



## **RECORD plc**

### **PRESS RELEASE**

17 November 2017

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS TO 30 SEPTEMBER 2017**

Record plc, the specialist currency manager, today announces its unaudited results for the six months to 30 September 2017.

#### **Financial headlines:**

- AUME<sup>1</sup> increased to \$61.2bn / £45.6bn (\$58.2bn / £46.6bn at 31 March 2017)
- Client numbers remained at 59 at the end of the six month period
- Revenue<sup>2</sup> of £12.2m was in line with the second half of last year, and represented an increase of 14% compared to the six months ended 30 September 2016 (£10.7m)
- Operating margin<sup>2</sup> of 31% (six months to 30 September 2016: 33%)
- Profit before tax<sup>2</sup> increased by 6% to £3.8m (six months to 30 September 2016: £3.6m)
- Basic EPS<sup>3</sup> of 1.55 pence (six months to 30 September 2016: 1.33 pence)
- Strong financial position with shareholders' equity<sup>3</sup> of £25.8m (30 September 2016: £35.0m)
- Interim dividend of 1.15 pence per share will be paid on 22 December 2017 (six months to 30 September 2016: 0.825 pence per share)

#### **Key developments:**

- Multi-product and Multi-Strategy saw inflows approaching \$1 billion during the period, the latter having reached the fifth anniversary of its live track record in July 2017.
- Innovation and enhancement of products has continued to meet clients' developing needs.
- The Group's office in Zürich was opened during the period, reinforcing Record's commitment to the Swiss market and bringing us closer to our clients.

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

<sup>2</sup> Revenue, gross profit, operating profit and profit before tax for the comparative periods have been restated to reflect a re-presentation of items previously included under other income. As a result, operating profit and profit before tax are now the same as the operating profit and profit before tax previously disclosed as "underlying". A reconciliation of all items under the historical and revised presentation is included under note 13 to the financial statements.

<sup>3</sup> The group repurchased for cash 22.3 million shares for cancellation via Tender Offer during the period, representing approximately 10% of the then issued share capital.

- A successful Tender Offer during the period resulted in a return of £10m of cash to shareholders and cancellation of just over 10% of the then-issued share capital.

Commenting on the results, James Wood-Collins, Chief Executive Officer of Record plc, said:

“A backdrop of political instability continued to contribute to currency movements over the period, including unpredictable and unconventional policies pursued by the Trump administration in the US, the snap general election in the UK, and uncertainty over the nature of Brexit.

“Overall it was encouraging to maintain revenues at levels consistent with the second half of last year despite the remaining UK-based Dynamic hedging clients deciding either to switch to lower-margin Passive hedging or to terminate their mandates during the period.

“Inflows into Currency for Return mandates of \$0.6 billion during the period were also encouraging and we hope to build on this in the second half of the financial year.

“Additional resources required in operational, research and client-facing areas of the business have contributed to an increase in costs. Such costs are an inevitable part of ensuring our continued innovation and in maintaining the very highest levels of service for our clients in the longer-term.

“This period we were pleased to announce the opening of our office in Zürich. Switzerland has long been a core market for Record’s currency management services, and we are optimistic about the opportunities created by strengthening further our commitment to the market and by bringing ourselves closer to our clients. In the United States, we continue to seek to engage with investors whose exposure to international assets is growing. We are optimistic about the long-term opportunities for market growth, although a weak US dollar inevitably imposes some dampening on demand in the short term.

“Despite the pressing needs to finalise the implementation of regulatory changes affecting the Group and its clients, we are maintaining our focus on enhancing our service to existing clients, and on developing new client relationships. As ever, currency volatility draws attention to the risks that investors bear, and good long-term investment performance creates opportunities, which we will continue to work hard on converting into new business.”

### **Analyst briefing**

There will be a presentation for analysts at 9.30am on Friday 17 November 2017 at Cenkos plc offices: 6-8 Tokenhouse Yard, London, EC2R 7AS. A copy of the presentation will be made available on the Group’s website at [www.recordcm.com](http://www.recordcm.com).

#### **For further information, please contact:**

**Record plc** +44 1753 852222

Neil Record - Chairman

James Wood-Collins - Chief Executive Officer

Steve Cullen - Chief Financial Officer

**MHP Communications** +44 20 3128 8100

Nick Denton, Ollie Hoare

## Chief Executive Officer's statement

*We are maintaining our focus on enhancing our service to existing clients, and on developing new client relationships.*

The first half of this year has seen management fees and revenues close to those achieved in the second half of last year, and comfortably ahead of the first half. Costs have risen, predominantly due to investments in personnel and office occupancy costs. As a result, the operating margin has declined to 31%. Client numbers remained stable at 59; AUME grew in US dollar terms but declined marginally in sterling terms. Net outflows were largely driven by Dynamic Hedging, due in part to some UK mandates converting to Passive Hedging following persistent sterling weakness. The business continues to focus on implementing regulatory changes including EMIR and MiFID II.

### Market and performance overview

Political instability continued to contribute to currency movements over the period, although dramatic events were somewhat fewer than last year. The snap general election in the United Kingdom weakened the Conservative government and added further uncertainty to the nature of Brexit. Unconventional and unpredictable policies pursued by the Trump administration contributed to a reversal of the dollar rally seen following the November 2016 election. Eurozone elections in the Netherlands (shortly before the period), France and Germany failed to upset the status quo dramatically, as had been feared.

Against this political backdrop, the most evident currency trend was of sustained US dollar weakness, with the dollar declining approximately 5% against a basket of major developed market currencies. Although US interest rates increased in March and June 2017, market expectations for further rises weakened, in part due to concerns around subdued inflation. In the Eurozone by contrast, economic recovery and diminished fears of political crisis contributed to the euro strengthening by approximately 6% against a currency basket, and by approximately 11% against the US dollar itself.

Despite the uncertainty created by the UK election, sterling strengthened by approximately 7% against the US dollar, recovering from the post-EU referendum low seen in January 2017. Euro strength meant that sterling weakened against the euro by approximately 3%. Euro strength was also evident against the Swiss franc, with the euro strengthening by approximately 7% in a trend that started at the beginning of the period.

In this environment US Dynamic Hedging programmes generally allowed US investors to keep currency gains in the underlying exposures. Returns across the components of the Multi-Strategy product varied, with Value and Emerging Markets generating positive returns, but more than offset by negative returns from Momentum and Forward Rate Bias.

### Financial highlights

Management fees of £12.0 million represented a 13% increase on the first half of last year, and a 1% reduction on the second half of last year, due predominantly to minor changes in the sizes of certain mandates. Revenues of £12.2 million represented a 14% increase on the first half of last year, and were in line with the second half. Administrative expenses increased by 19% compared to the first half of last year, to £8.3 million, and were 3% higher than in the second half. The majority of this increase was due to growth in employee numbers driven by service enhancement and increased office occupancy costs. Administrative expenses are described further under "Expenditure" in the Financial review.

As a consequence the operating profit margin fell from 33% in the first half of last year to 31%. Profit before tax of £3.8 million was generated, representing a 6% increase on the first half of last year, and an 11% decline on the second half.

### Asset flows

AUME grew by 5% in US dollar terms to \$61.2 billion, and declined by 2% in sterling terms to £45.6 billion. Net outflows of \$1.0 billion were largely driven by outflows from Dynamic Hedging of \$1.7 billion, due in part to some clients converting to Passive Hedging mandates. Net inflows to Currency for Return, Multi-product mandates and Cash and Futures totalling

\$1.0 billion partially offset this decline, with Passive Hedging seeing modest outflows of \$0.3 billion. Market and exchange rate movements contributed positively.

## **Products and distribution**

Innovation, specialisation and customisation have continued as distinguishing features of Record's product development. Passive Hedging, which contributed 54% of Record's management fees, is a product that by its nature can be misunderstood as a commodity service. Our position as a specialist manager is best rewarded by offering a differentiated and customised service, rather than competing on price alone. We have continued to enhance our Passive Hedging services to meet clients' developing needs. This continual focus on service enhancement has contributed to the growth in employee numbers.

Dynamic Hedging contributed 23% of management fees over the period. For UK-based clients, Dynamic Hedging achieved cost-effective protection of currency gains from sterling's depreciation in the six months following the EU referendum. However, persistent weakness in sterling meant negative returns and cash flows were unavoidable. As a result Record's remaining UK-based Dynamic Hedging clients converted their mandates to Passive Hedging or terminated during the period.

Currency for Return benefited from positive inflows of \$0.6 billion. In addition, reported AUME increased by \$0.1 billion as certain Multi-Strategy mandates with defined volatility targets and linked fee rates were scaled up. This was in response to continuing declines in the volatility of the returns generated by the strategy. This caused fee rates reported on AUME to decline, although fee rates based on volatility targets have not changed. Multi-product mandates continue to reflect some variability in size due to client-specific circumstances.

As previously announced, this period saw the opening of our office in Zürich. Switzerland has long been a core market for Record's currency management services, and we are optimistic about the opportunities created by strengthening further our commitment to the market and by bringing ourselves closer to our clients. In the United States, we continue to seek to engage with investors whose exposure to international assets is growing. We are optimistic about the long-term opportunities for market growth, although a weak US dollar inevitably imposes some dampening of demand in the short term.

## **Regulation**

Throughout the first half of the financial year, we continued to dedicate significant resources to preparing for the implementation of various regulatory changes. Many of our European Union-based clients are affected by the European Market Infrastructure Regulation ("EMIR"), which amongst other effects will require these clients to pay and receive daily variation margin on deliverable forward foreign exchange contracts. We have made good progress in introducing daily variation margin for our affected clients, including in some cases offering a collateral management service generating additional fees. There remains a risk that collateral management will prove too onerous for some of our smaller Passive Hedging clients which may lead to some mandate losses, although the net revenue effect is not expected to be material.

Record itself is directly affected by the Markets in Financial Instruments Directive II and Markets in Financial Instruments Regulation (together "MiFID II"). We have committed resources to meeting our regulatory obligations, for which the most significant changes for Record will be in post-trade transparency and transaction reporting. There may be additional costs associated with the provision of research. We have decided that any such costs will be absorbed by Record, although our focus on predominantly systematic strategies and lack of reliance on external research means these costs are not expected to be material. In addition to EMIR and MiFID II, we are implementing changes required in other jurisdictions, including the Swiss Financial Markets Infrastructure Act which has created additional reporting requirements for our Swiss clients.

We have developed further our Brexit contingency plans, to enable us to continue to serve our current EU27-based clients and to market to new prospective clients. Given ongoing political uncertainty, we are planning for the scenario of a "hard Brexit" with no transition period or other mechanism for recognising UK regulatory equivalence following Brexit.

Unless there is certainty on a transition period or equivalence mechanism in the very near future, we will be required to start implementing these plans, which will involve incurring some additional expense on an ongoing basis.

### **Tender offer, dividend and the Board**

On 21 June 2017, Record announced a Tender Offer to return up to approximately £10 million to shareholders, subject to approval at a General Meeting. The General Meeting took place on 14 July 2017, at which the special resolution to approve the Tender Offer was passed. As a result approximately 22.3 million ordinary shares, representing slightly more than 10% of the then-outstanding share capital, were purchased by the Company.

An interim dividend of 1.15 pence per share, representing a 39% increase over the interim dividend for the first half of last year, will be paid on 22 December 2017 to shareholders on the register at 1 December 2017.

The Board continues to pursue a progressive ordinary dividend policy, with dividends expected to be paid equally in respect of an interim and a final dividend. In setting the interim and final dividends, the Board will be mindful of setting a level of ordinary dividend payments which it expects to be at least covered by earnings and which allows for future sustainable dividend growth by the business in line with the trend in profitability. The Board intends to continue its approach of considering returning to shareholders any excess of earnings over the sum of ordinary dividends for the full financial year and increased capital requirements, normally in the form of special dividends.

The Board will continue to consider ordinary dividends and other distributions to shareholders on a “total distribution” basis. The total distribution for any year will be at least covered by earnings, and will always be subject to the financial performance of the business, the market conditions at the time and to any further capital required under the policy set out under “Capital management” below.

The Board recognises that David Morrison, the Senior Independent Director, will no longer be deemed independent from October 2018, having joined the Board with effect from 1 October 2009. In order to enable a smooth transition and handover period, a process is underway to identify and recruit an additional independent director. A further announcement will be made in due course.

### **Outlook**

Despite the pressing needs to finalise the implementation of regulatory changes affecting the Group and its clients, we are maintaining our focus on enhancing our service to existing clients, and on developing new client relationships. As ever, currency volatility draws attention to the risks that investors bear, and good long-term investment performance creates opportunities. The Group’s management and staff are working hard to convert all these opportunities into new mandates. On behalf of the Board, I would like to thank our clients for their continued support, and our staff for their commitment and hard work.

*James Wood-Collins*

*Chief Executive Officer*

*16 November 2017*

## Interim management review

### Operating review

#### Product investment performance

During the period, US-based Dynamic Hedging clients experienced an unequivocal weakening of the US dollar against developed market currencies with the exception of the Japanese yen, as the Trump reflation trade continued to unwind and as robust economic activity failed to translate into materially higher inflation. The Dynamic Hedging programmes responded as expected, with hedge ratios varying systematically in response to currency movements, which generally allowed US investors to keep currency gains in the underlying exposures.

UK-based Dynamic Hedging clients experienced mixed performance of the pound against the weighted basket of hedged currencies in line with the differences in hedgeable weights as sterling strengthened versus the US dollar but weakened versus the euro. Hedging returns were broadly negative over the period, with underperformance coming primarily from hedging the euro, however losses were capped as hedge ratios fell to zero. As the period drew closer to its end, the UK-based Dynamic Hedging programmes were either scaled down or transitioned to a passive hedge structure at the clients' requests.

The FTSE Currency FRB10 Index underperformed, as gains in June, July and September were offset by losses in April, May and August. This underperformance was largely attributable to short positions in the Swedish krona and euro which both appreciated over the last six months.

The Emerging Market strategy outperformed over the period, in large part due to the continued downward revision of investor expectations around the Federal Reserve's hiking cycle. Declining oil prices in the first three months weighed on commodity currency performance before recovering later in the summer and Central Eastern European currencies outperformed over the period, in line with the euro's strength.

Investment performance in the Multi-Strategy product produced negative returns over the period as positive returns in the Value and Emerging Markets strategies were offset by underperformance in the Momentum and FRB10 strategies.

<b>Fund name</b>	<b>Gearing</b>	<b>Half year return</b>	<b>Return since inception p.a.</b>	<b>Volatility since inception p.a.</b>
FTSE FRB10 Index Fund <sup>4</sup>	1.8	(1.40%)	1.73%	7.21%
Emerging Market Currency Fund <sup>5</sup>	1	0.47%	1.54%	6.35%

<b>Index/composite returns</b>	<b>Half year return</b>	<b>Return since inception p.a.</b>	<b>Volatility since inception p.a.</b>
FTSE Currency FRB10 GBP excess return	(0.73%)	2.28%	4.59%
Currency Value	0.70%	2.78%	3.02%
Currency Momentum	(2.85%)	1.08%	3.70%
Record Multi-Strategy composite <sup>6</sup>	(1.02%)	2.04%	2.41%

<sup>4</sup> FTSE FRB10 Index Fund return data is since inception in December 2010.

<sup>5</sup> Emerging Market Currency Fund return data is since inception in December 2010.

<sup>6</sup> Record Multi-Strategy composite is since inception in July 2012, showing excess return data gross of fees in USD.

## AUME development

AUME in US dollar terms increased to \$61.2 billion, an increase of \$3.0 billion (+5%) in the period, decreasing marginally in sterling terms to £45.6 billion (-2%). The movement in AUME over the six month period is attributed as follows:

### *AUME movement in the six months to 30 September 2017*

	<b>\$bn</b>
AUME at 1 April 2017	58.2
Net client flows	-1.0
Equity and other market impact	+1.3
Foreign exchange impact	+2.6
Scaling up <sup>7</sup>	+0.1
<b>AUME at 30 September 2017</b>	<b>61.2</b>

### *Net client flows and numbers*

Net inflows into Currency for Return (via Multi-Strategy) and Multi-product were +\$0.6 billion and +\$0.3 billion respectively, representing increases to mandate sizes for existing clients in these strategies. Outflows from hedging totalled -\$2.0 billion, represented predominantly by Dynamic Hedging outflows of -\$1.7 billion. UK-based Dynamic Hedging clients suffered negative returns and cash flows over the period, consequently deciding to either convert to Passive Hedging or to terminate their hedging mandates. Small net inflows for cash and futures stood at +\$0.1 billion.

Client numbers remained at 59, in line with the previous financial year end (30 September 2016: 61 clients).

### *Equity and other market performance*

Record's AUME is affected by movements in equity and other market levels because substantially all the Passive and Dynamic Hedging, and some of the Multi-product mandates, are linked to equity and other market levels. Market performance added \$1.3 billion to AUME in the six months to 30 September 2017.

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

### *Class of assets underlying hedging mandates by product as at 30 September 2017*

	<b>Equity</b>	<b>Fixed</b>	<b>Other</b>
	%	income	%
		%	
Dynamic Hedging	96	-	4
Passive Hedging	30	42	28
Multi-product	-	-	100

### *Forex*

As 84% of the Group's AUME is non-US dollar denominated, foreign exchange movements may have an impact on AUME when expressing non-US dollar AUME in US dollars. Foreign exchange

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<sup>7</sup> Certain Currency for Return mandates contain specific volatility targets, and are scaled up or down according to such volatility targets.

movements increased AUME by \$2.6 billion in the six months to 30 September 2017. This movement does not have an equivalent impact on the sterling value of fee income.

### **Product mix**

Aggregate Hedging AUME of \$56.2 billion represents 92% of total AUME having remained broadly consistent with the prior period as a proportion of total AUME, although the mix within Hedging mandates has changed in the period. Passive Hedging AUME continues to grow, both in absolute terms (\$51.7 billion) and also as a proportion of total AUME (85%), contributed to in part by some of the remaining UK-based Dynamic Hedging clients choosing to convert to Passive Hedging.

Currency for Return AUME grew to 3% of total AUME, predominantly as a result of net inflows of \$0.6 billion into existing Multi-Strategy mandates in the period. Similarly, Multi-product AUME grew to 5% of total AUME, also broadly as a result of inflows (+\$0.3 billion) into existing mandates in the period.

### **AUME composition by product**

	30 Sep 17		30 Sep 16		31 Mar 17	
	\$bn	%	\$bn	%	\$bn	%
Dynamic Hedging	4.5	7	5.7	10	6.3	11
Passive Hedging	51.7	85	45.6	83	48.2	83
Currency for Return	1.7	3	0.9	2	1.0	2
Multi-product	3.0	5	2.6	5	2.5	4
Cash and other	0.3	-	0.2	-	0.2	-
<b>Total</b>	<b>61.2</b>	<b>100</b>	<b>55.0</b>	<b>100</b>	<b>58.2</b>	<b>100</b>

## **Financial review**

### **Revenue**

Record's revenue is principally management fees earned from the provision of currency management services.

Management fee income for the six months to 30 September 2017 was £12.0 million, an increase of 13% over the equivalent period in the prior year (£10.6 million), and broadly equivalent to management fees received during the second half of last year (£12.1 million).

An increase in Dynamic Hedging management fees of 8% over the equivalent period last year was predominantly due to increased mandate sizes for non UK-based Dynamic Hedging clients, offset somewhat by the switch to Passive Hedging for one UK-based Dynamic Hedging client notified during the first quarter of the current financial year. Weakness in sterling following the EU referendum and the consequent unavoidable cash flows and negative returns resulted in the remaining UK-based Dynamic Hedging clients either deciding to convert to Passive Hedging or to terminate by the end of the period, which included the final two remaining UK-based Dynamic Hedging clients with mandates incorporating a performance fee component. In the six months ended 30 September 2017, Dynamic Hedging generated 23% of management fee income (six months ended 30 September 2016: 25% and six months ended 31 March 2017: 25%).

Passive Hedging represented 54% of total management fees for the period, remaining broadly consistent when compared to prior periods (six months ended 30 September 2016: 53% and year ended 31 March 2017: 53%). Passive Hedging management fees increased by 14% over the equivalent period last year, predominantly reflecting net inflows of +\$1.6 billion in the second half of last year and sterling weakness since then. Net outflows during this period of -\$0.3 billion resulted in a 2% decrease to Passive Hedging management fees when compared to the second half of last year.

Net inflows into the Multi-Strategy Currency for Return product in the first half of both last year (+\$0.4 billion) and this year (+\$0.6 billion), assisted by the tailwind from sterling weakness have increased related management fees by 76% compared to the equivalent period last year, and by 49% over the second half of last year. Consequently, the proportion of management fees represented by



Currency for Return products increased to 7% for the period, compared to 4% for the comparative period last year and 5% for the year ended 31 March 2017.

The Multi-product category, which includes those mandates with both hedging and return-seeking objectives, generated management fees of £2.0m, broadly in line with preceding periods last year.

**Revenue analysis (£m)**

	Six months ended 30 Sep 17	Restated Six months ended 30 Sep 16	Restated Year ended 31 Mar 17
<b>Management fees</b>			
Dynamic Hedging	2.8	2.6	5.6
Passive Hedging	6.4	5.6	12.1
Currency for Return	0.8	0.5	1.0
Multi-product	2.0	1.9	4.0
<b>Total management fees</b>	<b>12.0</b>	<b>10.6</b>	<b>22.7</b>
Performance fees	-	-	-
Other currency services income	0.2	0.1	0.3
<b>Total revenue</b>	<b>12.2</b>	<b>10.7</b>	<b>23.0</b>

Other currency services income consists of fees from ancillary currency management services. Gains or losses made on derivative financial instruments employed by the Group's seed funds or as a result of hedging activities, and other FX adjustments which used to be included within revenue as "other income" have been re-presented in expenditure as "other income and expenditure". Details of the effect of this presentational change are provided in note 13 to the financial statements.

**Average management fee rates (bps p.a.)**

Product	Six months ended 30 Sep 17	Six months ended 30 Sep 16	Year ended 31 Mar 17
Dynamic Hedging	14	13	12
Passive Hedging	3	4	4
Currency for Return	17	17	15
Multi-product	18	20	20

The average management fee rates for all product lines have remained broadly constant over the six months ended 30 September 2017.

## Expenditure

### Expenditure analysis (£m)

	Six months ended 30 Sep 17	Restated Six months ended 30 Sep 16	Restated Year ended 31 Mar 17
Personnel costs	4.0	3.4	7.1
Non-personnel costs	2.7	2.1	4.7
<b>Administrative expenditure excluding Group Profit Share</b>	<b>6.7</b>	<b>5.5</b>	<b>11.8</b>
Group Profit Share	1.6	1.5	3.3
<b>Total administrative expenditure</b>	<b>8.3</b>	<b>7.0</b>	<b>15.1</b>
<b>Other income and expenditure</b>	-	0.1	(0.2)
<b>Total expenditure</b>	<b>8.3</b>	<b>7.1</b>	<b>14.9</b>

The total administrative expenditure in the six months to 30 September 2017 increased to £8.3 million, an increase of +£1.3 million (+19%) when compared to the six months ended 30 September 2016 (£7.0 million), and of +2% versus the second half of last year (£8.1 million).

Personnel costs excluding Group Profit Share (“GPS”) increased by +18% compared to the equivalent period last year, and by 8% versus the second half of last year, both predominantly as a consequence of continued growth in employee numbers over the last twelve months.

Non-personnel costs this period have seen the full impact of higher occupancy-related expenditure linked to the new office leases in both the UK and US when compared to the equivalent period last year. One-off costs of £0.2 million were incurred in the period relating to the Tender Offer in July 2017.

### Group Profit Share (“GPS”) Scheme

The cost of £1.6 million for the GPS scheme for the period has increased by £0.1 million when compared to the six months to 30 September 2016 (£1.5 million) and decreased by -£0.2 million for the final six months of last year. The movements are in line with operating profit and the GPS continues to be calculated at 30% of pre-GPS operating profit in the relevant period.

### Other income and expenditure

Other income and expenditure includes gains or losses made on derivative financial instruments employed either by the Group’s seed funds or as part of the Group’s own hedging activities, and other FX adjustments.

### Operating profit and margins

Operating profit for the six months ended 30 September 2017 was £3.8 million, representing a 6% increase over the equivalent period last year. However, when compared to the operating profit of £4.2 million for the second half of last year, the increase in both personnel and non-personnel expenditure since then has resulted in a decrease to operating profit of -£0.4 million (-10%).

Operating profit margin for the six months ended 30 September 2017 was 31% (six months ended 30 September 2016: 33% and year ended 31 March 2017: 34%).

### Cash flow

The Group generated £3.9 million of cash from operating activities after tax during the six month period ended 30 September 2017 (six months ended 30 September 2016: £3.2 million and six months ended 31 March 2016: £3.9 million). Taxation paid during the period was £0.7 million compared to £0.8 million for both the six months ended 30 September 2016 and six months ended 31 March 2017.

The Group repurchased 22.3 million shares in July 2017 via a Tender Offer for cash of £10 million. On 2 August 2017 the Group paid simultaneously a final ordinary dividend of 1.175 pence per share and a special dividend of 0.91 pence per share, both in respect of the year ended 31 March 2017, equating to a total distribution of £4.6 million (during the six months ended 30 September 2016 the Group paid a final dividend of 0.825 pence per share in respect of the year ended 31 March 2016, a distribution of £1.8 million).

## **Dividends**

Changes were announced in the 2017 Annual Report in terms of the Board's intention to pursue a progressive dividend policy, with dividends expected to be paid equally in respect of interim and final, subject to the financial performance of the business, the market conditions at the time and any excess capital assessed as required under the Group's capital policy. In line with this policy, the Group will pay an interim dividend of 1.15 pence per share in respect of the six months ended 30 September 2017. The dividend will be paid on 22 December 2017 to shareholders on the register on 1 December 2017.

Also as previously stated, the Board will also give consideration to returning at least part of any excess of current year earnings per share over ordinary dividends to shareholders, potentially in the form of special dividends, subject to the financial performance of the Group for the full year, the market conditions at the time and any increased capital requirements.

## **Capital management**

The Board's capital policy is to retain capital broadly equivalent to one year's worth of future estimated overheads (excluding variable remuneration) in addition to capital assessed as required for regulatory purposes, for working capital purposes and for investing in new opportunities for the business.

During July 2017, the Group returned £10 million of excess capital to shareholders by a repurchase of shares via a Tender Offer, whilst retaining a significant capital buffer in the business over its regulatory requirements. The Group has no debt and shareholders' funds were £25.8 million at 30 September 2017 (30 September 2016: £35.0 million).

The dividend payment on 22 December 2017 will equate to a distribution of £2.3 million, following which the business will retain cash and money market instruments on the balance sheet which are significantly in excess of financial resource requirements required for regulatory purposes.

## **Principal risks and uncertainties**

The principal risks and uncertainties documented in the Annual Report for the year ended 31 March 2017 remain relevant to Record.

Record's Brexit Working Group continues to monitor closely negotiations regarding the UK's departure from the EU, and to assess how developments will impact how Record can transact on behalf of its clients, how it can distribute its products to EU-based clients and how it retains employees from the EU.

Due to the continued uncertainty relating to issues such as transitional arrangements and "hard" versus "soft" Brexit, contingency plans have been established with the aim of facilitating the continued maintenance of our ability to serve EU clients irrespective of the final outcome of such negotiations.

## Statement of Directors' responsibilities

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

- the condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed and adopted by the EU;
- the interim management review includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Annual Report 2017 that could do so.

The Directors of Record plc are listed on the Record plc website at [ir.recordcm.com/board-of-directors](http://ir.recordcm.com/board-of-directors).

*Neil Record*  
*Chairman*

*Steve Cullen*  
*Chief Financial Officer*

# Independent review report to Record plc

## Report on the interim financial statements

### *Our conclusion*

We have reviewed Record plc's interim financial statements (the "interim financial statements") in the Interim Report of Record plc for the 6 month period ended 30 September 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### *What we have reviewed*

The interim financial statements comprise:

- the Consolidated statement of financial position as at 30 September 2017;
- the Consolidated statement of comprehensive income for the period then ended;
- the Consolidated statement of cash flows for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## **Responsibilities for the interim financial statements and the review**

### *Our responsibilities and those of the directors*

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### *What a review of interim financial statements involves*

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

*PricewaterhouseCoopers LLP*

*Chartered Accountants*

*Reading*

*16 November 2017*

- a) The maintenance and integrity of the Record plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Financial statements

### Consolidated statement of comprehensive income

	Note	Unaudited Six months ended 30 Sep 17 £'000	Restated Six months ended 30 Sep 16 £'000	Restated Year ended 31 Mar 17 £'000
<b>Revenue</b>	3	<b>12,203</b>	<b>10,735</b>	<b>22,952</b>
Cost of sales		(165)	(138)	(298)
<b>Gross profit</b>		<b>12,038</b>	<b>10,597</b>	<b>22,654</b>
Administrative expenses		(8,330)	(6,977)	(15,067)
Other income or expense		49	(86)	157
<b>Operating profit</b>		<b>3,757</b>	<b>3,534</b>	<b>7,744</b>
Finance income		36	67	112
<b>Profit before tax</b>		<b>3,793</b>	<b>3,601</b>	<b>7,856</b>
Taxation		(553)	(722)	(1,540)
<b>Profit after tax and total comprehensive income for the period</b>		<b>3,240</b>	<b>2,879</b>	<b>6,316</b>
<b>Earnings per share for the period (expressed in pence per share)</b>				
Basic earnings per share	4	<b>1.55p</b>	1.33p	2.91p
Diluted earnings per share	4	<b>1.52p</b>	1.33p	2.90p

The comparative periods have been restated. A reconciliation of previously published statements of comprehensive income to the restated statements is provided in note 13.

## Consolidated statement of financial position

	Note	Unaudited As at 30 Sep 17 £'000	Restated As at 30 Sep 16 £'000	Restated As at 31 Mar 17 £'000
<b>Non-current assets</b>				
Property, plant and equipment		840	161	881
Intangible assets		170	176	245
Deferred tax assets		256	43	102
<b>Total non-current assets</b>		<b>1,266</b>	<b>380</b>	<b>1,228</b>
<b>Current assets</b>				
Trade and other receivables		6,956	5,966	6,972
Derivative financial assets	10	529	54	53
Money market instruments with maturity > 3 months	6	13,304	20,069	18,102
Cash and cash equivalents	6	13,023	16,114	19,120
<b>Total current assets</b>		<b>33,812</b>	<b>42,203</b>	<b>44,247</b>
<b>Total assets</b>		<b>35,078</b>	<b>42,583</b>	<b>45,475</b>
<b>Current liabilities</b>				
Trade and other payables		(3,304)	(2,448)	(3,013)
Corporation tax liabilities		(790)	(720)	(804)
Financial liabilities	9	(4,761)	(4,256)	(4,779)
Derivative financial liabilities	10	(410)	(135)	(48)
<b>Total current liabilities</b>		<b>(9,265)</b>	<b>(7,559)</b>	<b>(8,644)</b>
<b>Total net assets</b>		<b>25,813</b>	<b>35,024</b>	<b>36,831</b>
<b>Equity</b>				
Issued share capital	8	50	55	55
Share premium account		2,035	1,899	1,971
Capital redemption reserve		26	20	20
Retained earnings		23,702	33,050	34,785
<b>Total equity</b>		<b>25,813</b>	<b>35,024</b>	<b>36,831</b>

The comparative periods have been restated. A reconciliation of previously published statements of financial position to the restated statements is provided in note 13.

Approved by the Board on 16 November 2017 and signed on its behalf by:

*Neil Record*  
Chairman

*Steve Cullen*  
Chief Financial Officer



## Consolidated statement of changes in equity

Restated	Note	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>As at 1 April 2016</b>		<b>55</b>	<b>1,899</b>	<b>20</b>	<b>31,715</b>	<b>33,689</b>
<b>Profit and total comprehensive income for the period</b>		-	-	-	<b>2,879</b>	<b>2,879</b>
Dividends paid	5	-	-	-	(1,791)	(1,791)
Release of shares held by EBT		-	-	-	211	211
Share-based payments		-	-	-	36	36
<b>Transactions with shareholders</b>		-	-	-	<b>(1,544)</b>	<b>(1,544)</b>
<b>As at 30 September 2016</b>		<b>55</b>	<b>1,899</b>	<b>20</b>	<b>33,050</b>	<b>35,024</b>
<b>Profit and total comprehensive income for the period</b>		-	-	-	<b>3,437</b>	<b>3,437</b>
Dividends paid	5	-	-	-	(1,801)	(1,801)
Own shares acquired by EBT		-	-	-	(775)	(775)
Release of shares held by EBT		-	72	-	781	853
Share-based payments		-	-	-	93	93
<b>Transactions with shareholders</b>		-	<b>72</b>	-	<b>(1,702)</b>	<b>(1,630)</b>
<b>As at 31 March 2017</b>		<b>55</b>	<b>1,971</b>	<b>20</b>	<b>34,785</b>	<b>36,831</b>
<b>Unaudited</b>						
<b>Profit and total comprehensive income for the period</b>		-	-	-	<b>3,240</b>	<b>3,240</b>
Dividends paid	5	-	-	-	(4,550)	(4,550)
Share buy-back and cancellation	8	(5)	-	6	(10,000)	(9,999)
Own shares acquired by EBT		-	-	-	(159)	(159)
Release of shares held by EBT	8	-	64	-	301	365
Share-based payments		-	-	-	85	85
<b>Transactions with shareholders</b>		<b>(5)</b>	<b>64</b>	<b>6</b>	<b>(14,323)</b>	<b>(14,258)</b>
<b>As at 30 September 2017</b>		<b>50</b>	<b>2,035</b>	<b>26</b>	<b>23,702</b>	<b>25,813</b>

The comparative periods have been restated. A reconciliation of previously published statements of changes to equity to the restated statements is provided in note 13.

## Consolidated statement of cash flows

		Unaudited Six months ended 30 Sep 17 £'000	Restated Six months ended 30 Sep 16 £'000	Restated Year ended 31 Mar 17 £'000
	Note			
<b>Net cash inflow from operating activities after tax</b>	7	3,930	3,200	7,107
<b>Cash flow from investing activities</b>				
Purchase of intangible software		-	-	(189)
Purchase of property, plant and equipment		(58)	(109)	(899)
Sale/(purchase) of money market instruments with maturity > 3 months		4,798	(7,049)	(5,082)
Interest received		46	49	112
<b>Net cash inflow/(outflow) from investing activities</b>		<b>4,786</b>	<b>(7,109)</b>	<b>(6,058)</b>
<b>Cash flow from financing activities</b>				
Cash inflow from exercise of share options		-	28	28
Purchase of own shares		(10,236)	-	(221)
Dividends paid to equity shareholders	5	(4,550)	(1,791)	(3,592)
<b>Cash outflow from financing activities</b>		<b>(14,786)</b>	<b>(1,763)</b>	<b>(3,785)</b>
<b>Net decrease in cash and cash equivalents in the period</b>		<b>(6,070)</b>	<b>(5,672)</b>	<b>(2,736)</b>
Effect of exchange rate changes		(27)	66	136
Cash and cash equivalents at the beginning of the period		19,120	21,720	21,720
<b>Cash and cash equivalents at the end of the period</b>		<b>13,023</b>	<b>16,114</b>	<b>19,120</b>
<b>Closing cash and cash equivalents consists of:</b>				
Cash	6	3,016	6,587	7,457
Cash equivalents	6	10,007	9,527	11,663
<b>Cash and cash equivalents</b>		<b>13,023</b>	<b>16,114</b>	<b>19,120</b>

The comparative periods have been restated. A reconciliation of previously published statements of cash flows to the restated statements is provided in note 13.

## Notes to the financial statements

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

### **1 Basis of preparation**

The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2017 (which were prepared in accordance with IFRSs as adopted by the European Union) have been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

### **Restatement of prior period accounts**

Management has reviewed the basis of preparation of the Group's consolidated accounts, and has implemented two changes, which have a material impact on the presentation of the primary statements. The first change relates to the classification of the external investment in the seed funds (formerly classified as non-controlling interest) and the second change to the presentation of other income.

Although the changes give rise to material changes on the face of the statements of comprehensive income, the statement of financial position and the statement of changes in equity, there is no change to profit attributable to owners of the parent, earnings per share or equity attributable to owners of the parent.

A reconciliation of the primary financial statements for the previously published comparative periods (six months ended 30 September 2016 and year ended 31 March 2017) to the restated primary statements is provided in note 13, together with a reconciliation of the primary financial statements for the six months ended 30 September 2017 prepared under the historic basis of interpretation to the primary financial statements under the new basis for interpretation.

### **Going concern**

The Directors are satisfied that the Group has adequate resources with which to continue to operate for the foreseeable future, and therefore these financial statements have been prepared on a going concern basis.

### **Consolidation**

The accounting policies adopted in these interim financial statements are identical to those adopted in the Group's most recent annual financial statements for the year ended 31 March 2017.

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 30 September 2017. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Company controls an entity, but does not own all the share capital of that entity, the interests of the other shareholders may be stated within equity as non-controlling interests or within current liabilities as financial liabilities depending on the characteristic of the investment, being the proportionate share of the fair value of identifiable net assets on date of acquisition plus the share of changes in equity since the date of consolidation.

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

Throughout the period, the Group had investments in three funds which it was in a position to control. These fund investments are held by Record plc and represent seed capital investments by the Group. The funds have been consolidated on a line-by-line basis from the time that the Group gained control over the fund.

## 2 Critical accounting estimates and judgements

The accounting policies, presentation and methods of computation applied in the interim financial statements are consistent with those applied in the financial statements for the year ended 31 March 2017, except as described in note 1 above in respect of the classification of external investment in the seed funds and the presentation of other income.

## 3 Revenue

### Segmental analysis

The Executive Committee (comprising the Executive Directors together with two senior managers) which is the entity's Chief Operating Decision Maker, considers 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 management 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 currency services income includes income from data licensing and ancillary services.

	Six months ended 30 Sep 17 £'000	Six months ended 30 Sep 16 £'000	Year ended 31 Mar 17 £'000
<b>Revenue by product type</b>			
<b>Management fees</b>			
Dynamic Hedging	2,801	2,596	5,542
Passive Hedging	6,400	5,613	12,130
Currency for Return	826	469	1,025
Multi-product	1,927	1,907	4,021
<b>Total management fee income</b>	<b>11,954</b>	<b>10,585</b>	<b>22,718</b>
Performance fee income	-	-	-
Other currency services income	249	150	234
<b>Total revenue</b>	<b>12,203</b>	<b>10,735</b>	<b>22,952</b>

#### b) Geographical analysis

The geographical analysis of revenue is based on the location of the client to whom the services are provided. All revenue originated in the UK.

	Six months ended 30 Sep 17 £'000	Six months ended 30 Sep 16 £'000	Year ended 31 Mar 17 £'000
<b>Revenue by geographical region</b>			
<b>Currency management income</b>			
UK	1,851	2,019	3,863
US	2,787	2,256	4,979
Switzerland	5,859	5,606	11,576
Other	1,457	704	2,300
<b>Total currency management income</b>	<b>11,954</b>	<b>10,585</b>	<b>22,718</b>
Other currency services income	249	150	234
<b>Total revenue</b>	<b>12,203</b>	<b>10,735</b>	<b>22,952</b>

Other currency services income is not analysed by geographical region.

#### 4 Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period by the weighted average number of ordinary shares in issue during the period.

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

There is no difference between the profit for the financial period used in the basic and diluted earnings per share calculations.

	Six months ended 30 Sep 17	Six months ended 30 Sep 16	Year ended 31 Mar 17
Weighted average number of shares used in calculation of basic earnings per share	<b>208,687,194</b>	216,800,927	217,401,660
Effect of potential dilutive ordinary shares – share options	<b>3,945,594</b>	405,007	591,036
Weighted average number of shares used in calculation of diluted earnings per share	<b>212,632,788</b>	217,205,934	217,992,696
Basic earnings per share	<b>1.55p</b>	1.33p	2.91p
Diluted earnings per share	<b>1.52p</b>	1.33p	2.90p

The potential dilutive shares relate to the share options granted in respect of the Group's Share Scheme. At the beginning of the period, there were share options in place over 13,656,564 shares. During the six months ended 30 September 2017, options over 510,500 shares were forfeited. As at 30 September 2017, there were share options in place over 13,146,064 shares.

#### 5 Dividends

The dividends paid during the six months ended 30 September 2017 totalled £4,549,878 (2.085 pence per share) being a final ordinary dividend in respect of the year ended 31 March 2017 of 1.175 pence per share, and a special dividend of 0.91 pence per share. An interim dividend of £1,800,715 (0.825 pence per share) was paid in the six months ended 31 March 2017, thus the full

ordinary dividend in respect of the year ended 31 March 2017 was 2.00 pence per share. The dividend paid by the Group during the six months ended 30 September 2016 totalled £1,790,888 (0.825 pence per share), which was the final dividend paid in respect of the year ended 31 March 2016.

The interim dividend proposed in respect of the six months ended 30 September 2017 is 1.15 pence per share.

## 6 Cash management

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

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

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

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

	<b>As at 30 Sep 17 £'000</b>	<b>As at 30 Sep 16 £'000</b>	<b>As at 31 Mar 17 £'000</b>
Bank deposits with maturities > 3 months	10,305	20,069	15,203
Treasury bills with maturities > 3 months	2,999	-	2,899
<b>Money market instruments with maturities &gt; 3 months</b>	<b>13,304</b>	<b>20,069</b>	<b>18,102</b>
Cash	3,016	6,587	7,457
Bank deposits with maturities <= 3 months	10,007	9,527	11,663
<b>Cash and cash equivalents</b>	<b>13,023</b>	<b>16,114</b>	<b>19,120</b>
<b>Total assets managed as cash by the Group</b>	<b>26,327</b>	<b>36,183</b>	<b>37,222</b>

## 7 Cash flow from operating activities

	Unaudited Six months ended 30 Sep 17 £'000	Restated Six months ended 30 Sep 16 £'000	Restated Year ended 31 Mar 17 £'000
<b>Operating profit</b>	<b>3,757</b>	<b>3,534</b>	<b>7,744</b>
Adjustments for non-cash movements:			
Depreciation of property, plant and equipment	99	29	99
Amortisation of intangible assets	75	123	243
Share-based payments	162	8	587
Release of shares held by EBT	365	211	24
Other non-cash movements	22	(66)	(146)
	<b>4,480</b>	<b>3,839</b>	<b>8,551</b>
<b>Changes in working capital</b>			
Decrease/(increase) in receivables	16	(254)	(1,268)
Increase in payables	284	76	641
(Increase)/decrease in other financial assets	(475)	52	53
Increase in other financial liabilities	343	264	700
<b>Cash inflow from operating activities</b>	<b>4,648</b>	<b>3,977</b>	<b>8,677</b>
Corporation taxes paid	(718)	(777)	(1,570)
<b>Net cash inflow from operating activities after tax</b>	<b>3,930</b>	<b>3,200</b>	<b>7,107</b>

## 8 Called up share capital

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

	Unaudited as at 30 Sep 17		Unaudited as at 30 Sep 16		Audited as at 31 Mar 17	
	£'000	Number	£'000	Number	£'000	Number
<b>Authorised</b>						
Ordinary shares of 0.025 pence each	<b>100</b>	<b>400,000,000</b>	100	400,000,000	100	400,000,000
<b>Called up, allotted and fully paid</b>						
Ordinary shares of 0.025 pence each	<b>50</b>	<b>199,054,325</b>	55	221,380,800	55	221,380,800

On 17 July 2017 a total of 22,326,475 Ordinary Shares were purchased by the Company for a total cost of £10,000,028.15. The share purchase was made following the Tender Offer announced on

21 June 2017 and approved by special resolution at the general meeting on 14 July 2017. Following the share purchase, the 22,326,475 shares were cancelled.

***Movement in Record plc shares held by the Record plc Employee Benefit Trust (“EBT”)***

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

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

	<b>Number</b>
<b>Record plc shares held by EBT as at 31 March 2016</b>	<b>4,942,248</b>
Net change in holding of own shares by EBT in period	(838,748)
<b>Record plc shares held by EBT as at 30 September 2016</b>	<b>4,103,500</b>
Net change in holding of own shares by EBT in period	(484,505)
<b>Record plc shares held by EBT as at 31 March 2017</b>	<b>3,618,995</b>
Net change in holding of own shares by EBT in period	(457,759)
<b>Record plc shares held by EBT as at 30 September 2017</b>	<b>3,161,236</b>

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

335,000 shares were purchased by the EBT on 10 April 2017 to meet future obligations.

On 20 June 2017, the EBT released 792,759 shares with a market value of £364,669 to settle obligations under the Group Profit Share Scheme.

**9 Financial liabilities**

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. When Record plc is not the only investor in such funds and the external investment instrument does not meet the definition of an equity instrument under IAS 32 then the instrument is classified as a financial liability. The financial liabilities are measured at cost plus movement in value of the third party investment in the fund.

Record has seeded three funds which have been active during the period ended 30 September 2017.

The Record Currency - Emerging Market Currency Fund was considered to be under control of the Group as the combined holding of Record plc and its Directors constituted a majority interest throughout the period. Similarly, the Record Currency – Strategy Development Fund (formerly known as the Record Currency – Global Alpha Fund) is considered to be under control of the Group as the combined holding of Record plc and its Directors has constituted a majority interest since inception.

The Record Currency - FTSE FRB10 Index Fund has been under the control of the Group since 1 September 2015, when the redemption of units by two external investors meant that Record could control the fund as the combined holding of Record plc and its Directors constituted a majority interest from that point onwards. This fund has therefore been consolidated into the Group’s accounts from 1 September 2015 onwards.

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



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

	As at 30 Sep 17	As at 30 Sep 16	As at 31 Mar 17
	£'000	£'000	£'000
Record Currency - Emerging Market Currency Fund	4,296	3,802	4,308
Record Currency - Strategy Development Fund	-	-	-
Record Currency - FTSE FRB10 Index Fund	465	454	471
	<b>4,761</b>	<b>4,256</b>	<b>4,779</b>

The financial liabilities relate only to the fair value of the external investors' holding in the seed funds, and are in no sense debt.

Financial liabilities relating to the fair value of external investors' holdings in the seed funds were previously classified in equity as non-controlling interests. A reconciliation of the historic presentation to the revised presentation is provided in note 13.

**10 Fair value measurement for derivative financial instruments**

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

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

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

As at 30 September 2017	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>Financial assets at fair value through profit or loss</b>				
Forward foreign exchange contracts used for seed funds	22	-	22	-
Futures contracts used for seed funds	2	-	2	-
Forward foreign exchange contracts used for hedging	505	-	505	-
<b>Financial liabilities at fair value through profit or loss</b>				
Forward foreign exchange contracts used for seed funds	(57)	-	(57)	-
Futures contracts used for seed funds	(5)	-	(5)	-
Forward foreign exchange contracts used for hedging	(348)	-	(348)	-
	<b>119</b>	<b>-</b>	<b>119</b>	<b>-</b>

<b>As at 31 March 2017</b>	<b>Total £'000</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Forward foreign exchange contracts used for hedging	18	-	18	-
Forward foreign exchange contracts used for seed funds	35	-	35	-
<b>Financial liabilities at fair value through profit or loss</b>				
Forward foreign exchange contracts used for hedging	(5)	-	(5)	-
Forward foreign exchange contracts used for seed funds	(43)	-	(43)	-
	<b>5</b>	<b>-</b>	<b>5</b>	<b>-</b>

<b>As at 30 September 2016</b>	<b>Total £'000</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Forward foreign exchange contracts used for seed funds	54	-	54	-
<b>Financial liabilities at fair value through profit or loss</b>				
Forward foreign exchange contracts used for seed funds	(17)	-	(17)	-
Forward foreign exchange contracts used for hedging	(118)	-	(118)	-
	<b>(81)</b>	<b>-</b>	<b>(81)</b>	<b>-</b>

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

***Basis for classification of financial instruments classified as Level 2 within the fair value hierarchy***

Both forward foreign exchange contracts and futures are classified as Level 2. 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 a quoted price.

***11 Related parties***

Related parties of the Group include key management personnel, close family members of key management personnel, subsidiaries, the EBT and the seed funds.

## Key management personnel

The compensation given to key management personnel is as follows:

	Six months ended 30 Sep 17 £'000	Six months ended 30 Sep 16 £'000	Year ended 31 Mar 17 £'000
Short-term employee benefits	2,480	2,243	4,651
Post-employment benefits	110	83	184
Share-based payments	568	600	1,387
	<b>3,158</b>	<b>2,926</b>	<b>6,222</b>

The dividends paid to key management personnel in the six months ended 30 September 2017 totalled £2,442,980 (year ended 31 March 2017: £1,915,103; six months ended 30 September 2016: £954,074).

### 12 Post reporting date events

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

### 13 Restatement of previously published financial statements

The Directors have reviewed the basis of preparation of the Group's consolidated accounts, and have implemented the following changes.

#### *Classification of the external investment in the seed funds*

External investment in the seed funds which are consolidated into the Group accounts has previously been classified as a non-controlling interest as the investment was considered to be an equity instrument. The Directors have reviewed this treatment and now recognise the external investment as a financial liability. This change in approach has a material change to the statement of financial position affecting both current liabilities and equity. The adjustment also affects the statement of comprehensive income as the pro-rata share of the gains or losses derived from the seed funds which are attributable to the external investors in the funds are not included within operating profit as opposed to being included in profit attributable to the non-controlling interest.

#### *Presentation of other income*

Management has reviewed the nature of items included in revenue in accordance with the definitions provided in IAS 1 and IAS 18. Following the review, management has decided that a re-presentation of certain elements would improve the clarity of the accounts.

Consequently, the presentation of gains or losses on hedging, gains or losses on trading within the seed funds and gains or losses on foreign exchange conversion which were previously included within revenue as "other income" are now presented separately on the face of the statement of comprehensive income as other income or expense.

A reconciliation of primary statements previously reported to restated primary statements is provided below. For completeness, a reconciliation of the primary statements for the six month period ended 30 September 2017 prepared under the previous approach and the current approach is also included.

The effect of both changes in future periods is not disclosed as it is not practicable to do so.

The changes described above have had no impact on the profit attributable to owners of the parent nor on the earnings per share.

The restated operating profit and profit before tax for the comparative periods are equivalent to the underlying operating profit and underlying profit before tax disclosed in previous reports.

**Reconciliation of consolidated statement of comprehensive income under historic interpretation to new interpretation**

	Six months ended 30 Sep 17 £'000	Six months ended 30 Sep 16 £'000	Year ended 31 Mar 17 £'000
<b>Historic presentation</b>			
Revenue	12,023	11,080	23,928
Gross profit	11,858	10,942	23,630
Other income or expense	n/a	n/a	n/a
Consisting of:			
• Gains or losses on derivative financial instruments and foreign exchange conversion	n/a	n/a	n/a
• Adjustment for gain or loss attributable to external investors in the seed fund	n/a	n/a	n/a
Operating profit	3,528	3,965	8,563
Profit before tax	3,564	4,032	8,675
Profit after tax and total comprehensive income	3,011	3,310	7,135
Profit and total comprehensive income attributable to: Non-controlling interests	(229)	431	819
<b>New presentation</b>			
Revenue	12,203	10,735	22,952
Gross profit	12,038	10,597	22,654
Other income or expense	49	(86)	157
Consisting of:			
• Gains or losses on derivative financial instruments and foreign exchange conversion	(180)	345	976
• Adjustment for gain or loss attributable to external investors in the seed fund	229	(431)	(819)
Operating profit	3,757	3,534	7,744
Profit before tax	3,793	3,601	7,856
Profit after tax and total comprehensive income	3,240	2,879	6,316
Profit and total comprehensive income attributable to: Non-controlling interests	-	-	-
<b>Differences</b>			
Revenue	180	(345)	(976)
Gross profit	180	(345)	(976)
Other income or expense	49	(86)	157
Consisting of:			
• Gains or losses on derivative financial instruments and foreign exchange conversion	(180)	345	976
• Adjustment for gain or loss attributable to external investors in the seed fund	229	(431)	(819)
Operating profit	229	(431)	(819)
Profit before tax	229	(431)	(819)
Profit after tax and total comprehensive income	229	(431)	(819)
Profit and total comprehensive income attributable to: Non-controlling interests	229	(431)	(819)

The presentation of gains or losses on hedging, gains or losses on trading within the seed funds and gains or losses on foreign exchange conversion have been re-presented from within revenue to other income or expense on the face of the statement of comprehensive income.

The pro-rata share of the gains or losses derived from the seed funds which are attributable to the external investors in the funds are not included within operating profit as opposed to previously being included in profit and disclosed as the profit after tax attributable to the non-controlling interest.

**Reconciliation of consolidated statement of financial position under historic interpretation to new interpretation**

	As at 30 Sep 17 £'000	As at 30 Sep 16 £'000	As at 31 Mar 17 £'000
<b>Historic presentation</b>			
Financial liabilities	n/a	n/a	n/a
Total current liabilities	(4,504)	(3,303)	(3,865)
Total net assets	30,574	39,280	41,610
Non-controlling interests	4,761	4,256	4,779
Total equity	30,574	39,280	41,610
<b>New presentation</b>			
Financial liabilities	(4,761)	(4,256)	(4,779)
Total current liabilities	(9,265)	(7,559)	(8,644)
Total net assets	25,813	35,024	36,831
Non-controlling interests	-	-	-
Total equity	25,813	35,024	36,831
<b>Differences</b>			
Financial liabilities	(4,761)	(4,256)	(4,779)
Total current liabilities	(4,761)	(4,256)	(4,779)
Total net assets	(4,761)	(4,256)	(4,779)
Non-controlling interests	(4,761)	(4,256)	(4,779)
Total equity	(4,761)	(4,256)	(4,779)

The net asset value of the investment of external investors in the seed fund has been reclassified from a non-controlling interest in equity, to a financial liability. There is no other non-controlling interest.

**Reconciliation of consolidated statement of changes in equity under historic interpretation to new interpretation**

The statement of changes in equity is shown below as it would appear under the historic presentation. In the revised format there is no non-controlling interest, and therefore no changes in non-controlling interest. As a consequence total equity becomes equivalent to the total equity attributable to owners of the parent.

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Non- controlling interests £'000	Total equity £'000
<b>As at 1 April 2016</b>	<b>55</b>	<b>1,899</b>	<b>20</b>	<b>31,715</b>	<b>33,689</b>	<b>4,019</b>	<b>37,708</b>
<b>Profit and total comprehensive income</b>	-	-	-	<b>2,879</b>	<b>2,879</b>	<b>431</b>	<b>3,310</b>
Dividends paid	-	-	-	(1,791)	(1,791)	-	(1,791)
Release of shares held by EBT	-	-	-	211	211	-	211
Redemption of units in funds	-	-	-	-	-	(194)	(194)
Share-based payments	-	-	-	36	36	-	36
<b>Transactions with shareholders</b>	-	-	-	<b>(1,544)</b>	<b>(1,544)</b>	<b>(194)</b>	<b>(1,738)</b>
<b>As at 30 September 2016</b>	<b>55</b>	<b>1,899</b>	<b>20</b>	<b>33,050</b>	<b>35,024</b>	<b>4,256</b>	<b>39,280</b>
<b>Profit and total comprehensive income</b>	-	-	-	<b>3,437</b>	<b>3,437</b>	<b>388</b>	<b>3,825</b>
Dividends paid	-	-	-	(1,801)	(1,801)	-	(1,801)
Issue of units in funds	-	-	-	-	-	135	135
Own shares acquired by EBT	-	-	-	(775)	(775)	-	(775)
Release of shares held by EBT	-	72	-	781	853	-	853
Share-based payments	-	-	-	93	93	-	93
<b>Transactions with shareholders</b>	-	<b>72</b>	-	<b>(1,702)</b>	<b>(1,630)</b>	<b>135</b>	<b>(1,495)</b>
<b>As at 31 March 2017</b>	<b>55</b>	<b>1,971</b>	<b>20</b>	<b>34,785</b>	<b>36,831</b>	<b>4,779</b>	<b>41,610</b>
<b>Profit and total comprehensive income</b>	-	-	-	<b>3,240</b>	<b>3,240</b>	<b>(229)</b>	<b>3,011</b>
Dividends paid	-	-	-	(4,550)	(4,550)	-	(4,550)
Share buy-back	(5)	-	6	(10,000)	(9,999)	-	(9,999)
Own shares acquired by EBT	-	-	-	(159)	(159)	-	(159)
Release of shares held by EBT	-	64	-	301	365	-	365
Issue of units in funds	-	-	-	-	-	211	211
Share-based payments	-	-	-	85	85	-	85
<b>Transactions with shareholders</b>	<b>(5)</b>	<b>64</b>	<b>6</b>	<b>(14,323)</b>	<b>(14,258)</b>	<b>211</b>	<b>(14,047)</b>
<b>As at 30 September 2017</b>	<b>50</b>	<b>2,035</b>	<b>26</b>	<b>23,702</b>	<b>25,813</b>	<b>4,761</b>	<b>30,574</b>

**Reconciliation of consolidated statement of cash flows under historic interpretation to new interpretation**

	Six months ended 30 Sep 17 £'000	Six months ended 30 Sep 16 £'000	Year ended 31 Mar 17 £'000
<b>Historic presentation</b>			
Operating profit	3,528	3,965	8,563
Changes in working capital:			
• Increase/(decrease) in other financial liabilities	361	27	(60)
Cash inflow from operating activities	4,437	4,171	8,736
Net cash inflow from operating activities	3,719	3,394	7,166
Cash flow from financing activities:			
• Cash inflow/(outflow) from issue/(redemption) of units in funds	211	(194)	(59)
• Cash outflow from financing activities	(14,575)	(1,957)	(3,844)
<b>New presentation</b>			
Operating profit	3,757	3,534	7,744
Changes in working capital:			
• Increase in other financial liabilities	343	264	700
Cash inflow from operating activities	4,648	3,977	8,677
Net cash inflow from operating activities	3,930	3,200	7,107
Cash flow from financing activities:			
• Cash flow from issue/redemption of units in funds	n/a	n/a	n/a
• Cash outflow from financing activities	(14,786)	(1,763)	(3,785)
<b>Differences</b>			
Operating profit	229	(431)	(819)
Changes in working capital:			
• Movement in other financial liabilities	(18)	237	760
Cash flow from operating activities	211	(194)	(59)
Net cash flow from operating activities after tax	211	(194)	(59)
Cash flow from financing activities:			
• Cash flow from issue/redemption of units in funds	(211)	194	59
• Cash flow from financing activities	(211)	194	59

As the external investment in the fund is no longer considered to be equity, the cash flow arising on issue or redemption of shares is not included as a financing activity but as a movement in other financial liabilities. The adjustment to operating profit in the revised presentation which relates to the



pro-rata share of the gains or losses derived from the seed funds which are attributable to the external investors in the funds has an equal and opposite effect on the movement in other financial liabilities. There is no change to cash or cash equivalents at the period end.

### **Notes to Editors**

This announcement includes information with respect to Record's financial condition, its results of operations and business, strategy, plans and objectives. All statements in this document, other than statements of historical fact, including words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "continue", "project" and similar expressions, are forward-looking statements.

These forward-looking statements are not guarantees of the Company's future performance and are subject to risks, uncertainties and assumptions that could cause the actual future results, performance or achievements of the Company to differ materially from those expressed in or implied by such forward-looking statements.

The forward-looking statements contained in this document are based on numerous assumptions regarding Record's present and future business and strategy and speak only as at the date of this announcement.

The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this announcement whether as a result of new information, future events or otherwise.