Record plc
Annual Report
& Accounts 2008

Currency asset management

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

Contents

Highlights

» Strong demand for the Absolute Return product underpinned an exceptional year of growth

» Assets under management growth of 35% translated into revenue growth of 88%, and profit before tax growth of 106%

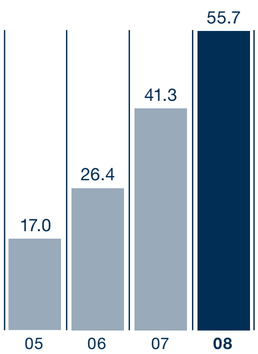
» Investment performance in the last three quarters has suffered contagion from the credit crunch; despite this the five-year Absolute Return track record remains strong

» Client numbers have continued to rise, reaching 141 by year end

Assets under management equivalent*

$56bn

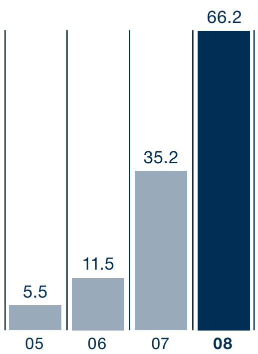
AuME at year end ($bn)



Revenue

£66m

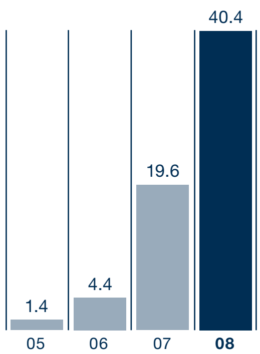
Revenue (£m)



Profit before tax

£40m

Profit before tax (£m)



*Assets under management equivalent (AuME). See page 10 for definition.

Group overview

The Group, founded 24 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

Disciplined investment process

Highly experienced team

Strong distribution capabilities

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.

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.

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.

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 core distribution strategy is to maintain a focus on investment consultant relationships, supplemented by direct marketing by the in-house client team.

Financial highlights

	2008	2007
AuME	$55.7bn	$41.3bn
Client numbers	141	89
Management fee income	£44.0m	£21.5m
Performance fees	£22.2m	£13.6m
Operating profit margin (ex IPO costs)	61%	55%
Earnings per share (basic)	12.65p	6.67p

Chairman and Chief Executive Officer's statement

"I am pleased to present Record plc's first report since the Company was admitted to trading on the London Stock Exchange's main market for listed securities in December 2007. In view of our newcomer status, I would like to introduce the sector in which we operate (we are the first listed company worldwide in this sector), our product range, our investment philosophy and, most importantly, the principles on which we have built the Group, and on which we will continue to rely. However, I will start with a brief summary of this exceptional year"

Neil Record
Chairman and
Chief Executive Officer

The year just ended has been a transformational one for us. It saw the ending of over 24 years as a private company, and the opening of a new chapter as a public company.

Despite very difficult investment conditions in the last three quarters of the year (of which more below), our revenue, essentially all fee income, grew by 88% compared to the previous year. The economies of scale inherent in asset management meant that this translated into pre-tax profit growth of 106%, and in basic earnings per share growth of 90%.

Management fee income grew faster (+105%) than performance fee income (+63%). This is because very strong investment performance in the first quarter of the year (crystallising most of the year's performance fees in one quarter) was followed by three quarters of much weaker performance.

Our AuME grew at a slower rate (35%) than the revenue and profits, implying that the new assets command higher fees. This is true, not because fee rates hardened in the year, but because most of the new assets were Absolute Return mandates, which command significantly higher fee rates than Active Hedging mandates. Active Hedging mandates in turn command significantly higher fee rates than Passive Hedging.

We propose a final dividend for the year of 2.16p per share. This is the maximum payable under our dividend policy of covering dividends between two and four times by profit after tax. We are recommending the maximum dividend in view of the absence of performance fees in the second half of the year. Conversely, in years where performance fees are strong, we would expect to smooth the potential jump in dividend by applying a higher cover multiple.

After paying the recommended dividend, we will have c. £20m in cash on the balance sheet – rather more than two years of the current overhead run rate.

Further and more detailed analysis of the results for the year can be found in the Business Review.

Company and sector history

Record is a currency asset manager. The Group was founded in 1983 as a specialist currency manager before there was any suggestion that institutional investors might wish to hire specialist currency managers to manage their pre-existing currency risk, let alone for currency as a stand-alone asset class. Our first ten years saw us carve out a business providing currency risk management to the corporate treasuries of large, international businesses. During that period, importantly, we pioneered the first 'Currency Overlay' active hedging mandates with pension funds.

In the early nineties, the market in active hedging for pension funds (particularly in the US), began to grow, and we took the strategic decision no longer to seek business from corporate treasuries, and concentrate on developing expertise, innovation and distribution purely as an institutional asset manager.

Since that period, the currency asset management sector has changed beyond recognition. In particular, in the past five years there has been the birth and rapid industry-wide growth of currency for Absolute Return (often referred to as 'currency alpha' or 'currency as an asset class'). This stands in contrast to earlier institutional mandates, which were all hedging mandates.

Key products

Record has three main products:

- Currency for Absolute Return
- Active Currency Hedging
- Passive Currency Hedging

Currency for Absolute Return is a five-year-old product for Record, which has experienced very strong demand from institutional investors, and hence rapid growth in AuME over that period. At 31 March 2008, AuME for Absolute Return stood at $29.0bn. Our track record in this product is strong, and the five-year information ratio (annual return divided by annual volatility) is 0.5. We believe that there remains significant potential for growth in this product, not just within the UK, where institutional take-up is now well established, but internationally in general, and the US and Continental Europe in particular.

Active Currency Hedging is our longest-standing product, with continuous client track records since 1985. AuME at 31 March 2008 stood at $5.0bn. Recent growth in this product has been modest, although 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 $18.3bn AuME, accounts for 33% of Group-wide AuME at 31 March 2008, but only 1.7% of fee income in FY08. 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.

Investment philosophy

Throughout the Group's life, we have believed that the most effective way to exploit the subtle inefficiencies present in the currency market is by using a disciplined trading process derived from models which are as simple as possible (but no simpler). These models are based on a thorough understanding of the foreign exchange market and its participants, not on curve-fitting regressions or other sophisticated mathematical techniques. In particular, we demand from our models that we can explain their foundation using standard English, without resort to mathematics, and that the explanations are supported by external, verifiable evidence. This approach is the antithesis of the popular image of the currency trader as the short-term 'punter' who measures his bets' horizons in minutes or hours. Our processes have core horizons of between six months and one year, and we would wish our performance to be measured over a minimum of three years, and preferably longer.

While we maintain a watching brief on the 'fundamental' value of currencies vis-à-vis each other, we do not base any of our processes on forecasts that rely on currencies returning to 'fair' value. Experience has taught us that the currency market has very long cycles of over- and under-valuation, and that being 'right' may take longer than the horizons over which we will be judged.

By contrast, we believe that Governmental dominance of the short end of the interest-rate curve has created a continuing opportunity to add value over time – the so-called 'forward rate bias'. While Governments retain the ability to choose short-term interest rates to control inflation (and sometimes aggregate demand), we will be given the opportunity to take positions in the currency markets which will have a materially greater than 50% chance of success. In addition, we utilise highly-disciplined loss-control processes that exploit another opportunity in the currency market – that of 'momentum'. Momentum (or more formally 'serial correlation of price changes'), is one of the structural characteristics that has steered us away from fundamental value-based forecasting.

Business principles

While Record is new to the listed markets, it is not a young business. Over the whole of the nearly 25 years of the Group's existence, my senior colleagues and I have tried to live up to a set of values, and impart them to all our staff, and through them to our clients and other stakeholders.

I summarise these as follows:

Conviction. The global active asset management business is one in which global outperformance is impossible by definition – if the average is to outperform, who underperforms to pay for it? This unpalatable fact is that while 'beta' (the excess return from (essentially) equities) is available to all, 'alpha' (uncorrelated excess return over and above beta) is only available to one section of the investment community at the expense of another. We recognise this, and we work hard to identify only those opportunities which we genuinely believe are persistent and that we can continue to exploit in the future. One of the ways we become convinced of the persistence of an opportunity is for us to identify the likely losers, and whether or not they will be prepared and able to keep losing in the future.

The tangible effect of this conviction is our concentrated product base. We have chosen to concentrate our efforts into a very small number of products, and we believe that this concentration increases the chances that these products will be robust over the long-term, not just the short- and medium-term.

Aligned incentives. Mis-aligned incentives bring distortions in economic activity. The recent credit crunch has been blamed (rightly in my view) on the distorting effect of commissions (on mortgage salesmen) and bonuses (on bank executives). At Record we have tried as hard as possible to avoid incentives distorting both our investment process and the motivations of our staff. In the former case, our process is unaffected by performance fees that might be payable (since it is a formal model with disciplined execution), and in the latter case, we have instituted a Group-wide bonus scheme, in which every member of staff draws his or her bonus from the same pool. Our Group-wide scheme is paid out of the Group's pre-tax pre-bonus profits (currently the bonus pool = 30% of profits), and we have deliberately not linked bonuses to performance fees from our clients, since this would distort the choice that clients would be encouraged to make between asset-based fees and asset plus performance based fees.

We have an additional source of incentive alignment now we are a listed Company – the majority of staff members are shareholders. This means that staff share both the good and bad performance of the share price in equal measure – just like the external shareholders.

Entrepreneurial spirit. We believe in the power of the entrepreneurial spirit to unlock individuals' creativity, commitment and hard work. Record has survived over its long history because it attracted entrepreneurial individuals who set aside short-term income and security for a dream. The dream was to carve out a business with global reach, a strong income stream, high profitability, continuing growth prospects, and, most importantly, a continuing ability to generate money for our clients. This dream was distant for many years, but we enjoyed astonishingly high loyalty – of our most senior 13 staff, the average time worked at Record is 12 years. We really value this long-term view, and we continue to search for talented individuals who share these values. As one of the strands in finding these people, and attracting them to work at Record, we have initiated a Bursary scheme (see 'Corporate social responsibility' on page 25) to help us find talented, entrepreneurial young men and women at the start of their careers.

Governance

Throughout its life, the Group has always had external shareholders and Non-executive Directors. As a private Group, we established a formal governance process which we were able to reform, not revolutionise, to form the new, listed-company governance structure. As a result of these changes, we say farewell to Les Halpin, who was a Record Board member since 1985, and who was CEO between 1989 and 2000, and a Non-executive Director since then. Record owes a great debt of gratitude to Les, who came to Record as its second employee in 1984, and without whose entrepreneurial spirit, talent and hard work the Group could not have developed in the way it has.

We welcome two new Non-executive Directors – Cees Schrauwers and Andrew Sykes.

Cees is a veteran of the insurance industry, having held senior executive positions in Commercial Union, CGU and Aviva following a spell as head of Coopers & Lybrand's Insurance Consultancy Practice in London, and completing his executive career as Managing Director of Aviva International. Cees is Senior Non-executive Director at Brit Holdings Plc and Chairman of DriveAssist UK Plc, and is the Senior Independent Director and Chairman of the Audit Committee at Record.

Andrew spent his whole working career at Schroders plc, from which he retired as Executive Director in 2004. He is Non-executive Director of Smith & Williamson Holdings Ltd, and a number of other private companies and investment and unit trusts. At Record he is the Chairman of the Remuneration Committee.

Investment performance

The year ending 31 March 2008 was an exceptionally challenging one in the currency markets. The cause and nature of the challenge came from a new (but now familiar) source – namely the credit crunch.

Very strong investment performance in the first quarter (ending 30 June 2007), was followed by a strong reversal in the second and subsequent quarters.

The challenges were two-fold. The first was the very strong risk-averse sentiment that overwhelmed the asset management and banking industry from July 2007. This was reflected in the currency market as a flight from what is known as the 'carry trade' (investing in high interest rate currencies by borrowing low interest rate currencies). While Record is not a tactical carry trader, we do have a bias for holding long positions in currencies with high relative interest rates, and short positions in currencies with low relative interest rates. The unwinding of the 'carry trade' therefore caused initially a loss of profit in our end-June valuations, and then triggered our loss-control mechanisms to prevent further losses from 'anti-carry' currency movements. The remainder of the year has been characterised by a series of 'false dawns', in which we continuously test the market for the ending of these adverse trends.

The second challenge was the appearance in 2007 of a high level of short-term correlation between the returns of high interest rate currencies and the returns in global equities and credit. This was translated into a high level of correlation between the performance of our Absolute Return product and global quoted equity markets. The historical long-term correlation of these two asset classes is close to zero (even under previous periods of market stress), so the emergence of a high correlation, even if temporary, is unusual. We view this correlation as a result of the pervasive contagion (originating in the credit markets) that has swept through all markets, creating risk-aversion across most asset categories, however fundamentally unrelated.

We regard the recent disappointing investment performance of our Absolute Return product, and the correlations with other asset classes, as a direct result of the very unusual circumstances of the credit crunch. We remain firmly committed to the principles underlying our Absolute Return product, and are confident that our investment performance will recover as the impact of the credit crunch works through the system, and likewise that the correlation between our Absolute Return product's returns and equities will fall to its long-term average of around zero.

Group strategy and growth plans

We are undertaking a series of projects and developments to lay the foundations for continued growth in both existing and new products.
These include:

- A rewrite of our dealing program to allow us more flexibility to respond to non-standard client requests, and to simplify future system maintenance and upgrades.
- Increased focus on the US pension and foundation sectors, with more frequent contact and travel, and conference sponsorships, to raise the profile of both currency as an asset class and Record in this very large (and largely untapped) market.
- The signing of third-party marketing agreements with selected intermediaries, by means of which we open new distribution routes, distinct from the investment consultants. This is designed to give us access to new groups of investors, particularly high net worth individuals.
- Making the case at conferences and elsewhere that currency can be seen as a manager-independent value-added asset class, and as such can be seen as a staple portfolio constituent.

We believe that there is a tremendous opportunity for Record to lead, and benefit from, the continued adoption of currency for Absolute Return and Active Hedging, in the global investment community. The currency management sector is very small compared to the big asset management sectors – equities; fixed income; private equity; property and hedge funds, but the underlying currency market has the scale to accommodate currency management at the 'top table' of asset classes.

Even in these very challenging market conditions, Record is being invited to bid for, and winning, both Absolute Return and Active Hedging mandates. We think this reflects the strength of our investment processes, the quality of our track record and the reputation of the team at Record.

When investors choose to allocate new money to Currency Management, we believe that Record is exceptionally well placed to win a significant proportion of this business.

Neil Record
Chairman and Chief Executive Officer

This was a very exciting year for the Group which saw AuME increase by 35%, fee income increase by 88%, profit before tax increase by 106% and culminated with admission to the London Stock Exchange's main market for listed securities in December 2007

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1 **Mike Timmins**
Chief Financial Officer

2 **Peter Wakefield**
Chief Operating Officer

Overview of financial year to March 2008

The 12 months to 31 March 2008 was a very significant period in the history of the Group culminating in the admission to the London Stock Exchange's main market for listed securities in December 2007 during turbulent market conditions. Despite the challenging environment during the last three quarters of the year, the Group achieved significant growth in AuME, client numbers, fee income and in operating profit. The achieved performance exceeded the expectations held by management at the beginning of the financial year and provided a solid platform for future growth.

Summary of highlights

- $55.7bn AuME at 31 March 2008 was 35% higher than the prior year.
- Client numbers increased to 141 at 31 March 2008 58% higher than at 31 March 2007.
- Management fee income of £44m was 105% higher than the previous year.
- Performance fee income of £22m was 63% higher than the previous year.
- Operating profit margin to 31 March 2008 of 61% (pre-IPO costs) compared to 55% for the year ended 31 March 2007.
- Basic EPS increased to 12.65p compared to 6.67p for the year to 31 March 2007.
- Proposed maiden dividend for the six months to March 2008 is 2.160p per share.

Results for FY08

The financial year to 31 March 2008 marks a significant step in the development of the Group. Consideration of the following key performance indicators confirms the consistency of the progress across all the key performance measures of the Group.

AuME – increased by $14.4 billion (up 35%) during the year largely as a result of net inflows from both new and existing clients. AuME increased across all three of the Group's primary products (currency for Absolute Return, Active Hedging and Passive Hedging).

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 2008 was 58% higher than at the previous year end.

Number of employees – the number of employees increased to 54 from 42 during the year to 31 March 2008. This represents an increase of 29% and when compared to the growth in income and profit before tax, is indicative of the leverage that has been achieved from the operational infrastructure.

The Key Performance Indicators are:

KPI	2008	2007
AuME at 31 March	$55.7bn	$41.3bn
Client numbers at 31 March	141	89
Number of employees at 31 March	54	42
Operating costs*: management fees cover	5.0 times	3.5 times
Total remuneration: total revenue cover	3.0 times	2.6 times
Operating profit margin (pre-IPO costs)	61%	55%
Basic EPS	12.65p	6.67p

* excluding profit related bonus and IPO costs

Operating costs to management fees – the improvement in AuME and in blended fee rate has exceeded the increase in operating costs. This resulted in an improvement in the cover of management fees to operating costs to five times (2007: 3.5 times).

Total remuneration to revenue – a further indication of the operational leverage is demonstrated in the improvement achieved in the ratio of total remuneration costs to revenue which for the year to 31 March 2008 was 3.0 times covered (2007: 2.6 times).

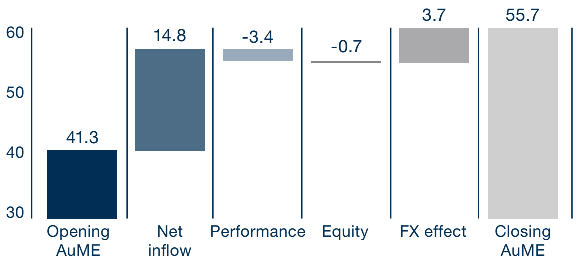
Operating profit margin (before IPO costs) – the combination of higher blended fee rates and controlled cost increases resulted in the operating profit margin improving to 61% for the year to 31 March 2008 (2007: 55%).

Basic EPS – the strong growth in AuME and associated revenues through the year together with improving operating profit margin is reflected in the Group's earnings per share increasing to 12.65p per share (2007: 6.67p per share).

AuME[1] growth

The growth in AuME achieved during the 2008 financial year of $14.4bn is analysed in the chart below:

AuME Growth bridge FY08 ($bn)



The Group has been successful in attracting net inflows of $14.8bn from clients including $13.5bn from new clients. Other movements included:

(i) A fall of $3.4bn due to investment performance in the Group's pooled funds which is compounded on a geared basis into the AuME in those funds.

(ii) A fall of $0.7bn related to the levels of global stock and other markets as many mandate sizes are linked to stock and other market levels.

(iii) A gain of $3.7bn due to changes in exchange rates over the period, which affect the conversion of non-US Dollar mandate sizes into US Dollar AuME. NB: This does not have an equivalent impact on the Sterling value of fee income.

1 AuME
As a currency manager Record manages only the impact of foreign exchange and not the underlying assets, therefore its 'assets under management' are notional rather than real. To distinguish this from the AUM of conventional asset managers, Record uses the concept of Assets under Management Equivalents (AuME) and by convention this is quoted in US Dollars.

Product mix

The AuME of all products increased during the year with that of the Absolute Return product[2] increasing by $9.0bn, a 45% increase 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 success of the pooled fund structures was confirmed by the AuME of pooled Absolute Return mandates overtaking that of segregated mandates during the financial year 2008. Two new pooled funds were established during the year offering clients increased choice in currency strategy and risk exposure.

Active Hedging[3] mandates increased during the year by $0.8bn, a 19% increase 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 further in both absolute and proportional terms.

Passive Hedging[4] AuME increased by $3.1bn (a 20% increase in the year). This increase was the result of combined mandates under which an additional Absolute Return or Active Mandate incorporates an element of Passive Hedging.

2 The Absolute Return product involves Record entering into currency contracts with the objective of generating positive returns.
3 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 restrict the beneficial impacts.
4 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.

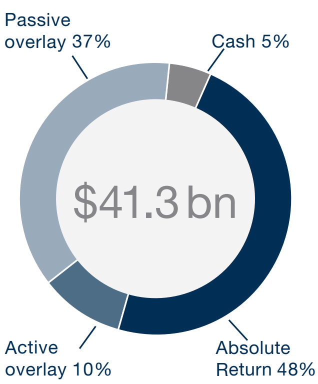
AuME by product

AuME $bn	31 Mar 08	31 Mar 07
Absolute Return – segregated	14.1	10.8
Absolute Return – pooled	14.9	9.2
Sub-total Absolute Return	29.0	20.0
Active Hedging	5.0	4.2
Passive Hedging	18.3	15.2
Cash	3.4	1.9
Total	**55.7**	**41.3**

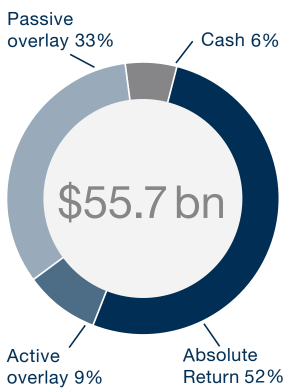
The overall product mix has moved towards the higher margin Absolute Return product which now makes up 52% of the Group's AuME (2007: 48%). Pooled funds now make up 27% of AuME (2007: 22%) and segregated funds 25% of AuME (2007: 26%).

The charts below show AuME analysed by product as at 31 March 2007 and 31 March 2008.

AuME
31 March 2007

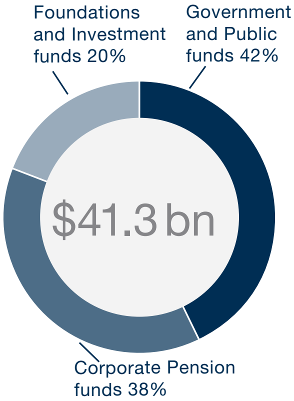


AuME
31 March 2008

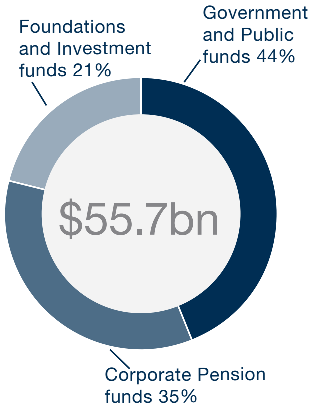


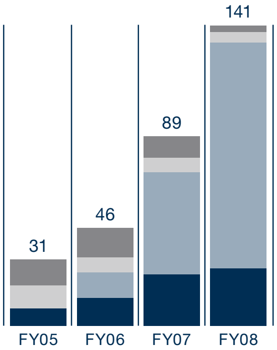
The charts below show AuME analysed by client type as at 31 March 2007 and 31 March 2008.

AuME analysed by client type 31 March 2007



AuME analysed by client type 31 March 2008



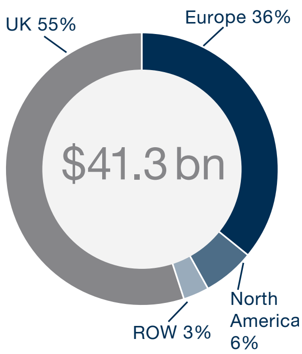


Client numbers analysed by product type*

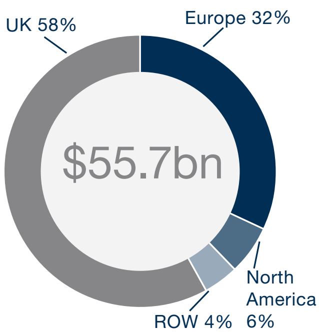
The client base is geographically diverse with clients based in the UK making up 58% of the Group's AuME at 31 March 2008. European clients outside the UK represent a further 32% of AuME.

The charts below show AuME analysed by client origin as at 31 March 2007 and 31 March 2008.

AuME by client location 31 March 2007



AuME by client location 31 March 2008



At 31 March 2008 Record had 141 clients. The Group has experienced a sustained period of growth in client numbers over the last three financial years and the growth in client numbers achieved in the 2008 financial year (plus 52) exceeded the previous year to 31 March 2007 (plus 43).

The strongest rate of increase was in Absolute Return clients up from 72 to 133. Within that the number of pooled fund clients predominately in the UK grew the most quickly. The pooled fund structure enables smaller clients to access the investment process and as a result there are a greater number of clients of a smaller average size than with segregated accounts.

Substantially all of Record's clients are wholesale investors with corporate and public pension funds collectively representing 79% of the Group's AuME at 31 March 2008.

* In the case that a client uses more than one product, the largest product by management fee is recognised.

Financial review

Total income increased by 88% to £66.2m. Total expenditure (excluding IPO costs) increased by 62% to £25.7m. Profit before tax increased by 105% to £40.4m.

£'000	FY08	FY07
Management fees	43,987	21,497
Performance fees	22,160	13,603
Other revenue	82	144
Total income	**66,229**	**35,244**
Personnel (excluding Group Profit Bonus)	(5,101)	(3,792)
Non-personnel cost	(3,740)	(2,441)
Group Profit Bonus	(16,829)	(9,636)
Total expenditure (excluding IPO costs)	**(25,670)**	**(15,869)**
Operating profit (pre-IPO costs)	**40,559**	**19,375**
Operating profit % of revenue	61.2%	55.0%
IPO costs	(1,293)	–
Operating profit (after IPO costs)	**39,266**	**19,375**
Net interest	1,127	271
Profit before tax	**40,393**	**19,646**
Tax	(12,480)	(5,501)
Profit after tax	**27,913**	**14,145**

Fees

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 133% for the period 1 April 2005 to 31 March 2008.

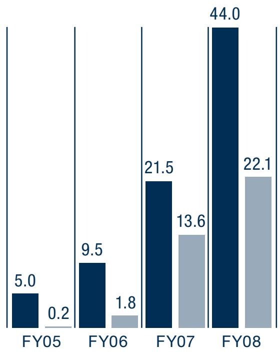
Record charges fees to its clients based upon the AuME of the product provided. Record typically offers all Absolute Return clients the choice of paying an asset based management fee only or a management fee plus performance fee alternative. Higher performance fee rates usually accompany lower management fee rates and vice versa. The fee combinations are structured so that Record is indifferent between them in the medium-term.

Achieved average management fee rates by product – (bps)*	FY08	FY07
Pooled – Alpha	30.0	23.3
Segregated – Alpha	25.3	20.1
Absolute Return	27.9	21.4
Active Hedging	22.5	17.1
Passive Hedging	1.3	1.2
Average management fee rate	**16.3**	**11.5**

* bps = basis profit = 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.

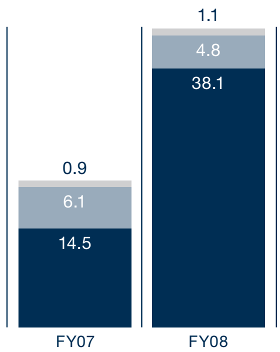


Total fee analysis (£m)

- Management fees
- Performance fees

Management Fees

Management fee income during the 2008 financial year was £44.0m which is more than double the management fee income during the previous financial year (2007: £21.5m). The chart below shows that the most significant increase in management fee income was attributable to the Absolute Return product which grew to £38.1m and represented 87% of total management fee income. This reflects the increase in AuME of the Absolute Return product and the higher management fee rates that the Absolute Return product commands relative to the Group's hedging product.



Management fees by product (£m)

- Passive Hedging
- Active Hedging
- Absolute Return

Within Absolute Return the growth in pooled income exceeded the growth in segregated Absolute Return income. The pooled fund structure has become an attractive alternative to the segregated structure for many clients and has allowed smaller clients to make an allocation to currency for Absolute Return.

Performance fees

Performance fees earned in the year were £22.1m compared with £13.6m in the previous year (an increase of 63%). Performance fee structures apply primarily to Absolute Return mandates and clients may choose between management fee only structures or

lower management fees with performance fee structures. The balance is approximately 60:40 in favour of management fee only structures although the trend in new subscriptions has been towards management and performance fee structures.

Operating margin

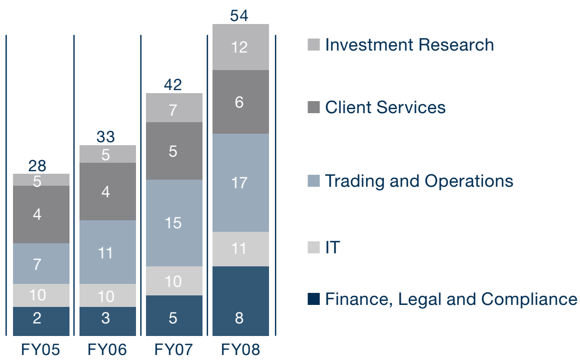
The operating profit for the financial year ended 31 March 2008 (before IPO costs of £1.3m) of £40.6m was more than double the operating profit for the previous financial year (2007: £19.4m). The Group achieved an operating profit margin of 61% prior to IPO costs for the financial year ended 31 March 2008 (55% in 2007). The increase has arisen due to scale efficiencies achieved as the Group has grown its revenues whilst managing its costs effectively.

During the financial year ended 31 March 2008, total operating expenditure (pre-IPO costs) of the Group increased by £9.8m to £25.7m, an increase of 62%. Of this increase £1.3m related to non-personnel related costs which represented a 57% increase on the previous year.

Personnel

In order to support the growth of the business the number of employees in the Group has increased to 54 at 31 March 2008 from 42 at 31 March 2007. The key areas of growth have been in Investment Research and Trading Operations.

Employee numbers by functions



The recruitment process has been carefully structured to ensure that the right people are recruited to the Company, 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 (4%) 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 bonus scheme allows staff to own equity in the Company, improving both motivation and retention.

Personnel costs (excluding Group Profit Bonus) increased to £5.1m which represented a 35% increase on the previous year. Of the net increase of 12 staff during the year, three were in Investment research, two were in trading, one in client services and the balance of six in the support services of IT, compliance, finance and legal. The Group Profit Bonus is currently 30% of pre-bonus EBIT and increased to £16.8m from £9.6m in the previous financial year. This represents a year on year increase of 75% compared with a 88% year on year increase in total fee income.

The IPO was a significant event during the year to 31 March 2008 and resulted in a one-off cost of £1.3m.

Cash flow

The Group's ability to generate cash has remained strong. The Group generated £10.0m of net cash flow during the financial year ended 31 March 2008. The cash generated from operations before tax was £42.0m of which £8.8m was paid in taxation and £24.2m was paid in dividends. At 31 March 2008 the closing cash and cash equivalents was £22.5m.

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. Prior to the IPO the Group

built a financial model to assist it in estimating future capital requirements over a four-year time horizon under various scenarios. It is the Group's stated policy that any accumulated capital surplus to its identified capital requirement will be returned to shareholders in an appropriate manner. The Group has no debt to repay or service. Shareholders funds were £18.5m at 31 March 2008 (2007: £14.9m).

Regulatory capital
The Group established its Internal Capital Adequacy Assessment Process ('ICAAP') during the financial year ended 31 March 2008, introducing 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 2008 Record had Tier 1 capital of £12.1m which provided excess regulatory capital of £10.5m using the new rules and £10.6m using the old rules. The Group's capital resources were comfortably in excess of the regulatory requirements throughout the year.

Dividends
At the time of the IPO, the Group stated its intention to distribute between one quarter and one half of post tax earnings by way of a dividend and that any final dividend declared for the year ended 31 March 2008 would be in respect of the six month period ended 31 March 2008. The Board has recommended a final dividend of £4.8m, equivalent to 2.160p per share which represents 50% of the profit after tax for the six month period ended 31 March 2008. Subject to shareholder approval, the dividend will be paid on 28 July 2008 to shareholders on the register on 20 June 2008, the ex-dividend date being 18 June 2008. The dividends of £24.2m recognised in the financial statements for the year ended 31 March 2008 were all paid before Record was admitted to trading on the London Stock Exchange's main market for listed securities.

A dividend was paid to shareholders on 20 July 2007 which equated to a distribution of £4.2m and equivalent to 1.875p per ordinary 0.025p share. An exceptional pre-IPO dividend was paid on 13 November 2007 which equated to a distribution of £20.0m and was equivalent to 9.033p per ordinary 0.025p share.

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.

During 2007 the Group undertook a project to ensure the preparedness for the Markets in Financial Instruments Directive ('MiFID') and to assess the capital requirements of the business required by the Capital Requirements Directive ('CRD').

The impact of MiFID for RCML was mainly in the areas of client re-categorisation, and trading (in terms of the further development of the best execution policy and the two-way agreements required for continued over-the-counter ('OTC') dealing).

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. As a result of this process the Group's capital requirement increased slightly but, as stated above, 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 firm 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 upon IPO 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.
- A new compliance director was recruited in May 2007 and is responsible for ensuring compliance with appropriate legal and other regulatory standards, and for internal risk review of operational processes.
- The Board has established a Risk Management Committee which is chaired by the Chief Operating Officer and has the CFO, the head of operations, and the compliance director as members. The committee was established and terms of reference approved by the Board on 1 November 2007. 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 appointed Grant Thornton UK LLP as the reporting accountant for its Audit and Assurance 01/06 ("AAF") 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.
- The Group took action to secure readiness of its processes for the MiFID by 1 November 2007, and implemented its ICAAP to address the Capital Requirements Directive before 31 December 2007, in both cases as required by its regulators.

Below we summarise the Group's principal risks.

Investment process and performance

The Group is paid by its clients to take investment risk and to generate positive investment performance over the medium and long term. 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 prepares an annual AAF 01/06 report (formerly FRAG 21 now superseded). The contents of this report, which have been independently reviewed and tested by Grant Thornton, provide a high level of assurance as to the thoroughness 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. 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. This team has doubled in size during the course of the year to 31 March 2008.
- The system is backed up regularly onto two servers (one on site and one off site).
- 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.

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 has an investment process that 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.

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
In conclusion, the recent progress made in the business is reflected in the financial performance for the year to 31 March 2008 which, in addition to the developments in risk management and internal controls, provides an excellent foundation for further growth during the current financial year. The market conditions during the last three quarters of the year were challenging, but provided opportunities, in particular, for the Group's Active Hedging product which is of value to clients seeking to protect gains made during periods of base currency depreciation.

Board of Directors

Neil Record
Chairman and Chief Executive Officer (aged 54)

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*

Drs Cees Schrauwers
Senior Non-executive Director (aged 60)

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

Andrew Sykes
Non-executive Director (aged 50)

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 until 2000, and subsequently for private banking and alternative investments. He is Deputy Chairman of Smith and Williamson Holdings Limited, Chairman of Invista Foundation Property Trust Limited and Absolute Return Trust Limited. *Aud Nom Rem*

Leslie Hill
Managing Director and Head of Client Team (aged 51)

Leslie Hill joined Record in 1992 and was appointed Head of Sales and Marketing in 1999. She has spent 16 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.

Bob Noyen
Managing Director and Chief Investment Officer (aged 45)

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

Mike Timmins
Director and Chief Financial Officer (aged 51)

Mike Timmins joined Record as Finance Director in 1992 and was appointed to the Group Board in 1995. He has spent 16 years at Record and previously served in various financial roles with Cadbury Schweppes between 1981 and 1986 when he became Group Treasurer of the Premier Brands management buy-out.

Peter Wakefield
Managing Director and Chief Operating Officer (aged 46)

Peter Wakefield joined Record in 1999 and was appointed director responsible for product and strategy development and consulting in 2000. He has spent nine 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 committees:
Aud – Audit Committee
Nom – Nominations Committee
Rem – Remunerations Committee

Directors' report

The Directors present their Annual Report and financial statements for the year ended 31 March 2008. 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 first 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 2008, 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
- Corporate Governance Report on page 23
- Financial statements on pages 32 to 54

Results and dividends

The results of the Group for the year are set out in the consolidated income statement on page 32.

The Directors recommend a final dividend of 2.160p per ordinary share for the six months ending 31 March 2008. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 28 July 2008 to shareholders on the register at the close of business on 20 June 2008. The shares will be quoted ex-dividend from 18 June 2008.

The Company paid a total of £24.2 million in dividends in the year ended 31 March 2008 to shareholders on the register prior to listing.

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 May 2008:

	Number of ordinary 0.025 pence shares held	Percentage interest
Neil Record	71,171,043	32.15
Leslie Hill	14,828,039	6.70
Mike Timmins	9,699,871	4.38
Peter Wakefield	9,211,571	4.16
Schroders plc	8,750,000	3.95
Threadneedle Asset Management Ltd	8,637,714	3.90
Bob Noyen	8,418,561	3.80
Rathbone Investment Management	8,132,600	3.67
Aberforth Partners	7,347,100	3.32
Fidelity International Ltd	7,000,000	3.16

Directors

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

Neil Record (Chairman)
Drs Cees Schrauwers (appointed 15 November 2007)*
Andrew Sykes (appointed 15 November 2007)*
Leslie Hill
Bob Noyen
Mike Timmins
Peter Wakefield
Leslie Halpin (resigned 1 November 2007)*

* Non-executive Director

Mike Timmins has indicated his intention to retire from the Company after a suitable replacement has been recruited and has become familiar with the Company's business and operations.

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 (other than Mike Timmins) 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 of listing. Mike Timmins and Les Halpin are restricted by lock-in arrangements from selling, or otherwise disposing of their shareholding for a period of one year immediately following Admission or in the case of Mike Timmins until the date on which his employment with the Group ceases, if later.

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 up 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 50.

Annual General Meeting
The 2008 Annual General Meeting of the Company will be held at 10.00a.m. on 24 July 2008 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.

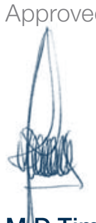
Charitable and political donations
The Group made donations of £2,510 to charitable causes during the year ended 31 March 2008 (2007: £3,509). The Group makes charitable donations to match the individual fund raising efforts of its employees. It is the Group's policy not to make political donations.

Credit payment policy
The Group's policy is to pay suppliers within 30 days of receipt of invoice. As at 31 March 2008, the amount owed to suppliers was equivalent to five days, average purchases from suppliers (2007: 24 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:



M D Timmins
Company Secretary

11 June 2008

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. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. 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;
- state whether applicable International Financial Reporting Standards as adopted by the European Union 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, to the best of their knowledge, state that:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

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.

Signed on behalf of the Board by:

Neil Record
Chairman

11 June 2008

Mike Timmins
Chief Financial Officer

11 June 2008

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 2008, the Board of Directors comprised five Executive Directors and two Non-executive Directors. The Board is headed by Neil Record, the 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 the Chief Operating Officer, Mike Timmins the Chief Financial Officer and Company Secretary, Bob Noyen the Chief Investment Officer and Leslie Hill the Client Team Head. The two Non-executive Directors were appointed on 15 November 2007. Both new Directors have gone through an induction process to help them gain an understanding of the Group and its activities. 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. Les Halpin served as a Non-executive Director until he resigned with effect from 1 November 2007.

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; and
- communications with shareholders and the stock market.

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.

Board committees

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

- Audit Committee
- Nominations Committee
- Remuneration Committee

The committees operate on written terms of reference, which will be 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. The committee was not required to meet formally during the period 3 December 2007 to 31 March 2008.

Attendance

The Board met 12 times between 1 April 2007 and Admission and a further six times between Admission and 31 March 2008 to review financial performance and to follow its 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.

Board		Audit Committee	Remuneration Committee	Nomination Committee
Total number of meetings between 3 Dec 07 and 31 May 08	**6**	**4**	**2**	**0**
N Record	6/6	N/a	N/a	0/0
C Schrauwers	6/6	4/4	2/2	0/0
A Sykes	6/6	4/4	2/2	0/0
L Hill	6/6	N/a	N/a	N/a
B Noyen	6/6	N/a	N/a	N/a
M Timmins	6/6	N/a	N/a	N/a
P Wakefield	6/6	N/a	N/a	N/a

* Includes attendance by phone.

Performance evaluation

The Board considers that the six months period since listing is insufficient to fully assess the effectiveness of the Board, its appointed committees and the individual Directors. The Board intends to conduct a full performance evaluation (required by the Code to be performed on an annual basis) before the end of the calendar year 2008.

Internal control

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

- The Audit Committee provides oversight and independent challenge in relation to internal control and risk management systems.
- The Risk Management Committee is responsible for the operational risk infrastructure of the Group.
- The Investment Committee is responsible for authorising changes to existing investment processes and for approving new investment strategies.

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 2008 and is satisfied that the internal control environment is approriate, (see 'Internal Audit' page 26).

Investor relations

During the preparation for the IPO and subsequently, 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 2008 AGM will be the first AGM since listing. 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 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' employment.

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. This bursary scheme allows Record a 'first look' at talented individuals from top universities. The Group also supports many fund raising activities in which its employees participate including the annual Chase Corporate Challenge.

Environment
Record is committed to reducing its impact on the environment. The Group assessed its carbon footprint in July 2006 and now offsets its carbon emissions through investment in renewable energy projects in India and in China. A further review of the Group's carbon footprint will be carried out in November 2008. 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 since its establishment at the time of the IPO on 3 December 2007.

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. 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.

Role of the committee

The committee is responsible for:

- reviewing the Company's financial reporting and internal control policies;
- reviewing the Company's risk management procedures;
- overseeing the Company's relationship with its external auditors, including recommending the appointment and reappointment of auditors; and
- monitoring the integrity of the Company's financial statements.

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.

Committee activities

The committee met on two occasions between the IPO and the 31 March 2008 year end 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 draft interim management statement for January 2008 prior to approval by the Board;
- reviewing the Group's annual budgeting process;
- undertaking a review of the Group's risk management process;
- reviewing the external auditors' audit approach for the 2008 financial statements;
- making recommendations to the Board for a resolution to be put to the shareholders to approve the reappointment of the external auditors;
- reviewing the Group's whistle blowing policy; and
- reviewing the independence of the Group's external auditors and the nature of non-audit services supplied by the auditors.

Internal audit

The Group does not currently have an internal audit function. However, the Audit Committee has initiated a study to consider 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 is satisfied that the internal control environment is appropriate in the light of extensive control reviews conducted in preparation for the IPO. The committee will continue to review the additional assurance required in future and it will not rely on the IPO review's beyond 2008.

Auditor independence

The Audit Committee has considered the level and nature of non-audit services provided by the auditors, and is satisfied that the auditors maintain independence and objectivity. The Audit Committee has approved a policy covering the future commissioning of non-audit services provided by the auditors, to ensure the ongoing independence and objectivity of the auditors.

Committee evaluation

The Board considers that four months is an insufficient period to fully assess the Audit Committee's effectiveness. A full performance evaluation will take place before the end of the calendar year.

Approved by the committee and signed on its behalf by:

C A C M Schrauwers
Audit Committee Chairman

11 June 2008

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 2008.

Remuneration Committee

The Remuneration Committee is chaired by Andrew Sykes who is supported by Drs Cees Schrauwers. The composition of the Remuneration Committee meets the Code provision for smaller companies requiring two Non-executive Directors. The members of the Remuneration Committee are unchanged since its establishment on 3 December 2007 (following Admission).

The Board considers that its Non-executive Directors Andrew Sykes and Drs 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 twice during the period from 3 December 2007 to 31 March 2008. There was full attendance at both meetings. The Chief Executive Officer and the Chief Operating 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 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 is also responsible for agreeing the remuneration policy for the Group, including the Group Bonus Scheme, share incentive plans and performance related pay.

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 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.

Service contracts

All of the Executive Directors have entered into new service agreements with effect from 15 November 2007. 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 or to participate in the Group's share-based incentive scheme, or 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 performed a salary benchmarking exercise to establish its market position. This information contributed to the determination of the remuneration policy and the implementation of the Group pay review. In addition to benchmarked salaries it is the Group's policy to link the value of cash bonuses and share awards to the Group's profitability.

Variable compensation

The Group Profit Bonus is currently 30% of pre-bonus EBIT (to include employers NI) and is payable through a combination of 'cash' bonus and share-based payments. The allocation of the bonus pool between employees is delegated to management. The committee approves the award to each member of the Board.

Listing bonus

A discretionary 'listing bonus' was paid to certain staff at the time of listing. 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 rights to acquire the shares are issued under DSP EMI option agreements.

Share options issued prior to listing

Prior to Admission the Group's equity-settled share-based payments comprised the Market Share Price Enterprise Management Incentive (MSP EMI) Scheme and the Discounted Share Price Enterprise Management Incentive (DSP EMI) Scheme. The MSP EMI scheme was over un-issued shares and the DSP EMI scheme was over issued shares. There were no performance measures attached to vesting conditions in either of the schemes. Both schemes were closed prior to listing.

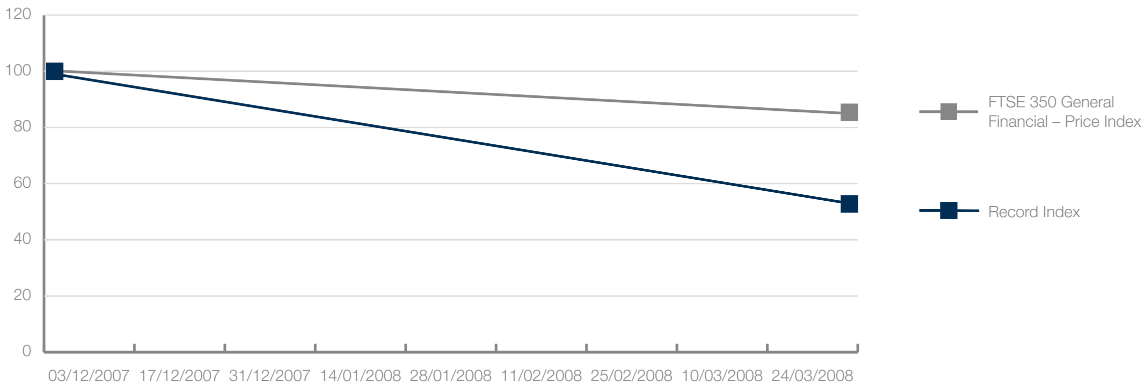
The Directors had no interests in the combined share option schemes at the beginning, during, nor at the end of the period.

Remuneration report
continued

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 2008 was £0.86. The highest share price during the financial year since Admission was £1.62. The lowest share price during the financial year since Admission was £0.78.

Directors interests in Record ordinary shares

	31 March 2008		31 March 2007	
	ordinary shares	Total shares	'A' ordinary shares	ordinary shares
Executive Directors				
Neil Record	**71,171,043**	82,995,200	–	82,995,200
Leslie Hill	**14,828,039**	22,424,800	6,694,400	15,730,400
Bob Noyen	**8,418,561**	16,034,400	4,647,200	11,387,200
Mike Timmins	**9,669,871**	13,436,400	8,101,200	5,335,200
Peter Wakefield	**9,211,571**	12,760,000	4,120,000	8,640,000
Non-executive Directors				
Drs Cees Schrauwers	**20,000**	–	–	–
Andrew Sykes	**25,000**	–	–	–

All interests are beneficial except the interest of Mike Timmins which at 31 March 2008 includes a non-beneficial interest in 361,000 ordinary shares held as a trustee and the interests of Neil Record which includes a non-beneficial interest of 190,332 ordinary shares (2007: 540,000 ordinary shares) held as trustee.

'A' ordinary shares ranked *pari passu* with ordinary shares with the exception that 'A' ordinary shares were subject to a mandatory transfer upon the termination of the shareholder's employment.

On 23 August 2007 an extraordinary resolution was passed, with the effect that all issued and unissued 'A' ordinary shares were converted to ordinary shares.

On 15 November 2007, the shareholders passed a written resolution pursuant to which each ordinary share of 10p was divided into 400 new ordinary shares of 0.025p.

The shareholdings at 31 March 2007 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 2007.

Audited information

Directors' remuneration

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

	Salaries £	Fees £	Benefits £	Cash bonus £	**Year ended 31 March 2008**	Year ended 31 March 2007
Executive Directors						
Neil Record	266,529		1,027	1,875,101	**2,142,657**	1,353,308
Leslie Hill	266,148		–	1,875,101	**2,141,249**	1,366,965
Bob Noyen	266,529		639	1,875,101	**2,142,269**	1,357,388
Mike Timmins	144,749		1,027	860,687	**1,006,463**	653,125
Peter Wakefield	264,517		639	1,875,101	**2,140,257**	1,353,543
Non-executive Directors						
Leslie Halpin		9,200			**9,200**	5,050
Drs Cees Schrauwers		28,462			**28,462**	–
Andrew Sykes		15,179			**15,179**	–
Total	**1,208,472**	**52,841**	**3,332**	**8,361,091**	**9,625,736**	**6,089,379**

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 2008 £	Year ended 31 March 2007 £
Executive Directors		
Neil Record	**40,533**	38,743
Leslie Hill	**40,474**	38,632
Bob Noyen	**40,533**	38,750
Mike Timmins	**22,012**	20,989
Peter Wakefield	**40,533**	38,750
Total	**184,085**	**175,864**

Directors share awards

No Director held or exercised or was awarded any share options during the financial year ended 31 March 2008.

Approved by the Board and signed on its behalf by:

Andrew Sykes
Chairman of the Remuneration Committee

11 June 2008

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 2008 which comprise 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 Officers 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 Chairman and Chief Executive Officer's statement, Business Review, Directors' Report, and the Corporate Governance Statement and the unaudited part of the Directors' Remuneration 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 2008 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 2008;
- 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 Accountants
London

11 June 2008

Consolidated financial statements

Group Income Statement for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Revenue			
Management fees		**43,987**	21,497
Performance fees		**22,160**	13,603
Other revenue		**82**	144
Total revenue	3	**66,229**	35,244
Cost of sales		**(296)**	(177)
Gross profit		**65,933**	35,067
Administrative expenses*		**(26,667)**	(15,692)
Operating profit	4	**39,266**	19,375
Finance income		**1,134**	272
Finance costs		**(7)**	(1)
Profit before tax		**40,393**	19,646
Taxation	7	**(12,480)**	(5,501)
Profit after tax		**27,913**	14,145
Basic earnings per share		**12.65**	6.67
Diluted earnings per share		**12.62**	6.35

The notes on pages 39 to 54 form part of these financial statements.

*Note: includes £1,292,193 of non-recurring costs related to the IPO.

Group consolidated balance sheet

As at 31 March 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Non-current assets					
Property, plant and equipment	11	**611**		706	
Deferred tax assets	16	**46**		–	
			657		706
Current assets					
Trade and other receivables	13	**8,917**		8,052	
Cash and cash equivalents	14	**22,545**		12,518	
			31,462		20,570
Current liabilities					
Trade and other payables	15	**(7,191)**		(3,748)	
Corporation tax liabilities	15	**(6,356)**		(2,602)	
Derivative financial liabilities	15	**(23)**		(1)	
			(13,570)		(6,351)
Net current assets			**17,892**		14,219
Non-current liabilities					
Deferred tax liabilities	16		**–**		(42)
Total net assets			**18,549**		14,883
Equity					
Issued share capital	17	**55**		55	
Share premium account		**1,809**		1,636	
Capital redemption reserve	18	**20**		20	
Retained earnings		**16,665**		13,172	
Total equity			**18,549**		14,883

Approved by the Board on 11 June 2008 and signed on its behalf by:

Neil Record
Chairman

Mike Timmins
Chief Financial Officer

The notes on pages 39 to 54 form part of these financial statements.

Company balance sheet
As at 31 March 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Non-current assets					
Investments	12		**30**		30
Current assets					
Trade and other receivables	13	**21**		6	
Cash and cash equivalents	14	**2,129**		1,838	
			2,150		1,844
Current liabilities					
Trade and other payables	15	**(10)**		(10)	
Corporation tax liabilities	15	**(18)**		(10)	
			(28)		(20)
Net current assets			**2,122**		1,824
Non-current liabilities			**–**		–
Total net assets			**2,152**		1,854
Equity					
Issued share capital	17	**55**		55	
Share premium account		**1,809**		1,636	
Capital redemption reserve	18	**20**		20	
Retained earnings		**268**		143	
Total equity			**2,152**		1,854

Approved by the Board on 11 June 2008 and signed on its behalf by:

Neil Record
Chairman

Mike Timmins
Chief Financial Officer

The notes on pages 39 to 54 form part of these financial statements.

Group cash flow statement

For the year ended 31 March 2008

	2008		2007	
	£'000	£'000	£'000	£'000
Profit after tax	**27,913**		14,145	
Adjustments for:				
Corporation tax	**12,480**		5,501	
Finance income	**(1,134)**		(272)	
Finance expense	**7**		1	
Loss on disposal of property, plant and equipment	**1**		12	
Depreciation of property, plant and equipment	**313**		148	
Share-based payments expense	**1**		12	
		39,581		19,547
Changes in working capital				
(Increase) in receivables		**(754)**		(2,970)
Increase in payables		**3,173**		1,784
Increase/(Decrease) in other financial liabilities		**23**		(50)
Cash inflow from operating activities		**42,023**		18,311
Interest paid		**(6)**		(1)
Corporation taxes paid		**(8,815)**		(3,655)
Net cash inflow from operating activities		**33,202**		14,655
Cash inflow from investing activities				
Proceeds on disposal of property, plant and equipment	**–**		15	
Purchase of property, plant and equipment	**(219)**		(372)	
Interest received	**1,022**		272	
Net cash inflow/(outflow) from investing activities		**803**		(85)
Cash outflow from financing activities				
Cash inflow from issue of shares	**173**		1,142	
Dividends paid to equity shareholders	**(24,151)**		(4,916)	
Cash outflow from financing activities		**(23,978)**		(3,774)
Net increase in cash and cash equivalents in the period		**10,027**		10,796
Cash and cash equivalents at the beginning of the period		**12,518**		1,722
Cash and cash equivalents at the end of the period		**22,545**		12,518

The notes on pages 39 to 54 form part of these financial statements.

Company cash flow statement

For the year ended 31 March 2008

	2008		2007	
	£'000	£'000	£'000	£'000
Profit after tax	**76**		42	
Adjustments for:				
Corporation tax	**18**		10	
Finance income	**(93)**		(52)	
Finance expense	**–**		1	
		1		1
Changes in working capital				
Decrease/(increase) in receivables		**6**		(7)
(Decrease)/increase in payables		**(1)**		10
Cash inflow/(outflow) from operating activities		**6**		4
Interest paid		**–**		(1)
Corporation taxes paid		**(10)**		–
Net cash inflow/(outflow) from operating activities		**(4)**		3
Cash Inflow from investing activities				
Interest received	**73**		52	
Dividends received	**24,200**		5,013	
Net cash inflow from investing activities		**24,273**		5,065
Cash inflow from financing activities				
Cash inflow from issue of shares	**173**		1,142	
Dividends paid to equity shareholders	**(24,151)**		(4,916)	
Cash outflow from financing activities		**(23,978)**		(3,774)
Net increase in cash and cash equivalents in the period		**291**		1,294
Cash and cash equivalents at the beginning of the period		**1,838**		544
Cash and cash equivalents at the end of the period		**2,129**		1,838

The notes on pages 39 to 54 form part of these financial statements.

Group statement of change in equity

For the year ended 31 March 2008

2008	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total shareholder's 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**

2007	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholder's equity £'000
As at 1 April 2006	**43**	**506**	**20**	**3,931**	**4,500**
Profit for the year	–	–	–	14,145	14,145
Employee share options	–	–	–	12	12
Dividends paid	–	–	–	(4,916)	(4,916)
Issue of shares	12	1,130	–	–	1,142
As at 31 March 2007	**55**	**1,636**	**20**	**13,172**	**14,883**

Company statement of change in equity
For the year ended 31 March 2008

2008	**Called up share capital £'000**	**Share premium account £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total shareholder's 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**

2007	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholder's equity £'000
As at 1 April 2006	**43**	**506**	**20**	**4**	**573**
Profit for the year	–	–	–	5,055	5,055
Dividends paid	–	–	–	(4,916)	(4,916)
Issue of shares	12	1,130	–	–	1,142
As at 31 March 2007	**55**	**1,636**	**20**	**143**	**1,854**

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 2008. 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 with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The bases for management judgements, estimates and assumptions are discussed further in note 2.

Early adoption of International Financial Reporting Standards ('Standards')

At the date of authorisation of the consolidated historical financial information, the following Standards and Interpretations were in issue but not yet mandatory and have not been applied in the consolidated historical financial information:
- IAS 1 Presentation of Financial Statements (effective 1 January 2009);
- IAS 23 Amendments to IAS 23 Borrowing Costs (effective 1 January 2009);
- IAS 27 Consolidated and Separate Financial Statements (effective 1 July 2009);
- IFRS 2 Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (effective 1 January 2009);
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009);
- IFRS 8 Operating Segments (effective 1 January 2009);
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008); and
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

The Directors do not anticipate that the adoption of these Standards and Interpretations 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.

(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.

1 Accounting policies continued

(e) Revenue recognition

Revenue is recognised in the income statement as and when the services are rendered and 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 the Assets under Management Equivalent (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.

(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 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 with a corresponding increase in equity.

The fair value of options granted prior to listing was measured at grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted.

The fair value amounts for the options issued since listing on the London Stock Exchange were determined using quoted share prices.

(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.

1 Accounting policies continued

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
Furniture and fittings	– 25% per annum
Leasehold premises	– 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.

(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

Own shares were held by an Employee Share Option Trust (ESOT) for the purpose of the Group bonus scheme. The holding of the ESOT comprised own shares that had been allocated against a share award not vested. All share awards under the ESOT were exercised in the year and consequently no shares are held at the end of the year under the ESOT.

Notes to the accounts
For the year ended 31 March 2008
continued

1 Accounting policies continued

During the year the Record plc Employee Benefit Trust (EBT) was formed under a Trust Deed dated 19 December 2007 to hold shares acquired under both the Record plc Floatation Bonus Scheme and the Record plc Group Bonus Scheme. A total of 168,287 ordinary shares were acquired on 21 December 2007 under the Record plc Floatation Bonus Scheme by the Trust which continued to hold the shares 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.

(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.

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 sub-divides the single business segment into two currency management products being 'hedging' and 'return focused' 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.

	2008 £'000	2007 £'000
Currency management income		
Active hedging		
Management fees	**4,785**	6,118
Performance fees	**142**	38
Passive hedging		
Management fees	**1,144**	888
Return focused segregated funds		
Management fees	**15,941**	8,064
Performance fees	**7,419**	8,148
Return focused pooled funds		
Management fees	**22,117**	6,427
Performance fees	**14,599**	5,417
	66,147	35,100
Other revenues	**82**	144
	66,229	35,244

3 Segmental analysis continued

(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.

	2008 £'000	2007 £'000
Currency management income		
US and Canada	5,102	2,568
UK	48,840	23,941
Other European	8,995	8,064
Rest of world	3,210	527
	66,147	35,100
Other Group activities	82	144
	66,229	35,244

4 Operating profit

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

	2008 £'000	2007 £'000
Depreciation of property, plant and equipment	313	148
Fees payable to the Company's auditors for the audit of the Company's annual accounts	27	6
The audit of the Company's subsidiaries, pursuant to legislation	28	20
Other services pursuant to such legislation	113	14
Other services relating to taxation	22	14
Operating lease rentals		
Land and buildings	195	195
Loss on sale of property, plant and equipment	1	12
Exchange (gains)/losses on hedging activities	58	(167)
Other exchange losses	96	164

Record was admitted to the official list of the UK listing authority on 3 December 2007. 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:

	2008	2007
Client Services	10	9
Investment and Research	8	7
Operations	16	12
Information Systems	4	4
Finance and Administration	7	6
Compliance	1	–
Corporate	1	–
	47	38

The Company had no employees during the year (2007: nil).

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

	2008 £'000	2007 £'000
Wages and salaries	19,044	11,613
Social security costs	2,499	1,469
Pension costs	386	334
Equity-settled share-based payments	1	12
	21,930	13,428

6 Directors' remuneration

	2008 £'000	2007 £'000
Aggregate emoluments of the Directors		
Emoluments (excluding pension contribution)	**9,626**	6,089
Pension contribution	**184**	176

During the year, five Directors of the Company (2007: five) participated in the Company's Group Personal Pension Plan; a defined contribution pension scheme.

In the previous year a loan was made to a Director of £5,000. The outstanding balance brought forward from the previous year was £4,168. The remaining outstanding balance of £2,920 was settled in full in September 2007.

Name	Date of loan	Outstanding at 1 April 2007 £	Outstanding at 31 March 2008 £	Maximum liability in period £
M D Timmins	20 November 2006	4,168	**–**	4,168
L F Hill	31 March 2008	–	**4,524**	4,524

The loan to M D Timmins was made at 0% interest and was repayable within two years. The loan to L F Hill was in respect of personal expenses paid by the Company, and was settled in full in April 2008.

7 Taxation – Group

	2008 £'000	2007 £'000
Tax expense comprises:		
Current tax expense	**12,565**	5,498
Adjustments recognised in current year in relation to the current tax of prior years	**3**	3
Total current tax	**12,568**	5,501
Deferred tax (income) relating to the origination and reversal of temporary differences	**(88)**	–
Total tax expense	**12,480**	5,501
The total charge for the year can be reconciled to the accounting profit as follows:		
Profit before taxation	**40,393**	19,646
Taxation at the standard rate of tax in the UK of (30%)	**12,118**	5,894
Tax effects of:		
Other disallowable expenses and non-taxable income	**347**	(378)
Effect of tax concessions	**–**	–
Capital allowances for the period lower/(higher) than depreciation	**46**	(14)
Lower tax rates on UK subsidiary undertakings	**(10)**	(3)
Adjustments recognised in current year in relation to the current tax of prior years	**3**	3
Other temporary differences	**(24)**	(1)
Total tax expense recognised in income statement	**12,480**	5,501

At the period end the Group had potential net deferred tax assets of £46,371 (2007: deferred tax liability of £42,039). At the balance sheet date there were share options not exercised with an intrinsic value for tax purposes of £269,954. 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 30% (2007: 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 2008 was £12,480,139 (2007: £5,501,334) which was 30.9% of profit before tax (2007: 28.0%).

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.

	2008	2007
Weighted average number of shares used in calculation of basic earnings per share	**220,739,001**	212,090,224
Effect of potential dilution – share options	**499,040**	10,812,821
Weighted average number of shares used in calculation of diluted earnings per share	**221,238,041**	222,903,045

	pence	pence
Basic earnings per share	**12.65**	6.67
Diluted earnings per share	**12.62**	6.35

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. As at 31 March 2008 there were no options with a potentially dilutive effect.

9 Dividends

The dividends paid by the Group 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. The dividends paid during the year ended 31 March 2007 were £4,915,600 (2.25p per share).

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 £386,142 (2007: £333,590).

11 Property, plant and equipment – Group

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

11 Property, plant and equipment – Group continued

2007	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2006	382	303	318	1,003
Additions	91	194	87	372
Disposals	–	(2)	(205)	(207)
At 31 March 2007	473	495	200	1,168
Depreciation				
At 1 April 2006	51	227	217	495
Charge for the year	65	54	29	148
Disposals	–	(2)	(179)	(181)
At 31 March 2007	116	279	67	462
Net book amounts				
At 31 March 2007	357	216	133	706
At 31 March 2006	331	76	101	508

12 Investments

Company	2008 £'000	2007 £'000
Investment in subsidiaries		
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	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade receivables	**7,616**	7,473	**–**	–
Other receivables	**195**	134	**21**	–
Prepayments	**1,106**	445	**–**	6
	8,917	8,052	**21**	6

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

14 Cash and cash equivalents

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash at bank and in hand – Sterling	**20,674**	12,484	**2,129**	1,838
Cash at bank and in hand – other currencies	**1,871**	34	**–**	–
	22,545	12,518	**2,129**	1,838

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.

15 Current liabilities

Amounts falling due within one year

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Trade payables	**68**	172	**–**	–
Amounts owed to Group undertaking	**–**	–	**10**	10
Other payables	**270**	–	**–**	–
Other tax and social security	**759**	1,403	**–**	–
Accruals and deferred income	**6,094**	2,173	**–**	–
	7,191	3,748	**10**	10

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

Current tax liabilities

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Corporation tax	**6,356**	2,602	**18**	10

Derivative financial liabilities

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Derivative financial liabilities	**23**	1	**–**	–

The Group uses forward exchange contracts to reduce the risk associated with sales denominated in foreign currencies. At 31 March 2008 there were outstanding contracts with a principal value of £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 2008. 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 gain or loss on financial liabilities is as follows:

	2008 £'000	2007 £'000
Net gain or (loss) on financial liabilities at fair value through income statement	**(58)**	167

16 Deferred taxation – Group

	2008 £'000	2007 £'000
The movement in the deferred tax asset/(liability) during the year was:		
Profit and loss account movement arising during the year	**88**	–
Asset/(liability) brought forward	**(42)**	(42)
Asset/(liability) carried forward	**46**	(42)

	2008 £'000	2007 £'000
The provision for deferred taxation consists of the tax effect of temporary differences in respect of:		
Deferred tax allowance on unvested share options	**53**	–
Excess of taxation allowances over depreciation on fixed assets	**(7)**	(42)
	46	(42)

The UK deferred tax rate has changed from 30% to 28% during the year. The impact of this change is an increase of £3,061 in the deferred tax asset (31 March 2007: nil).

At the period end the Group had potential deferred net tax assets of £46,371 (2007: deferred tax liability of £42,039). At the balance sheet date there were share options not exercised with an intrinsic value for tax purposes of £269,954. 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.

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For the year ended 31 March 2008
continued

17 Called up share capital

	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**

	2007 £'000	2007 Number
Authorised		
Ordinary shares of 10p each	70	700,000
'A' ordinary shares of 10p each	30	300,000
	100	1,000,000
Called up, allotted and fully paid		
Ordinary shares of 10p each	40	402,967
'A' ordinary shares of 10p each	15	146,583
	55	549,550

	£'000	Number
Changes to the authorised and issued share capital		
As at 1 April 2006	43	432,740
Exercise of share options		
'A' ordinary shares issued	12	111,810
Ordinary shares issued	–	5,000
As at 1 April 2007	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

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 London Stock Exchange's main market for listed securities, all issued and unissued ordinary shares of 10p were each split into 400 ordinary shares of 0.025p.

The Group has set up an Employee Benefit Trust to hold shares to be used to meet future liabilities relating to the Group's share option plans. Under IFRS the Employee Benefit Trust is considered to be under de facto control of the Group, and has therefore been consolidated into the Group. As at 31 March 2008, the Employee Benefit Trust held 168,287 ordinary shares of 0.025p in Record plc.

Share-based compensation plans
During the year ended 31 March 2008 the Group has managed the following share-based payment schemes:

Equity-settled share-based payments
Prior to Admission the Group's equity-settled share-based payments comprised the Market Share Price Enterprise Management Incentive (MSP EMI) Scheme and the Discounted Share Price Enterprise Management Incentive (DSP EMI) Scheme. The MSP EMI scheme was over un-issued shares and the DSP EMI scheme was over issued shares. There were no performance measures attached to vesting conditions in either of the schemes.

17 Called up share capital continued

Options issued under the MSP EMI scheme were over 'A' ordinary 10p shares and enjoyed Capital Gains Tax taper relief benefits. Grants were made on a discretionary basis to Directors and senior employees. The first grant under this scheme took place in July 2001. Options were granted under this scheme at Market Value at date of grant.

Options issued under the DSP EMI scheme were granted over 'A' ordinary shares already in issue and held in an Employee Share Option Trust (ESOT). Grants were made on a discretionary basis to Directors, senior and junior employees. The first grant under this scheme took place in July 2001. Options were granted under this scheme at a discount to Market Value at date of grant.

Date of grant	At 1 April 2007	Granted	Exercised forfeited or vested	At 31 March 2008	Exercise price (£)	Exercise/ vesting date From	To
DSP EMI options							
31 May 2005	250	–	(250)	**–**	£1.00*	31-05-08	30-05-15
MSP EMI options							
8 December 2005	2,350	–	(2,350)	**–**	£11.00/share	08-12-05	07-12-09
25 January 2007	1,552	–	(1,552)	**–**	£95.00/share	25-01-07	24-01-11
	3,902	–	(3,902)	**–**			
Total options	**4,152**	**–**	**(4,152)**	**–**			
Weighted average exercise price of options	**£41.74**	**–**	**£41.74**	**–**			

* The exercise price was £1 (in full) for 250 'A' ordinary shares of 10p. Pursuant to clause 4.4 of the DSP EMI option agreement, on 3 August 2007 notice was given by the directors of NP Record Trustees Limited that the option holder may exercise the option within 28 days of receipt of the notice. The option was exercised in full on 9 August 2007.

Share-based payment transactions with cash alternatives

Since Admission, the Group has granted a single tranche of share options under the DSP EMI scheme. A cash bonus was made on a discretionary basis to certain employees. 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 rights to acquire the shares are issued under EMI DSP option agreements.

At 31 March 2008, options over 168,287 ordinary shares of 0.025p were outstanding under the Employees Share Option 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 2007	Granted	Exercised forfeited or vested	At 31 March 2008	Exercise price (£)	Exercise/ vesting date From	To
DSP EMI Options							
21 December 2007	–	168,287	–	**168,287**	£0.00**	21/12/08	21/12/09
Weighted average exercise price of options	**£nil**	**£nil**	**£nil**	**£nil**			

** EMI DSP options were granted representing the rights of certain employees to buy shares for nil consideration after the vesting period. The Group simultaneously granted additional rights to acquire shares ('bonus' shares; equal to 50% of the shares elected for) to those same employees which are included under the same agreements.

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

Notes to the accounts
For the year ended 31 March 2008
continued

17 Called up share capital continued
Fair values of share-based compensation plans
All share-based payments arising since 7 November 2002 have been accounted for on an equity-settled basis.

The fair value amounts for the equity-settled options issued prior to Admission were determined using the Black-Scholes option pricing method, using the following assumptions:

	Options over 10p issued shares DSP 31 May 2005
Expected volatility	17.4%
Risk free interest rate	4.80%
Expected life	3 years
Average share price	£10.30
Exercise price (per share)	£0.01
Fair value of options granted	£10.30

The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The historical volatility has been estimated based on the movements in price per share paid by the Company when it has bought back its own shares.

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
Group
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, corporation tax liability 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.

19 Financial risk management continued

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 Finance 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 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

At 31 March 2007	Not past due £'000	0–3 months past due £'000	More than 3 months past due £'000	Total £'000
Trade and other receivables	7,463	126	18	7,607

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, 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 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.

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 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
Corporation tax liability	–	–	6,356	6,356
Derivative financial liabilities	–	–	23	23
Total financial assets	**–**	**–**	**7,476**	**7,476**

19 Financial risk management continued

At 31 March 2007	Fixed rate £'000	Floating rate £'000	Not directly exposed to interest rate risk £'000	Total £'000
Financial assets				
Trade and other receivables	–	–	7,607	7,607
Cash and cash equivalents	12,300	218	–	12,518
Total financial assets	**12,300**	**218**	**7,607**	**20,125**
Financial liabilities				
Trade and other payables	–	–	1,845	1,845
Corporation tax liability	–	–	6,356	6,356
Derivative financial liabilities	–	–	1	1
Total financial assets	**–**	**–**	**8,202**	**8,202**

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:

	2008	2007
Short-term deposits	**5.88%**	4.92%

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 US Dollar, the Euro, the Canadian Dollar and the Swiss Franc.

In the year ended 31 March 2008, the Group invoiced the following amounts in currencies other than Sterling.

	Local currency value '000	Value in reporting currency £'000
US Dollar (USD)	17,186	8,554
Swiss Franc (CHF)	11,085	5,158
Euro (EUR)	5,476	3,811
Canadian Dollar (CAD)	3,164	1,483
Australian Dollar (AUD)	371	160
Total		**19,166**

The value of revenues for the year ended 31 March 2008 that were denominated in currencies other than Sterling was £19.2 million (28.9% 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 2008 there were outstanding contracts with a principal value of £2,840,495 for the purchase of foreign currencies in the normal course of business.

19 Financial risk management continued

Foreign currency risk sensitivity analysis

Foreign currency amount '000	Sterling amount £'000	Average strike rate	Maturity date	Market forward rate at 31 March 2008	Fair value £'000	Loss if spot rate at maturity strengthens by a further 1% £'000
4,247 USD	2,155	1.9705	30 Jun 08	1.973027	3	(22)
525 CHF	257	2.0439	30 Jun 08	1.957893	(11)	(3)
556 EUR	428	1.298	30 Jun 08	1.255261	(15)	(4)
					(23)	

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 2008.

Company

The Company's principal financial asset is cash deposits of £2,128,881. Of this balance, £2,125,000 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 2008 was £nil (2007: £nil). The Company considers the financial guarantee contracts to be insurance contracts.

(ii) At 31 March 2008, a subsidiary undertaking had outstanding contracts with a principal value of just over £2.8 million (2007: £1.5 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.

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 (2007: £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 (2007: £86,000). Those premises have been sublet at the same rate from May 2006 and the lease expires in December 2011.

At 31 March 2008 the Group had commitments under non-cancellable operating leases relating to land and buildings as set out below:

	2008 £'000	2007 £'000
Not later than one year	**316**	316
Later than one year and not later than five years	**657**	973
	973	1,289

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

	2008 £'000	2007 £'000
Not later than one year	**86**	86
Later than one year and not later than five years	**237**	323
	323	409

Notes to the accounts
For the year ended 31 March 2008
continued

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 46, 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 7.

The key management compensations are as follows:

	2008 £'000	2007 £'000
Short-term employee benefits	**15,315**	9,427
Post-employment benefits	**289**	254
Share-based payment benefits	**1**	1
	15,605	9,682

Transactions with subsidiaries

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

Company	2008 £'000	2007 £'000
Liabilities settled by subsidiary on behalf of parent	**7**	–
Net dividends received	**24,200**	5,013

	2008 £'000	2007 £'000
Amounts due to subsidiaries	**10**	10

23 Ultimate controlling parties
As at 31 March 2008 the Company had no ultimate controlling parties, nor at 31 March 2007.

24 Capital commitments
The Group had no capital commitments as at 31 March 2008, nor at 31 March 2007.

25 Post balance sheet events
There are no post balance sheet events for the period ended 31 March 2008.

Five year summary

Year ended 31 March	UK GAAP 2004 £'000	2005 £'000	IFRS 2006 £'000	2007 £'000	**2008 £'000**
Management fees	3,212	5,036	9,526	21,497	**43,987**
Performance fees	23	207	1,778	13,603	**22,160**
Other revenue	182	210	149	144	**82**
Revenue	3,417	5,453	11,453	35,244	**66,229**
Cost of sales	(148)	(333)	(971)	(177)	**(296)**
Gross profit	3,269	5,120	10,482	35,067	**65,933**
Operating expenses	(2,735)	(3,795)	(6,089)	(15,692)	**(25,374)**
Operating profit	534	1,325	4,393	19,375	**40,559**
IPO	–	–	–	–	**(1,293)**
Profit before interest and taxation	534	1,325	4,393	19,375	**39,266**
Net interest	51	63	4	271	**1,127**
Profit before taxation	585	1,388	4,397	19,646	**40,393**
Taxation	(182)	(480)	(1,265)	(5,501)	**(12,480)**
Profit after taxation	403	908	3,132	14,145	**27,913**
Basic EPS (pence)	0.19	0.45	1.7	6.7	**12.7**

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

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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 2008 dividend

Ex-dividend date	18 June 08
Record date	20 June 08
Annual General Meeting	24 July 08
Final dividend payment date	28 July 08

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

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

Definitions

'Admission'	Admission to the Official List of and to trading on the London Stock Exchange's main market for listed securities
'Articles'	The articles of association of the Company
'AuME'	Assets under management equivalents
'BPS'	Basis point = 100th of a per cent
'Board'	Company's Board of Directors
'Companies Acts'	Every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company
'Company'	Record plc
'$' or 'Dollars'	All references to Dollars or $ symbol are to the currency of the US unless stated otherwise
'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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