



**Record plc**

**Preliminary results**

12 months to 31<sup>st</sup> March 2008

June 2008



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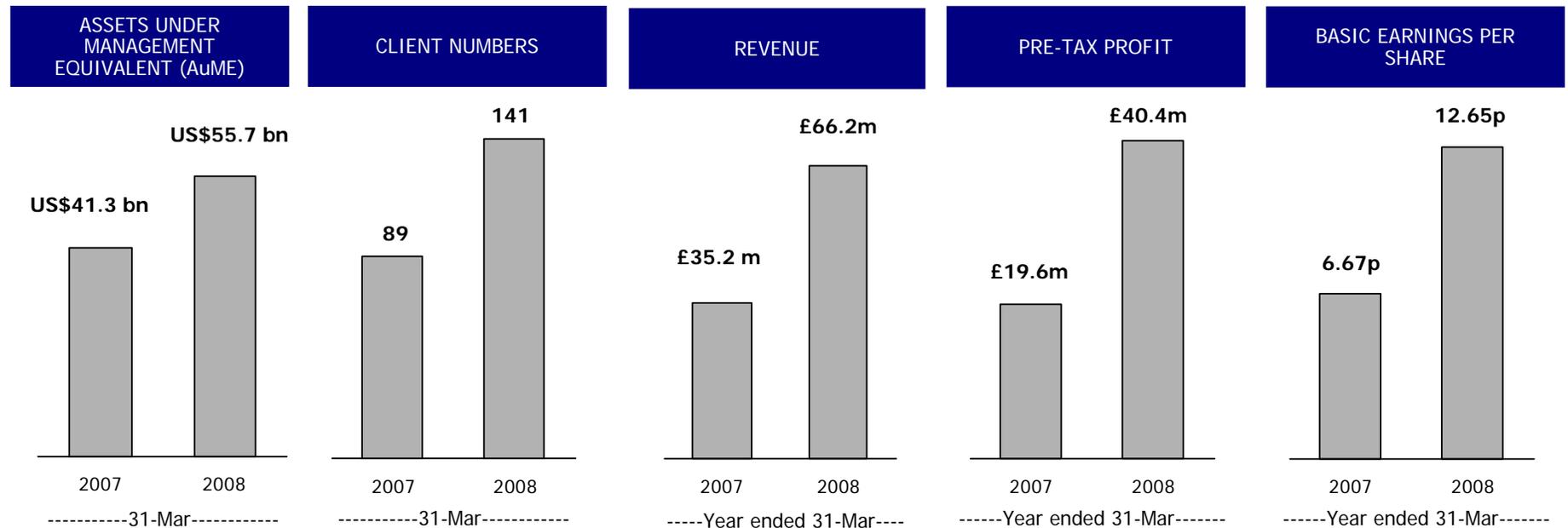
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# Highlights

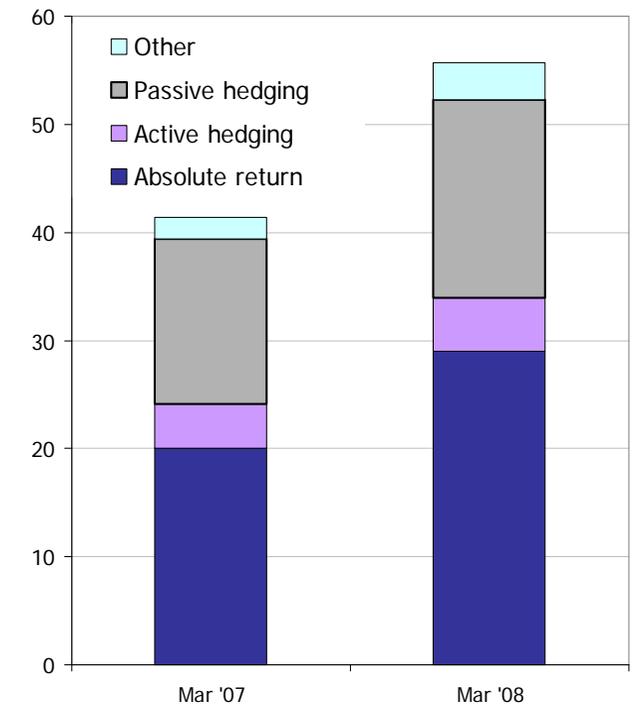
- 35% increase in AuME in the year
- 58% growth in client numbers
- 88% increase in turnover in the year
- 106% increase in pre-tax profits in the year
- 90% increase in basic earnings per share in the year
- 2.16p per share dividend proposed



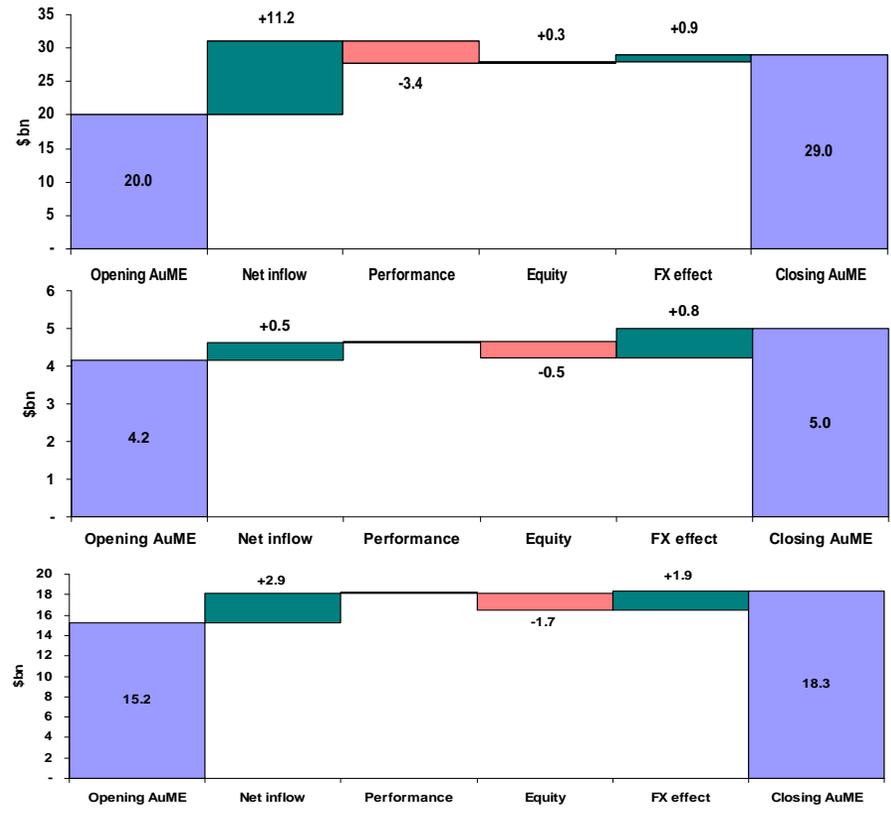
# AuME growth and attribution

**Strong growth in AuME driven by net inflows to Absolute Return**

\$ Billion AuME growth by product type (\$bn)



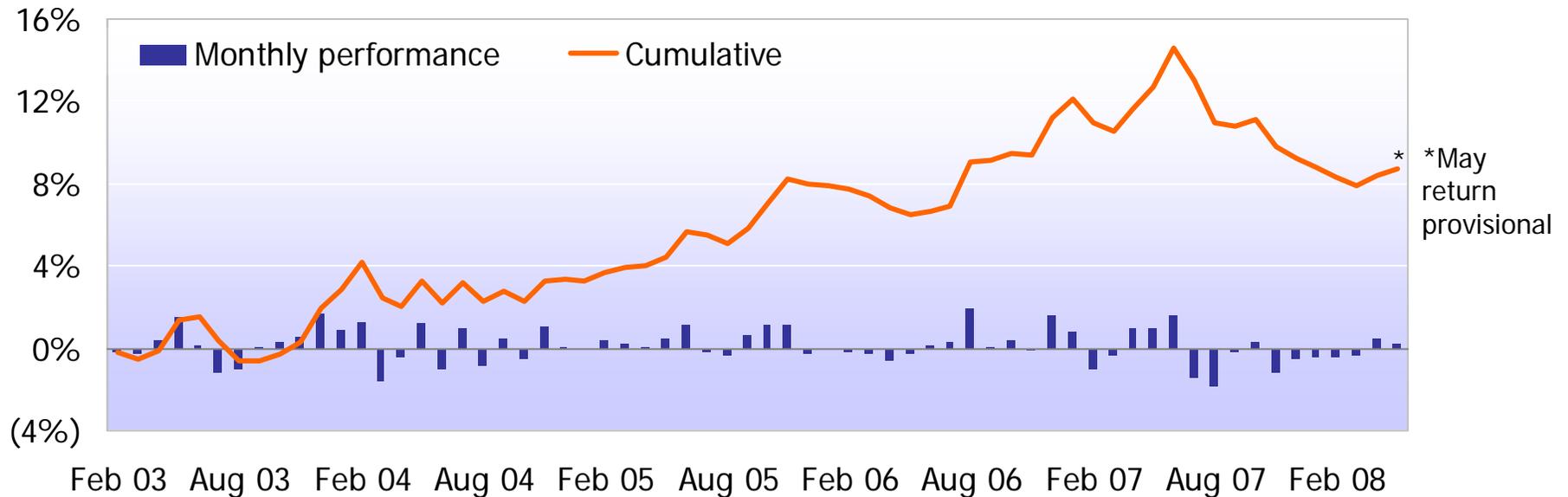
Absolute Return  
Active  
Passive



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

# Currency Absolute Return performance

Currency Alpha Composite - 27 accounts, AuME of \$12.0 billion



At 31 <sup>st</sup> March 2008	Value added	Tracking Error	Information Ratio
1 year	-2.38%		
3 years	1.28% p.a.	2.96%	0.43
Since inception (Feb-03)	1.48% p.a.	2.95%	0.50

Source: Record Currency Management. Returns of all clients in the composite are weighted in US dollars and scaled to a gearing ratio of one. The volatility of returns will be greater if higher leverage is applied. Client numbers and assets are correct as at 31<sup>st</sup> March 2008



# Absolute Return performance: commentary

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- **Strong performance in Q1 more than offset by disappointing performance in Q2-4**
- **High interest currencies caught up in general risk aversion from credit crunch**
- **Active risk-control limited losses, but no respite in conditions until after year-end**
- **Absolute Return product correlations with global equity rose sharply in 2007 and 2008 to date**
  - We think these will fall back to zero as credit crunch subsides



## **Financial Performance**

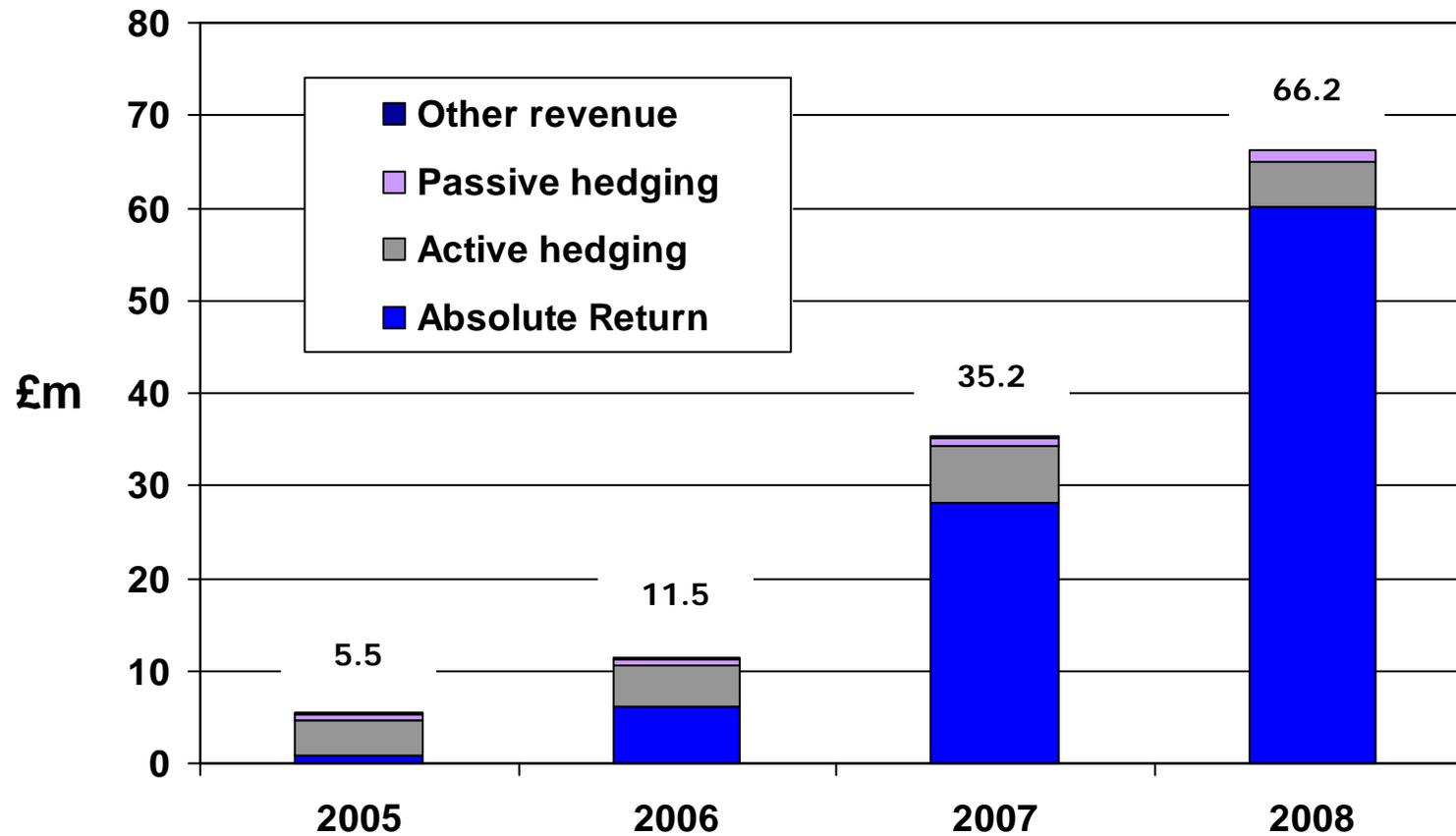


# Financials – income statement

## Income statement for year ended 31 March 2008

	2007	2008
AuME at 31 March	\$41.3bn	\$55.7bn
Clients at 31 March	89	141
	<b>£m</b>	<b>£m</b>
Income:		
Management fees	21.5	44.0
Performance fees	13.6	22.2
Other fees	0.1	-
<b>Total Income</b>	<b>35.2</b>	<b>66.2</b>
Expenditure:		
Operating costs	(6.2)	(8.8)
Variable remuneration	(9.6)	(16.8)
<b>Total expenditure</b>	<b>(15.8)</b>	<b>(25.6)</b>
<b>Operating profit</b>	<b>19.4</b>	<b>40.6</b>
Operating Profit Margin	55.0%	61.2%

# Financials – revenue analysis



# Financials – revenue analysis - cont'd

## Fees analysed by product and fee type

	2008			2007
	Management	Performance	Total	Total
	£m	£m	£m	£m
Absolute Return	38.1	22.0	60.1	28.1
Active	4.8	0.2	5.0	6.1
Passive	1.1	-	1.1	0.9
<b>Total Income</b>	<b>44.0</b>	<b>22.2</b>	<b>66.2</b>	35.1
2007 Comparative	21.5	13.6	35.1	



# Financials – achieved average fee rates

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## Achieved average management fee rates by product

	2007	2008
	bps	bps
Absolute Return:		
Segregated funds	20.1	25.3
Pooled funds	23.3	30.0
<b>Total Absolute Return</b>	<b>21.4</b>	<b>27.9</b>
Hedging:		
Active	17.1	22.5
Passive	1.2	1.3
<b>Combined average</b>	<b>11.5</b>	<b>16.9</b>

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## Financials - earnings

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### Shareholders earnings

	2007	2008
	£m	£m
Profit before tax	19.6	40.4
Tax	5.5	12.5
Profit after tax	14.1	27.9
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eps – basic	6.67p	12.65p
eps – diluted	6.35p	12.62p
Interim dividends per share (declared and paid pre-IPO)	2.25p	9.03p
Proposed final dividend per share	1.88p	<b>2.16 p</b>

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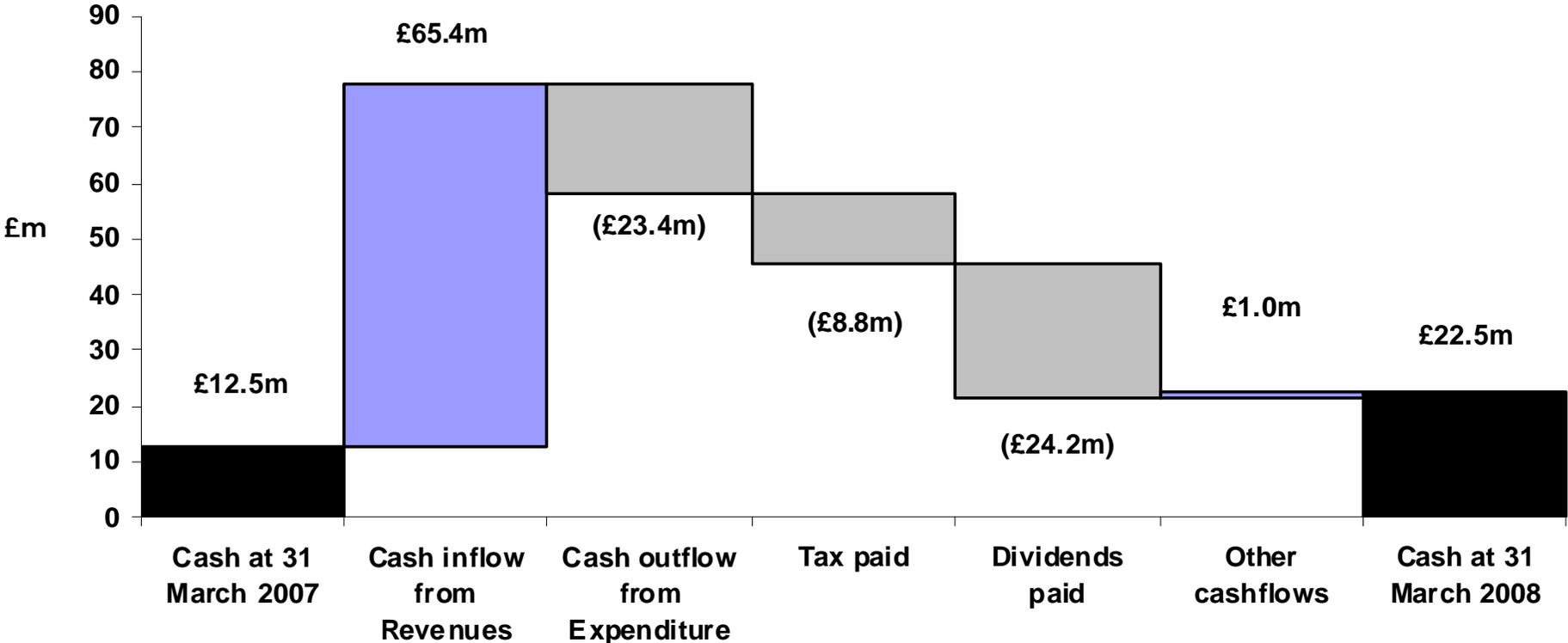
## Financials – balance sheet

### Balance sheet as at 31 March

	2007	2008
	£m	£m
Fixed assets	0.7	0.6
Current assets		
Trade debtors and other receivables	8.1	9.0
Cash and cash equivalents	12.5	22.5
<b>Total current assets</b>	<b>20.6</b>	<b>31.5</b>
Current liabilities	(6.4)	(13.6)
Net current assets	14.2	17.9
<b>Net assets</b>	<b>14.9</b>	<b>18.5</b>
<b>Equity</b>	<b>14.9</b>	<b>18.5</b>

# Financials - cash

CASH BRIDGE FOR THE YEAR ENDED 31 MARCH 2008





**Business strategy**



# Clear strategy

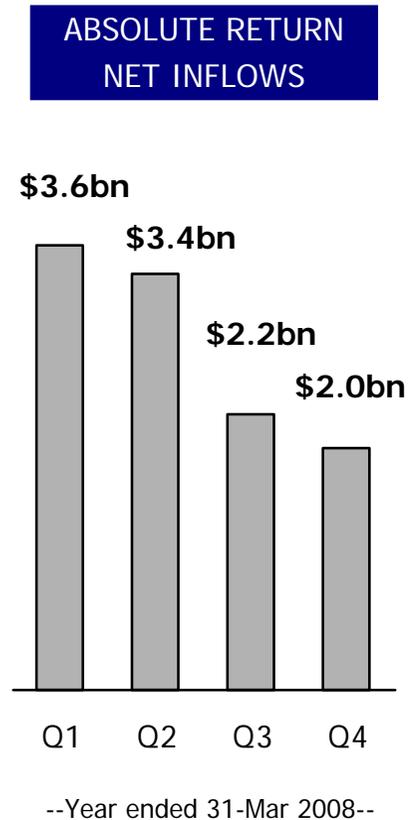
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- **Exploit expected continued growth in demand for currency absolute return**
- **Further expand penetration in Europe and North America**
- **Continue to offer active hedging opportunistically**
- **Broaden distribution through third party marketing arrangements**
- **Maintain high levels of client service**
- **Develop both existing and new products within currency investment management**



# Exploiting absolute return demand growth

- Demand continues, although at a slower pace
- Impact of wider investment conditions
- Clients' consultants continue to advocate currency absolute return
- We continue to promote currency absolute return in the US and continental Europe



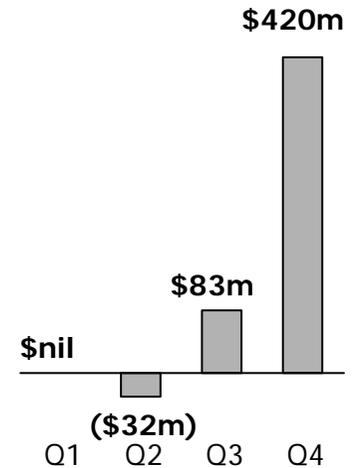


# Active hedging

## Volatility increases interest in Active Hedging

- Currency volatility in the period since July 2007 has increased interest in Active Hedging
- Record has offered Active Hedging opportunistically, with some recent successes
- Interest growing in US and Europe

ACTIVE HEDGING  
NET INFLOWS



--Year ended 31-Mar 2008--



# Third party marketing

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- SEI already a client – expected to expand
- Since March 2008, a similar arrangement initiated with an Irish manager
- Negotiations are progressing with a number of other potential 3<sup>rd</sup> party partners



## Client service

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- High levels of client service are supporting the business through a period of disappointing investment performance
- Significant effort being devoted to keeping clients and their consultants informed
- Only 1 absolute return client lost by 31<sup>st</sup> March 2008, out of 106 at 30<sup>th</sup> September 2007



# Product development

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## ■ Existing products

- ✓ Implemented greater diversification of pair selections in the absolute return process
- ✓ Review of the process to exploit range-trading under way

## ■ New products

- ✓ Emerging Markets: research continues into the application of Record's investment processes, appropriately amended, to emerging market currencies
- ✓ In response to enquiry, work now also under way into a 'currency beta' product



# Summary

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- **Adoption of currency for Absolute Return continuing**
  - albeit at a slower pace as a result of the credit crunch
- **Stable Absolute Return investment process with strong five-year track-record**
- **Active Hedging showing signs of growth**
- **High level of client loyalty**
  - supported by key investment consultants
- **New currency products planned for current year**



## **Appendix**



# Management and Board

## Executive Management

Name	Position	Experience
<b>Neil Record</b>	Chairman Chief Executive	<ul style="list-style-type: none"><li>■ Founded Record in 1983. Principal shareholder and Executive Chairman ever since (24 years at Record)</li><li>■ Acknowledged as one of the leading figures in the currency investment management industry</li></ul>
<b>Peter Wakefield</b>	Managing Director Chief Operating Officer	<ul style="list-style-type: none"><li>■ Joined Record in 1999 and was appointed Director responsible for product and strategy development and consulting in 2000 (8 years at Record)</li><li>■ Previously worked at Morgan Grenfell from 1984 to 1999 in various roles in the export financing, structured banking transactions, interest rate swap and options and credit derivatives side</li></ul>
<b>Bob Noyen</b>	Managing Director Chief Investment Officer	<ul style="list-style-type: none"><li>■ Joined Record in 1999 with responsibility for Investment &amp; Research (8 years at Record)</li><li>■ Previously worked as Assistant Treasurer for Minorco (now part of Anglo American plc)</li></ul>
<b>Leslie Hill</b>	Managing Director Head of Client Team	<ul style="list-style-type: none"><li>■ Joined Record in 1992 and was appointed Head of Sales and Marketing in 1999 (15 years at Record)</li><li>■ Prior experience includes working at Wells Fargo, Lloyds Bank and Merrill Lynch where she was Director and Head of Corporate Foreign Exchange Sales worldwide</li></ul>
<b>Mike Timmins</b>	Director Chief Financial Officer	<ul style="list-style-type: none"><li>■ Joined Record as Finance Director in 1992 and was appointed to the Group Board in 1995 (15 years at Record)</li><li>■ Previously served in financial roles at Cadbury Schweppes and as Group Treasurer, Premier Brands Limited</li></ul>

## Non-Executive Directors

Name	Position	Experience
<b>Cees Schrauwers</b>	Senior Independent Director	<ul style="list-style-type: none"><li>■ Formerly director, Aviva International; managing director, CGU Insurance; Partner, Coopers &amp; Lybrand</li><li>■ Currently senior independent director, Brit Insurance Holdings; Chairman, Drive Assist UK; Chairman, Alio Limited</li></ul>
<b>Andrew Sykes</b>	Non-Executive Director	<ul style="list-style-type: none"><li>■ Formerly Chairman, Schroders &amp; Co. Limited</li><li>■ Currently non-executive director, Gulf International Bank (UK); Smith &amp; Williamson Holdings; JP Morgan Fleming Asian Investment Trust</li></ul>



# AuME

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- **Currency for absolute return mandates:**

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

- **Active hedging mandates:**

- = total amount of clients' investment portfolios denominated in liquid foreign currencies, and hence capable (under the terms of the relevant mandate) of being hedged, plus

- **Passive hedging mandates:**

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

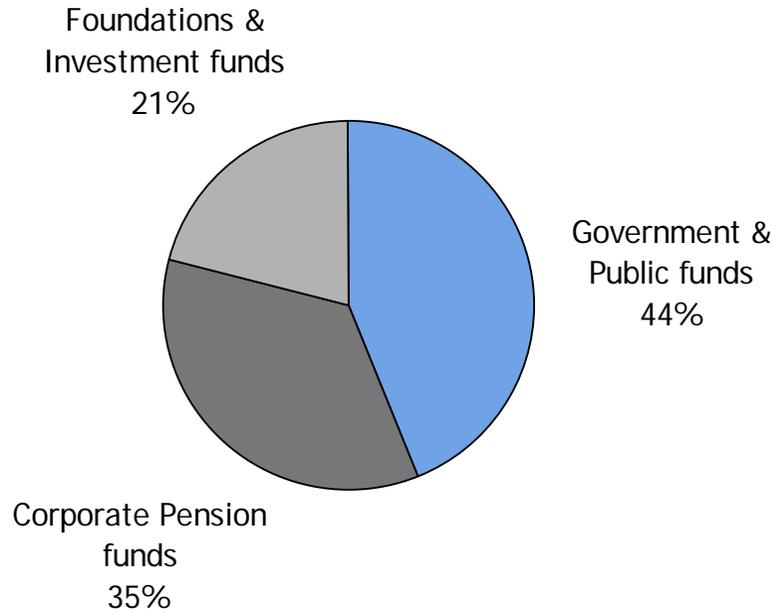
- **Cash:**

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

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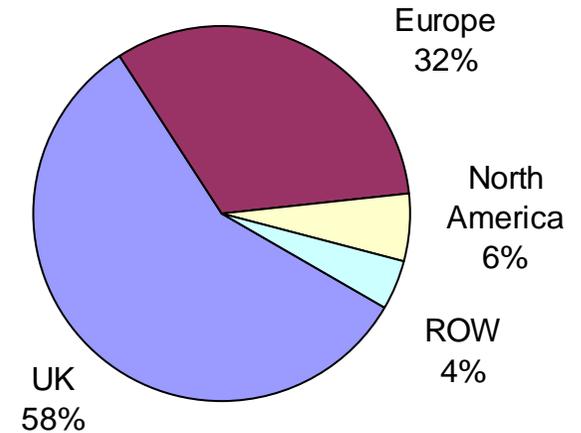
# AuME analysis

Split of AuME by client type—31 March 2008



**Total: US\$55.7 billion**

Split of AuME by country/region —31 March 2008



**Total: US\$55.7 billion**

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



# Financials – fee structure

## Fee structure analysed by AuME

	Segregated \$ billion	Pooled \$ billion	Total \$ billion	
Management only	10.9	6.4	17.3	60%
Management with Performance	3.2	8.5	11.7	40%
<b>Absolute Return</b>	<b>14.1</b>	<b>14.9</b>	<b>29.0</b>	<b>100%</b>



# Financials – concentration

## Largest clients by 2008 fees

	AuME	Management	Performance	Total	
	\$bn	£m	£m	£m	%
Clients 1-10	17.5	13.1	10.5	23.6	36%
Clients 11-20	7.1	7.2	3.0	10.2	15%
Other clients	31.1	23.7	8.7	32.4	49%
<b>Total Income</b>	<b>55.7</b>	<b>44.0</b>	<b>22.2</b>	<b>66.2</b>	<b>100%</b>

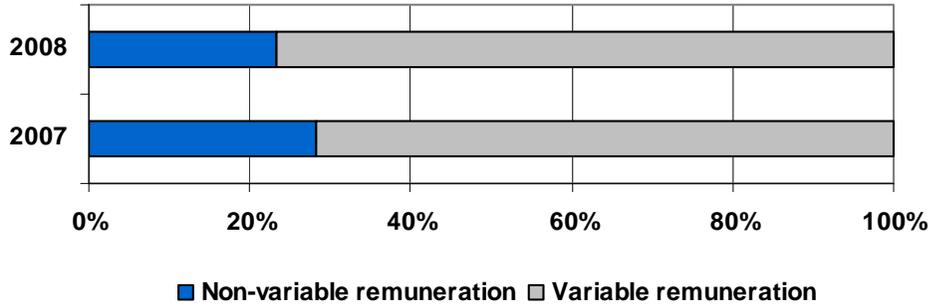
# Financials - expenses

## KPIs

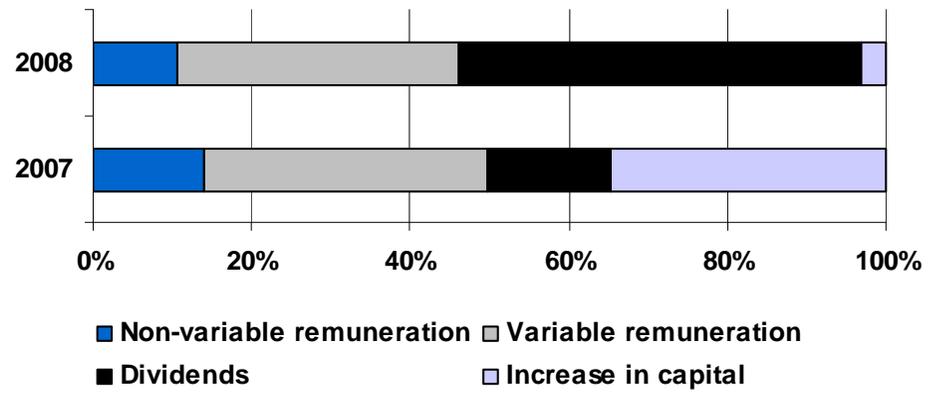
	2007	2008
Number of employees at 31 March	42	54
Operating *: management costs fees cover	3.5 times	5.0 times
Total income remuneration** cover	2.6 times	3.0 times
Operating profit margin (pre IPO costs)	55%	61%
Basic eps	6.67 p	12.65 p

\* excluding profit related bonus and IPO costs  
 \*\* including variable remuneration

Remuneration analysis

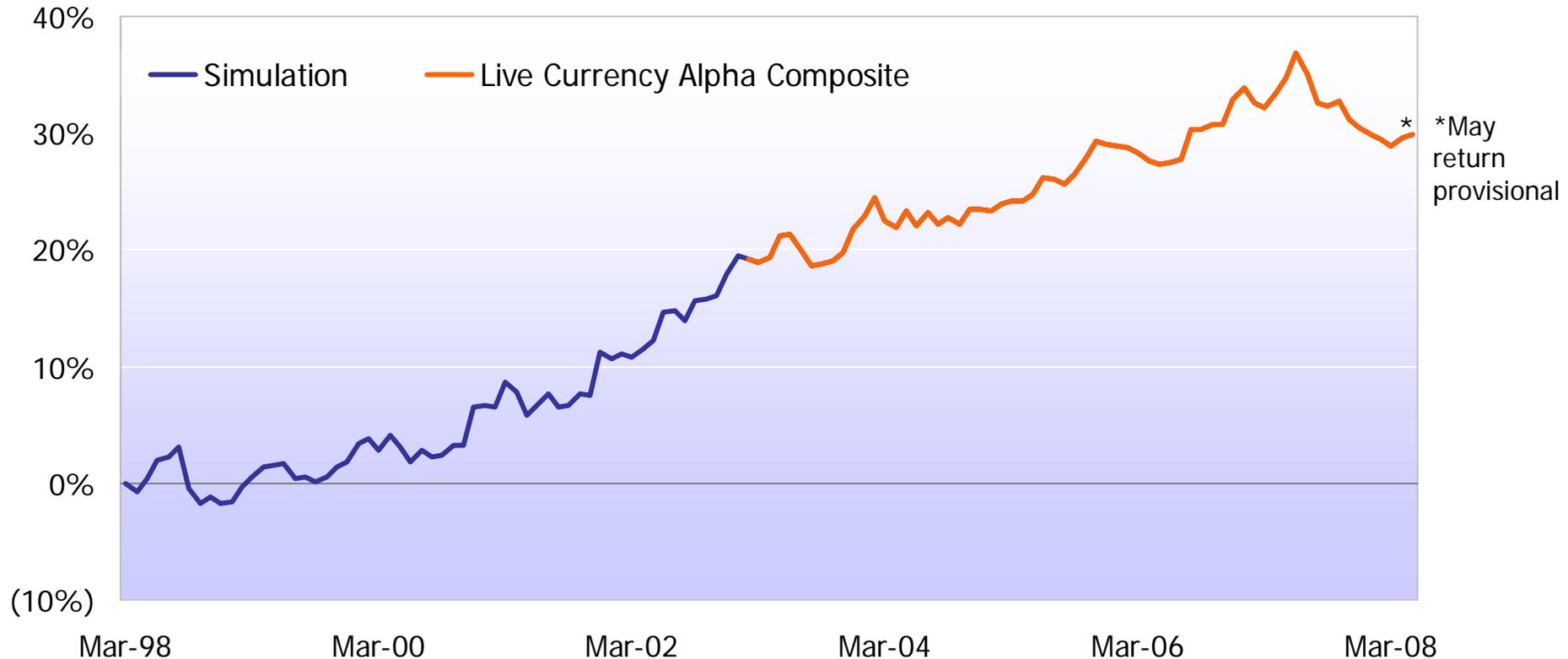


Utilisation of net profit before remuneration costs





# Absolute Return track record Mar 98-May 08



Note: the simulated returns are for information only