PRESS RELEASE

Record plc

15 June 2018

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

Record plc, the specialist currency manager, today announces its audited results for the year ended 31 March 2018.

Financial headlines:

- *AUME[1] $62.2bn at 31 March 2018 (up 7%)*
- *AUME £44.3bn at 31 March 2018 (down 5%)*
- *Revenue of £23.8m (2017: £23.0m (as restated[2]))*
- *Profit Before Tax (PBT) of £7.3m (2017: £7.9m (as restated[2]))*
- *Operating profit margin[3] of 31% (2017: 34%)*
- *Robust financial position with net assets of £26.6m at 31 March 2018 (2017: £36.8m)*
- *Basic EPS of 3.03p per share (2017: 2.91p)*
- *Proposed final ordinary dividend for the year is 1.15p per share, giving a total ordinary dividend in respect of the year of 2.30p per share (2017: 2.00p)*
- *Special dividend declared for the year of 0.50p per share (2017: 0.91p)*
- *Company purchased approximately 22.3m shares for cancellation in the year via Tender Offer, returning £10m to shareholders*

Key developments:

- *Economic, political and market environment continues to provide opportunities to engage with current clients and potential clients across a broad spectrum of products*
- *Changes in mix of fees on enhanced Passive Hedging products adds further diversification in income streams*
- *Continued investment in resources to maintain innovation and service enhancement has contributed to margin compression*
- *Currency Multi-Strategy fund launched in final quarter of the financial year, increasing accessibility to a wider range of investors*
- *Office opened in Zürich during the year to support further growth in Switzerland*

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[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 tangible. 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.
[2] 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 first disclosed in the results for the six-months ended 30 September 2017. 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.
[3] Operating profit margin is defined as operating profit divided by revenue.

Commenting on the results, Neil Record, Chairman of Record plc, said:

"This year, Record celebrates thirty-five years in the currency markets. One of the main contributors to such longevity has been the flexibility to take advantage of new opportunities as they arise, and to adapt to meet new challenges.

"Such flexibility can be seen in the innovative changes made to certain Passive Hedging mandates, which give opportunities for us to reduce costs and to add further value for clients.

"These opportunities are now being recognised in commercial terms, changing the mix in fees on such mandates and adding further diversification to Record's income streams in the form of performance fees, which over time are expected to match or exceed foregone management fees.

"Notwithstanding the increase in revenue over the prior year, this continued focus on investing in the business has contributed to a decrease in our operating margin from 34% to 31%.

"Continued investment in resources and systems supports our model of providing innovative and tailored currency solutions alongside premium levels of client service, and allows Record to remain at the vanguard of product innovation and to maintain our premium proposition. Over time we are confident that the continued enhancement of all our products including Passive Hedging will lead to further growth opportunities."

Analyst briefing

There will be a presentation for analysts at 9.30am on Friday 15 June 2018 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.

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Consolidated statement of comprehensive income

Year ended 31 March

	2018 £'000	Restated 2017 £'000
Revenue	**23,834**	**22,952**
Cost of sales	(311)	(298)
Gross profit	**23,523**	**22,654**
Administrative expenses	(16,424)	(15,067)
Other income or expense	173	157
Operating profit	**7,272**	**7,744**
Finance income	66	112
Finance expense	(10)	-
Profit before tax	**7,328**	**7,856**
Taxation	(1,182)	(1,540)
Profit after tax and total comprehensive income for the year	**6,146**	**6,316**
Earnings per share for profit attributable to the equity holders of the Group during the year		
Basic earnings per share	3.03p	2.91p
Diluted earnings per share	2.98p	2.90p

Consolidated statement of financial position

As at 31 March

	2018 £'000	Restated 2017 £'000
Non-current assets		
Property, plant and equipment	910	881
Intangible assets	228	245
Investments	1,115	-
Deferred tax assets	86	102
Total non-current assets	**2,339**	**1,228**
Current assets		
Trade and other receivables	6,775	6,972
Derivative financial assets	266	53
Money market instruments with maturities > 3 months	10,198	18,102
Cash and cash equivalents	12,498	19,120
Total current assets	**29,737**	**44,247**
Total assets	**32,076**	**45,475**
Current liabilities		
Trade and other payables	(2,630)	(3,013)
Corporation tax liabilities	(399)	(804)
Financial liabilities	(2,467)	(4,779)
Derivative financial liabilities	(29)	(48)
Total current liabilities	**(5,525)**	**(8,644)**
Total net assets	**26,551**	**36,831**
Equity		
Issued share capital	50	55
Share premium account	2,237	1,971
Capital redemption reserve	26	20
Retained earnings	24,238	34,785
Total equity	**26,551**	**36,831**

Chairman's statement

This year, Record celebrates thirty-five years in the currency markets, underlining our strength and resilience in a continually challenging and evolving environment.

Overview

Such resilience is only possible through our commitment to our clients, which in turn is due to the flexibility of the business and its staff to take advantage of new opportunities as they arise, and to adapt to meet new challenges.

With this in mind, Record has seen a year of investment in resources and systems. These investments support our ability to offer innovative and differentiated products to our clients and to maintain our premium levels of service, as well as to address new regulatory requirements, such as under MiFID II.

Regulation in the foreign exchange market continues to play a pivotal role in the move towards cost transparency. In our role of acting as agent for our clients, we put the utmost importance on integrity and acting solely in our clients' best interests, and in promoting the highest standards of transparency and market conduct. In this respect, we fully support and endorse all efforts made to increase transparency, to encourage best practice and to maintain the highest levels of integrity by all foreign exchange market participants. We were therefore delighted to sign up to both the FX Global Code and the LGPS Investment Code of Transparency during the year, and have become a signatory to the UN-supported Principles for Responsible Investment since the end of the year.

Group strategy

Our core strategy remains to achieve and maintain trusted adviser status so as to grow our relationships with current and potential clients, and to provide market-leading products and service levels. In order to achieve this, the Group continues to invest in its talented people, in innovation and in systems.

In my statement last year, I highlighted the opportunities for saving costs and adding value for clients on certain types of Passive Hedging mandates using opportunities created by the emergence of a gap between interest rates implied by forward FX rates and actual market interest rates – this gap being known in the FX markets as "basis". These opportunities are now being recognised in commercial terms, through innovative changes made to some enhanced Passive Hedging mandates. There has been a change in mix of fees on these mandates from management fee only to reduced management fee plus a performance fee element. The first performance fees under these changes could be recognised in the current year.

This innovative product development gives the business a level of exposure to market performance even in passive mandates. This adds further diversification to Record's income streams, potentially leading to fees exceeding those earned on a management fee only basis.

The Group also recognises the importance of progress in its distribution strategy. During the year an office was opened in Zürich to enhance our current relationships in Switzerland, and to support further growth in that market. A Currency Multi-Strategy fund was launched towards the end of the year, recognising the need to offer an alternative vehicle to investors for whom a pooled fund is more suitable than a segregated mandate. It was also pleasing to note the start of a new segregated Multi-Strategy mandate in a rekindled market (Australia) for Record, in the quarter following the year end.

Capital and dividend

In the previous financial year, the Board confirmed a change in capital policy which aims to ensure retained 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.

In my statement last year I confirmed that the Board was considering a return of excess capital to shareholders. A Tender Offer was subsequently approved at General Meeting on 14 July 2017, and the Company purchased approximately 22.3 million ordinary shares (approximately 10% of the then-outstanding share capital) for cancellation, returning just over £10 million to shareholders.

In line with the Group's dividend policy, the Board is recommending a final ordinary dividend of 1.15 pence per share, which would represent a 15% increase in the ordinary full year dividend to 2.30 pence per share. This includes a specific increase of 10% offsetting the decrease in issued shares cancelled following the Tender Offer in July. The interim dividend of 1.15 pence per share was paid on 22 December 2017, and the final ordinary dividend of 1.15 pence per share, subject to shareholders' approval, will be paid on 1 August 2018 to shareholders on the register at 29 June 2018.

The Board has maintained its policy of declaring a special dividend equal to the excess of earnings per share over ordinary dividends and any increase in the Group's capital requirements. A marginal increase in the Group's assessment of its Pillar II regulatory capital requirement in conjunction with the anticipated increase in costs for the current financial year increases capital required under the Group's policy. The net increase in capital requirements is equal to approximately 0.23 pence per share, and as a result the Board is announcing a special dividend of 0.50 pence per share to be paid simultaneously with the final dividend, thereby taking total dividends for the year to 2.80 pence per share, compared to earnings per share of 3.03 pence.

In the future, it remains the Board's intention 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 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 assessed as required under the policy described above.

The Board

The Senior Independent Director, David Morrison, will no longer be deemed independent from 1 October 2018. A formal search process overseen by the Nomination Committee commenced early in 2017 with a view to appointing a new independent director to the Board prior to the end of David's tenure. In this respect we were pleased to announce the appointment of Tim Edwards to the Board as non-executive director, effective 21 March 2018.

Tim brings a wealth of experience to the Board from his background in advising, leading and investing, in particular in high-growth businesses in biotechnology and related fields. His skills and expertise especially in the areas of corporate development and people management will be highly relevant to Record's continued development, and my Board colleagues and I are delighted to welcome him to the Board.

Outlook

Although this financial year saw fewer political shocks than that preceding it, the world still seems to be in a period of rapid change – globalisation is being challenged and the threat of protectionism and trade wars is growing. In such times, financial markets, including foreign exchange markets, will continue to be impacted by ongoing geopolitical developments and instability.

Such developments provide opportunities for the Group to engage with both current and prospective clients, and to use our innovative and flexible approach in tailoring our products to meet specific client objectives. All of this is directed towards delivering sustainable, long-term growth for the business and sustainable long-term returns for our shareholders.

The continued success of the Group is due to the support of our clients and to the talented people within, providing innovation and thought-leadership as well as the highest levels of client service. On behalf of the Board, I would like to take this opportunity to thank everyone and to look forward to further opportunities and growth in the year ahead.

Neil Record

Chairman

14 June 2018

Chief Executive Officer's statement

In a year when sterling's strength presented revenue headwinds, in contrast to the previous financial year, Record achieved revenue growth of 4%. Continued investments to enhance our products and services, as well as increased occupancy costs, led to a reduction in operating margin to 31%, and a 7% reduction in profit before tax.

Record's management is confident that these investments will create further opportunities to grow the business in the current financial year, with a diverse portfolio of well-positioned services in both currency risk management and return-seeking strategies.

Market overview

The year to 31 March 2018 saw a period of relative calm in financial markets, due to improvements in developed market growth prospects and the apparent lack of inflationary pressures. In contrast to the previous year, political outcomes were much as anticipated and were not a major source of market uncertainty. Historically low asset price volatility was therefore a major theme for the year, though this ended somewhat abruptly early in 2018. With a lack of political stimulus, trends in the FX market were driven primarily by economic surprises, in particular Eurozone growth.

Investment performance

Dynamic Hedging for US clients generated modestly negative returns, although the low hedge ratios maintained by Record's process meant that clients kept most of the gains from a broadly weak US dollar. Performance for UK clients was mixed by currency.

In return-seeking programmes, Multi-Strategy mandates generated negative returns, although Record's track record since inception continues to be supportive of further sales of this product.

Asset flows and financial performance

AUME increased by 7% in US dollar terms over the financial year to $62.2 billion, and decreased by 5% in sterling terms to £44.3 billion. Net outflows of $1.2 billion in the year represented aggregate net outflows from hedging of $2.2 billion (predominantly represented by net outflows from Dynamic Hedging of $1.7 billion), offset by net inflows to Currency for Return, Multi-product and cash of $0.6 billion, $0.3 billion and $0.1 billion respectively. The aggregate impact of external factors (i.e. equity and other market movements and the impact of exchange rates over the period) was to increase AUME by $5.1 billion and the effect of changes to portfolio sizes for some Currency for Return mandates with defined volatility targets increased AUME by $0.1 billion. Client numbers increased to 60. The anticipated mandate changes set out in April's Fourth Quarter Trading Update, resulting in net inflows of $0.5 billion to Passive Hedging and $0.3 billion to Multi-Strategy, and one net additional client, have now all taken place.

Revenues increased by 4% to £23.8 million, notwithstanding the impact of sterling strength on the conversion of the 87% of management fees that are denominated in currencies other than sterling. Record's costs before variable remuneration grew by 13%, largely attributable to the 11% growth in personnel costs due to continued investment in additional headcount in order to maintain innovation and enhancement of our services. As a result the Group's operating margin reduced from 34% to 31%, and profit before tax fell by 7% to £7.3 million. Basic earnings per share of 3.03 pence represented a 4% increase on the prior financial year, taking into account the Tender Offer undertaken in July 2017.

Strategic progress

Record's strategic progress over the year can be measured against each of the strategic objectives set out in the Annual Report 2017.

Client relationships – our strategy of building trusted individual relationships with clients and their advisers remains unchanged. The Group benefits from the diversification amongst its clients, by location, client type and objective, in that any given period typically sees a variety of different themes predominate. During the financial year, our business in Switzerland, long a core market, continued to be focused largely on Passive Hedging. The challenges in hedging to Swiss francs, particularly in a rising US dollar interest rate environment, mean that Switzerland has led much of our innovation in Passive Hedging. This innovation has created opportunities to add value for clients, which in some cases has led to those clients altering their fee structure to include a performance-related element, as discussed in the Fourth Quarter Trading Update.

In the US, the dollar has broadly been weak. As a result, interest in currency hedging has diminished; we believe this to be temporary and cyclical rather than structural. The UK market continues to be more challenging, despite some recovery in sterling, and we see Record's best prospects here in identifying opportunities for specialist and differentiated hedging services. Currency for Return in general, and Multi-Strategy in particular, is much less dependent in perception on the client's base currency, and we have continued to see growing interest. This has been demonstrated by the new mandate that has started in this financial year, and has encouraged us to launch the Record Currency Multi-Strategy Fund.

Innovation – as outlined above, the enhancement of existing products and development of new ones is a constant feature at Record, driven by clients' needs and market opportunities. Much of our focus in the financial year has been on developing Passive Hedging to take advantage of market opportunities without changing the client's hedge ratio, thereby reducing costs and adding value. As well as identifying and monitoring market opportunities, we have invested in the resources required to make investment decisions on a dynamic basis.

Continued enhancement is also a feature of Dynamic Hedging and Currency for Return strategies, with research in particular on adding further strategies to Multi-Strategy. We equally invest in operational and implementation capabilities. Although the reversal of the introduction of mandatory variation margin on FX forwards for many of our clients has meant that fewer clients than anticipated have had to introduce this, we see growing opportunities to use this capability for clients choosing to exchange margin.

People – we continue to attract, retain and develop high-quality staff, principally through intern programmes and graduate and early-stage career hires. We then focus on internal development and retention of these individuals. When recruiting staff early in their careers some attrition is inevitable, but this also creates a growing pool of alumni with whom we maintain strong relationships.

We have largely succeeded in retaining key staff in a highly-competitive employment market. During the year we have brought much of our recruiting activity in-house, with the intention of maintaining consistently high standards at lower cost than using external recruitment agents. We participate in industry remuneration benchmarking exercises, and regularly review remuneration across the firm to ensure that we remain competitive, whilst recognising increased individual contributions through promotions. The increase in personnel costs (excluding variable remuneration) of 11% has reflected the increase in staff numbers to support product innovation and enhancement, and ultimately future growth.

Risk management – the Group takes a proactive approach to developing its systems, people and processes, in order to improve management of operational risk and to meet the demands of emerging regulatory requirements. Much of the systems development focus during the financial year was on meeting the requirements of MiFID II, which we were pleased to complete in time for the 3 January 2018 deadline. We have continued to extend the scope of enhanced systems for exposure capture and rebalancing processes for Hedging mandates, and to invest in our cyber-security defences. The Group has developed a contingency plan should the UK's exit from the European Union result in the loss of "passporting" permissions, although implementation of this plan was paused given the commitment by both UK and EU authorities to a transition period extending to December 2020.

Growth – we have achieved growth in client numbers (59 to 60), AUME ($58.2 billion to $62.2 billion), management fees (£22.7 million to £23.5 million) and revenues (£23.0 million to £23.8 million) over the period. We have invested in people across the business, with headcount growing from 75 at 31 March 2017 to 83 at 31 March 2018. We continue to focus on growth opportunities in our core markets of the UK, continental Europe in particular Switzerland, and North America, as well as selectively pursuing opportunities in other markets.

Profitability – the Group's profitability has been restrained by the decision to invest in additional headcount to maintain innovation and service enhancement, as well as by increased office occupancy costs. Record's management continues to be confident that these investments will lead to further growth opportunities across Record's product range. Record's profit before tax decreased from £7.9 million to £7.3 million over the period, and the operating margin has decreased from 34% to 31%.

Outlook

With respect to new business, we are seeing a gratifyingly diverse range of opportunities across client locations, investor types and objectives. The investments we are continuing to make in service enhancement, in particular but not limited to Passive Hedging, are expected to result in new opportunities with both current and prospective clients, including in Europe and in Switzerland in particular. In the US, recent US dollar weakness has temporarily diminished interest in hedging, but Multi-Strategy continues to be well-positioned, and the recently-launched fund is expected to make it accessible to a wider range of investors than previously. We continue to explore further opportunities in other markets, such as Australia.

From a financial perspective, the move, in the case of some enhanced Passive Hedging mandates, to performance fee structures means that management fee revenues will be reduced, although we continue to expect performance fees to match or exceed the foregone management fees over time. All of Record's management and staff remain focused on maintaining and enhancing our relationships with existing clients, as well as developing new client relationships, so as to continue to grow the business.

James Wood-Collins

Chief Executive Officer

14 June 2018

Key Performance Indicators

Measuring our performance against our strategy

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

KPIs	**FY-18**	**FY-17**	**FY-16**	**FY-15**	**FY-14**
AUME at 31 March – US dollars[1]	**$62.2bn**	$58.2bn	$52.9bn	$54.7bn	$51.3bn
Client numbers at 31 March	**60**	59	58	55	48
Operating profit margin[2]	**31%**	34%	33%	35%	33%
Basic earnings per share ("EPS")	**3.03 p**	2.91 p	2.55 p	2.66 p	2.48 p

How we performed this year

- AUME increased by +7% in US dollar terms but decreased by -5% in sterling terms;
- Client numbers remained at similar levels to last year, growing by +1 and reached 60 at the end of the year;
- Operating profit margin decreased to 31% for the year as a result of the continued investment in resources to enhance products and client service; and
- Basic EPS increased by 4% for the year, as the result of two factors - profit after tax fell by 3% whilst the £10 million share buy back in July 2017 reduced the number of issued shares by approximately 10%.

[1] *As a currency manager Record manages only the impact of foreign exchange and not the underlying assets of its clients, therefore its AUM (Assets Under Management) are notional. 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.*

[2] *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 first disclosed in the results for the six months ended 30 September 2017. 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.*

Business review

Market review

For the most part, the year to 31 March 2018 saw a period of relative calm in financial markets, as improvements in developed market growth prospects and the apparent lack of inflationary pressures created a supportive environment for risk assets. In addition, and in contrast to the previous year, outcomes on the political front were much as anticipated and were not a major source of market uncertainty. Historically low asset price volatility was therefore a major theme for the year, though this ended somewhat abruptly early in 2018. With a lack of political stimulus, trends in the FX market were driven primarily by fundamental economic surprises, with euro strength standing out in particular. A lack of substantial changes to banking regulation over the past year led to a continuation of the dislocations between FX forwards and the money markets (FX basis).

Monetary policy and interest rates

Interest rates in developed markets remained low in relation to the historic norms, although central banks began to show signs of differentiation in their respective policy cycles. Those that raised interest rates faced a combination of reduced slack in the economy (in the US), wage and inflation pressures from stabilising commodity prices (in Canada), and an inflation target overshoot (in the UK). On the other end of the spectrum the Bank of Japan ("BoJ") and Swiss National Bank ("SNB") both committed to continued low interest rates. In between was the European Central Bank ("ECB"), which maintained expansionary policy but continued to guide market expectations around its normalisation strategy.

The Federal Reserve followed through on its promise of further policy normalisation, contrary to market expectations at the start of the year. An initial rate hike in June was followed by two more; one in December and one at newly appointed Federal Reserve Chairman Jerome Powell's first meeting in March. Underlying measures of US inflation were broadly unchanged and remained below the Federal Reserve's target. Despite a seemingly supportive economic backdrop, the US dollar fell on a trade-weighted basis, continuing a trend that first emerged in late 2016.

The ECB maintained its ultra-accommodative policy stance, though altered the implementation of policy by lowering the size of monthly bond purchases and extending the expected end date of its QE programme. Easy policy in the Eurozone was overshadowed by an economic revival which saw Eurozone growth outstrip that of other G4 economies. Markets, and by extension the euro, responded accordingly with the single currency appreciating notably. Europe's busy political calendar did little to upset the upward trend as the election of Emmanuel Macron in France and the formation of a coalition government in Germany contrasted with the success of more Eurosceptic parties in Italy's general election.

The Bank of England went some way towards reversing emergency stimulus deployed following the Brexit referendum, and, having turned cautiously optimistic on growth, hiked rates by 0.25% in November. In addition to a less severe than projected slowdown following the vote, the decision was simplified by inflation which, as a result of sterling's decline in 2016, peaked above 3%. Though there has been a general perception of sterling strength, this was as much a story of US dollar weakness, as the pound appreciated only modestly on a trade-weighted basis.

The Swiss National Bank continued to pursue exceptionally low interest rates as inflationary pressures failed to materialise. The Swiss franc showed mixed performance and depreciated notably versus the euro yet strengthened against the US dollar. Overall, the franc fell on a trade-weighted basis, and this was broadly reflective of diverging monetary policy prospects vis-à-vis the rest of the world, and the absence of severe political upset in Europe.

The Japanese yen traded in a range versus the US dollar for most of the financial year before strengthening in the first quarter of 2018. The BoJ continued to target a 10-year yield of 0%, though markets began to price the possibility of an increase in the target yield. This came despite only a modest improvement in core inflation – which remains well below the BoJ target – and was in reaction to hawkish verbal communications from BoJ Governor Haruhiko Kuroda. The Bank officially maintained that inflation would be allowed to overshoot the 2% target before monetary tightening occurs.

FX basis developments

Over the past few years, the historical relationship between the interest rates observed in the money markets and those implied by the FX forward market has weakened. This dislocation is known as the FX basis.

Over the year, there has been no major change in the overall basis trends, although the magnitude of dislocations has varied across the developed markets due to currency specific factors.

Brexit

This financial year covered the first half of the two-year Article 50 notice period. The ebb and flow of expectations as to the consequences of the UK's exit from the EU was felt both in currency markets and in Record's contingency planning.

As noted above, it became evident throughout the year that the immediate economic consequences of the Brexit referendum vote in June 2016 had been less severe than expected in some quarters at least. Despite the EU negotiating principle that "nothing is agreed until everything is agreed", the year saw a gradual diminishing of concerns over a "hard" Brexit, as some consensus began to emerge between the UK and the EU. This was first evident in agreement in principle on the financial terms of separation, citizens' right and the Irish border in December 2017. Similar agreement on an implementation or transition period was reached in March 2018. This consensus as well as the improved economic backdrop contributed to sterling's appreciation over the year, particularly against the US dollar.

The caveat that "nothing is agreed until everything is agreed" continues to hold however, and significant risks to the negotiation process remain. In particular, major issues such as customs arrangements have yet to be agreed, and the positions reached in principle on the items set out above may fail to be translated into detailed agreements. Furthermore any withdrawal agreement is subject to political risk in the form of ratification by UK and EU parliaments.

The emergent consensus on a transition period has affected Record's implementation of its Brexit contingency plan. Since the referendum, we have developed a plan focused on continuing to serve existing clients, and market to new clients, across the remaining EU27 countries. If this plan had to be implemented for March 2019, Record would anticipate relocating a modest number of existing staff to Dublin by the fourth quarter of 2018. Since the anticipated transition period would preserve the legal and regulatory status quo until December 2020, we have paused the implementation of some aspects of this plan. We are aware though of the remaining risks, and are further preparing for the risk that the transition period falls through.

Regulation

Record's main regulatory focus during the financial year, in addition to ensuring compliance with established regulatory regimes to which Record adheres around the world, was on implementing the requirements of new regulation. Foremost among these were the revised EU Markets in Financial Instruments Directive, known as MiFID II. This wide-ranging regulation had consequences across the business, of which the most impactful were in post-trade transparency and transaction reporting. We were pleased to achieve full compliance by the deadline of 3 January 2018, and have now embedded all the relevant requirements in our business-as-usual processes.

The European Market Infrastructure Regulation, or EMIR, had also been expected to impose widespread changes, in particular by imposing mandatory variation margin on foreign exchange forward contracts for a wide range of EU market participants, including many of Record's clients. We had long advocated against this approach, since the regulation was first proposed in 2014, and so we were ultimately satisfied to see the range of market participants affected by this reduced in scope in late 2017.

Record reviewed and modified its processes to meet its obligations to safeguard personal data in order to meet the requirements of the General Data Protection Regulation ("GDPR") when it came into force on 25 May 2018.

Operating review

This section discusses Record's enhanced Passive Hedging service, including its performance track record, before reviewing investment performance of Record's other products.

Enhanced Passive Hedging

Over the past four years, Record has developed an enhanced Passive Hedging service. This aims to reduce the cost of hedging by introducing new flexibility into the implementation of currency hedges, without changing the hedge ratio. Typically this involves varying the hedge implementation to reduce costs in two key areas, being the direct costs of maintaining the hedge (e.g. trading spreads), and the interest rate differential embedded in the forward contracts. While the strategy is partly systematic, the episodic nature of many opportunities exploited by the strategy means it requires a higher level of discretionary oversight than has historically been associated with Passive Hedging.

The table below shows the total value added relative to a fixed-tenor benchmark for an enhanced Passive Hedging programme for a representative account.

	Return for year to 31 March 2018	**Return since inception[1]**
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	0.12%	0.11% p.a.

Product investment performance

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

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 year, US investors saw gains from currency on international assets when valuing positions in US dollars, as the US dollar depreciated against all G10 currencies. Record's Dynamic Hedging product decreased hedge ratios in line with US dollar weakness, and allowed clients to keep the majority of these gains.

Mandates for our UK-based Dynamic Hedging clients performed as expected in terms of allowing clients to benefit from periods of strengthening foreign currencies, whilst being generally protected against periods of weakening foreign currencies. The programmes generated mixed results in line with differences in hedgeable weights and active programme periods. Hedging gains came primarily from hedging the US dollar, while euro losses were contained as hedge ratios were reduced over the quarter in response to sterling movements.

Record's principal Currency for Return product during the year was Currency Multi-Strategy. This combines a number of diversified return streams. Record's Multi-Strategy mandates combining Carry, Emerging Market, Momentum and Value strategies delivered negative performance over the period.

Fund name	Gearing	Return for 12 months to 31 March 2018 %	Return since inception % p.a.	Volatility since inception % p.a.
FTSE FRB10 Index Fund[2]	1.8	(2.61%)	1.44%	7.04%
Emerging Market Currency Fund[3]	1	1.01%	1.51%	6.17%

[1] Since inception in October 2014.
[2] FTSE FRB10 Index Fund return data is since inception in December 2010, GBP base.
[3] Record Currency – Emerging Market Currency Fund return data is since inception in December 2010, GBP base.

Index/composite returns	Return for 12 months to 31 March 2018 %	Return since inception % p.a.	Volatility since inception % p.a.
FTSE Currency FRB10 GBP Excess return[1]	(1.47%)	2.22%	4.57%
Record Multi‑Strategy composite [2]	(1.74%)	1.73%	2.41%

Gearing

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

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 segregated mandate size or the pooled fund's net assets. This is limited by the willingness of counterparty banks to take exposure to the segregated client or pooled fund. Gearing in this context does not involve borrowing.

AUME development

AUME expressed in US dollar terms increased by 7% during the year ended 31 March 2018, finishing at $62.2 billion (2017: $58.2 billion).

AUME expressed in sterling decreased to £44.3 billion (2017: £46.6 billion), broadly reflecting sterling strength versus the US dollar (+12%) and the Swiss franc (+7%) over the twelve months.

AUME development ($bn)

Opening AUME at 1 April 2017	Net client inflows	Portfolio scaling adjustment	Markets	FX effects	Closing AUME at 31 March 2018
58.2	-1.2	+0.1	+1.3	+3.8	62.2

AUME movements

The Group has seen net outflows of $1.2 billion during the year arising from inflows from both new and existing clients of $9.9 billion offset by outflows of $11.1 billion.

Passive Hedging AUME grew by 10% to $53.0 billion at the end of the year (2017: $48.2 billion). Marginal net outflows of -$0.5 billion were more than offset by the net impact of market factors (+$1.7 billion). Movements in exchange rates contributed a further +$3.6 billion.

Dynamic Hedging AUME decreased by -$2.0 billion ending the year at $4.3 billion, the majority of the decrease being represented by net outflows of -$1.7 billion. As reported during the year, Record's remaining UK-based Dynamic Hedging clients either converted their mandates to Passive Hedging or terminated in the first half of the year as a result of the negative returns and cash flows experienced linked to persistent weakness in sterling following the EU referendum. External factors had an impact of -$0.3 billion.

The Currency for Return product reached the fifth anniversary of its live track record in July 2017 and saw AUME inflows of +$0.6 billion in the first quarter, ending the year at $1.6 billion (2017: $1.0 billion).

Multi-product AUME increased from $2.5 billion to $3.0 billion at year end, with inflows of +$0.3 billion from existing clients and the net impact of external factors of +$0.2 billion.

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 increased AUME by $1.3 billion in the year to 31 March 2018.

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[1] FTSE Currency FRB10 GBP Excess return data is since December 1987, GBP base.
[2] Record Multi‑Strategy composite is since inception in July 2012, showing excess returns data gross of fees in USD base, and has been scaled to a 4% target volatility.

Further detail on the composition of assets underlying our 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.

AUME composition by underlying asset class as at 31 March 2018

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

Forex

As 89% of the Group's AUME is non-US dollar denominated, foreign exchange movements may have an impact on AUME when expressing non-US dollar denominated AUME in US dollars. Foreign exchange movements increased AUME by $3.8 billion over the year. This movement does not have an equivalent impact on the sterling value of fee income.

At 31 March 2018, the split of AUME by base currency was 15% in sterling, 58% in Swiss francs, 11% in US dollars, 14% in euros and 2% in other currencies.

Product mix

AUME composition by product

	31 March 18		31 March 17	
	US $bn	**%**	**US $bn**	**%**
Dynamic Hedging	4.3	7%	6.3	11%
Passive Hedging	53.0	85%	48.2	83%
Currency for Return	1.6	3%	1.0	2%
Multi-product	3.0	5%	2.5	4%
Cash	0.3	-%	0.2	-%
Total	**62.2**	**100%**	**58.2**	**100%**

Aggregate Hedging AUME represented 92% of the total AUME, remaining broadly consistent with the prior year (2017: 94%). However, the mix within Hedging products has changed with UK-based Dynamic Hedging clients choosing to either transfer to lower-margin Passive Hedging or to terminate during the first half of the year as a result of negative returns and cash flows following a period of sterling weakness after the EU referendum. Currency for Return and Multi-product strategies increased during the year predominantly as a result of aggregate net inflows of +$0.9 billion, and together now account for 8% of total AUME (2017: 6%).

Client numbers

Client numbers reached 60 at 31 March 2018 (2017: 59). The net increase of one client over the year was comprised of seven new clients and six clients whose mandates were terminated.

AUME composition by product and base currency

	Dynamic Hedging		Passive Hedging		Currency for Return		Multi-product	
Base currency	**31 March 18**	**31 March 17**	**31 March 18**	**31 March 17**	**31 March 18**	**31 March 17**	**31 March 18**	**31 March 17**
Sterling	-	GBP 1.7bn	GBP 6.6bn	GBP 7.8bn	-	-	-	-
US dollar	USD 4.3bn	USD 4.3bn	USD 1.0bn	USD 0.7bn	USD 0.4bn	USD 0.7bn	USD 1.2bn	USD 0.2bn
Swiss franc	-	-	CHF 32.2bn	CHF 31.6bn	-	-	CHF 2.6bn	CHF 2.3bn
Euro	-	-	EUR 7.1bn	EUR 5.4bn	-	-	-	-
Canadian dollar	-	-	-	-	CAD 0.5bn	CAD 0.4bn	-	-
Singapore dollar	-	-	SGD 0.1bn	SGD 0.1bn	-	-	-	-
Swedish krona	-	-	SEK 2.6bn	SEK 2.4bn	-	-	-	-

Financial review

The Group saw increased revenues in the year and continues to invest in resources to further enhance its differentiated products and services.

Overview

The Group's AUME grew to $62.2 billion (+7%) representing the highest ever year end AUME reported for the Group, when expressed in US dollars.

Asset net outflows were -$1.2 billion (2017 net inflows: +$3.2 billion), and increases in underlying equity and other market movements totalled +$5.1 billion (2017: +$5.4 billion). Client numbers remained broadly consistent with last year, reaching 60 at the year-end (2017: 59).

The Group's total revenue increased by 4% over last year, notwithstanding the reversal in part of last year's tailwind due to sterling's depreciation following the UK referendum vote and its effect on those Group revenues denominated in the base currencies of our clients, when retranslated into sterling.

The Group continued to invest in resources to maintain the level of innovation and product enhancement necessary to maintain Record's differentiated and premium product and service offering over the long term. Total operating expenditure (excluding variable remuneration costs) increased by 13% over the prior year, including increases in both personnel costs (+11%) and non-personnel costs (+15%). Variable remuneration costs relating to the Group Profit Share ("GPS") scheme decreased by 6% in line with the decrease in operating profit (calculated before GPS).

The Group's operating profit margin decreased to 31% (2017: 34%) for the year, and profit before tax decreased by 7% versus the prior year.

Profit and loss (£m)	**2018**	**2017 (restated)**
Revenue	**23.8**	**23.0**
Cost of sales	(0.3)	(0.3)
Gross profit	**23.5**	**22.7**
Personnel (excluding GPS)	(7.9)	(7.1)
Non-personnel cost	(5.4)	(4.7)
Other income or expense	0.2	0.2
Total expenditure (excluding GPS)	(13.1)	(11.6)
GPS	(3.1)	(3.3)
Operating profit	**7.3**	**7.8**
Operating profit margin	31%	34%
Net interest received	-	0.1
Profit before tax	**7.3**	**7.9**
Tax	(1.2)	(1.6)
Profit after tax	**6.1**	**6.3**

Revenue

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

Revenue analysis (£m)	**2018**	**2017 (restated)**
Management fees	23.5	22.7
Performance fees	-	-
Other currency services income	0.3	0.3
Total	**23.8**	**23.0**

Record charges management fees to its clients based upon the AUME of the product provided. Both Passive and Dynamic Hedging typically have management fee only arrangements although Dynamic and, more recently, enhanced Passive Hedging programmes can be offered 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 are normally invoiced on a quarterly basis, although Record may invoice management fees for some of its larger clients on a monthly basis. Performance fees are invoiced on the basis agreed with the client, and can include quarterly, six-monthly or annual performance periods.

Management fees

Management fees earned during the year increased by 3% to £23.5 million (2017: £22.7 million), notwithstanding the impact of sterling strength during the year on the conversion of non-sterling denominated fees.

The year-on-year growth in Passive Hedging continues, with Passive Hedging management fees increasing by 56% over the last three years, and totalling £12.6 million for the year (2017: £12.1 million). Passive Hedging management fees comfortably cover the annual personnel costs of £7.9 million and the majority of the non-personnel costs (excluding variable remuneration) of £5.4 million. The increase in Passive Hedging management fees was primarily driven by the full-year effect of net AUME inflows totalling $2.5 billion in the prior year, alongside growth in equity and other market levels (+$1.7 billion) over the year increasing the underlying size of these mandates.

Dynamic Hedging management fees reduced by 8% to £5.1 million (2017: £5.6 million). Net outflows totalled $1.7 billion over the year.

Inflows of $0.6 billion into Currency for Return mandates in the year, alongside the full year effect of inflows of $0.3 billion in the prior year, resulted in an 80% increase to related management fees which totalled £1.8 million for the year. Total Multi-product management fees remained at £4.0 million for the year with fees from inflows of +$0.3 billion early in the year offsetting the reduced fees arising from net outflows of $0.5 billion in the latter half of the prior year.

Management fees by product (£m)	**2018**	**2017**
Dynamic Hedging	5.1	5.6
Passive Hedging	12.6	12.1
Currency for Return	1.8	1.0
Multi-product	4.0	4.0
Total	**23.5**	**22.7**

Average management fee rates for all product lines have remained broadly constant throughout the year ended 31 March 2018.

Average management fee rates by product (bps)	**2018**	**2017**
Dynamic Hedging	14	12
Passive Hedging	3	4
Currency for Return	16	15
Multi-product	18	20

Aggregate Currency for Return fee rates on AUME can change as a result of increasing or decreasing portfolio sizes for mandates with defined volatility targets, where the fee rate is linked to the target volatility. Certain Multi-Strategy portfolio sizes have been increased as volatility in the underlying strategies has fallen and as diversification between strategies has become greater, reducing the volatility of the aggregate return to the client. This effect may reverse in future periods. Fee rates based on volatility targets have not changed during the period.

Performance fees

Performance fees can be earned from Currency for Return, Dynamic Hedging and now more recently from some enhanced Passive Hedging programmes, dependent on the individual client agreement. Record had two Dynamic Hedging mandates during the year incorporating a performance fee component, both of which were for UK-based clients. As reported in October 2017, Record's remaining UK-based Dynamic Hedging programmes ceased without any accrued performance fees. The first performance fees capable of being earned under the enhanced Passive Hedging programmes will be earned in the year ended 31 March 2019. There was no performance fee earned in the year (2017: nil).

Other currency services income

Other currency services income totalled £0.3 million (2017: £0.3 million) and consists of fees from ancillary currency management services including revenue from the licensing agreement with WisdomTree. 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 were previously included within revenue as "other income" have been re-presented in expenditure as “other income or expense”. Details of the effect of this presentational change are provided in note 29 to the financial statements.

Expenditure

Operating expenditure

The Group continues to invest in personnel and resources to maintain its innovative approach and its premium products and levels of service. The enhanced Passive Hedging service has been developed with a view to saving costs and adding value for those Passive Hedging clients with the flexibility to take advantage of the episodic nature of the opportunities arising. This additional capability requires higher technical expertise and resource than the core Passive Hedging product alone.

Group operating expenditure (excluding variable remuneration) increased by 13% to £13.1 million for the year (2017: £11.6 million). Personnel costs for the year increased to £7.9 million, an increase of 11% over the prior year reflecting the growth in employee numbers, which rose from an average of 73 last year to 81 this year. The increase in non-personnel costs of 15% was driven predominantly by the full-year impact of the increase in occupancy costs associated with the new lease on larger offices for Record’s headquarters in Windsor and the move of the US office from Atlanta to New York, both at higher market rentals than was previously the case. The Group also signed a lease for the new office in Zürich during the year (see note 23 of the financial statements for further detail). One-off costs of £0.2 million were incurred in the year relating to the Tender Offer in July 2017.

Group Profit Share Scheme

The Group operates a Group Profit Share Scheme such that a long-term average of 30% of underlying operating profit before Group Profit Share (“GPS”) is made available to be awarded to staff. The Remuneration Committee has agreed that for the year ended 31 March 2018, the Group Profit Share Scheme is 30% of pre-GPS operating profit. This represents £3.1 million, a decrease of 6% over the previous financial year and in line with Group financial performance. Directors and senior management in Record are required to take a proportion of this remuneration in the form of shares which are subject to lock-up arrangements under the scheme rules.

Operating profit and margins

Notwithstanding the increase to management fees and revenue for the year, the continued investment in resources and the increase in non-personnel costs has resulted in a 6% decrease in operating profit for the year to £7.3 million, and a decrease in the Group operating margin to 31% (2017: 34%).

Cash flow

The Group’s year end cash and cash equivalents stood at £12.5 million (2017: £19.1 million). The cash generated from operating activities before tax was £4.3 million (2017: £8.7 million); the majority of the decrease year on year is the decrease in cash of £4.1 million following the loss of “control” and subsequent deconsolidation of the Record Currency – Emerging Market Currency Fund (see note 12 for further details). £1.6 million was paid in taxation (2017: £1.6 million) and £6.8 million paid in dividends (2017: £3.6 million). During the year the Group repurchased 22.3 million shares via a Tender Offer for cash of £10 million.

At the year end, the Group held money market instruments with maturities between three and twelve months, worth £10.2 million (2017: £18.1 million). These instruments are managed as cash by the Group but are not classified as cash under IFRS rules (see note 16 of the financial statements for more details).

Dividends

Shareholders received an interim ordinary dividend of 1.15 pence per share paid on 22 December 2017, equivalent to £2.3 million. As disclosed in the Chairman’s statement, the Board is recommending an increased ordinary dividend in line with the progressive dividend policy and in addition a special dividend returning the excess of this year’s earnings over the total ordinary dividend and increased capital requirements, to shareholders.

Consequently, the Board recommends paying a final ordinary dividend of 1.15 pence per share, equivalent to £2.3 million, and taking the overall ordinary dividend to 2.30 pence per share. Simultaneously, the Board is also paying a special dividend of 0.5 pence per share (equivalent to £1.0 million), making the total dividends paid for the year of £5.6 million equivalent to 92% of total earnings of 3.03 pence per share. The total ordinary and special dividend paid in respect of the prior year ended 31 March 2017, were 2.00 pence per share, and 0.91 pence per share respectively.

Subject to shareholder approval, the final ordinary dividend will be paid simultaneously with the special dividend on 1 August 2018 to shareholders on the register on 29 June 2018, the ex-dividend date being 28 June 2018. All ordinary and special dividends for the financial year will be fully covered by earnings.

For the current and future financial years, the Board intends to continue to pursue a progressive dividend policy and to consider the return of excess earnings over ordinary dividends to shareholders, potentially in the form of special dividends. On this basis, such distributions to shareholders will be considered on a “total distribution” basis, such that the total distribution for any one financial year will at least be covered by earnings, whilst always being subject to market conditions at the time, and to any further excess capital assessed as required by the Board.

Financial stability and capital management

The Group's balance sheet is strong and liquid with total net assets of £26.6 million at the end of the year, including current assets managed as cash totalling £22.7 million. The business remains cash generative, with net cash inflows from operating activities of £2.7 million for the year.

The Board's capital policy is to retain minimum capital (being equivalent to shareholders' funds) within the business broadly equivalent to twelve months' worth of future estimated operating expenses (excluding variable remuneration), plus capital assessed as sufficient to meet regulatory capital requirements and working capital purposes, and for investing in new opportunities for the business. To this end, the Group maintains a financial model to assist it in forecasting future capital requirements over a three-year cycle under various scenarios and monitors the capital and liquidity positions of the Group on an ongoing and frequent basis. The Group has no debt.

In 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 in line with the capital policy.

Record Currency Management Limited ("RCML") is a BIPRU limited licence firm authorised and regulated in the UK by the Financial Conduct Authority ("FCA"), and is a wholly owned subsidiary of Record plc. Both RCML and the Group submit semi-annual capital adequacy returns to its regulator (FCA), and held significant surplus capital resources relative to the regulatory financial resource requirement throughout the year.

The Board has concluded that the Group is adequately capitalised both to continue its operations effectively and to meet regulatory requirements, due to the size and liquidity of balance sheet resources maintained by the Group.

The Group held regulatory capital resources based on the audited financial statements as at 31 March, as follows:

Regulatory capital resources (£m)	**2018**	**2017**
Core Tier 1 capital	26.6	36.8
Deductions: intangible assets	(0.2)	(0.2)
Regulatory capital resources	**26.4**	**36.6**

Further information regarding the Group's capital adequacy information can be found in the Group's Pillar 3 disclosure, which is available on the Group's website at www.recordcm.com.

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have performed a robust assessment of the viability of the Group considering the business model, the Group's expected financial position, Board strategy and risk appetite, the Group's solvency and liquidity and its principal risks. Based on this assessment, the Directors have a current and reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due up to 31 March 2021.

The Directors review the financial forecasts and position of the Group on an ongoing basis. The capital and dividend policy reflects the stated objectives of maintaining a strong balance sheet whilst allowing the Group the flexibility to adapt its products and services to market conditions, or to take advantage of emerging business opportunities. The Group's strategy and principal risks are assessed and reviewed regularly by the Board, as well as by the Executive Committee and operational sub-committees within the Group.

In assessing the viability of the Group the Directors have considered the principal risks affecting the Group, which underpin the basis for the stress testing of the business plan conducted as part of the Group's Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP uses severe but plausible stress scenarios assuming the crystallising of a number of these principal risks to assess the options for mitigating the impact on the Group, and for ensuring that the ongoing viability of the Group is sustained.

Some of the stress scenarios include the following factors and assumptions:

- Market downturn – causing a decrease to AUME (whether through outflows or a reduction in value due to the link to other financial markets) and hence revenue and profitability;
- Operational risk event – causing AUME outflows and potentially reputational damage; and
- Market intervention – by a government or regulatory body rendering some of the Group's products ineffective and hence a reduction in AUME.

The scenarios assume mitigating actions including the potential for non-critical cost reductions and reassessing the dividend policy, although any mitigating actions would need to be reassessed depending on the specific circumstances and expected duration of the factors affecting the business model at the time. The possibility that the impact and timing of factors potentially affecting the viability of the Group could be more severe than assumed plausible for the above testing should also be noted.

The market and regulatory environment in which the Group operates continues to evolve at a pace. The Directors consider a three year horizon over which to assess the viability of the Group to be appropriate under such circumstances, since any further planning horizon provides a greater level of uncertainty to financial projections. This approach is consistent with that of the ICAAP.

Upon review of the results of the stress testing, the Directors concluded that the Group would have sufficient capital and liquid resources to withstand the stressed scenarios and ensure its ongoing viability, based on current information and the three-year viability horizon.

Our business model and Brexit

The British government invoked Article 50 on 29 March 2017, beginning the two year countdown to the UK withdrawing from the European Union. Notwithstanding the more recent progress made in negotiations, uncertainty remains on the possible outcomes and timeframes for many aspects of the withdrawal.

Approximately 90% of our revenue was sourced from clients based outside of the EU27, so any decrease in our current EU27-sourced revenue would prove challenging, although not fundamental to our ability to continue to operate. However, the Group intends to take all reasonable steps to maintain its ability to continue to service current EU clients and to gain more EU clients in the future. In this respect, we continue to closely monitor the progress of negotiations, and have made sufficient progress with contingency plans that we would expect would allow us to achieve this objective, no matter what the outcome of the negotiations, including any transition period.

For this reason, we consider Brexit to represent a level of risk to the continued operation and viability of the business that is lower than those principal risks used for the stress scenarios and modelled through the ICAAP.

Consolidated statement of comprehensive income

Year ended 31 March

	Note	2018 £'000	Restated 2017 £'000
Revenue	**3**	**23,834**	**22,952**
Cost of sales		(311)	(298)
Gross profit		**23,523**	**22,654**
Administrative expenses		(16,424)	(15,067)
Other income or expense		173	157
Operating profit	**4**	**7,272**	**7,744**
Finance income		66	112
Finance expense		(10)	-
Profit before tax		**7,328**	**7,856**
Taxation	**6**	(1,182)	(1,540)
Profit after tax and total comprehensive income for the year		**6,146**	**6,316**
Earnings per share for profit attributable to the equity holders of the Group during the year			
Basic earnings per share	**7**	3.03p	2.91p
Diluted earnings per share	**7**	2.98p	2.90p

The comparative period has been restated. A reconciliation of the previously published statement of comprehensive income to the restated statement is provided in note 29.

Consolidated statement of financial position

As at 31 March

	Note	2018 £'000	Restated 2017 £'000
Non-current assets			
Property, plant and equipment	10	910	881
Intangible assets	11	228	245
Investments	12	1,115	-
Deferred tax assets	13	86	102
Total non-current assets		**2,339**	**1,228**
Current assets			
Trade and other receivables	14	6,775	6,972
Derivative financial assets	15	266	53
Money market instruments with maturities > 3 months	16	10,198	18,102
Cash and cash equivalents	16	12,498	19,120
Total current assets		**29,737**	**44,247**
Total assets		**32,076**	**45,475**
Current liabilities			
Trade and other payables	17	(2,630)	(3,013)
Corporation tax liabilities	17	(399)	(804)
Financial liabilities	18	(2,467)	(4,779)
Derivative financial liabilities	15	(29)	(48)
Total current liabilities		**(5,525)**	**(8,644)**
Total net assets		**26,551**	**36,831**
Equity			
Issued share capital	19	50	55
Share premium account		2,237	1,971
Capital redemption reserve		26	20
Retained earnings		24,238	34,785
Total equity		**26,551**	**36,831**

The comparative period has been restated. A reconciliation of the previously published statement of financial position to the restated statement is provided in note 29.

Consolidated statement of changes in equity

Year ended 31 March 2018

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2017	**55**	**1,971**	**20**	**34,785**	**36,831**
Profit and total comprehensive income for the year	-	-	-	6,146	**6,146**
Dividends paid	-	-	-	(6,810)	**(6,810)**
Share buy-back and cancellation	(5)	-	6	(10,000)	**(9,999)**
Own shares acquired by EBT	-	-	-	(952)	**(952)**
Release of shares held by EBT	-	266	-	1,241	**1,507**
Share-based payment reserve movement	-	-	-	(172)	**(172)**
Transactions with shareholders	**(5)**	**266**	**6**	**(16,693)**	**(16,426)**
As at 31 March 2018	**50**	**2,237**	**26**	**24,238**	**26,551**

Year ended 31 March 2017 (restated)

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2016	55	1,899	20	31,715	**33,689**
Profit and total comprehensive income for the year	-	-	-	6,316	**6,316**
Dividends paid	-	-	-	(3,592)	**(3,592)**
Own shares acquired by EBT	-	-	-	(775)	**(775)**
Release of shares held by EBT	-	72	-	992	**1,064**
Share-based payment reserve movement	-	-	-	129	**129**
Transactions with shareholders	**-**	**72**	**-**	**(3,246)**	**(3,174)**
As at 31 March 2017	**55**	**1,971**	**20**	**34,785**	**36,831**

The comparative period has been restated. A reconciliation of the previously published statement of changes to equity to the restated statement is provided in note 29.

Consolidated statement of cash flows

Year ended 31 March

	Note	2018 £'000	Restated 2017 £'000
Net cash inflow from operating activities	24	**2,746**	**7,107**
Cash flow from investing activities			
Purchase of intangible software		(82)	(189)
Purchase of property, plant and equipment		(236)	(899)
Sale/(purchase) of money market instruments with maturity > 3 months		7,904	(5,082)
Interest received		77	112
Net cash inflow/(outflow) from investing activities		**7,663**	**(6,058)**
Cash flow from financing activities			
Exercise of share options		-	28
Purchase of own shares		(10,367)	(221)
Dividends paid to equity shareholders	8	(6,810)	(3,592)
Cash outflow from financing activities		**(17,177)**	**(3,785)**
Net decrease in cash and cash equivalents in the year		**(6,768)**	**(2,736)**
Effect of exchange rate changes		146	136
Cash and cash equivalents at the beginning of the year		19,120	21,720
Cash and cash equivalents at the end of the year		**12,498**	**19,120**
Closing cash and cash equivalents consist of:			
Cash		4,411	7,457
Cash equivalents		8,087	11,663
Cash and cash equivalents	16	**12,498**	**19,120**

The comparative period has been restated. A reconciliation of the previously published statement of cash flows to the restated statement is provided in note 29.

Company statement of financial position

As at 31 March

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments	12	5,288	4,197
Total non-current assets		5,288	4,197
Current assets			
Cash and cash equivalents	16	2	2
Total current assets		**2**	**2**
Total assets		**5,290**	**4,199**
Current liabilities			
Trade and other payables	17	(1,093)	(11)
Corporation tax liabilities	17	-	(67)
Total current liabilities		**(1,093)**	**(78)**
Total net assets		**4,197**	**4,121**
Equity			
Issued share capital	19	50	55
Share premium account		1,809	1,809
Capital redemption reserve		26	20
Retained earnings		2,312	2,237
Total equity		**4,197**	**4,121**

The Company's total comprehensive income for the year (which is principally derived from intra-group dividends) was £16,688,038 (2017: £3,855,425).

Company statement of changes in equity

Year ended 31 March 2018

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2017	**55**	**1,809**	**20**	**2,237**	**4,121**
Profit and total comprehensive income for the year	-	-	-	16,688	16,688
Share buy back	(5)	-	6	(10,000)	(9,999)
Dividends paid	-	-	-	(6,810)	(6,810)
Share option reserve movement	-	-	-	197	197
Transactions with shareholders	**(5)**	**-**	**6**	**(16,613)**	**(16,612)**
As at 31 March 2018	**50**	**1,809**	**26**	**2,312**	**4,197**

Year ended 31 March 2017

	Called up share capital £'000	Share premium account £'000	Capital redemptio n reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2016	**55**	**1,809**	**20**	**1,773**	**3,657**
Profit and total comprehensive income for the year	-	-	-	3,855	**3,855**
Dividends paid	-	-	-	(3,592)	**(3,592)**
Share option reserve movement	-	-	-	201	**201**
Transactions with shareholders	**-**	**-**	**-**	**(3,391)**	**(3,391)**
As at 31 March 2017	**55**	**1,809**	**20**	**2,237**	**4,121**

Company statement of cash flows

Year ended 31 March

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities	24	**1,015**	**-**
Cash flow from investing activities			
Dividends received		16,810	3,592
Investment in subsidiaries		(16)	-
Investment in seed funds		(1,000)	-
Interest received		1	-
Net cash inflow from investing activities		**15,795**	**3,592**
Cash flow from financing activities			
Purchase of own shares	19	(10,000)	-
Dividends paid to equity shareholders	8	(6,810)	(3,592)
Cash outflow from financing activities		**(16,810)**	**(3,592)**
Net increase in cash and cash equivalents in the year		-	-
Cash and cash equivalents at the beginning of the year		2	2
Cash and cash equivalents at the end of the year		**2**	**2**
Closing cash and cash equivalents consist of:			
Cash		2	2
Cash equivalents		-	-
Cash and cash equivalents		**2**	**2**

Notes to the financial statements

For the year ended 31 March 2018

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

1. Accounting policies

In order to provide the clarity of the notes to the financial statements, accounting policy descriptions appear at the beginning of the note to which they relate, and are shown in italic 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 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 2018. The financial statements have been prepared on a historical cost basis, modified to include fair valuation of derivative financial instruments.

The Directors are satisfied that the Company and the Group have adequate resources with which to continue to operate for the foreseeable future. For this reason the financial statements have been prepared on a going concern basis.

The preparation of financial statements in accordance with the recognition and measurement principles set out in 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.

Restatement of prior year financial statements

Management has reviewed the basis of preparation of the Group's consolidated financial statements, 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 statement 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 period (year ended 31 March 2017) to the restated primary statements is provided in note 29, together with a reconciliation of the primary financial statements for the year ended 31 March 2018 prepared under the historic basis of interpretation to the primary financial statements under the new basis of interpretation.

Impact of new accounting standards

There have been no new or amended standards adopted in the financial year beginning 1 April 2017 which have had a material impact on the Group or Company.

The following standards and interpretations relevant to the Group's operations were issued by the IASB but are not yet mandatory:

IFRS 9 – Financial Instruments

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39 "Financial Instruments: recognition and measurement" with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income.

Under IFRS 9, the Group's business model and the contractual cash flows arising from its investments in financial instruments will determine the appropriate classification. The Group has assessed its balance sheet assets in accordance with the new classification requirements, and does not anticipate any changes in the classification and measurement for any of the Group's financial assets or liabilities.

In addition, IFRS 9 introduces an expected loss model for the assessment of impairment of financial assets. The current (incurred loss) model under IAS 39 requires the Group to recognise impairment losses when there is objective evidence that an asset is impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. This model is not applicable for investments held at fair value through profit or loss. Therefore the assets on the Group's balance sheet to which the expected loss model applies are receivables (note 14), which do not have a history of credit risk or expected future recoverability issues. Therefore, no change to the carrying values of the Group's assets is expected as a result of adoption of the new standard.

The new hedging requirements under IFRS 9, which are optional to adopt, provide increased flexibility in relation to hedge effectiveness in order to better align hedge accounting with a company's risk management policies. The Group has not applied hedge accounting in the past, and does not anticipate applying the IFRS 9 hedge accounting requirements in the future.

The Group does not anticipate that IFRS 9 will have a material impact on its reported results but notes that IFRS 9 also requires increased disclosures in relation to the Group's risk management strategy.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, replacing IAS 18 "Revenue" and related interpretations. IFRS 15 establishes a single, principles-based revenue recognition model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. IFRS 15 introduces a five-step approach to revenue recognition:

(1) identify the contract with the customer;
(2) identify the performance obligations in the contract;
(3) determine the transaction price;
(4) allocate the transaction price to the performance obligations in the contract; and
(5) recognise revenue when or as the entity satisfies a performance obligation.

IFRS 15 is more prescriptive in terms of its recognition criteria, with certain specific requirements in respect of variable fee income such that it is only recognised where the amount of revenue would not be subject to significant future reversals. New disclosure requirements are also introduced.

The Group has assessed how these changes impact the timing of management and performance fee recognition in the context of its existing investment management agreements. Management fee revenues are recorded on a monthly basis as the underlying currency management service occurs, there are no performance or other obligations (excluding standard duty of care requirements). Performance fee revenues are not considered to be highly probable until the end of a contractual performance period and therefore are not recognised until they crystallise, at which time they are payable by the client and cannot be clawed-back. There are no other performance obligations or services provided which suggest these have been earned either before or after crystallisation date.

As a result of this assessment the Group has not identified any material changes to current revenue recognition principles.

The Group does not anticipate that IFRS 15 will have a material impact on its reported results.

IFRS 16 – Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019 and replaces IAS 17 "Leases" and related interpretations. This introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees, which distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. There is substantially no change to the accounting requirements for lessors. IFRS 16 requires operating leases, where the Group is the lessee, to be included on the Group's balance sheet, recognising a right-of-use ("ROU") asset and a related lease liability representing the present value obligation to make lease payments. Certain optional exemptions are available under IFRS 16 for short-term (less than 12 months) and low-value leases. The ROU asset will be assessed for impairment annually (incorporating any onerous lease assessments) and depreciated on a straight-line basis, adjusted for any remeasurements of the lease liability. The lease liability will subsequently be adjusted for lease payments and interest, as well as the impact of any lease modifications. IFRS 16 also requires extensive disclosures detailing the impact of leases on the Group's financial position and results.

The adoption of IFRS 16 will result in a significant gross-up of the Group's reported assets and liabilities on the balance sheet. The operating lease expense which is currently recognised within Operating lease rentals costs in the Group's income statement (note 23) will no longer be incurred and instead depreciation expense (of the ROU asset) and interest expense (unwind of the discounted lease liability) will be recognised. This will also result in a different total annual expense profile under the new standard (with the expense being front-loaded in the earlier years of the lease term as the discount unwind on the lease liability reduces over time).

The Group has considered the available transition options, and has provisionally decided to apply modified retrospective option 1 and currently estimates that the impact will be a gross-up of up to £1.6 million for ROU lease assets and £1.8 million in relation to lease liabilities, with £0.2 million deducted from brought-forward reserves on transition date in 2019. The initial reserves impact will be offset over time by a lower annual Group income statement charge, as the total charge over the life of each lease is the same as under the current IAS 17 requirements.

No other standards or interpretations issued and not yet effective are expected to have an impact on the Group's financial statements.

b. Basis of consolidation

The consolidated financial information contained within the financial statements incorporates financial statements of the Company and its subsidiaries drawn up to 31 March 2018. Subsidiaries are entities controlled by the Company and are included from the date that control commences until the date that control ceases. Control is achieved where the Company is exposed to or has rights over variable returns from its involvement with the entity and it has the power to affect returns.

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. As the Group has "de facto" control over this special purpose entity, the trust is fully consolidated within the financial statements.

The Group has investments in four funds. These funds are held by Record plc and represent seed capital investments by the Group. If the Group is in a position to be able to control a fund by virtue of holding a majority of units in the fund, then the fund is consolidated within the Group financial statements. We consider that the Group exerts such control in cases where it (either in isolation or together with its related parties) holds a majority of units in the fund. Such funds are consolidated either on a line-by-line basis, or if it meets the definition of a disposal group held for sale it is classified and accounted for on that basis. In the case that the Group does not control a fund for the complete reporting period, then the fund is consolidated only for the part of the reporting period for which the Group has control over the entity.

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. In the case of the funds controlled by the Group, the interests of any external investor is recognised as a financial liability as investments in the fund are not considered to be equity instruments.

The financial statements 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 financial statements incorporate the financial performance of the seeded funds in the year ended 31 March 2018 and the financial position of the seeded funds as at 31 March 2018.

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's total comprehensive income for the year includes a profit of £16,688,038 attributable to the Company (2017: £3,855,425).

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 the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the parent company using prevailing exchange rates which are updated on a monthly basis. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re‑measurement 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.

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.

g. Equity

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premium received on issue of share capital. Retained earnings includes all current and prior period retained profits and share-based employee remuneration. All transactions with owners of the parent are recorded separately within equity.

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 ongoing 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 1.b. describes the basis which the Group uses to determine whether it controls seed funds, further detail on consolidation of seed funds is provided in note 12. Note 20 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 23.

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, typically based upon an agreed percentage of the assets under management equivalents ("AUME") denominated in the client's chosen base currency. 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 currency services income includes fees from signal hedging and fiduciary execution.

Revenue by product type	2018 £'000	Restated 2017 £'000
Management fees		
Dynamic Hedging	5,111	5,542
Passive Hedging	12,569	12,130
Currency for Return	1,803	1,025
Multi-Product	4,014	4,021
Total management fee income	**23,497**	**22,718**
Performance fee income	-	-
Other currency services income	337	234
Total revenue	**23,834**	**22,952**

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	2018 £'000	Restated 2017 £'000
Management and performance fee income		
UK	2,834	3,863
US	6,478	4,979
Switzerland	10,404	11,576
Other	3,781	2,300
Total management and performance fee income	**23,497**	**22,718**
Other currency services income	337	234
Total revenue	**23,834**	**22,952**

Other currency services income is not analysed by geographical region.

All of the Group's tangible non-current assets are located in the UK.

c. Major clients

During the year ended 31 March 2018, three clients individually accounted for more than 10% of the Group's revenue. The three largest clients generated revenues of £4.0 million, £3.4 million and £2.9 million in the year (2017: four largest clients generated revenues of £3.7 million, £3.4 million, £2.9 million and £2.5 million in the year).

4. Operating profit

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

	2018 £'000	2017 £'000
Staff costs	11,062	10,434
Depreciation of property, plant and equipment	206	99
Amortisation of intangibles	99	243
Auditor fees		
Fees payable to the Group's auditor for the audit of the Company's annual accounts	45	45
Fees payable to the Group's auditor for the audit of subsidiary undertakings	39	40
Fees payable to the Group's auditor and its associates for other services:		
Corporation tax services	-	-
Audit-related assurance services	26	24
Other non-audit services	55	44
Operating lease rentals: land and buildings	596	502
(Gain)/loss on forward FX contracts held to hedge cash flow	(424)	506
Gain on derivative financial instruments held by seed funds	(53)	(612)
Exchange loss/(gain) on revaluation of external holding in seed funds	406	(420)
Other exchange losses/(gains)	265	(450)

5. Staff costs

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

	2018	2017
Corporate	8	9
Client relationships	15	14
Investment research	15	12
Operations	26	22
Risk management	5	5
Support	12	11
Annual average	**81**	**73**

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

	2018 £'000	2017 £'000
Wages and salaries	8,280	7,499
Social security costs	1,184	1,059
Pension costs	432	376
Other employment benefit costs	1,166	1,500
Aggregate staff costs	**11,062**	**10,434**

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

6. 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:

	2018 £'000	Restated 2017 £'000
Profit before taxation	**7,328**	**7,856**
Taxation at the standard rate of tax in the UK of 19% (2017: 20%)	1,392	1,571
Tax effects of:		
Other disallowable expenses and non-taxable income	51	18
Capital allowances for the year higher than depreciation	(20)	(14)
Higher tax rates on subsidiary undertakings	5	11
Adjustments recognised in current year in relation to the current tax of prior years	(10)	-
Adjustments recognised in current year in relation to Research and Development claims for the years ended 31 March 2016 and 31 March 2017	(240)	-
Other temporary differences	4	(46)
Total tax expense	**1,182**	**1,540**
The tax expense comprises:		
Current tax expense	1,166	1,599
Deferred tax expense/(income)	16	(59)
Total tax expense	**1,182**	**1,540**

The standard rate of UK corporation tax for the year is 19% (2017: 20%). 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 2018 was £1,182,498 (2017: £1,539,580) which was 16% of profit before tax (2017: 20%).

7. 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.

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.

	2018	2017
Weighted average number of shares used in calculation of basic earnings per share	202,613,441	217,401,660
Effect of potential dilutive ordinary shares – share options	3,855,924	591,036
Weighted average number of shares used in calculation of diluted earnings per share	**206,469,365**	**217,992,696**

	pence	pence
Basic earnings per share	3.03	2.91
Diluted earnings per share	2.98	2.90

The potential dilutive shares relate to the share options granted in respect of the Group's Share Scheme (see note 20). There were share options in place at the beginning of the year over 13,656,564 shares. During the year 1,760,583 share options were exercised, and a further 1,527,834 share options lapsed or were forfeited. The Group granted 3,975,000 share options with a potentially dilutive effect during the year. Of the 14,343,147 share options in place at the end of the period, all have a dilutive impact at the year end.

8. Dividends

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

The dividends paid by the Group during the year ended 31 March 2018 totalled £6,810,361 (3.235 pence per share) which comprised a final dividend in respect of the year ended 31 March 2017 of £2,564,080 (1.175 pence per share), a special dividend in respect of the year ended 31 March 2017 of £1,985,798 (0.91 pence per share) and an interim dividend for the year ended 31 March 2018 of £2,260,483 (1.15 pence per share).

The dividends paid by the Group during the year ended 31 March 2017 totalled £3,591,603 (1.65 pence per share) which comprised a final dividend in respect of the year ended 31 March 2016 of £1,790,888 (0.825 pence per share) and an interim dividend for the year ended 31 March 2017 of £1,800,715 (0.825 pence per share).

For the year ended 31 March 2018, a final ordinary dividend of 1.15 pence per share has been proposed and a special dividend of 0.50 pence per share has been declared.

9. 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 is not exposed to the particular risks associated with the operation of Defined Benefit plans and 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 £432,180 (2017: £375,845).

10. 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 lease commencement to the earlier of the lease termination date and the next rent review date*
- *Computer equipment – 2 to 5 years*
- *Fixtures and fittings – 4 to 6 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:

2018	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2017	635	542	304	**1,481**
Additions	26	177	33	**236**
Disposals	-	(48)	(13)	**(61)**
At 31 March 2018	**661**	**671**	**324**	**1,656**
Depreciation				
At 1 April 2017	36	423	141	**600**
Charge for the year	114	50	42	**206**
Disposals	-	(48)	(12)	**(60)**
At 31 March 2018	**150**	**425**	**171**	**746**
Net book amounts				
At 31 March 2018	**511**	**246**	**153**	**910**
At 1 April 2017	599	119	163	**881**

2017	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2016	534	542	244	**1,320**
Additions	635	106	158	**899**
Disposals	(534)	(106)	(98)	**(738)**
At 31 March 2017	**635**	**542**	**304**	**1,481**
Depreciation				
At 1 April 2016	534	483	222	**1,239**
Charge for the year	36	46	17	**99**
Disposals	(534)	(106)	(98)	**(738)**
At 31 March 2017	**36**	**423**	**141**	**600**
Net book amounts				
At 31 March 2017	**599**	**119**	**163**	**881**
At 1 April 2016	-	59	22	**81**

11. 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 – 2 to 5 years*

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

The Group's intangible assets comprises both purchased software and the capitalised cost of software development. The carrying amounts can be analysed as follows:

2018	Software £'000	Total £'000
Cost		
At 1 April 2017	1,377	1,377
Additions	82	82
Disposals	(1)	(1)
At 31 March 2018	**1,458**	**1,458**
Amortisation		
At 1 April 2017	1,132	1,132
Charge for the year	99	99
Disposals	(1)	(1)
At 31 March 2018	**1,230**	**1,230**
Net book amounts		
At 31 March 2018	**228**	**228**
At 1 April 2017	245	245

2017	Software £'000	Total £'000
Cost		
At 1 April 2016	1,189	1,189
Additions	189	189
Disposals	-	-
At 31 March 2017	**1,378**	**1,378**
Amortisation		
At 1 April 2016	890	890
Charge for the year	243	243
Disposals	-	-
At 31 March 2017	**1,133**	**1,133**
Net book amounts		
At 31 March 2017	**245**	**245**
At 1 April 2016	299	299

Intangible assets includes the capitalised development costs of the Group's middle and back office system which was completed in June 2012 and has an estimated useful economic life of five years. The annual contractual commitment for the maintenance and support of software is £179,664 (2017: £174,941). All amortisation charges are included within administrative expenses.

12. Investments

Company

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.

	2018 £'000	2017 £'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 (Switzerland) GmbH	16	-
Record Fund Management Limited	-	-
N P Record Trustees Limited	-	-
Total investment in subsidiaries (at cost)	**46**	**30**
Capitalised investment in respect of share-based payments		
Record Currency Management (US) Inc.	77	68
Record Group Services Limited	978	789
Total capitalised investment in respect of share-based payments	**1,055**	**857**
Total investment in subsidiaries	**1,101**	**887**

Particulars of subsidiary undertakings

Name	Nature of business
Record Currency Management Limited	Currency management services (FCA registered)
Record Group Services Limited	Management services to other Group undertakings
Record Portfolio Management Limited	Dormant
Record Currency Management (US) Inc.	US advisory and service company (SEC and CFTC registered)
Record Currency Management (Switzerland) GmbH	Swiss advisory and service company
Record Fund Management Limited	Dormant
N P Record Trustees Limited	Dormant 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 Delaware (registered office: Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808) and Record Currency Management (Switzerland) GmbH is incorporated in Zürich (registered office: Münsterhof 14, 8001 Zürich). All other subsidiaries are registered in England and Wales with their registered office at Morgan House, Madeira Walk, Windsor, Berkshire, SL4 1EP, UK.

Investment in funds

In addition to the subsidiaries listed above, the Company holds investments in several funds These funds are seed investments, which have various investment objectives and policies and are subject to the terms and conditions of their offering documentation. The principal activity of each is to invest capital from investors in a portfolio of assets in order to provide a return for those investors.

Group

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

The Group has controlled both the Record Currency – FTSE FRB10 Index Fund and the Record Currency – Strategy Development Fund throughout the year ended 31 March 2018 and the comparative year, the year ended 31 March 2017, and both were consolidated in full, on a line-by-line basis in the Group's financial statements throughout these periods.

The Group was in control of the Record Currency – Emerging Market Currency Fund until 21 March 2018, at which point the Group no longer consolidated the fund on a line-by-line basis, but the Group did consolidate the fund in full on a line-by-line basis until that date.

In February 2018, the Company invested in the Record – Currency Multi-Strategy Fund. The Group has controlled this fund since inception and the fund is consolidated in full on a line-by-line basis.

Company

Investments in funds are measured at fair value through profit or loss.

All four fund investments are presented within investments in the Company statement of financial position.

Investment in funds	**Group**		**Company**	
	2018 **£'000**	**2017** **£'000**	**2018** **£'000**	**2017** **£'000**
Record Currency – FTSE FRB10 Index Fund	-	-	1,116	1,146
Record Currency – Emerging Market Currency Fund	1,115	-	1,115	1,104
Record Currency – Strategy Development Fund	-	-	952	1,060
Record – Currency Multi-Strategy Fund	-	-	1,004	-
Total	**1,115**	**-**	**4,187**	**3,310**

All four fund entities are sub-funds of the Record Umbrella Fund, an open-ended umbrella unit trust authorised in Ireland.

13. 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.

	2018 **£'000**	**2017** **£'000**
(Charge)/credit to income statement in year	(16)	59
Asset brought forward	102	43
Asset carried forward	**86**	**102**

The deferred tax asset consists of the tax effect of temporary differences in respect of:

	2018 **£'000**	**2017** **£'000**
Deferred tax allowance on unvested share options	98	191
Shortfall of taxation allowances over depreciation on fixed assets	(12)	(89)
Total	**86**	**102**

At the year end the Group had deferred tax assets of £85,758 (2017: £101,606). At the year end there were share options not exercised with an intrinsic value for tax purposes of £945,864 (2017: £1,006,095). 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 unprovided deferred taxation.

14. 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 administrative expenses.*

An analysis of the Group's receivables is provided below:

	2018 £'000	2017 £'000
Trade receivables	5,279	5,937
Accrued income	582	85
Other receivables	56	29
Prepayments	858	921
Total	**6,775**	**6,972**

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 Group has not renegotiated the terms of any receivables in the year ended 31 March 2018. The carrying amount of receivables whose terms have been renegotiated, that would otherwise be past due or impaired is £nil (2017: £nil).

15. Derivative financial assets and liabilities

Derivative financial instruments are initially recognised at cost on the date on which the contract is first entered into unless the 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 fair values of derivative financial instruments are determined by reference to active market transactions.

The Group holds derivative financial instruments for two purposes. The Group uses forward foreign exchange contracts to reduce the risk associated with assets denominated in foreign currencies, and additionally uses both foreign exchange options and forward foreign exchange contracts in order to achieve a return within the seed funds. The instruments are recognised at fair value. The fair value of the contracts is calculated using the market rates prevailing at the period end date. The net gain or loss on instruments is included within other income and expenditure.

Derivative financial assets	2018 £'000	2017 £'000
Forward foreign exchange contracts held to hedge non-sterling based assets	199	18
Forward foreign exchange contracts held for trading	67	35
Total	**266**	**53**

Derivative financial liabilities	2018 £'000	2017 £'000
Forward foreign exchange contracts held to hedge non-sterling assets	-	(5)
Forward foreign exchange contracts held for trading	(29)	(43)
Total	**(29)**	**(48)**

Derivative financial instruments held to hedge non-sterling based assets

At 31 March 2018 there were outstanding contracts with a principal value of £9,951,185 (31 March 2017: £7,786,158) 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 2018. The Group does not apply hedge accounting.

The net gain or loss on forward foreign exchange contracts held to hedge non-sterling based assets is as follows:

Derivative financial instruments held to hedge non-sterling based assets	2018 £'000	2017 £'000
Net gain/(loss) on forward foreign exchange contracts at fair value through profit or loss	424	(506)

Derivative financial instruments held for trading

The Record Currency – FTSE FRB10 Index Fund, the Record Currency – Emerging Market Currency Fund and the Record – Currency Multi-Strategy Fund, use forward foreign exchange contracts in order to achieve a return. The Record Currency – Strategy Development Fund may use a variety of instruments including forward foreign exchange contracts, options and futures in order to achieve a return.

All derivative financial instruments held by the Record Currency – Strategy Development, the Record Currency – FTSE FRB10 Index Fund and the Record – Currency Multi-Strategy Fund were classified as held for trading throughout the period. The derivative financial instruments held by the Record Currency – Emerging Market Currency Fund were classified as held for trading from inception until 21 March 2018 when the fund was deconsolidated from the Group financial statements.

At 31 March 2018 there were outstanding contracts with a principal value of £15,012,327 (31 March 2017: £16,085,621).

The net gain or loss on derivative financial instruments held for trading for the year was as follows:

Derivative financial instruments held for trading	2018 £'000	2017 £'000
Net gain on forward foreign exchange contracts and foreign exchange options at fair value through profit or loss	53	612

16. Cash management

The Group's cash management strategy employs a variety of treasury management instruments including cash, money market deposits and treasury bills. Whilst the Group manages and considers all of these instruments as cash, which are subject to its own internal cash management process, not all of these instruments are classified as cash or cash equivalents under IFRS.

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 3 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 >3 months.

Assets managed as cash	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank deposits with maturities > 3 months	9,698	15,203	-	-
Treasury bills with maturities > 3 months	500	2,899	-	-
Money market instruments with maturities > 3 months	**10,198**	**18,102**	**-**	**-**
Cash	4,411	7,457	2	2
Bank deposits with maturities <= 3 months	8,087	11,663	-	-
Cash and cash equivalents	**12,498**	**19,120**	**2**	**2**
Total assets managed as cash	**22,696**	**37,222**	**2**	**2**

Cash and cash equivalents	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash and cash equivalents – sterling	3,827	14,174	2	2
Cash and cash equivalents – USD	2,680	1,026	-	-
Cash and cash equivalents – CHF	4,610	3,846	-	-
Cash and cash equivalents – other currencies	1,381	74	-	-
Total cash and cash equivalents	**12,498**	**19,120**	**2**	**2**

The Group cash and cash equivalents balance incorporates the cash and cash equivalents held by any fund deemed to be under control of Record plc (refer to notes 1 and 12 for explanation of accounting treatment). As at 31 March 2018, the cash and cash equivalents held by the seed funds over which the Group had control totalled

£4,969,231 (31 March 2017: £5,140,828) and the money market instruments with maturities > 3 months held by these funds were £500,000 (31 March 2017: £2,899,233).

17. 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.

Trade and other payables

	Group		Company	
	2018 **£'000**	**2017** **£'000**	**2018** **£'000**	**2017** **£'000**
Trade payables	325	418	-	-
Amounts owed to Group undertaking	-	-	1,093	11
Other payables	4	82	-	-
Other tax and social security	234	324	-	-
Accruals	2,067	2,189	-	-
Total	**2,630**	**3,013**	**1,093**	**11**

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

Current tax liabilities

	Group		Company	
	2018 **£'000**	**2017** **£'000**	**2018** **£'000**	**2017** **£'000**
Corporation tax	399	804	-	67

18. 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 four funds which have been active during the year ended 31 March 2018.

The Record Currency - FTSE FRB10 Index 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 year. Similarly, the Record Currency – Strategy Development 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 - Emerging Market Currency Fund was under the control of the Group until 21 March 2018, when the redemption of units by two Record plc Directors meant that Record could no longer control the fund as the combined holding of Record plc and its Directors no longer constituted a majority interest from that point onwards. This fund has therefore been consolidated into the Group's financial statements until 21 March 2018.

In February 2018, the Company invested in the Record – Currency Multi-Strategy Fund. The Group has controlled this fund since inception and the fund is consolidated in full on a line-by-line basis.

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

	2018 £'000	Restated 2017 £'000
Record Currency - Emerging Market Currency Fund	-	4,308
Record Currency - FTSE FRB10 Index Fund	459	471
Record – Currency Multi-Strategy Fund	2,008	n/a
Record Currency - Strategy Development Fund	-	-
	2,467	**4,779**

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 29.

19. Issued share capital

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

	2018		2017	
	£'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	50	199,054,325	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.

	Number
Record plc shares held by EBT as at 31 March 2016	**4,942,248**
Adjustment for net sales by EBT	(1,323,253)
Record plc shares held by EBT as at 31 March 2017	**3,618,995**
Adjustment for net sales by EBT	(1,225,563)
Record plc shares held by EBT as at 31 March 2018	**2,393,432**

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.

Further information regarding the Record plc share-based compensation plans and relevant transactions made during the year is included in note 20.

20. Share-based payments

During the year ended 31 March 2018 the Group has managed the following share-based compensation plans:

a) The Group Profit Share Scheme: share awards issued under the Group Profit Share Scheme are classified as share-based payments with cash alternatives under IFRS 2.

b) The Record plc Share Scheme: share options issued under the Record plc Share Scheme are classified as equity‑settled share‑based payments under IFRS 2.

c) The Record plc Share Incentive Plan: the Group operates the Record plc Share Incentive Plan ("SIP") to encourage more widespread ownership of Record plc shares by employees. The SIP is a tax‑approved scheme offering attractive tax savings for employees retaining their shares in the scheme over the medium to long term.

All obligations arising from the three schemes have been fulfilled through purchasing shares in the market.

a. 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 alternative 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 period in which the award is earned.

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 allocated 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. The charge to profit or loss in respect of Earned Shares in the period was £682,758 (2017: £733,858). 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.

Prior to 1 October 2017, if an individual elected to receive Additional Shares, the Group simultaneously awarded a Matching Share value amount using a multiple decided by the Remuneration Committee. The multiple was dependent on the level of seniority of the employee. The number of shares was 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. The charge to profit or loss in respect of Matching Shares in the period was £141,078 (2017: £292,525).

From 1 October 2017, as a result of changes to the Group Profit Share Scheme, Matching Shares are no longer awarded by the group.

Shares awarded under the Group Profit Share Scheme do not include any vesting restrictions but rather restrictions over subsequent sale and transfer. All shares which are the subject of share awards vest immediately and are transferred to a nominee allowing the employee, as beneficial owner to retain full rights in respect of the shares purchased. However, these shares cannot 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
- Matching Shares, and Additional Shares received in respect of elections made prior to 1 October 2017 – 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.

The Group Profit Share Scheme rules contain clawback provisions allowing for the repayment of profit share payments under certain circumstances including a material breach of contract, an error in performance of duties or a restatement of accounts which leads to a change in any prior award under the scheme.

Shares awarded under this scheme have been purchased in the market.

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 IFRS 2 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, taking into account the terms and conditions upon which the instruments were granted. The fair value amounts for the options issued since flotation were determined using quoted share prices.

The Record plc Share Scheme allows deferred share awards to be granted to employees and Directors in the Record Group. Part 1 of the Record plc Share Scheme allows the grant of Unapproved Options to employees and Directors and Part 2 allows the grant of HMRC Approved Options to employees and Directors. 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 grant for Unapproved Options, which have historically been granted with a market value exercise price in the same way as for the Approved Options.

Options over an aggregate of 3,975,000 shares were granted under the Share Scheme during the year (2017: 4,197,521), of which 2,261,000 were made subject to Unapproved Options and 1,714,000 to Approved Options (2017: 3,790,000 made subject to Unapproved Options and 407,521 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 1,662,000 Approved Options issued to employees on 26 January 2018 each become exercisable on the 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 performance conditions have been satisfied.

The 328,000 Unapproved Options issued to employees on 26 January 2018 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 performance conditions have been satisfied.

The 52,000 Approved Options issued to Directors on 26 January 2018 each become exercisable in three equal tranches on the third, fourth and fifth 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 performance conditions have been satisfied.

The 1,933,000 Unapproved Options issued to Directors on 26 January 2018 each become exercisable in three equal tranches on the third, fourth and fifth 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 performance conditions have been satisfied.

The fair value of the services provided by employees has been calculated indirectly by reference to the fair value of the equity instruments granted. Fair value amounts for the options granted in the year ended 31 March 2018 were determined using a Black-Scholes option-pricing method and the following assumptions:

Model input	**Weighted average value**
Share price	43.5p
Exercise price	43.5p
Expected volatility	37%
Option life	4.0 years
Risk-free interest rate (%)	1.28%

Expected volatility is based on historical volatility.

The Group share-based payment expense in respect of the Share Scheme was £197,740 for the year ended 31 March 2018 (2017: £200,220).

Outstanding share options

At 31 March 2018, the total number of ordinary shares of 0.025p outstanding under Record plc share compensation schemes was 14,343,147 (2017: 13,656,564). These deferred share awards and options are over issued shares, a proportion of which are hedged by 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 2017	Granted	Exercised	Lapsed / forfeited	At 31 March 2018	Earliest vesting date	Latest vesting date[1]	Exercise price
27/09/13	480,000	-	(480,000)	-	-	27/09/17	27/09/17	£0.3085
27/09/13	327,500	-	(302,500)	(25,000)	-	27/09/14	27/09/17	£0.3085
18/11/13	933,334	-	(233,333)	(233,334)	466,667	18/11/16	18/11/18	£0.3000
26/11/14	2,160,000	-	-	(720,000)	1,440,000	26/11/17	26/11/19	£0.3586
24/03/15	270,000	-	-	(42,000)	228,000	24/03/19	24/03/19	£0.3450
24/03/15	1,385,250	-	(372,250)	(268,500)	744,500	24/03/16	24/03/19	£0.3450
01/12/15	1,800,000	-	-	-	1,800,000	01/12/18	01/12/20	£0.2888
27/01/16	993,750	-	-	(75,000)	918,750	27/01/17	27/01/20	£0.2450
27/01/16	709,209	-	-	(24,000)	685,209	27/01/20	27/01/20	£0.2450
27/01/16	327,500	-	-	-	327,500	27/01/19	27/01/21	£0.2450
27/01/16	72,500	-	-	-	72,500	27/01/19	27/01/21	£0.2450
30/11/16	328,574	-	-	(40,000)	288,574	30/11/20	30/11/20	£0.34072
30/11/16	1,590,000	-	(372,500)	(100,000)	1,117,500	30/11/17	30/11/20	£0.34072
30/11/16	2,200,000	-	-	-	2,200,000	30/11/19	30/11/21	£0.34072
31/01/17	78,947	-	-	-	78,947	31/01/21	31/01/21	£0.38000
26/01/18	-	1,662,000	-	-	1,662,000	26/01/22	26/01/23	£0.4350
26/01/18	-	328,000	-	-	328,000	26/01/19	26/01/23	£0.4350
26/01/18	-	52,000	-	-	52,000	26/01/21	26/01/24	£0.4350
26/01/18	-	1,933,000	-	-	1,933,000	26/01/21	26/01/24	£0.4350
Total options	**13,656,564**	**3,975,000**	**(1,760,583)**	**(1,527,834)**	**14,343,147**			
Weighted average exercise price of options	£0.32	£0.44	£0.32	£0.34	£0.35			

During the year 1,760,583 options were exercised. The weighted average share price at date of exercise was £0.47. At 31 March 2018 a total of 678,500 options had vested and were exercisable.

[1] Under the terms of the deeds of grants, options are exercisable for a year following the vesting date.

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

	Ordinary shares held as at	
	31 March 2018	31 March 2017
Record plc Group Profit Share Scheme (interest in restricted share awards)		
James Wood-Collins	375,408	573,568
Leslie Hill	1,008,518	759,618
Bob Noyen	324,614	374,641
Steve Cullen	361,076	380,429
Record plc Share Scheme (interest in unvested share options)		
James Wood-Collins	3,286,667	2,663,334
Leslie Hill	1,800,000	1,730,000
Bob Noyen	1,800,000	1,730,000
Steve Cullen	1,405,000	1,370,000

Performance measures

Performance conditions attached to all options granted to Board Directors differ to those granted for all other staff. All Executive Director option awards are subject to a performance condition and vest on each of the third, fourth and fifth anniversaries of the date of grant subject to an earnings per share ("EPS") hurdle linked to the annualised EPS growth for the respective three, four and five-year periods from grant. Vesting is on a stepped basis, with 25% of each tranche vesting if EPS growth over the relevant period is at least RPI plus 4% per annum, increasing through 50%, 75% and with 100% vesting if EPS growth exceeds RPI plus 13%, as shown in the table below. Options awarded subject to EPS performance conditions are valued using a Black-Scholes model.

Record's average EPS growth	Percentage of shares subject to the award which vest
>RPI growth + 13%	100%
>RPI growth + 10%, =<RPI growth + 13%	75%
>RPI growth + 7%, =<RPI growth + 10%	50%
>RPI growth + 4%, =<RPI growth + 7%	25%
=<RPI growth + 4%	0%

Approved options issued to all other staff during the year were not subject to a Group performance measure.

Approved options issued to all other staff in prior years were subject to performance measures linked to the Group's Total Shareholder Return ("TSR") and vested on the fourth anniversary of the date of grant, subject to these measures. At vesting date, a percentage of the total options granted could vest based upon Record's TSR performance versus the median TSR performance as measured against the FTSE 350 General Financial – Price Index. Options awarded subject to TSR performance conditions were valued using a Black – Scholes model. The performance target table is given below:

Percentage by which Record's TSR is below the median TSR performance of the index	Percentage of shares subject to the award which vest
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%

Unapproved options issued to all other staff vest in four equal tranches on the first, second, third and fourth anniversaries of the date of grant, subject to the employee being employed with the Group at the relevant vesting date and to the extent personal performance conditions have been satisfied.

Clawback provisions

In addition to the performance measures above, both Approved and Unapproved Options granted to Executive Directors under the Share Scheme are subject to clawback provisions. These provisions allow the Remuneration Committee to adjust the number of shares that may be, or were, acquired to be decreased if the committee considers that either a material breach of contract has arisen or in respect of retrospective amendments required to calculations of the Group's performance upon which vesting calculations were originally based. The clawback provisions allow the Group to take various steps until the clawback obligation is satisfied, including reduction of future share option awards, transfer of shares back to the Group for nil consideration, reduction of future payments under the Group Profit Share Scheme or payment of sales proceeds back to the Group.

c. The Record plc Share Incentive Plan

The Group operates the Record plc Share Incentive Plan ("SIP"), to encourage more widespread ownership of Record plc shares by employees. The SIP 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 40,909 free shares (2017: 49,264 free shares) to employees. The expense charged in respect of the SIP was £18,833 in the year ended 31 March 2018 (2017: £14,838).

21. 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, other receivables, money market instruments, 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 seed funds, and balances due to/from Group undertakings. Intercompany balances are classified as loans and receivables and are repayable on demand. No interest is charged on these balances. The Group has sufficient cash resources and hence management does not believe that the Company has a material exposure to credit risk. 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

The Group has established a cash management team to manage Group cash in accordance with an approved cash management policy. The policy stipulates exposure limits by instruments, counterparty, tenor and duration. Counterparty exposures are measured against ratings published by credit-rating agencies and are monitored daily. The maximum single exposure to any counterparty under the policy is 20% of total assets managed as cash.

The primary objective of the cash management team is to diversify and manage counterparty risk within the risk appetite of the Group and the limits set by the policy. The secondary objective is to maintain yield given the constraints under the policy whilst ensuring sufficient liquidity to meet future cash flow commitments as instructed by the finance team.

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's maximum exposure to credit risk is as follows:

Financial assets at 31 March	2018 £'000	2017 £'000
Trade receivables	5,279	5,937
Accrued income	582	85
Other receivables	56	29
Other financial assets at fair value through profit or loss	266	53
Money market instruments with maturities > 3 months	10,198	18,102
Cash and cash equivalents	12,498	19,120
	28,879	**43,326**

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 trade receivables and accrued income by due date:

At 31 March 2018	Carrying amount £'000	Neither impaired nor past due £'000	0-3 months past due £'000	More than 3 months past due £'000
Trade receivables	5,279	4,551	726	2
Accrued income	582	582	-	-
	5,861	**5,133**	**726**	**2**
		88%	**12%**	**0%**

At 31 March 2017	Carrying amount £'000	Neither impaired nor past due £'000	0-3 months past due £'000	More than 3 months past due £'000
Trade receivables	5,937	5,790	147	-
Accrued income	85	85	-	-
	6,022	**5,875**	**147**	**-**
		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 to the reporting date. The application of this policy generally results in debts that are 0-3 months overdue not being provided for unless individual circumstances indicate that a debt is impaired.

Trade receivables are made up of 52 debtors' balances (2017: 54). The largest individual debtor corresponds to 18% of the total balance (2017: 16%). Debtor days, based on the generally accepted calculation of debtor days, is 81 days (2017 (restated): 94 days). This reflects the quarterly billing cycle used by the Group for the vast majority of its fees. As at 31 March 2018 12.4% of debt was overdue (2017: 2.4%). 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 22 days (2017: 33 days).

Contractual maturity analysis for financial liabilities:

At 31 March 2018	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
Trade payables	325	325	-	-
Accruals	2,067	164	838	1,065
Derivative financial liabilities	29	25	4	-

At 31 March 2017	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
Trade payables	418	272	27	119
Accruals	2,189	90	1,027	1,072
Derivative financial liabilities	48	45	3	-

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 held by the Group. Interest-bearing assets comprise money market instruments 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.

A sensitivity analysis has not been disclosed for the impact of interest rate changes as any reasonable range of change in interest rate would not directly have a material impact on profit or equity.

Interest rate profiles

At 31 March 2018	Fixed rate £'000	Floating rate £'000	No interest rate £'000	Total £'000
Financial assets				
Trade receivables	-	-	5,279	5,279
Accrued income	-	-	582	582
Other receivables	-	-	56	56
Derivative financial assets at fair value through profit or loss	-	-	266	266
Money market instruments with maturities > 3 months	10,198	-	-	10,198
Cash and cash equivalents	8,087	4,411	-	12,498
Total financial assets	**18,285**	**4,411**	**6,183**	**28,879**
Financial liabilities				
Trade payables	-	-	(325)	(325)
Accruals	-	-	(2,067)	(2,067)
Derivative financial liabilities at fair value through profit or loss	-	-	(29)	(29)
Financial liabilities	-	-	(2,467)	(2,467)
Total financial liabilities	**-**	**-**	**(4,888)**	**(4,888)**

At 31 March 2017	Fixed rate £'000	Floating rate £'000	No interest rate £'000	Total £'000
Financial assets				
Trade receivables	-	-	5,937	5,937
Accrued income	-	-	85	85
Other receivables	-	-	29	29
Derivative financial assets at fair value through profit or loss	-	-	53	53
Money market instruments with maturities > 3 months	18,102	-	-	18,102
Cash and cash equivalents	11,663	7,457	-	19,120
Total financial assets	**29,765**	**7,457**	**6,104**	**43,326**
Financial liabilities				
Trade payables	-	-	(418)	(418)
Accruals	-	-	(2,189)	(2,189)
Derivative financial liabilities at fair value through profit or loss	-	-	(48)	(48)
Financial liabilities	-	-	(4,779)	(4,779)
Total financial liabilities	**-**	**-**	**(7,434)**	**(7,434)**

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 foreign exchange contracts to manage the risk relating to future transactions in accordance with the Group's risk management policy.

The Group is exposed to foreign currency risk on sales and cash holdings that are denominated in a currency other than sterling, and also on assets and liabilities held by the Record Currency – Strategy Development Fund (formerly Global Alpha Fund). The principal currencies giving rise to this risk are the US dollar, the Swiss franc, the euro and the Canadian dollar.

During the year ended 31 March 2018, the Group invoiced the following amounts in currencies other than sterling:

	Local currency value '000	Value in reporting currency £'000
Swiss franc (CHF)	13,045	10,053
US dollar (USD)	9,760	7,230
Euro (EUR)	2,683	2,361
Canadian dollar (CAD)	660	385
Swedish krona (SEK)	784	70
Singapore dollar (SGD)	34	19
		20,118

The value of revenues for the year ended 31 March 2018 that were denominated in currencies other than sterling was £20.1 million (31 March 2017: £19.5 million).

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

The settlement of these forward foreign exchange contracts is expected to occur within the following three months. Changes in the fair values of forward foreign exchange contracts are recognised directly in profit or loss.

The cash denominated in currencies other than sterling (refer to note 16), is covered by the Group's hedging process, therefore the Directors consider that the foreign currency risk on cash balances is not material.

Foreign currency risk – sensitivity analysis

The Group has considered the sensitivity to exchange rate movements by considering the impact on those revenues, costs, assets and liabilities denominated in foreign currencies as experienced in the given period.

	Impact on profit after tax for the year ended 31 March		Impact on total equity as at 31 March	
	2018 £'000	Restated 2017 £'000	2018 £'000	Restated 2017 £'000
Sterling weakening by 10% against the dollar	469	469	469	469
Sterling strengthening by 10% against the dollar	(469)	(469)	(469)	(469)
Sterling weakening by 10% against the Swiss franc	593	621	593	621
Sterling strengthening by 10% against the Swiss franc	(593)	(621)	(593)	(621)

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 on a historical basis and market expectations for future movement. When applied to the average sterling/USD exchange rate of £/$1.34 this would result in sterling weakening to £/$1.22 and sterling strengthening to £/$1.49.

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 on a historical basis and market expectations for future movement. When applied to the average sterling/CHF exchange rate of £/1.29 this would result in sterling weakening to £/CHF1.18 and sterling strengthening to £/CHF1.44.

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.

22. Fair value measurement

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).

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:

	2018 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts used for hedging	199	-	199	-
Forward foreign exchange contracts used for seed funds	67	-	67	-
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for hedging	(29)	-	(29)	-
Forward foreign exchange contracts used for seed funds	-	-	-	-
Total	**237**	**-**	**237**	**-**

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

There have been no transfers between levels in the reporting period (2017: none).

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

Both forward foreign exchange contracts and options are classified as level 2. Both of these instruments are traded on an active market. Options are valued using an industry standard model with inputs based on observable market data whilst the fair value of forward foreign exchange contracts may be established using interpolation of observable market data rather than from a quoted price.

Classes and fair value of financial instruments

It is the Directors' opinion that the carrying value of all financial instruments approximates to their fair value.

Categories of financial instrument

At 31 March 2018	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
Trade and other receivables (excludes prepayments)	14	5,917	-	-	-
Money market instruments with maturities > 3 months	16	10,198	-	-	-
Cash and cash equivalents	16	12,498	-	-	-
Derivative financial assets at fair value through profit or loss	15	-	-	266	-
Trade payables	17	-	(325)	-	-
Accruals	17	-	(2,067)	-	-
Derivative financial liabilities at fair value through profit or loss	15	-	-	-	(29)
Total		**28,613**	**(2,392)**	**266**	**(29)**

At 31 March 2017	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
Trade and other receivables (excludes prepayments)	14	6,051	-	-	-
Money market instruments with maturities > 3 months	16	18,102	-	-	-
Cash and cash equivalents	16	19,120	-	-	-
Derivative financial assets at fair value through profit or loss	15	-	-	53	-
Trade payables	17	-	(418)	-	-
Accruals	17	-	(2,189)	-	-
Derivative financial liabilities at fair value through profit or loss	15	-	-	-	(48)
Total		**43,273**	**(2,607)**	**53**	**(48)**

23. 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 7 September 2016, the Group signed a new lease on premises at Second and Third Floors, Morgan House, Madeira Walk, Windsor, at an annual commitment of £507,603 per annum, expiring 1 September 2022.

On 16 March 2016, the Group signed a three year lease on premises in New York City, at an average annual commitment of $125,840 per annum.

On 1 June 2017, the Group signed a five year lease on premises in Zürich, at an annual commitment of CHF 49,680 per annum.

The Group has considered the risks and rewards of ownership of the leased properties, and considers that they remain with the lessors. Consequently, all property leases are recognised as operating leases.

At 31 March 2018 the Group had commitments under non-cancellable operating leases relating to land and buildings as set out below:

	2018 £'000	2017 £'000
Not later than one year	637	608
Later than one year and not later than five years	1,866	2,134
Later than five years	-	211
Total	**2,503**	**2,953**

24. Cash flow from operating activities

Group

This note should be read in conjunction with the cash flow statements. It provides a reconciliation to show how operating profit, which is based on accounting rules, translates to cash flows.

	2018 £'000	Restated 2017 £'000
Operating profit	7,272	7,744
Adjustments for non-cash movements:		
Profit on disposal of property, plant and equipment	1	-
Depreciation of property, plant and equipment	206	99
Amortisation of intangible assets	99	243
Net release of shares previously held by EBT	845	587
Share-based payments	(93)	24
Decrease in cash on deconsolidation of Record Currency – Emerging Market Currency Fund (see note 12)	(4,062)	-
Other non-cash movements	(270)	(146)
	3,998	**8,551**
Changes in working capital		
Decrease/(increase)/ in receivables	172	(1,268)
(Decrease)/increase in payables	(371)	641
(Increase)/decrease in other financial assets	(204)	53
Increase in other financial liabilities	734	700
Cash inflow from operating activities	**4,329**	**8,677**
Interest paid	(10)	-
Corporation taxes paid	(1,573)	(1,570)
Net cash inflow from operating activities	**2,746**	**7,107**

Company

	2018 £'000	Restated 2017 £'000
Operating (loss)/profit	**(123)**	**330**
Adjustment for:		
Loss/(gain) on investments	7	(193)
Other	116	(137)
Changes in working capital		
Increase in payables	1,082	-
Cash inflow from operating activities	**1,082**	**-**
Corporation taxes paid	(67)	-
Net cash inflow from operating activities	**1,015**	**-**

25. 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 12, which includes a description of the nature of their business.

	2018 £'000	2017 £'000
Amounts due to subsidiaries	(1,093)	(11)
Net dividends received from subsidiaries	16,810	3,592

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 (2017: £nil). No expense has been recognised during the year in respect of bad or doubtful debts due from related parties.

Group

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

Key management personnel compensation

	2018 £'000	2017 £'000
Short-term employee benefits	4,965	4,651
Post-employment benefits	185	184
Share-based payments	1,172	1,387
Total	**6,322**	**6,222**

The dividends paid to key management personnel in the year ended 31 March 2018 totalled £3,651,092 (2017: £1,915,103).

Directors' remuneration

	2018 £'000	2017 £'000
Emoluments (excluding pension contribution)	2,397	2,571
Pension contribution (including payments made in lieu of pension contributions)	166	164
Total	**2,563**	**2,735**

During the year, one Director of the Company (2017: one) participated in the Group Personal Pension Plan, a defined contribution scheme.

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 , Record Currency – Strategy Development Fund and Record – Currency Multi-Strategy Fund are all related parties on this basis. Similarly, the Record Currency – Emerging Market Currency Fund was a related party until the divestment of two Record plc Directors resulted in Record plc losing control over the entity as its combined holding in the fund when considered in aggregate with its Directors no longer constituted a majority.

The only transaction between the Company and these funds during the year was the initial seed investment of £1,000,000 in the Record – Currency Multi-Strategy Fund.

During the year, four Record plc Directors adjusted their seed investment in the funds, as set out below

Related party	Trade date	Type	Value	Fund
Neil Record	26 Feb 2018	Subscription	GBP 500,000	Record – Currency Multi-Strategy Fund
Leslie Hill	22 Mar 2018	Redemption	CHF 1,055,850	Record Currency – Emerging Market Currency Fund
Leslie Hill	22 Mar 2018	Subscription	CHF 1,055,850	Record – Currency Multi-Strategy Fund
Bob Noyen	22 Mar 2018	Redemption	USD 836,199	Record Currency – Emerging Market Currency Fund
Bob Noyen	22 Mar 2018	Subscription	USD 836,199	Record – Currency Multi-Strategy Fund
Jane Tufnell	26 Feb 2018	Subscription	GBP 100,000	Record – Currency Multi-Strategy Fund

26. 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 shareholders, and (iii) to meet regulatory capital requirements set by the UK Financial Conduct 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.

The Group's capital is managed within the categories set out below:

	2018 £m	2017 £m
Regulatory capital	9.1	8.9
Other operating capital	13.3	24.6
Operating capital	**22.4**	**33.5**
Seed capital	4.2	3.3
Total capital	**26.6**	**36.8**

Operating capital is intended to cover the regulatory capital requirement plus capital required for day to day operational purposes and other investment purposes. The Directors consider that the other operating capital significantly exceeds the actual day to day operational requirements.

Seed capital is the capital deployed to support the growth of new funds. Seed capital is limited to 25% (2017: 15%) of the Group's total capital.

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 and 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.

27. Ultimate controlling party

As at 31 March 2018 the Company had no ultimate controlling party, nor at 31 March 2017.

28. Post reporting date events

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

29. Restatement of previously published financial statements

The Directors have reviewed the basis of preparation of the Group's consolidated financial statements, 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 financial statements 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 financial statements.

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.

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 period is 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

	Year ended 31 Mar 18 £'000	Year ended 31 Mar 17 £'000
Historic presentation		
Revenue	23,639	23,928
Gross profit	23,328	23,630
Other income or expense	n/a	n/a
Consisting of:		
• Gains or losses on derivative financial instruments and foreign exchange conversion	n/a	n/a
• Adjustment for gain or loss attributable to external investors in the seed fund	n/a	n/a
Operating profit	6,904	8,563
Profit before tax	6,960	8,675
Profit after tax and total comprehensive income for the period	5,778	7,135
Profit and total comprehensive income for the period attributable to:		
Non-controlling interests	(368)	819
New presentation		
Revenue	23,834	22,952
Gross profit	23,523	22,654
Other income or expense	173	175
Consisting of:		
• Gains or losses on derivative financial instruments and foreign exchange conversion	(195)	976
• Adjustment for gain or loss attributable to external investors in the seed fund	368	(819)
Operating profit	7,272	7,744
Profit before tax	7,328	7,856
Profit after tax and total comprehensive income for the period	6,146	6,316
Profit and total comprehensive income for the period attributable to:		
Non-controlling interests	-	-
Differences		
Revenue	195	(976)
Gross profit	195	(976)
Other income or expense	173	175
Consisting of:		
• Gains or losses on derivative financial instruments and foreign exchange conversion	(195)	976
• Adjustment for gain or loss attributable to external investors in the seed fund	368	(819)
Operating profit	368	(819)
Profit before tax	368	(819)
Profit after tax and total comprehensive income for the period	368	(819)
Profit and total comprehensive income for the period attributable to:		
Non-controlling interests	368	(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 31 March 2018 £'000	As at 31 March 2017 £'000
Historic presentation		
Financial liabilities	**n/a**	n/a
Total current liabilities	**(3,058)**	(3,865)
Total net assets	**29,018**	41,610
Non-controlling interests	**2,467**	4,779
Total equity	**29,018**	41,610
New presentation		
Financial liabilities	**(2,467)**	(4,779)
Total current liabilities	**(5,525)**	(8,644)
Total net assets	**26,551**	36,831
Non-controlling interests	**n/a**	n/a
Total equity	**26,551**	36,831
Differences		
Financial liabilities	**(2,467)**	(4,779)
Total current liabilities	**(2,467)**	(4,779)
Total net assets	**(2,467)**	(4,779)
Non-controlling interests	**(2,467)**	(4,779)
Total equity	**(2,467)**	(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	Share premium account	Capital redemption reserve	Retained earnings	Total attributable to equity holders of the parent	Non-controlling interests	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2016	**55**	**1,899**	**20**	**31,715**	**33,689**	**4,019**	**37,708**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**6,316**	**6,316**	**819**	**7,135**
Dividends paid	-	-	-	(3,592)	**(3,592)**	-	**(3,592)**
Own shares acquired by EBT	-	-	-	(775)	**(775)**	-	**(775)**
Release of shares held by EBT	-	72	-	992	**1,064**	-	**1,064**
Issue of units in funds	-	-	-	-	**-**	(59)	**(59)**
Share-based payments	-	-	-	129	**129**	-	**129**
Transactions with shareholders	**-**	**72**	**-**	**(3,246)**	**(3,174)**	**(59)**	**(3,233)**
As at 31 March 2017	**55**	**1,971**	**20**	**34,785**	**36,831**	**4,779**	**41,610**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**6,146**	**6,146**	**(368)**	**5,778**
Dividends paid	-	-	-	(6,810)	(6,810)	-	(6,810)
Share buy-back	(5)	-	6	(10,000)	(9,999)	-	(9,999)
Own shares acquired by EBT	-	-	-	(952)	(952)	-	(952)
Release of shares held by EBT	-	266	-	1,241	1,507	-	1,507
Issue of units in funds	-	-	-	-	-	959	**959**
Divestment of non-controlling interest	-	-	-	-	-	(2,903)	**(2,903)**
Share-based payments	-	-	-	(172)	(172)	-	**(172)**
Transactions with shareholders	(5)	266	6	**(16,693)**	**(16,426)**	(1,944)	**(18,370)**
As at 31 March 2018	**50**	**2,237**	**26**	**24,238**	**26,551**	**2,467**	**29,018**

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

	Year ended 31 Mar 18 £'000	Year ended 31 Mar 17 £'000
Historic presentation		
Operating profit	6,904	8,563
Changes in working capital:		
Increase/(decrease) in other financial liabilities	143	(60)
Cash inflow from operating activities	3,370	8,736
Net cash inflow from operating activities	1,787	7,166
Cash flow from financing activities:		
Cash inflow/(outflow) from issue/(redemption) of units in funds	959	(59)
Cash outflow from financing activities	(16,218)	(3,844)
New presentation		
Operating profit	7,272	7,744
Changes in working capital:		
Increase in other financial liabilities	734	700
Cash inflow from operating activities	4,329	8,677
Net cash inflow from operating activities	2,746	7,107
Cash flow from financing activities:		
Cash flow from issue/redemption of units in funds	n/a	n/a
Cash outflow from financing activities	(17,177)	(3,785)
Differences		
Operating profit	368	(819)
Changes in working capital:		
Movement in other financial liabilities	591	760
Cash flow from operating activities	959	(59)
Net cash flow from operating activities after tax	959	(59)
Cash flow from financing activities:		
Cash flow from issue/redemption of units in funds	(959)	59
Cash flow from financing activities	(959)	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.

30. Statutory Accounts

This statement was approved by the Board on 14 June 2018. The financial information set out above does not constitute the Company's statutory accounts.

The statutory accounts for the financial year ended 31 March 2017 have been delivered to the Registrar of Companies, and those for the year ended in 31 March 2018 will be delivered in due course. The auditor has reported on those accounts; the reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006 in respect of either set of accounts.

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.

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.