registrar is available on their website www.capitaregistrars.com

Definitions

'Admission'	Admission to the Official List of and to trading on the London Stock Exchange's main market for listed securities
'Articles'	The articles of association of the Company
'AUME'	Assets under management equivalents
'bps'	Basis point = 100th of a per cent
'Board'	Company's Board of Directors
'Companies Acts'	Every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company
'Company'	Record plc
'\$' or 'Dollars'	All references to Dollars or \$ symbol are to the currency of the US unless stated otherwise
'EPS'	Earnings per share
'EU'	European Union
'FRB'	Forward Rate Bias
'Group' or 'Record'	The Company and/or any one of its subsidiary undertakings
'IAS'	International Accounting Standards
'IFRS' or 'IFRSs'	International Financial Reporting Standards
'IPO'	Initial Public Offering
'London Stock Exchange'	London Stock Exchange plc
'Official List'	The official list of the Financial Conduct Authority
'Statement of financial position'	IFRS term equivalent to balance sheet
'US'	United States of America

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