Record plc Annual Report & Accounts 2009

RECORD

Record plc
Annual Report
& Accounts 2009

Currency asset management

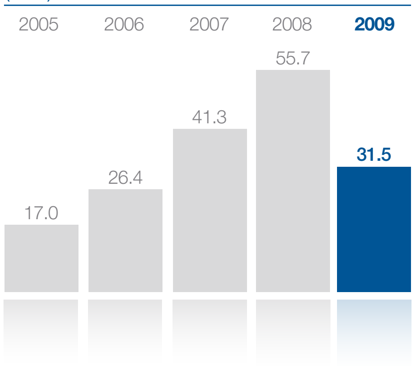
Record plc is a specialist currency asset manager, providing both absolute return and currency hedging mandates to institutional clients

Contents

Headlines

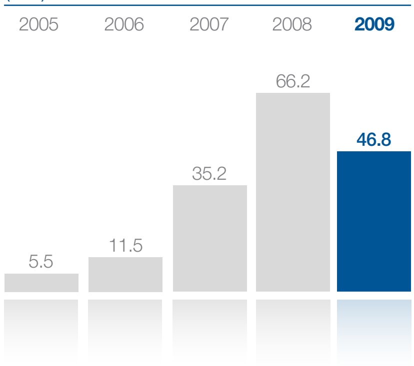
- Challenging markets and the effects of the credit crunch led to a year of strong ‘anti-carry’ trade resulting in a year of negative performance for the Absolute Return product
- General risk aversion in the financial markets is driving a renewed interest in Passive and Active hedging products
- Assets under management equivalents $31.5bn/£22.0bn at 31 March 2009 ($55.7bn/£28.0bn at 31 March 2008)
- Client numbers fell by 20 to 121
- Profit before tax reduced by 34% as a result of a reduction in performance fees
- Management fee income increased by 4%
- Strong balance sheet maintained with no external debt

AuME at year end
($bn)



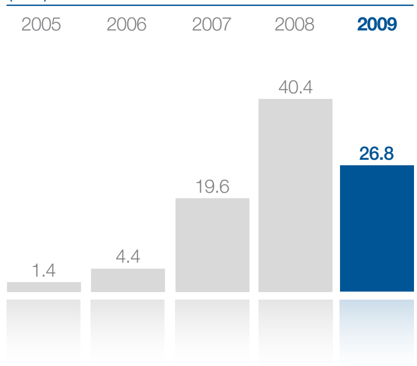
$31.5bn

Revenue
(£m)



£46.8m

Profit before tax
(£m)



£26.8m

Group overview

The Group, founded 25 years ago, has a leading position in managing currency for Absolute Return for institutional clients. This asset class has grown rapidly from virtually nothing in 2003, and Record has been in the vanguard of this growth, and a major beneficiary of the demand.

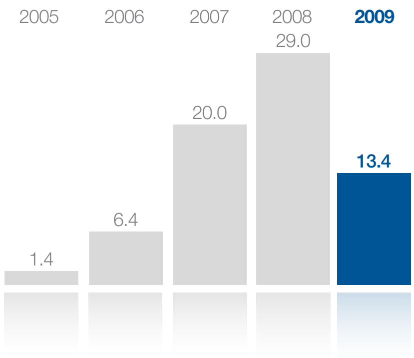
With Record's other products, Active and Passive currency hedging, the Group has a long and strong track record, and has established itself both in the eyes of clients and their investment consultants as a respected specialist in this sector.

Record has three principal product lines:

Currency for Absolute Return

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

AuME at year end
($bn)

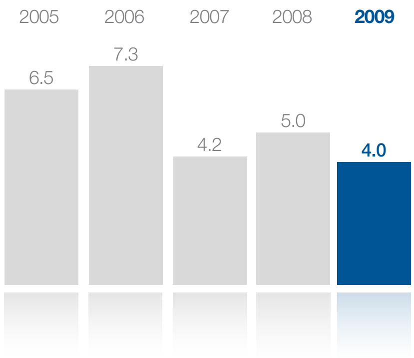


$13.4bn

Active Hedging

These mandates have the reduction of pre-existing currency risk as their principal objective and generating value-added as a secondary objective. The expected return: risk ratio is lower than for Absolute Return mandates because of the constraints imposed by the hedging requirement.

AuME at year end
($bn)

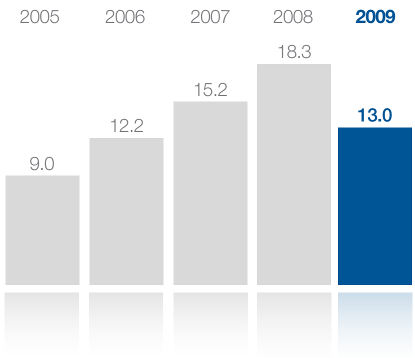


$4.0bn

Passive Hedging

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

AuME at year end
($bn)



$13.0bn

Disciplined investment process.
Highly experienced team.
Strong distribution capabilities.

Financial highlights

	2009	2008
AuME	$31.5bn	$55.7bn
Client numbers	121	141
Management fee income	£45.6m	£44.0m
Performance fees	£1.4m	£22.2m
Operating profit margin (ex IPO costs)	55%	61%
Earnings per share (basic)	8.73p	12.65p

Investment strategy

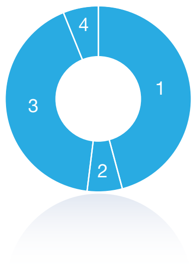
The Group's products are governed by the following principles:

» Systematic investment processes
» Strong, fundamental research directed towards the structural behaviour of the market's participants
» Avoidance of short-term discretionary decision-making
» Avoidance of 'gurus' or personality-based investment decision-making

Distribution and client base

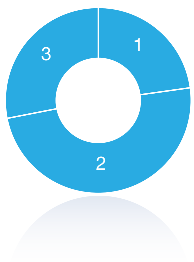
The Group's distribution strategy is to focus on investment consultant relationships, supplemented by direct marketing by the in-house client team.

AuME by client location
31 March 2009
(%)



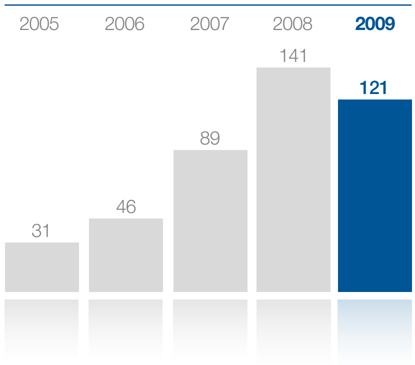
1 UK – **46%**
2 North America – **6%**
3 Europe – **42%**
4 ROW – **6%**

AuME analysed by client type
31 March 2009
(%)



1 Foundations and investment funds – **23%**
2 Government and public funds – **49%**
3 Corporate pension funds – **28%**

Client numbers at 31 March



Chairman and Chief Executive Officer's statement

Set against the most challenging markets and economic backdrop of a generation, Record has maintained the consistency of its investment processes, and enjoyed substantial loyalty from clients. The operating profit margin remained strong at 55%, and whilst AuME declined by 43%, the largest component was exchange rate differences that had no impact on fee income. Overall income was down by 29% with management fee income (excluding performance fees) up 4%.

Neil Record
Chairman and Chief Executive Officer

It is now a given that the events of the last 12 months both in the world economy and in the financial services sector have been unprecedented. Record's challenge has been to maintain consistency in its investment approach, while dealing with the very high level of disruption in the currency markets and the understandable concerns of clients.

Record has two main investment products: Currency for Absolute Return, and Currency Hedging. Currency Absolute Return is our main income source, accounting for 83% of client income in the year to 31 March 2009.

Our Currency for Absolute Return product is based on our belief in two fundamental characteristics in the currency markets – the 'carry trade' and 'momentum'. The carry trade is based on the observation that investing in currencies with higher real (i.e. after inflation) interest rates using lower real interest rate currencies has generated attractive excess returns over very long periods of time (30+ years). In the year on which I am reporting (but not generally), returns on the carry trade have been highly correlated with equity market returns, and have accordingly been negative. As the credit crunch has unfolded, the carry trade has become associated in the minds of investors with generalised investment risk, so that when risk-aversion reduced and the mood improved, as it did in April-July 2008 and again in February and March 2009, the carry trade generated positive returns. In August and October 2008, and again in January 2009, when extreme risk aversion dominated, the carry trade generated strongly negative returns.

We believe the behaviour of the carry trade in the credit crunch period has arisen mainly through what now appears to be a large implicit exposure to the carry trade by the banking sector. The carry trade is unusual, in that while it is widely accepted as a long-term (although volatile) source of excess return, it is hardly exploited at all by the institutional investment sector. Instead, it seems that not just the known candidates (hedge funds, currency managers like Record) exploited the carry trade going into the credit crunch, but also the world's banking system. Then with the wholesale destruction of bank credit in the second half of 2008, there was near panic buying of low interest currencies (particularly Yen), and similarly panic selling of high (or formerly high) interest rate currencies (Sterling, Australian Dollar, New Zealand Dollar).

Against these headwinds, our risk-control process (which exploits the momentum characteristic of the currency market) worked well. Our clients therefore experienced much lower losses and volatility of returns than they would have done without this fundamental part of our process.

However, the second half of calendar year 2008 saw another challenge – the normally highly liquid and low-cost foreign exchange markets suffered a serious blow with the collapse of Lehman Brothers, a major foreign exchange market-maker. During the four or so weeks of unresolved crisis in the banking sector in September and October 2008, the currency market experienced the worst period of prolonged illiquidity, particularly in the forward market, that I have seen in 30 years. The illiquidity was not evidenced by low volumes – quite the contrary – but by the temporary breakdown of the network arrangements which allow market-makers to offload their currency positions cheaply and easily to other banking counterparties. The collapse of confidence in bank credit meant that many of the interconnections in the market failed, forcing banks to offset currency risk internally, much reducing transactional efficiency, and sharply increasing the costs of dealing to customers. While the immediate crisis in the foreign exchange market has now subsided, forward currency market pricing has been left with an implied credit element, which makes the selection of our counterparties, and the minimising of dealing costs to our clients, a real test of our dealing team's skills.

Despite these evident challenges for our Absolute Return product, I am confident that Currency for Absolute Return is continuing to develop a secure place in many institutional investors' portfolios, and indeed that allocations to this asset class could be substantially increased in the coming years. In particular, we believe that 'carry' is now sufficiently established and understood to begin a transition from an 'alpha' to a 'beta'. This is investment parlance for saying that we believe that the carry trade is such a stable and persistent source of excess return, available to all investors (not just the above median half), with such strong fundamental underpinnings, that it qualifies to be an asset class, like equities, fixed income, property, etc.

As a result of the credit crunch and risk aversion of investors, risk reduction has naturally risen up the agenda of investors. This has meant that we are seeing an increasing demand for both our Passive and Active currency hedging products.

New hedging clients come to us in two ways: either they decide through longer-term analysis that currency hedging is a strategic need for their portfolio, or an event in the market (usually a strong market movement in either direction) creates an immediate tactical response. We have seen very large currency movements in the past year, so that both these routes are active sources of new hedging clients at the moment. In particular, we have signed a large US State Pension Fund for Active Hedging and anticipate the signing of a second US Active Hedging mandate shortly. These will build up over the coming year, but when the mandates are fully mature they will add approximately $6bn to our AuME.

We are working very actively in the US, where we think there are significant opportunities to build our hedging (as well as our Absolute Return) client base, and it is from the US that we expect the majority of new business to come in the coming year.

Set against the most challenging markets and economic backdrop of a generation, Record has maintained the consistency of its investment processes, and enjoyed substantial loyalty from clients. Whilst AuME declined by 43%, the largest component was exchange rate differences that had no impact on fee income. Overall income was down by 29% with management fee income (excluding performance fees) up 4%. The operating profit margin remained strong at 55%.

Overall profit before tax was £26.8m and earnings per share were 8.73p per share. The proposed final dividend is maintained at 2.16p per share and together with the interim dividend takes the total dividend for the year to 4.59p per share.

The balance sheet has strengthened during the year with shareholders' funds rising by 47% to £27.2m and cash balances increasing by £7.3m to £29.8m. The Group has a significant regulatory capital surplus and has cash reserves equivalent to over two years operating costs.

Further detailed analysis of the results for the year can be found in the Business review.

Currency for Absolute Return is a six-year-old product for Record, which experienced very strong demand from institutional investors particularly in 2006 and 2007, and hence rapid growth in AuME over that period. At 31 March 2009, AuME for Absolute Return stood at $13.4bn (2008: $29.0bn). Whilst performance has been negative during the last twelve months and there has been a reduction in client numbers, we believe that the investment case remains strong and that there remains significant potential for growth in this product.

Active Currency Hedging is our longest-standing product, with continuous client track records since 1985. AuME at 31 March 2009 stood at $4.0bn. Recent growth in this product has been strong, although this has yet to be evident in reported AuME figures or income. We are currently experiencing increased interest and take-up in the US, as investors seek to capture and retain currency gains they have made in the past five years on international investments.

Passive Currency Hedging, at $13.0bn AuME, accounted for 41% of Group-wide AuME at 31 March 2009, but only 3% of fee income in the year ended 31 March 2009. We decided in 2006 that we did not wish to offer stand-alone product in this low-margin sector, the exception being where the mandate is combined with either an Absolute Return or Active Hedging account. In this difficult market environment we are seeing a renewed interest in execution only Passive Hedging where higher fee rates can be achieved.

Chairman and Chief Executive Officer's statement continued

Investment philosophy

Our investment philosophy is now well established. We believe that long-term returns for investment clients in the currency market are only reliably available by exploiting long-term and persistent inefficiencies. By contrast, while there are undoubtedly short-term currency market anomalies that appear and disappear (as in all markets), we do not aim to use these to add value for our clients, since we believe our ability as a firm to do this consistently over long horizons is low. We have maintained this philosophy in the face of extraordinarily volatile and disrupted market conditions, and we intend to continue to do so.

At the core of our philosophy, we recognise and exploit two currency market inefficiencies (I use the term in the sense of 'opportunities') – 'carry' and 'momentum'. I have already discussed these above. We also recognise a third inefficiency – 'mean reversion' – which we also think is a stable inefficiency. Many 'fundamental' currency managers aim to exploit long-term mean-reversion, but we take the view that the variability of the currency valuation cycle length, and the stretchiness of the 'elastic band' that pulls currencies back to 'fair value', are both factors which make exploiting this inefficiency very difficult. Instead, we exploit mean reversion at the other end of the horizon spectrum (i.e. a month or less) in a small part of our portfolio to act as a diversifier to the two main processes.

Our Active Hedging product uses substantially one inefficiency – momentum – to allow our clients to effectively insure their portfolios against adverse currency moves in a very efficient and low-cost manner. We do not generally exploit carry in our hedging products.

Investment performance

The year ending 31 March 2009 has been one of negative performance for our Currency for Absolute Return product. Expressed as a % of underlying assets with no gearing ('gearing one' basis), the excess return of our segregated composite was (3.5%).

The negative return was substantially accounted for by 'anti-carry' behaviour in the currency market. If we measure this performance against a 'currency carry' benchmark, a comparable long-term volatility benchmark would have shown a (5.6%) return. This illustrates that our clients did not suffer anything like as much as they would have done had we not employed our active risk-management process.

We maintain a range of pooled funds, which enable clients to treat Currency for Absolute Return like an asset class – i.e. to invest in a Unit Trust, and have no further administrative commitments or financial liability. The currency excess return of these funds (which range in 'gearing' from 2.5 to 7 times the 'gearing one' product, and whose expected volatility ranges between 10% and 28% p.a.) are given in the table below.

We have maintained the daily liquidity of pooled funds even in the darkest days of September and October 2008, and this has enabled both those clients who believe that the carry trade has gone away (either temporarily or permanently) to exit our funds quickly and at no cost; and also those who believe in long-term mean reversion to enter, also quickly and at no cost.

Aligned incentives

Record operates a profit share scheme whereby 30% of operating profits are distributed between all members of staff. Every member of staff is entitled to a profit share, and the distribution amongst the staff is determined by each members' profit share 'units' and their salary. These are determined in a formal six-monthly or annual process. There are no other incentive scheme arrangements across the Group, save for the Record Share Scheme under which awards are made on an ad hoc basis.

The Board is actively reviewing its succession-planning arrangements, and we believe that it is vital that the next generation of management are appropriately incentivised through long-term share ownership, not just as receivers of profit-share payments. The Remuneration Committee has proposed certain changes to the existing scheme that seek to further align the interests of management with those of shareholders through a significant proportion of future profit share payments being share based. It is proposed to maintain the overall cost of the profit share scheme at 30% of operating profits over the medium term. Further details are contained within the Remuneration Committee Report.

Annual returns of Record Umbrella Currency Funds; year to 31 March 2009

Fund Name	Gearing	Annual return %	Volatility since inception % p.a.
Cash Plus	7	(25.8%)	20.4%
Equity Plus	6	(56.2%)	29.0%
US Cash Plus	7	(18.0%)	21.0%
US Equity Plus	6	(31.9%)	26.4%
Euro 1	3.5	(9.6%)	11.0%
Sterling 10	2.5	(7.1%)	6.9%
Sterling 20	5	(15.7%)	10.6%
Alpha composite	1	(3.5%)	2.9%
Global Equities* (S&P 500)		(39.7%)	

*Included for comparison to global equities.

Board changes and Personnel

During the year there was one change to the Board, with Paul Sheriff joining as Chief Financial Officer on 1 December 2008. Paul was previously Group Finance Director at Arbuthnot Banking Group PLC, and prior to this was Commercial Finance Director for Prudential's UK & European operations. I am delighted to welcome Paul to the Board and look forward to his contribution to the future success of Record.

Mike Timmins left the Board and retired on 30 November 2008. Mike joined Record in 1992 as the Finance Director of what was then a small private company. He quickly established a very well managed finance department, and was a vital part of the small management team that worked over the next 17 years to establish Record as a key player in the currency asset management sector. I am personally grateful to Mike for his support to me and the Company over this period, and I wish him well in his retirement.

Peter Wakefield, Chief Operating Officer, has indicated that he wishes to retire from Record to pursue other interests outside Financial Services. He will be leaving the Board on 28 August 2009. The Board has decided that the activities of the Chief Operating Officer will be split between the Chief Financial Officer and the Chief Investment Officer.

Peter joined Record in 1999, and quickly became expert in all our currency products, building strong relationships with investment consultants and clients. He led the development of the pooled funds and was a key part of the IPO team in 2007. His good judgement and sharp intelligence will be missed.

The Board has recognised the need for a third Non-executive Director, and the process to identify an appropriate candidate is well advanced. The Board anticipates making an announcement in the near future.

In addition to the Board changes outlined above, the senior management team has been strengthened over the last year, particularly in the client team with the addition of two senior staff members, James Wood-Collins, who joins us from JP Morgan Cazenove, and Adrian Jackson from Russell Investment Group.

On behalf of the Board I extend our thanks to all staff for their commitment to the business and their hard work in this very difficult environment.

Group strategy and growth plans

Record has seen strong growth over the last five years, particularly in investors seeking to generate a return through currencies. We see this continuing and envisage significant opportunities arising as a result of the turmoil in the financial markets. The Board are seeking to position Record to exploit opportunities as and when they arise.

In these challenging markets, we are seeing an increased focus on balance sheet risk management. Sterling investors (and to a lesser extent US Dollar investors) that have been passively hedged have seen significant cash outflows, while those investors that were unhedged have seen significant currency gains on international portfolios that they wish to protect. Investors are looking at alternative solutions to these two extremes and we believe that Record's Active Hedging product is well positioned to exploit any opportunities that arise.

Record believes the currency carry trade to be an investable product that over 30 years would have delivered a total return comparable to that of global equities and superior to that of global bonds, at volatility comparable to bonds and superior to equities. Long-term correlations between a 'carry' index and either equities or bonds are low. We believe that this qualifies currency 'carry' to be an asset class in its own right. Record intends to launch a 'beta' product that tracks a measurable index later in the year, and to widen the range of return-seeking products it offers to give potential investors the fullest range of ways to invest in this asset class.

Clients continue to approach Record with specific and varied currency requirements. In order to deliver tailored solutions to clients, we continue to invest in people and systems that enable Record to offer the appropriate services.

We also believe that the next 12 months will see investors re-assess investment allocations and believe that currency could be a beneficiary. The Board also continues to position Record to benefit from developing interest in emerging market currencies.

In conclusion, I am grateful to our stakeholders – staff, shareholders and clients – for their loyalty to Record in this most difficult of the 25 years that Record has been in existence. The Board remains committed to the programme that I have set out, and believe that the opportunities for those specialist asset managers that survive the current turmoil will be very exciting indeed.

Neil Record
Chairman and
Chief Executive Officer

Business review

This was a very challenging year for the Group which saw AuME (US$) decrease by 43%, fee income decrease by 29% and profit before tax decrease by 34%. AuME measured in Sterling fell by a lower amount of 21% and management fee income increased by 4%.

Paul Sheriff (top)
Chief Financial Officer

Peter Wakefield (bottom)
Chief Operating Officer

Summary of highlights

$31.5bn AuME at 31 March 2009 was 43% lower than the prior year.

AuME in Sterling decreased to £22.0bn at 31 March 2009, 21% lower than at 31 March 2008.

Client numbers decreased to 121 at 31 March 2009, 14% lower than at 31 March 2008.

Management fee income of £45.6m was 4% higher than the previous year.

Performance fee income of £1.4m was 94% lower than the previous year.

Operating profit margin to 31 March 2009 of 55% compared to 61% (ex IPO costs) for the year ended 31 March 2008.

Basic EPS decreased to 8.73p compared to 12.65p for the year to 31 March 2008.

Proposed final dividend for the six months to 31 March 2009 is 2.16p per share. Total dividend for the year is 4.59p per share.

Overview of financial year to 31 March 2009 (FY09)

The 12 months to 31 March 2009 was a very challenging period in the history of the Group with currency markets exhibiting unprecedented levels of volatility and a period of strong anti-carry behaviour. The Absolute Return products saw negative performance for the year as a whole, although performance improved in the final quarter of the year and was positive in the final month. The Group saw significant falls in AuME, client numbers, fee income and operating profit. Management fee income saw a small increase and AuME when measured in Sterling saw a smaller decline. The balance sheet of the Group remained strong with substantial cash and capital resources available to the Group.

AuME movements result both from factors within Record's control and external factors. External factors include the Sterling/USD exchange rate and the underlying asset value (usually equities) on which hedging mandates are based. External factors accounted for 57% of the fall in AuME during the year.

Results for FY09

The following key performance indicators confirm the challenging environment that the Group has encountered during the financial year to 31 March 2009:

AuME – decreased by $24.2bn (down 43%) during the year. AuME decreased across all products with the most significant reductions in the Absolute Return products. The largest component of the decrease is due to the significant changes in the USD/Sterling exchange rate. This exchange rate has limited impact on income as the majority of mandates are Sterling denominated. AuME, when measured in Sterling, decreased by £6.0bn (down 21%).

Client numbers – this represents the number of separate legal entities that have invested in a Record fund or appointed Record directly as an investment manager. Each entity may have more than one mandate. The number of clients at 31 March 2009 was 14% lower than at the previous year end.

Number of employees – the number of employees increased from 54 to 62 during the year to 31 March 2009. This is an increase of 15% due to the continued strengthening of the research, trading and support services teams. Overall employee costs when compared to the level of income and profit before tax indicates the low level of fixed costs.

Operating costs to management fees – the movement in AuME and increase in operating costs resulted in a small reduction in the cover of management fees to operating costs to 4.6 times (2008: 5.0 times).

Total remuneration to revenue – the operational leverage experienced a small reduction in the ratio of total remuneration costs to revenue which for the year to 31 March 2009 was 2.8 times covered (2008: 3.0 times).

Operating profit margin – a combination of significantly reduced performance fees, marginally higher costs and a reduced profit share cost resulted in the operating profit margin reducing to 55% for the year to 31 March 2009 (2008: 61% ex IPO costs).

Basic EPS – the decrease in operating profit margin is reflected in the Group's earnings per share decreasing to 8.73p per share (2008: 12.65p per share).

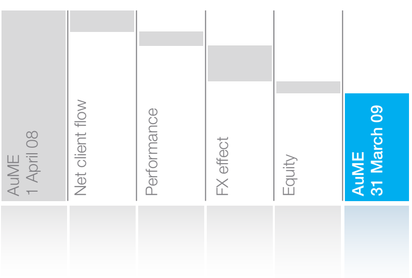
The Key Performance Indicators are:

KPI	2009	2008
AuME at 31 March – US Dollars	$31.5bn	$55.7bn
AuME at 31 March – Sterling	£22.0bn	£28.0bn
Currency Alpha Composite	(3.49%)	(2.39%)
Client numbers at 31 March†	121	141
Number of employees at 31 March	62	54
Operating costs*: management fees cover	4.6 times	5.0 times
Total remuneration: total revenue cover	2.8 times	3.0 times
Operating profit margin (ex IPO costs)	55%	61%
Profit Before Tax	£26.8m	£40.4m
Basic EPS	8.73p	12.65p

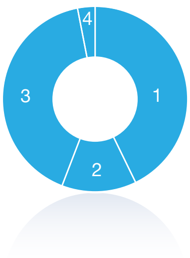
* Excluding related profit share and IPO costs.

† Currency Alpha Composite
Currency Alpha Composite – an investment return track record generated by the aggregation of all standard segregated track records for Record's Currency for Absolute Return product. The Currency Alpha Composite is asset-weighted, based on AuME for each account. At 31 March 2009, there were 18 accounts and $6.8bn in assets in the Currency Alpha Composite.

AuME Growth bridge FY09
($bn)

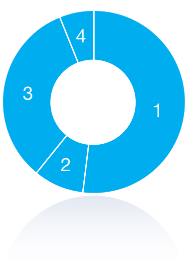


AuME
31 March 2009
(%)



1 Absolute Return – **43%**
2 Active Hedging – **13%**
3 Passive Hedging – **41%**
4 Cash – **3%**

AuME
31 March 2008
(%)



1 Absolute Return – **52%**
2 Active Hedging – **9%**
3 Passive Hedging – **33%**
4 Cash – **6%**

AuME

The Group has seen net outflows of $6.2bn from clients including a $1.6bn inflow from new clients. Other movements included:

(i) A fall of $10.4bn due to changes in exchange rates over the period, which affects the conversion of non-US Dollar mandate sizes into US Dollar AuME. This does not have an equivalent impact on the Sterling value of fee income.

(ii) A fall of $4.1bn due to investment performance in the Group's pooled funds which is compounded on a geared basis into the AuME in those funds.

(iii) A fall of $3.5bn related to the levels of global stock and other markets as many mandate sizes are linked to stock and other market levels.

Of these movements, (i) and (iii) are outside the control of the Group.

When expressed in Sterling, AuME in the 2009 financial year fell by 21% to £22.0bn (2008: £28.0bn). This fall is more representative of the impact of AuME on underlying management fee income with 74% of mandates being denominated in Sterling, 9% being denominated in US Dollars, 9% being denominated in Swiss Francs and 8% being denominated in Euros.

Investment performance

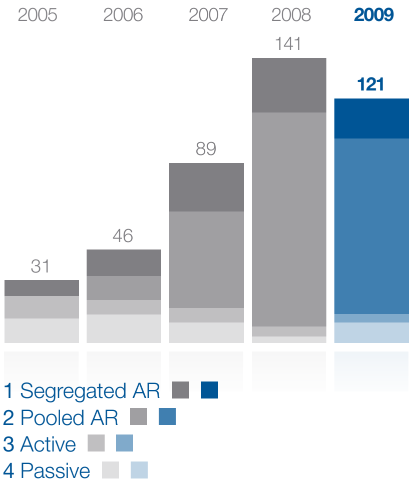
The core investment process used within the pooled funds, the Trend/Forward Rate Bias (FRB) strategy, relies on the tendency of higher interest rate currencies to outperform lower interest rate currencies over the long term. As widespread risk aversion continued, lower interest rate currencies continued to increase in value compared to higher interest rate currencies as institutions and individuals closed 'carry trade positions', leading to 'anti-carry' trends in many currency pairs. These trends took spot rates in many currency pairs to levels far from long-term averages. As a result, and despite the built-in risk controls, the Trend/FRB strategy produced a negative return over the period.

Incremental to losses from the Trend/FRB strategy were losses arising from the Range Trading strategy which runs in parallel with the Trend/FRB strategy. This strategy relies on certain currency pairs trading in a narrow range to each other, and has the advantage of generally being uncorrelated to the return from the Trend /FRB strategy. Whilst this proved to be the case between April and September 2008, in October 2008 the extreme currency volatility disrupted the range-trading of even historically reliable currency pairs, such that losses were sustained.

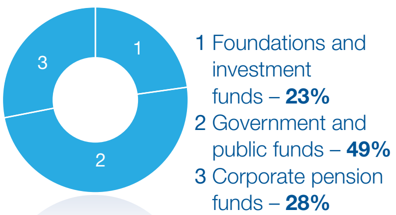
Although the market has been challenging during the period for investors generally, we are confident that the fundamental principles underlying the Trend/FRB strategy and the Range Trading strategy still exist in the foreign exchange markets. In particular with respect to the Trend/FRB strategy, we believe that the core contributors to this return will be as prevalent over the foreseeable future as they have been over most of the past 30 years. Once the FRB reasserts itself in the foreign exchange markets, we are confident that investment performance will improve.

Business review
continued

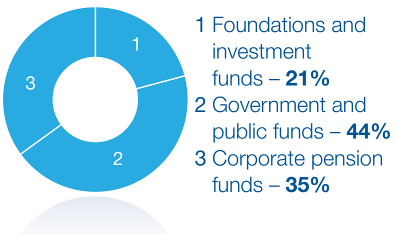
Client numbers at 31 March



AuME analysed by client type
31 March 2009
(%)



AuME analysed by client type
31 March 2008
(%)



1 The Absolute Return product involves Record entering into currency contracts with the objective of generating positive returns.
2 The Active Hedging product seeks to eliminate the negative impact of currency movements on an investment portfolio that is not denominated in the client's base currency but does not resist the beneficial impacts.
3 The Passive Hedging product seeks to eliminate fully the economic impact of currency movements on an investment portfolio that is not denominated in the client's base currency.

Product range

The AuME decreased through the year for all products. The Absolute Return[1] product decreased by $15.6bn, a 54% decrease during the year. Record's Absolute Return products are offered on either a segregated mandate basis or through pooled funds, where clients subscribe for units in funds for which Record is the distributor and investment manager. The most notable AuME decline was in pooled funds that generally have a higher level of gearing (down 66% in the period). A further fall in AuME is anticipated in the short-term for segregated mandates as a result of the loss of a major client announced in May 2009.

Active Hedging[2] mandates benefited from net client inflows of $0.9bn. However, this was offset by a combination of the movement in the Sterling/USD exchange rate and the fall in value of the underlying assets (typically international equities) that the hedging programme is established to hedge against. The aggregate of these movements is a fall in AuME of $1.0bn (a 20% decrease) in the year. Indications are that certain groups of investors may be seeking to protect existing gains or limit currency risk on portfolios denominated in currencies other than their base currencies by choosing to hedge their currency exposures actively rather than passively. If these indications are sustained and translate into new client business for Record, the Active Hedging AuME is likely to increase in both absolute and proportional terms. Record has signed a US Active Hedging mandate that it anticipates will grow beyond $4bn over the next 12 months and commenced the programme in May 2009. A further US Active Hedging mandate has been secured and it is anticipated that this mandate will be signed in the coming months.

Passive Hedging[3] AuME decreased by $5.3bn (a 29% decrease in the year). This decrease was principally the result of a combination of the movement in the Sterling/USD exchange rate and the fall in value of the underlying assets (typically international equities) that the hedging programme is established to hedge against. A number of Passive mandates are linked to overall programmes under which an additional Absolute Return or Active mandate incorporates an element of Passive Hedging.

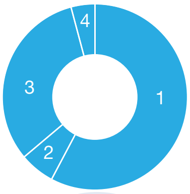
AuME by product

$bn	31 Mar 09	31 Mar 08
Absolute Return – segregated	8.3	14.1
Absolute Return – pooled	5.1	14.9
Sub-total Absolute Return	13.4	29.0
Active Hedging	4.0	5.0
Passive Hedging	13.0	18.3
Cash	1.1	3.4
Total	**31.5**	**55.7**

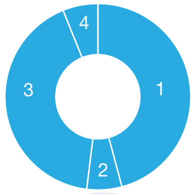
AuME by product

£bn	31 Mar 09	31 Mar 08
Absolute Return – segregated	5.8	7.1
Absolute Return – pooled	3.5	7.5
Sub-total Absolute Return	9.3	14.6
Active Hedging	2.8	2.5
Passive Hedging	9.1	9.2
Cash	0.8	1.7
Total	**22.0**	**28.0**

AuME by client location
31 March 2008
(%)



AuME by client location
31 March 2009
(%)



The overall product mix, whilst being 43% of AuME from the Absolute Return products (2008: 52%) has become more diversified during the year with Hedging AuME growing to 54% of AuME (2008: 42%). Both Absolute Return and Active Hedging, which together represent 56% of AuME (2008: 61%), are higher margin products compared to Passive Hedging. Absolute Return pooled funds made up 16% of AuME (2008: 27%) and Absolute Return segregated funds 27% of AuME (2008: 25%). At 31 March 2009 Record had 121 clients. The Group has experienced a sustained period of growth in client numbers over the previous three financial years with client numbers growing from 31 as at 1 April 2005 to 141 as at 31 March 2008. The net decline in client numbers in the 2009 financial year (minus 20) leaves client numbers higher than 31 March 2007 (89).

The client losses were particularly prevalent in the pooled Absolute Return product with clients down from 106 to 87 in the year. The pooled fund structure enables smaller clients to access the investment process and as a result there is a greater number of clients of a smaller average size than with segregated accounts. One of the features of the pooled funds is to provide daily liquidity to investors. This daily liquidity is believed to have been a contributory factor for certain investors' disinvestments.

Substantially all of Record's clients are wholesale investors with corporate and public pension funds collectively representing 77% of the Group's AuME at 31 March 2009.

Gearing

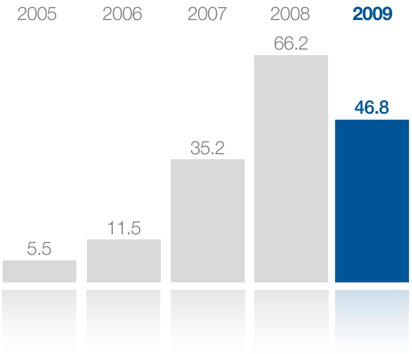
The Absolute Return product allows clients to pick the level of exposure they desire in the currency programme. The pooled funds offer clients the ability to be either 2.5, 3.5, 5, 6 or 7 times geared with either Sterling, US Dollars or Euros as the base currency. The segregated mandates allow clients individually to pick the level of gearing.

The level of gearing has a direct impact on the level of volatility to which the investment will be exposed. A 7 times geared fund should anticipate volatility of 28%, compared to a 2.5 times geared fund volatility of 10%. An equity portfolio, by comparison, typically has a volatility of around 15%.

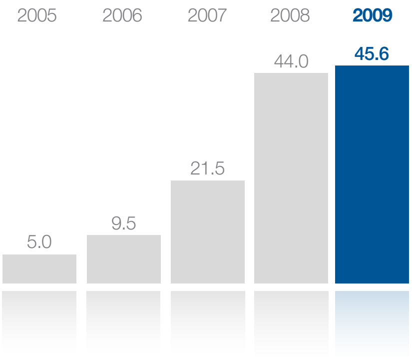
This level of gearing obviously impacts the returns that clients have experienced and this has been particularly relevant in an environment of predominantly negative returns. Certain segregated clients, with low levels of gearing (less than 1 times in some instances), have seen relatively modest losses in absolute terms when compared to other asset classes. Conversely, pooled clients in the higher geared funds have seen significant losses that have increased their propensity to redeem their investment.

Preeya Patel – Portfolio Analyst and Counterparty Manager
Preeya works in the Portfolio Management department, and her role encompasses managing the daily product management activities of the investment programmes. She is also responsible for managing and developing the structures which relate to counterparties for client trading, including banks, prime brokers and futures brokers.

Total revenue
(£m)



Management fees
(£m)



Financial review

Total revenue decreased by 29% to £46.8m, principally due to the significant reduction in performance fees. Total expenditure (excluding IPO costs) decreased by 18% to £20.9m through a reduction in the Group Profit Share cost. Profit before tax decreased by 34% to £26.8m.

£'000	FY09	FY08
Management fees	45,561	43,987
Performance fees	1,436	22,160
Other revenue	(201)	82
Total revenue	**46,796**	**66,229**
Personnel (excluding Group Profit Share Scheme)	(5,628)	(5,101)
Non-personnel cost	(4,220)	(3,740)
Group Profit Share Scheme	(11,091)	(16,829)
Total expenditure (excluding IPO costs)	**(20,939)**	**(25,670)**
Operating profit (pre-IPO costs)	**25,857**	**40,559**
Operating profit % of revenue	55.3%	61.2%
IPO costs	–	(1,293)
Operating profit (after IPO costs)	**25,857**	**39,266**
Net interest	912	1,127
Profit before tax	**26,769**	**40,393**
Tax	(7,494)	(12,480)
Profit after tax	**19,275**	**27,913**

Fees

Over a three year period, the growth in the number of clients and increase in AuME has driven the growth in total fee income, which was equal to a compound annual growth rate of 61% for the period 1 April 2006 to 31 March 2009. In the financial year ended 31 March 2009, the fall in the number of clients and the associated decline in AuME together with a significant reduction in performance fees have driven a decline in total fee income of 29%. Excluding performance fees, management fees increased by 4%.

Record charges fees to its clients based upon the AuME of the product provided. Record typically offers all Absolute Return clients the choice of paying an asset based management fee only or the alternative of management fee plus performance fee. Higher performance fee rates usually accompany lower management fee rates and vice versa. The fee combinations are structured so that Record is indifferent between them in the medium term. Those Absolute Return pooled fund clients that have chosen to pay only management fees have been offered, from April 2009, the option to move to management plus performance fees comprising a management fee approximately 45% lower than the existing arrangement together with a 'high water mark' at inception of the mandate. It is anticipated that all pooled clients who currently pay management fees only will take up this offer.


Achieved average management fee rates

by product – (bps)*	FY09	FY08
Absolute Return – pooled	29.8	30.0
Absolute Return – segregated	27.2	25.3
Sub-total Absolute Return	28.5	27.9
Active Hedging	20.6	22.5
Passive Hedging	1.7	1.3
Average management fee rate	**17.1**	**16.3**

* bps = basis point = 100th of one percentage point.
(Achieved average management fee rate = fees earned in period/average AuME during period.)

Both management fees and performance fees are normally invoiced on a quarterly basis, although Record invoices management fees for some of its larger clients on a monthly basis. Performance fees are subject to a 'high water mark' clause that states that cumulative performance, typically since inception of the mandate, must be above the previous high point on which performance fees were charged before performance fees are charged again. Record charges similar fees for both segregated and pooled Absolute Return mandates.

Management fees

Management fee income during the 2009 financial year was £45.6m (2008: £44.0m). The chart below shows strong growth in both Hedging products, with management fee income attributable to Active Hedging up 27% in the period and Passive Hedging up 36%. The management fee income attributable to the Absolute Return product is down 0.3% to £38.0m. Whilst management fee income has actually increased for the year as a whole, there was a softening of management fee income in the second half in the Absolute Return pooled funds that saw a significant fall in AuME, partially offset by increased management fee income across the Hedging products.

Management fees by product (excluding performance fees)

£m	FY09	FY08
Absolute Return – segregated	18.3	16.0
Absolute Return – pooled	19.7	22.1
Sub-total Absolute Return	38.0	38.1
Active Hedging	6.1	4.8
Passive Hedging	1.5	1.1
Total	**45.6**	**44.0**

Performance fees

Performance fees earned in the year were £1.4m compared with £22.1m in the previous year (a decrease of 94%). Performance fee structures apply primarily to Absolute Return mandates. Clients may choose between management fee only structures or lower management fees with performance fee structures. The balance is evenly split between management fee only clients and management fees with performance fee clients. It is anticipated that the majority of pooled fund clients will take up the offer to move from management only fees to management plus performance fees whilst maintaining a 'high water mark' at inception of the mandate. This would result in a significantly higher proportion of management plus performance fee mandates.

Julia Edbrooke – Associate Director, Client Team
Julia is part of the Client Team, and her role involves the sourcing of new business as well as servicing existing clients and consultants.

Business review
continued

Group Profit Share Scheme

The Group operates a Group Profit Share Scheme such that 30% of operating profit before interest, tax and profit share is made available to be awarded to employees. Details of proposed changes to the scheme are detailed in the Remuneration report on page 27 and are subject to shareholder approval.

Operating margin

The operating profit for the financial year ended 31 March 2009 of £25.9m was £14.7m lower than the operating profit for the previous financial year (2008: £40.6m before IPO costs of £1.3m). The Group achieved an operating profit margin of 55% for the financial year ended 31 March 2009 (61% in 2008 ex IPO costs). This results principally from lower fee income offset by a reduction in Group Profit Share.

During the financial year ended 31 March 2009, total operating expenditure (ex IPO costs in financial year ended 31 March 2008) of the Group decreased by £4.7m to £20.9m, a decrease of 18%. This results from a £1.0m increase in expenditure offset by a £5.7m reduction in the Group Profit Share Scheme.

Personnel

In order to support the growth of the business over the previous three years, the number of employees in the Group has increased to 62 at 31 March 2009 from 54 at 31 March 2008. The key areas of growth have been the research, trading and support services teams.

The recruitment process has been carefully structured to ensure that the right people are recruited to the Group, and this continues with a comprehensive induction programme for all new joiners to facilitate their introduction to Record. With staff retention being a key HR strategy, staff turnover has again been very low this year (6%) which includes the retention of all newly recruited staff. An improved performance review and objective setting process, personal development planning including the development of career paths, together with the continuation of our open and involving office culture, are all key priorities in the development and retention of our staff. In addition the Group Profit Share Scheme facilitates acquisition of equity in the Company by staff, improving both motivation and retention.

Personnel costs (excluding Group Profit Share Scheme) increased to £5.6m which represented a 10% increase on the previous year. Of the net increase of eight staff during the year, two were in investment research, two were in trading, one in client services and the balance of three in the support services of IT, compliance, finance and legal. The Group Profit Share Scheme is currently 30% of pre-profit share EBIT and decreased to £11.1m from £16.8m in the previous financial year. This represents a year-on-year decrease of 34% compared with a 29% year-on-year decrease in total fee income.

Cash flow

The Group's ability to generate cash has remained strong. The Group generated £7.3m of net cash flow during the financial year ended 31 March 2009. The cash generated from operations before tax was £27.2m, £10.2m was paid in taxation and £10.1m was paid in dividends. At 31 March 2009 the closing cash and cash equivalents was £29.8m.

Capital management

The Board's intention is to retain sufficient capital within the business to meet continuing obligations, sustain future growth and to provide a buffer against adverse market conditions. The Group has built a financial model to assist it in estimating future capital requirements over a four-year time horizon under various scenarios. The Group has no debt. Shareholders funds were £27.2m at 31 March 2009 (2008: £18.5m).

Regulatory capital

The Group has an established process for reviewing and amending its Internal Capital Adequacy Assessment Process (ICAAP). The process involves an active risk-based approach to monitoring and managing risks, and ensuring that it maintains a minimum amount of capital to cover those risks. At 31 March 2009 Record had Tier 1 capital of £18.5m which provided excess regulatory capital throughout the year. The Group's capital resources were comfortably in excess of the regulatory requirements throughout the year.

Dividends

An interim dividend of 2.43p per share was paid on 30 December 2008 in respect of the six months to 30 September 2008. The Board has recommended maintaining a final dividend of 2.16p per share, equivalent to £4.8m. This would take the overall dividend to 4.59p per share, representing a 53% payment of profits after tax for the year ended 31 March 2009.

Subject to shareholder approval, the dividend will be paid on 5 August 2009 to shareholders on the register on 26 June 2009, the ex-dividend date being 24 June 2009.

Regulatory environment

Record Currency Management Limited (RCML) is authorised and regulated in the UK by the Financial Services Authority. RCML is additionally registered as an Investment Adviser with the Securities and Exchange Commission in the United States and in the category of International Adviser (Investment Counsel & Portfolio Manager) with the Ontario Securities Commission in Ontario.

The ICAAP came into effect on 1 January 2008 involving the Group's assessment of its key risks and how much capital it needs in respect of those risks. The Group holds a significant capital surplus over the regulatory requirement.

Risk management

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

The Audit Committee was established to provide oversight and independent challenge in relation to internal control and risk management systems and procedures. The activities of the Audit Committee are covered in the Audit Committee report on page 26.

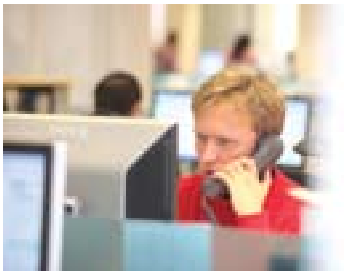
The Compliance Director is responsible for ensuring compliance with appropriate legal and other regulatory standards, and for internal risk review of operational processes. Additionally, Mazars LLP were appointed during the course of the financial year to provide ongoing additional assurances in respect of Record's Internal Controls arrangements.

The Board has established a Risk Management Committee which is chaired by the Chief Operating Officer and has the Chief Financial Officer, the Head of Operations, the Head of Portfolio Management and the Compliance Director as members. The Committee reviews existing and new risks, and the incidence and nature of any operational errors with the objective of ensuring that adequate systems and controls are in place to minimise and preferably eliminate such errors and their impact on both the Group and its clients. The Group considers the significance of environmental, social and governance (ESG) matters. Further details are provided in the Corporate governance and Corporate social responsibility sections.

The Group appointed Grant Thornton UK LLP as the reporting accountant for its Audit and Assurance 01/06 (AAF)

Andrey Rumyantsev – Associate Director, Investment Strategy
Andrey works within the Portfolio Management Department and is responsible for designing specific investment strategies for clients. He is also involved in work related to currency beta indices, which promotes the idea of currency as an asset class.

Business review
continued



report. There are two types of assurance engagements associated with the framework: 'reasonable' assurance engagements and 'limited' assurance engagements. The Group undertakes the higher standard of 'reasonable' assurance engagements.

Below we summarise the Group's principal risks.

Investment process and performance
The Group is paid by its clients to generate positive investment performance over the medium and long term by taking investment risk on their behalf. Any sustained period of poor investment performance reduces the value of the AuME in the Group's pooled funds, and could lead to mandate terminations by clients, to loss of confidence in the Group's investment model by clients, potential clients, and the investment consultants who advise them.

Operational risk management
Operational risk is the risk of loss to the Group resulting from inadequate or failed internal processes and/or systems, or from external events impacting on its processes and/or systems.

In general, Record seeks to mitigate operational risks by implementing a strong control environment and actively managing these risks through the work of the Risk Management Committee. Record additionally prepares an annual AAF 01/06 report. The contents of this report, which have been independently reviewed and tested by Grant Thornton UK LLP, provide assurances of the Group's procedures and controls to mitigate operating risk.

The Group's investment processes are at the day-to-day level systematic and non-discretionary in nature. The systematic process is implemented by a proprietary IT system ('ROMP') which prompts trades that are executed by a dedicated trading team without discretion. ROMP therefore controls the trading to ensure that portfolios are both within the investment guidelines agreed with clients and within the structure dictated by the investment process. A dedicated portfolio management team oversee the investment process and provide post-trade compliance assurances whose reports are also part of the ROMP system. The Group is consequently exposed to the risk of a failure of ROMP or other IT systems. The Group has an in-house IT team dedicated to the support and development of ROMP.

The Group has developed comprehensive disaster recovery and business contingency plans, and reviews these regularly. These cover scenarios from server failure to destruction of the Group's offices. All server and network components are designed for disaster recovery. Alternative office facilities and equipment are available at a disaster recovery provider should the premises be compromised. Disaster recovery procedures are tested on a regular basis at the site of the disaster recovery provider.

Credit and market risks
The Group is exposed to credit risk in respect of the cash it holds on deposit with banks, and to market risk with respect to the exchange rates at which it converts its non-Sterling income into Sterling.

The Group has adopted a credit risk policy to manage its credit risks, under which it keeps its cash on deposit with at least two A1/A+ or better rated banks at any one time. The Group has adopted a policy of hedging its non-Sterling income from the moment of invoice until the anticipated date of receipt, by using forward fixed rate currency sales contracts.

The Group regularly reviews these two policies to ensure that they remain appropriate to its business and to market conditions as these evolve.

Staffing

The Group's success depends partly on its ability to attract, motivate and retain highly-skilled personnel. Loss of key personnel could impact on the management of the Group and/or lead to a loss of AuME.

The Group's investment process is steered by an Investment Committee of three, and managed on a day-to-day basis by a systematic process which is not reliant on any individual employee. In addition, all clients have two contact points to ensure continuity in the client relationship.

The Group also seeks to retain staff through competitive pay and benefits packages, through deferred and/or 'locked-in' share ownership arrangements, and by developing a collaborative and enjoyable working environment and ethos.

The Company considers that its remuneration policy and in particular the operation of the Group Profit Share Scheme promotes effective risk management.

Distribution

The Group's products are distributed predominantly with the support of the investment consultancy businesses of the major actuarial firms. The Group is consequently exposed to loss of confidence within these firms in the management of the Group, in its investment processes, or in currency management in general.

The Group devotes considerable senior management time and effort to its relationships with the investment consultancy firms that are important to it, to ensure that developments within the Group and in its investment research and processes are understood by these firms.

The Group is also developing distribution through other channels, such as third-party marketing and manager of managers structures.

Reputation

Many of the risks noted above could also be affected by, or could themselves affect, the wider reputation of the Group. The Group seeks to maintain its strong reputation at all times, particularly by treating its clients and other business contacts fairly and with high levels of client service; and by recruiting high calibre staff who act upon the Company's intentions in this regard at all times.

The new financial year

The challenging business environment is reflected in the financial performance for the year to 31 March 2009. Progress has been made in strengthening the management team, continued development of risk management processes and strengthening of internal controls within the Group. The Group continues to invest in enhanced processes and systems that will position the business to benefit when market conditions improve.

There are particular opportunities in the current environment for the Group's Active Hedging product and this is demonstrated through the commencement of a $4bn US mandate. The Group is committed in its fundamental belief in the forward rate bias and anticipates a resumption in positive returns from this investment strategy.

Board of Directors

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1. Neil Record (55)
Chairman and Chief Executive Officer
Neil Record founded Record in 1983 and has been its principal shareholder and Executive Chairman since then. Prior to founding Record he was an economist at the Bank of England and worked in the commodity and currency trading department at Mars Inc's UK subsidiary. He is the author of numerous books and articles on currency and other risk management topics and is a frequent speaker at industry conferences and seminars worldwide. *Nom*

2. Drs Cees Schrauwers (61)
Senior Independent Director
Cees Schrauwers became a Non-executive Director of the Company in 2007. Cees has more than 30 years' financial services experience, most recently as Director of Aviva International and Managing Director of CGU Insurance. Prior to this he was Partner with Coopers & Lybrand. Cees is currently also the Senior Independent Director of Brit Insurance Holdings plc and Chairman of Drive Assist UK Limited. *Aud Nom Rem*

3. Andrew Sykes (51)
Non-executive Director
Andrew Sykes became a Non-executive Director of the Company in 2007. He was a Director of Schroders plc from 1998 to 2004, having joined Schroders in 1978. He was responsible for Schroders' fixed income businesses (including Treasury and Foreign Exchange) until 2000, and subsequently for private banking and alternative investments, including hedge funds, property, private equity and structured products. He is a Non-executive Director of Smith & Williamson Holdings Limited and Gulf International Bank (UK) Limited, Chairman of Invista Foundation Property Trust Limited and Absolute Return Trust Limited, and chairs the investment committee of the Schroder Retirement Benefits Scheme.
Aud Nom Rem

4. Leslie Hill (52)
Managing Director and Head of Client Team
Leslie Hill joined Record in 1992 and was appointed Head of Sales and Marketing in 1999. She has spent 17 years at Record. Her prior experience includes working at Wells Fargo, Lloyds Bank and Merrill Lynch where she was Director and Head of Corporate Foreign Exchange Sales worldwide.

5. Bob Noyen (46)
Managing Director and Chief Investment Officer
Bob Noyen joined Record in 1999 with responsibility for Investment and Research. He has spent 10 years at Record and previously worked as Assistant Treasurer for Minorco (part of Anglo American plc).

6. Paul Sheriff (39)
Director and Chief Financial Officer
Paul Sheriff joined the board on 1 December 2008 as Chief Financial Officer. He was previously Group Finance Director for Arbuthnot Banking Group PLC and prior to this he was Commercial Finance Director of the Prudential's UK and European business. He has also spent five years in private equity and qualified as a Chartered Accountant with Arthur Andersen.

7. Peter Wakefield (48)
Managing Director and Chief Operating Officer
Peter Wakefield joined Record in 1999 and was appointed Director responsible for product and strategy development and consulting in 2000. He has spent 10 years at Record and previously worked at Morgan Grenfell from 1984 to 1999 in various roles in export financing, structured banking transactions, interest rate swap and options and credit derivatives.

Key to membership of Board Committees
Aud – Audit Committee
Rem – Remuneration Committee
Nom – Nomination Committee

Directors' report

The Directors present their Annual Report and financial statements for the year ended 31 March 2009. The Company was admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 3 December 2007. This is Record's second Annual Report as a public limited company.

Principal activity and business review

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

A review of Record's business during the financial year 2009, likely future developments and the information which fulfils the business review requirements is contained in the following sections of the Annual Report, which are incorporated into the Directors' report by reference:

- Chairman and CEO's Statement on pages 4 to 7;
- Business review on pages 8 to 17; and
- Corporate governance report on pages 23 to 25.

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

Results and dividends

The results of the Group for the year are set out in the consolidated income statement on page 31.

The Directors recommend a final dividend of 2.16p per Ordinary Share for the six months ending 31 March 2009. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 5 August 2009 to shareholders on the register at the close of business on 26 June 2009. The shares will be quoted ex-dividend from 24 June 2009.

The Company paid an interim dividend of 2.43p per share on 30 December 2008 to shareholders on the register on 5 December 2008.

Share capital

The Company has a single class of share capital consisting of Ordinary Shares of 0.025p each. Details of structure and changes in share capital are set out in note 17 to the financial statements.

Substantial shareholdings

The table below sets out the names of those persons who, insofar as the Company is aware, are interested directly or indirectly in 3% or more of the issued share capital of the Company as at 31 March 2009:

	Number of ordinary 0.025p shares held	Percentage interest
Neil Record	71,171,043	32.15
Leslie Hill	14,828,039	6.70
Aberforth Partners	10,914,412	4.93
Mike Timmins	9,627,871	4.35
Threadneedle Asset Management Ltd	9,460,667	4.27
Peter Wakefield	9,211,571	4.16
Schroders plc	8,750,000	3.95
Bob Noyen	8,418,561	3.80
Fidelity International Ltd	7,000,000	3.16

During the year the Company was not notified of any change in significant shareholding under the Disclosure and Transparency Rules (DTR 5).

Directors

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

Neil Record (Chairman)
Drs Cees Schrauwers*
Andrew Sykes*
Leslie Hill
Bob Noyen
Paul Sheriff (appointed 1 December 2008)
Mike Timmins (resigned 30 November 2008)
Peter Wakefield

* Non-executive Director

Directors' interests

The interests of the Directors in the Company shares and in options are shown on page 28 within the Remuneration Report.

Restrictions on transfers of shares

Each of the Executive Directors and all other employee shareholders (including the shareholding spouses of certain employee shareholders) who held Ordinary Shares at the time of Admission are, subject to certain exceptions, restricted by lock-in arrangements from selling, or otherwise disposing of their shareholding in the period immediately following Admission. The restriction is lifted in respect of one third of the person's holding on the second anniversary of admission, with the restriction on a further third lifted on the third anniversary of Admission, and the restriction on the final third lifted on the fourth anniversary of Admission. Mike Timmins was a Director at Admission but is no longer subject to the lock-up restrictions.

In March 2008 there were a series of transfers of Ordinary Shares by persons subject to lock-up arrangements pursuant to exemptions contained in the Underwriting Agreement. In each case, the transferee has entered into a lock-in deed dated 26 March 2008, the terms of which are substantially the same as the lock-up arrangements contained within the Underwriting Agreement.

Financial risk factors
The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk (managed using financial instruments) and interest rate risk. The Group seeks to minimise potential adverse affects on the Group's financial performance. Further information is contained in note 19 to the accounts on page 47.

Annual General Meeting
The 2009 Annual General Meeting of the Company will be held at 10.00a.m. on 30 July 2009 at the Company's registered offices Morgan House, Madeira Walk, Windsor SL4 1EP. Details of the resolutions to be proposed at the Annual General Meeting are given in a Chairman's letter to shareholders and attached Notice of Annual General Meeting. Details of the ordinary and special resolutions are provided with additional explanations provided in appendices.

Auditors
Grant Thornton UK LLP have indicated their willingness to continue as auditors, and resolutions will be proposed at the Annual General Meeting to re-appoint them as auditors of the Company and to authorise the Directors to determine their remuneration for the current year.

Related party transactions
Details of related party transactions are set out in note 22 to the financial statements.

Post balance sheet events
As set out in note 25 to the financial statements, there were no post balance sheet events.

Going concern
After making enquiries the Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future and confirm that the Company and the Group are going concerns. For this reason they continue to adopt the going concern basis in preparing these financial statements.

Charitable and political donations
The Group made donations of £11,483 to charitable causes during the year ended 31 March 2009 (2008: £2,510). The Group makes charitable donations to match the individual fund raising efforts of its employees. It is the Group's policy not to make political donations.

Credit payment policy
The Group's policy is to pay suppliers within 30 days of receipt of invoice. As at 31 March 2009, the amount owed to suppliers was equivalent to 10 days average purchases from suppliers (2008: 5 days).

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Approved by the Board and signed on its behalf by:

P N Sheriff
Company Secretary

15 June 2009

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the parent company and the Group as at the end of the financial year and of the profit or loss of the Group for the financial year. Under that law the Directors are required to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group and parent company financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Responsibility statement required by Disclosure and Transparency Rules

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board by:

Neil Record
Chairman and
Chief Executive Officer

15 June 2009

Paul Sheriff
Chief Financial Officer

15 June 2009

Corporate governance report

Section 1 of the June 2006 FRC Combined Code on Corporate Governance (the 'Code'), applies to listed companies with reporting years beginning on or after 1 November 2006. The Company has adopted the principles of the Code since Admission. The Company has been in compliance with the Code since that date, except where the Directors consider in particular limited circumstances departure is justified. Such departures are fully explained below.

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

The Board of Directors

As at 31 March 2009, the Board of Directors comprised five Executive Directors and two Non-executive Directors. The Board is headed by Neil Record (Chairman and Chief Executive Officer), with two Non-executive Directors Drs Cees Schrauwers, being the Senior Independent Director, and Andrew Sykes, and the other Executive Directors Peter Wakefield (Chief Operating Officer), Paul Sheriff (Chief Financial Officer and Company Secretary), Bob Noyen (Chief Investment Officer) and Leslie Hill (Client Team Head). Paul Sheriff was appointed on 1 December 2008, after undergoing a formal induction programme. In considering the independence of Non-executive Directors, the Board has taken into consideration the guidance provided by the Code. The Board considers Drs Cees Schrauwers and Andrew Sykes to be independent. Mike Timmins served as a Director until he resigned with effect from 30 November 2008.

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

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

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

Under the Articles, the minimum number of Directors shall be two and the maximum shall be 12. A Director appointed by the Board must offer himself for election at the next Annual General Meeting of the Company following his appointment but he is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting. In line with the requirements of the 2006 Code, a minimum of one third of the Directors must retire by rotation at every Annual General Meeting of the Company. The Directors to retire must be those who have held office the longest since appointment or re-election if more recent.

Under UK company law, a Director must now seek authorisation before taking up any position with another company that conflicts, or may possibly conflict, with the Company's interests. The Articles of Association contain provisions to allow the Directors to authorise situations of potential conflicts of interest so that a Director is not in breach of his/her duty under company law. All existing external appointments for each Director were considered and authorised by the Board in September 2008. The Board is responsible for conducting an annual review of the Conflicts Register and confirming to the Board that, where relevant, conflicts have been dealt with appropriately, and that the process for dealing with them is operating efficiently.

The Board supports the highest standards of corporate governance; however the Company has not fully complied with the corporate governance requirements of the Code through the period for the following reasons:

- The roles of the Chairman and the Chief Executive Officer are exercised by one individual, Neil Record. The Directors are satisfied that it will be the Executive Board which will, on a practical level, operate the Company on a day-to-day basis. Furthermore the appointment of two Non-executive Directors, each of whom has been appointed to the Company's Audit, Remuneration and Nomination Committees provide additional protection against the risk of concentration of power in one individual.
- The Board is not comprised of a majority of Non-executive Directors; however, it does comply with Code's provision for smaller companies to have at least two Non-executive Directors. The Board considers that the existing composition is appropriate but is considering further non-executive appointments in view of the continued growth of the Company.

Corporate governance report continued

Board committees

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

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

Audit Committee

The Audit Committee Report set out on page 26 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Remuneration Committee

The Remuneration Report set out on page 27 gives details of the Committee's activities, and a statement of the Committee's policies and procedures.

Nomination Committee

The Nomination Committee is chaired by Neil Record who is supported by both independent Directors. A Non-executive Director will chair the Committee when the successor to the chairmanship is being decided. All the current members served on the Committee from Admission and continue to do so.

The Committee is responsible for reviewing the structure, size and composition of the Board, and for giving full consideration to succession planning for Directors and other senior executives.

The Committee is also responsible for identifying and nominating for the Board's approval, candidates to fill Board vacancies as and when they arise.

During the year the activities of the Committee have included the engagement of external recruitment consultants for the purposes of the appointment of the new Chief Financial Officer and reviewing the names of potential independent non-executive candidates for appointment to the Board, proposals for rotation and re-election of Directors at the Annual General Meeting, and reviewing its terms of reference.

The Committee met once during the year ended 31 March 2009.

Attendance

The Board met six times between 1 April 2008 and 31 March 2009 to review financial performance and to follow the schedule of matters reserved for its decision and approval. Comprehensive Board papers, comprising an agenda and formal reports and briefing papers are sent to Directors in advance of each meeting. Throughout their period in office Directors are regularly informed by senior executives and external advisors on the Group's affairs, including commercial, regulatory, legal, corporate governance and other relevant matters.

Appropriate and timely notice is given of all Board meetings and all Directors receive information in advance so that if they are not able to attend their input can be tabled and taken into consideration. The Board has regular bi-monthly meetings and special meetings as required to address specific issues.

Performance evaluation

The Board is required by the Code to undertake an annual evaluation of its performance. The Board has now carried out its first assessment of its own performance and that of the principal committees to identify where improvements can be made. This evaluation was carried out by way of a questionnaire circulated to the Executive Directors and the Non-executive Directors. This questionnaire covered topics which the Directors consider to be key to successful Board operation.

The evaluation of the questionnaire responses and comments made during the process identified no serious concerns over the functioning of the Board or its committees.

During the year, the Non-executive Directors met together without the Chairman present, under the chairmanship of the

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings between 1 April 08 and 31 March 09	6	7	5	1
N Record**	6/6	N/a	N/a	1/1
C Schrauwers	6/6	7/7	5/5	1/1
A Sykes**	6/6	7/7	5/5	1/1
L Hill	6/6	N/a	N/a	N/a
B Noyen	6/6	N/a	N/a	N/a
P Sheriff*	3/3	N/a	N/a	N/a
M Timmins†	3/3	N/a	N/a	N/a
P Wakefield	6/6	N/a	N/a	N/a

* From 1 December 2008.
† To 30 November 2008.
** Includes attendance by phone.

Senior Independent Director, to appraise (taking into account the Executive Directors' views) the performance of the joint Chairman/Chief Executive Officer. The outcome of the appraisal was positive and the combined role was considered to be appropriate for the Group at this time and undertaken successfully by Neil Record.

The Audit Committee also conducted a self-evaluation of their work and effectiveness during the year, the results of which were reported to the Board by the Committee Chairman. The review concluded that the Committee was operating in an effective manner. Self-review of the Remuneration and Nomination Committees will be undertaken over the coming months.

Internal control

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

- The Audit Committee is a Board Committee that provides oversight and independent challenge in relation to internal control and risk management systems.
- The Risk Management Committee is delegated by the Board to oversee and mitigate risks arising across Record Currency Management Limited activities. Record Currency Management Limited is the only FSA regulated entity within the Group. The members of the Committee are Directors and senior managers.
- The Investment Committee – the Board has delegated to this Committee, responsibility for authorising changes to existing investment processes and for approving new investment strategies. The members of the Committee are Directors and senior managers.

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

The Audit Committee has undertaken a review of the effectiveness of internal controls for the year ended 31 March 2009 and is satisfied that the internal control environment is appropriate (see 'Internal Audit').

Investor relations

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

The 2009 AGM will be the second AGM since Admission. The Board and the chairmen of each of the principal committees will be available to answer questions put to them by shareholders of the Company.

Corporate social responsibility

The Group recognises that it has an impact on its employees, the community and the environment, and therefore acknowledges its responsibility to conduct itself in a manner that is true to its core values.

Equal opportunities

The Group policy is to provide a working environment in which people feel confident that they will be treated with respect and dignity. A key objective is to ensure equal opportunities, fairness of treatment, work-life balance and the elimination of all forms of discrimination in the workplace.

The Board's aim is to ensure that recruitment and promotion practices are effective, efficient, fair and lawful, and that the Group's recruitment process is carried out objectively, systematically and in line with the requirements of employment law. This policy applies to all stages of the recruitment and selection process, as well as throughout individuals' careers.

Health and safety

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

Community

The Group is committed to making a positive impact through appropriate projects and activities. The Group runs a bursary scheme with Balliol College, Oxford, which provides a grant to the winner of the award. The Group also supports many fund raising activities in which its employees participate including the annual Chase Corporate Challenge. The Group is also a member of Business in the Community (BITC) and has a volunteering programme which allows employees time to volunteer their time to work in the local community. Last year employees volunteered at a farm for special needs children.

Environment

Record is committed to reducing its impact on the environment. The Group first assessed its carbon footprint in July 2006 and undertook a further review in November 2008. This has allowed the Group to offset its carbon emissions through investment in renewable energy projects in India and in China. The Group continues to explore ways to reduce its energy consumption and improve its existing recycling programme.

Audit Committee report

This Audit Committee Report sets out the role of the Audit Committee, its membership and what it considered during the year.

Composition of the Committee

The Audit Committee is chaired by Cees Schrauwers, who is supported by Andrew Sykes. Both Independent Directors have served on the Committee since Admission. At the request of the Committee, the Chief Financial Officer, the Chief Operating Officer, the Director of Compliance and the Financial Controller attend the Committee meetings. The composition of the Audit Committee meets the Code provision for smaller companies requiring two Non-executive Directors. Both Committee members have appropriate commercial and financial knowledge and experience to satisfy the provisions of the Code. Cees Schrauwers will be available to answer any questions relating to the Committee and its activities at the AGM.

Role of the Committee

The Committee is responsible for:

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

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

Activities of the Committee

The Committee met on seven occasions during the year ending 31 March 2009 and two further meetings were held after the year end. On one occasion the Committee met with the Group's auditors with no executive management present, providing an opportunity for the external auditors to raise matters of concern in confidence.

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

- Reviewing the form, content and integrity of financial information prior to release, including the Annual and Interim Reports, and each of the Interim Management Statements.
- Reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems.
- Considering whether the risk management system is in accordance with the Turnbull guidance.
- Considering the ICAAP report prior to recommending it for acceptance by the Board.
- Considering the need for an internal audit function and agreeing the terms of reference of the internal auditors as well as evaluating their performance during the engagement period.
- Agreeing the Internal Audit plan.
- Reviewing the effectiveness of the Internal Audit function.
- Making recommendations to the Board for a resolution to be put to the shareholders to approve the reappointment of the external auditors.
- Reviewing the independence of the Group's external auditors and the nature of non-audit services supplied by the auditors.
- Reviewing the external auditors' audit strategy for the 2009 financial statements.
- Reviewing the Group's whistle blowing policy.

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

Internal Audit

During the year, the Audit Committee reviewed whether the Group receives adequate independent assurance on the effectiveness of the governance, risk management and control processes that management has put in place. The Committee determined that it could no longer fully rely on the control reviews performed as part of the due diligence work conducted prior to flotation, that it had previously relied on. Therefore, the Committee recommended to the Board that resources be allocated for an outsourced Internal Audit function to provide additional assurance and advice on risk and control.

Mazars LLP were appointed to provide an Internal Audit function in November 2008 and have subsequently performed two specific Internal Audit assignments.

The Committee has reviewed the results of the Internal Audit work performed to date and has approved an Internal Audit plan for the forthcoming year.

The Committee is satisfied that the internal control environment is appropriate in the light of the existing assurance activities. The Committee will continue to review the level of additional assurance required on an annual basis.

Auditor independence

The Audit Committee has considered the level and nature of non-audit services provided by the external auditors, and is satisfied that the external auditors maintain independence and objectivity. The Audit Committee operates a policy covering the commissioning of non-audit services provided by the external auditors, to ensure the ongoing independence and objectivity of the external auditors. The policy restricts the nature and value of non-audit services that can be provided by the external auditors, and was last updated in July 2008 in line with current ethical guidance.

Committee evaluation

The members of the Audit Committee conducted a review of its effectiveness. The Committee concluded that it is working effectively.

Approved by the Committee and signed on its behalf by:

C A C M Schrauwers
Audit Committee Chairman

15 June 2009

Remuneration report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 under the Companies Acts and the Code. This report sets out the Company's remuneration policy and gives details of the compensation of the Directors for the year ended 31 March 2009.

Remuneration Committee

The Remuneration Committee is chaired by Andrew Sykes who is supported by Cees Schrauwers. The composition of the Remuneration Committee meets the Code provision for smaller companies requiring two Non-executive Directors.

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

The Remuneration Committee meets as often as required to discharge its duties and met five times during the year ended 31 March 2009. There was full attendance at these meetings. The Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer attended all or part of the meetings at the invitation of the Committee but no Director takes part in the determination of their own remuneration.

The primary role of the Remuneration Committee is to determine and agree with the Board the policy for the remuneration of the Chairman and Chief Executive Officer and the Executive Directors, and within these terms to determine their individual remuneration packages including pension rights and compensation payments. It is also responsible for recommending and monitoring the structure of remuneration for senior management. The Remuneration Committee considers environmental, social and governance matters in setting remuneration.

The Remuneration Committee is also responsible for agreeing the remuneration policy for the Group, including the Group Profit Share Scheme, share incentive plans and performance related pay.

Whilst no Executive Directors serve on any listed company board except Record, external appointments contribute to an Executive Director's ongoing development and experience. Any appointment of an Executive Director would be considered by the Board. All external appointments are considered in line with the Group's policy on Directors' Conflicts of Interest.

Executive remuneration policy

The Group aims to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefits packages which are linked to the achievement of agreed individual objectives, the achievement of the Group's key financial objectives and the creation of long-term shareholder value. The Group's remuneration policy seeks to give a high proportion of the total annual remuneration in the form of variable compensation. Remuneration of non-executives is determined by the Chairman and the Executive Directors within the limits of the Company's articles of association. Remuneration for the Non-executive Directors reflects the time commitment and responsibility of the role and does not include any component of variable remuneration or share options.

Service contracts

All Executive Directors, except Paul Sheriff, have service agreements with effect from 17 November 2007. Paul Sheriff has a service agreement dated 27 June 2008. All the service agreements do not have a fixed term but include provisions for termination on six months' notice by either party. Service agreements do not contain any contractual entitlement to receive bonuses, nor to participate in the Group's share-based incentive scheme, nor to receive any fixed provision for termination compensation.

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

Salaries

The Group performs a salary benchmarking exercise to establish its market position on a regular basis and this information contributes to the Group remuneration policy and pay reviews. For the pay review April 2009 no pay increases were awarded to Executive Directors or across the Group, with the exception of employees being promoted or with increased responsibilities.

Variable compensation

It is the Group's policy to link the value of cash bonuses and share awards to the Group's profitability.

The Group Profit Share Scheme is currently 30% of pre-Profit Share EBIT (to include employers NI) and is payable through a combination of profit share payments in cash and share-based payments. The allocation of the profit share pool between employees is delegated to management. The Committee approves all awards to Board members.

The Committee has proposed certain changes to the scheme that will be voted on at the AGM. Further details of the changes are contained in the circular that has been sent to shareholders together with the notice of Annual General Meeting. The changes proposed are designed to further align the interests of management and shareholders. Those senior managers and Directors who are not already significant shareholders will, under the existing rules, take a proportion (initially a third) of their Profit Share in shares rather than cash. These shares will be subject to a three year 'lock-up' that will release on a straight line basis over three years. Additionally, senior managers and Directors who are not already significant shareholders will be offered the opportunity for up to a third of the Profit Share to be available for a share matching scheme with a three year 'lock-up' under which they may acquire matching shares on a one for one basis. The share matching scheme is intended to be funded through a lower profit share being awarded to significant shareholders. The remaining third will be paid in cash. The Committee is also requesting flexibility to vary the Profit Share scheme costs, including the cost of the senior management and Director matching scheme, between 25% and 35% in any individual year, whilst maintaining a long term average of 30% of pre-Profit Share EBIT.

Listing bonus

A discretionary 'listing bonus' was paid to certain staff at the time of listing under the terms of the Record plc Flotation bonus scheme. Employees were able to elect to receive a smaller cash bonus in exchange for the right to acquire a number of shares (calculated based on the market value at grant date) after the vesting period for nil consideration upon exercise. The Group simultaneously granted additional rights to acquire shares ('bonus' shares; equal to 50% of the shares elected for) to those same employees. Half of the elected shares vest after one year and the balance vests after two years. Bonus shares will vest in full only after two years. The first vesting of shares under this scheme occurred during the year on 20 December 2008 and the second, and final, vesting will occur on 20 December 2009. The rights to acquire the shares are issued under EMI option agreements.

Share Scheme

The Record plc Share Scheme was adopted by the Company on 1 August 2008 and was created to allow deferred share awards to be granted to new senior employees. During the year, shares with a value of £400,000 were awarded to individuals who joined the Group in that period. The shares are available to the employee after the vesting period for nil consideration upon exercise. The shares vest equally on the second, third and fourth anniversary of appointment and the vesting of the shares is subject to certain 'good leaver' provisions. The rights to acquire the shares are issued under nil cost option agreements.

The Directors had no interests in either the listing bonus scheme or the Record plc Share Scheme at the beginning, end or during the period.

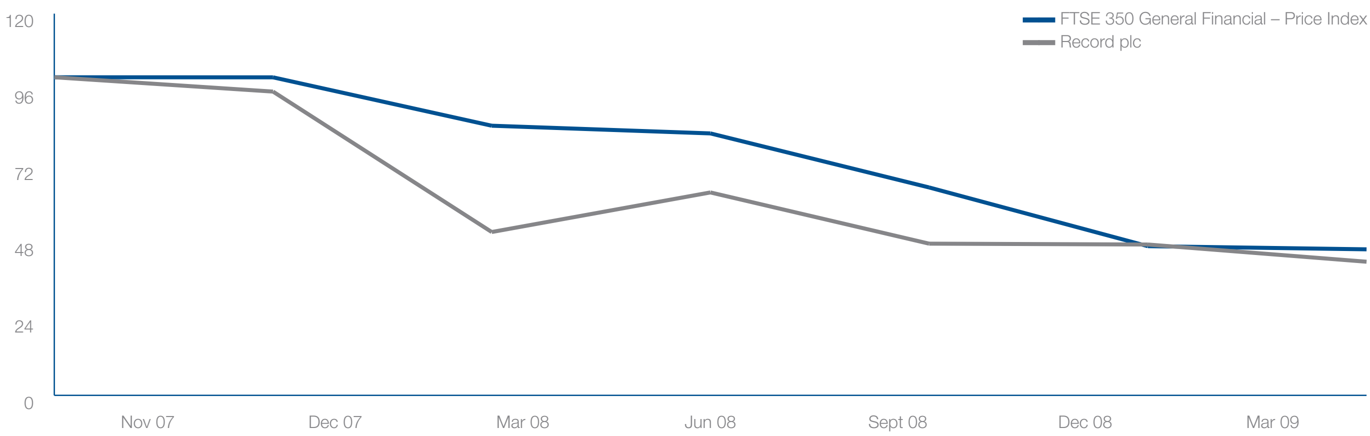
Delivery of share awards

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

Pension

The Group contributes to a defined contribution Group Pension Plan (the 'GPP'). The contributions made by the Group depend on the seniority of each employee (the 'Group's Initial Contribution'). No employee contribution is necessary to benefit from the Group's Initial Contribution, but the Group will match any contribution up to a maximum of 2.5% of salary (the 'Group's Additional Contribution').

Performance graph



The above graph shows the Company's total shareholder return compared with the FTSE 350 – General Financial Index, and shows the change in the theoretical value of £100 invested in the Company's shares as at Admission on 3 December 2007 compared to £100 invested in the FTSE 350 – General Financial Index. The FTSE 350 – General Financial Index has been chosen because the index is a widely accepted performance comparison for small quoted financial services UK companies.

The market price of the Company's shares as at 31 March 2009 was £0.66. The highest share price during the financial year was £1.23. The lowest share price during the financial year was £0.58.

Directors' interests in Record plc Ordinary Shares

	31 March 2009 Ordinary Shares	31 March 2008 Ordinary Shares
Executive Directors		
Neil Record	**71,171,043**	71,171,043
Leslie Hill	**14,828,039**	14,828,039
Bob Noyen	**8,418,561**	8,418,561
Peter Wakefield	**9,211,571**	9,211,571
Paul Sheriff	**–**	–
Non-executive Directors		
Drs Cees Schrauwers	**40,000**	20,000
Andrew Sykes	**25,000**	25,000

All interests are beneficial except the interest of Neil Record which includes a non-beneficial interest of 190,332 Ordinary Shares (2008: 190,332 Ordinary Shares) held as trustee.

There have been no changes to Directors' interests between 31 March 2009 and 15 June 2009.

Audited information

Directors' remuneration

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

	Salaries £	Fees £	Benefits £	Cash profit share £	**Year ended 31 March 2009**	Year ended 31 March 2008
Executive Directors						
Neil Record	272,225	–	1,219	1,153,537	**1,426,981**	2,142,657
Leslie Hill	272,225	–	–	1,151,667	**1,423,892**	2,141,249
Bob Noyen	272,225	–	758	1,151,667	**1,424,650**	2,142,269
Peter Wakefield	272,225	–	758	1,151,667	**1,424,650**	2,140,257
Paul Sheriff†	91,667	–	265	85,308	**177,240**	–
Mike Timmins*	103,645	–	922	304,950	**409,517**	1,006,463
Non-executive Directors						
Leslie Halpin**	–	–	–	–	**–**	9,200
Drs Cees Schrauwers	–	75,000	–	–	**75,000**	28,462
Andrew Sykes	–	40,000	–	–	**40,000**	15,179
Total	**1,284,212**	**115,000**	**3,922**	**4,998,796**	**6,401,930**	**9,625,736**

* Mike Timmins resigned as a Director on 30 November 2008.
** Leslie Halpin resigned as a Non-executive Director on 1 November 2007.
† Paul Sheriff was appointed as a Director on 1 December 2008.

Pensions

Executive Directors are entitled to join the Group Personal Pension Scheme. This is a defined contribution plan, to which the Group makes contributions equal to 15.5% of each Director's salary. There is no mandatory requirement for Executive Directors to contribute. The contribution made in respect of each Executive Director is as follows:

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Executive Directors		
Neil Record	**42,195**	40,533
Leslie Hill	**42,195**	40,474
Bob Noyen	**42,195**	40,533
Peter Wakefield	**42,195**	40,533
Paul Sheriff	**14,208**	–
Mike Timmins	**15,314**	22,012
Total	**198,302**	**184,085**

Directors' share awards

No Director held or exercised or was awarded any share options during the financial year ended 31 March 2009.

Approved by the Board and signed on its behalf by:

Andrew Sykes

Andrew Sykes
Chairman of the Remuneration Committee

15 June 2009

Report of the independent auditor to the members of Record plc

We have audited the group and parent company financial statements (the 'financial statements') of Record plc for the year ended 31 March 2009 which comprise the principal accounting policies, the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of changes in members' equity and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chairman and Chief Executive Officer's statement that is cross-referred from the Business review section of the Directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Headlines, Group overview, the Chairman and Chief Executive Officer's statement, the Business review, Directors' report, Statement of Directors' responsibilities, Corporate governance statement, Corporate social responsibility, the unaudited part of the Directors' remuneration report and the Audit Committee report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor
Chartered Accountant
London

15 June 2009

Consolidated income statement

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Revenue			
Management fees		**45,561**	43,987
Performance fees		**1,436**	22,160
Other revenue		**(201)**	82
Total revenue	3	**46,796**	66,229
Cost of sales		**(11)**	(296)
Gross profit		**46,785**	65,933
Administrative expenses*		**(20,928)**	(26,667)
Operating profit	4	**25,857**	39,266
Finance income		**917**	1,134
Finance costs		**(5)**	(7)
Profit before tax		**26,769**	40,393
Taxation	7	**(7,494)**	(12,480)
Profit after tax		**19,275**	27,913
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in pence per share):			
Basic earnings per share	8	8.73	12.65
Diluted earnings per share	8	8.72	12.62

The notes on pages 37 to 50 are an integral part of these consolidated financial statements.

*Note: comparative figure includes £1,293k of non-recurring costs related to the IPO.

Consolidated balance sheet
As at 31 March 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Non-current assets					
Property, plant and equipment	11	**368**		611	
Deferred tax assets	16	**146**		46	
			514		657
Current assets					
Trade and other receivables	13	**7,742**		8,917	
Cash and cash equivalents	14	**29,798**		22,545	
			37,540		31,462
Current liabilities					
Trade and other payables	15	**(7,076)**		(7,191)	
Corporation tax liabilities	15	**(3,774)**		(6,356)	
Derivative financial liabilities	15	**(13)**		(23)	
			(10,863)		(13,570)
Net current assets			**26,677**		17,892
Total net assets			**27,191**		18,549
Equity					
Issued share capital	17	**55**		55	
Share premium account		**1,809**		1,809	
Capital redemption reserve	18	**20**		20	
Retained earnings		**25,307**		16,665	
Total equity			**27,191**		18,549

Approved by the Board on 15 June 2009 and signed on its behalf by:

Neil Record
Chairman and Chief Executive Officer

Paul Sheriff
Chief Financial Officer

The notes on pages 37 to 50 are an integral part of these consolidated financial statements.

Company balance sheet
As at 31 March 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Non-current assets					
Investments	12		**30**		30
Current assets					
Trade and other receivables	13	**3**		21	
Cash and cash equivalents	14	**2,018**		2,129	
			2,021		2,150
Current liabilities					
Trade and other payables	15	**(28)**		(10)	
Corporation tax liabilities	15	**(18)**		(18)	
			(46)		(28)
Net current assets			**1,975**		2,122
Total net assets			**2,005**		2,152
Equity					
Issued share capital	17	**55**		55	
Share premium account		**1,809**		1,809	
Capital redemption reserve	18	**20**		20	
Retained earnings		**121**		268	
Total equity			**2,005**		2,152

Approved by the Board on 15 June 2009 and signed on its behalf by:

Neil Record
Chairman and Chief Executive Officer

Paul Sheriff
Chief Financial Officer

The notes on pages 37 to 50 are an integral part of these consolidated financial statements.

Statement of changes in equity

Consolidated

2009	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2008	55	1,809	20	16,665	18,549
Profit for the year	–	–	–	19,275	19,275
Employee share options	–	–	–	88	88
Dividends paid	–	–	–	(10,142)	(10,142)
Own shares held by EBT	–	–	–	(579)	(579)
As at 31 March 2009	**55**	**1,809**	**20**	**25,307**	**27,191**

2008	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2007	55	1,636	20	13,172	14,883
Profit for the year	–	–	–	27,913	27,913
Employee share options	–	–	–	1	1
Dividends paid	–	–	–	(24,151)	(24,151)
Issue of shares	–	173	–	–	173
Own shares held by EBT	–	–	–	(270)	(270)
As at 31 March 2008	55	1,809	20	16,665	18,549

Company

2009	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2008	55	1,809	20	268	2,152
Profit for the year	–	–	–	9,995	9,995
Dividends paid	–	–	–	(10,142)	(10,142)
As at 31 March 2009	**55**	**1,809**	**20**	**121**	**2,005**

2008	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2007	55	1,636	20	143	1,854
Profit for the year	–	–	–	24,276	24,276
Dividends paid	–	–	–	(24,151)	(24,151)
Issue of shares	–	173	–	–	173
As at 31 March 2008	55	1,809	20	268	2,152

The notes on pages 37 to 50 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

	Year ended 31 March 2009 £'000	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000	Year ended 31 March 2008 £'000
Profit after tax	**19,275**		27,913	
Adjustments for:				
Corporation tax	**7,494**		12,480	
Finance income	**(917)**		(1,134)	
Finance expense	**5**		7	
Loss on disposal of property, plant and equipment	**–**		1	
Depreciation of property, plant and equipment	**363**		313	
Share-based payments expense	**–**		1	
		26,220		39,581
Changes in working capital				
Decrease/(increase) in receivables		**1,038**		(753)
(Decrease)/increase in payables		**(27)**		3,442
(Decrease)/increase in other financial liabilities		**(11)**		23
Cash inflow from operating activities		**27,220**		42,293
Interest paid		**(5)**		(6)
Corporation taxes paid		**(10,176)**		(8,815)
Net cash inflow from operating activities		**17,039**		33,472
Cash inflow from investing activities				
Purchase of property, plant and equipment	**(120)**		(219)	
Interest received	**1,054**		1,022	
Net cash inflow from investing activities		**934**		803
Cash outflow from financing activities				
Cash inflow from issue of shares	**–**		173	
Purchase of treasury shares	**(578)**		(270)	
Dividends paid to equity shareholders	**(10,142)**		(24,151)	
Cash outflow from financing activities		**(10,720)**		(24,248)
Net increase in cash and cash equivalents in the period		**7,253**		10,027
Cash and cash equivalents at the beginning of the period		**22,545**		12,518
Cash and cash equivalents at the end of the period		**29,798**		22,545

The notes on pages 37 to 50 are an integral part of these consolidated financial statements.

Company cash flow statement

	Year ended 31 March 2009		Year ended 31 March 2008	
	£'000	**£'000**	£'000	£'000
Profit after tax	**65**		76	
Adjustments for:				
Corporation tax	**19**		18	
Finance income	**(84)**		(93)	
		–		1
Changes in working capital				
Decrease/(increase) in receivables		**–**		6
(Decrease)/increase in payables		**19**		(1)
Cash inflow/(outflow) from operating activities		**19**		6
Corporation taxes paid		**(19)**		(10)
Net cash inflow/(outflow) from operating activities		**–**		(4)
Cash Inflow from investing activities				
Interest received	**101**		73	
Dividends received	**9,930**		24,200	
Net cash inflow from investing activities		**10,031**		24,273
Cash inflow from financing activities				
Cash inflow from issue of shares	**–**		173	
Dividends paid to equity shareholders	**(10,142)**		(24,151)	
Cash outflow from financing activities		**(10,142)**		(23,978)
Net increase in cash and cash equivalents in the period		**(111)**		291
Cash and cash equivalents at the beginning of the period		**2,129**		1,838
Cash and cash equivalents at the end of the period		**2,018**		2,129

The notes on pages 37 to 50 are an integral part of these consolidated financial statements.

Notes to the accounts
For the year ended 31 March 2009

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

(a) Accounting convention
Basis of preparation
The Group and Company have prepared their financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union as at 31 March 2009. The financial statements have been prepared on an historical cost basis, modified to include fair valuation of derivative financial instruments.

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

Early adoption of International Financial Reporting Standards ('Standards')
At the date of authorisation of the consolidated financial information, the following Standards and Interpretations were in issue but not yet mandatory and have not been applied in the consolidated financial information:

IFRS 8 Operating Segments (effective 1 January 2009);
IFRS 7 (Amended 2009) Improving Disclosures about Financial Instruments (effective 1 January 2009);
IAS 1 (Revised 2007) Presentation of Financial Statements (effective 1 January 2009).

The Directors do not anticipate that the adoption of these Standards will have a material impact on the Company's consolidated financial statements in the period of initial application. However, the Directors are aware that the application of IFRS 8 will alter the amount and complexity of disclosure contained in their next financial statements. IAS 1 will also impact on the way information is presented in the financial statements. There are other standards and interpretations that are in issue but not yet effective, but they are not expected to impact the Group's financial statements.

The Company is taking advantage of the exemption in section 230 of the Companies Act 1985 not to present its individual income statement and related notes that form part of the financial statements. The Group profit after tax for the year includes a loss of £146,602 (2008 profit: £124,666) which is dealt with in the financial statements of the holding company.

(b) Basis of consolidation
The financial statements of entities treated as subsidiaries have been consolidated using consistent accounting policies.

Subsidiaries are entities where the Company has the power to govern the financial and operating policies, generally accompanied by a share of more than 50% of the voting rights. Intragroup balances and any unrealised gains and losses on income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(c) Segment reporting
Group management consider that its services comprise one business segment (being provision of currency management services) and that it operates in a market that is not bound by geographical constraints. A segment is a distinguishable component of an entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(d) Foreign currencies
Foreign currency transactions are translated into Sterling using the exchange rates prevailing on the dates of the transactions. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see note 19 Financial risk management). The Group does not apply hedge accounting.

(e) Revenue recognition
Revenue is recognised in the income statement as and when the services are rendered and when it is probable that the economic benefits associated with the transactions will flow to the entity. It is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Management fees are accrued on a daily basis based upon Assets under Management Equivalents (AuME). Should performance fees be applicable then these are receivable based on the performance of each relevant fund or mandate as at the quarter end date. Such fees are recognised by the Group on a quarterly basis subject to termination mid-quarter when performance fees may be receivable and calculated to the date of termination.

1 Accounting policies continued

(f) Employee benefits

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

(g) Share-based payments

The Group issues share awards to employees. Share options issued under the Group Bonus Scheme and the Flotation Bonus Scheme are classified as share-based payments with cash alternatives under IFRS 2. The fair value of the debt component of the amounts payable to the employee is calculated as the cash amount offered to the employee at grant date and the fair value of the equity component of the amounts payable to the employee is calculated as the market value of the share options at grant date less the cash forfeited in order to receive the share options. The debt component is charged to the income statement over the period in which the bonus is earned, the equity component is charged to the income statement over the vesting period of the option.

All other awards have been classified as equity-settled under IFRS 2. The fair value of the amounts payable to employees under these awards is recognised as an expense over the vesting period of the option, with a corresponding increase in equity.

The fair value amounts for the options issued since listing on the London Stock Exchange were determined using quoted share prices. Further details on the share-based compensation plans are included in note 17.

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The asset subject to the finance lease is depreciated over the shorter of its useful life and the lease term. The corresponding rental obligations, net of finance charges, are included as a liability.

Leases of property, plant and equipment where the Group does not have substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. Incentives provided by the lessor are credited to the income statement on a straight-line basis over the full lease term.

(i) Dividend distribution

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

(j) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the income statement in the period in which they are incurred.

Property, plant and equipment is assessed for impairment where there is an indication of impairment. Where impairment exists, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in the income statement. The depreciation charge for the asset is then adjusted to reflect the asset's revised carrying amount.

Depreciation is provided on all property, plant and equipment and is calculated on a straight-line basis to allocate cost less assessed residual value, other than assets in the course of construction, over the estimated useful lives, as follows:

Computer equipment	50% per annum
Fixtures and fittings	25% per annum
Leasehold improvements	over the full term of the lease

The assets' useful lives and residual values are reviewed and, if appropriate, adjusted at each balance sheet date.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value net of transaction costs and subsequently measured at amortised cost under the effective interest method, less impairment. Provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

1 Accounting policies continued

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand 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.

(m) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(n) Derivative financial liabilities

The Group uses foreign exchange forward contracts to manage its foreign currency exposures.

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

(o) Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, if the deferred tax arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

(p) Own shares

The Record plc Employee Benefit Trust (EBT) was formed under a Trust Deed dated 19 December 2007 to hold shares acquired under the Record plc share-based compensation plans. A total of 696,972 (2008; 168,287) Ordinary Shares were held in the EBT at the balance sheet date. The holding of the EBT comprises own shares that have not vested unconditionally to employees of the Group. Own shares are recorded at cost and are deducted from retained earnings. The EBT is consolidated in the Group financial statements.

Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group income statement. Further information regarding the Record plc share-based compensation plans and relevant transactions made during the year are included in note 17.

(q) Group and Company reserves

The share premium account records the difference between the nominal value of shares issued and the value of the consideration received. The use of the share premium account is governed by the Companies Act 1985.

Where shares have been redeemed or purchased wholly out of the Company's profits, the Companies Act 1985 requires a transfer to the capital redemption reserve equal to the amount by which the Company's issued share capital is diminished. Furthermore the provisions of the Act relating to a reduction of the Company's share capital apply as if the capital redemption reserve were paid up share capital of the Company.

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 17 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 21.

Notes to the accounts
For the year ended 31 March 2009
continued

3 Segmental analysis
The Directors consider that its services comprise one business segment (being the provision of currency management services) and that it operates in a market that is not bound by geographical constraints.

For management purposes, the Group subdivides the single business segment into two currency management products being ‘Hedging’ and ‘Absolute Return’ and reports its performance between two fee structures being ‘management fees’ and ‘performance fees’. Revenue information analysing the aforementioned products is presented below:

(a) Product class
The Group’s main trading activities can be split between investment management and other Group activities including consultancy.

	2009 £’000	2008 £’000
Currency management income		
Active Hedging		
Management fees	**6,065**	4,785
Performance fees	**831**	142
Passive Hedging		
Management fees	**1,547**	1,144
Absolute Return segregated funds		
Management fees	**18,261**	15,941
Performance fees	**–**	7,419
Absolute Return pooled funds		
Management fees	**19,688**	22,117
Performance fees	**605**	14,599
	46,997	66,147
Other revenues	**(201)**	82
	46,796	66,229

(b) Geographical regions served
The geographical analysis of turnover is based on destination. All turnover originated in the UK. All assets of the Group are located in the UK.

Other Group activities form less than 1% of the total Group income. This is not considered significant and they are not analysed by geographical region.

	2009 £’000	2008 £’000
Currency management income		
North America	**5,193**	5,102
UK	**27,388**	48,840
Other European	**9,249**	8,995
Rest of World	**5,167**	3,210
	46,997	66,147
Other Group activities	**(201)**	82
	46,796	66,229

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

	2009 £’000	2008 £’000
Depreciation of property, plant and equipment	**363**	313
Fees payable to the Company’s auditors for the audit of the Company’s annual accounts	**32**	27
The audit of the Company’s subsidiaries, pursuant to legislation	**31**	28
Other services pursuant to such legislation	**59**	113
Other services relating to taxation	**29**	22
Operating lease rentals – land and buildings	**195**	195
Loss on sale of property, plant and equipment	**–**	1
Exchange (gains)/losses on hedging activities	**782**	58
Other exchange (gains)/losses	**(538)**	96

Record was admitted to the official list of the UK listing authority on 3 December 2007. In the year ended 31 March 2008, non-recurring costs totalling £1,292,193 were charged against the income statement within administrative expenses in this respect.

5 Staff costs

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

	2009	2008
Client Services	9	7
Investment and Research	10	7
Operations	18	16
Information Systems	6	4
Finance and Administration	6	6
Compliance	2	1
Corporate	7	6
	58	47

The Company had no employees during the year (2008: nil).

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

	2009 £'000	2008 £'000
Wages and salaries	14,408	19,044
Social security costs	1,822	2,499
Pension costs	489	386
Equity-settled share-based payments	149	1
	16,868	21,930

6 Directors' remuneration

	2009 £'000	2008 £'000
Aggregate emoluments of the Directors		
Emoluments (excluding pension contribution)	6,402	9,626
Pension contribution	198	184

During the year, six Directors of the Company (2008: five) participated in the Company's Group Personal Pension Plan; a defined contribution pension scheme.

In the previous year a loan was made to L F Hill in respect of personal expenses paid by the Company, and was settled in full in April 2008.

Name	Date of loan	Outstanding at 1 April 2008 £	Outstanding at 31 March 2009 £	Maximum liability in period £
L F Hill	31 March 2008	4,524	–	4,524

7 Taxation – Group

	2009 £'000	2008 £'000
Tax expense comprises:		
Current tax expense	7,594	12,565
Adjustments recognised in current year in relation to the current tax of prior years	–	3
Total current tax	7,594	12,568
Deferred tax (income) relating to the origination and reversal of temporary differences	(100)	(88)
Total tax expense	7,494	12,480

	2009	2008
The total charge for the year can be reconciled to the accounting profit as follows:		
Profit before taxation	26,769	40,393
Taxation at the standard rate of tax in the UK of 28% (2008: 30%)	7,495	12,118
Tax effects of:		
Other disallowable expenses and non-taxable income	10	347
Capital allowances for the period lower than depreciation	57	46
Lower tax rates on UK subsidiary undertakings	(6)	(10)
Adjustments recognised in current year in relation to the current tax of prior years	(50)	3
Other temporary differences	(12)	(24)
Total tax expense recognised in income statement	7,494	12,480

7 Taxation – Group continued

At the period end the Group had net deferred tax assets of £146,598 (2008: £46,371). At the balance sheet date there were earned and unearned share options not exercised with an intrinsic value for tax purposes of £460,002 (2008: £144,727). 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.

The standard rate of corporation tax in the UK is 28% (2008: 30%). 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 2009 was £7,494,179 (2008: £12,480,139) which was 28% of profit before tax (2008: 30.9%).

8 Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period 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.

	2009	2008
Weighted average number of shares used in calculation of basic earnings per share	**220,878,796**	220,739,001
Effect of potential dilution – share options	**246,472**	499,040
Weighted average number of shares used in calculation of diluted earnings per share	**221,125,268**	221,238,041

	pence	pence
Basic earnings per share	**8.73**	12.65
Diluted earnings per share	**8.72**	12.62

The potential dilutive shares for 2008 relate to the share options in place at the beginning of the year that were exercised during the year. In 2009, the Group granted 488,967 share options with a potentially dilutive effect.

9 Dividends

The dividends paid by the Group during the year ended 31 March 2009 totalled £10,141,982 (4.59p per share). The dividends paid during the year ended 31 March 2008 totalled £24,150,890 (10.91p per share), which included a special dividend of £20,000,000 paid on 9 November 2007.

10 Retirement benefit obligations

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £489,490 (2008: £386,142).

11 Property, plant and equipment – Group

2009	**Leasehold improvements £'000**	**Computer equipment £'000**	**Fixtures and fittings £'000**	**Total £'000**
Cost				
At 1 April 2008	483	628	253	1,364
Additions	23	81	16	120
Disposals	–	(69)	–	(69)
At 31 March 2009	506	640	269	1,415
Depreciation				
At 1 April 2008	212	426	115	753
Charge for the year	103	203	57	363
Disposals	–	(69)	–	(69)
At 31 March 2009	315	560	172	1,047
Net book amounts				
At 31 March 2009	191	80	97	368
At 1 April 2008	271	202	138	611

11 Property, plant and equipment – Group continued

2008	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2007	473	495	200	1,168
Additions	10	156	53	219
Disposals	–	(23)	–	(23)
At 31 March 2008	483	628	253	1,364
Depreciation				
At 1 April 2007	116	279	67	462
Charge for the year	96	169	48	313
Disposals	–	(22)	–	(22)
At 31 March 2008	212	426	115	753
Net book amounts				
At 31 March 2008	271	202	138	611
At 1 April 2007	357	216	133	706

12 Investments

Company	**2009 £'000**	2008 £'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 Fund Management Limited	**–**	–
N P Record Trustees Limited	**–**	–
	30	30

Particulars of subsidiary undertakings:

Name	Nature of business
Record Currency Management Limited	Currency overlay and investment management services
Record Group Services Limited	Management services to other Group undertakings
Record Portfolio Management Limited	Dormant
Record Fund Management Limited	Dormant
N P Record Trustees Limited	Trust company

The Group's interest in the equity capital of subsidiary undertakings is 100% of the ordinary share capital in all cases. All subsidiary undertakings are incorporated in England and Wales.

13 Trade and other receivables

	Group		**Company**	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Trade receivables	**7,026**	7,616	**–**	–
Other receivables	**36**	195	**3**	21
Prepayments	**680**	1,106	**–**	–
	7,742	8,917	**3**	21

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

14 Cash and cash equivalents

	Group		**Company**	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Cash at bank and in hand – Sterling	**29,729**	20,674	**2,018**	2,129
Cash at bank and in hand – other currencies	**69**	1,871	**–**	–
	29,798	22,545	**2,018**	2,129

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

Notes to the accounts

For the year ended 31 March 2009
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15 Current Liabilities

Amounts falling due within one year

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Trade payables	**130**	68	**–**	–
Amounts owed to Group undertaking	**–**	–	**28**	10
Other payables	**760**	270	**–**	–
Other tax and social security	**442**	759	**–**	–
Accruals and deferred income	**5,744**	6,094	**–**	–
	7,076	7,191	**28**	10

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

Current tax liabilities:

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Corporation tax	**3,774**	6,356	**18**	18

Derivative financial liabilities:

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Derivative financial liabilities	**13**	23	**–**	–

The Group uses forward exchange contracts to reduce the risk associated with sales denominated in foreign currencies. At 31 March 2009 there were outstanding contracts with a principal value of £3,375,693 (2008; £2,840,495) for the purchase 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 2009. Further detail including sensitivity analysis on the fair value of outstanding contracts is contained in note 19.

The net gain or (loss) on financial liabilities at fair value is included in other income. The net loss on financial liabilities is as follows:

	2009 £'000	2008 £'000
Net (loss) on financial liabilities at fair value through income statement	**(782)**	(58)

16 Deferred Taxation – Group

	2009 £'000	2008 £'000
The movement in the deferred tax asset/(liability) during the year was:		
Profit and loss account movement arising during the year	**100**	88
Asset/(liability) brought forward	**46**	(42)
Asset carried forward	**146**	46

	2009 £'000	2008 £'000
The provision for deferred taxation consists of the tax effect of temporary differences in respect of:		
Deferred tax allowance on unvested share options	**103**	53
Excess of taxation allowances over depreciation on fixed assets	**43**	(7)
	146	46

At the period end the Group had deferred net tax assets of £146,598 (2008: £46,371) including provision for share options not exercised with an intrinsic value for tax purposes of £460,002 (2008: £144,727). On exercise the Group will be entitled to a corporation tax deduction in respect of the difference between the exercise price and the strike price. There is no other unprovided deferred taxation.

17 Called up share capital

	2009 £'000	2009 Number
Authorised		
Ordinary Shares of 0.025p each	**100**	**400,000,000**
Called up, allotted and fully paid		
Ordinary Shares of 0.025p each	**55**	**221,380,800**

	2008 £'000	2008 Number
Authorised		
Ordinary Shares of 0.025p each	100	400,000,000
Called up, allotted and fully paid		
Ordinary Shares of 0.025p each	55	221,380,800

Changes to the authorised and issued share capital	£'000	Number
As at 1 April 2007		
Ordinary Shares of 10p each	40	402,967
'A' Ordinary Shares of 10p each	15	146,583
	55	549,550
Exercise of share options		
'A' Ordinary Shares issued.	–	3,902
Conversion of 'A' Ordinary Shares to Ordinary Shares		
Ordinary Shares of 10p each	15	150,485
'A' Ordinary Shares of 10p each	(15)	(150,485)
Ordinary Shares of 10p each	55	553,452
400 to 1 split of Ordinary Shares		
Ordinary Shares of 0.025p each	55	221,380,800
Adjustment for own shares held by EBT	–	(168,287)
As at 31 March 2008	55	221,212,513
Adjustment for own shares held by EBT	–	(528,685)
As at 31 March 2009	55	220,683,828

The two classes of share authorised as at 1 April 2007 ranked *pari passu* in all respects save that the 'A' Ordinary Shares were subject to a mandatory transfer upon the termination of the shareholder's employment. On 23 August 2007, a resolution was passed with the effect that all issued and unissued 'A' Ordinary Shares were converted to Ordinary Shares. On 15 November 2007, a resolution was passed with the effect that on admission to the main market for listed securities of the London Stock Exchange, all issued and unissued Ordinary Shares of 10p were each split into 400 Ordinary Shares of 0.025p.

The Group has established an Employee Benefit Trust (EBT) to hold shares to be used to meet future liabilities relating to the Group's 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. As at 31 March 2009, the EBT held 696,972 Ordinary Shares of 0.025p in Record plc (2008: 168,287).

Share-based compensation plans

During the year ended 31 March 2009 the Group has managed the following share-based compensation plans:

The Record plc Group Bonus Scheme

The Record plc Group Bonus Scheme was adopted by the Company on 1 November 2007. Under the terms of the scheme rules, certain employees of the Company may elect to receive a proportion of their bonus in the form of a deferred share award. The number of shares is calculated based on the residual bonus divided by the market value of the shares at grant date. The shares are available to the employee after the vesting period for nil consideration upon exercise. The Group simultaneously granted additional rights to acquire shares ('bonus' shares; equal to 20% of the shares elected for) to those same employees. Elected shares vest equally over the next one and two years and bonus shares will vest in full only after two years. The vesting of the shares is subject to certain good leaver provisions.

Notes to the accounts

For the year ended 31 March 2009

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17 Called up share capital continued

The Record plc Flotation Bonus Scheme

The Record plc Flotation Bonus Scheme was adopted by the Company on 15 November 2007. As a result of flotation, a cash bonus was made on a discretionary basis to certain employees. Under the terms of the scheme rules, employees were able to elect to receive a smaller cash bonus in exchange for the right to acquire a number of shares. The number of shares was calculated based on the residual bonus divided by the market value of the shares at grant date. The shares are available to the employee after the vesting period for nil consideration upon exercise. The Group simultaneously granted additional rights to acquire shares ('bonus' shares; equal to 50% of the shares elected for) to those same employees. Elected shares vest equally over the next one and two years and bonus shares will vest in full only after two years. The vesting of the shares is subject to certain good leaver provisions. The rights to acquire the shares are issued under Enterprise Management Incentive Discounted Share Price (EMI DSP) option agreements.

The Record plc Share Scheme

The Record plc Share Scheme was adopted by the Company on 1 August 2008. During the year two new senior employees were granted deferred share awards upon appointment. The number of shares for each employee was calculated based on £200,000 divided by the market price of one Record plc Ordinary Share on the day of appointment (or on the first business day after a close period, if the appointment occurred within a close period). The shares are available to the employee after the vesting period for nil consideration upon exercise. The shares vest equally on the second, third and fourth anniversary of appointment. The vesting of the shares is subject to certain good leaver provisions. The rights to acquire the shares are issued under nil cost option agreements.

Share-based payment transactions with cash alternatives

Deferred share awards granted under both the Record plc Group Bonus Scheme and the Record plc Flotation Bonus Scheme are accounted for under IFRS 2 as share-based payment transactions with cash alternatives.

Equity-settled share-based payments

Deferred share awards granted under the Record plc Share Scheme are accounted for under IFRS 2 as equity-settled share-based payment transactions.

At 31 March 2009, options over 696,972 (2008: 168,287) Ordinary Shares of 0.025p were outstanding under the Record plc share-based compensation plans. These options are over issued shares held in an Employment Benefit Trust. Details of outstanding share options awarded to employees are set out below:

Date of grant	At 1 April 2008	Granted	Exercised, forfeited or vested	**At 31 March 2009**	Exercise price (£)	Exercise/vesting date From	Exercise/vesting date To
Record plc Flotation Bonus Scheme							
21 December 2007	168,287	–	(59,440)	**108,847**	£0.00	21/12/2008	21/12/2009
Record plc Group Bonus Scheme							
20 June 2008	–	99,158	–	**99,158**	£0.00	20/06/2009	20/06/2010
28 November 2008	–	103,669	–	**103,669**	£0.00	28/11/2009	28/11/2010
	–	202,827	–	**202,827**			
Record plc Share Scheme							
4 August 2008	–	170,245	–	**170,245**	£0.00	04/08/2010	04/08/2012
1 September 2008	–	215,053	–	**215,053**	£0.00	01/09/2010	01/09/2012
	–	385,298	–	**385,298**			
Total options	**168,287**	**588,125**	**(59,440)**	**696,972**			
Weighted average exercise price of options	**£nil**	**£nil**	**£nil**	**£nil**			

The Directors had no interests in the combined share option schemes at the beginning, during, nor at the end of the period.

There were no performance measures attached to vesting conditions in any of the schemes.

Fair values of share-based compensation plans

The fair value amounts for the options issued since Admission were determined using quoted share prices.

18 Capital redemption reserve

The Group has bought in a total of 202,072 Ordinary Shares of 10p for cancellation. The buy-ins occurred in five tranches, all occurring prior to the share split.

March 2001	66,553 Ordinary Shares of 10p
April 2004	36,357 Ordinary Shares of 10p
February 2005	50,000 Ordinary Shares of 10p
October 2005	24,581 Ordinary Shares of 10p
December 2005	24,581 Ordinary Shares of 10p

The cost of the buy-ins was taken directly to retained earnings. The nominal value of the shares was taken to a capital redemption reserve.

19 Financial risk management

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

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

Financial assets principally comprise trade receivables and cash and cash equivalents. 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 and therefore separate disclosures for the Company have not been included.

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 Committee.

Credit risk

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

The table below is an analysis of financial assets by due date:

At 31 March 2009	**Not past due £'000**	**0–3 months past due £'000**	**More than 3 months past due £'000**	**Total £'000**
Trade and other receivables	**6,736**	**326**	**–**	**7,062**

At 31 March 2008	Not past due £'000	0–3 months past due £'000	More than 3 months past due £'000	Total £'000
Trade and other receivables	7,758	53	–	7,811

The Group's principal financial assets are cash deposits and trade receivables. The credit risk associated with cash is limited as the financial institutions involved have high credit ratings assigned by international credit agencies. The main credit risk therefore arises from trade receivables.

All trade receivables are of a short-term nature. The Directors have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At each balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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 liquidity of the Group is managed on a daily basis by the Group Finance function, to ensure that the Group always has sufficient cash and cash equivalents available to meet its liabilities. It is the Group's policy to ensure that it has access to funds to cover all forecast commitments for at least the following four months.

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19 Financial risk management continued

Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints.

At 31 March 2009	**Fixed rate £'000**	**Floating rate £'000**	**Not directly exposed to interest rate risk £'000**	**Total £'000**
Financial assets				
Trade and other receivables	–	–	7,062	7,062
Cash and cash equivalents	26,828	2,970	–	29,798
Total financial assets	**26,828**	**2,970**	**7,062**	**36,860**
Financial liabilities				
Trade and other payables	–	–	(1,332)	(1,332)
Derivative financial liabilities	–	–	(13)	(13)
Total financial liabilities	**–**	**–**	**(1,345)**	**(1,345)**

At 31 March 2008	Fixed rate £'000	Floating rate £'000	Not directly exposed to interest rate risk £'000	Total £'000
Financial assets				
Trade and other receivables	–	–	7,811	7,811
Cash and cash equivalents	22,315	230	–	22,545
Total financial assets	22,315	230	7,811	30,356
Financial liabilities				
Trade and other payables	–	–	(1,097)	(1,097)
Derivative financial liabilities	–	–	(23)	(23)
Total financial liabilities	–	–	(1,120)	(1,120)

The Group has not performed an interest rate risk sensitivity analysis as it is not significantly exposed to interest rate movements. The nature of the Group's financial instruments means that changes in equity and effects on the consolidated profit and loss arising from interest rate movements that might reasonably be anticipated are not likely to be significant. The majority of the Group's receivables are trade receivables on 30 day terms and the Group's fixed rate cash and cash equivalents are primarily short-term treasury deposits.

The Group's policy is to hold at least four months overhead cover in cash and it uses a programme of term deposits to maximise the return on the cash.

The effective interest rates applicable to these term deposits are as follows:

	2009	2008
Short-term deposits	**3.97%**	5.88%

Foreign currency risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates.

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

In the year ended 31 March 2009, the Group invoiced the following amounts in currencies other than Sterling.

	Local currency value '000	**Value in reporting currency £'000**
US Dollar (USD)	21,351	12,687
Swiss Franc (CHF)	10,053	5,511
Euro (EUR)	2,134	1,854
Canadian Dollar (CAD)	1,340	724
Total		**20,776**

19 Financial risk management continued

The value of revenues for the year ended 31 March 2009 that were denominated in currencies other than Sterling was £20.8 million (44% of total revenues).

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

At 31 March 2009 there were outstanding contracts with a principal value of £3,375,693 (2008: £2,840,495) for the purchase of foreign currencies in the normal course of business.

Foreign currency risk sensitivity analysis:

Foreign currency amount '000	Sterling amount £'000	Average strike rate	Maturity date	Market forward rate at 31 March 2009	Fair value £'000	Loss if spot rate at maturity strengthens by a further 1% £'000
4,247 USD	2,819	1.4291	30 June 2009	1.427293	(4)	(29)
525 CHF	344	1.6411	30 June 2009	1.626467	(3)	(4)
556 EUR	212	1.1080	30 June 2009	1.076766	(6)	(2)
					(13)	

The fair value of the derivative financial liabilities is exposed to the risk of adverse foreign exchange rate movements. The table above shows the impact on both the income statement and equity of each relevant foreign currency strengthening by 1% of the market forward rate at 31 March 2009.

Company

The Company's principal financial asset is cash deposits of £2,018,285. Of this balance, £2,017,000 is held on fixed rate deposits, the remainder on floating rate deposit.

20 Contingent liabilities

(i) The Company, together with its subsidiary undertakings, has given a cross guarantee in respect of certain indebtedness of the Group. The amount of such indebtedness at 31 March 2009 was £nil (2008: £nil). The Company considers the financial guarantee contracts to be insurance contracts.

(ii) At 31 March 2009, a subsidiary undertaking had outstanding contracts with a principal value of just under £3.4 million (2008: £2.8 million) for the sale and purchase of foreign currencies in the normal course of business. The valuation of the outstanding contracts is provided in note 19 under the fair value of derivative financial liabilities.

21 Operating lease commitments

On 25 January 2006, the Group signed a lease on new premises at Morgan House, Madeira Walk, Windsor, Berkshire. This lease expires on 19 June 2016, although may be determined five years from commencement (i.e. 24 January 2011) at the option of the tenant. The annual commitment under this lease is £229,710 (2008: £229,710). The Group has retained its lease on the premises at 32 Peascod Street, Windsor, Berkshire which has a commitment of £86,000 per annum (2008: £86,000). Those premises have been sublet at the same rate from May 2006 and the lease expires in December 2011.

At 31 March 2009 the Group had commitments under non-cancellable operating leases relating to land and buildings as set out below:

	2009 £'000	2008 £'000
Not later than one year	**316**	316
Later than one year and not later than five years	**342**	657
	658	973

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet dates:

	2009 £'000	2008 £'000
Not later than one year	**86**	86
Later than one year and not later than five years	**151**	237
	237	323

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For the year ended 31 March 2009
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22 Related parties transactions
The Group considers parties to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Company's subsidiary undertakings are listed in note 12 on page 43, which includes a description of the nature of their business.

As at the balance sheet date, the only amounts due from related parties were Directors' loans as detailed in note 6.

The key management compensations are as follows:

	2009 £'000	2008 £'000
Short-term employee benefits	10,947	15,328
Post-employment benefits	319	289
Share-based payment benefits	149	1
	11,415	15,618

Transactions with subsidiaries
Details of transactions between the Company and its subsidiaries, which are related parties of the Company, are shown below:

	2009 £'000	2008 £'000
Liabilities settled by subsidiary on behalf of parent	19	7
Net dividends received	9,930	24,200

	2009 £'000	2008 £'000
Amounts due to subsidiaries	28	10

23 Ultimate controlling parties
As at 31 March 2009 the Company had no ultimate controlling parties, nor at 31 March 2008.

24 Capital commitments
The Group had no capital commitments as at 31 March 2009, nor at 31 March 2008.

25 Post balance sheet events
There are no post balance sheet events in the period since 31 March 2009.

Five year summary

Year ended 31 March	UK GAAP 2005 £'000	UK GAAP 2006 £'000	IFRS 2007 £'000	IFRS 2008 £'000	IFRS **2009 £'000**
Management fees	5,036	9,526	21,497	43,987	**45,561**
Performance fees	207	1,778	13,603	22,160	**1,436**
Other revenue	210	149	144	82	**(201)**
Revenue	5,453	11,453	35,244	66,229	**46,796**
Cost of sales	(333)	(971)	(177)	(296)	**(11)**
Gross profit	5,120	10,482	35,067	65,933	**46,785**
Operating expenses	(3,795)	(6,089)	(15,692)	(25,374)	**(20,928)**
Operating profit	1,325	4,393	19,375	40,559	**25,857**
IPO	–	–	–	(1,293)	**–**
Profit before interest and taxation	1,325	4,393	19,375	39,266	**25,857**
Net interest	63	4	271	1,127	**912**
Profit before taxation	1,388	4,397	19,646	40,393	**26,769**
Taxation	(480)	(1,265)	(5,501)	(12,480)	**(7,494)**
Profit after taxation	908	3,132	14,145	27,913	**19,275**
Basic EPS (pence)	0.45	1.70	6.67	12.65	**8.73**

EPS is calculated on the basis that the share holdings from 1 April 2003 onwards reflect the number of shares that would have been held if the share split had been applied to both Ordinary Shares and 'A' Ordinary Shares prior to 31 March 2003.

The key IFRS adjustment that would impact on the income statement reported under UK GAAP is the recognition of the cost of share-based payments arising on grant of share options to employees.

Information for Shareholders

Record plc
Registered in England and Wales
Company No. 1927640

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

Principal UK trading subsidiaries
Record Currency Management Limited
Registered in England and Wales
Company No. 1710736

Record Group Services Limited
Registered in England and Wales
Company No. 1927639

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

Dates for 2009 dividend

Ex-dividend date	24 June 2009
Record date	26 June 2009
Annual General Meeting	30 July 2009
Final dividend payment date	5 August 2009

Registrar
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

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

Definitions

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

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Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

Record plc
Morgan House
Madeira Walk
Windsor
Berkshire
SL4 1EP

Tel: +44 (0)1753 852 222
Fax: +44 (0)1753 852 224
E-mail: marketing@recordcm.com
www.recordcm.com