Intelligent currency management

Record plc

Interim Report 2020

Six months ended
30 September 2020

About us

Our purpose to deliver innovative, thought leading and practical solutions to the needs of currency market users and investors, while maintaining independence and integrity.

We are an independent, specialist currency manager and have been since our formation in 1983. We have over 37 years of experience in currency markets which has allowed us to develop a deep and fundamental understanding of the risk and reward opportunities within those markets. Record plc has a premium listing on the Main Market of the London Stock Exchange.

Contents

CERTIFIED CARBON NEUTRAL® company CarbonNeutral.com

FX GLOBAL CODE

LGPS

PRI Principles for Responsible Investment

Highlights

AUME[1] at period end

$65.9bn

H1-20[2]: $59.9bn, FY-20: $58.6bn

Profit before tax

£2.6m

H1-20: £3.2m, FY-20: £7.7m

Client numbers at period end

74

H1-20: 70, FY-20: 72

Basic EPS

1.10p

H1-20: 1.29p, FY-20: 3.26p

Revenue

£11.8m

H1-20: £11.4m, FY-20: £25.6m

Ordinary dividend per share

1.15p

H1-20: 1.15p, FY-20: 2.30p

1. As a currency manager, Record manages only the impact of foreign exchange and not the underlying assets, therefore its "assets under management" are notional rather than real. To distinguish this from the AUM of conventional asset managers, Record uses the concept of Assets Under Management Equivalents ("AUME").
2. H1-20 indicates the six-month period to 30 September 2019. H2-20 indicates the six-month period to 31 March 2020. FY-20 indicates the financial year ended 31 March 2020.

Chief Executive Officer's statement

During the last six months we have been working very hard, both on the diversification of our product and service offering and also on the modernisation of our business. These efforts are now starting to bear fruit.

Leslie Hill
Chief Executive Officer

We report a resilient first half of the financial year in terms of both our operational and our financial performance, with considerable progress having been made against those strategic objectives identified in our last Annual Report:

Diversification – in close collaboration with a European wealth manager we are developing an innovative FX solution in the area of ESG and Impact Investment. We are in the process of setting up a Dublin-based fund for the new strategy which we are excited about and which will attract active management fees. We expect the fund to be ready to receive a seed investment of several hundred million in the first quarter of 2021.

Modernisation – we have adopted a new data capture and transformation platform, Xceptor, which brings efficiencies and improves our client offering. We will roll out this software more broadly to modernise our processes across the business.

Succession – a new share-based incentive plan was launched during the period (the Record Joint Share Ownership Plan ("JSOP")) aimed at key staff below Board level.

Business development

As set out in our Annual Report 2020, our strategy is based upon three fundamental cornerstones: quality client experience, technology and innovation, and talent development, against which our business development over the six-month period can be assessed.

1. Quality client experience

Despite covid-19, we have operated as close to "business as usual" as possible. This includes continuing to provide the highest levels of service and communication in line with the continued expectations of our clients, which serves to reinforce our long-standing and trusted relationships. Alongside new business in new products, such relationships form an important part of our growth plans and can lead to further diversification and growth in existing products and services, as illustrated by the new Dynamic Hedging mandate win described further below.

New hires in our client-facing team and the introduction of third party distributors during the period have added to our knowledge, experience and reach. We also continue to act in partnership alongside certain of our clients to collaborate on new ideas and to innovate new products and strategies in response to specific client demand. This approach enhances our client offering and helps to build our current and new relationships, ultimately expanding the base from which we operate and the products and services we provide. Our client numbers continue to grow, and we added a further two clients, ending the period at 74.

Assets Under Management Equivalents ("AUME")

$65.9bn

(+12%)

H1-20: $59.9bn, FY-20: $58.6bn

2. Technology and innovation

Closely linked with our aim to achieve a quality client experience is our focus on technology and innovation. Our view on technology is now broader and less insular than has historically been the case, and we remain committed to investing in technology where it can enhance our product offering or improve efficiency.

Xceptor will improve our client offering in many areas and is one of the tools to future-proof the business against the fee compression we know is now part of the asset management landscape. I expect this development to yield more exciting results during the whole of next year as well. More fundamental projects, for example reviewing how we use, handle and centrally store our data, are also underway. Each completed project takes us a step closer to making our business more efficient, resilient and scalable.

In terms of innovation, our new Currency Impact Fund is expected to start in early 2021 with an initial allocation of several hundred million at active fee rates. This is a strategically important development for us; ESG/Impact investment programmes will be of interest to many clients and prospective clients going forward and we plan to capitalise on this, as well as building our relationship with this client further.

3. Talent development

We continue to grow our management team both organically and through external hires. Promotions during the period included an appointment made at senior level to lead strategic initiatives aimed at transforming business processes and modernising systems across the business, including the incorporation of new technology.

Having identified key individuals within the business with the capability to grow and manage the business in the future, it is important they feel incentivised and are retained. Allocations under our new JSOP scheme were made to certain key individuals in the period using a proportion of the four million shares sold by Neil Record to the Employee Benefit Trust ("EBT") in support of our plans to focus on generational change supported by increased share ownership and alignment.

Assets Under Management Equivalents ("AUME")

AUME has increased over the period by 12.5% in USD terms to $65.9 billion, and by 7.8% in sterling terms to £51.0 billion.

Net inflows from existing clients into higher revenue-margin Dynamic Hedging totalled $0.5 billion and net outflows from lower-margin Passive Hedging were $0.8 billion, resulting in aggregate net outflows for the period of $0.3 billion. Following the impact on our AUME of the falls in global markets arising from covid-19 in the final quarter of last year (-$4.5 billion), the subsequent recovery in markets increased AUME by $4.1 billion, and exchange rate movements and changes in mandate volatility targeting added a further $3.5 billion.

On 21 September 2020 we announced the award of a new Dynamic Hedging mandate of approximately $8 billion, which has since started and will add material scale to our AUME over time, whilst offering diversification and longevity benefits within our suite of currency hedging offerings.

Further detail on AUME development is given on page 10.

Financial results

We continue to invest in our people and technology with our focus being on the diversification of our products and services, and the modernisation of our systems and processes. Such investment will add efficiency and scale to our operations over the medium term, although as expected the lag between initial investment and delivery of the benefits associated with increased efficiency and diversification has reduced profitability over the short term.

Notwithstanding growth in revenue of 4% to £11.8 million (H1-20: £11.4 million), increases in operating costs of 10% to £9.0 million (H1-20: £8.2 million) resulted in a reduced operating margin for the period of 22% (H1-20: 27% and FY-20: 30%). Profit before tax decreased by 18% to £2.6 million compared to the first half of last year (H1-20: £3.2 million), and by 43% versus the second half of last year (H2-20: £4.6 million), the latter difference being largely attributable to the absence of performance fees. No performance fees were earned in the period (H1-20: £nil and H2-20: £1.8 million).

Further details on the financial performance in the period are contained in the Financial review on page 11.

Investment performance

Investment performance for our return-seeking strategies over the period was disappointing, with both the Multi-Strategy and Dynamic Macro Currency products returning -1.85% and -3.78% respectively. Market conditions also proved difficult in terms of the performance of our enhanced Passive Hedging product which delivered a small positive performance of 0.02% relative to a fixed tenor benchmark.

More detail on the market environment and product investment performance can be found on pages 6 to 9.

Capital management and dividends

Despite the challenging backdrop of covid-19 for the duration of this six-month period, neither our capital management policy nor our dividend policy has changed.

Our capital policy aims to ensure the retention of capital equivalent to approximately one year's worth of future estimated overheads excluding variable remuneration plus capital assessed as required for regulatory and working capital purposes and for investing in new opportunities for the business. Our dividend policy reinforces the protection of our capital base by targeting a level of dividend which is at least covered by earnings, and which allows for sustainable dividend growth in line with profitability.

Notwithstanding the decrease in half-year earnings to 1.10 pence per share, the Board remains confident in the ability of the business to deliver on its planned strategy and to achieve growth. An unchanged interim dividend of 1.15 pence per share will be paid on 31 December 2020 to shareholders on the register at 4 December 2020.

Brexit

We remain confident of being able to continue to successfully and fully service our current EU27 clients, which account for 16% of our AUME at period end, and contributed approximately 13% of our revenues for the period. We cannot afford to wait or to make assumptions regarding the final outcome of negotiations, and therefore have contingency plans in place in the form of an EU-based subsidiary firm to ensure that ultimately we retain our ability to market to prospective EU27-based clients going forward.

Outlook

During the last six months we have been working very hard, both on the diversification of our product and service offering and also on the modernisation of our business. These efforts are now starting to bear fruit and each step moves us closer towards taking the business to the next level, as I alluded to in the Annual Report 2020.

I am personally very excited by the opportunities currently available to the business to diversify and grow. We will continue both to pursue those opportunities and in our efforts to build upon the success we've seen over the last six months. We also plan to continue our programme of incentivising and empowering our young talent with further awards and promotions in 2021 – this is a crucial part of enhancing and developing our senior team for the future.

Leslie Hill
Chief Executive Officer

23 November 2020

Interim management review

Market review

The six months to 30 September 2020 were defined by the economic, financial, and policy consequences of covid-19. Central banks across both developed and emerging markets engaged in broad monetary easing, which included policy rate cuts, quantitative easing, and in some places yield curve control. The European Central Bank cut its policy rate further into negative territory.

A spike in global demand for dollar liquidity in March, related to USD-denominated liabilities and other funding needs, caused volatility in the USD. Thanks to the easing of funding pressures, access to dollar liquidity and credit was expanded through Federal Reserve swap and repo facilities, multilateral lending, bond issuance, and significant growth in USD bank loans.

Asset markets, economic output and employment data, and restrictions on movement and activity have all been stop-start, with each country largely on its own timeline of recovery. Financial markets have reacted primarily to new information in the fiscal and monetary policy space, as well as to news about the virus's spread and potential vaccines.

Economic policy in many countries has gained a more significant nationalistic orientation, with primary effects in trade and fiscal policy. Monetary policy is also undergoing substantial transformations which challenge the policy doctrine of recent decades. The use of new monetary tools such as yield curve control in Australia, the significant expansion in central bank balance sheets in many countries, revisions in the Federal Reserve's inflation targeting framework, and negative rates in some jurisdictions are all components of a global policy zeitgeist to reduce real yields. In contravention of the orthodoxy of central bank independence, there is now more attention paid to the incentives central banks have in supporting government spending and borrowing.

Operating review

The half year has been dominated by the global uncertainty and disruption arising as a result of covid-19, and a summary of the specific impact across our business is given below.

Our clients

Record's clients are institutional and of high quality with strong, long-standing and trusted relationships built over many years. Record has not lost any clients as a result of the covid-19 pandemic and has maintained strong lines of communication, reinforcing the quality of our service offering. A large proportion of our current client base by assets (c. 90%) is represented by hedging products. The decision to hedge is a strategic decision usually taken over a longer-term horizon and seeks to reduce the FX risk associated with our clients' overseas assets. For this reason such mandates prove to have good longevity, and volatility in times of market stress only serves to further reinforce the benefit of such risk mitigation strategies. The quality of our clients means that we have not suffered from any unpaid fees for over 20 years through various market crises and cycles, and we do not expect this to change under the current circumstances.

Our people

Record has successfully transitioned to full remote working without detriment to our clients or employees. We continue to closely monitor the well-being and motivation of all of our staff and to listen and respond to their feedback and requirements, including ensuring they are sufficiently equipped at home with the necessary IT equipment to facilitate the requirements of their role. The office environment has been changed to incorporate Government requirements and guidelines for those employees for whom continuing to work from the office is more suitable, including considerations around social distancing, travel, increased office hygiene and other measures. Record has not seen any employee attrition as a direct result of the crisis, has not cut salaries and does not anticipate utilising any of the Government's job retention or loan schemes for businesses, and remains fully independent.

Our technology and operations

Prior to the Government's full lockdown in March, Record's operational teams had already been split between the disaster recovery ("DR") site and the Windsor office, and this was quickly changed to full working from home for all employees, including all operational teams subsequent to the lockdown measures being introduced. Throughout these phases full business continuity was maintained. Remote access systems have been strengthened and additional IT equipment has been sourced for individuals to assist with facilitating the required working environment from home.

Our governance and oversight

Virtual meetings replaced physical meetings in the office and broadly follow the same pattern as prior to the crisis, although the frequency for some meetings was initially increased, for example more regular Audit and Risk Committee meetings to review risk and controls during the height of the first wave, and weekly Executive team catch-ups to discuss employee well-being, market behaviour and other management issues. Due to revised governmental guidance responding to the more recent increase in covid-19 cases (the "second wave"), our plans to start transitioning people back to the office during September were halted and the vast majority of our employees continue to work from home and are able to continue to do so until the situation changes.

Our risk and management reporting framework continues to function as expected, albeit with some amendments to the compliance monitoring programme to allow more focus on deemed higher-risk areas as would be expected under such circumstances.

Our business model and profitability

With the exception of those issues discussed above, any further impact of covid-19 on Record's business model has been limited. We haven't seen any direct material increase in costs linked to covid-19 (in fact we've seen a decrease in certain costs e.g. travel and accommodation) and our balance sheet remains strong. Whilst we haven't seen any direct material outflows as a result of covid-19, the link of some of our clients' mandates with other markets, such as equity and fixed income, means our AUME is susceptible to movements in such markets, although to a more limited extent, as was illustrated by the fall of our AUME by $4.5 billion (-7%) in the quarter ended 31 March 2020 linked to market movements. However, the subsequent recovery in markets over the six-month period of +$4.1 billion has recouped over 90% of this decrease, and alongside the impact of FX and volatility targets of +$3.5 billion and negligible net outflows of $0.3 billion, our AUME has increased by +12% over the six months.

In conclusion, our business has responded well to the changes enforced by the covid-19 pandemic and continues to do so. We have achieved continuity in operational and client servicing matters, and maintained a full team without the need for additional funding or Government assistance. We believe that we are capable of continuing to operate as near to "business as usual" as is possible under the current circumstances and for the foreseeable future.

Brexit

The UK formally left the European Union ("EU") on 31 January 2020 and entered the transition period, during which it continues to follow EU rules whilst the negotiations continue on the future relationship. Whilst the UK Government has previously committed to the conclusion of the transition period by the end of 2020, this was prior to the emergence of covid-19 and a full understanding of its effects on the global economy and the distraction from, and consequent delay to, Brexit negotiations. At the time of writing, it still remains uncertain on how the negotiations on the future relationship will conclude.

What this means for our business

Record has performed a client-by-client assessment of the regulatory basis on which we currently provide services to EU27 clients. As a result, and in addition to industry-wide measures such as the Memoranda of Understanding agreed between the Financial Conduct Authority and EU regulators previously announced, at the time of writing we are confident we will be able to continue to provide services to all current EU27 clients post-Brexit, even in the event of a "hard Brexit" with no extension to the transition period or no other equivalence arrangements.

Subject to negotiations, it remains possible that we would be constrained in marketing our products and services to new clients in certain EU27 countries, although even this constraint is moderated by enabling legislation in many such countries, allowing authorised UK firms to continue to market to professional clients. Consequently, plans to establish an EU-based subsidiary to eliminate any such remaining constraints are well underway, and we do not anticipate any significant long-term reduction in our ability to be able to market to potential EU27 clients going forward.

Operating review continued

Hedging

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

Passive Hedging

Record has developed an enhanced Passive Hedging service, which aims to reduce the cost of hedging by introducing new flexibility into the implementation of currency hedges without changing the hedge ratio. While the strategy is partly systematic, the episodic nature of many opportunities exploited by the strategy means it requires a higher level of discretionary oversight than has historically been associated with Passive Hedging.

Early in 2020, central banks across the globe, especially the US Federal Reserve, were forced to cut interest rates in response to the covid-19 pandemic. This had a significant negative performance impact for our clients. This was paired with higher costs of trading (elevated FX forward spreads) that made managing hedging positions more costly. Thus trading frequency dropped, and hedges were positioned more defensively.

From May onwards, these FX spreads had normalised and the client hedging structures were once again able to be managed with more tactical robustness. Since then, performance has improved in a stable manner as we continue to operate in an environment with more discretionary opportunities present.

	Half-year return	Return since inception
Value added by enhanced Passive Hedging programme relative to a fixed-tenor benchmark	**0.02%**	0.09% p.a.

Dynamic Hedging

During the period, US-based Dynamic Hedging clients experienced a weakening of the US dollar against developed market currencies. The Dynamic Hedging programmes responded as expected; hedge ratios varied systematically in response to currency movements while hedging returns in the programmes were negative.

	Half-year return	Return since inception
Value added by Dynamic Hedging programme	**(0.57%)**	0.38% p.a.

Currency for Return

Record's Currency for Return suite of products includes both systematic and discretionary investment styles. The systematic offering combines five strategies under the Currency Multi-Strategy product, whilst the Dynamic Macro Currency product uses a more discretionary approach.

Currency Multi-Strategy

Record's principal Currency for Return product during the period was Currency Multi-Strategy. This combines a number of diversified return streams, which include:

- Forward Rate Bias ("FRB", also known as Carry) and Emerging Market ("EM") strategies which are founded on market risk premia and as such perform more strongly in "risk on" environments; and
- Momentum, Value and Range-Trading strategies which are more behavioural in nature, and as a result are less risk sensitive.

Currency Multi-Strategy returned negatively during the period which was largely driven by an underperforming Momentum strand that offset positive returns from FRB10 and EM. Momentum came under pressure as the multi-month risk off trend that was prevalent in the lead-up to March 2020 reversed in the months as Developed Market ("DM") policymakers brought in significant monetary and fiscal support. EM contributed positively as increased mobility, some resumption in economic activity and elevated levels of multilateral lender support has helped EM currencies to bottom out and start to recover from their crisis-lows. In a similar vein, FRB10 saw positive returns from rebounding risk-on currencies in DM universe – in particular the Australian and New Zealand dollar.

Dynamic Macro Currency

The Dynamic Macro Currency strategy seeks absolute, risk-adjusted returns by identifying variant perceptions within developed and emerging currency market currencies.

A variant perception is the gap between the strategy's expectation of proper market pricing and the expectations and collective pricing of market participants.

Through discretionary decisions augmented by a structured and systematic methodology, Dynamic Macro Currency targets a positive, right-skewed distribution of returns in a variety of market conditions, and offers uncorrelated returns with traditional asset classes and other hedge fund strategies.

The Dynamic Macro Currency strategy utilises a multi-disciplined macro investment approach to developed and emerging currency markets. A five-pillared proprietary process integrates macroeconomics, market neurology, and quantitative price metrics with disciplined risk management. The portfolio is innovatively structured and managed to implement investment views and provide an asymmetrical return profile.

In the past six months, Dynamic Macro Currency returned negatively as gains in the first quarter of 2020 from our early recognition of covid-19's larger-than-priced impact were tempered by subsequent market retracements and hopes for a "V"-shaped global economic recovery. The actual, protracted recovery since then has been headline-driven and benefited a more tactical approach to markets, with the strategy making gains in both developed and emerging market pairs, which helped pay for core long-dated long US dollar option positions. Towards the end of the period, the strategy's focus turned to the US presidential election, with the expected volatility being compounded by challenges of corporate solvency and its feed-through to employment, confidence, and spending, as fiscal stimulus wanes.

Index/composite returns	Scaling	Half-year return %	Return since inception % p.a.	Volatility since inception % p.a.
Currency Multi-Strategy Fund[1]	1.85	**(2.46%)**	(5.31%)	8.28%
Record Multi-Strategy Composite[2]		**(1.85%)**	0.33%	3.12%

Returns	Half-year return %	Return since inception % p.a.	Volatility since inception % p.a.
Dynamic Macro Currency	**(3.78%)**	3.88%	9.20%

1. Record Currency Multi-Strategy Fund return data is since inception in February 2018, GBP base (unaudited).
2. Record Multi-Strategy Composite return data is since inception in July 2012, showing excess returns data gross of fees in USD base and scaled to a 4% target volatility (unaudited).

Operating review continued

Scaling

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

It should be emphasised that in this case "scaling" refers to the multiple of the aggregate notional value of forward contracts in the currency programme, to the segregated mandate size or the pooled fund's net assets. This is limited by the willingness of counterparty banks to take exposure to the segregated client or pooled fund. The AUME of those mandates where scaling or a volatility target is selected is represented in Record's AUME at the scaled value of the mandate, as opposed to the segregated mandate size or the pooled fund's net assets.

AUME development

AUME increased over the period by 12% to $65.9 billion in US dollar terms, and increased in sterling terms by 8% to £51.0 billion. The AUME movement over the six-month period is analysed as follows:

AUME movement analysis in the six months to 30 September 2020

	$bn
AUME at 1 April 2020	58.6
Net client flows	(0.3)
Equity and other market impact	4.1
Foreign exchange impact and mandate volatility scaling	3.5
AUME at 30 September 2020	**65.9**

Net outflows of $0.3 billion during the period were represented by $0.5 billion net inflows from existing Dynamic Hedging clients and net outflows of $0.8 billion from Passive Hedging.

Equity and other market performance

Record's AUME is affected by movements in equity and other markets because Passive and Dynamic Hedging mandates, and some of the Multi-product mandates, are linked to equity holdings or other asset types such as bonds or real estate.

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

Class of assets underlying mandates by product as at 30 September 2020

	Equity %	Fixed income %	Other %
Passive Hedging	30	39	31
Dynamic Hedging	92	0	8
Multi-product	0	0	100

Forex

Approximately 87% of the Group's AUME is non-US dollar denominated. Therefore, foreign exchange movements may have an impact on AUME when expressing non-US dollar AUME in US dollars, although this movement does not have an equivalent impact on the sterling value of fee income. Exchange rate movements increased AUME by $3.1 billion in the period and changes to mandate volatility targeting added a further $0.4 billion.

Client numbers

Client numbers increased by two since the financial year end, closing at 74 clients (H1-20: 70).

Product mix

The product mix has remained broadly constant during the period, as shown in the table below.

AUME composition by product

	30 Sep 20		30 Sep 19		31 Mar 20	
	$bn	**%**	$bn	%	$bn	%
Passive Hedging	**55.6**	**85**	50.4	84	50.3	86
Dynamic Hedging	**3.2**	**5**	3.2	5	2.5	4
Currency for Return	**3.4**	**5**	2.9	5	2.6	4
Multi-product	**3.5**	**5**	3.1	5	3.0	5
Cash and other	**0.2**	**–**	0.3	1	0.2	1
Total	**65.9**	**100**	59.9	100	58.6	100

Strong progress has been made in the period in terms of both existing and new products and confirmed future inflows, the benefits of which we expect to start seeing in the second half of the financial year.

Financial review

The Group remains resilient in the face of a challenging half year due to covid-19 and through a period of strategic change. As expected, the financial impact of such change has been felt in the form of reduced profitability in the short term. However, strong progress has been made in the period in terms of both existing and new products and confirmed future inflows, the benefits of which we expect to start seeing in the second half of the financial year. The Group remains independent and profitable supported by its strong and liquid balance sheet.

Overview

Operating profit for the period of £2.6 million was £0.5 million lower than the equivalent period last year and reflects increased levels of investment in people and technology, the full benefits from which we would expect to see in subsequent periods. Total revenue increased by 4% to £11.8 million (H1-20: £11.4 million) and operating expenses, excluding variable remuneration, increased by 13% to £7.7 million. Variable remuneration reduced to £1.3 million (H1-20: £1.4 million), with the operating profit margin decreasing to 22% (H1-20: 27%) and profit before tax fell by 18% to £2.6 million (H1-20: £3.2 million).

Revenue

Management fees increased by 1% to £11.2 million over the equivalent period last year (H1-20: £11.1 million) but decreased by 6% compared to the second half of last year (H2-20: £12 million).

No performance fees were earned in the period (H1-20: £nil and H2-20: £1.8 million).

Passive Hedging management fees of £6.0 million were slightly higher than over the equivalent period last year (H1-20: £5.9 million) and broadly flat compared to the second half of last year (H2-20: £6.1 million).

Dynamic Hedging management fees of £1.9 million were slightly lower than the £2 million for both H1-20 and H2-20 due to the timing of inflows over the period and the consequent lower average AUME.

Currency for Return management fees remained broadly consistent with the same period last year (H1-20: £0.9 million) and slightly reduced on the second half of last year as a result of currency movements (H2-20: £1.1 million).

Management fees of £2.4 million from the Multi-product category remained broadly consistent with the same period last year (H1-20: £2.3 million). The 16% decrease in management fees versus the second half of last year (H2-20: £2.8 million) was predominantly due to the temporary tactical bespoke mandate inflow announced in December which subsequently reversed in the final quarter of last year.

Other currency services income increased to £0.6 million (H1-20: £0.3 million) reflecting an increase in tactical currency management services to existing clients.

Revenue analysis (£m)

	Six months ended 30 Sep 20	Six months ended 30 Sep 19	Year ended 31 Mar 20
Management fees			
Passive Hedging	**6.0**	5.9	12.0
Dynamic Hedging	**1.9**	2.0	4.0
Currency for Return	**0.9**	0.9	2.0
Multi-product	**2.4**	2.3	5.1
Total management fees	**11.2**	11.1	23.1
Performance fees	**–**	–	1.8
Other investment services income	**0.6**	0.3	0.7
Total revenue	**11.8**	11.4	25.6

Other investment services income consists of fees from ancillary investment management services.

Average management fee rates by product (bps p.a.)

The average management fee rates have remained broadly constant over the six months ended 30 September 2020. A number of Passive Hedging clients elected to move from a management fee only to a lower management fee with a performance-related fee, which will have the impact of decreasing average Passive Hedging management fee rates in subsequent periods. Additionally, the new Dynamic Hedging mandate of $8 billion announced in September will have the effect of decreasing the average Dynamic Hedging management fee rate as it builds over time.

Financial review continued

Expenditure

Expenditure analysis (£m)

	Six months ended 30 Sep 20	Six months ended 30 Sep 19	Year ended 31 Mar 20
Personnel costs	**5.0**	4.2	8.6
Non-personnel costs	**2.7**	2.6	5.7
Administrative expenditure excluding Group Profit Share	**7.7**	6.8	14.3
Group Profit Share	**1.3**	1.4	3.5
Total administrative expenditure	**9.0**	8.2	17.8
Other income and expenditure	**–**	–	(0.1)
Total expenditure	**9.0**	8.2	17.7

In line with the change in strategy, costs have increased, reflecting investment in sales and client support activities and new technology. Total administrative expenditure for the period of £9.0 million increased by £0.8 million compared with the equivalent prior year period (H1-20: £8.2 million) and decreased by £0.6 million versus the second half of last year (H2-20: £9.6 million).

Personnel costs of £5.0 million excluding Group Profit Share ("GPS") increased by 19% (£0.8 million) versus the first half of last year, and by 14% over the second half (H2-20: £4.4 million). This represents the investment made in personnel through both external hires and internal promotions leading to a slightly higher average headcount at higher average costs per person over the period.

Non-personnel costs for the period of £2.7 million were broadly in line with the equivalent period last year. Reductions in one-off project costs including technical consultancy and professional fees led to a 13% decrease versus the second half of last year (H2-20: £3.1 million) assisted by lower costs associated with travel and accommodation linked to the impact of covid-19.

Group Profit Share ("GPS") scheme

The cost of the GPS scheme is £1.3 million for the period, decreasing in line with operating profit. The GPS cost is calculated as 33% of operating profits, which is within the previously established range of 25% to 35% of pre-GPS operating profit.

Cash flow

The Group generated £2.6 million of cash from operating activities after tax during the period (H1-20: £3.6 million). Taxation paid during the period increased to £0.8 million compared to £0.7 million for the same period last year.

The Group paid dividends totalling £3.1 million in the period (H1-20: £3.6 million), more information for which is given in note 5 to the financial statements.

Dividends and capital

In line with the Board's capital and dividend policy, the Group will pay an interim dividend of 1.15 pence per share in respect of the six-month period, equating to a distribution of £2.3 million, following which the business will retain cash and money market instruments on the balance sheet which are significantly in excess of financial resource requirements required for regulatory purposes.

The Group has no debt and its capital and dividend policy aims to ensure continued balance sheet strength for the Group. Shareholders' funds were £25.7 million at 30 September 2020 (H1-20: £26.4 million).

Principal risks and uncertainties

The principal risks currently facing the Group and those that we anticipate the Group will be exposed to in the short term remain the same as those outlined in the Annual Report 2020.

These risks are:

- strategic risk – including the risk of failure to deliver strategy and margin compression risk;
- business risk – including concentration risk, people and employment risk, the risk of regulatory change (including that linked to Brexit) and market liquidity risk linked to covid-19;
- operational risk – including technology and information security risk and the risk associated with the operational control environment; and
- investment risk – the risk of product underperformance.

Cautionary statement

This Interim Report contains certain forward-looking statements with respect to the financial condition, results, operations and business of Record. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied in this Interim Report. Nothing in this Interim Report should be construed as a profit forecast.

Statement of Directors' responsibilities

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

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed and adopted by the EU;
- the interim management review includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the Annual Report 2020 that could do so. Related party transactions are disclosed in note 12.

The Directors of Record plc are listed on the Record plc website at **www.recordcm.com/en/about-us/our-people/board-of-directors/**

Neil Record
Chairman

Steve Cullen
Chief Financial Officer

23 November 2020

Independent review report to Record plc

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the Interim Report for the six months ended 30 September 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the Interim Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Group in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London
23 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

	Note	Unaudited Six months ended 30 Sep 20 £'000	Unaudited Six months ended 30 Sep 19 £'000	Audited Year ended 31 Mar 20 £'000
Revenue	3	**11,838**	11,385	25,563
Cost of sales		**(213)**	(119)	(255)
Gross profit		**11,625**	11,266	25,308
Administrative expenses		**(9,016)**	(8,232)	(17,741)
Other income or expense		**(36)**	50	82
Operating profit		**2,573**	3,084	7,649
Finance income		**42**	92	146
Finance expense		**(22)**	(9)	(58)
Profit before tax		**2,593**	3,167	7,737
Taxation		**(449)**	(652)	(1,365)
Profit after tax		**2,144**	2,515	6,372
Total comprehensive income for the period		**2,144**	2,515	6,372
Profit and total comprehensive income for the period attributable to				
Owners of the parent		**2,151**	2,543	6,420
Non-controlling interests	11	**(7)**	(28)	(48)
		2,144	2,515	6,372
Earnings per share for the period (expressed in pence per share)				
Basic earnings per share	4	**1.10p**	1.29p	3.26p
Diluted earnings per share	4	**1.10p**	1.29p	3.26p

The notes on pages 19 to 27 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	Unaudited As at 30 Sep 20 £'000	Unaudited As at 30 Sep 19 £'000	Audited As at 31 Mar 20 £'000
Non-current assets				
Intangible assets		**449**	357	470
Right-of-use assets		**931**	1,401	1,175
Property, plant and equipment		**686**	838	751
Investments	6	**2,759**	1,152	2,472
Total non-current assets		**4,825**	3,748	4,868
Current assets				
Trade and other receivables		**7,276**	6,678	8,704
Derivative financial assets	9	**158**	132	193
Money market instruments with maturities > 3 months	7	**12,491**	13,860	7,958
Cash and cash equivalents	7	**6,848**	9,576	14,294
Total current assets		**26,773**	30,246	31,149
Total assets		**31,598**	33,994	36,017
Current liabilities				
Trade and other payables		**(2,422)**	(2,629)	(3,009)
Corporation tax liabilities		**(349)**	(604)	(601)
Lease liabilities		**(526)**	—	(544)
Financial liabilities	6	**(1,800)**	(2,721)	(2,191)
Derivative financial liabilities	9	**(35)**	(58)	(610)
Total current liabilities		**(5,132)**	(6,012)	(6,955)
Non-current liabilities				
Deferred tax liabilities		**(30)**	(61)	(86)
Provisions		**(200)**	—	(200)
Lease liabilities		**(377)**	(1,391)	(615)
Total non-current liabilities		**(607)**	(1,452)	(901)
Total net assets		**25,859**	26,530	28,161
Equity				
Issued share capital	10	**50**	50	50
Share premium account		**2,289**	2,243	2,259
Capital redemption reserve		**26**	26	26
Retained earnings		**23,369**	24,059	25,694
Equity attributable to owners of the parent		**25,734**	26,378	28,029
Non-controlling interests	11	**125**	152	132
Total equity		**25,859**	26,530	28,161

Approved by the Board on 23 November 2020 and signed on its behalf by:

Neil Record
Chairman

Steve Cullen
Chief Financial Officer

The notes on pages 19 to 27 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Unaudited	Note	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
As at 31 March 2019		50	2,243	26	25,022	27,341	60	27,401
IFRS 16 opening adjustment		—	—	—	(97)	(97)	—	(97)
Profit and total comprehensive income for the period		—	—	—	2,543	2,543	(28)	2,515
Dividends paid	5	—	—	—	(3,619)	(3,619)	—	(3,619)
Issue of shares in subsidiary		—	—	—	—	—	120	120
Own shares acquired by EBT		—	—	—	(115)	(115)	—	(115)
Release of shares held by EBT		—	—	—	340	340	—	340
Share-based payment reserve movement		—	—	—	(15)	(15)	—	(15)
Transactions with shareholders		—	—	—	(3,409)	(3,409)	120	(3,289)
As at 30 September 2019		50	2,243	26	24,059	26,378	152	26,530
IFRS 16 opening adjustment		—	—	—	(1)	(1)	—	(1)
Profit and total comprehensive income for the period		—	—	—	3,877	3,877	(20)	3,857
Dividends paid	5	—	—	—	(2,269)	(2,269)	—	(2,269)
Own shares acquired by EBT		—	—	—	(905)	(905)	—	(905)
Release of shares held by EBT		—	16	—	631	647	—	647
Share-based payment reserve movement		—	—	—	302	302	—	302
Transactions with shareholders		—	16	—	(2,241)	(2,225)	—	(2,225)
As at 31 March 2020		50	2,259	26	25,694	28,029	132	28,161
Profit and total comprehensive income for the period		**—**	**—**	**—**	**2,151**	**2,151**	**(7)**	**2,144**
Dividends paid	5	**—**	**—**	**—**	**(3,068)**	**(3,068)**	**—**	**(3,068)**
Own shares acquired by EBT		**—**	**—**	**—**	**(1,589)**	**(1,589)**	**—**	**(1,589)**
Release of shares held by EBT		**—**	**30**	**—**	**419**	**449**	**—**	**449**
Share-based payment reserve movement		**—**	**—**	**—**	**(238)**	**(238)**	**—**	**(238)**
Transactions with shareholders		**—**	**30**	**—**	**(4,476)**	**(4,446)**	**—**	**(4,446)**
As at 30 September 2020		**50**	**2,289**	**26**	**23,369**	**25,734**	**125**	**25,859**

The notes on pages 19 to 27 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Unaudited Six months ended 30 Sep 20 £'000	Unaudited Six months ended 30 Sep 19 £'000	Audited Year ended 31 Mar 20 £'000
Net cash inflow from operating activities after tax	8	**2,641**	3,638	6,543
Cash flow from investing activities				
Purchase of intangible assets		**(62)**	(124)	(311)
Purchase of property, plant and equipment		**(79)**	(194)	(243)
Purchase of securities		**(411)**	—	(1,113)
(Purchase)/sale of money market instruments with maturity > 3 months		**(4,533)**	(3,125)	2,777
(Redemption) of unit funds		**(354)**	—	—
Interest received		**47**	93	160
Net cash (outflow)/inflow from investing activities		**(5,392)**	(3,350)	1,270
Cash flow from financing activities				
Lease repayments		**(280)**	(299)	(576)
Subscription for shares in subsidiary		**—**	120	120
Purchase of own shares		**(1,492)**	—	(487)
Dividends paid to equity shareholders	5	**(3,068)**	(3,619)	(5,888)
Cash outflow from financing activities		**(4,840)**	(3,798)	(6,831)
Net (decrease)/increase in cash and cash equivalents in the period		**(7,591)**	(3,510)	982
Effect of exchange rate changes		**145**	120	346
Cash and cash equivalents at the beginning of the period		**14,294**	12,966	12,966
Cash and cash equivalents at the end of the period		**6,848**	9,576	14,294
Closing cash and cash equivalents consists of:				
Cash	7	**6,334**	2,097	8,004
Cash equivalents	7	**514**	7,479	6,290
Cash and cash equivalents	7	**6,848**	9,576	14,294

The notes on pages 19 to 27 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the six months ended 30 September 2020

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

1. Basis of preparation

The condensed set of consolidated financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union. The financial information set out in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2020 (which were prepared in accordance with IFRSs as adopted by the European Union) have been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

The accounting policies for recognition, measurement, consolidation and presentation as set out in the Group's Annual Report for the year ended 31 March 2020 have been applied in the preparation of the IFRS condensed consolidated half-year financial information.

Application of new standards

There have been no new or amended standards adopted in the financial year beginning 1 April 2020 which have a material impact on the Group or any company within the Group.

Impacts of covid-19 during the period

The Chief Executive Officer's statement and Operating review sections of this Interim Report provide information as to the broader effects of covid-19 on the Group's financial results, its operations and prospects. The Group has given due consideration as to the impact of uncertainty arising from covid-19 related factors on the production of the interim financial statements.

Going concern

As part of the Directors' consideration of the appropriateness of adopting the going concern basis for the preparation of the interim financial statements, the Directors have assessed whether the Group can meet its obligations as they fall due and can continue to meet its solvency requirements over a period of at least twelve months from the approval of this report.

The Board has considered financial projections which demonstrate the ability of the Group to withstand market shocks in a range of scenarios, including very severe ones.

In assessing the appropriateness of the going concern basis, the Board considered base case liquidity and solvency projections that incorporated an estimated view of the potential economic downturn that is anticipated to be experienced due to the impacts of covid-19. In addition, a more onerous economic downturn was also modelled. The projections demonstrated that excess capital would remain in the Group under both scenarios, supporting cash generation in the going concern period.

As a result of the above assessment, the Directors are satisfied that all mandatory outgoings can be met over the going concern period, and consider it appropriate to adopt the going concern basis in the preparation of these interim financial statements.

Consolidation

The accounting policies adopted in these interim financial statements are identical to those adopted in the Group's most recent annual financial statements for the year ended 31 March 2020.

The consolidated financial information contained within the financial statements incorporates financial statements of the Group and entities controlled by the Group (its subsidiaries) drawn up to 30 September 2020. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Company controls an entity, but does not own all the share capital of that entity, the interests of the other shareholders are stated within equity as non-controlling interests or within current liabilities as financial liabilities depending on the characteristic of the investment, being the proportionate share of the fair value of identifiable net assets on date of acquisition plus the share of changes in equity since the date of consolidation.

An Employee Benefit Trust ("EBT") has been established for the purposes of satisfying certain share-based awards. The Group has "de facto" control over this entity. This trust is fully consolidated within the financial statements (see note 10 for further details).

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

2. Critical accounting estimates and judgements

The estimates and judgements applied in the interim financial statements are consistent with those applied in the financial statements for the year ended 31 March 2020.

3. Revenue

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of currency management services. Our revenue typically arises from charging management fees or performance fees and both are accounted for in accordance with IFRS 15 – "Revenue from Contracts with Customers".

Management fees are recorded on a monthly basis as the underlying currency management service occurs. There are no other performance obligations. Management fees are calculated as an agreed percentage of the Assets Under Management Equivalents ("AUME") denominated in the client's chosen base currency. The percentage varies depending on the nature of services and the level of AUME. Management fees are typically invoiced to the customer quarterly with receivables recognised for unpaid invoices.

The Group is entitled to earn performance fees from some clients where the performance of the clients' mandates exceeds defined benchmarks over a set time period, and are recognised when the fee amount can be estimated reliably and it is highly probable that it will not be subject to significant reversal.

Performance fee revenues are not considered to be highly probable until the end of a contractual performance period and therefore are not recognised until they crystallise, at which time they are payable by the client and are not subject to any clawback provisions. There are no other performance obligations or services provided which suggest these have been earned either before or after crystallisation date.

a) Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers, with management fees analysed by product. Other investment services income includes fees from signal hedging and fiduciary execution.

Revenue by product type	Six months ended 30 Sep 20 £'000	Six months ended 30 Sep 19 £'000	Year ended 31 Mar 20 £'000
Management fees			
Passive Hedging	**6,027**	5,880	12,026
Dynamic Hedging	**1,889**	1,994	3,995
Currency for Return	**937**	958	1,982
Multi-product	**2,379**	2,301	5,130
Total management fee income	**11,232**	11,133	23,133
Performance fee income	**—**	—	1,819
Other investment services income	**606**	252	611
Total revenue	**11,838**	11,385	25,563

b) Geographical analysis

The geographical analysis of revenue is based on the destination i.e. the location of the client to whom the services are provided.

Revenue by geographical region	Six months ended 30 Sep 20 £'000	Six months ended 30 Sep 19 £'000	Year ended 31 Mar 20 £'000
UK	**1,151**	1,157	2,328
US	**3,273**	2,996	6,209
Switzerland	**4,800**	4,717	11,377
Other	**2,614**	2,515	5,649
Total revenue	**11,838**	11,385	25,563

4. Earnings per share

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

Diluted earnings per share 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 period used in the basic and diluted earnings per share calculations.

	Six months ended 30 Sep 20	Six months ended 30 Sep 19	Year ended 31 Mar 20
Weighted average number of shares used in calculation of basic earnings per share	**195,664,074**	196,424,001	196,679,874
Effect of potential dilutive ordinary shares – share options	**426,382**	532,520	390,156
Weighted average number of shares used in calculation of diluted earnings per share	**196,090,456**	196,956,521	197,070,030
Basic earnings per share	**1.10p**	1.29p	3.26p
Diluted earnings per share	**1.10p**	1.29p	3.26p

The potential dilutive shares relate to the share options granted in respect of the Group's Share Scheme. At the beginning of the period there were 11,895,515 share options. During the six-month period 3,425,000 share options were granted and 400,314 were exercised. No options lapsed in the period.

As at 30 September 2020, there were share options in place over 14,920,201 shares.

During the period, the Company gave certain employees ("Participants") the opportunity to acquire interests ("Interests") in the ordinary shares of Record plc under the new Record Joint Share Ownership Plan ("JSOP"). Under the JSOP, the Company procures that Record plc shares are acquired by the EBT trustee (the "Trustee") to be held jointly by the Trustee and the Participant. The beneficial interest in the shares is owned by the Trustee up to a hurdle which equates to the market value of the shares upon grant of the JSOP interest. Any value above the hurdle is owned by the Participant.

The Participant's Interests vest in equal tranches over the four years following grant. Upon each vesting, the value of the Participant's Interest above the hurdle will be transferred from the EBT to the respective employee in the form of Record plc shares. The Company granted Interests over 2,375,000 shares in the period at a market value of 37.3 pence per share.

5. Dividends

The dividends paid during the six months ended 30 September 2020 totalled £3,068,153 (1.56 pence per share) being a final ordinary dividend in respect of the year ended 31 March 2020 of 1.15 pence per share and a special dividend of 0.41 pence per share. An interim dividend of £2,268,389 (1.15 pence per share) was paid in the six months ended 31 March 2020, thus the full ordinary dividend in respect of the year ended 31 March 2020 was 2.71 pence per share. The dividend paid by the Group during the six months ended 30 September 2019 totalled £3,619,152 (1.84 pence per share) being a final ordinary dividend in respect of the year ended 31 March 2019 of 1.15 pence per share and a special dividend of 0.69 pence per share.

The interim dividend declared in respect of the six months ended 30 September 2020 is 1.15 pence per share.

6. Accounting for seed investments in funds

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

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

Record has seeded two funds which have been active during the half year ended 30 September 2020. The Group has controlled both the Record Currency – Strategy Development Fund and the Record – Currency Multi-Strategy Fund throughout the half year ended 30 September 2020 and the comparative periods, and both were consolidated in full, on a line-by-line basis, in the Group's financial statements throughout these periods.

Unit holdings in funds as at 30 September 2020

	Record plc	Related parties	**Record plc plus related parties**	Other investors
Record Currency – Strategy Development Fund	100%	0%	**100%**	0%
Record – Currency Multi-Strategy Fund	32%	52%	**84%**	16%

Investments

	As at 30 Sep 20	As at 30 Sep 19	As at 31 Mar 20
Impact bonds	**2,365**	—	2,472
Supply chain finance fund	**394**	—	—
Record Currency – Emerging Market Currency Fund	**—**	1,152	—
Investments	**2,759**	1,152	2,472

Financial liabilities

Record plc has made investments in a number of seed funds where it is in a position to be able to control those funds by virtue of the size of its holding. When Record plc is not the only investor in such funds and the external investment instrument does not meet the definition of an equity instrument under IAS 32 then the instrument is classified as a financial liability. The financial liabilities are measured at cost plus movement in value of the third party investment in the fund.

The Record Currency – FTSE FRB10 Index Fund and the Record Currency – Emerging Market Currency Fund were closed in March 2020.

The Record – Currency Multi-Strategy Fund and the Record Currency – Strategy Development Fund were considered to be under control of the Group as the combined holding of Record plc and its Directors constituted a majority interest throughout the current and prior periods.

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

Mark-to-market value of external holding in seed funds consolidated into the accounts of the Record Group

	As at 30 Sep 20 £'000	As at 30 Sep 19 £'000	As at 31 Mar 20 £'000
Record Currency – FTSE FRB10 Index Fund	**—**	479	—
Record – Currency Multi-Strategy Fund	**1,800**	2,242	2,191
Financial liabilities	**1,800**	2,721	2,191

There is no external investment in the Record Currency – Strategy Development Fund.

The financial liabilities relate only to the fair value of the external investors' holding in the seed funds, and should not be construed as debt.

7. Cash management

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

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

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

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

Assets managed as cash	**As at 30 Sep 20 £'000**	As at 30 Sep 19 £'000	As at 31 Mar 20 £'000
Bank deposits with maturities > 3 months	**11,246**	12,563	7,958
Treasury bills with maturities > 3 months	**1,245**	1,297	—
Money market instruments with maturities > 3 months	**12,491**	13,860	7,958
Cash	**6,334**	2,097	8,004
Bank deposits with maturities <= 3 months	**514**	7,479	6,290
Cash and cash equivalents	**6,848**	9,576	14,294
Total assets managed as cash	**19,339**	23,436	22,252

8. Cash flow from operating activities

	Unaudited Six months ended 30 Sep 20 £'000	Unaudited Six months ended 30 Sep 19 £'000	Audited Year ended 31 Mar 20 £'000
Operating profit	**2,573**	3,084	7,649
Adjustments for non-cash movements:			
Depreciation of property, plant and equipment	**144**	117	253
Depreciation of right-of-use assets	**246**	282	504
Amortisation of intangible assets	**83**	55	129
Share-based payments	**322**	(16)	286
Net release of shares previously held by EBT	**188**	225	452
Other non-cash movements	**(415)**	(275)	(710)
	3,141	3,472	8,563
Changes in working capital			
Decrease/(increase) in receivables	**1,421**	754	(1,281)
(Decrease)/increase in payables	**(588)**	37	618
Decrease/(increase) in derivative financial assets	**35**	31	(30)
(Decrease) in derivative financial liabilities	**—**	(51)	—
(Decrease)/increase in financial liabilities	**(612)**	102	72
Cash inflow from operating activities	**3,397**	4,345	7,942
Corporation taxes paid	**(756)**	(707)	(1,399)
Net cash inflow from operating activities after tax	**2,641**	3,638	6,543

9. Fair value measurement for derivative financial instruments

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

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

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

As at 30 September 2020	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss				
Impact bonds	2,365	2,365	—	—
Other securities	394	394	—	—
Forward foreign exchange contracts used for seed funds	41	—	41	—
Foreign exchange options used for seed funds	5	—	5	—
Forward foreign exchange contracts used for hedging	112	—	112	—
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for seed funds	(35)	—	(35)	—
	2,882	**2,759**	**123**	**—**

As at 31 March 2020	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss				
Impact bonds	2,472	2,472	—	—
Forward foreign exchange contracts used by seed funds	178	—	178	—
Foreign exchange options used by seed funds	15	—	15	—
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for hedging	(316)	—	(316)	—
Forward foreign exchange contracts used by seed funds	(294)	—	(294)	—
	2,055	**2,472**	**(417)**	**—**

As at 30 September 2019	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts used for seed funds	93	—	93	—
Options used for seed funds	9	—	—	9
Forward foreign exchange contracts used for hedging	30	—	30	—
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts used for seed funds	(22)	—	(22)	—
Forward foreign exchange contracts used for hedging	(36)	—	(36)	—
	74	**—**	**65**	**9**

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

Basis for classification of financial instruments within the fair value hierarchy

Forward foreign exchange contracts are classified as Level 2. The fair value of forward foreign exchange contracts is established using interpolation of observable market data rather than a quoted price.

Options are classified as Level 3. The fair value of an option is established using a Black-Scholes model.

10. Called-up share capital

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

	Unaudited as at 30 Sep 20		Unaudited as at 30 Sep 19		Audited as at 31 Mar 20	
	£'000	Number	£'000	Number	£'000	Number
Authorised						
Ordinary shares of 0.025 pence each	**100**	**400,000,000**	100	400,000,000	100	400,000,000
Called up, allotted and fully paid						
Ordinary shares of 0.025 pence each	**50**	**199,054,325**	50	199,054,325	50	199,054,325

Movement in Record plc shares held by the Record plc Employee Benefit Trust ("EBT")

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

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

	Number
Record plc shares held by EBT as at 31 March 2019	**2,986,036**
Net change in holding of own shares by EBT in period	(663,868)
Record plc shares held by EBT as at 30 September 2019	**2,322,168**
Net change in holding of own shares by EBT in period	897,219
Record plc shares held by EBT as at 31 March 2020	**3,219,387**
Net change in holding of own shares by EBT in period	3,071,133
Record plc shares held by EBT as at 30 September 2020	**6,290,520**

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

11. Non-controlling interest

From time to time, Record plc may make an investment in an entity where it is in a position to be able to control the entity by virtue of the size of its own holding plus those of any related party. Non-controlling interests occur when Record plc is not the only investor in the entity. The non-controlling interest is measured at cost plus the share of profit or loss of the third party investment in the entity.

Investment in Trade Record Ltd

On 22 March 2019, Record plc subscribed £40,000 for 40% of the ordinary share capital of Trade Record Ltd. In a second round of investment on 8 May 2019, Record plc invested a further £80,000, maintaining Record plc's 40% holding.

Record plc, in conjunction with two of its Directors as related parties, controls 80% of the ordinary share capital, giving the Company rights over variable returns and the power to affect returns. Therefore the Company has the ability to control Trade Record Ltd, which is consequently recognised as a subsidiary.

In accordance with IFRS 10, the financial results of Trade Record Ltd are consolidated on a line-by-line basis within the financial statements of the Group.

	Six months ended 30 Sep 20 £'000	Six months ended 30 Sep 19 £'000	Year ended 31 Mar 20 £'000
Non-controlling interest in Trade Record Ltd	**125**	152	132

12. Related parties

Related parties of the Group include key management personnel, close family members of key management personnel, subsidiaries, the EBT and the seed funds. There has been no change in related parties from those disclosed in the Annual Report 2020.

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

Key management personnel

The compensation given to key management personnel is as follows:

	Six months ended 30 Sep 20 £'000	Six months ended 30 Sep 19 £'000	Year ended 31 Mar 20 £'000
Short-term employee benefits	**2,809**	2,631	5,627
Post-employment benefits	**178**	120	242
Share-based payments	**389**	356	909
	3,376	3,107	6,778

The dividends paid to key management personnel in the six months ended 30 September 2020 totalled £1,598,335 (year ended 31 March 2020: £3,113,776; six months ended 30 September 2019: £1,914,884).

James Wood-Collins left the Board of Directors on 13 February 2020 and left the Group on 13 August 2020 after working his six-month notice period. Payments from 1 April to 13 August were £287,804. These payments comprise £121,507 salary, £343 medical benefits, £45,969 short term incentives (GPS cash), £22,985 short term incentive (GPS shares), and £97,000 for loss of office. No other payments were made to former Directors.

During the period, the Trustee of the Record plc EBT entered into a trading plan with the Company in connection with the launch of the JSOP, the new share-based incentive scheme. On 21 September 2020, the EBT acquired four million ordinary shares from Neil Record (Non-executive Chairman of the Company) at a market price of 37.30 pence per ordinary share, equating to a total consideration of £1,492,000.

13. Post reporting date events

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

Information for shareholders

Record plc

Record plc is a public limited company incorporated in the UK.

Registered in England and Wales
Company No. 1927640

Registered office

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

Principal UK trading subsidiaries

Record Currency Management Limited

Registered in England and Wales
Company No. 1710736

Record Group Services Limited

Registered in England and Wales
Company No. 1927639

Both principal UK trading subsidiaries are based in Windsor.

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

Dates for 2020 interim dividend

Ex-dividend date	3 December 2020
Record date	4 December 2020
Interim dividend payment date	31 December 2020

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Further information about the Registrar is available on their website: **www.linkassetservices.com**

AUME definition

The basis for measuring AUME differs for each product and is detailed below:

- Passive Hedging mandates – the aggregate nominal amount of passive hedges actually outstanding in respect of each client;
- Dynamic Hedging mandates – total amount of clients' investment portfolios denominated in liquid foreign currencies, and hence capable (under the terms of the relevant mandate) of being hedged;
- Currency for Return mandates – the maximum aggregate nominal amount of outstanding forward contracts for each client;
- Multi-product mandates – the chargeable mandate size for each client;
- Cash – the total set aside by clients and managed by Record.

Visit us online
www.recordcm.com

linkedin.com/company/record-currency-management/

twitter.com/RecordCurrency

Designed and produced by
lyonsbennett
www.lyonsbennett.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

This report is printed on Munken Lynx Smooth, an EU Ecolabel, EMAS, ISO-14001, FSC™ (FSC-C022692) and PEFC™ (PEFC/05-33-99) certified paper. Arctic Paper Munkedals AB is one of the most environmentally-friendly paper mills in the world and meets the requirements for FSC® Chain-of-Custody ("CoC") certification. FSC CoC certification assures that products sold with an FSC claim originate from well-managed forests, controlled sources, and/or reclaimed materials in their supply chain. It confirms that throughout the production process there is: respect for human rights, adherence to all local applicable timber legislation and no involvement in the destruction of high conservation areas. Arctic Paper Munkedals' Munkedal mill is committed to reducing its long-term environmental impact and has the lowest water consumption per kilogram of paper in the entire industry, whilst the company's energy usage is within or below the EU's Best Available Techniques.

Printed by CPI Colour, an FSC® and ISO 14001 accredited company.

recordcm.com

Record plc
Morgan House
Madeira Walk
Windsor
Berkshire SL4 1EP
T: +44 (0)1753 852 222
F: +44 (0)1753 852 224

marketing@recordcm.com
www.recordcm.com